

Kent.

71

February 10, 1913.

Dear Fred:

I read the memorandum of February 3rd about your Department with a good deal of interest -- so much interest, in fact, that I hope you will write me now and then and tell me just what is doing. I guess you realize that letter-writing, when on a vacation, comes a bit hard, but thanks to Jim Drake I am able to take a day or two each week and clean up mail, and I rotate through the Vice-Presidents, making one letter do the service of six.

I wish you would tell Dan and William that sentiment down here seems to be rather uncertain in regard to the outcome of things in Mexico. This last episode, if the newspaper reports are to be relied upon, indicates the possibility of a restoration of the Diaz regime, possibly with policies modified to meet changed conditions since the revolutionary element has had a whack at governmental management. On the whole, it may be a good thing, but men in this district who have an opportunity to observe things there at close range seem to think that some form of intervention or negotiation on the part of our Government is inevitable. It might be well to bear this in mind in connection with such interests as we have down there.

Also, please tell Dan that Pop wrote me in regard to his American Bank Note Company deal, giving the terms, which are certainly first-class. He ought to be able to turn some of those notes over at a handsome profit.

The last maturity report that Mr. Thorne sent me February 3rd shows:

July maturities	\$2,000,000,
August "	700,000,
September "	550,000,
October "	535,000.

I want to see these increased, even if we have to sell some of our notes. The only question is -- when to begin putting out money for that maturity -- and as to that, of course, I will have to rely upon your discretion. I hope you will take the first opportunity to submit a maturity statement to the Executive Committee and get their views.

Please give my best regards to all the boys.

Very truly yours,

S/B

February 17, 1913.

Dear Fred:

Thank you for your memorandum of the 11th, and the enclosed account of Judge Holt's decision in the bill-of-lading case. I felt a good deal of doubt about the outcome of that litigation, which is much increased by Judge Holt's decision. As you know, I have always agreed with you in your theory that a bill is purchased very largely -- and if not so purchased, it should be purchased -- upon the assurance of the standing and responsibility of the maker. Some time, ask Mr. Fay to send you the record of the case of the Clinton National Bank vs. the National Park Bank of New York, in which the Court of Appeals unanimously upheld the decision of the Appellate Division and in which I believe the law was established in New York State as to the method which prevails in making collateral loans. There may be something in that case which bears on this controversy. I hope you have a chance to go over the record with Mr. Guthrie and give him your own views.

Glad to learn that you made the turn on Sterling. If I am not mistaken, there is going to be a good deal of activity in foreign exchange this year, and I hope Dan so arranges our money that you can have all you can safely use in your Department. I would much rather do that than buy notes, as your funds are likely more available for use in the fall. I am also awaiting with a good deal of interest a telegram telling how last year's business made out in your Department. Send me a memorandum from time to time, as I read them with much interest.

With best regards, and hoping that you are not working too hard,

Sincerely yours,

S/N

February 20, 1913.

Mr. Fred I. Kent,
Bankers Trust Company,
New York, N. Y.

Dear Fred:

I have just received yours of the 15th, and now have the agreement and the rules covering the Pension Fund matter, which I will read over carefully tonight. Much obliged to you for sending it. Am looking forward to receiving the letter you mentioned, next week, and won't write you fully until I have it.

With kindest regards,

Sincerely yours,

S/B

February 26, 1913.

Dear Fred:

Your memorandum of the 19th is received, and I have read it with a great deal of interest. Glad to hear of the new Cuban business, all of which is in the right direction.

I am particularly delighted with the showing made by the Foreign Exchange Department this year, as I wired you. I share the feeling of the other members of our Executive Committee that this is all ground work and that there is a great future there for further expansion.

Sorry to hear about Glose's cold, and hope by this time he is around all right again.

There is nothing in the yellow journal accounts of the Pension Fund that disturbs me in the slightest. We are simply giving some regard to our responsibility toward the man in the office, and in the long run the Company and the men will be benefited by our policy.

The last forty eight hours we have had a record rain fall in this district, which has been received with great rejoicing, because it was much needed. We all keep well and are still enjoying a restful and quiet holiday.

With best regards to the boys,

Sincerely yours,

S/B

March 3, 1913.

My dear Fred:

A few busy days have caused mail to accumulate, and I now have yours of the 21st and 24th, with enclosures.

In regard to the Foreign Department, I am more than satisfied with the results, and February is a good month to turn the profits into the Company. This year will be better than the last, and so on, until we have our full share of the business.

Don't hesitate to urge upon Dan the necessity of making provision for purchases of bills next fall. There are ~~two~~ reasons for this. In the first place, I believe that after the experience of last fall, some of our competitors will be chary about making anticipatory commitments and we will have a fairly open market, which is what we want. In the second place, I believe we will be able to purchase bills next fall at profitable rates, if we have the money to use in that direction. In the third place, I would like to see the Bankers Trust Company, by November if possible, in position to import gold, if the exchange is in our favor. There is no need of going over the ground with you, when you are so familiar with it, but I put great store upon the value of these foreign bills when money rates here are high.

About the Pension Fund, I am delighted with the statements enclosed with yours of the 24th. The investments are all right, of course, but the practically unanimous adoption of the plan by the Company's employes is the best endorsement of its wisdom. None of them will ever regret it, nor will the Company regret permitting us to undertake the plan. We all owe much thanks to you.

With best wishes to all of you,

Sincerely yours,

S/B

March 10, 1913.

My dear Fred:

I enjoyed your letter of the 28th very much indeed and have also read Lamont's letter with much interest, as you may imagine. It's the best thing that has yet been published and I am glad to note by the papers that it is being given wide publicity. I have heard favorable comment about it out here already and that is doubtless true in many other parts of the country.

When this reaches you, won't you write me fully what you think of the foreign situation. The newspapers here are giving rather pessimistic accounts of the situation in France and Germany. I would like to know what you hear on the subject. I presume you are keeping tab on the Acceptance Houses against next fall's foreign bills. If any real difficulty develops on the other side, we may need to use caution.

Commenting on what you say about Sulzer, I haven't seen any of the new bills introduced except the one increasing the stamp tax on stock transfers. If there is anything very important, would you mind letting me know what the bills are. Possibly you will send them on.

Am glad you didn't take any interest in the German-Prussian loan. There is nothing in it at the rate named, and we can use our money to better advantage at home. I am still of the opinion that if the money market is obliged to undergo a test this year, it will be in the early fall rather than this spring, although I see in New York that rates are hardening every day. The

The comparative figures for your Department for this year and last make an excellent showing. For the amount of money employed, it is the most profitable in the office.

With best regards to all the boys, and the same to yourself,

Yours very truly,

S/B

To: Mr. F. I. Kent,
Bankers Trust Company,
New York, N. Y.

104

March 18, 1913.

Dear Fred:

Thanks for your fine letter of the 10th. I can see no objection to the plan regarding Mr. Bolles, so long as it does not alter the existing plan of having two officers of the Company always present when each interior safe is opened. As to Mr. Bolles' selection in preference to some other man, I feel sure you have made thorough investigation and are satisfied that he is the best.

In regard to the Williamson matter, this is simply one of many evidences of the state of feeling throughout the country and is one of the things that has made me feel anxious in regard to what may happen in the fall if the financial situation in Europe does not ease up prior to that time. We don't want such a prejudice to crystallize at a time when there is a severe money stringency in New York. It is on that account that I feel just as well satisfied to see Congress go ahead with tariff legislation rather than undertake some currency legislation while the public feeling is as we now realize it to be.

I have watched the local papers here in regard to the German situation with great interest, but the accounts are meagre and unsatisfactory. If you have time, write me fully. If it develops much more seriously, don't hesitate to send me a night letter. Bad news is always bad as none at all.

I don't believe that the policy followed by the First National of Omaha is at all general throughout the country, but our banking system, as you know, is such that a small minority of timid, selfish bankers can take a position that will immensely weaken the whole fabric and handicap the efforts of the majority of more public-spirited bankers who want to use their money when it is most in demand.

When you get a letter from Holden and Schmidt, send it on to me. I would like to read it.

Am glad to hear that you are going to Washington with Warner, and particularly that you feel easy enough about things to make the trip.

Your letter to Williamson hit the nail on the head and I was glad to have you send it to him.

Mr. Hellman, Vice-President of the Security Trust & Savings Bank, will be in New York by the time this letter reaches you, probably making his headquarters at the Chase. Please be sure ^{and arrange to} entertain him, also fix him up with letters of introduction to such bankers ^{as will be} convenient to his trip abroad. I am anxious that he should receive some attention from us while in New York.

With best regards to you and the other boys,

Faithfully yours,

March 27, 1913.

Dear Fred:

I enjoyed your letter of March 19th exceedingly and await with interest replies to your letters to Sir Edward Holden and Hugo Schmidt.

Much that you say about the foreign situation appeals to me very strongly. If pressure for money from the other side continues as at present for very much longer, I expect to see the Balkan dispute settled once and for all. On the other hand, if it is settled through the efforts of the financial people, I am still doubtful, as you are, as to whether it will produce much money to the banks until some months have elapsed. Suspicions of complications growing out of the final adjustment of boundaries will last for a good while, and furthermore I don't see how such negotiations can be concluded very promptly, even though Adrianople is now in the hands of the allies.

You have doubtless been as much amused as I have by the first efforts of the new administration in the matter of our foreign policy, and when you come to think it over, it is hard to imagine a series of more assinine blunders than those already made by the administration. They may be summed up briefly in Bryan's telegram to Wilson, our Mexican ambassador; Mr. Wilson's notification of our policy toward Mexico, conveyed through the American press; Wilson and Bryan's face-about on the Chinese loan, as a result of which they will go down in history as reactionaries; and not least of the blunders, Mr. Bryan's typical speech in regard to Irish home rule and the "effete House of Lords." So far, the new Democratic administration has lived up to its prophesied inefficiency.

It has struck me that this is a good time to pile up some credits on the other side for our travelers' cheque payments, and I am glad to see by your letter that you are working in that direction. As stated in a former letter, I am most anxious that our maturities this fall will be sufficient to enable you to have a pretty free hand in buying exchange when the cotton and commodity bills come into the market.

You probably will not hear from me for about a week, as I am going to San Francisco tomorrow and will not be back until next Thursday.

My best regards to all the boys and yourself.

Sincerely yours,

S/B

Mr. F. I. Kent,
Bankers Trust Co.,
New York, N. Y.

April 15, 1913.

Dear Fred:

Just a line, acknowledging yours of the 4th. I am writing Dan fully today and have quite an accumulation of mail, and am leaving tonight for a trip to Stockton.

Sir Edward Holden's letter is certainly very interesting, though rather pessimistic.

Matters have brightened up since he wrote it. I am returning the letter herein.

With best regards to you all,

Yours sincerely,

s/B

April 8, 1913.

My dear Fred:

I have read your letters of the 24th and 29th ult., with great interest. My reply has been delayed by absence in San Francisco.

It's a fact that some of the banks in the West have been pretty well loaned up, in fact, drawing on their reserves. On the other hand, there is another class of banks in the West that have been accumulating reserve that they don't need. I found that was true in a few instances in San Francisco. Business out here is still very active but you hear a good deal of pessimistic talk about the effect of the tariff on California's agricultural products. It lets the bars down all along the line.

In regard to the physical examination of applicants for positions with the Trust Company, I believe we could even go further than suggested in your letter, and leave the decision as to physical fitness with the examining physician, without any details being reported to us at all. It would be just as safe for the Trust Company and would relieve us of every responsibility. Furthermore, a standard could be established with the doctor which would give him little discretion in passing upon applicants. I will talk this over with the doctor on my return and make sure that we have an understanding.

I am afraid later in the year we are going to feel the effects of the losses by flood, fire and tornado. It won't be apparent at once, but when the demand for accommodations from that district develops, it is going to take a lot of money, or at least a lot of bank credits to see them through. I

I congratulate you on the figures for last year. The growth is splendid, and yet no more than I expected. It will be that or better this year.

By separate letter I am writing Mr. Converse, suggesting that we create the office of Poet Laureate in the Trust Company and that you be appointed to fill the office.

What you write in yours of the 29th regarding the handling of bonds in the Trust Department is all news to me. I am sure Mr. Close is alive to the necessity of changing the system. Keep at him if it is necessary, but I prophesy that it won't be.

Your telegram to Sir Edward Holden was exactly right. The finest thing Mr. Morgan did in his later years was to reorganize his office and take in our three associates. The effect of it has already been shown.

Between now and the 28th, when I expect to be at the office, put in plenty

F. I. K.

Apr. 8, 1913.

of time on your golf. You will need it, as I am this year going to have some good matches with you, both on your course and my own.

With best regards to all the boys and much for yourself,

Sincerely yours,

S/B

Mr. F. I. Kent,
Bankers Trust Co.,
New York, N. Y.

71

August 8, 1914.

My dear Fred,

It is Saturday afternoon, and this is the first opportunity I have had to send you a line by mail. Our correspondence by cable, while unsatisfactory, has been fairly complete.

In the first place, I cannot express my delight and relief that you and North both escaped from the Continent and are in London on the job. The next thing most in my mind is to tell you that the whole country over here has heaved a sigh of relief in the feeling that good progress is being made in taking care of American travelers abroad, and I think many of them realize that it is due to your untiring energy and ability. It would be futile to endeavor to express all that is in my mind in a letter. I must save that for your return when we can talk it all over; but I have about half an hour in which to send you a personal account of occurrences here, so that by the time this letter reaches you, you may have some satisfaction in knowing a little of the facts on this side.

The trouble here began to brew about the 27th or 28th of July. Gold began to go out in astonishing quantities, exchange soared to the skies, and the war news looked very bad. You were beyond reach of cables, and I was unable to make arrangements in time to dispose of those roubles, nor could we determine whether to buy cable transfers at prohibitive figures to cover credits, or to take the risk of its all blowing over. Nobody in this country really believed that war would occur.

By Wednesday, the 26th, things looked so serious that we began to cable London and Hamburg to try and reach you, and on the 27th it was necessary to decide to close the Stock Exchange, which didn't open on Friday, the 28th. Saturday was a day of comparative calm, but, as you know, we were still unable to get word from you and I was a good deal at sea as to what we were to do about our credits, and was beginning to feel very grave concern for American travelers abroad. Davison and I talked it over seriously, and the Clearing House people were engaged in conferences in regard to the local banking situation; so on Sunday the whole party rounded up at the Metropolitan Club,—that is to say, the Clearing House Committee and about a dozen other bankers. We decided to issue Clearing House certificates Monday morning and arranged for the Secretary of the Treasury to come over and meet us that evening. We were together until midnight at the Vanderbilt Hotel, and at that meeting I was asked to make a statement in regard to the situation of foreign travelers abroad as to getting cash on their travelers' credits. (You will recall the discussions we held in Washington and here on this subject of these very credits in the event of a great foreign war). The subject was much in my mind, so I gave it to them pretty strong that the Government would have to intervene and arrange for credits if the crisis arose, as it had in effect already arisen, or our people would be stranded. The matter was left that way, with the understanding that I

would communicate with Washington as developments arose. Monday morning I received your first cable from London, also a cable from Billy Porter, sent me by Morgan's people, which confirmed my worst fears; so, as a preliminary to going to Washington that afternoon, I called up ten of the principal banks, trust companies and bankers, of whom you have now been advised, asking each to pledge as much as they could in gold for me to use in arranging credits. Nobody knew just how it would work out, but they came forward handsomely, and before going to Washington I had assurances that would produce \$6,000,000, \$8,000,000, or even \$10,000,000 if it had ultimately been needed. In Washington that night I met Secretary Bryan, Secretary McAdoo, Mr. Lansing, solicitor of the State Department, and Dr. Miller, of the Federal Reserve Board, taking with me Mr. Harrison, attorney of the American Express Company. In the meantime, we had decided to discontinue sales of travelers cheques, and made an agreement with the American Express Company, reduced to writing, which protected us against having those checks used for foreign exchange; so we discontinued sales absolutely.

At the conference in Washington I told them that we had \$700,000 gold on the St. Louis, which I thought could be released to your disposal, and if the American Ambassador needed a relief fund, I would endeavor to have it, or part of it, placed at his disposal. This was to have something to work with, pending more complete arrangements. When I got back to New York Tuesday morning the crisis was right on us in both banking and foreign exchange. There was no market for foreign exchange; cable transfers were selling at \$7. per pound, demand was hardly quoted, possibly at \$6.50 for very small amounts, and it was in fact a complete shutdown in foreign exchange the world over. At the Washington conference they had tentatively agreed to send a warship over with gold, and they had also agreed to ask Congress for an additional appropriation of \$3,000,000, \$250,000. having been appropriated that day. Of course, that was inadequate. The next day I got word that Congress had appropriated \$2,500,000, that the cruiser "Tennessee" would be prepared for the trip, and that we would be permitted to send men with her to help you and escort the gold. From that time until Thursday night, when the gold was shipped, we had such a scramble as I never have experienced. The details of getting the money in, with nobody really understanding how it was to be held except ourselves, the details of the arrangements to be made with the Departments in Washington about the vessel, the shipment, authorities, etc., and the difficulty of arranging any insurance at all, which finally I got arranged by asking Mr. Chubb to get all the underwriters together and make a patriotic appeal to them, - do not need any enlargement in this letter. The chief thing is that the gold got off safely Thursday night, together with some men to handle it, and you will understand that \$500,000 of that gold is to be applied to reimbursing you for a like advance to the American Ambassador, in case it was arranged, as I imagine it was. Your last cable, received today, advising that everything is satisfactory except that credit, which had not been confirmed to the Ambassador, resulted in my having a talk with Secretary Bryan by telephone, and he now tells me that the cable has been sent to Ambassador Page. I may say that when this situation was pretty well developed and we saw what we were up against, I had the Telephone Company set aside a private wire, putting an instrument on my desk and one in a room adjoining Secretary Bryan's room in Washington, and I had Mr. Harrison, together with Mr. Olds of White & Case, stay right there, with a stenographer, and our correspondence with Washington has been conducted over that wire.

The papers containing detailed record of the proceedings of the committee, instructions to you, - in fact, the whole layout, - have not even yet been completed. I would like to enclose them in this letter, but it is impossible to do so until next week. The chief thing is that the gold got off, after overcoming what seemed to be insurmountable difficulties, and now seems to be available in London.

I have been making every effort to complete similar arrangements at other points on the Continent, so far without much success. The people at Washington

don't seem to appreciate the situation or to understand the transaction; so I am not as confident of being able to carry out the plan there as here.

I ought to explain that while this plan was under way here, Mr. Morgan was busily engaged in trying to effect arrangements through his Paris office for a credit at the Bank of France, against the deposit of gold here, and he tried to make a similar arrangement with the Bank of England. The Paris arrangement was concluded just before our gold was shipped, so, instead of shipping \$5,117,000, which was all ready to go, we reduced the shipment to \$3,000,000, the balance being held here, with other gold since arranged, to cover the credit of \$3,000,000. in Paris, which is now being disbursed by Morgan, Harjes & Co. and the American Express Company.

I feel very anxious about how things are in Germany and Austria particularly. All cables to Germany and Austria have ceased, and it may be by Monday that I will take up with you by cable the same plan for getting relief in there. We have been terribly embarrassed by delay in the cables.

I must interrupt this dictation to tell you that I have just been talking over my own telephone with the Secretary of State, who has repeated the following cables received from our Ambassador in Switzerland:

"If National City Bank, New York, will cable credit of \$10,000 gold tomorrow and \$90,000 gold Saturday, \$100,000 total, to Nationale Banque Suisse, Zurich, immediate, I think relief American travelers in Switzerland will be effected."

"Drafts will only be cashed when secured by deposit of gold coin in National City Bank, New York, for credit of Banque Nationale Suisse. This information is from the Swiss Government. Think Department does not appreciate seriousness of financial conditions here. Even drafts for salaries of legation officers are absolutely refused."

Of course, this is confidential. It is too late to make any arrangement with the National City Bank today, so I am trying to jump another hurdle by inducing Secretary Bryan to cable the Nationale Banque Suisse, asking if they will not cash these drafts against a deposit of gold made with us. Have talked at considerable length with another representative of the State Department, but find that nothing can be done today; so must let this lay over until Monday.

Here, Mr. Strong was obliged to drop the 'phone and run to catch the 5.14 for Greenwich. The second edition of this letter will therefore follow next week. He began dictation shortly after three, intending to give you a full account of affairs, and get home on the 4.22 train; but so much time was consumed with Washington that he waited over another train, and then all but missed that. I think I am finishing this up, just as he would wish, by sending you the regards and love of the entire crowd here, and the hope that we may see you before a very great while.

Sincerely,

Cablegram received by State Department, Washington, from our
Ambassador in Switzerland.

If National City Bank, New York, will cable credit of \$10,000
gold tomorrow and \$90,000 gold Saturday, \$100,000 total, to Nationale Banque
Suisse, Zurich, immediate, I think relief American travelers in Switzerland
will be effected.

Drafts will only be cashed when secured by deposit of gold coin
in National City Bank, New York, for credit of Banque Nationale Suisse. This
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seriousness of financial conditions here. Even drafts for salaries of legation
officers are absolutely refused.

(Above received by telephone from Secretary of State Bryan, Satur-
day afternoon, August 8, 4.30 p.m.)

CABLEGRAMS EXCHANGED

BETWEEN

BENJAMIN STRONG, JR. AND FRED I. KENT

[Aug 2 - Aug 29, 1914]

[1914]

August 2: Cablegram from Fred I. Kent.

Have called meeting Americans four o'clock Monday. Telephone Washington to authorize Ambassador by cable co-operate with me protect Americans here and on Continent far as possible. Tell Washington American banker here who knows business can operate most effectively with Ambassador; think plan very important; have scheme developed that will meet this serious situation as effectively as possible. Anxiety many here terrible, haste necessary.

August 3: Cablegram to Fred I. Kent.

[Kent] Secretary McAdoo and State Department will co-operate, and Ambassadors London, Paris, Berlin being advised you and Duane abroad and requested to co-operate your efforts. Believe can arrange ship gold by American warship for benefit travelers if arrangements for distribution against responsible American travelers' credits possible. Suggest cable me explicit instructions regarding shipments gold, how much required, amount transport necessary to bring Americans home and method reaching those marooned on continent without funds. Cable with explicit suggestions on all points will enable me hasten arrangements. State Department advises will endeavor to arrange for acceptance our Travelers' Cheques by Embassy. Would such plan be feasible and could Embassy furnish funds London, Paris, Berlin?

August 3: Cablegram to Fred I. Kent.

Conference State and Treasury Departments. Arrangements under way for shipment gold by Government vessel at once, to be placed at direction of special fiscal agents to be appointed and operate in connection with our Embassies abroad. Arrangements in process for ships to bring travelers home. Vitally important to have following information at once. How much gold required for travelers' credits and for any without credits or money? To what places should money be sent? How many travelers to bring home? Can London arrange with Paris, Berlin and other points? What are your suggestions about Continental fiscal agents, particularly Berlin? Can you take general charge from London? Should we send Americans to assist? Cable particulars in fullest detail.

August 4: Cablegram from Fred I. Kent.

Held meeting to-day two thousand Americans; formed fine organization; battleships with gold and transports should start immediately for England. Before arrival will be prepared divert to Continent their requirements both money and transports. Unwise forward direct continent, conditions too dangerous and worse daily. Upon receipt definite instruction gold and transports started, can arrange English banks for funds to cash credits traveler Continent and get them to England where advisable. Haste imperative; many Americans in frightful condition on continent. If Government will give me authority and will forward ships and money, can begin immediate work every country with organization I have back of me while awaiting arrival. Have Congress appropriate three hundred thousand dollars that I can use at once to get

Americans in distress while boats on way. Will act with Ambassadors each country, but must have power. Transport for twenty thousand people probably needed and five million gold. Aside from appropriation, money furnished by Government would only be used to take up credits. Embassys not proper places handle money; can arrange with banks for space under American flag and control. Rush.

August 4: Cablegram to Fred I. Kent.

Cable at once suggestion of institution or individual to be appointed Government fiscal agent Berlin, Austria and other countries affected. Awaiting word from Washington about special government fund. Hope to get five million gold off to-night.

August 4: Cablegram to Fred I. Kent.

Cruiser Tennessee sailing Brooklyn Navy Yard Wednesday night. Will advise amount of gold shipped later, probably five millions. At Government's request, sending staff of men with shipment. Cable name of consignee and port of delivery at once. Arrange with Government for safe delivery and protection of shipment.

August 4: Cablegram to Fred I. Kent.

Plan contemplates using Morgan Grenfell, Brown Shipley, Guaranty Trust Company, London, Morgan Harjes, American Express, Paris, as special redemption agents, if possible, by Government appointment, otherwise in behalf of New York bankers. Absolutely necessary you cable at once that money will be sparingly and impartially used for all American Letters Credit and Travelers' Cheques and not for special reimbursement any interested institutions or firms, and those appointed to disburse will carefully scrutinize goodness of credits.

August 5: Cablegram from Fred I. Kent.

Cable received. Consign gold to Bankers Trust Company of New York, care London City and Midland Bank, London. Will advise port of delivery soon as British Admiralty opens in morning. Arranging protection shipment. Have Government send three hundred thousand dollars that I can also use immediately to get Americans on Continent and care for special cases here. Wish to charter vessel and send under American flag to take Americans now stranded and suffering at many Continental ports. This must be done at once by someone who can act with authority in every country without awaiting telegraphic instructions from any one. Am positively prepared to do work with proper credentials, which should be forwarded at once by cable through the Ambassador and direct. All vessels should be coaled and victualed for roundtrip.

August 5: Cablegram to Fred I. Kent.

Congress has appropriated two million five hundred thousand dollars for relief Americans abroad. Am advised State Department cabling Ambassador Page to arrange for expenditure three hundred thousand at once, and authorizing co-operation with

you. Confer with him, as he has detailed instructions. Arrangements for shipment five million dollars gold by New York bankers nearing completion. Hope to send final advice of shipment with five responsible bank men on Government vessel to-morrow. Full instructions regarding delivery and use of money will be cabled. Matter being handled by committee of bankers, who are doing everything in their power. Cable me to-night particulars of situation in London and what possibilities of reaching people on continent.

August 5: Cablegram from Fred I. Kent.

Cablegram received. Scheme outlined wont work. We must anticipate arrival gold by honoring all good credits here against its arrival, which banks will hold as collateral until gold received. Cash payment fifty dollars being made Association cheques. Would do same with all good credits with Government or general bank shipments. Hotels here doing wonders in advancing credit, but reached limit. We must get committee bankers here to assure hotels that credits honored by them will be paid according London methods when decided upon. Such credits only used for board. It is my idea that we should have every London banker on whom credits are drawn make out drafts in regular manner, but order of hotels desired for settlement bills. That the banker should certify such cheques and that the hotels would be assured they could deposit them. This will divide work among banks properly, and prevent distribution cash for hoarding, and at same time allow payment cash in small amounts. Government gold would only be held pending ultimate collection good credits, and government would receive certified paper referred to as collateral from banks in meantime.

August 7: Cablegram to Fred I. Kent.

Personally delivered three million dollars in gold in double eagles to United States Assistant Treasurer on Tennessee to-night for relief American holders Travelers' Cheques and credits, and she has sailed destination English port to be advised to you later; all insured without war risk. Gold accompanied by John P. Grier, Henry W. Lewis, Arthur R. Jones, Eliot Tuckerman and Harvey D. Gibson, as accredited agents of New York Committee, with written instructions for delivery by them to London City and Midland Bank on delivery of gold to them in England by United States Government. Committee sending written instructions in duplicate London City and Midland, London, to place gold at disposal of your London committee, increased by adding representatives nominated by Morgan Grenfell, Brown Shipley, Baring Brothers, Guaranty Trust Company of New York, London, American Express, also Henry King Smith, representing Farmers Loan, and L. M. Jacobs, representing National City, all in London, with yourself representing Bankers Trust. These appointments are official and necessary. Reimbursement of drafts against travelers' credits is to be in New York funds in New York at four ninty, plus interest and all expenses when ascertained, and a clause to that effect to be endorsed on draft. Reimbursement in New

York of Travelers' Cheques is to be made at their face. Payments to be made exclusively to holders Travelers' Cheques and credits after verification in usual way. All cheques and drafts are to be cashed in Sterling under directions London committee. Cheques and drafts are to be forwarded Bankers Trust Company for collection and reimbursement. Endeavor to secure advance at once against gold in transit for such amount as you will require before arrival. New York committee recommends moderate advance to each applicant. Committee's only protection for repayment of advance is through collection of New York drafts and cheques cashed in London. Committee is advised Morgan is arranging to deposit three to six million gold for credit Bank of France, to be immediately disbursed Paris for similar purpose there. Particulars will be cabled you shortly, so that London committee may co-operate with Morgan Harjes. Necessity for depositing balance of gold here to establish Paris credit reduced London shipment to three million dollars from amount originally advised. Understand Government shipment on Tennessee one million five hundred thousand, regarding which co-operate with Government officials in charge. Have endeavored to conform near as possible to suggestions your latest cable.

August 7: Cablegram to Fred I. Kent.

Government shipping million half gold on Tennessee; understand will be disbursed in co-operation with your committee by officers in charge. This includes the three hundred thousand made available to Ambassador Page by State Department. Wire me if further instructions on that matter are required.

August 8: Cablegram from Fred I. Kent.

Cablegram received; understand instructions perfectly; greatly delighted. State Department has not yet replied Ambassador's request authority to pledge Government credit to make three hundred thousand immediately available. All arrangements completed, only awaiting such reply. Both banks and hotels greatly relieved because gold coming. Vessels needed transport twenty thousand people should start immediately. Calling London committee together to-morrow.

August 8: Cablegram to Fred I. Kent.

Secretary of Treasury telephones me Ambassador Page is asked for guarantee that three hundred thousand gold will be returned in thirty days before advances on that credit can be made. Can you not arrange to meet this requirement by using three hundred thousand our Saint Louis shipment, getting reimbursement from million and half shipped for Government's account on Tennessee? Cable me fully, as I will have to arrange for instructions to be cabled to those in charge Tennessee shipment to make payment on arrival. Can you suggest any arrangement for opening credits in Germany, Austria and other countries by deposits gold here, using machinery of Government for giving necessary assurances as to credit?

- August 9: Cablegram from Fred I. Kent.
I was appointed Chairman Red Cross Committee to-day, and shall try and send parties for Americans where necessary and possible, using appropriation Congress which Ambassador has authorized the American Consul General and myself to disburse as special committee.
- August 10: Cablegram from Fred I. Kent.
Can possibly deposit with Bank England, account Swiss National Bank, twenty thousand pounds to protect American credits in Switzerland; further amounts as needed. London committee want definite instructions such use funds arriving is intended. Some members committee think gold earmarked and unavailable except special houses - instruct. Cablegram received, three hundred thousand appropriation now in order. Impossible communicate with countries mentioned; am working with Red Cross Committee trying to find way to get funds to Americans and Embassies.
- August 10: Cablegram to Fred I. Kent.
Replying deferred message, you understand the three million dollars gold shipped London City for your committee to be used entirely cashing Travelers' Cheques and credits. The fifteen hundred thousand dollars by Government to be used first to reimburse three hundred thousand dollars advance arranged by you, second, for general relief work under instructions sent State Department to Ambassador. His instructions specify form of receipt to take and that fund can be used for travelers whose credits are exhausted, and obviate necessity of cable transfer suggested. Three million gold shipped by Tennessee intended as fund to take up drafts drawn against any responsible Travelers' Cheques and credits, and was not earmarked for use of special houses. Government is depositing to-day fifty thousand dollars with National City Bank, New York, for credit Banque Nationale Suisse, and American Legation at Berne, Switzerland, notified to this effect and instructed to use money for relief and protection American citizens, taking signed receipts or securing reimbursement of advances by assignment Letters of Credit and Travelers' Cheques. You are best judge whether this will take care Swiss situation.
- August 11: Cablegram from Fred I. Kent.
London committee arranged through Rueff, of Swiss Bank, distribution twenty thousand pounds Switzerland take up American credits. Committee arranged twenty thousand pounds for Italy, five for Spain, more as required. Also investigating needs Scandinavia. Every effort reach Americans other points blocked, but still trying.
- August 12: Cablegram to Fred I. Kent.
Refer our message August seventh beginning with word personally, insert between the words destination and English the following: Falmouth, England. Confer with Ambassador Page, and treat as strictly confidential. Please cable understood.

- August 13: Cablegram from Fred I. Kent.
Cablegram concerning steamer Tennessee received, fully noted and matter has attention.
- August 13: Cablegram from Fred I. Kent.
Only method dealing with Switzerland was to deposit here twenty thousand pounds with Swiss Bankverein, which was done yesterday. Do you authorize committee deposit ten thousand pounds each with Credito Italiano and Banca Commerciale Italiana, London, for Americans in Italy? This is only method doing this business, but of course in making such deposits under present circumstances there is considerable risk, as it involves giving credit to these banks, besides the probability of loss in transmission of the paid documents and details, thus making the statement alone of these banks the basis of debiting their payments. Please cable immediately that your committee wishes to take all responsibility for these deposits, and whether the London committee are authorized to deal with other countries, Scandinavia and Spain, by similar deposits.
- August 15: Cablegram to Fred I. Kent.
State and Treasury Departments agree to facilitate opening special credits in continental cities for paying Travelers' Cheques and credits by authorizing Ambassadors or Consuls to give Government guaranty to local banks for amounts needed. This plan will simplify accounting, and enable dealing with London agencies of foreign banks. Government requires that against credits so arranged, an equivalent amount of gold out of three million dollar Tennessee shipment shall be set aside at once under control Ambassador Page, London. London committee to appoint disbursing agents in each city and give directions for method of handling, or in case Government agencies employed, such directions to be given by Ambassador Page, London. Accounts of disbursements with Travelers' Cheques and drafts to be rendered Ambassador Page and London committee, and paid out of gold reserved for that purpose. State Department will also authorize similar guarantees through embassies and consuls for relief destitute cases, to be covered by gold in London out of Government shipment in similar manner, of which separate account should be rendered. Out of three million shipment, please arrange following credits, unless otherwise provided for. Ambassador Thomas Nelson Page, Rome, will guarantee Bank of Italy for one million Lire to be advanced to Ambassador for disbursement through American Express or Cooks for Travelers' Cheques and credits only. Suggest you cable him particulars of credits already arranged by you, and information regarding methods and accounting; he has already negotiated fifteen thousand dollars draft with Banca Commerciale Italiana for destitute cases only, and desires that amount reimbursed through London branch out of Government consignment on Tennessee. White Star Line, Liverpool, cable situation serious Naples, and request Government undertake to ship Banca Commerciale Italiana one hundred twenty-five thousand dollars gold for relief travelers. Steamship company's New York office cabling to Liverpool to get in touch with you

and arrange immediate credit London, you to appoint disbursing agent Naples and give instructions also for Travelers' Cheques and credits. If funds required in this case for relief of destitute, amount should be arranged direct from London and covered out of Government shipment. State Department now authorizing following credits opened to be guaranteed by Government and confirmed by State Department directly to Ambassadors or Consuls to points named, to be used for relief destitute only. American Embassy, Madrid, five thousand dollars; American Legation, Stockholm, one thousand dollars; American Legation, Copenhagen, one thousand dollars; American Consul General, Lisbon, through Muller, Schall and Company, with reimbursement here, two thousand dollars. As these will be applied to destitute cases, suggest you communicate directly with these officers and ascertain if further credits required for cashing Travelers' Cheques, and will arrange for Government guaranty at once under above plan for these and other cities. State Department reports embassies and consulates can get money in Russia, except Warsaw; can you handle that and other Russian points by using our Roubles for reimbursement out of Tennessee shipment? Above plan contemplates opening local credits under Government guarantee through Embassies for disbursement on Travelers' Cheques and for destitute cases, the amount used for Travelers' Cheques to be secured out of three million bankers shipment, and the amount disbursed for destitute cases and Embassy expenses out of Government shipment, the accounting for all Travelers' Cheques and Letters of Credit made to London committee and settlement effected there. This plan approved by State and Treasury Departments. Please cable at once whether you understand and can carry out plan, asking Ambassador to facilitate prompt transmission. Refer your cable beginning only method. Swiss deposit approved. Plan above suggested avoids risking deposits and only care required to safeguard paid documents. Suggest these be handled through Embassies. Try arrange other credits same plan.

August 16: Cablegram from Fred I. Kent.

Meeting cruiser Tennessee personally to-morrow. Have advised Gibson by telegram. If Cunard put on ships, will relieve congestion here, but thousands on continent will need transportation.

August 17: Cablegram to Fred I. Kent.

State Department communicating Ambassador Page large number private payments to be made abroad, including many in Switzerland, which Banque Nationale Suisse now agrees to make in Switzerland only upon receipt direct cable instructions from United States Treasury Department. This involves duplication very expensive cable instructions, and State Department would appreciate your conferring with Ambassador Page and endeavoring to arrange other method, if possible. Please answer promptly.

August 18: Cablegram from Fred I. Kent.

Tennessee gold in Bank England. Cablegrams received; can arrange Swiss payments and some consular payments mentioned if Breckenridge will release gold when he returns from France

Sunday. He refused gold for English payments for moneys deposited with Washington Government. London committee feels Government guarantee suggested wont help every situation, as refusals of banks to pay due moratoriums and lack cash, not doubt of credits. Committee suggests little wider authority meet conditions each country as necessary, but will act far as possible as outlined by you. Transfer million Lire to Italy completed.

- August 19: Cablegram to Fred I. Kent.
Your cablegram beginning word "Tennessee" received. We have conferred with Washington, and hope necessary instructions will be given. Cable specifically anything additional required.
- August 20: Cablegram to Fred I. Kent.
Confer at once with Ambassador Page, London, in regard to appointing Travelers' Credits disbursing agents in Rome; Washington authorities are cabling Ambassador also confer with you.
- August 25: Cablegram to Fred I. Kent.
Bankers committee desire report disbursements of gold fund, and from what date disbursements were made. Think all items should be sent forward promptly for collection.
- August 26: Cablegram to Fred I. Kent.
Committee want full detailed information regarding manner and procedure of disbursements made by London committee, and how advances arranged prior arrival gold are being covered; also, are vouchers surrendered to London committee against payments from gold fund and sent here, or being held by London committee to be forwarded later. Please mail for benefit committee itemized statement of all disbursements and cable brief summary.
- August 28: Cablegram from Fred I. Kent.
Total deposits and guarantees to date in respect of continental Europe eighty-five thousand pounds. Original plan outlined by you not considered practicable for London. Except on bank holidays and the fact that in some institutions credits have been cashed for limited amounts, bankers here have never ceased paying travelers' drafts in usual way, leaving question of reimbursement till later. To meet this situation and to avoid gold lying idle, our suggestion now is to distribute on account disbursements already made say two hundred thousand pounds among London correspondents of American contributors, distribution being pro rata to amounts subscribed your side. If you approve, advise specific Sterling amount to be paid each correspondent for account of each contributor. Expect unused balance of shipment certainly more than sufficient take care remaining needs Continent. Will propose further distribution account London disbursements when position clearer. Complete documents for continental disbursements cannot be received for some weeks. First batch from Switzerland just arrived. London bankers will not deliver documents or vouchers to London committee, but will continue dispose of them according to usual practice.

August 29: Cablegram to Fred I. Kent.
Your message received. Having committee's attention, and will
cable early next week.

MEMORANDA

For
Mr. Forbes.

Aug. 20, 1914.

DEPARTMENT

Please get a copy of the Federal Reserve Act and note on it,
in red ink, any changes that are made by this pending bill for me to
look at.

B.S., Jr.

A

71

October 6, 1914.

Dear Fred,

I am writing you in my personal capacity, no longer President of the Bankers Trust Company, for I resigned today and my resignation was accepted. Seward Prosser has been elected President. The plan is one which I am sure will meet with the hearty approval of every man in the organization. It meets every situation and difficulty which might arise, but which will not arise, and furnish all of you with a captain who is full of enthusiasm and is really one of the family. It isn't going to be possible for me in this letter to express to you the feelings that I have about leaving. You can imagine them without my saying anything further. Be assured that I appreciated your cables and North's tremendously.

I have been on the jump last week and this week, and it has been impossible to do justice to a great many important matters; but I want to acknowledge, rather hurriedly, your letters of the 17th, 21st, 23rd and 25th, and comment on a few matters. Schmid is handling all items covered by these letters. We fully understand about the lira. Things jumped about so fast for a while that we were figuring in many directions and trying things out. Some of this work, of course, I am very clumsy at, but Schmid has kept me straight without much trouble whenever necessary. Schmid is handling the question of documents brought from Germany by Gibson. Our Exchange Committee considered that matter today, and it seemed to us that it is a proper matter for the Gold Fund Committee to take under advisement. We may adopt a policy in connection with our committee work which will result in some representations being made, either direct or through our Government, to the British government to get all of these matters cleaned up.

About the City warrants, you have heard from me by mail. It was absolutely impossible to have warrants drawn in sterling, and, furthermore, I was in Washington working with the Federal Reserve Board when the matter was finally decided, and since then have satisfied myself that the City authorities will not again put themselves in that position, particularly with the future containing many uncertainties, - so will have to let the matter drop. All of your arguments on this subject were fully appreciated, and I talked it over with them at some length, but there wasn't anything to do; in fact, it had already been done before I could take a hand in it.

About the Spanish matter, it seems to me that it ought to develop naturally and possibly if it could be handled by correspondence you will find it feasible to work up satisfactory connections there. I certainly hope that we will shortly be in a position to expand our foreign business handsomely. This is the Company's great opportunity and we want to take advantage of it. We are buying a few cotton bills, but very carefully, and if we get hung up I am sorry, but it will be not for lack of discretion and care.

Let me explain to you briefly what happened about the cable transfer that Mr. Anderson complained over. I had Schmid working with me practically all of the

day when that order was to be filled over at the Clearing House, and in his absence the market got away from him a little; but with that one exception I think that our rates have been as good if not better than those made by other institutions, and certainly Sir Edward and Mr. Anderson should consider that our being on the job at the Clearing House has not resulted to their disadvantage, when one realizes that we have now got the sterling situation pretty well in hand.

I have always liked List, and if you can ever do any business with him I am sure that you will find it satisfactory.

About the City's position on the \$80,000,000 gold account, it has given us quite a little concern, because some of the institutions are paying their calls in exchange rather than furnishing gold. It makes a competitor in the market for our gold pool. We have got to watch that matter with the utmost care, as if there seems to be a disposition to draw on us indirectly, so as to avoid shipping gold on the City's commitment, we are going to shut down, and I feel sure that we can control the matter. You will naturally understand, with the maximum rate to the City fixed at 5.03 $\frac{1}{2}$, and demand now selling at 4.95 and cables 4.96, some of the institutions will prefer to buy exchange at those rates and save their gold, as even then it will represent some profit to them. We are watching it, however, and I am sure that it won't get away from us.

In regard to the gold fund mentioned on page 2 ~~xxxx~~ of yours of the 21st, we have cabled you to take the matter up again with the Bank of England, but so far have no reply. Meantime you may have a call from Norman, of Brown, Shipley & Co., and I have not cabled you that that was in the wind, because I didn't want to put you in the position, or the committee in the position, of appearing to be soliciting cooperation from the directors of the Bank of England. They should have agreed to make advances flat, without interest, against guarantee of shipment, as the Bank of France has done for years, in order to facilitate the transaction and make cheap exchange. I believe they also should give us a better price for the gold. At present prices they are imposing upon us a penalty for paying our debts, and the committee frankly doesn't like it. I am sending this to you personally, and confidentially, because I don't think we should encourage any dispute, but rather a spirit of cooperation, and if we wait a day or two and let the matter stew something is liable to develop that will help us. We don't want them insisting upon payment of those loans against stocks that have been sold in our market. The situation over here is a difficult one in that respect. The stocks carried in London have been sold on arbitrage here, the stock has been borrowed for delivery, and the houses from whom the stock was borrowed are not in a position to take delivery of the stock without embarrassment. This of course is very confidential. If the London banks should insist upon payment of those loans, the New York ~~institutions~~ correspondents of the London stock houses would have to insist upon return of the borrowed stock, and the house that loaned the stock would have to go out and borrow the money, and some of them haven't got the margin to put up so as to get the money. The arguments on page 4 of your letter are convincing, and I am delighted to have you write me so fully about it, for it clears up my own mind on some points where I have been feeling my way.

I hope that travelers cheques taken up in Germany by Gibson will all be straightened out. As far as I can gather from your letters, I think that the German banks have behaved with great loyalty to their American correspondents. The Deutsche Bank are now sending us a good deal of their business, and we naturally appreciate it greatly and are keen to serve them in any way possible.

About the Bank of England giving us assurances that it will release gold when the exchange turns, concerning which we have already corresponded, I think myself that we must negotiate with them. We have only shipped \$10,000,000 of gold, particulars of which you already have, and under the circumstances I think we can afford to sit on the other \$90,000,000, which is all raised, and see how keen they are to get it. Personally I wouldn't ship any more unless the Bank would give us some assurances, but we cannot start negotiations just yet, and our supply of exchange will last us for some time, as to date we have only sold £50,000. outside of today's

RECEIVED NOV 20 1918
ST. LOUIS, MO.
FEDERAL RESERVE BANK

Callahan

allotments, and today's allotments will not exceed \$300,000. I want to write you separately about the cash situation in this country, and will do so probably by Saturday's mail.

Yours of the 23rd doesn't require any particular answer except as to the Morgan, Harjes matter, where they seem to feel grieved at your making inquiry about cashing cheques. Herman Harjes has gone the limit to help us out and I hope you will keep him happy about it.

About Vanderlip and me going to London, I fully appreciate the way you feel. I didn't want to go, except for the opportunity to visit with you and get your advice about a lot of matters, but the members of the committee were unanimous that negotiations should be started, and Vanderlip said that he would go if necessary provided I would. There seemed to be a sentiment that two members should go, that we were the two to go, and that it would be a more formal representation than if negotiations were conducted by proxy. The matter has been temporarily dropped, as we are informed, confidentially, in fact very confidentially, that they are negotiating in Washington to have a representative of the British government come over here privately for a general discussion of all of these matters. If that is done, of course it will lay the basis for further negotiations between bankers, but in the meantime we naturally give way to the plan of our friends in Washington.

I won't refer again to the matter of City warrants, about which you and I both agree.

In regard to the travelers cheque matter, I am going to have a meeting tomorrow and try to wind up everything that can be wound up at this end. Meantime Schmid has the matter thoroughly in hand and I am sure everybody will be satisfied with the outcome, even if we didn't use all of the gold.

Copy of your letter of the 25th, about the gold pool, has been sent to all the members of our committee after I read it at the committee meeting. It really was uncanny to read the letter and realize how our minds were working in the same channel; in fact, your language literally appears in some of our publications. I am enclosing with this a complete set of the documents, or else by next mail if it is too late tonight to get them, and will answer more fully tomorrow, as it is too late for me to continue this letter tonight. We are handling the fund with discretion and it is having its effect. The committee is in harmony and the information which we get from day to day in connection with credits maturing abroad is particularly illuminating and a good guide to our work.

While I am no longer President here I have got to be in the office off and on and close things up. I am going to resign from everything and make the Federal Reserve Bank my only occupation. You don't know how I am going to miss you, but you will know when you get home, for I am going to rely on your help and advice in many directions. This whole change is a grievous thing which I can hardly bear to write about.

The last part of this letter is purely personal. Mrs. Strong's brother-in-law, Baron von Romberg was killed in battle September 22nd, and his wife, who as you know is Mrs. Strong's sister, is not at all well. She has a baby about three years old. Confidentially, Mrs. Strong and I very much fear that she has tuberculosis, as she has lost weight from a maximum of 152 pounds down to 115, and a few months ago she was warned by her doctor that one lung was affected. The strain of the war, of her husband's absence and danger, and now of his death, I fear has been too much for her. She is still at her home, Parkstrasse, Weisbaden, and is cabling for help and asking to be brought home. She has a friend, a Mrs. Jessie Taylor, who is stopping at the Hotel des Indes, at The Hague, who has also cabled urging that someone come over and get her and bring her home. Mr. Converse is in Canada in the woods where we can't reach him, and Mrs. Strong has finally decided to sail, probably on Saturday, taking with her Miss Loree Hockin, a nurse who has been with her for some years, and it may be that before this letter reaches you you will receive cables from me in regard to making preliminary arrangements for bringing Mrs. Strong's sister to London, or possibly asking you to go with Mrs. Strong, taking Mare along and Miss Hockin, to get her. It is a great deal to ask; in fact, I wouldn't have

done so had you not made the offer by cable. In order that you may be fully posted in advance, I am going to give Mrs. Strong letters to all of our banking friends. She will have with her a letter from Count Bernstorff, the German Ambassador, from Secretary of State Bryan; she will have her American passport (Miss Hockin will have a British passport), and I will give her a personal letter to Ambassador Page and to Ambassador Herrick. I am also handing her a memorandum of instructions,--so far not quite complete,--but the first part enclosed herein. Mrs. Taylor cables that the route to Weisbaden, via Flushing and Cologne, is quite easy and feasible. Others have advised me that the safest route would be via Havre and Paris to Switzerland. Conditions will change before Mrs. Strong reaches London (she will probably sail on the St. Louis), so this letter will give you time to make inquiry and advise her in case prior to its receipt you have not already arranged to have the Baroness come to London. In order to understand what could be done, I cabled to Mr. Converse's old secretary, Mr. Chaudon today, as per enclosed copy of my cable. What from this side seems to be necessary is to get credentials from the Embassies, have the passports vised before leaving London and immediately on arrival in Holland or France and again at the frontiers. If it is possible, in case the trip must be made, advice of their coming should be sent ahead through Government channels, so that they will be assured of having protection and a minimum of discomfort. Mrs. Strong should have with her,--in fact, each member of the party should,-- full instructions of just how cables should be sent to me. All of these details are covered by the memo. enclosed.

I am so concerned about letting Mrs. Strong do this,--in fact, have opposed it to the point of making myself disagreeable,-- that I just feel it necessary to impose upon you to help us out. I am sure there is no danger, if proper precautions are taken. Conditions, however, may change before Mrs. Strong reaches London, and if there is the slightest doubt in your mind I don't want you to make the trip and naturally don't want her to; so don't hesitate to cable me fully, so that we can decide after she reaches there should a change of plan be necessary.

I also want to suggest the possibility of difficulty with Mare on account of his being an Italian. It may be that he will be unable to get credentials that will protect him, but I certainly think that someone should accompany the party who speaks French and German, depending of course upon the route taken, and who can be relied upon to use discretion in translating. What danger there may be in crossing the Channel from mines, Zeppelins, etc., I am unable to estimate. If there is any such danger, don't take any risk. It would be much more satisfactory to Mrs. Strong and to all the family, to spend whatever money is necessary to hire people to go in to Weisbaden and bring the Baroness and her baby out, rather than run the risk of anything more than discomfort. I feel satisfied that Baroness von Romberg has given practically all of her money for the relief of the German wounded soldiers, so that Mrs. Strong must be prepared to finance the entire party. All of this you can arrange, and I tell you, Fred, if you can get this job done for me safely and without taking any risk yourself, I will be more grateful than I can tell you.

I must close now, for it is half past six and Mrs. Strong is waiting me uptown. Will try and get another long letter off by Thursday's boat, and Saturday's as well. My very best regards, and many thanks in anticipation.

Sincerely,

104

October 10, 1914.

Mr. Fred I. Kent,
Waldorf Hotel,
Aldwych Street,
London, England.

71

Dear Fred:-

I am running through your letters of the 17th, 21st, 23rd, 25th and 28th of September at home this afternoon with Mr. Lewis as there were a few things I wanted to dwell on a little more at length than in my last letter. Yours of the 28th I have not answered yet at all.

Our correspondence will not necessarily stop because I have resigned from the Trust Company. I have promised Seward Prosser to keep in touch with all office matters and expect to write you regularly as heretofore and hope you will write me regularly just the same as there will be no change in our method of handling foreign matters until you get back.

First: A suggestion in regard to correspondence: It will be very much better for us and easier for you if the letters are divided into subjects and everything relating to one subject written under that heading. I will try to do the same and it will make our correspondence simpler.

ACCOUNTS - Mr. Schmid is having great difficulty in keeping his accounts straight because of lack of specific directions in regard to various entries. Yours of the 28th gives a lot of information we needed but there are still a good many entries unexplained and if you are relying on your memory for some of these matters, I think the sooner they are cleaned up the better for even your phenomenal memory may become over-charged with so much going on. I have been a good deal disturbed by the possibility of our accounts going astray and losses resulting which we would have difficulty in recovering from our partners in the "Travel Fund", hence this suggestion. Mr. Schmid is going ^{over} all of your letters tomorrow and Monday, which is a holiday with the idea of working out everything that is contained in the way of suggestions regarding accounts by which he hopes to get our books in good shape. We have a big adjustment account on our books so far of items which have not been reported on.

COTTON - I have been intending for a good while to write you on this subject, possibly I cannot do better now than to quote from a letter I have just dictated to Mr. Warburg on the same subject. "Festus Wade is

engineering a scheme to make a syndicate loan of \$150,000,000 secured by cotton which, in my opinion, is going to add to the trouble. What we need in this country to save the South from a disaster and possibly avoid a serious situation is "buyers of cotton" at some price even though it means a loss to some farmers. How people can view it in any other way is absolutely beyond me. Hurlburt is writing most interesting and illuminating letters on the subject. I have a report now that down in Texas an organization to hold cotton has reached the point where they have got Night Riders going around frightening farmers who show a disposition to sell. It is developing into a gigantic cotton speculation involving great danger to the whole country. That with a proposal like Wade's and a proposal now being debated in Congress for the Government to issue \$500,000,000 of bonds for the purpose of valorization of Cotton and this "Buy a bale" of cotton movement, the first thing we know Cotton will be locked up all over the United States and put a terrible strain on credits, merchants won't be able to collect their accounts or pay their debts, the Banks will have to extend all along the line and last, but by no means least, we won't export any cotton when we need to more than ever before in the history of the country. I am going over to Washington next week and intend to take the opportunity of putting it up to them in the strongest way, that something must be done to arrest this development.

\$100,000,000 Gold Fund - This is the first opportunity I have had to write you some of the inside history of this matter which is most confidential and which should have been sent you before except that I was and in a way still am, under a pledge not to divulge the story. It is, however, absolutely necessary for you to understand recent developments so I am writing you fully and urge that you use it for your own guidance but not divulge it to anybody on any account. When this project was first undertaken, I had repeatedly urged and Frank Vanderlip, later when he joined our Committee in New York, also urged in the strongest terms that we should not ship any considerable amount of gold until negotiations had been commenced there with the Bank of England or with London Bankers generally or with the British Government for the purpose of accomplishing a number of things. Without listing them all, I will mention some of the important ones. -

- First:- To get a special price for the gold.
- Second- To get advances without interest upon advices and guarantee of shipments from New York.
- Third - To insure the return of the gold when Exchange is turned in our favor at the same price at which it was sold to the Bank of England.
- Fourth- To terminate the embargo on the purchase of Cotton by English ~~securities~~ and if possible conclude a plan for opening both the Liverpool and New York exchanges.

spinners,

- Fifth - To have a general understanding regarding the discount of American bills in the London market so that existing long bills might be freely extended and some inducement given to draw finance bills and make the exchange without shipping gold.
- Sixth- Possibly to establish a large credit which certain institutions could use ~~in~~ supplementing the gold.
- Seventh- Arrive at an understanding in regard to the treatment of American bills drawn against cargoes which had been captured or driven into neutral ports by the British Navy.
- Eighth- Arrive at an understanding or, at any rate determine a policy in regard to loans secured by American securities in London which had been sold in New York to which I referred in a former letter.
- Ninth - Determine a policy as to future sales of American securities held in England.

Undoubtedly other matters must be dealt with, but these seemed important at the present time. At the first meeting of our Committee, Mr. Vanderlip and I urged negotiations, Mr. Vanderlip particularly. The Committee said "allright you two go over and negotiate" and we were really on the point of going except that Secretary McAdoo had already told me that either through the British Embassy in Washington or through our State Department some plan was being discussed for a representative of the British Government or the Bank of England or both to come over here to this Country to investigate conditions and discuss some of these matters, in fact, the suggestion that we go to London was, in a measure to off set their trip to this Country which we thought might have the appearance of a visitation to collect debts. I talked the matter over with Washington and they didn't take very kindly to the suggestion that we go so it was dropped. I think Warburg's opinion had a good deal to do with it, as he has all along been reluctant for me to permit anything to delay the development of the Federal Reserve bank as that would.

Within the last few days we learn that Sir George Faish,--and just yesterday I learned that a representative accompanying him from the Bank of England,--are on their way over here and will arrive in a day or two. Now, in the strictest confidence, this matter has been taken up with two or three of the bankers in New York, including myself, with a view of insuring that negotiations in some way be brought to us as bankers rather than be handled by Government representatives who are not strictly in touch with banking matters; and our attitude has been that, as the plan was arranged by the Government, whatever negotiations we have should be undertaken with the Government's assent. During all this period of negotiation and exchange of views between Washington and New York and the members of the committee, I have been in touch with James Brown, whose partner, Montagu Norman, of Brown, Shipley & Co., is a director in the Bank of England. It developed that immediately following my first cable to you that we might not ship gold without better cooperation from the Bank, Norman

cabled Brown, at his home in Oyster Bay, expressing some concern, following the receipt of advices in London that the gold pool would discontinue its plan and disband. Brown called me on the 'phone and I informed him that he was wrong, but that he could tell his partner in the Bank of England that we ~~would~~ ^{had} ask for advances without interest and a better price for the gold, and that they had positively declined both suggestions, and in view of that we thought we had better negotiate first and ship the gold afterwards when we had an understanding. Since then brown has explained to me the contents of various cables he has received from time to time from Norman, all indicating that the English banker does not believe you and your representations, or does not understand conditions here, or does not want to cooperate, or, at any rate, won't cooperate for some reason or other; and with all of this I have been much puzzled until only yesterday I got the cue. It is undoubtedly the case that the Bank of England must have been aware of the Government's negotiations and have felt timid about dealing with you so long as the Government was undertaking to deal with our Government. I anticipate that all that can be straightened out when Paish arrives here, but in the meantime I was led to cable you not to pursue your negotiations with Lloyd-George and the Bank of England any further until I had cabled again, and expressing confidentially the opinion that the committee would not ship gold until the Bank did cooperate.

I have hesitated about cabling you too freely, any way, for various reasons which I must explain when I see you, but I want you to understand that we are doing everything we can here to carry out the policy which I know you would be foremost in advocating if you were here, viz., that we have got to pay our debts or bust. It is silly to avoid the conclusion that they have got to be paid in gold if we are not able to pay in produce or unable to extend. It is disappointing not to meet with hearty cooperation in this effort. The whole country has come forward in a magnificent way to meet the situation, and now we are checked by the narrow policy of the Bank.

It has developed, - in what way I cannot surmise, - that my election as Governor of the New York Federal Reserve Bank may make it necessary for me to take a more active part in the negotiations here than would have been the case otherwise, and later on I can inform you more fully. Curiously enough, at our meeting the other day a great many suggestions were made as to how we could take care of the situation without shipping the gold, how we could induce those having bills maturing to arrange extensions, etc., etc. I listened as patiently as I could for a while and then said I would offer a suggestion that would be at least a partial solution of the difficulty, which was as follows: If the New York Clearing House Association would set aside \$10,000,000. of the gold fund in a special fund, under a contract with the Bankers Trust Company agreeing to sell it to us at an agreed value on the maturity of bills in London drawn by the Bankers Trust Company, I would arrange for the Bankers Trust Company to draw \$10,000,000 of ninety-day bills, with options for extension if possible. Vanderlip saw the point at once, and said the City Bank would do the same thing, and I will be willing ~~in~~ right now to bet a little red apple that before we get through with this transaction something of that sort will be done. The minds of bankers in this country today are in such condition that they do not dare to draw long bills without gold cover possible, and I don't blame them. Personally, I think that if the Englishmen will deal fairly with us we will do better by shipping the gold itself than by drawing long bills, but if objection is made in this country I do not see why the suggestion that I made cannot be worked all right.

I have been so absolutely discouraged and disappointed in all the transactions you have had with Wigham in London that I feel it necessary to say that I would prefer you didn't deal with him in connection with this gold fund. I have absolutely observed your injunction to say nothing about the difficulty to our friends on the corner, except that one day Tom Lamont asked me how you were getting along with him, and I said "rotten." Don't let them put it over on you; that is the great thing.

Confidentially, our chief applicant for exchange has been Goldman, Sachs. We

have dealt with them pretty generously, but have been holding our rates rather above the market, that is, from $\frac{1}{4}$ to $\frac{1}{2}$, believing that we can still induce a certain amount of extensions and roll the London account along. We have only actually sold £375,000 out of the £2,000,000, and exchange is working up higher right along as the result of our policy. It has the appearance, of course, of our following the market instead of holding it down, but I have been determined and insisted as much as I could upon following that policy from day to day until we had made our first call of \$25,000,000, which will probably be made in a day or two. The \$10,000,000, as you know, was a preliminary advance by the New York banks. When we got the \$25,000,000 I think we will probably take a hard crack at the market some day, and put the fear of the Lord into the minds of anybody who is accumulating exchange at high prices. Like as not it may strike some of our own committee, perhaps ourselves, but of course I have in mind the main object, that is, the getting of the premium on gold reflected in the price of sterling.

Our committee, to which Mr. Wallace of the Central Trust Company, has been added, is tremendously interested in the work. We meet in the Clearing House every morning at 11.15 for about an hour; that is, the whole committee. Then, the Foreign Exchange committee, consisting of Messrs. Alexander, Woodward, Wallace, Vanderlip and myself, meet at 3.30, fix the rate for the day, pass on applications for check and cable transfers, and by the time that meeting is over it is generally 5.00 o'clock.

At yesterday's meeting Secretary McAdoo called me on the 'phone and asked if we could help out the Government on about \$1,600,000 that the Postmaster General owes in London, also \$149,000 in Switzerland, and about \$25,000 in the Barbadoes. After some discussion we decided that it was inadvisable to have the Government in the market paying a premium for gold when they could just as well pay in gold, and should pay in gold. On the other hand, we didn't want the Government to be advertised as shipping gold; so I telegraphed Secretary McAdoo that we would sell him the exchange at cost, to be paid for in gold. All this amounts to is giving the Government our facilities at cost and giving us \$1,600,000 of gold, which we can either add to the fund or distribute to the contributors.

I am in some doubt what we should do about French exchange, also Swiss, but am hopeful that we can arrange to have a gold credit established under some sort of an arrangement that will not necessitate shipping gold. Haven't yet studied it out but will probably cable you in a few days.

Reverting once more to yours of September 25th, I have placed a copy of that letter in the hands of each member of the Committee and think that they know more about it now than they did before. I want to repeat once more that it is amazing the way we were working along parallel lines without opportunity of discussion.

I have read your account of the arrangement about the \$10,000,000 transaction with the greatest possible interest. The London Bankers that you are dealing with certainly handle this matter handsomely. I hope Sir Edward Holden appreciates that I am endeavoring to do what is right in these things and the division among these Banks as arranged was in accordance with the policy determined by the Committee, with which I think you and Sir Edward will thoroughly agree. If further shipments are made, the Committee will draw its own exchange and make its own cable transfers in order that no possibility of criticism may arise as to certain Banks getting advantages or anything of that sort. The form of London check and all the papers are being prepared, specimen signatures have gone forward together with various authorities and I am going to ask you upon receipt of this letter to stop at the Banks and see if everything is in order for the Committee to draw and send cable confirmation so that we can have our arrangements thoroughly understood in case further shipments are determined upon.

As to the London County and Westminster Bank, I will bear that in mind when we develop the matter further if we do. The banks were selected in order of importance, taking into consideration, first - the knowledge of American business and extent of American business, second - strength, third - the Committee's ability to make prompt arrangements through existing channels. I guess we made no mistake and

we will probably hereafter stick to the four banks only. What you say about these bankers feeling that we should have a better rate is most interesting and strengthens my opinions considerably. You have not advised me in any of your letters what would be a proper rate for future gold shipments, taking into account all of the circumstances. The Bank now pays, as you say, 76s. 3 1/2d for eagles, deducting from that 5d when the gold is shipped to Ottawa. As nearly as we can figure, we ought to get about 76s. 2d or possibly 2 1/2d net for gold shipped to Ottawa. I am hoping to hear from you in due course that the arrangement under which the Bankers Trust Company opened a special account with Holden and Parr's Bank was preferable to any other, so that the boys in the office may thoroughly understand the situation in the future.

London Money Market. - I am satisfied from what you write and what I hear from others, that the abnormally low rate for short money in the London market is a purely artificial situation, liable to derangement at any time with some necessary change in the policy of the Bank of England. We have always got to fear the effect of a change in that discount market and that is an additional reason for precaution about letting go of our own gold without a contract under which we can some day get it back. I am most anxious that you should not have felt concerned or taken offense at the suggestion that Mr. Vanderlip and I go to London. If Vanderlip went I had to go and he said he couldn't go unless I would; besides, at that time I knew of my prospective election as Governor of the Federal Reserve Bank and I wanted to talk with you about a lot of matters, including this. I wanted, if possible, to take Mrs. Strong with me to get her sister and still further, I wanted to get a better understanding of the London situation than I could by correspondence, even with you, with a view to the future operations of the Bank itself, all of which I hope you will fully understand.

Travelers' Fund Paris Account. - I haven't so far had opportunity to write you how this has developed, but I want to do so right now. When we were first arranging for the \$6,000,000. Mr. Morgan was in the midst of negotiating a large French credit. He said that if we would put up \$5,000,000. of gold in New York with the Bankers Trust Company he could arrange the credit; that Morgan, Harjes & Company and the American Express Company would cash all American letters of credit and the disposition of the gold could later be arranged in effecting reimbursement. We carried out that arrangement. The gold was packed in our vault and the Express Company got their directions and there the gold lay for some weeks. I kept urging Mr. Morgan to have a more definite understanding but he said that it was impossible as conditions in Paris were so chaotic, that he couldn't work anything out with his Paris office. Later he advised me and wrote me a letter that we need no longer retain the gold and that he would arrange for reimbursement through regular channels. I told him I didn't think that was fair; that the deal undoubtedly involved a large profit - possibly \$75,000; we had put up the gold and should get our share of the profit. I suggested a joint account. That, at first, he accepted. Later he withdrew and Mr. Brown and I were appointed a Committee to handle the matter. We agreed to accept a check for \$15,000., in settlement of our share of the profit for furnishing the gold. Mr. Brown first accepted this and I was embarrassed at his doing so, because it didn't strike me as fair, so I went to Mr. Morgan and told him I didn't think it was quite right and that we should have one-half of the profit on account of the joint arrangement. He then told me he had no idea how much of the credit had been used for travelers cheques. He didn't think \$1,000,000. Reimbursement was being principally effected in London; to a moderate extent only in New York; their Paris office was badly disorganized, part of it was in Bordeaux; they got no account of

the London collections, so didn't know the amounts that had gone through and he did not think we could expect ever to have a settlement of the account as a whole. After considerable debate, all of which I reported to a meeting of our New York Committee on Wednesday, the Committee decided to accept the \$15,000., and upon receipt of a letter from Morgan & Company, relieving us of any liabilities for reimbursement or expenses, the Bankers Trust Company is to distribute the \$3,000,000. among the contributors. We may have to pay about \$5,000. interest, but I think we ~~can~~^{File} charge them about \$10,000. for the work and of course the ~~profit~~ on the account will be sufficient to take care of it. I have no idea how much expense the London Committee has incurred. Wish you would write me about that as soon as possible. The Paris end of the account was most unsatisfactorily handled because we were always lacking information. This has been a lesson and in the future if a job of this sort is to be done I think you and the other boys at the Bankers had better undertake it yourselves without partners.

German Banks.- I have been tremendously interested in all your remarks about that situation, mentioned first on page 5 of yours of the 21st, and have just had my first talk with Gibson yesterday. Expect to see a lot more of him.

German Bills.- Schmid is working diligently on these. I cabled you regarding the amount of them, as our committee is considering whether we may not have to have that figure in connection with negotiations, should we be brought in touch with Paish.

German Marks.- Gibson says he thinks the profit will be \$17,000 or \$18,000 on the account, which is simply delicious.

I note all that you say in yours of September 28th on this subject. I think from your letter that Mr. Schmid will be able to make the various entries that may be needed here. Once more let me express my chagrin and disappointment at the attitude taken by Mr. Wigham, and it seems to me that the time has now arrived for you to inform Mr. Wigham that the gold fund belongs to the American banks and that the instructions we send to you must be carried out. If you feel that the situation can be better handled by having the Bankers Trust Company take over the whole account, do not hesitate to cable me and I am sure that the New York Committee will give me whatever authority is required. Of course the profits would be divided just as though handled in committee, but I would naturally want to deal with the London City and Midland Bank and have you authorized to do everything without having any committee to deal with in London. Your letter isn't very clear about the relation of the government transaction to the travelers' fund account. I am amazed at the suggestion cabled by Secretary Bryan in regard to a 10% discount. It seems as though this must have been suggested to him by someone else. Just who I cannot imagine. The cheques referred to in your letter, by the way, have all come through by the same mail from the Secretary of the London Committee and Schmid is now at work on them. We are going to have a lot of trouble making the collection at a fair rate, as marks are at a great discount now (I understand they were quoted yesterday at 92 1/2) but we will do the best we can. I have told Schmid to put it up to the Committee. I am sorry the collection can't be made on the other side, for then the question of rate would not be so difficult to deal with as here, but understand that there is undoubtedly a good reason for the method followed.

Arbitrations.- These are very difficult in this market. Schmid will write you separately about it.

Edgar Mills.- Cheque received and Schmid will fix it up.

Perry & Company.- Schmid is attending to this.

Spain.- I have read what you say about Mr. Honey's letter, as well as the letter, with great interest. These matters have all got to be considered with regard to the future policy of the Foreign Department.

Your letter to Holden raises a question in my mind that is exceedingly important. If we accept credits in London for account of the Bank of Spain, and segregate gold at an agreed value in our vaults in New York, we must take the gold out of our gold reserve and as we draw against the sterling credit we will get payment in New York in Clearing House funds and not in gold. I

should have written you about that before but the following on the New York situation will explain the possible danger of this arrangement.

There has been issued in this country a total of \$350,000,000. Aldrich-Vreeland currency, which cannot be distinguished on its face from ordinary national bank notes. The New York Clearing House has issued an unknown amount of Clearing House certificates. The net amount between institutions is something over \$50,000,000. I imagine the gross amount may run up as high as \$150,000,000., or even more, but that, of course, is known only to the Clearing House Committee. All Clearing House balances are being settled in Aldrich-Vreeland notes, where such can be had and failing that in Clearing House certificates, which, of course, bear 6% interest. Other cities have also issued Clearing House certificates in greater or less amount and as a matter of fact I have no doubt that the country as a whole today has inflated its credit instruments well over \$500,000,000. If we should accept London payments of the character suggested, against segregation of gold in our own vaults, we would simply be earmarking our reserves for the Bank of Spain and how we would ultimately come out would be a serious question. That operation carried too far would clean all of our gold out of our vaults. Of course, I realize that national bank notes are permitted for a portion of our reserve.

Under the new State law, out of the 15% cash reserve required, one-half must be gold. If the Bank of Spain should call on the Trust Company to ship any part of that gold and we had made an arrangement which obligated us to do so, the decision ^{power} of our Clearing House would be on our back in no time, so I am a little dubious, as you can imagine, about the feasibility of the plan which you suggested to Holden.

Hugo Schmidt. - Schmidt's letter is rather pathetic, but of course, very pleasing. I may say again what our Mr. Schmid has doubtless written you frequently, that the Deutsch Bank seems disposed to give us a large amount of their dollar business. If you have occasion to write Hugo Schmidt I wish you would give him my cordial regards and explain to him why I am quitting the Trust Company.

Federal Reserve Bank. - There is going to be tremendous pressure to get the Federal Reserve Bank system organized at once and in some ways I think it most desirable. Pierre Jay has been appointed Federal Reserve Agent; Starrek, the bank examiner, Deputy Reserve Agent, and the third class "C" director is George Foster Peabody, formerly of Spencer, Trask & Company. The class "A" directors are Woodward, of the Hanover; Tremen of Ithaca and Locke of Buffalo. The class "B" directors are William B. Thompson; Henry R. Towne and Leslie R. Palmer. On the whole, the Board is a good one. We have temporary offices at 27 Pine Street and just as soon as I pull out all the ~~gold~~ ^{old} roots I am going to get down to work with my coat off. I refer to the matter in this letter particularly because I want your opinion on one subject, and on receipt of this letter would like a brief cable from you indicating whether you do or do not agree with my views.

With sterling exchange at 4.97, gold is really at a premium of about 1 1/2%. It isn't reflected in this market directly because there is no currency famine, and while gold has been hoarded to some extent there is no real demand for gold for domestic payments. Refusal to export gold, however, has put a premium on gold for international payments and that raises this question which gives me a good deal of concern. How can the Federal Reserve Bank of New York start business; take payment of its capital and deposits in gold; commence discount operations; issue possibly a large volume of notes and expect to continue specie payments in the redemption of its notes, while this premium on gold exists? i.e., Will not that bank be in exactly the same or a worse position than all the banks in New York, and simply have to refuse

to pay gold and if it does that will it not be thoroughly discredited before it starts? One may answer that the bank can pay in legal tender. So it can - if it has the legal tender, but that simply will transfer the demand to the sub-treasury if it once starts. Of course, the bank is in no worse position than any other bank is now, nor is the treasury in any worse position than it is now in case these demands are made, but there is this distinction, that we are starting a new bank system with very great expectations of its success and is it going to be good policy to have it in a position where it may have to suspend specie payments shortly after it opens its doors? This matter has given me a good deal of concern and I am going to take it up with Warburg, making that a basis of argument with others to have our government take a different stand in handling the cotton situation. This is what I want your opinion on just as promptly as possible.

This is a pretty long letter, and as I am hoping to send it to you by Mrs. Strong, it will give Mr. Lewis Tuesday to prepare it, as Mrs. Strong sails at one o'clock Wednesday morning on the "Lusitania". Don't feel on account of my resignation that you are not to continue writing me about these matters. Keep it going as heretofore and I will be "on the job".

With my best, as ever,

Faithfully yours,

BENJ. STRONG, JR.
PERSONAL.

December 18th, 1914.

Dear Fred:

I am going to ask you to prepare for me two statements in such form that I can have them copied out in large figures on a sheet of paper for use as I described to you yesterday.

The first statement is a simple calculation of the cost of converting American gold coin into sterling exchange by shipping eagles to Ottawa, using the rate at which the Bank of England is now buying eagles as a basis of calculation.

In the second statement, I want to show just how the value of American eagles is converted into the value of English sovereigns, based upon the price of 77s. 9d. per ounce paid by law by the Bank of England for standard bar gold. This, you will understand, needs to be stated in a very simple way, in order to illustrate just what the process is with which we are all familiar, of arriving at the value in sterling of American eagles when it is necessary to pay our foreign indebtedness by that method rather than by purchase of foreign bills.

Very truly yours,

Mr. Fred I. Kent,
Bankers Trust Company,
New York City.

BSJr/VGM-4

BENJ. STRONG, JR.
PERSONAL.

December 18th, 1914.

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Very truly yours,

Mr. Fred I. Kent,
Bankers Trust Company,
New York City.

BSJr/VCM-4

~~MAILING DEPT.~~
~~DEC 22 1914~~
~~FEDERAL RESERVE BANK~~

BENJ. STRONG, Jr.
PERSONAL.

Warburg

December 21, 1914.

Dear Fred:

Can you by any possibility handle the enclosed matter? Warburg is anxious to see it taken up at once, and if for any reason you do not feel able to take hold of it, won't you please return the enclosed papers, so I can submit it elsewhere?

Very truly yours,

Governor.

Mr. Fred I. Kent,
Bankers Trust Company,
New York City.

BSJr/VCM-2

104
BENJ. STRONG, Jr.
PRESIDENT

December 24th, 1914.

Dear Fred:

Your favor of December 21st enclosing statements received. Please accept my thanks for same. I hope to see you in the very near future when there will be opportunity to talk this matter over with you.

Sincerely yours,

Fred I. Kent, Esq.,
Bankers Trust Company,
New York City.

VCM

104

Jan. 19, 1915.

Dear Mr. Kent:

I am leaving this afternoon for Washington, but early next week I want you and Hempel to take luncheon with me to discuss the acceptance matter.

Very truly yours,

Fred I. Kent, Esq.,
Bankers Trust Company,
New York City.

BSJr/VCM

104

January 19th, 1915.

BENJ. STRONG, Jr.
PERSONAL.

Dear Mr. Kent:

I am leaving this afternoon for Washington, but early next week I want you and Hemphill to take luncheon with me to discuss the acceptance matter. How will Monday or Tuesday suit you?

Very truly yours,

Fred I. Kent, Esq.
Bankers Trust Company,
New York City.

Dictated by Mr. Strong
but signed in his absence.

VCM

April 6th
1915.

Dear Fred:

There must be some mistake about the circular referred to in yours of March 30th, as I never heard of such a circular and doubt if the Federal Reserve Board would have occasion to make a call for remittances of any kind from member banks. Won't you try and get a copy of the circular so that I can write them a little more intelligently about it, if the surmise proves to be correct?

Let me thank you very cordially for your assistance in the acceptance matter. This is my first opportunity to do so as I left town shortly after our last meeting.

Sincerely yours,

Fred I. Kent, Esq.,
Bankers Trust Company,
New York City.

BE Jr/VCM

104

May 3rd,
1915.

My dear Fred:

Thank you for yours of the 30th.

All that you say is understood and fully appreciated, and in due time I hope that we may be able to determine upon a policy that will be of value, but at the same time, will not give rise to friction.

Please let me know, if any further suggestions occur to you.

Sincerely yours,

Fred I. Kent, Esq.,
Vice President, Bankers Trust Company,
16 Wall Street, New York City.

BS Jr/VCM-10

104 *Rent*

PRIVATE

July 10, 1915.

Dear Fred:

185

I am much indebted to you for your letter of July 8th, which I would like to answer in full if time permitted. Possibly we can have a meeting together in the near future and discuss these matters. Let me say briefly, however, that I think that your fears are no less than mine, but in some respects they may be greater.

The real crisis in exchange is likely to occur this fall unless measures are taken to improve the situation. This will be due, unless I am mistaken, to the following factors:

1. An earlier cotton movement than last year.
2. A delayed grain movement.
3. Commencement of payments for actual deliveries of war munitions, on which contracts cash payments have so far been made only.
4. The absence of remittances for foreign travelers.
5. Exhaustion of the Bank of England reserve held in Canada.
6. Continued and further reductions of our imports.

It is generally assumed that these factors will be offset by -

1. Foreign Government borrowings in our markets.
2. Re-sales to us of our securities.
3. Moderate shipments of gold.
4. Absence of foreign investments in our securities.
5. Direct commercial and financial borrowings between banks, corporations and individuals.

All of these factors combined, as you state, will hardly furnish complete offset to our export balances. I do not anticipate huge sales of our

securities in this country, because I believe that foreigners are showing a disposition to hoard our securities upon the same basis and for the same reasons that they hoard gold when it is at a premium; In other words, the existence of a premium on American securities due to the premium on dollar exchange, will not necessarily induce sales of our securities by that class of people who are sufficiently timid to hoard gold when it is at a high premium.

Now the question is: How can this situation be met?

1. I think it will be partly met by England relinquishing a considerable amount of her commercial credits to the banks of this country, if we are smart enough to develop the machinery for handling the business.
2. I think when the real crisis arises it may be found necessary for foreign governments to place a discriminating income tax on American securities.
3. And this I say dolefully. It will be met by restrictions upon our exports due to their increasing cost as reflected in the price of exchange; in other words, the failures of the last five factors to offset our trade balance will cause trade to languish.

This is a gloomy outlook, but I do not expect to see the situation arise until next year, and, of course, only in case the war continues.

To sum up the whole story, a break down in international exchange will injure us more commercially than it will financially. These are interesting and exciting days in which each problem must be met as it arises. Of our small part in affairs, the most encouraging feature of the situation is that the Federal Reserve System has shown its ability to accumulate gold. Did you know that all of the Reserve banks together hold about \$360,000,000 of gold, of which nearly one half is held by our bank? Personally, I regard it as deposited with us in trust until the tide turns when we probably will have to let some part of it go to Europe.

I had not intended to write you such a long letter. The balance will be continued verbally.

With best regards, and wishing you a fine holiday, I am,

Sincerely yours,

Fred I. Kent, Esq.,
Hartsdale, New York.

BS Jr/RAH

104

October 26th, 1915.

My dear Fred:

The enclosed comes to me as a very great surprise. If the Navy Department permits its officers to collect money for services of this sort, I feel very sorry indeed for the service.

There really is nothing that I can do at this end of the line to get this matter straightened out. It was an arrangement, brought about as you know, by a serious emergency in which the government and the bankers joined hands in an effort to relieve travellers abroad from great distress. My suggestion is, that you have the law investigated and send me a brief indicating just what rights, if any, Captain Decker has. If it is a matter of discretion resting with the Navy Department, I will be glad to see Secretary Daniels about it.

There is no doubt that Captain Decker did perform a great service for us, and although it has possibly been overlooked too long to do anything now, it might be well to consider whether he is not entitled to some evidence of our appreciation. Of course, he was absent from this country nearly a year while the Tennessee was in Eastern waters and it would have been very difficult to arrange any suitable recognition of his services on that account.

After you have secured some statement in regard to the law, I will be very glad to assist in any way possible in Washington.

Very truly yours,

Fred I. Kent, Esq.,

Bankers Trust Company,
New York City.

November 23rd, 1915.

Dear Fred:

I am returning herein the correspond-
ence with Captain Decker, having made a verbal
report yesterday on the matter to Mr. Roberts
Walker.

Very truly yours,

Fred I. Kent, Esq.,
Bankers Trust Company,
16 Wall Street, New York City.

VCM

59
Lump

January 14th, 1916.

Dear Fred:

I am writing to ask if you will have ready for me on about January 26th, £200 in bank notes and English gold with some French gold, if you can get it for use in case I cannot get it in London. Also, a letter of credit for £1,000 and \$2,000 of Travelers checks. I will sign the usual agreements so that drafts and travelers checks can be charged to my account as they come through.

Very truly yours,

Fred I. Kent, Esq.,
Bankers Trust Company,
16 Wall Street,
New York City.

BS Jr/VCM

1916
59

January 18th, 1916.

Dear Fred:

Thank you very much for yours of the 17th
and for the statement in regard to the London account
and for the memorandum on French terms, all of which
is exactly what I wanted.

Sincerely yours,

Fred I. Kent, Esq.,
Care The Bankers Trust Company,
New York City.

BS Jr/VCM

F. D. 7



TELEGRAPHIC ADDRESS
RITZOTEL-PICCY-LONDON

104
Ritz Hotel,
Piccadilly,
London, W.

March 11th, 1916

Dear Fred:

I hate to trouble you about bothersome little things, but as it happens, I am exceedingly keen to get a complete collection, if it is possible, of all Belgium war emergency currency, one of each denomination, issued in the various cities, towns, etc., under the military government since the war broke out. Of course, I realize that this will entail considerable trouble, and I am wondering if through your channels you could find it possible to employ somebody to make up this collection, and have it forwarded to me along with a bill for the cost. If you can put me in touch with the proper party I shall be glad to correspond direct.

After I have completed this collection along with a number of other matters I am working on, I shall probably turn it all over to the New York Public Library.

Thanking you in anticipation, I am,

Faithfully yours,

10A

May 31st, 1916.

Dear Fred:

The impression made by your note and your long letter in regard to the gold matter is that you should take better care of yourself. You are working too hard and somebody should see that you cut it out.

It seems to me your letter covers the ground very fully and I am very grateful to you for your help. Later on, I will undoubtedly want some more advise.

Again, please take care of yourself.

Faithfully yours,

Fred. I. Kent, Esq.,
Care The Bankers Trust Company,
16 Wall Street, New York City.

BS dr/VCM

10

Estes Park, Colo., July 20, 1916.

Mr. Fred I. Kent, V. P.,
Bankers Trust Co.,
16 Wall St.,
New York City.

Dear Fred:

Enclosed is a form of application for 500 pounds War Savings Certificate, for which I am going to ask you to remit the purchase price - ~~507~~ pounds, 10 shillings, together with the application, to Mr. Basil P. Blackett, Treasury Chambers, Whitehall S. W., London, Eng., charging the equivalent in dollars to my account, and advising me of the amount.

You may consider this an odd investment, but it is a little matter of sentiment in discharge of obligations for some favors that Blackett did me abroad. In sending forward the subscription would you mind giving instructions to have the certificate sent to you and placed with my other securities for safe keeping.

This is a great country and its beauty and charm somewhat mitigate the hardship of banishment. Will write you about it when I am permitted more letter writing. My best to the boys.

Sincerely yours,

Enc.

November 28th, 1916.

Dear Fred:

It was a treat to get your letter of the 22nd.

There is a great deal that I could write you about the matter you mentioned, and of course many others, but it is much better that I should not. Let me say, however, that you and your associates rather disregarded the policy which I thought was fairly well understood in regard to those foreign credits in assuming that the reserve banks would or would not buy a given description of bills. If that circular had not contained those two paragraphs I think you would have found much less difficulty in handling the situation.

You and the others who are handling these matters should not permit the banks to load up on their own bills. As I said to you last January, when you arranged one of these credits you should stipulate, first, that the bills should be marketed and, second, that the drawer must take the risk of the market rate. This is as much as I feel at liberty to write you on this subject and I cannot tell you how disappointed I am to be in exile out here when matters of this sort should be freely discussed.

Barring an occasional setback, I am getting along pretty well, better in fact, than I had expected.

Warmest regards and many thanks for your letter.

Faithfully yours,

Fred I. Kent, Esq.
Bankers Trust Company,
New York City.

December 8th, 1916.

Dear Fred;

Thank you very warmly for your letter of December 4th.

It is just as well that we should reserve these various international matters for personal discussion. I think you know and have had ample evidence of the character and strength of my own personal views without my repeating them.

I am disappointed that your own matter did not develop altogether as you would have liked to have had it, but I am inclined to prophecy that the episode will pass into history without serious interference with business, which must be done so long as present conditions continue.

The war savings certificate can be placed and permanently held with other securities of mine in the Trust Department.

I am delighted to hear of the success of your new home which some day I hope to have the pleasure of visiting. What pleases me more than anything else, however, is the feeling that you personally have no regrets about coming to New York and that both in association and in material ways it has paid.

Warmest regards to you and the others at the office.

Sincerely yours,

Fred I. Kent, Esq.,
Bankers Trust Company,
16 Wall Street,
New York City.

BS/VCM

December 12th, 1916.

Dear Fred:

I have just received a letter from a young protégée of mine who is a nurse in one of the French hospitals in Flanders, asking if I will send her some money for the Christmas celebration in the hospital. Her letter has been so delayed in the mails that I cannot get the money to her unless you can arrange to cable it and I am writing to ask if you will transfer Frs. 600 by cable to Miss Mary Devereaux, through Morgan, Harjes & Co., in Paris. She carries their letter of credit and gets her mail, etc., there and is well-known in their office, so your cable can be confined to requesting them to pay her Frs. 600 at my request so that she will know from whom it comes.

The cost of the francs and the cable can be charged to my account and I will ask you to advise me of the amount.

Best regards,

Faithfully yours,

Fred I. Kent, Esq.,
 Care Bankers Trust Company,
 16 Wall Street,
 New York City.

BS/VCM

104

Denver, Colorado,
January 4, 1917.

Dear Fred:

I am writing separately to reply to yours of the 21st which came during my absence in the mountains over the holidays.

You and Mr. Hulburt are facing a very serious and exceedingly important situation which if treated in a broad minded way can be worked out for the good of this country and for the everlasting glory of those who bring about the adhesion of the State institutions to the Reserve System. Frankly, the difficulty lies in the fact that many of the State institutions want altogether too much and that most of them are indifferent.

You must admit that few, if any, have had the opportunity to look at this question from both sides such as I have had. I am not going into particulars in this letter, but am writing for the special purpose of inquiring whether you and Mr. Hulburt would care to submit your views to me privately for comment before they are used. Anything in my power to promote your work will be gratefully contributed.

Very sincerely yours,

Fred I. Kent, Esq.,
Bankers Trust Co.
New York City.

BS/CC

Denver, Colorado,
January 16, 1917.

Dear Fred:

Many thanks for your letter of January 11th and the enclosures which I have read with care. I appreciate your courtesy and confidence in letting me examine them prior to their publication.

Generally speaking, I think the effort of the inquiry should be to bring out specific points of criticism and in such a way that constructive suggestions of value may be availed of by your committee in dealing with the Reserve Board. From this standpoint, it seems to me that the questions are admirably prepared and best of all they are not too complicated and too long, for after all this question resolves itself into a few fundamental points of difference and most of the others of minor importance can be ignored at this time.

The only criticism I have of the questions applies to numbers 7 & 8, which I will refer to as though they were one question. The Federal Reserve Banks now have nearly \$700,000,000 of deposits and they have invested at interest slightly less than \$200,000,000. This sum invested is sufficient to pay all expenses and make a beginning in cleaning up accrued dividends, but the banks as a whole are not yet earning the full 6% on \$56,000,000 of paid-in capital. Should we, therefore, undertake to pay 2% interest say on nearly \$700,000,000 of deposits, it would require additional net earnings of between \$13,000,000 and \$14,000,000 per annum and, incidentally, would involve a very large increase in expenses. At the average rate of earnings on all invested money, I would estimate that it would necessitate increasing the investment accounts of all the

To - Mr. Kent.

January 16, 1917.

Reserve Banks a total of between \$500,000,000 and \$600,000,000 as the earnings on all investments average very little, if anything, in excess of 3%. This makes no allowance for largely increased expenses. In other words, it would necessitate investing more than all of our reserves, which could only be accomplished by an enormous expansion of the note issue for the purpose both of accumulating gold reserves and of extending credits. It would be the destruction of the system, would lead to an expansion of unprecedented magnitude and would destroy the reserve protection which the banks of the country have heretofore enjoyed in the form of their own cash reserves and must hereafter obtain through the reserves of the Reserve Banks. I have not overlooked the fact that we would gain immense additional deposits if all state institutions join, but with the corresponding increase in our liabilities and reserve requirements and with the additional expense involved, I think you must recognize that allowing interest on deposits is out of the question for Reserve Banks. It bears directly upon the next question as to competition with member banks. You know with what scrupulous care we have endeavored to avoid all competition with our members aside from the trifling necessary amount involved in making our moderate investments so that we can pay our way. The machinery of the system has been developed along lines of which I have advised you from time to time, particularly designed to avoid reckless and extravagant competition in rates, with all consequent dangers and dissatisfaction. If we should be required to allow interest on deposits, the necessity for increased earnings would drive us into competition with member banks to such an extent that the interest paid them

To - Mr. Kent.

January 16, 1917.

would be a very small compensation for their general loss of earnings, which would be reduced by our activities. The suggestion of these two points in the questions submitted I believe will cause more trouble, misunderstanding and dissatisfaction than almost anything else that could be introduced into the subject.

I am writing you frankly and, of course, confidentially so that if it is not too late, you and your associates may consider the wisdom of an amendment to the circular in this respect.

Should we be forced to pay interest on deposits, we would likewise be forced into competition with our members, and the consequences would be disastrous.

Very sincerely yours,

Fred I. Kent, Esq.,
Bankers Trust Co.,
New York City.

BS/CC

Denver, Colorado,
January 16, 1917.

CONFIDENTIAL.

Dear Fred:

It has been a great relief to be able to consult you in the matter of our foreign correspondent relations and a telegram just received from the office indicates that you have been over the papers and made some valuable suggestions which I was relieved to have, one of them you will realize was a slip that should never have been made and for which I was responsible. Mr. Treman will, no doubt, show you my letter explaining the situation as to each point covered by his telegram.

Of course the matter is most confidential and it was for that reason that I asked Mr. Treman to go over it with you, knowing how scrupulously you would regard the privacy of the whole arrangement. I am writing this particularly to thank you for your help, which has been most valuable, and to ask you also if you would be able some day to drop in Mr. Treman's office, ask for Mrs. McLaren, my secretary, and dictate to her any suggestions or criticism in regard to the practical operation of the arrangement which occur to you and generally express your views of the whole scheme; it will help me a great deal.

With best regards and again many thanks, I am,

Sincerely yours,

Fred I. Kent, Esq.,
Bankers Trust Co.,
16 Wall St., New York City.

BS/CC

Denver, Colorado,
January 16, 1917.

CONFIDENTIAL.

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With best regards and again many thanks, I am,

Sincerely yours,

Fred I. Kent, Esq.,
Bankers Trust Co.,
16 Wall St., New York City.

BS/CC

Denver, Colorado,
January 27, 1917.

Dear Fred:

I am grateful to you for yours of the 25d about the questionnaire. It alters my opinion to learn that it is the committee's intention to make a digest and recommendation based upon these replies, because the payment of interest on balances carried with the Reserve Banks is not only impossible, but I regard it as an unwholesome suggestion, even for discussion, so I hope that you and the others who understand these matters will take a broad minded view and sit on that proposition very positively.

My suggestion about further credits is, that you keep in close touch with our office and so far as the credits themselves are concerned, if any are arranged for goodness sake abandon this rigid practice of having acceptors buy their own bills. If that is allowed to develop along its present line, you will find that we must develop some means of discriminating against those bills or those institutions which are governed by this pernicious arrangement. Arrange it so that the bills are really sold and you will encounter fewer difficulties in your dealings with us.

Yours very truly,

Fred I. Kent, Esq.,
Bankers Trust Co.,
New York City.

BS/CC

104

Denver, Colorado,
January 27, 1917.

Dear Fred:

Thanks for yours of the 23d. ~~What I had in mind in asking~~
your opinion about the foreign arrangements was to get your view
as to whether it is as I believe a satisfactory start in an im-
portant relationship which will be of advantage not only to our
system, but to the country. I know its perfection depends upon
experience, but that is the history of all developments of this
kind and, as you say, we seem to be well protected.

Yours very truly,

Fred I. Kent, Esq.,
Bankers Trust Co.,
New York City.

BS/CC

104

Denver, Colorado,
February 21, 1917.

PERSONAL.

FILING DEPT.
DEC 11 1917

FEDERAL RESERVE BANK

Dear Fred:

Thank you for yours of the 5th and the enclosures. I would a little prefer not to appear as having approved or disapproved of the questions to be submitted, for I think that would actually do harm. On the other hand, you know my desire to help in this matter and, therefore, I wrote frankly such suggestions as occurred to me. We agree that argumentative replies will do no good, but if the committee is determined to pursue the inquiry on the lines indicated by the questions, I think they are as well prepared as could be under the circumstances to insure a fair presentation. The one thing I object to, as you know, is a discussion of the payment of interest on balances. It gives unreasonable men opportunities to make unreasonable arguments which may appeal to unreasonable people.

It is not important, as you say, to get the small State Banks of less than \$25,000 capital into the System; it might prove a source of weakness. They can get such help as they might need indirectly, if the larger State Banks take membership. What we need is the membership of the big State Banks and Trust Companies and you fellows can bring that about if you go at it in the right way, and you have already had plenty of evidence of the desire of the whole system, from top to bottom, to be reasonable in their requirements, so God-speed to your efforts.

Sincerely yours,

Fred I. Kent, Esq.,
16 Wall St.,
New York City.

BS/CC

Denver, Colorado,
April 4, 1917.

Dear Fred:

Cards announcing Warner's marriage have just arrived and I am writing to wish the boy and his bride every happiness and success.

Don't you want him to become a Federal Reserve Banker? I am sure we have a job for him if he would care to take a try at it and his own ability will be sure to land him at the top.

Very sincerely yours,

Fred I. Kent, Esq.,
Bankers Trust Co.,
New York City.

BS/CC

Denver, Colorado,
April 16, 1917.

Dear Fred:

Many thanks for yours of the 12th. I am really disappointed that we cannot have Warner at the Reserve Bank. Of course it is a much larger field and one of vastly greater importance than the one he is now working in, but naturally may not prove to be as profitable in dollars and cents. Just the same, I would like to have him and know, as you must realize, that he would enjoy the work.

About a man for the Foreign Department, Deans has again been suggested, but I presume would again decline. Arnold of the First of Chicago was also suggested but I judge is not the type of man we want. I suggested Brady of the National City bank, who is your old man, but they seemed to think at the office that he is unobtainable. Someone also suggested Hecht of the Hibernia, concerning whose qualifications I am doubtful. You may know more than I do.

It is going to be hard to get just the right man and I am mighty grateful to you for suggestions. Please keep this in close confidence.

Very sincerely yours,

F. I. Kent, Esq.,
Bankers Trust Co.,
New York City.

BS/CC

Denver, Colorado,
April 22, 1917.

Dear Fred:

Thank you for yours of the 17th. I shall read that address of yours with great interest.

English banks, of course, at times have purchased their own bills. It is not the custom, however, and is not generally regarded as good business, the acceptance transactions then becoming a loan of money instead of a loan of credit.

My criticism of our own bill market is that the custom is almost universal for acceptors to buy their own bills, whereas it should be only occasional, when special circumstances justified their doing so.

I will write you further when I have studied the address.

I am getting a golf game going again and hope to have a crack at you when I get back. Best regards,

Faithfully yours,

Fred I Kent, Esq.,
Bankers Trust Co.,
New York City.

BS/CC

104
FJ Hunt.

Denver, Colorado,
July 17, 1917.

Dear Fred:

The enclosed letters are intended as an answer to Monsieur Pallain's last letter, of which unfortunately I have no copy with me, and this letter and the enclosures I will ask you to discuss with the officers of the bank at the first opportunity, before they are mailed. They should be sent in duplicate by separate steamers.

My letter to Monsieur Pallain explains itself and if you and the others find it satisfactory, I suggest that the first page be re-copied on Federal Reserve Bank paper.

The memorandum enclosed is the one you prepared and which I have changed somewhat in pencil, but have not had it re-copied here as further changes may seem desirable after you have read it. I suggest that this be put in the form of a memorandum to be enclosed with my letter, under the following heading - "Memorandum to the Governor of the Bank of France from the Governor of the Federal Reserve Bank of New York," dated blank.

I am also enclosing an earlier memorandum which you prepared and which you may wish to refer to in connection with this correspondence.

I would also suggest going over this with Monsieur de Neuflyze, so that he may be conversant with the correspondence and able himself to write Monsieur Pallain. I have suggested the opening of the account in dollars so that we might at once make the appointment, which could be published, and then leave us more time to correspond in regard to the more extended arrangements. I hope this can be sent off promptly as I feel most

To - Mr. Kent.

July 17, 1917.

chagrined at the unfortunate delay.

With best regards to you and many thanks,

Sincerely yours,

Fred I. Kent, Esq.,
Bankers Trust Co.,
New York City.

BS/CC

Encs.

COPY

Denver, Colorado,
July 17, 1917.

Dear Fred:

Thank you very much for your letter of the 13th. The Bank of England matter and the change you made in my letter are all very satisfactory. There is, however, one point in regard to the gold coin, which I think I mentioned in my memorandum to you, that may need clearing up. Suppose there is a profit on the difference between the minimum specified weight of the eagles ear-marked and the actual weight or the legal tender value, who will get the benefit of it? I cannot myself make out the reason for the specification of minimum rate, or how they arrive at the decimal, but presume they have some reason for it, possibly having to do with the value of their own coinage in the Netherlands.

Your report of conferences with the representatives of the Italian bank is most interesting and follows exactly the line that I had in mind as being the wise course. I do not see how that bank can expect us to do any business with them that would be of any value to them or to us under present conditions, unless we should undertake to do a commercial exchange business which, as you know, we have no expectation of doing. I am most anxious, however, to send these gentlemen back home perfectly happy and satisfied with the result of their visit, and with a thorough understanding of our position.

To - Mr. Kent.

July 17, 1917.

Mr. Vetri, Counselor of the Italian Embassy in Washington, informed me, much to my surprise, that these gentlemen had come to the United States solely for the purpose of negotiating with us, and I fear they will be obliged to return home "without the bacon". This seems most unfortunate in view of our war relationship, and I am wondering whether we cannot salve their wounded feelings by suggesting to them that the Banco d'Italia might open a dollar account with us, simply for the purpose of affecting American payments. This would enable us to apply to the Federal Reserve Board for authority to appoint them as our Agent and Correspondent, and they would get the prestige in that relationship, although they should clearly understand that for the present we could do no business with them.

I am doing a good deal of loafing out here and little else, except golf, and only wish you were here to share it with me.

Have you been able to locate a good foreign exchange clerk who would know how to make bookkeeping entries, make calculations, look after these gold transactions, etc., etc. I have had a brief talk with Deans of the Merchants Loan & Trust Co., Chicago, explaining the character of our position, and he seemed somewhat interested. I am awaiting some word from him. If you feel disposed to write him a personal letter, indicating your own views as to the character and importance of this

To - Mr. Kent.

July 17, 1917.

work and stating that I had consulted you about the matter, it might draw him out a bit. I am favorably impressed with him.

I am just now engaged in drafting a letter to Monsieur Pallain, which I will send to you to read before mailing. A great many thanks to you, Fred, for your good help, which is invaluable.

With warmest regards,

Faithfully yours,

Fred I Kent, Esq.,
Bankers Trust Co.,
New York City, N. Y.

Denver, Colorado,
July 31, 1917.

My dear Fred:

Many thanks for yours of July 27th, from which I observe that the letter to Monsieur Pallain and the revised memorandum have gone forward.

I have been over the correspondence in regard to the Rupees.

Your suggestion in regard to ear-marking gold in New York for account of Bank of England strikes me as being all right except that as we now have fifty-two and a half millions of gold with the Bank of England in London, we might just as well use that gold and release it, as far as the British Government makes Rupees exchange available for our importers.

It may be however they prefer to have the gold in such a shape that it can be physically moved to India without risk of transportation through the war zone, in which event they would probably prefer American gold and ask us to ear-mark it.

I see no particular objection present in having the Federal Reserve Bank handle the Rupees; they doubtless could do it, necessary, but I am anxious not to burden the bank with any that is not essential to the fulfillment of its obligations to its members.

If we should undertake to release the gold held in I think we should in that event charge a small commission services, and if we should receive and hold the gold ear-

To - Mr. Kent.

July 31, 1917.

marked for account of the Bank of England, we would then be justified in charging the American importer, either directly or through the Bank of England, a somewhat larger commission. It might be preferable to make the charge directly against the American importer, to whom the roupees were furnished, in order that we might keep close track on the transactions and their amount. The charge as we imposed it would operate, of course, some restraint against the loss of gold, and it might become serious if later on it was not found possible to offset these imports by some kind of exports other than gold.

I will be glad to go over the form of draft on the Bank of England on my return.

Also I agree with you in regard to the policy to be pursued with the Bank of England, and at the moment I am adverse to employing any of the gold in that market, when we may have such heavy demands thrust upon us at home.

The government seems to have worked out some arrangements for paying the soldiers in France and I guess it would be just as well to let the matter rest. The only point is we have ten million dollars in French gold in our vault, for which final settlement has not been made with the British government. We should either find the means to make final adjustment for that gold without having it melted, so that our account with Morgan & Co. is settled, or else we should turn it in to the Assay Office and take bars for it.

I am much interested in your account of the travelers'

To - Mr. Kent.

July 31, 1917.

check developments. Illustrating the necessity for it - when Ben went to France, as a matter of prudence I supplied him with a certain proportion of Bankers Trust Co's checks, but the rate of exchange was such that I did not feel justified in letting him take all the money in that form. Had the rate of exchange been nearer the market, I would certainly have done so.

I am glad you are off for a vacation. Please make the best of it. When you get back to New York, one or two meetings it seems to me will enable us to clean up all the loose ends.

Again a great many thanks to you for your help.

Faithfully yours,

Fred I. Kent, Esq.,
Bankers Trust Co.,
New York City.

BS/CC

104

Denver, Colorado,
July 31, 1917.

Dear Fred:

Yours of the 25th reached me just as I was leaving for Estes Park and I was unable to reply until today, when I have yours of the 27th, advising that you were leaving for a holiday.

I am telegraphing as per enclosed confirmation, which I hope is clear.

Your attitude with these gentlemen from Italy strikes me as being exactly right and I am greatly relieved to have had you there to look after the matter in my absence. So far as the proposal submitted by Mr. Gidoni is concerned, I would have no hesitation in accepting it, provided they clearly and definitely understood just what limitations were imposed upon us by law and by the necessities of the war, and did not expect us either to open an account with them or to make advances against ear-marked gold. This it seems to me you have made clear to them but it should be emphasized.

I am telegraphing the office that I have wired you on this subject and to confer with you about it. I am writing separately in reply to yours of the 27th. I am returning Mr. Gidoni's memorandum.

Best regards and many thanks.

Faithfully yours,

Fred I. Kent, Esq.,
Bankers Trust Co.,
New York City.

Form 1206

CLASS OF SERVICE DESIRED	
Fast Day Message	<input checked="" type="checkbox"/>
Day Letter	<input type="checkbox"/>
Night Message	<input type="checkbox"/>
Night Letter	<input type="checkbox"/>

Patrons should mark an X opposite the class of service desired; OTHERWISE THE TELEGRAM WILL BE TRANSMITTED AS A FAST DAY MESSAGE.

WESTERN UNION TELEGRAM

NEWCOMB CARLTON, PRESIDENT

Receiver's No. 104
Check
Time Filed

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

Denver, Colorado, July 31, 1917.

Fred I. Kent, Bankers Trust Co., 16 Wall St., New York City.

Your letter July twenty fifth received stop. See no objections to paragraphs a, b, and d. Paragraph c. should be made in more specific as to values of gold. Paragraph e. is very indefinite stop. Suggest paragraph e. either be made more specific or phrase added indicating that definite values will be established later stop. Under paragraph e. suggest Italian bank might propose opening account with us for purpose of making payments in this country and that further exchanges be effected prior to our opening reciprocal account in Italy if later such should seem advisable. See no objection to making application to Reserve Board for authority to main appointment proposed along lines suggested if that will meet their views the relationship to be dormant for the present unless they desire to carry balance with us.

Benjamin Strong.

Chg. Benj. Strong, 128 Gilpin

ALL TELEGRAMS TAKEN BY THIS COMPANY ARE SUBJECT TO THE FOLLOWING TERMS:

To guard against mistakes or delays, the sender of a telegram should order it REPEATED, that is, telegraphed back to the originating office for comparison. For this one-half the unrepeated telegram rate is charged in addition. Unless otherwise indicated on its face, THIS IS AN UNREPEATED TELEGRAM AND PAID FOR AS SUCH, in consideration whereof it is agreed between the sender of the telegram and this Company as follows:

1. The Company shall not be liable for mistakes or delays in the transmission or delivery, or for non-delivery, of any UNREPEATED telegram, beyond the amount received for sending the same; nor for mistakes or delays in the transmission or delivery, or for non-delivery, of any REPEATED telegram, beyond fifty times the sum received for sending the same, unless specially valued; nor in any case for delays arising from unavoidable interruption in the working of its lines; nor for errors in cipher or obscure telegrams.

2. In any event the Company shall not be liable for damages for any mistakes or delays in the transmission or delivery, or for the non-delivery, of this telegram, whether caused by the negligence of its servants or otherwise, beyond the sum of FIFTY DOLLARS, at which amount this telegram is hereby valued, unless a greater value is stated in writing hereon at the time the telegram is offered to the Company for transmission, and an additional sum paid or agreed to be paid based on such value equal to one-tenth of one per cent. thereof.

3. The Company is hereby made the agent of the sender, without liability, to forward this telegram over the lines of any other Company when necessary to reach its destination.

4. Telegrams will be delivered free within one-half mile of the Company's office in towns of 5,000 population or less, and within one mile of such office in other cities or towns. Beyond these limits the Company does not undertake to make delivery, but will, without liability, at the sender's request, as his agent and at his expense, endeavor to contract for him for such delivery at a reasonable price.

5. No responsibility attaches to this Company concerning telegrams until the same are accepted at one of its transmitting offices; and if a telegram is sent to such office by one of the Company's messengers, he acts for that purpose as the agent of the sender.

6. The Company will not be liable for damages or statutory penalties in any case where the claim is not presented in writing within sixty days after the telegram is filed with the Company for transmission.

7. Special terms governing the transmission of messages under the classes of messages enumerated below shall apply to messages in each of such respective classes in addition to all the foregoing terms.

8. No employee of the Company is authorized to vary the foregoing.

THE WESTERN UNION TELEGRAPH COMPANY

INCORPORATED

NEWCOMB CARLTON, PRESIDENT

CLASSES OF SERVICE

FAST DAY MESSAGES

A full-rate expedited service.

NIGHT MESSAGES

Accepted up to 2.00 A.M. at reduced rates to be sent during the night and delivered not earlier than the morning of the ensuing business day.

DAY LETTERS

A deferred day service at rates lower than the standard day message rates as follows: One and one-half times the standard Night Letter rate for the transmission of 50 words or less and one-fifth of the initial rate for each additional 10 words or less.

SPECIAL TERMS APPLYING TO DAY LETTERS:

In further consideration of the reduced rate for this special "Day Letter" service, the following special terms in addition to those enumerated above are hereby agreed to:

A. Day Letters may be forwarded by the Telegraph Company as a deferred service and the transmission and delivery of such Day Letters is, in all respects, subordinate to the priority of transmission and delivery of regular telegrams.

B. Day Letters shall be written in plain English. Code language is not permissible.

C. This Day Letter may be delivered by the Telegraph Company by telephoning the same to the addressee, and such delivery shall be a complete discharge of the obligation of the Telegraph Company to deliver.

D. This Day Letter is received subject to the express understanding and agreement that the Company does not undertake that a Day

Letter shall be delivered on the day of its date absolutely and at all events; but that the Company's obligation in this respect is subject to the condition that there shall remain sufficient time for the transmission and delivery of such Day Letter on the day of its date during regular office hours, subject to the priority of the transmission of regular telegrams under the conditions named above.

No employee of the Company is authorized to vary the foregoing.

NIGHT LETTERS

Accepted up to 2.00 A.M. for delivery on the morning of the ensuing business day, at rates still lower than standard night message rates, as follows: The standard day rate for 10 words shall be charged for the transmission of 50 words or less, and one-fifth of such standard day rate for 10 words shall be charged for each additional 10 words or less.

SPECIAL TERMS APPLYING TO NIGHT LETTERS:

In further consideration of the reduced rate for this special "Night Letter" service, the following special terms in addition to those enumerated above are hereby agreed to:

A. Night Letters may at the option of the Telegraph Company be mailed at destination to the addressees, and the Company shall be deemed to have discharged its obligation in such cases with respect to delivery by mailing such Night Letters at destination, postage prepaid.

B. Night Letters shall be written in plain English. Code language is not permissible.

No employee of the Company is authorized to vary the foregoing.

104

August 31st, 1917.

PERSONAL.

Dear Fred:

I have taken the liberty of bringing about some rearrangement in matters between the Liberty Loan Association and the American Bankers Association in this District, one result being the appointment of Messrs. Anderson and Sweezy for membership in the A. B. A. Liberty Loan Committee and the appointment of Mr. Pierson to membership in the Distributing Organization of the Federal Reserve Bank.

These changes await Mr. Goebel's final approval as to the A. B. A.

The object of this arrangement is to leave you as free as possible for some exceedingly important work which I anticipate will develop in the near future, not so much for this bank as for the government, and I hope that my going ahead along this line will meet with your own approval and cooperation.

Sincerely yours,

Fred I. Kent, Esq.,
PERSONAL.
Care Bankers Trust Company,
16 Wall Street,
New York City.

BS/VCM

Treasury Building, Washington

LIBRARY

JUN 18 1919

June 10, 1919.

FEDERAL RESERVE BANK

Mr. Fred I. Kent,
Care Bankers Trust Company,
16 Wall Street, New York City.

Dear Fred:

I have decided to sail for Europe by the Baltic on July 1st, and am writing at once to inquire whether your own plans may not be such for the Trust Company that you could sail at the same time and possibly collaborate with me in some of the work I want to do in London and Paris.

The gold embargo is now lifted and it seems as though that obstacle in the way of your trip had been removed. Could you telegraph me, care Federal Reserve Board, on receipt of this letter, giving me any indications you can of the possibility of your going? I would want, if possible, to take the opportunity of continuing discussions with both the Bank of England and Bank of France, and you will appreciate the increased importance of these relationships now that we have raised the gold embargo.

Very sincerely yours,

LIBRARY

JUN 18 1919

FEDERAL RESERVE BANK

June 16, 1919.

Dear Fred:

I have spoken to them in the State Department, and have written Mr. Polk, about your passport, but, in order to avoid the delay incident to a climb to #2 Rector Street, I suggest that you take the time to go to Washington and arrange it in person. Of course you will need to use your photographs, etc., and if your trip should cover the same ground as mine, it will require visas for England, France, Belgium and Holland. In the latter case, the arrangement is made by cable through the Consul General, through New York, and takes quite a little time.

I hope you can connect with the Baltic!

Sincerely,



F. I. Kent, Esq.,
Director, Division of Foreign Exchange,
Federal Reserve Board,
15 Wall Street, New York.

BS/MSB

TELEGRAM

Paris, August 18, 1919.

FRED I. KENT

Care American Embassy London

Have just received following telegram from Treasury quote It may be necessary or desirable to ship gold to Spain in connection with final settlement of peseta credits opened for the Treasury through New York banks stop Treasury is making inquiry through Department of State as to whether Bank of Spain would if requested be willing to accept gold earmarked in Paris London or New York with proper allowance for shipment charges thence to Spain stop French government has expressed willingness to furnish up to ten million dollars in napoleons in return for German gold delivered in Paris accepting German gold on the basis of 999.4 of fineness stop Can you ascertain and cable One Cost of shipping German gold from Belgium to Paris x Two Same inquiry from Amsterdam to Paris Three Cost of shipping napoleons from Paris to Madrid Four Cost of shipping gold from London to Madrid Five Earliest date upon which napoleons shipped from Paris to Madrid against German gold shipped from Belgium or Amsterdam to Paris can be counted on to reach Madrid unquote Have replied stating impossible arrange shipments in time for August twenty ninth and September second maturities stop Have suggested advisability allowing shipments to London to proceed as arranged and endeavor have Bank of Spain accept gold earmarked by Bank of England stop As alternative suggested earmarking Amsterdam stop Having abandoned trip East shall obtain data requested paragraphs one two three and five stop Please get data four wiring me Ritz and include necessary information regarding insurance

STRONG

TELEGRAM

Paris, August 18, 1919.

FRED I. KENT

Claridge's Hotel

London

Have abandoned Constantinople trip stop Am sending important telegram
care Embassy tonight stop Please inform Norman and Grenfell and Embassy

STRONG

Hotel Ritz, Paris,

CONFIDENTIAL:

August 19, 1919.

Gentlemen:

It may be necessary for the Federal Reserve Bank of New York, on behalf of the United States Treasury, to make a shipment of German gold coin, either from Brussels to Paris or from Amsterdam to Paris, and likewise a shipment of napoleons from Paris to Madrid.

I am writing to inquire whether in case of need the American Express Company can handle these shipments and if you can furnish me promptly with the following information:

The cost of shipping the equivalent of \$10,000,000 in German gold coin:

1. From Brussels to Paris; or
2. From Amsterdam to Paris; or
3. The cost of shipping the equivalent of \$10,000,000 in napoleons from Paris to Madrid.

I should also like to know the exact time which should be allowed for making a delivery of napoleons from Paris to the Bank of Spain, Madrid.

Your prompt response to this inquiry will be much appreciated and should be addressed to me at the Hotel Ritz.

Yours very truly,

American Express Company,
11 Rue Scribe, Paris.

Special
TELEGRAM

Paris, August 21, 1919.

FRED I. KENT,

Claridge's Hotel, London

Telegram received stop I much appreciate your prompt assistance stop
Have telegraphed Bank of England giving last advices regarding insurance stop
Nothing further can be done regarding rupees as negotiations are under way in
Washington

STRONG

TELEGRAM

Paris, August 22, 1919.

FRED I. KENT,

Claridge's Hotel, London

Yours August twentieth received stop Suggest sending direct cable to Leffingwell Treasury giving estimated cost of shipment London to Spain including insurance freight and all other expense repeating message to me Paris stop Hare absent his office states no definite progress yet in Spain justifying expectation of credit but prospect hopeful for ultimately making sales

STRONG

Hotel Ritz, Paris,

August 23, 1919.

Dear Fred:

I just have your letter of August 21 and thank you for looking up the information about the shipment. Please note the following:

1. I have telegraphed asking that you reply direct to the Treasury giving the estimated cost, which I presume you have done.

2. Arrangements were not to be made for the shipment, but I was simply asked to ascertain what the cost of the shipment would be in case it had to be made. You say in your letter, "Subsequent programme not yet arranged but there are generally about two steamers a month in this service." I do not want to ship gold from London if it can be avoided, preferring to make the shipment, of course, from Brussels.

3. I do not quite make out how you figure $1/2$ plus $1/20$ per cent. The calculation contained in your letter is as follows:

"Freight $3/8\%$ (on not less than £200,000)	
(to port only),	£1,125
Insurance $1/8\%$ (to Madrid),	375
Packing charges, 60 boxes @ 4/- each,	12
Fees,	1
	<hr/>
	£1,513
	<hr/>

Say $1/2 + 1/20\%$ "

which I understand means that £1513 would be the cost of shipping £200,000, which is to say that a little more than $3/4$ of 1 per cent. would cover the cost.

From this I would deduct that the cost of shipping £2,000,000 would be a little over £15,000, and this strikes me as being pretty high.

Also, I notice that you mention having advised the Federal Reserve Bank by cable. Should not that cable have gone to Leffingwell, as the inquiry came from the Treasury? I am sorry to bother you with all of these details, but the question was from the Treasury and was purely hypothetical, I presume to ascertain what the cost of gold shipments was as against the cost of pesetas.

Of course one important thing to bear in mind is that insurance and freight can be paid by check, which means that it will cost the rate quoted, figuring the pound as worth \$4.10 or \$4.15, or thereabouts, as of course we would not figure on paying the insurance in gold but by check.

Won't you write me clearing up these points, and, in case I receive any further cables indicating the imminence of the movement of the gold, I will telegraph you more specific advices.

Thanks for the advices about the India Council matter. I still do not agree with our people at home, but let it go at that. I hope you get over here pretty soon.

Sincerely yours,

Fred I. Kent, Esq.,
Claridge's Hotel, London

BS/V

P.S. I am enclosing herewith copies of letters to Dr. Vissering, Monsieur Van der Rest and the Governor of the Bank of England with reference to a possible change in the amounts of gold shipments from Brussels and Amsterdam respectively; also copy of Bank cable No. 12 received in a badly mutilated condition after the writing of this letter and reply thereto my No. 18.

TELEGRAM

Paris, August 23, 1919.

FRED I. KENT,

Claridge's Hotel, London

Can you obtain and telegraph me closest possible estimate giving details of cost of shipment London to New York for purpose of informing Hoover as closely as possible what net return he can expect on whole amount. Experience in shipping from Continent to London will enable us to make fairly accurate estimate.

STRONG

TELEGRAM

Paris, August 25, 1919.

FRED I. KENT

Claridge's Hotel, London

Following cable just received from Federal Reserve Bank quote

1 Replying ~~xxxx~~ paragraph two your number fifteen Chubb has placed insurance in this market payable in dollars protecting shipment against all risks up to one hundred and ten million dollars at seven and one half cents per one hundred dollars but only five million dollars on any one conveyance stop Chubb hopes to advise of a larger amount by Monday

2 Protection attaches irrespective when declarations of shipment are made but it is expected we will be advised by cable the amount of each shipment and the date stop Value to be based on mint par of coin and bars at dollars twenty point six seven one eight three four six two per ounce all plus one per cent to cover shipping costs unquote

Suggest you cable instructions to cover additional amount shipped from Holland

STRONG

Special

TELEGRAM

Paris, August 26, 1919.

FRED I. KENT,

Claridge's Hotel, London

Your letter twenty second received stop Am advised by Bank that Treasury will pay off peseta bills maturing September second and renew bills maturing September twenty ninth stop Have telegraphed New York asking whether we should make any provision for later maturities and if so how much stop In meantime suggest proceeding with shipments as stated my letter August twenty third to Cokayne stop I understand figure eight nine nine point four meant simply coin value of gold allowing for alloy rather than fine value

STRONG

Hotel Ritz, Paris,

August 26, 1919.

Dear Fred:

I telegraphed you this morning in reply to your letter of the 22d instant, as per enclosed confirmation, which I hope is clear. By now you have doubtless received the copy of the garbled cable in regard to the peseta payment.

Gen. McCoy has written asking that you arrange to work up everything bearing on the Turkish-Armenian situation that you are able to reach in London and arrange to have the Imperial Ottoman Bank people in Constantinople and any other reliable financial people like the English head of the Bank of Turkey, give them sympathetic help and information. Could you start something along this line pending my return to London.

I do not like to leave Paris until I am certain that everything is cleaned up about the gold. Otherwise I feel that I am about through here.

Sincerely yours,

Fred I. Kent, Esq.,
Claridge's Hotel,
London.

P. S. Enclosed herewith is copy translation of letter just received from Governor Van der Rest.

BS/V

Hotel Ritz, Paris,

August 26, 1919.

Dear Fred:

? I telegraphed you this morning in reply to your letter of the 22d instant, as per enclosed confirmation, which I hope is clear. By now you have doubtless received the copy of the garbled cable in regard to the peseta payment.

? Gen. McCoy has written asking that you arrange to work up everything bearing on the Turkish-Armenian situation that you are able to reach in London and arrange to have the Imperial Ottoman Bank people in Constantinople and any other reliable financial people like the English head of the Bank of Turkey, give them sympathetic help and information. Could you start something along this line pending my return to London.

I do not like to leave Paris until I am certain that everything is cleaned up about the gold. Otherwise I feel that I am about through here.

Sincerely yours,

Fred I. Kent, Esq.,
Claridge's Hotel,
London.

?
P. S. Enclosed herewith is copy translation of letter just received from Governor Van der Rest.

BS/V

Hotel Ritz, Paris,

August 27, 1919.

Dear Fred:

Thanks for your two notes of the 25th and your two telegrams about shipping costs, insurance, etc. One of them I think was somewhat garbled and I am having it repeated.

As apparently no shipment must be made in order to pay the peseta credits, it seems as though it would be possible for me to leave Paris the last of this week, stopping for a couple of days in Amsterdam, and then direct to London, and, as Stettinius tells me you will be there until the 10th, I shall hope to join you there before that date. Meantime Mr. Hare has been laid up with a slight attack of blood poisoning and I have not been able to see him.

As soon as I get sufficient figures I want to give Mr. Hoover an estimate of how he will make out in his gold settlement with the Germans, and would greatly appreciate your sending me the figure, the best you can make, as to just how much we shall pay to Mr. Hoover when we know all the factors. You understand it is proposed to deduct from the payment a sum sufficient to pay all the costs of moving all the gold from Amsterdam and Brussels to London and then from London to New York, including charges for melting up the coin and reducing it to fine bars of known value. If you could make some sort of an estimate, even though rough, and send it to me at once, I would appreciate it.

Sincerely yours,

Fred I. Kent, Esq.,
Claridge's Hotel,
London.

BS/V

Hotel Ritz, Paris,

August 28, 1919.

Dear Fred:

Thank you for your letters of the 25th and 26th and your telegram of the 26th. I will try and make up some figures for Mr. Hoover based upon these estimates, but still need something to indicate what the cost will amount to from Amsterdam and Brussels to London. I am glad you feel able to take a little loaf.

My understanding now is that no shipment will be required for Spain at present, and I do not see how we can delay proceeding with moving the amounts as I have written you.

With best regards to Mrs. Kent and yourself,

Sincerely yours,

Fred I. Kent, Esq.,
Claridge's Hotel,
London.

BS/V

P.S. Enclosed herewith is copy of cablegram just received from Washington regarding the peseta situation.

Hotel Ritz, Paris,

August 29, 1919.

Dear Fred:

I am enclosing copy of a cable just received from the Bank, copy of my answer and of letters addressed to Norman, Van der Rest and Vissering, all of which explain themselves.

I now plan to leave Paris Tuesday, stopping one day in Brussels, two days in Amsterdam, and reaching London the end of next week, say around the 6th.

I hope you had a good rest.

Yours sincerely,

Fred I. Kent, Esq.,
Claridge's Hotel,
London.

BS/V

London, September 15, 1919.

Dear Fred:

Thanks for helping figure out this gold matter and for many other things which I greatly appreciate. Enclosed is a draft for 2,000 francs to square up the loan, which I entirely overlooked. I want you, if you will, to send me to New York a memorandum of expenses which should be borne by the Bank in connection with your trip, on which so much of your time has really been given to our affairs rather than your own. Also, I am most anxious to have those pictures, - two prints for myself and one for Mr. Vaughan, making three altogether, and I hope you can have them developed and sent to me at New York, as I know they will be useful in discussing the trip. You can have them developed and printed very well at the Gaumont establishment, in a side street off the Place de l'Opera.

I have a telegram from Warburg asking if you will not write him c/o Hope & Company, Amsterdam, and stating that he expects to be in Amsterdam October 9th, then in London from the 10th to the 15th of October. He is most anxious to see you and talk matters over, and I wrote that I would convey this word.

In order that you may be up to date I shall probably effect an exchange of £608,000 in sovereigns with the Bank of England, delivering sovereigns which we have in Amsterdam and accepting sovereigns or bars at the Bank of England. When the details are worked out I will send you a memorandum. I am enclosing copy of a statement handed me today by the Bank of England, the mint weights and fine gold shown at the top being the figures given in Tate's Cambist, and the resulting figure being the calculation of loss on 715,000,000 marks, allowing that the coin averages as the first parcel of 58,000,000 marks averages, or a total of £122,148. This I gather includes both remedy and abrasion and is apparently already allowed for, at least by the Nederlandsche Bank, in the method of weighing adopted.

I am feeling disappointed in being obliged to leave without a further visit with you.

Won't you please write me at New York, letting me know how things are going.

With warmest regards to Mrs. Kent and yourself,

Sincerely yours,

London, September 17, 1919.

Dear Fred:

Yours of the 15th is just received, and I see as yet no reason to make any change in the figures which you prepared, although I doubt if the shrinkage allowance of £125,000 is realized as the result of actually melting the coin, at any rate, so far as the 440,000,000 marks coming from Holland is concerned. It is safer, however, to allow it to stand for the present.

There seems to be considerable delay at the assay offices in getting returns and I fear it will be a long process having all the coin melted and its real fineness ascertained.

I am planning to sail Friday on the Baltic unless I am able to switch over to the Mauretania sailing Saturday, but I shall leave word at the Bank of England that in case anything arises necessitating your presence in London not to hesitate to call on you, and I am certainly most grateful to you for your good help.

Won't you write me at New York from time to time, if you have opportunity, just how things are developing and how they look to you, particularly anything that you discover as to Germany. Should you get in contact with Warburg, do not hesitate to send me a report and, if possible, deliver your letter to the Embassy to come forward in the pouch. Also, as you know, I am relying on your submitting an account of your expenses which we should pay. I will not hesitate to communicate with you if anything turns up after I get home.

With best regards,

Sincerely yours,

Fred I. Kent, Esq.,
5 Rue Scribe, Paris.

BS/V

Ritz Hotel, London,

September 17, 1919.

Dear Fred:

I have just received two copies of the enclosed memorandum from Doctor Vissering, who desires that I should send one to you. So far, I have not had time to read it.

He expresses great regret that I was unable to meet Warburg in Amsterdam, and it occurs to me that you may feel that it is worth while to make another trip there, by arrangement, to meet Warburg. I shall greatly value anything in the way of information that you are able to send me if you do have such a meeting.

My friend Mr. Montague Norman is back in London and I find that he has developed quite a liking for our "Lucky Strike" cigarettes, which, it seems, quite impossible to get in London. They have some at the Crillon Hotel and I wonder if you would be good enough to get a carton of them and send them to him, if possible, by some one who is coming to London or, if not, by post if it is safe to entrust tobacco to that agency. I will reimburse you for the cost at the first opportunity.

17/9/19.

The gold movement is proceeding most satisfactorily
and I am sure will give you no further trouble.

Once more, thanks for your splendid help.

With warmest regards to yourself and Mrs. Kent,

Sincerely yours,

Fred I. Kent, Esq.,
5, Rue Scribe,
Paris, France.

BS/PE
Enc.

London, September 19, 1919.

Dear Fred:

It just occurs to me, before sailing tomorrow on the Mauretania, to ask if you can possibly arrange to get up some really good material for General Harbord in connection with his Armenian-Turkish investigation. He will be coming back some time next month and will be most anxious to get something on the financial and economic situation, the relations of the various banks of Europe to Turkish and Armenian affairs, the trade of the country, etc., etc. When I was in Paris I met a very interesting man connected with one of the Ottoman banks, at Mr. Simon's house at dinner. Possibly you would be good enough to call on Mr. Simon at the Societe Generale and tell him that I mentioned this gentleman to you as a possible source of information in regard to affairs in Turkey, and see if you cannot arrange a meeting. This man, I think, is of English descent, at any rate he speaks English perfectly and seems to have a wide knowledge of matters in the East.

I have transferréd from the Baltic to the Mauretania and leave early tomorrow morning.

Sincerely yours,

Fred I. Kent, Esq.,
5 Rue Scribs, Paris.

BS/V

London, September 19, 1919.

Dear Fred:

It just occurs to me, before sailing tomorrow on the Mauretania, to ask if you can possibly arrange to get up some really good material for General Harbord in connection with his Armenian-Turkish investigation. He will be coming back some time next month and will be most anxious to get something on the financial and economic situation, the relations of the various banks of Europe to Turkish and Armenian affairs, the trade of the country, etc., etc. When I was in Paris I met a very interesting man connected with one of the Ottoman banks, at Mr. Simon's house at dinner. Possibly you would be good enough to call on Mr. Simon at the Societe Generale and tell him that I mentioned this gentleman to you as a possible source of information in regard to affairs in Turkey, and see if you cannot arrange a meeting. This man, I think, is of English descent, at any rate he speaks English perfectly and seems to have a wide knowledge of matters in the East. X

I have transferred from the Baltic to the Mauretania and leave early tomorrow morning.

Sincerely yours,

Fred I. Kent, Esq.,
5 Rue Scribe, Paris.

BS/V

Kent

October 15, 1919.

Dear Fred:

I am delighted to have your letters of September 22d, and 25th, and October 3d, and to know that you will have some satisfactory data for General Harbord on his return from the East.

The exchange situation, while a little better at the moment, I fear has got to go through a period of agony before it is really righted, but that's just a guess. Our exports are today running at the rate of four billion dollars per annum in excess of our imports, and when the remnant of our Government's credit is exhausted I am frank to say I don't see how payment can be made for any such movement of goods.

About Dr. Viessing's plan, and every other plan that so far I have examined, I fear there is one fatal, fundamental error and that is that they are all short-cuts to prosperity by way of inflation, and certainly the world has had enough of that for the moment.

Things here are very much mixed up at the moment because of the bitter controversy in the Senate over the ratification of the treaty and the unfortunate illness of the President, leaving the propagandists of the treaty and league idea without their natural leader, but I am hopeful that some day we will see the treaty ratified, even though there may be some reservations which will be a little difficult for our friends abroad to accept with complacency. Please consider this quite between ourselves.

I went over the long cable in regard to the question of the formula for bookkeeping, etc., for the Reparations Commission, and, frankly, I don't like the plan because it appears to measure the value of the gold mark absolutely by the depreciation in mark exchange, and, applying that formula to the value of goods delivered by Germany for immediate credit on the Reparations' account would not, I be-

lieve, be a true reflection of the purchasing power of the mark in the domestic market. However, it is a very complicated situation faced by the commission, and I hope that discussion, after Mr. Rathbone's arrival, will clear it up.

Don't worry too much about the strikes over here. We are having our epidemic, just as they are abroad, but they will be nothing more than the usual strike, and I doubt if as much disorder as has accompanied those of past years will be prevalent, and, in the end, most of the men will get more pay, and I am rather inclined to think that most of them are entitled to it.

I am rushed just now catching up with back work, but will try and write you again, and a little more fully and satisfactorily, before long.

Again a thousand thanks for your splendid help when I was abroad.

Faithfully yours,

F. I. Kent, Esq.,
5 Rue Scribe,
Paris, France.

BS.MSB

*Yellow copy
on C261 Jan 4 1920*

December 20, 1919.

- File C261 Jan 4 1920

Dear Fred:

A thousand thanks for your bully letter of December 5th about expenses, and for your trouble in hunting out those cigarettes for Norman.

There is no way in which I can estimate your out-of-pocket expenses on the trip. I tried, myself, to pay all the bills so that you would not be out-of-pocket, but I will find some way of dealing with this matter, and will ask Mr. Crane to attend to it.

With no end of good wishes to you also for the New Year. I hope your stay abroad will do you a lot of good, as well as be more interesting than ever.

Sincerely,

F. I. Kent, Esq.,
5 Rue Scribe, Paris, France.

BS:MSB

B.S. Personal File

ident

PERSONAL AND CONFIDENTIAL

December 22, 1919.

Dear Fred:

I am just now replying to yours of November 18th, which was not mailed until December 2d and reached me only a few days ago.

Just as soon as I saw the correspondence relating to your meeting in Amsterdam, I felt certain that embarrassment would arise, as I immediately wrote you. It was inevitable that developments in the International situation, with which you were not at that time fully acquainted, made such a proposal as the Amsterdam meeting developed quite out of the question from our standpoint, and I feared that Kains, who has great energy, and, I fear, sometimes unsound view, or at least impractical views, might have stampeded the meeting into a course which would prove personally embarrassing to you.

At any rate, if meetings of bankers are to be held, I hope they will be either for the purpose of arranging banking business on the one hand, or, on the other hand, if they reach into matters having to do with the Governments concerned, that they shall first sound their own respective Governments to see what the official attitude may be. No other course is sound, or diplomatic or safe.

Let me say that this again is one of those cases where I can use the expression frankly used with you, where we must deal with things as they are, and not as we would like to have them. In this particular matter, all of the Governments and our own administration are suffering some embarrassment because of the failure to ratify the treaty, and so long as that condition exists, it is necessary that we be peculiarly cautious in going ahead with plans.

I am going away for a rest and to cut off from business for a time, and will be at Castle Hot Springs, Arizona. But my personal mail will be forwarded, and I am sure you will not hesitate to write me of anything of importance.

MSB
2/10/20
With best regards and wishing you and Mrs Kent a very Merry Christmas
and Happy New Year, I am,

Sincerely yours,

F. I. Kent, Esq.,
5 Rye Scribe,
Paris, France.

BS.MSB

February 10, 1920.

My dear Mr. Kent:

Mr. Strong left for the West the early part of January, and from his last letter to me is somewhere in Arizona on a camping trip.

Since his departure your two letters of January 7th and ^{one here, other on 797} your letter of January 23rd with the pictures enclosed were received some few days ago, for which please accept thanks. I shall reforward your letters and pictures as soon as I learn of Mr. Strong's present mailing address.

Yours very truly,

Secretary to Mr. Strong.

Mr. Fred I Kent,
5, Rue Scribe,
Paris, France.

5, RUE SCRIBE

TÉL: CENT. 79-75

Paris, Feb. 26, 1920.

Mr. George Beyer,
Secretary to Mr. Strong,
Federal Reserve Bank, N. Y.

Dear Mr. Beyer:-

2/10/20
Your letter received, and I note that Mr. Strong is
away from the office for a time. Will greatly appreciate it if
you will forward the enclosed letter to him.

Thanking you for your courtesy in the matter, I am,

Very truly yours,



FIK/MKS
Enc.

Pero:
File

Phoenix, Arizona, March 30, 1920.

Mr. Fred I. Kent,
5 Rue Scribe,
Paris, France.

Dear Fred:

I have just received your letters of January 23rd, and February 26th (2), but for nearly two months have been off on the desert without any news or even the newspapers so am unable to send you much of a letter. We have had a grand trip, doing about 450 miles in leisurely fashion by horseback and seeing ~~the~~ most interesting country. The pictures came and I was delighted to have them, but the best news you sent me was about the improvement in your hearing, which I hope continues, and which I know will continue if you will only use some common sense about resting. Please don't work too hard, even though the matters seem of national importance.

With best regards,

Sincerely yours,

January 25, 1921.

Dear Fred:

Thank you very much for sending me the two copies of
the Proposed International Credits Scheme of the League of Nations,
which came to my desk this morning.

Sincerely,

F. I. Kent, Esq.,
Bankers Trust Company,
16 Wall Street, New York.

MSB

January 27, 1921.

Dear Fred:

It was indeed thoughtful of you to send me those French posters, which I shall have included with my Princeton Collection.

With regards and many thanks,

Very sincerely,

Fred I. Kent, Esq.,
16 Wall Street,
New York, N. Y.

July 19, 1921

Fred I. Kent, Esq.,
Vice President, Bankers Trust Company,
16 Wall Street, New York, N. Y.

Dear Fred:

Thank you for your letter of July 11 concerning our project for securing information in regard to the amount of foreign credit balances. We shall, of course, miss many individuals in our inquiry and we cannot expect a one hundred percent return. We are sending the questionnaire, however, to between three and four thousand banks, export houses and manufacturers and hope to secure a large enough return to make a reasonable estimate possible.

I appreciate your offer of assistance and we shall doubtless call upon you before we are through.

Cordially yours,

BENJAMIN STRONG
Governor

Washington, D. C.,
August 6, 1921.

Dear Fred:

Unfortunately, in the pressure of work here, your letter of July 29 has not sooner had a reply.

The luncheon which you suggest, to discuss the matter of credits against gold deposited in foreign countries, particularly Argentina, will have to be postponed until my return, which at the moment is too uncertain to fix a date. I shall, of course, be glad to talk the matter over with you just as soon as I get back.

Sincerely,

F. I. Kent, Esq.,
Bankers Trust Company,
16 Wall Street, New York City.

m/k

August 7, 1921.

Mr. Fred I. Kent,
16 Wall Street,
New York City.

Dear Mr. Kent:

Governor Strong asked me to reply to your letter of the other day. At the moment he is going over a mass of material, which I imagine will take some days to deliver to the Congressional Committee. Most of it has nothing to do with Mr. Williams but, on the contrary, it has a great deal to do with the Reserve System and the country's finances.

He wants me to tell you that he appreciates your thought in having written him as you did. I may add my own assurance that he is in splendid shape and has not let Williams get under his skin.

Very truly yours,

SM/D

August 19, 1921.

Dear Fred:

I am obliged to return to Washington on Sunday, and regret that I must again postpone a discussion of the matter you wrote me about on July 29. I shall ask Mr. Beyer to hold the letter and remind me of it on my return.

Yours sincerely,

Fred. I. Kent, Esq.,
c/o Bankers Trust Company,
16 Wall St.,
New York, N. Y.

BS:MM

September 23, 1921.

Dear Fred:

I am much mortified in the delay in giving you an answer to your note of July 29. My continued absence is the only explanation.

It seems to me that gold credits could only be of service if extended to those countries which have gold to ship, but which cannot borrow money in the United States, or possibly are unwilling to borrow money upon such terms as our bankers can arrange.

If they are unwilling to ship the gold now but are willing to borrow money in this country against it, would they be any more willing to ship the gold when the loan matures? I have in mind the old adage that the borrower is the servant of the lender. That relationship only exists during a period when the borrower is in good standing. When his loan matures and he is either unable or unwilling to pay, then the lender becomes the servant of the borrower.

I am a bit skeptical about these gold loans, especially with the South American countries, for fear that there would be unwillingness to ship the gold at maturity and that we would get ourselves in an awkward position. However, if you think that this matter should be discussed I should be delighted to take it up and discuss it with you or with your associates on the National Foreign Trade Council sub-committee at the very first opportunity.

Very truly yours,

Fred I. Kent, Esq.,
C/o Bankers Trust Company,
14 Wall Street, New York City.

BS/RAH

September 21, 1922.

Mr. Fred I. Kent,
Vice President, Bankers Trust Company,
New York, N. Y.

Dear Fred:

I have your note of the 15th in regard to membership
in the International Chamber of Commerce.

I am a member of the United States Chamber of Commerce
and *of* so many other bodies of like character that I hesitate
to consider increasing them. It seems as though every organization
of this sort in the country took a shot at me and it is just a
question of when to stop joining.

Very truly yours,

750
September 26, 1922.

Dear Fred:

Replying to yours of the 22nd, we considered the matter of membership in the International Chamber of Commerce when they originally organized, and our directors decided that we would not be justified in taking membership. I would rather not raise the question again as it was very thoroughly canvassed a year or more ago.

This week I am going to be rather badly tied up with meetings, but some day next week I would like very much to take lunch with you some day when you are not engaged.

Yours sincerely,

Fred I. Kent, Esq.,
c/o Bankers Trust Company,
New York City.

BS.MM

BANKERS TRUST COMPANY

SEWARD PROSSER, PRESIDENT

MANAGING COMMITTEE

A. A. TILNEY, VICE PRESIDENT
F. I. KENT, VICE PRESIDENT
F. N. B. CLOSE, VICE PRESIDENT
H. J. COCHRAN, VICE PRESIDENT

NEW YORK
16 WALL STREET
FIFTH AVENUE AT 42ND STREET
MADISON AVENUE AT 57TH STREET

PARIS
3 & 5 PLACE VENDOME
CABLE ADDRESS - BANKTRUST - NEW YORK

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F. A. KLINGSMITH, ASST. TREASURER
GEORGE WEXLER, ASST. MANAGER
W. J. KENNY, ASST. MANAGER

16 WALL STREET
NEW YORK
January 11, 1923.

Mr. Montagu C. Norman,
British Embassy,
Washington, D. C.

Dear Mr. Norman:

Much to my regret I find that I cannot attend the dinner being given in Washington tomorrow by the President of the Chamber of Commerce of the United States as it was my hope that I might be able to see you there. As I am very anxious indeed to have a confidential chat with you before you return to England, thought I would let you know so that if there is any way that it can be arranged to suit your convenience any opportunity that may arise will not be lost.

In connection with my work as Chairman of the Commerce & Marine Commission of the American Bankers Association, and on various important Committees of other big national organizations in this country, such as the Chamber of Commerce of the United States, the National Foreign Trade Council, the Merchants Association of New York, etc., I am working hard to lay the foundation for the development of a proper public opinion in America in connection with European matters. Enough headway has already been made so that I feel very hopeful that as time goes on we are going to accomplish something very real. It is my desire, however, to be sure of my ground as I go along, for I do not wish to make any mistakes that might be difficult to correct. With this thought in mind, in addition to the pleasure it would give me to have an opportunity to see you, I should like to go over some of the matters that we are working upon in our various Committees and ascertain whether you are in full accord with them. If you expect to be in New York at any time before you sail when it would be convenient for you to take luncheon with me, that would suit me best of all. If not, and I could have the pleasure of your company at luncheon in Washington on say some Wednesday, I could probably arrange to run over.

Thinking it might interest you, I am sending you, under another cover, a copy of the report of the Convention of the American

- 2 -
1/11/23

Bankers Association which was held in New York last October and at which Mr. McKenna spoke. In this report you will find a copy of the address which I made on page 290. What I particularly wish to call to your attention, however, is the statement in the Resolutions beginning with the last paragraph of the first column on page 322. You will note the recommendation that the Debt Funding Commission be given increased power to negotiate and I am interested in having you see this because it will serve to show the progress that we are making in this country. This portion of the Resolutions I wrote myself after having the approval of the Commerce & Marine Commission, and it was accepted and approved by the thousands of bankers from all over the United States who attended the Convention.

Hoping this will find you well and enjoying your stay in our country, and with sincere regards, I am

Cordially yours,



FIK-RG

January 24, 1923.

Dear Fred:

Just before leaving, my friend Norman handed me a letter from you and charged me with explaining to you how impossible he had found it to get in touch with you. He was terribly pushed for time and on Friday, which was the only day that he spent in New York, he had so many engagements that he found it impossible even to telephone you; so I undertook to send this letter in his behalf and to express his regret that he was unable to arrange a meeting.

Yours sincerely,

Mr. Fred I. Kent,
c/o Bankers Trust Co.,
New York City.

BS.MM

December 24, 1923.

Dear Fred:

It would be fine to have a chat. My plans are always indefinite, owing to frequent absences in Washington; so any time that your secretary and mine arrange a date, I'll be yours to command.

Sincerely,

Mr. Fred I. Kent,
Vice President, Bankers Trust Company,
16 Wall Street, New York.

KMC

PERSONAL

August 18, 1925.

Dear Mr. Kent:

In the absence of Mr. Strong I have for acknowledgment your letter of August 12, regarding your application and that of your son for membership in the Down Town Association.

Mr. Strong is traveling abroad at the present time and will probably not return before another month. As soon as he gets back to New York, I shall bring your letter to his attention.

As to membership in the Association - I can sympathize with you. My name has been up some few years, and I understand that it may be a matter of three or four years more before action can be taken on it, due to the long waiting list.

With kind personal regards, I am,

Sincerely yours,

J. H. CASE.

Mr. Fred I. Kent,
C/o Bankers Trust Company,
16 Wall Street, New York, N. Y.

September 18, 1925.

Dear Fred:

I am just back from abroad and am sorry my absence made it impossible for me to commend both you and your son to the Committee of the Down Town Association, as you requested on August 12.

But I learn that it is now too late, because your names have already been acted on, - favorably. I am very glad, though I should have been happy to file a letter had it been possible.

Sincerely,

Mr. F. I. Kent,
Vice President, Bankers Trust Company,
16 Wall Street, New York.

September 23, 1925.

Dear Fred:

I have written to the Committee on Admissions of the Down Town Association in behalf of your son Warner, and hope he is elected.

I am glad to endorse him. It was only that I understood you had both been elected.

Sincerely,

Fred I. Kent, Esq.,
16 Wall Street,
New York City.

MSB.LS

DIRECTORS.

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 SAMUEL G. BAYNE, President Seaboard Nat. Bank.
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 EDWARD TOWNSEND, Prest. Imp. & Traders' Nat. Bank.
 ALBERT H. WIGGIN, President Chase Nat. Bank.
 SAMUEL WOOLVERTON, Vice President Hanover Nat. Bank.

**BANKERS TRUST
 COMPANY**

CAPITAL \$10,000,000
 SURPLUS 10,000,000

CABLE ADDRESS: BANKTRUST, NEW YORK.

16 WALL STREET

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 PERRY D. BOGUE, Asst. Treasurer.
 HARRY N. DUNHAM, Asst. Treasurer.
 I. MICHAELS, Trust Officer.

NEW YORK, February 15, 1913.

FOREIGN EXCHANGE DEPARTMENT

Mr. Benjamin Strong, Jr.,
 C/o Hotel Raymond,
 Pasadena, Calif.

Dear Ben:-

Enclosed herewith please find copy of the rules and agreement of subscription of the pension fund of the Bankers Trust Company as approved by the Executive Committee February 6th, under authority extended them by action of the Board of Directors at its meeting January 7, 1913.

Counsel for the company feels that as a matter of record the Board of Directors should formally approve the now completed rules, and the matter will be placed before the Board for this purpose at the meeting to be held February 18, 1913.

Sincerely yours,

Paul

Am sending letter like above to all of our Directors. Friday the first payments were made by the clerk. All except three joined the fund and there were special reasons for their not doing so. One man retires March 1. He is 67, an old employee of the Mercantile and has had 23 years service. His salary was 2500.00 and his pension will be \$1150.00. His work was formerly excellent but now in very bad and the Co. will profit largely through his retirement. Will write you fully next week. Paul -

MEMORANDA

for

Mr. Strong.

February 19, 1913.

DEPARTMENT

Referring to my remarks concerning the Knight, Yancey case, would say that I saw Mr. Sabin a few days since, and had quite a talk with him about it. He said that the apparent decision rendered was not really a decision, and will have absolutely no influence on the higher court. The judge did not wish to reverse Judge Noyes, as he felt that the whole thing should be settled in the Court of Appeals, without the interposition of conflicting or various decisions. Mr. Sabin may be over-hopeful, but I am rather inclined to think that his view of the case is correct. In commenting on the case, one of the newspapers stated that while the amount involved in the present suit is only \$7,400, that \$4,500,000 was involved. Naturally everyone reading the article took it to mean that the Guaranty Trust was liable to suit for the whole of the amount, instead of understanding it to mean the total of all New York bankers. Guaranty Trust stock immediately dropped to 590, and I believe there were sales of considerably over 100 shares at that rate.

Foreign Exchange is higher again, due to the uncertainty in the war situation, which has been reflected in higher discounts. Our quotations received from London today for 60-day sight bills were 4 15/16 spot and 5% to arrive. Discounts from Berlin are quoted at 5 3/8 for both 60 and 90-day sight drafts. Even so, there are indications of better feeling abroad as far as the war itself is concerned. There is nothing, however, to show that any ease in money will occur for some time, and it really looks as though foreign bankers were pretty well tied up.

Recently I have been studying the Cuban situation somewhat, and made up my mind to send Mr. Hurlbut to Havana, to see whether we could not obtain some valuable business there. He was in the south at the time, so he did not have to go far out of his way. He obtained the account of the Banco Espanol de la Isla de la Cuba, who deposited \$50,000 with us. He also made arrangements with a bank which will very likely be the Government depository if Menecal is elected president of Cuba, under which they are to open with us, provided we come to some satisfactory agreement. I have written to the manager of the bank and made a proposition. Confidentially, it is expected that if Menecal is elected, the whole monetary system of Cuba will be changed, and the bankers in question are to do the work, and have requested that I confer with them when the proper time comes. Have agreed to do so, and it may result in some good business for us. The bankers do not wish the matter even whispered, for fear it might result in causing friction to them and possibly loss of the fiscal agency.

One of the Pombos has transferred his individual account from the National City Bank to the Bankers Trust Company. It will run about \$18,000. He is one of the brothers connected with the firm at Cartagena, whose account we obtained a short time ago. The firm's balance is at present \$144,000. They seem to be well satisfied with the way we have handled their account, and have increased it from \$50,000 (which was their original deposit) largely, I think, because we have been very fair with them in making rates on their foreign exchange business.

Your letter received Monday, and greatly appreciated. Showed it to Mr. Poillon, Mr. Pomeroy, and Mr. Duane in concert, and they noted your wishes, which had to do with their departments.

Frank Close is away today, as he had quite a hard cold yesterday. Thought a day's rest might encourage him.

Yesterday the Directors formally approved the rules and agreement of subscription of the Pension Fund, so that matter is now thoroughly in order. Our

MEMORANDA

DEPARTMENT

for
Mr. Strong.

-2-

two bright yellow journals got hold of a copy of the plan in some way or other, and have been having a great deal of excitement over Rule 16, which pertains to the question of marriage under \$100.00 a month, etc. They have interviewed a number of bankers, detectives and others about the matter and successfully succeeded in steering clear of the truth, as usual. However, nothing was said that need give us any concern in any way, shape or manner.- It was merely the usual lime-light conversation that was sure to follow, and it is better to have it over with and out of the way. They did the same thing when the Continental, of Chicago, put out their system. It has always seemed to me that it is a good thing that Hearst and the Pulitzers are not in jail, as we never could hope to reform our criminals if they were associated with them.

W. H. C.

DIRECTORS.

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 SAMUEL WOOLVERTON, Vice President Hanover Nat. Bank.

FOREIGN EXCHANGE DEPARTMENT

Mr. Benjamin Strong, Jr.,
 C/o Hotel Raymond,
 Pasadena, Calif.

Dear Ben:-

Knowing that you are interested in the profits of the Foreign Exchange Department, and as the figures were turned in to me after I wrote you Wednesday, will give you a bird's eye view of the situation, as I do not wish to bother you with too much detail.

We will turn in to the Banking Department in the form of profits this month \$175,000. This will leave us about \$30,000 to pay for extraordinary Travelers' Cheque expenses this coming year. In February, 1912 we retained \$12,000 for this purpose. That amount, together with the profits for 1912, left us about \$205,000 to dispose of. Now that we pay the full cost of Travelers' Cheques, for which the Bank Note Company charge us 2 cents each, this portion of our expense has doubled. On the other hand, our sales of Travelers' Cheques increased last year, I think, about 45%, but cannot state definitely, as the statistics for the year are not yet in order, due to the fact that we have been working upon the profits so that they could be turned over this month. They are now checking back all of the work involved in figuring the profits, in order to make certain that there is no error before the tickets are actually put through.

Of course a large portion of the profit on the cotton bills which we bought last November and December will show up this year, as in figuring the profit for 1912 we deducted the proportion of the total amount on each bill that it has to run in 1913. Such deductions cover periods from a few days on 60 day bills purchased in October to almost the full 60 days on such bills purchased in December. The largest amount of maturities fall in February.

BANKERS TRUST COMPANY

CAPITAL \$10,000,000
 SURPLUS 10,000,000

CABLE ADDRESS: BANKTRUST, NEW YORK.

16 WALL STREET

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 I. MICHAELS, Trust Officer.

NEW YORK, February 21, 1913.

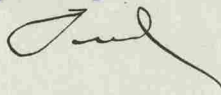
B. S., Jr. 2.

As the general profits of the bank for February will not equal the dividend, due to the short month, it works out very nicely to have the Foreign Exchange profits go in at this time.

Spent the morning with Dr. Andrew going over everything in the testimony and various speeches and writings of Untermyer that would seem to imply that he might make a recommendation for legislation. Dr. Andrew took Untermyer's side of the argument in every case and I took the bankers, in order to bring out as strongly as possible every side of the question. It made rather an interesting morning. Dr. Andrew took down notes as we went along, and as I understand it, they are to be used for purposes of direct education, so to speak, of the members of the committee, but are not to be turned in to the committee nor to the press.

Warner has a holiday to-morrow, and is coming home from Harvard this evening, so that we will have Saturday and Sunday together. It makes the two days look good to me.

Sincerely yours,

A handwritten signature in dark ink, appearing to be 'J. S. ...', written in a cursive style.

JAMES S. ALEXANDER, Prest. Nat. Bank of Commerce in N.Y.
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 SAMUEL G. BAYNE, President Seaboard Nat. Bank.
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 HARRY N. DUNHAM, Asst. Treasurer.
 I. MICHAELS, Trust Officer.

NEW YORK, February 24, 1913.

Mr. Benjamin Strong, Jr.,
 C/o Hotel Raymond,
 Pasadena, Calif.

Dear Ben:-

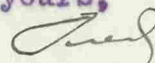
Your letter of the 17th received this morning, also your telegram of the 21st. It was mighty nice of you to wire me as you did, and I appreciate it more than I can tell you.

Enclose herewith statement of pension fund matters up to date, which will explain themselves. Mr. C. H. Williams and Mr. W. S. Wilson will not retire at present, as they are both thoroughly fitted for the nature of the work which they have to do, but we are in position to ask them to retire at any moment we desire, and they on their part are in position to retire any time they may wish to. Mr. Gerau wanted to retire March 1st, but after thinking it over he decided to wait until August 1st, when he will be 65, which was satisfactory to the officers of the company, due to his previous high-class work, even though at present he is not as dependable. The 23 young men who are under 18 will automatically go into the fund as soon as they reach that age.

Will give you further particulars concerning foreign exchange earnings in a few days. All of the work has been proved, the tickets have been made out and will go through to-morrow and next day.

Hoping that you are having the best possible kind of a time, and with sincere regards, I am,

Cordially yours,



JAMES S. ALEXANDER, Prest. Nat. Bank of Commerce in N.Y.
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BANKERS TRUST COMPANY

CAPITAL \$10,000,000
 SURPLUS 10,000,000

CABLE ADDRESS: BANKTRUST, NEW YORK.

16 WALL STREET

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 PERRY D. BOGUE, Asst. Treasurer.
 HARRY N. DUNHAM, Asst. Treasurer.
 I. MICHAELS, Trust Officer.

NEW YORK, February 28, 1913.

FOREIGN EXCHANGE DEPARTMENT

Mr. Benjamin Strong, Jr.,
 C/o Hotel Raymond,
 Pasadena, Calif.

Dear Ben:-

Presume you may have seen the comparative statement of the foreign exchange profits for 1911 and 1912 as they appeared in the report to the Executive Committee made yesterday, but in order to make sure, enclose a copy herewith, knowing it will interest you.

It seems that the Auditing Department made an error in figuring our rent, which they only discovered after the figures had been entered in the Executive Committee report. On that account they were not changed, but allowed to stand. Instead of charging us at the old rate for the portion of the year that we were in the Bankers Trust building, they charged us for the whole year at the rate in the new building, the difference in our favor being a trifle over \$6,000, which would have increased our interest earning about 1/8 of one per cent. Of course this does not matter particularly, but one naturally likes to make as good a showing as possible. Adding the amount earned that has been retained by us to pay extraordinary expenses this coming year, the net interest earning of the Foreign Department was a trifle over 5 5/8%.

Will enclose copy of the statement made by J. P. Morgan & Company to the Pujo Committee. As it was given out by one of the committee yesterday to the newspapers, I suppose the Los Angeles paper may have copied parts of it, although it is so long I presume you have really seen very little of it. It was written by Lamont after he had gone over stacks of material which had been prepared for the purpose. It seems to me that it is a most excellent statement, and I guess it has appealed to others in the same manner, for after it came out it gave tone to the whole market, and stocks turned very strong.

B. S., Jr. 2.

We have had the funniest foreign exchange market imaginable. Sterling has been jumping up and down over a range of 30 or 40 points, and is now very strong. We have bought a little on the breaks, and have a very good balance. £150,000 that we loaned in London at 5% from February 15th to March 15th will be available to draw against in a few days, but if the market still continues to appear strong and we can carry it forward another 30 days at 5%, we may do so. Some more of our long Marks mature this coming week, and we sold against them yesterday at 95 1/4 plus 1/64, which you can see is a most excellent rate, as they were bought on a demand basis of 94 3/4 and under.

The Travelers' Cheque balance is just about holding its own, although if it follows the action of previous years, it will begin to fall off until about the middle of April. This is because tourists are beginning to return from West Indian trips and are cashing in cheques which they did not use.

Sulzer, as you probably have noticed in the papers, has gone crazy, or to stick a little closer to the truth, he hasn't changed any from what he used to be. I really think that business interests in New York are very seriously disturbed, because there is no question but that if the bills now before the legislature pass, an immense amount of business will leave New York never to come back. Repealing some of the worst bills would not result in the return of much of the business that would leave. Boston, Philadelphia, Pittsburgh and Chicago would be the ones to profit most. If real estate values are affected, as they unquestionably would be should the bills pass, it would result not alone in a great loss to New York interests, but would as well reduce the power to borrow of New York City. In fact the whole matter is so extremely serious that all interests are working together to try and defeat the bills, and I cannot see how they can go through, so we are not borrowing trouble. While the up-country representatives are always ready to pass anything that is against New York City, yet it does not seem possible that they would be willing to favor legislation which would actually destroy the business of the city, and which would re-act upon them. Of course it is necessary to get them to believe that such would be the case, and I think that the committees who are working on the matter are going to succeed in convincing them. If the laws were passed, we would be affected to a very great extent, along with other interests, for it would result in transfer agencies being established in many other cities.

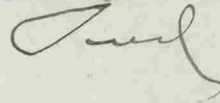
However, we all hope for the best, and I am not saying this to you with any idea of making you anxious, but more to familiarize you with the facts as they appear to me, to better enable you to understand future developments as they may appear in the newspapers.

B. S., Jr. 3.

We got notice to-day that an issue will be made on March 7th of a loan of Marks 400,000,000, 4 years, 4% Prussian Treasury notes at 99, also 150,000,000 German Prussian Consul 4s at 98.60. While on March 7th we will have a large number of cash Marks due to maturing bills, yet I do not consider it of value to take an interest in either issue, and have refused to participate to-day.

Hoping that the severe storm that was reported here as having occurred in California may not have caught you out golfing or motoring, or in any other pursuit for pleasure with which it might have interfered, I am,

Sincerely yours,

A handwritten signature in cursive script, appearing to be "Paul", written in dark ink.

MEMORANDA

for Mr. Strong.

March 6, 1913.

DEPARTMENT

Everything has been very quiet in the foreign business during the last few days. We purchased 3,000 bales of cotton that I think should net us very well.

After flirting with the Bank of Athens for several months by mail, they have finally opened an account with us. Their first remittance was received this morning, and while only for \$3,000, it represents a beginning that I hope may develop into a good account later.

Tuesday evening I made an address in Pittsburgh. Was able to call upon most of the Pittsburgh banks during the day. Arranged with Mr. McEldowney, of the Union Trust Company, to offer him participations in any foreign loans in which we might be interested. Explained the nature of the liability, both as to rate and security. Wish to extend such arrangements as much as possible, for it will give us an opportunity to deal on a broader basis, but do not like to suggest such business to bankers except as I can talk it over with them and make certain that there is no misunderstanding.

The British Bank for Foreign Trade, Ltd., of London, with whom I have corresponded concerning an account, cabled us yesterday to know at what rate we would loan them \$250,000 for thirty days against government securities of Russia, China and Brazil. Cabled them 6%, subject to approval of collateral by the London City & Midland, and have their cable reply this morning, saying, "Regret. Best thanks." Felt certain that they could not pay 6%, as the London market is about 5%, but did not wish to encourage the business too rapidly. Am today writing them to advise us the particular issues that they have in mind offering us as collateral. Am certain that they would not allow the London City & Midland to pass on the security, but would rather lose a temporarily deal than leap in the dark. I think we can unquestionably do some profitable business with this bank, after we become acquainted with the securities that they have to offer.

F. I. K.

MEMORANDA

DEPARTMENT

for
Mr. Strong.

March 6, 1913.

MATURITIES FOR BALANCE OF 1913 WHICH WILL BE PAID.

March	.	.	.	.	\$3,200,000
April	.	.	.	.	5,300,000
May	.	.	.	.	6,600,000
June	.	.	.	.	7,300,000
July	.	.	.	.	2,300,000
August	.	.	.	.	4,000,000
September.	.	.	.	.	4,100,000
October	.	.	.	.	900,000
November	.	.	.	.	2,100,000
December	.	.	.	.	3,400,000

H. B. T.

C O P Y .

March 8, 1913.

Mr. William J. Williamson,
Brighton Place,
De Land, Fla.

Dear Sir:-

Your letter of March 3 received, and its tone was so alarming that at first we thought it was intended for a joke, but even so I have decided to answer it seriously.

Without regard to whether conditions develop as you suggest, it would be quite impossible for confiscation to take place in large cities unless it also took place in small ones, for it would have to be done under a general plan, by riot or not at all. If done under a general plan, all property would meet the same fate, without regard to its location. If by riot, it could only result in the loss of such negotiable instruments and cash as happened to be stolen. Riot would not necessarily occur in a large city any more than in a small one, but the protection afforded by the vaults in small towns and cities is not to be compared with that in the larger banks in the large cities.

For instance take this company. We have the largest vault in the world. The door is about five feet thick and consists of steel and cement put together in such a way that it would take many days for even experts to get through it working under full protection. We do not believe that it would be possible to blow it open with dynamite or giant powder, or in any other way that might be available to a mob which might have temporary possession of the building.

Ordinarily there is considerable warning before mob rule becomes effective anywhere, but our vault system is such that even sudden and unexpected mob control would not make it possible for anyone to gain access to it. We not only have a day gate to the vault that is closed while the main doors are open, but the door itself (and access to the day gate) is enclosed in a heavy, steel barred vestibule, entrance to which can only be obtained by officers of the company after communication with those inside. There is always a vault officer and assistant vault officer within the vestibule who could be given warning from any part of the office that the vault doors should be closed.

We feel, therefore, that we are protected in so far as it is possible from anything in the nature of a riot or sudden uprising, and that those who entrust their business to our care will be doing so under the safest conditions that exist anywhere.

W. J. W. 2.

The next question, and really the only serious one, because of the protection already referred to, lies in the possibility of an era of socialism resulting in absolute confiscation of property. We do not believe that any such condition is possible in this country, nor that it need be feared by anyone. Socialism does not mean to-day what it did yesterday. The teachings of Karl Marx do not constitute the present beliefs of even the German socialists. In fact the socialistic party in the German Reichstag to-day could be classed as ultra-conservative, taken in connection with the teachings of socialism as originally developed.

A very strong socialistic wave has unquestionably passed over this country, but there are comparatively few who have voted the socialistic ticket who believe in confiscation or anything approaching it.

In Milwaukee, Wisconsin, a very strong socialistic feeling developed, which resulted in turning over the city government and the member of Congress from that district to the socialists. It only took one term, however, of those elected to result in their overthrow, and Milwaukee is not now under socialistic government, and the socialist Congressman retired March 4. This is only one instance of a number that have occurred in this country where some city or other has gone socialistic temporarily. In practically every case also the socialists have won, not because of their propaganda but on account of corruption of those controlling the other parties, which disgusted many voters.

At the moment this country is suffering from yellow journalism as carried on in our newspapers and magazines, by dishonest politicians and self seekers, together with the result of such propaganda as shown in the cries of ignorant reformers. It is human nature to allow any condition to become very bad before it is regulated, because the ordinary individual will not put himself out to take part in furnishing protection to the whole until he is sufficiently injured himself to bring him to his senses. The result is that we have not only allowed free speech in this country, but we have allowed license, and both writers and speakers fill their audiences with lies and misrepresentations, until the system is becoming a real menace. There is no question but that it is a very difficult problem to put any curb upon such dishonesty without checking free speech, and that is one reason why it has been allowed to run as long as it has. Men, however, are beginning to wake up to the fact that serious results are apt to follow, unless something is done to check the output of dishonest utterances that have been the principal education of our people for the last several years, and the first real signs of an attempt to meet the situation are being noticed. Conditions are really not bad in this country, and the minds of the majority of our people, while temporarily befuddled by the noise and clamor of the muckraking portion of our popula-

W. J. W. 3.

tion, are still conservative and sensible. This means that it is inevitable that as conditions develop in the near future, our people will come to themselves and find out that they have been betrayed and act accordingly. Then a vast change of sentiment will occur, and while the regulation which is right, because of the closer inter-relationship of individuals made necessary by their increased number, will prevail, yet the cheap thinker will be discredited.

All of these cycles have their value, because they succeed in jarring the ultra-conservative mind out of its ordinary channel that custom draws narrower and narrower, and we find after each period of frenzy that better conditions prevail. We are only carrying out history in its regular development, the difference between to-day and yesterday lying in a greater education of the multitude, which makes possible new developments without the destruction that was necessary in former times. We, therefore, have no cause to feel at all worried over the situation, but look forward to a brilliant future that will certainly develop after the present era of misrepresentation is past, and judging from many incidents here and there, the turn is not far ahead.

Assuring you that if you consider it to your interest to entrust this company with your business, that it will have our most careful attention and that we have every confidence that we can serve and protect you to your entire satisfaction, we are,

Very truly yours,

DIRECTORS.

JAMES S. ALEXANDER, Prest. Nat. Bank of Commerce in N.Y.
 STEPHEN BAKER, President Bank of the Manhattan Co.
 SAMUEL G. BAYNE, President Seaboard Nat. Bank.
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 HARRY N. DUNHAM, Asst. Treasurer.
 I. MICHAELS, Trust Officer.

NEW YORK, March 10, 1913.

FOREIGN EXCHANGE DEPARTMENT

Mr. Benjamin Strong, Jr.,
 C/o Hotel Raymond,
 Pasadena, Calif.

Dear Ben:-

Last summer we had more or less friction during the vacation and summer period, due to the fact that while Mr. Dunham was away from the vault on his regular vacation, for a day, on Saturday afternoons and at luncheon time, some other officer of the company was obliged to take his place. As Chairman of the Vault Committee I was obliged a number of times to request different junior officers to spend certain time in the vault, when they were very reluctant to do so.

In order to prevent friction this coming season, would suggest that Mr. Bolles be elected Assistant Vault Officer, and be given all of the combinations which are now held by Mr. Dunham. The only reason for going through the form of making him Assistant Vault Officer is to keep the control of one side of every double combination in the hands of an officer. As a matter of actual fact, it will not change the risk in any way. Under the present system Mr. Dunham goes to the particular safe that some senior clerk of a department wishes to have opened, unlocks the officer's combination and sees that the clerk unlocks the second combination. He then leaves Mr. Bolles in charge of the safe, together with the clerk. While Mr. Bolles does not have the combinations, you can readily see that he has exactly the same power to defraud the company as if he were possessed of them.

Presented the matter at the officers' meeting a few days since, and they all felt that the arrangement was most desirable.

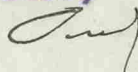
B. S., Jr. 2.

Before writing you, however, for your decision, I thought it best to have a talk with Mr. Porter about Mr. Bolles. Mr. Porter states that he has known Mr. Bolles intimately for 33 years, that he would trust him to go around the world with anything Mr. Porter might have. In other words, he considers him thoroughly reliable, and feels that we would be entirely justified in making the arrangement suggested. Mr. Porter agrees with us all that it is better to make him an officer for this special purpose and thereby prevent any exception being made to our general rule, than to give him the combinations without such action. Our by-laws of course authorize officials to sign, but we could unquestionably get around this. Mr. Bolles' signature would not be sent to any of our correspondents, so that his signature on any drafts would be of no value, although unless we made a special matter of it the company might be liable in case he signed an obligation directly upon us.

Considering Mr. Bolles' age and experience, in connection with what we know of his habits of life and character, it seems to me that we are thoroughly justified in taking the action suggested. Mr. Porter states that Mr. Bolles owns his home on 52nd Street.

Assuring you that we shall all be pleased to accept your decision in the matter, I am,

Sincerely yours,



P. S. We had a letter from a Mr. Williamson, who is President of the Pilot Cotton Mills Company, and who is a personal friend of Mr. Martindale and Mr. Porter, from which I quote as follows:

"Yours 27" forwarded me from Raleigh. I am on my vacation now. To be frank, I fear to leave a trust estate in New York. Some day you will have a socialistic or anarchistic upheaval there, and they will wipe you, your banks and trust companies off the earth. I believe a smaller city preferable on this account. You are safe now, and it is all right now, but unless things change it seems to me the tendency is as above, and when a person leaves a trust, he wants it safe until it has served its purpose.

Before the Money Trust investigation had become so noisy, we had practically arranged with Mr. Williamson, at the re-

B. S., Jr. 3.

quest of Mr. Martindale, to act as Trustee for him in the managing and collecting of an income from estates of \$100,000 and over. The letter quoted above is the first direct evidence we have had of any kind that the present uncertain conditions are affecting individuals so that they are really beginning to act instead of merely exhibiting more or less nervousness. The letter was passed around among the officers until finally it was given to me to answer. Thinking you might be interested in the whole proposition, I enclose herewith the reply which I made to Mr. Williamson's letter. Would add that I signed it personally instead of as Vice-President.

Money in Germany is very, very high, and I would not be surprised to see something of a squeeze there on the 31st of March, the end of the quarter. Rates for the carry-over will not be definitely determined for ten days yet, but 7% seems probable at the moment.

From what I can gather, country banks are all trying to run with strong reserves. The First National Bank of Omaha at present has 47% cash in its vaults. If this condition is general enough, it will mean that as soon as confidence begins to develop, there will be plenty of money to carry on business, but that if the feeling of unrest spreads and more bankers begin increasing their reserve beyond their requirements that money will tighten up very materially.

Gold is still going out, as you are probably aware from the newspaper reports, and exchange rates continue high. Marks are about 95 7/16 to-day, but this is probably in anticipation of a high carry-over rate at the end of the month. The private rate of discount and the bank rate both are now the same in England, viz., 5%.

Last week I wrote to Sir Edward Holden and asked him for his opinion of money conditions for the near future in England and on the continent. Have also written to Mr. Hugo Schmidt for his opinion.

Hope that you may be having all sorts of opportunities for pleasure and rest. I am expecting to spend a week in Washington in April. Warner has his Easter vacation then, and I am anxious to show him the capital of his country, although I will have to admit I am not so proud of what is in it.



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 ALBERT H. WIGGIN, President Chase Nat. Bank.
 SAMUEL WOOLVERTON, President Gallatin Nat. Bank.

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 I. MICHAELS, Trust Officer.

NEW YORK, March 19, 1913.

Mr. Benjamin Strong, Jr.,
 C/o Hotel Raymond,
 Pasadena, Calif.

Dear Ben:-

Your letter of the 10th instant received and read with much pleasure.

Am almost afraid that I have been writing you too voluminously, considering the fact that you are supposed to be taking a rest. At the same time I have felt that the subjects covered were of real interest to you, and as they have required neither study nor decision on your part, I have written rather fully.

You ask for my opinion of the foreign situation, and I will give it without awaiting replies from the letters that I sent to Sir Edward Holden and Hugo Schmidt. In reading what I have to say, you should bear in mind that it is only my own opinion that I am giving, and therefore take it for what it is worth.

In the first place, I do not believe that the apparent stringency in Germany is either as bad as it is made out to be or that it is due to over-extension of industrial credits. On the other hand, I am inclined to think that Germany has been helping to finance Austria and some of the Balkan countries, and that this added burden has resulted in dear money. The moratorium in the Balkan countries has also worked hardship, and will continue to do so for some time. The people in Germany, France and Austria have apparently been hoarding money, that is not necessarily money which would otherwise have been deposited by them in the banks, but money that they might have invested and that would have reached the banks through governments and corporations. I do not believe that this money will come out upon the signing of the treaty of peace between Turkey and the allies, unless at the same time

B. S., Jr. 2.

all boundary questions are so definitely decided that the people will be relieved from the fear of complications between the greater powers. To my mind Germany is rather fearful of the Slavs, for the Balkan allies have shown considerable power, and together with the Russians will constitute a real menace, should trouble develop between Germany or Austria and any of the Slav nations. While at the moment the French and German people undoubtedly fear war between their respective countries, yet I believe that they will soon see that their interests lie together against the encroachment of the Slav, and that Italy, Austria and England will be similarly influenced. It would not be surprising to me to hear that the governments of Germany and France were in full accord over the Slav proposition, and that while the money that Germany is contemplating asking from its people who have an income of £2500 or over, in order to make up a \$50,000,000 fund for extending its military system, is not desired because of fear of war with England or France, yet that it is wanted to protect Germany from the Slavic races. The action of France too in extending its regulations for military service while based partly upon the fact that it is felt necessary to keep up with Germany is also more or less due to the changed conditions in the Balkans.

It seems to me that the real reason that the powers have allowed Turkey to break agreements contained in the treaty of Berlin has been the feeling that it was acting as a buffer for the surplus energy of the Balkan races. The Turks and the present allies have been so evenly matched that they have offset each other, and if Italy had not defeated Turkey in Tripoli, I question whether the allies would have started their war for some time yet, although it was inevitable that it would come sooner or later. With Turkey driven entirely out of Europe, with the exception of Constantinople and its immediate surroundings, the whole status quo will be disturbed. I rather expect that the powers will try and form a state of Albania, thereby creating a semi-powerful country of a people who are naturally the enemies of the allies, hoping that it may have a quieting effect on the latter. If they succeed in the attempt, while it will undoubtedly be helpful yet Austria and Germany will be placed in a very different position than they ever have been since they have become real powers. It is possible that Germany fears that with the growing strength of the Slav races that either France or England would join with Russia against them, should war develop, but I question whether they would. At first the French people might think it a good opportunity to strike at Germany and recover Alsace and Lorraine, but I believe that the new power of the Balkan races will have a sobering influence as its potency is realized.

The fall of the French Ministry is not necessarily serious, as it had more to do with matters entirely local to France, and I guess was more of a personal fight on the part

B. S., Jr. 3.

of M. Clemenceau, who wished to get even for some favors extended to him by the former premier, than for any other reason.

The assassination of the King of Greece should not cause any special complications, as his son is apparently a competent fellow and will step into power without opposition.

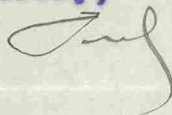
The condition of unrest that prevails in England is really serious, but should work out in time, although a certain degree of so-called socialism has unquestionably come to stay.

On the whole I look for a better money condition after the April settlement, but not for ease until some of the fear of war that seems to be grounded in the peoples of Germany and France is dissipated.

Yesterday we cabled the Deutsche Bank, Berlin, asking for a rate on money left on special deposit for one month from March 31. They cabled us to-day the rate of $7 \frac{3}{8}\%$, and we have accepted it on Marks 750,000 which we bought last year and that are maturing during the last few days of this month. This rate, together with other conditions which may influence exchange, make it look like a good deal, particularly as we will need a good many Marks to cover Travelers' Cheques in May.

Last evening I made an address before the boys of the "Bankers" Club, and was very much interested in seeing their organization actually at work. The attendance was excellent and the men seemed really in earnest. They had a business meeting for half an hour preceding the address, and they were all actively attentive.

Sincerely,

A handwritten signature in dark ink, appearing to be 'J. S.', written in a cursive style.

DIRECTORS.

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 STEPHEN BAKER, President Bank of the Manhattan Co.
 SAMUEL G. BAYNE, President Seaboard Nat. Bank.
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BANKERS TRUST COMPANY

CAPITAL \$10,000,000
 SURPLUS 10,000,000

CABLE ADDRESS: BANKTRUST, NEW YORK.

16 WALL STREET

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 R. H. GILES, Asst. Treasurer.
 PERRY D. BOGUE, Asst. Secretary.
 HARRY N. DUNHAM, Asst. Treasurer.
 I. MICHAELS, Trust Officer.

NEW YORK, March 24, 1913.

FOREIGN EXCHANGE DEPARTMENT

Mr. Benjamin Strong, Jr.,
 C/o Hotel Raymond,
 Pasadena, Calif.

Dear Ben:-

Your letter of the 19th was received to-day. Mr. Booth was here last week, and Mr. Pomeroy took him out to luncheon. He stated that Mr. Hellman was expected soon, but that he probably would not leave Los Angeles for some days. Have notified all the boys to watch for him, and we will see that he is looked after properly.

We were caught with a lot of exchange just before the drop. Once in a while our friends "hand it to us", if opportunity offers, and it sometimes seems best to take it, even when we do not wish it. While we did not buy the exchange in question at the high point, yet it was taken in on the way down at different rates. As we were getting 4% in London and there was every reason to expect the market to recover, we let it remain in balance, and have to-day sold it out at a very nice profit. The market for cables has gone up during the last few days from 487.85 to 488.45, and our sales to-day were at 488.45 and 488.47 1/2, at which rates we have disposed of everything we had to spare in the line of Sterling cables. In a few days we will be in position to make further sales, and I hope the market will keep up until we can get rid of what we have maturing on the 28th, but it does not look any too favorable at the moment. We still have some Marks for sale, but cannot let them go until Saturday's steamer, as they do not go into account until April 4. However, the whole market proposition is working out very nicely.

(3/26
Cables
488.00)

The St. Louis banks are many of them under their reserve, and I understand that the Chicago banks are very closely loaned up also. The Mechanics-American, St. Louis, drew \$250,000 against their account last week, leaving their

B. S., Jr. 2.

present balance \$250,000. Understand that we were the last one of their correspondents to be drawn against, as they drew their surplus balances from Chicago first and then from their other New York accounts.

Berlin discounts dropped from 6 3/8 to 5 7/8 on 60 and 90 d/s bills to arrive, which shows quite a little easing in that market. To-day is a holiday abroad, so there is no news from the foreign financial world.

We will try and have Mr. Bolles appointed at an April meeting of the Board of Directors. I asked Mr. Close to look up the by-laws and see how we had best word the resolution, so that there will be no conflict with them and at the same time give no authority to Mr. Bolles to sign. Will forward the resolution to you for your approval, as there will be plenty of time to do so, because the matter need not be acted upon until the meeting of the Board on April 22. There will be absolutely no change in the vault system through Mr. Bolles' appointment as Assistant Vault Officer, with the exception of the fact that he will have the combinations of the interior safes that he watches over at present after Mr. Dunham has unlocked them. Mr. Bolles' chance to defraud the company would, therefore, not be changed in the slightest degree, but the whole system would work much more smoothly.

Last week I arranged with Mr. Giles, Mr. Page and Mr. Thomson to go over our whole vault system with me, for the purpose of finding out whether now that the system has been in operation some time, it is satisfactory in every particular and that the company is reasonably protected. Will advise you result later.

March 26, 1913.

There is another matter of importance that I have acted upon decisively for the time being. In carrying on the pension fund, every applicant is examined by a physician. The reports of such examinations as made to us should be treated in a most confidential manner. Our duty in regard to these examinations is, to my mind, identical with that of the examining physician. In other words, I do not consider that we have any right to handle the reports of the examinations in any manner which will allow them to become known generally, or even among the officers themselves. We have had one or two cases come up that have confirmed me in this opinion. I have, therefore, given Mr. Giles positive instructions not to give out the information contained in the reports to anyone in the office, Mr. Trefcer, or any of the other officers, but to pass upon them himself based on the report of the physician, except in cases where he has some doubt as to the advisability of accepting a clerk, because of the physical report, but where the individual has shown sufficient ability to make him otherwise desirable. In such cases I

B. S., Jr. 3.

have told him to refer the report to me personally. As I had five years' experience as Secretary and Treasurer of one of the largest charity hospitals in Chicago, I should be competent to decide such doubtful cases to a certainty. Told Mr. Giles that this arrangement would have to last until your return, unless in the meantime you prefer to give some different instructions.

If any information of the confidential nature that is contained in the physician's reports should happen to get out, or even the fact that some such information had gone out from this company, the yellow journals might make very great trouble for us, and there is no question but that it would be a serious breach of trust, without regard to whether it led to friction. Where a report is of such a nature that a boy has to be turned down, it is of no moment or value to the Trust Company to have the officers conversant with the facts, and it might be most unfair to the individual, for some of the officers might be acquainted with his family and it might lead to unpleasantness.

The very great value to the Trust Company of these examinations has already been proved in one or two cases that have come before us, where men might have been employed that should not have been, as their ability was excellent.

As the instructions given cannot possibly do any harm, and as the records would all be filed in a safe under Mr. Giles' personal control and can be referred to in the officers' meeting later should you differ with me, I took it upon myself to make the instructions to Mr. Giles absolute and positive.

Yesterday I loaned £100,000 to the Comptoir National d'Escompte de Paris, London, from March 28 to April 11 at 5%. This is really an extension of the loan previously advised you that matures on the 28th. The conditions abroad eased up very materially yesterday. 90 d/s bills to arrive in Berlin after April 1 can be discounted at 5 3/4%, whereas the rate to arrive before April 1 has been as high as 6 3/8%.

The ruin effected by the tornado and floods during the last few days may have more or less influence on foreign exchange rates, if it turns out that those having met with losses were heavily insured. While in the country there was apparently little insurance, yet in places like Omaha, Nebraska - Terre Haute, Indiana - and Dayton and Columbus, Ohio, conditions may be very different. While I question whether the amount involved will be sufficient to affect the rate particularly, I am watching the matter carefully.

Enclosed is a comparative statement of the business of the Foreign Department for the years 1911 and 1912. These

B. S., Jr. 4.

figures will appear in the regular report that will be received by you later, so you need not save them.

Everything is moving forward satisfactorily, although business shows signs of coming dullness.

Sincerely yours,

Fraser

Dear Ben -

A batch of letters was thrown upon my desk to sign of which the enclosed is a copy. I did not like the wide margin and suggested that if we were going to make it appear like a poem why not make it one. Upon being asked to make good I called the bluff and wrote the attached but it was voted down.

Fraser

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**BANKERS TRUST
 COMPANY**

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CABLE ADDRESS: BANKTRUST, NEW YORK.

16 WALL STREET

NEW YORK March 26, 1913.

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 I. MICHAELS, Trust Officer.

Messrs Amerman & Patterson,
 24 State Street,
 New York City.

Gentlemen:-

We are writing to call your attention to the facilities offered by the Bankers Trust Company, in the hope that we may be of some service to you.

In the enclosed leaflet you will find a copy of our last statement and on the last page a brief description of our various departments, which may serve to suggest some business that we can handle for you.

Interest is allowed on deposits, either subject to check or for a fixed period, and we should be glad of an opportunity of discussing possible relations with you, either as depository or in some fiduciary capacity.

Trusting that we may have this pleasure, we are,

Yours very truly,


 Vice-President.

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 PERRY D. BOGUE, Asst. Treasurer.
 HARRY N. DUNHAM, Asst. Treasurer.
 I. MICHAELS, Trust Officer.

NEW YORK, March 26, 1913.

Messrs. Amerman & Patterson,
 24 State Street,
 New York City.

Gentlemen:-

We are writing to call your attention,
 To the facilities offered by us,
 In the hope that we may be of service
 And save you from trouble and fuss.

In the leaflet enclosed you will find
 Of our statement a copy most true,
 And a brief on our various duties,
 If we handle some business for you.

On deposits much interest is paid,
 Either subject to check or on time,
 As fiscal agent or depositary
 We'll show you our methods are prime.

Trusting that you may be interested,
 We are,

Yours very truly,

Vice-President.

MEMORANDA

FOREIGN EXCHANGE
DEPARTMENT

FOR

March 26, 1913.

MR. KENT:NUMBER OF ISSUING BANKS:

United States - - - - -	3879
Canada - - - - -	
Banks - - -	14
Branches - <u>648</u>	662
Europe - - - - -	
Banks - - -	12
Branches & Correspondents - <u>34</u>	46
Other Parts of the World	
Banks - - -	21
Branches - <u>24</u>	45
	<u>4632</u>
Total Number of Banks - - - - -	3926
Total number of branches - - - - -	706
	<u>4632</u>

	<u>1911</u>	<u>1912</u>
Bills of Exchange Purchased.....	\$61,862,189.62	\$82,596,137.86
Travelers' Cheques Sold.....	11,847,740.00	17,227,320.00
Commercial Credits Issued.....	1,379,647.57	2,035,135.73
Travelers' Letters of Credit Issued....	593,459.37	1,131,538.01

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 I. MICHAELS, Trust Officer.

NEW YORK, March 29, 1913.

FOREIGN EXCHANGE DEPARTMENT

Mr. Benjamin Strong, Jr.,
 C/o Hotel Raymond,
 Pasadena, Calif.

Dear Ben:-

Yesterday I spent something over an hour in the vault going over the system, as I last wrote you. It seems to me that it is very effective and that the company is protected in so far as it reasonably can be, and am satisfied that the system is working smoothly and satisfactorily.

I found one matter that needs attention that I took up with Mr. Close. He states that the Trust Department will attend to it at the first opportunity, and that the only reason they have not done so before is due to the fact that they have been very busy with other special matters. Bonds are packed between bond boards for their protection, each bundle containing sometimes several thousand dollars worth of bonds of different kinds. When it is necessary to cut coupons from the bonds in any bundle, the whole package has to be withdrawn from its safe. The particular bonds from which coupons are to be cut are picked out, and it is necessary to spread the various kinds of bonds around among several clerks, making it difficult for one man to watch them, as no bonds are counted out or in when taken out of the safes for the purpose of cutting coupons, because it is not practicable to do so. This whole trouble can be obviated by having bonds of certain maturities sorted and packed together. It will be quite a little work, but when it is accomplished it will mean greater safety and also considerable saving of time. The Trust Department started the sorting some time ago, but only worked at it for one day, because other matters began to require their time. Should judge that it will take two or three weeks to complete the work.

March 31, 1913.

Upon receipt of cablegram announcing Mr. Morgan's death the stock exchange eased a trifle, but immediately recovered.

B. S., Jr. 2.

The foreign exchange market, however, was very much disturbed, and all quotations were only nominal for the larger part of the day. This was undoubtedly due to doubt as to how foreigners might look upon American stocks. If they sold heavily exchange would go up, and if they bought, exchange would go down, whereas if they ignored Mr. Morgan's death as far as trading was concerned, there was no reason for the market to change. The result was that cables were quoted from 487.75 to 488.10, and it was almost impossible to trade at any rate. However, we were not in position to operate, as we sold out everything available, as I wrote you in my last letter.

Sir Edward Holden cabled me this morning as follows:

"What will be effect do you expect Morgan's death to have?"

To this I replied:

"Mr. Morgan builded too well for his death to cause destruction. His wonderful ability and integrity lives on through the partners of his selection, and their standing is everywhere too well known to cause the slightest anxiety."

We loaned \$1,000,000 for one week at 5 8/10% in London. This transaction was not a loan to any London banker, but was a purchase of demand exchange for last Saturday's steamer and the sale of cables on arrival a week from Monday, or actually a 9 day transaction. The great difference between demand and cables made the operation possible.

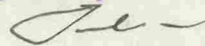
Sunday morning I had an interesting game of golf with Mr. Wilson, Vice-President of the McGraw Publishing Company. As we stepped up to the tee to start the last nine, I told him I would give him the exact score for the nine before the first drive. He was of course very positive that I could not do so. After a proper argument I gave him the figure 42, and had a put on the last green of about three inches in order to make it. You can imagine that I was inclined to rub it in just a little after having taken such a long chance, but I played every shot for all there was in it, which was necessary because of the winter greens. Wish the game might have been in California with you as the victim, but I have some shots up my sleeve this year, from which I expect a great deal when I next have the pleasure of following you off of the first tee and leading you the rest of the way.

Your letter of the 27th just received. Our foreign policy has certainly degenerated to mere corner grocery politics, but both Wilson and Bryan knew so much to start with that it is a little hard for them to learn, so that they should be excused temporarily.

B. S., Jr. 3.

Note that you will be in San Francisco for a week, and hope that it may prove a most pleasant trip. With sincere regards, I am,

Cordially yours,

A handwritten signature in cursive script, appearing to be "J. S.", written in dark ink.

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 D. E. ROMEROY, Vice President.
 W. N. DUANE, Vice President.
 F. I. KENT, Vice President.
 HAROLD B. THORNE, Vice President.
 F. N. B. CLOSE, Vice President.
 GEO. G. THOMSON, Secretary.
 GEORGE W. BENTON, Treasurer.
 GUY RICHARDS, Asst. Secretary.
 H. W. DONOVAN, Asst. Treasurer.
 BETHUNE W. JONES, Asst. Secretary.
 H. F. WILSON, JR., Asst. Secretary.
 R. H. GILES, Asst. Treasurer.
 PERRY D. BOGUE, Asst. Secretary.
 HARRY N. DUNHAM, Asst. Treasurer.
 I. MICHAELS, Trust Officer.

NEW YORK, April 4, 1913.

FOREIGN EXCHANGE DEPARTMENT

Mr. Benjamin Strong, Jr.,
 C/o Hotel Raymond,
 Pasadena, Calif.

Dear Ben:-

Enclose herewith Sir Edward Holden's letter, which is not particularly interesting, but which you may desire to see nevertheless. It is not the reply to the special letter I sent him, as it is not yet time to hear from that.

Intend to leave on the 5 o'clock train this afternoon for Philadelphia with Mrs. Kent. Will make an address there this evening, and go on to Atlantic City for a few days Saturday morning. Will then meet Warner and my sister in Washington, and spend the week. Will be at the office again April 21, but will be in touch with Mr. Schmid every day in the meantime.

Have gone over our whole foreign situation with both Mr. Pomeroy and Mr. Duane, as well as with Mr. Schmid, and as everything is in good shape and almost able to take care of itself until my return, there should not be the slightest friction.

We have about half a million dollars maturing in London April 11, and I expect to withdraw it, as I do not imagine we will be able to obtain a proper rate for extension. Mr. Schmid will phone me at the Marlborough-Blenheim on the day of maturity. £200,000 that is carrying 5% will be automatically returned by the 14th of April, and will not be renewed, because the conditions are impossible at the moment to make an extension of the proposition at any sort of favorable rate. We have \$178,000 in Marks maturing with the Deutsche Bank April 30, and \$714,000 at the Direction der Disconto-Gesellschaft. Have written to both banks asking them to cable us rates for renewal for one, two and three months, but will return in time to handle this matter. The rate made us, together with the exchange proposition and conditions here, will

B. S., Jr. 2.

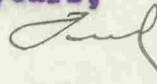
determine whether a renewal for any period is desirable. As we are in position to take these amounts from our deposits before figuring our reserve, the interest rate to the company is increased very largely over money loaned here, and under our arrangement that would enable us to withdraw the funds, if needed, it works to our advantage to have some money out in this manner.

May write you while away if anything comes up that I think would interest you. In the meantime you may know that I am in close touch with the office, and could get back in a few hours, if necessary.

Would not go, but really think it advisable, as I do need just a few moments' rest, and feel sure that the days planned will result in giving me back my full aggressiveness.

With sincere regards, I am,

Cordially yours,

A handwritten signature in cursive script, appearing to be 'J. S.', written in dark ink.

DIRECTORS.

JAMES S. ALEXANDER, Prest. Nat. Bank of Commerce in N.Y.
 STEPHEN BAKER, President Bank of the Manhattan Co.
 SAMUEL G. BAYNE, President Seaboard Nat. Bank.
 EDWIN M. BULKLEY, Spencer Trask & Co. Bankers.
 JAMES G. CANNON, President Fourth Nat. Bank.
 E. C. CONVERSE, President.
 THOMAS DEWITT CUYLER, Prest. Commercial Trust Co. Phila.
 HENRY P. DAVISON, J. P. Morgan & Co., Bankers.
 RUDOLPH ELLIS, President Fidelity Trust Co. Phila.
 E. HAYWARD FERRY, Vice President Hanover Nat. Bank.
 WALTER E. FREW, President Corn Exchange Bank.
 FRED'K T. HASKELL, V. Prest. Ill. Trust & Savings Bank Chicago.
 A. BARTON HEPBURN, Chairman, Chase Nat. Bank.
 FRANCIS L. HINE, President First Nat. Bank.
 THOMAS W. LAMONT, J. P. Morgan & Co. Bankers.
 EDGAR L. MARSTON, Blair & Co. Bankers.
 JOSEPH B. MARTINDALE, President Chemical Nat. Bank.
 GATES W. MCGARRAH, Prest. Mechanics' & Metals Nat. Bank.
 CHARLES D. NORTON, Vice Prest. First Nat. Bank.
 WILLIAM C. POILLON, Vice President.
 DANIEL E. POMEROY, Vice President.
 WILLIAM H. PORTER, J. P. Morgan & Co. Bankers.
 SEWARD PROSSER, Prest. Liberty Nat. Bank.
 DANIEL G. REID, Vice President Liberty Nat. Bank.
 BENJ. STRONG, JR. Vice President.
 EDWARD F. SWINNEY, Prest. First Nat. Bank, Kansas City.
 GILBERT G. THORNE, Vice President Nat. Park Bank.
 EDWARD TOWNSEND, Prest. Imp. & Traders' Nat. Bank.
 ALBERT H. WIGGIN, President Chase Nat. Bank.
 SAMUEL WOOLVERTON, Vice President Hanover Nat. Bank.

BANKERS TRUST COMPANY

CAPITAL \$10,000,000
 SURPLUS 10,000,000

CABLE ADDRESS: BANKTRUST, NEW YORK.

16 WALL STREET

NEW YORK, September 10, 1913.

OFFICERS.

E. C. CONVERSE, President.
 BENJ. STRONG, JR., Vice President.
 WILLIAM C. POILLON, Vice President.
 D. E. POMEROY, Vice President.
 W. N. DUANE, Vice President.
 F. I. KENT, Vice President.
 HAROLD B. THORNE, Vice President.
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 I. MICHAELS, Trust Officer.

FOREIGN EXCHANGE DEPARTMENT

(50) Mr. Benjamin Strong, Jr.,
 C/o Plaza Hotel,
 New York.

Dear Ben:--

Just finished our chat over the 'phone, which was the most pleasant experience I have had for some days, as everything is quite dead in the office.

Enclose copy of circular that I shall send to those from whom we purchase cotton on Friday or Saturday of this week, provided it meets with your approval. It is in line with the letter being sent out by the National City Bank, although of an entirely different wording. Sent a copy to Mr. Haight, and he thoroughly approves of it, and says that it meets satisfactorily the request of the foreign bankers. If there is anything in connection with the letter that you wish to speak to me about, would suggest that you 'phone me Friday, as I expect to introduce one F. N. B. Close to the bunkers which surround the greens on the Englewood golf course to-morrow. He has never played at Englewood and is very anxious to do so.

Last evening I had a very funny experience that might interest you for a moment. The latter part of August Warner received a letter from Harvard College requesting him to stop smoking, drinking, swearing, etc., etc. September 1, and in effect to replace the time spent in doing those things by running, in order to get into as good physical condition as possible before returning to college September 22. He returned from Squam Lake Monday, and last evening decided to start in his running. As he did not care to run alone, he inveigled the old man into acting as pacemaker, and we turned off a good mile and a half for the first run. On the return trip the moon was at my back, and suddenly I saw the shadow of a man directly in front of me, and it seemed to keep holding its exact position without any apparent motion of the arms or body. I immediately thought someone was running behind me, and put on the accelerator. Was


B. S., Jr. 2.

much surprised to see that the shadow held its position, and still without the slightest apparent effort. That seemed rather strange, but I thought I would give whoever it was at least a run for his money, so I opened the throttle and let her go for all I was worth. Imagine my surprise to see the man's shadow in the same place, holding its own with the greatest of ease, whereas I was nearly running my legs off, and I then turned around and saw a policeman on a bicycle riding behind me, and he was in a most awfully excited state of mind. Warner was about 100 feet ahead of me and going for all he was worth, so he did not realize what was going on behind him. The policeman demanded to know what I was trying to do, and having in mind my effort to beat his shadow, I told him that I was a little uncertain myself, but finally we explained the matter to his satisfaction, and told him that if he were interested in that form of development, he might come out and see it any night between now and September 22, the date that Warner returns to Harvard.

Running is the first thing that the youngster has ever beaten his Dad in, although I suppose golf and tennis will follow in due time. In the hotfoot sport, however, I will have to admit that after the first 3/4 of a mile keeping up with him is no cinch, and that is about the limit of my usefulness as pacemaker. The balance of the mile and a half is only of interest to me because of the opportunity to watch his heels, although in the moonlight they seem to get a long way ahead. The boy is really a beautiful runner, being graceful and very light on his feet and running with the utmost ease. Will have to admit, however, that I am extremely anxious about the effect of his first few weeks of training, for they will probably determine whether he was injured last spring when they made him run in the two mile race against Yale directly after he had won the mile and lowered the record. He ended the mile in perfect condition, but finished the two mile in bad shape, and afterward had to go to the hospital. It was a criminal thing for them to do, and I took it up with President Lowell of Harvard, and understand that they are going to try and apply a little sense to such things in the future.

With sincere regards, I am,

Cordially yours,



Dear Sirs:-

The European Bankers Conference on Cotton Bills of Lading held a meeting in London on the 22nd of July, 1913, which was attended by bankers from England and Continental Europe. After careful consideration of the work accomplished by the New York Central Bureau, a resolution was unanimously passed approving the plan and requesting the co-operation of American exchange buyers in carrying out the Central Bureau system. We understand that in order to meet the wishes of American shippers, and eliminate what seemed to be the principal objection that they had to the Central Bureau, viz., its control by an individual, that the European Cotton Exchanges, Spinners Associations and bankers have taken over the Central Bureau, which in the future will be operated by them and at their expense.

With this change in the management of the Central Bureau, we believe that they are justified in asking the co-operation of American buyers of cotton exchange, and therefore we ask that you authorize the railroads which you employ for the shipment of cotton to send copies of your bills of lading to the Central Bureau, 51 Wall Street, New York City, and also that you authorize such steamship companies as carry your cotton to send copies of masters' receipts to the Central Bureau.

It is also desired that notification forms be attached to your cotton drafts.

The above does not apply to port bills, but only to through bills of lading issued by railroads.

Very truly yours,

16 Wall Street,
New York, November 17, 1913.

Mr. H. O. Bailey,
c/o Commercial Club,
Washington, D. C.

Dear Mr. Bailey,

Enclosed is a memorandum of certain additional suggestions in connection with the Federal Reserve Act, which I am anxious to have you and Mr. Curtis consider and use as you may find necessary. I am sending this letter and enclosures to the Commercial Club, and a copy of the letter in care of the Riggs Bank, so that you will be certain to receive it at one place or the other promptly tomorrow morning. I am also enclosing the memorandum in three copies, so as to be sure that there are sufficient for your requirements.

Nothing has as yet reached me that would indicate any necessity for me coming to Washington, so I am leaving tomorrow morning for Maryland.

To make sure that you will understand the references, I am enclosing a marked copy of the National Bank Act published by the National City Bank. Wishing you the best of good fortune in Washington, I am,

Sincerely yours,

[F. J. Keim]

(Enc)

[Handwritten mark]

Memorandum

Page 3. The heading for Sec. 4 should be "Appropriation for Expenses."

Page 4. At the end of Sec. 5 it should provide that the surplus paid to the United States should be applied to the purchase of United States bonds.

Page 5, 8th line, "centum" should be written in full.

Page 6, bottom of page. It is provided that the bank may lease and acquire real estate, and it should similarly be empowered to sub-let and sell.

Page 11. The sentence ending with the words "members of Executive Committees" is not sufficiently definite, and could be improved by reading as follows: "Members of Executive Committees may be summarily suspended and subsequently removed for cause by the Board after due hearing, and shall be so removed at the request of not less than per centum of the depositors of a district expressed by votes of the Boards of Directors of such depositors."

On the next line, between the words "annually" and "make", add the words "and more frequently if required by the Board."

Page 13. The first two lines should read, "exercise all the duties, services, or functions specified or implied in this Act."

Page 14; end of Sec. 12. If the accounts and transactions of all depositors are confined to the branch and sub branches of the banking district in which they are located, foreign branches of National banks or State banks would not be able to do business with the foreign branches of the Federal Reserve Bank, and a few words at the end of the sentence will correct this error.

Page 15. Sec. 14. The word "centum" in place of "cent."

Page 16. Paragraph (e); 1st line; "endorsement" mis-spelled.

Page 20. 4th line should read "as described in paragraph (d) of Sec. 15 of this Act."

The last word in Sec. 20 is "surplus," and this should be "surplus fund."

Page 21. 3rd line. The words "the face" should be changed to "their

Page 22; 1st paragraph; last line; the word "bank" should be "banks."

Same page; 7th line from the bottom, should read "gold and lawful money."

Page 24; 12th line from top; the word "may" should be changed to "shall."

Page 27; 4th line; the word "circulations" should be "circulation."

6th line; ~~the notes~~ should read "notes of each of such national banks."

Page 28; first three lines; I think better and more accurate language would be, "Circulating notes of an amount equal to one and one-half per centum per annum," etc.

In the first paragraph of Sec. 29, the letter "b" is omitted from the word "Board."

Page 30; 18th line; the last word "expense" should be "expenses."

Next paragraph, same page, 2nd line; the word "examination" should be "examinations."

Please refer to the National Bank Act (National City Bank edition), page 16, paragraph 24. We have put nothing in the Bill in relation to jurisdiction of the courts over this institution. I am not able to suggest whether that is necessary or not, but inasmuch as special statutes have been enacted relating to the jurisdiction of State courts over National banks, it might be well to put a clause of declaration in the Bill as to the jurisdiction of the courts.

Page 20; the language of paragraph 33 indicates the possibility of some improvement in the language descriptive of the general powers of the Federal Reserve Bank.

Page 23; paragraph 42. We have not provided that directors shall hold

office until their successors have been appointed and have qualified. This can be corrected in a sentence at the foot of page 7 of the Bill.

Paragraph 43. Suggest that it might be wise to have the directors of the Federal Reserve Bank necessarily citizens of the United States.

Paragraph 44; same page. Suggest that the form of oath might be expressed in the Act as that provided by Sec. 5147 of the Revised Statutes.

Page 25; paragraph 50, raises the question in my mind as to whether we have properly dealt with deposits of the Postal Savings Fund. They are not necessarily involved in this plan of legislation, but, even upon that theory, we want to make sure that the general language of the Act does not require the officers of the Government to disturb existing arrangements. It might be well to ascertain just how these accounts are kept, and see whether any clause would be required in the Bill to cover this situation.

Paragraph 51, suggests that we have no provision in the Bill stating that the Federal Reserve Bank shall not pay interest upon any deposits, which should be there, and it should be without qualification.

Page 30; paragraph 53, in relation to the Panama Canal bonds raises the question as to whether we have examined with sufficient care into the Statutes with relation to these bond issues and ascertained definitely whether our refunding operation would extend too far.

Page 31; Sec. 60 should be made to extend to the refunding bonds to be issued to refund the 2 $\frac{1}{2}$ s.

Page 33; paragraph 67. I believe it would be wise that this section be amended so that it will not interfere with the provision in the Bill in regard to the retirement of one-half of the circulation of National banks. It may be that our Bill and this paragraph are in conflict.

Page 39; paragraph 68. In describing the payments for which the notes of the bank may be received, we omitted payments for public lands. It isn't very

important, but we might as well make it conform to the terms of the National Bank Act.

Page 40. Please consider the last line of that same paragraph.

We have used the words "National bank notes" throughout the Bill. It might have been better to have put in a definition of Circulating Notes, in our paragraph of definitions, and changed the words "National bank notes" to "circulating notes" throughout the Bill.

Page 52. In providing that National banks may have branches, we should subsequently provide for an amendment to Sec. 5190 of the Revised Statutes.

Page 53. Our reference to net deposits as defined by the Comptroller of the Currency should in some way refer to the sections of the National Bank Act appearing in paragraphs 122 and 123, so that his definition of net deposits might not imply something different from that already provided in the National Bank Act.

Page 54; top of page. We have omitted any reference to the ~~same~~ treatment of the 5% Redemption Fund as part of the reserves of National banks. The definite direction to establish a 12% reserve and how it shall be held, is contrary to the provisions of the National Bank Act. I suggest the addition of a clause which will place it within the power of the Federal Reserve Board to determine whether any of the 5% Redemption Fund, and if so to what extent and in what manner, may be counted as a part of the 12% reserve. Personally, I have no objection to this counting as part of the reserve which is to be held at their option in their own vaults.

Page 58; paragraph 135. We have given no consideration to the subject of usury. If the Federal Reserve Bank discounts only for corporations, that is, National and State banks, the usury statutes would not apply, but they would place the entire burden of costs for discounts in excess of the limit of usury

upon the National bank, which could not in turn increase its rate to its customer. There is nothing we can do about this in the Bill, but it suggests the entire unwisdom of our usury statutes as they are in this country today.

Page 62; paragraph 149. Sec. 5209 of the Revised Statutes, or a similar clause, should be embodied in the Bill, unless other statutes of the United States apply to fraud of the character described in this section.

Page 64; paragraph 154. We have no method of disposition of unclaimed dividends provided in the Bill.

Page 69; paragraph 165. I am not sure whether this section must be made to conform to our own provisions as to the retirement of circulation.

Page 72. We should have a paragraph, unless it has already been made to apply, similar to Sec. 5232 of the Revised Statutes.

Page 81. The question is raised again by paragraph 194, as to the jurisdiction of the courts over this corporation.

Mr. Kent and I have been discussing some features of the Bill today. I haven't time to complete this dictation, but he will do so, and these rather sketchy notes together with his suggestions following will, I am sure, complete all the suggestions that have occurred to us since you left for Washington with the Bill.

B.S.Jr.

Mr. Kent's dictation:

Page 1, of the Bill. Should not the word "That" follow the words "Sec. 2."

Page 5. Should not the word "That" follow the words "Sec. 6."

Page 6. Should not the word "That" follow the words "Sec. 7."

At the end of the 9th line from the bottom, the word "issue" might possibly be better changed to "issuance."

Page 7. 3rd line from ~~bottom~~ top; the word "Board" is spelled first with a capital and then with a small letter. In this connection, would mention that the word "Branch" which appears in the definitions in capitals, is not capitalized anywhere in the Bill.

Page 13; Sec. 11. Is there clear authority for the Board to divert earnings to surplus, should it so happen that, after the surplus reached the sum of \$50,000,000., it were diminished through losses.

Page 14; Sec. 13. The word "depository" is followed in the first paragraph by the word "depositories."

Page 15; Sec. 14. As National banks invested in bonds of the United States, which were deposited as security for circulation, with the understanding that the 5% fund deposited with the Government would count as cash reserve, it seems only fair that they should be able to continue so counting it. While the amount is small, yet it might cause considerable friction among bankers if the regulation were changed.

Page 15; Sec. 15 (b). Should not the words "that may not have been set aside as security for any other purpose" be added? There is no doubt whatever but that such words are not needed, practically, as a banker would clearly understand it as it stands; but it might prevent criticism to have some such phrase affixed.

Page 16; end of Sec (c). By adding the phrase "within the United States" it would prevent the purchase by the Bank of single name demand foreign exchange. As the section is worded it might be construed to mean that single name demand foreign exchange could be purchased. If it is intended that the bank shall be in a position to purchase such exchange, the paragraph should be left as it stands; otherwise I think it should be changed.

Page 16 (e). Should not the words "from or to the United States" follow the word "importation" in the middle of the third line; making the line read, "upon the exportation or importation from or to the United States of goods, wares," etc. Without these words the bank would not be authorized to operate, say, in London through discounting bills of exchange for exports and imports between foreign countries offered in the London market, because they would not bear the acceptance or endorsement of a depositor.

Page 17. (f). The first line might better read as follows: "To purchase from depositors, for the purpose of carrying to maturity, or to sell," etc., etc. This would prevent any possibility of a construction being put upon the section that would seem to make it necessary for the bank to sell everything that it purchased. If such a consideration does not seem to you possible, the paragraph should stand as it is.

Page 17. (g). The fifth word in the third line is "or." Should not this word be left out?

Page 17. (h). In the second line "such countries" should be changed to "foreign countries," otherwise it might be construed to mean that savings branches could be established only in countries in which foreign bank accounts had been opened.

(h) In the third line, the word "discounting" should be added to "purchasing, selling, collecting." The word "dealing" might cover it, but it would seem that the word "discounting" should be added, as it would probably be a daily operation.

Page 17. (h). 5th line. The word "such" should be changed to "its foreign."
6th line, the word "agency" should be followed by the word "such."

Page 18. Sec. 17. The word "it" in line 3 should be changed to "them."
In line 6 the word "it" should also be changed to "them."

Page 25. In the second paragraph, is the new issue of bonds clearly authorized in the words "he shall accomplish such refunding by the issue of bonds."

Page 27. Sec. 28 states that "purchases shall be made from the several National banks up to amounts not exceeding the par value," etc., "and thereupon the banks shall be responsible for the ~~redemption~~ redemption and retirement of the notes of each such National bank to the amount of the purchase price of the bonds, less interest," etc. Suppose a condition arose under which bonds were offered to the Government at, we will say, 90, and were purchased at that price. If \$100,000 of bonds were purchased at 90, the bank would assume liability for only \$90,000 in National bank notes. It would unquestionably redeem \$100,000 of such notes, but it would not be compelled to do so under the law.

Sec. 30, under "Bank Examinations," intends either to duplicate to a certain extent the examinations to be made by the Comptroller, or to take out from under his jurisdiction the examination of National banks. If the former is intended the section is in order; if the latter, it is not.

Paragraph 2

Page 55. Sec. 20. The word "amount" is mis-spelled in the fourth line.

F.I.X.

Washington,

Sunday afternoon.

[Date 1/9/13]

Dear Ben,

It is 3.30. and I have just returned from a long session with Senator B. and am about to go out to luncheon. Things are in a most unsatisfactory state, as Senator O. seems disposed to take every unfair advantage possible. At a quarter to eleven the other evening he attempted to bring up his Bill for a vote, hoping to slide it through. Senator B., realizing his attitude, feels obliged to be in the Senate practically all of the time up to eleven o'clock, with the exception of such periods as he can secure the consent of other Republican senators to take the floor. They do not seem to be willing to do so in the evening, however, but are leaving the brunt of the matter to Senator B. He has been very urgent about getting the material that I am working upon. The result is that I have not had an opportunity to advise you before of just what we are doing.

Have planned the work so as to give first a general criticism of the Owen bill, bringing together its most glaring defects in such a way as to show their power. Then follows a detailed criticism, based on the dictation which you left. Have added many new points that I ran across as I analyzed the bill, and have developed of those dictated by you. Have also cut out some portions of your dictation, as I found, upon careful examination of the bill, that the meaning was different than would appear upon a first reading. On separate sheets, but following the order of the criticism, have made up questions. Senator B. is to fire all these questions at Senator O. and ask for answers.

Drew up many of the questions in such form that it will require the same kind of analysis as appears in the criticism before they can be answered. In order to aid Senator B., have developed the criticism quite extensively. We have covered in this manner the first 32 pages of the Bill, and after I finish this letter I am going on with it. It has been very hard, steady work and, due to the pressure on Senator B. to hurry his preparation and his consequent anxiety to have all of the matter as soon as possible, Mr. Lewis and I have worked longer hours than I consider just right. In fact, I am getting so tired that it is difficult to work rapidly. We have not, either of us, been in bed before midnight since I arrived. While we have taken walks and broken the steady meetings with little changes here and there, yet it has only been done for the purpose of making us better able to go on with the work.

Expect to spend this evening with the Senator and go on with arguments in explanation of the notes. He seems to understand the points as we go along very clearly, so in that respect the work is satisfactory. In its relation to the attitude of the Democratic senators, however, it is not as agreeable, for they lead you to feel that, right or wrong, regardless of whether you are able to successfully prove their bill harmful or valueless to the country, they propose to put it through. Such an unreasonable, unpatriotic attitude on the part of a body of men with such responsibility is appalling. It is beyond my comprehension.

If after going over the matter enclosed you have any criticism or suggestions to make, will be glad to have you write me. Would also appreciate it if you could find time to send me some notes giving your opinion on the latter part of the bill. If I find as much to criticize from pages 32 to 59 as I have in the first 32

pages, it will be impossible for us to finish this matter before Tuesday. If, therefore, you can write me tomorrow I will receive it Tuesday morning in time to incorporate anything you may desire to have added.

The matter that you dictated on "A Central Bank vs. Regional Banks" is also before us. As soon as I have finished with the bill I am going to analyze this carefully, with the idea of enlarging upon it if necessary.

Telephoned Mr. Schmidt yesterday, and have such figures from my department as I need, and everything is running along exactly as I wish. \$607,000 will be turned back to the Banking Department on December 11th, which is a matured loan made to the Comptoir National d'Escompte de Paris, London, which has been placed forward two weeks at a time for a considerable period. We will show a nice exchange profit as well as interest profit when it is turned back. There is nothing in the department that needs your attention in any way, shape or manner. I shall 'phone Mr. Schmidt again tomorrow, and, if necessary, Tuesday. Am very anxious to get back home, but do not feel justified in leaving until I have finished the bill, as long as the work is started.

I forgot to say that in addition to the matters enclosed, am preparing different sets of figures for the Senator, all of which, of course, takes time. My only real pleasure in this proposition, considering the fact that the Democratic senators are apparently in the mood to ignore anything that may be put before them, is that you are being relieved. That I consider the most important thing of all, as matters stand, and I sincerely hope that you will not be tempted to return, unless something should develop after the debate

has started that would make it appear as though some real good
could be accomplished.

With sincere regards to all and yourself, I am,

Faithfully yours,

F.I.K.

Washington, D.C.,

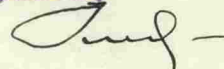
December 4, 1913.

Dear Ben,

Yesterday afternoon I did not attempt to dictate anything, as Mr. Lewis had more than he could prepare for our evening meeting and as I wished to spend the time in studying the bill. Found a number of important matters in the bill that I developed last night in conversation with the Senator and that I shall dictate this morning. Shall also change some of the items in your original dictation, as a more careful study shows that they need a little different consideration or they can be too easily attacked. Before I start dictation shall take off my gloves, although I am not sure that some of the things I have in mind will meet with the Senator's approval. Whether they do or not I wish to get them into his mind, for I consider them unanswerable. The question of their use will be a matter of politics that the Senator, of course, knows best about. We finished a little after eleven last evening, as the Senator had another engagement.

Hoping that you will not alone have success in your shooting, but that you will get the best sort of rest possible, I am.

Sincerely yours,



Mr. Benj. Strong, Jr..
Perryman, Md.

Washington, D.C.,

December 4, 1913.

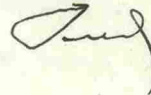
Dear Ben,

Dictated all morning to Mr. Lewis, and we now have something like 19 solid pages of introductory matter to precede your dictation. Am trying to draw some of the most glaring faults in the bill into the form of a preliminary argument, so that those who may not be as interested in following the tearing of the bill to pieces, part by part, may have something that might attract their attention. Expect to go over this matter with the Senator this evening, but am afraid that it will be rather late as it is now 10.45 and he has not yet phoned me, because of a meeting that came up which he was obliged to attend.

You will be much interested to know that two of our friends who recently came to Washington for the purpose of running the Treasury Department of the United States, were so exercised over the article in the Tribune which applied directly to one of them and rather implicated the other, because it would appear as though he must have allowed the transaction to go through, seemingly lost their heads and called in the President of a bank well-known to us and told him that the story had been given out by him or some of his senior officers. This having been denied, the other officers were called over to the Treasury Department and interviewed. It seems that one of them, who is my most particular friend and whose name begins with a big "A", was so bullyragged that he told the gentlemen more or less what he thought of them. This did not seem to please them entirely, and the Honorable tunnel man blew up and used some unprintable language not usually considered dignified on the part of a high public official. The accused bankers,

however, did not give out the story, although they had been careless enough to listen to it as it went the rounds of Washington. I am afraid the incident has not served to dissipate any of the misunderstanding that has existed, - if misunderstanding it is, - in the minds of the Treasury officials concerning the bank in question and a certain other well-known bank in New York City. It makes the screaming of the eagle very throaty, and the old bird does not at the moment stir up my little insides the way it used to when the band played Yankee Doodle in the land of the brave and the free.

Sincerely,

A handwritten signature in cursive script, appearing to be the name 'Frank'.

Dear Ben.

As I have poor Lewis buried up to his neck will have to write this or not send it.

This morning I finished the bill including comment and questions. If I had had two stenographers could have been through earlier but have my doubts as to whether it would have helped any as I have been going over the matter with the Senator in between times and preparing figures etc. After lunch today I went to the Senator's office and after we had gone over some of the work I told him that I expected to finish your fine article on Central Bank vs Regional Bank this evening and would deliver everything to him complete at noon tomorrow and then would start for little old New York. The Senator nearly collapsed and said "You would not leave me now would you?" "You must not leave me!" and his hand trembled so he could hardly hold his paper. These evening sessions are doing him up and it is an outrage for the democrats who forced them do not attend. They have a few on hand and the other in call in case of a break in the debate that would allow a chance to take a vote. Last evening I spent two hours in the Senate getting points from the debate and there were just 5 Democratic Senators paying attention and 7 others in the room writing and reading.

Tomorrow morning I am going to take breakfast with the Senator at 8 o'clock and we are going over the matter that he is to talk about. Lewis is to finish writing your article with my addition tonight although I still have two subjects to dictate yet as I added Domestic Exchange. That will probably mean two o'clock or so.

It does not seem right to leave the Senator under the circumstances particularly as I kept finishing new figures for him and so it is not just a matter of bracing him up but I am terribly anxious to get back home and am going to break away the first minute possible.

The Senator gave a lot of questions to Senator Owen as a matter of Senatorial courtesy or preferably Senatorial burlesque and they are to wrestle with those this evening. He agreed to save a lot of good over for presentation as the bill is being considered section by section so that will help. He added some himself and changed a few of mine and I don't agree with his points of view entirely. For instance he asked why the Comptroller of the C. was dropped from the board. I asked him not to do so as we want the Comptroller off the board and now he was off to let sleeping dogs lie but he said he wanted to joke Owen about it a little. Well this thing does look like a joke to me but I don't suppose it really makes very much difference whether he jokes some or not so after registering a kick or two I subsided.

Regards to you and all
Fred.

This administration appears to be the most vicious and overbearing that ever went into office. They have a chip on their shoulder all of the time.

Told the Senator about your wishes regarding the Pujo investigation.

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207
W. H. - [unclear] [unclear]
Dec 16/13.

Washington, D. C.,

December 13, 1913.

Dear Ben,

Arrived in Washington on time Friday morning, and Mr. Lewis met me at the train. Spent the whole day, from nine in the morning until ten minutes to eight at night, correcting Senator Burton's address. There were 329 pages of it, and it had to go into the printer that evening. It was a perfectly awful proposition, because there were so many corrections necessary. Just as an example, I had Mr. Lewis make a copy of one page as it read originally and as I changed it. There were many things in the address that could have been bettered that I let go, particularly some matters that were left before any visible reasoning became apparent in the argument. The Senator gave me "a blank cartridge" to shoot at the speech, so to speak, and I went after it. He changed a lot of pages himself after I had let them go as being passable. On that account and as I have not read the address today, I don't know whether the thing is in order now or not. Am to go over it again before it is placed in the permanent record, but would not do it today for a thousand dollars a minute, for I was utterly exhausted when I finished last night. The Senator used all of the matter on the central bank vs. regional banks. So many interruptions occurred during its delivery that it is pretty well chopped up in the address. Taking everything into consideration, it seems to me that he really made a mighty fine effort to present the matter. In speaking to others last evening, I found that it had made a very

excellent impression upon all of those Senators who heard it. Unfortunately, however, the Democratic Senators were largely absent, which was an outrage, as these long sessions are supposed to be held for the purpose of discussing the Bill. Have been feeding the Senator dynamite right along, and he is showing the effects of it and is getting into quite a combatitive spirit. He expects to make another speech next week, and promises to present all of the questions as the Bill is taken up section by section. If he does so, and they have a full Senate at that time, it may be that some impression can be made, but the consensus of opinion here seems to be that it is not the intention of the Democratic Senators to consider anything other than President Wilson's commands.

Last evening I spent two hours with Senator Root. Gave him your letter and presented the other matter. Went over everything fully with him and answered great numbers of questions that he had to ask concerning banking principles as they might be applied to a central and regional banks. He seemed very, very much interested, but I am positive he feels that it is not possible to accomplish anything. I telephoned him immediately upon my arrival Friday morning. Told him the matter I had, and arranged to meet him at two o'clock. He was unable to keep the appointment, however, which was the reason I could not give the papers to him until after eight in the evening.

Did not attempt to do anything with Senator Swanson's speech, as I felt it my duty to stick to Senator Burton, particularly as he was quite anxious about the whole matter and did not wish to have anything violently wrong left in his address. Do not know whether anyone will ever read it, but if they do it is certainly fortunate that I was able to get after it, - which of course is

strictly confidential, as I feel that the Senator has left the middle of the road and that tremendous credit is due him for the strength with which he is going into the matter, considering his desire to straddle

Mr. Perrin of Los Angeles, formerly of Indianapolis, one of the members of the Currency Commission of the American Bankers Association, is also here, working with Senator Weeks. He prepared some matter bearing on Senator Swanson's speech, which was turned into the Senate yesterday.

Everyone has apparently given up hope of sidetracking the Democratic bill, and what is being done now is more to place matter in the record, with the hope that some few Senators might happen to be won over, at least enough to prevent the passage of the bill. In the main, however, judging from what Mr. Perrin says and from telegrams that he has received from all over the country, bankers have given up all hope. They are therefore endeavoring to combine their strength in an effort to have some of the worst objections in the bill eliminated. The first thing that they are to strive for is to try and have the bill changed so that one regional bank may be organized first, say in New York, without compelling anyone to join it, the members of the Federal Reserve Board to be appointed and to be the organizing committee, and to be the directors of the first regional bank until such time as they have shown that it can be run properly and bankers come into it and its own directory is elected. If this is done, the bill would also be changed so as to authorize bankers to determine sixty days after the first regional bank was organized whether they would go into the system. This would enable the details to be worked out first, and give bankers an opportunity to know who the men upon the board were and how they were going

to handle the matter. After the first regional bank was organized and in running order, then the Federal Reserve Board would consider the organizing of the next one, and so on until the provisions of whatever law is enacted are carried out as to the number of regional banks. By so doing, the Federal Reserve Board could allow enough time to elapse between the organization of each regional bank to meet whatever conditions seemed necessary as to the transfer of funds from member banks to regional banks. Mr. Perrin and I talked this matter over for something over an hour this morning, and it seems to me that if we are obliged to have the regional system, this is the proper way to handle it. I have been asked to go before President Wilson, with Mr. Perrin, the two of us being supposed to cover the East, middle West and far West, as Mr. Perrin and I were both in the banking business in the middle West, and he is now on the Pacific coast and I am in New York. Mr. Perrin was with Chairman Glass last evening, and he seems to think that something can be accomplished. There is just one element of doubt in my mind as to the advisability of following any of these suggestions, and that is that it might seem to be giving up the fight for a central bank before we were beaten, because the carrying out of this suggestion would have to be done before the bill is actually passed and such changes would have to be made as would authorize such developments. Everyone says, however, that there is no possibility of having a central bank, and Senator Root was very positive about it last evening. Such being the case, is it better to do the next best thing and try to obtain some relief in the present bill, or to let the matter drop? I have written you fully in order that you may understand the conditions and so be in a position to advise me what action you wish me to take. The

Commission of the American Bankers Association is also anxious to strike out the provision authorizing the Federal Reserve Board to suspend reserve requirements, and instead have a provision requiring member banks to pay to the Federal Reserve banks a graduated tax as their reserves go under the required percentage. This would seem to me a much safer proposition, with a politically constituted Board.

Had a copy of Senator Burton's speech forwarded to you today from his office, and you should receive it with this letter. Enclose a statement that I worked out today from the Comptroller's report of December 3, 1907. Instead of taking the actual percentage figures as shown in the statement, which include bank reserves, I thought it best to confine the consideration to cash in vault entirely; otherwise some smart Alec of a Senator might get up and say, "of course they had to keep heavy reserves, as they couldn't get their money out of New York," and so kill the whole thing. The cash showing, too, is very much better than the combined reserve requirements, as you will see at once from the table. First figured out the exact cash reserve required, then the exact cash reserve held, then the excess in actual dollars, and then figured the percentage of excess held to the amount of cash required. The figures speak for themselves, though I added one or two comments when sending them to Senator Root. For instance, if the country banks had been contented to carry only 54% more cash in their vaults, on the average, than required, they could have turned back the balance to New York, Chicago and St. Louis, which would have brought the banks in these cities up to their full reserve. Country banks held \$113,840,000. more than they required, and the three central reserve cities \$32,000,000. less, \$25,000,000. odd of which represented the deficit in New York City

alone. If this statement doesn't show who caused the panic of 1907 and throw the burden on the country banks who hoarded money, it would seem as though nothing could be proved about anything, at least by figures. Preparing this table was no soft job; it took Mr. Lewis and me the entire morning to do it; but as I understand that Senator Root will read it into the Senate record, I hope that it may be worth while.

Expect to spend all day tomorrow with Senator Burton, endeavoring to work out a new line of talk for him to use next week, in addition to the questions.

Sunday, 2.20 p.m.

Have just returned from a morning session with the Senator. We have drawn up a few amendments to the Owen bill that the Senator will introduce as the bill is considered section by section, after it is found that the central bank proposition is sidetracked. The two points upon which I laid the most emphasis appear on page 50 of the bill, the first in lines 10 to 13, and the second in lines 13 to 16. State banks that become members should certainly not be prohibited from carrying such deposits with non-member banks as they might choose to, that were in accordance with their State law. If our Company did not see fit to go into the system, this clause might result in the withdrawal of some deposits we already hold and in preventing us from obtaining similar deposits in the future. It is not a fair provision any way. The second clause is also unfair to State banks. These two features I laid particular stress upon, as Senator Burton feels, from having talked with Senator Owen last night, that there is a very great possibility that he might allow these amendments to go through. I also requested the Senator to

have Section 15, page 37, changed to read so that the power to distribute Government deposits among the regional banks would lie with the Federal Reserve Board and not with the Secretary of the Treasury. As it stands now, the Secretary could be outvoted six to one on the question of where to put Government deposits, and yet he could handle them to suit himself. Every politician in the country would know it, and tremendous pressure would unquestionably be brought to bear upon him at different times, that might result in transactions that would seriously handicap some regional bank that was being managed capably and conservatively. There would certainly be greater safety in having a board of seven pass upon such a proposition than one individual, who would be the only acknowledged political member of the board. Am going to suggest one or two other amendments, but it seemed to me that, as long as the bill is unquestionably going to be put through exactly as it stands, as far as the general powers of the Federal Reserve Board and the organization of regional banks is concerned, and other matters relating to refunding, etc., clipping the wings of the Secretary of the Treasury was really the most important thing to strive for. Goodness knows there are plenty of other important ones, but it seems useless to fight for those things that will not be considered. If you have in mind anything else that you would like to have me try and have amended, bearing in mind the possibilities as outlined, will see that such amendment is offered, if you will let me know by telephone tomorrow or by mail reaching here Tuesday morning just what you wish.

I asked the Senator today how long he expected to want me, and he replied, "All of this following week." I told him that under no consideration could I stay any such length of time, and he asked

me to agree, then, to stay until Thursday night. This I also refused to do, but agreed to stay until the eleven o'clock train Wednesday, and, if anything developed between now and Wednesday that would make it seem possible to accomplish something of importance, that I would stay until Wednesday night. He then wanted to know if you could not arrange to come down, arriving as I leave. This I told him would be absolutely impossible; that you had certain matters that required more time than you had at your disposal rather than less, and that you could not come. He is entirely satisfied that we have both done our best under the circumstances, and I shall stay, therefore, until the eleven o'clock train Wednesday, unless something develops that makes it possible for me to come earlier.

Senator Root made a very fine speech yesterday afternoon. It made a great impression upon those who heard it. Senator Burton says he considers it the best speech he has ever heard since he has been in the Senate. It may do some good, but very few Democratic senators heard it. However, it may produce some results, but no one can tell yet as to that.

The Senator told me this morning that President Wilson's condition has become a cause for serious worry. Apparently he is breaking down mentally under the strain and his doctors want to get him away. Perrin and I, therefore, will not see him, as outlined in my letter of yesterday. We certainly have a wonderful line to draw from if anything does happen to him. First comes that "tower of strength" now acting as President of the Senate, who apparently has no comprehension whatever of national questions, the rights of property, or the needs of the people. Following Marshall, comes Bryan, and then McAdoo; certainly a joyful combination for citizens

of this country to contemplate. Please say nothing whatever about what I have stated concerning the President, for it is not being talked about or generally known, even though it is beginning to cause very great concern, judging from what the Senator said.

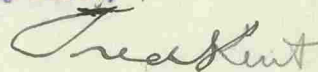
While at the moment I cannot see anything that is going to prevent financial disaster in this country, judging from the attitude and intense ignorance of the majority in Congress, yet I am just optimistic enough in make-up to hope that some statesman may develop who can meet the emergency, or that the members of the regional board will be men of such conservatism and ability that they can control this huge political machine that is being foisted upon the people for the purpose of bringing about an expansion of credit, upon uneconomic lines, that will be almost unparalleled in the history of the world. This whole proposition is nothing more or less than the outcropping in a new form of the cry for more money, only that now it is being applied to credit as well as money, because its advocates have found out that the word "credit" is used frequently in place of the word "money." If Senator Burton had been contented to keep his address within the bounds of reason as to length, the same as Senator Root did, he might have made a profound impression, and even though only a handful of Democratic senators heard him, they might have been induced to look over some of the statements his speech contained; but the way Congress is being pushed now, it cannot be expected that any Senator will go through such a mass of matter for the purpose of picking out a comparatively few items of real importance. It is only on this account that it seems to me worth while to endeavor to help the Senator out in making a couple more speeches, both of which he has agreed to make short and to the point. By so doing he might add a little to the effect already

produced by Senator Root, particularly as that speech may make the Democratic senators anxious to hear more.

Will appreciate it if you will write me tomorrow, so that I will get it Tuesday morning, stating that it will be necessary for me to return on the eleven o'clock train Tuesday. Then, if I find that any further time spent here is bound to be useless as far as obtaining any real results are concerned, I will send it up to the Senator with a note, stating that I have been obliged to leave, and will come right back. On the other hand, if there apparently is anything apt to develop that would make it possible for me to really accomplish something, I will ignore the letter and come back Wednesday, as already arranged with the Senator. Such a letter would be entirely in accordance with the facts, as I certainly should be back in New York at the first minute possible, even though if anything can actually be accomplished here it would unquestionably be better for me to stay.

With regards, I am,

Sincerely yours,



ms 12
STENOGRAPHER'S MINUTES

THE RESERVE BANK

ORGANIZATION COMMITTEE.

"FEDERAL RESERVE DISTRICT DIVISIONS AND LOCATION
OF FEDERAL RESERVE BANKS AND HEAD OFFICES."

rs.

At New York City, N. Y.

Date January 7, 1914.

Testimony of Fred I. Kent.

Law Reporting Company, Official Stenographers

115 BROADWAY, — NEW YORK

TELEPHONE, 2820 RECTOR

STATEMENT OF MR. FRED I. KENT.

The Secretary of Agriculture: Mr. Kent, will you state your banking connection.

Mr. Kent: I am Vice President of the Bankers' Trust Company.

The Secretary of Agriculture: You know that this Committee is required to establish not less than eight nor more than twelve of these Federal Reserve Banks?

Mr. Kent: Yes.

The Secretary of Agriculture: And to divide the country?

Mr. Kent: Yes.

The Secretary of Agriculture: Have you given any consideration to that problem?

Mr. Kent: Yes, I have to a certain extent. It seems to me that the consensus of opinion of men who have not studied the matter carefully and specially as to where these districts should be divided, is not the proper base from which to figure them. Instead, of that I think we ought to consider the facts that exist in this country that cannot be changed.

For instance, we cannot grow cotton in Wall Street, neither can we finance railroads in the cotton fields.

And there are many things in this country that are based on facts that man cannot change. If we establish any regional system which goes contrary to the conditions which exist because of those facts, it is going to be an uneconomical system that is going to cost the country more than it should.

For instance, New York City is the largest port in the world, not because any man or any set of men wish to make it the largest port in the world, but because of its peculiar situation geographically, and the further fact that this country was settled by the people from Europe, which means that our habits and customs are very similar to theirs. Consequently we import more and export more between the United States and Europe than we do between the western country, for instance, and the Orient. The clothing of people in the Orient and of the people in this country is very different. There is not the exchange there. And there are many things like that which mean that New York has grown to its present position because of these things, and not because of any desire of man to make them so.

The same thing is true of Chicago. It is situated at the foot of Lake Michigan, and it is in a natural place to

take business to and from the east and the west, and it is also in a good position to work in the southwestern territory.

Those things have grown up; Chicago and New York are large cities, and other cities are large cities because of natural conditions largely; and the east being settled first, of course its manufacturing interests are larger.

And then again we have in the south a climate that makes possible the growth of cotton, and in the middle west the growth of wheat, and so forth.

Now New York City being in the position it is, is the city of import; and being the city of import, it needs the foreign exchange in order to meet the demands of the importers. That foreign exchange is made largely through cotton which comes from the south. There is no market for the foreign exchange made by that cotton in the south, that is comparatively speaking, consequently that cotton has to be handled by New York; not because New York wishes to handle it particularly, nor because the southern interests that grow the cotton wish to have New York people handle it, but because New York needs the foreign exchange made by that cotton in order to pay for its imports.

And all of the lines that naturally trade through this country seem to center into New York. They go through Chicago and into Minneapolis, and yet Minneapolis, even though it is nearer Chicago, has an immense trade with New York directly over Chicago. The same is true of San Francisco, which deals with Chicago and to a certain extent with St. Louis, but more largely with New York because of these conditions that actually exist.

Now in trying to divide this country into districts, it seems to me we should take into consideration those things, and not opinions. It is quite a proposition, because we are going to try to make a system of regional banks as nearly efficient as a central bank would be, as possible. And in order to do that, if we do not bear these things in mind, we are going to make a very expensive proposition of it.

I do not believe that New York should have a bank that has a capital that is too large in proportion to the rest of the country. On the other hand, I do not think it would be wise, at the moment anyway, to establish any regional bank on the eastern coast other than in New York.

In the first place, the regional banks are authorized

to establish branches abroad, and if we had a regional bank in Boston, New York and Philadelphia and they each established a branch in Europe, it might not be received with much favor by foreign institutions, whereas they might be very glad to work in conjunction with one branch of a bank that would represent the whole country, that would be a branch, say, of a large bank in New York.

The Secretary of the Treasury: Well, on that point, Mr. Kent, these banks' only resource for foreign business is not to establish agencies of their own; they may have correspondents, exactly like your trust company.

Mr. Kent: They could establish branches under the law, could they not?

The Secretary of the Treasury: So could the national banks now under the law establish foreign branches, if they wanted to. But I mean to say that is not their only resource. They may, and probably would, find it more advantageous to establish correspondents; and to that extent it would not be any less advantageous to have the reserve banks, say three reserve banks having correspondents in Europe than to have the number of banks and trust companies in New York having correspondents under the present system.

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In other words, these banks are not exclusive of the existing facilities; they are in addition to existing facilities.

Mr. Kent: Yes, except that one thing you wish to accomplish in this regional system, as I understand it, is the control of the shipment of gold. Now we cannot control gold beyond our proper commercial position, but we often can delay shipments until the trade turns and so prevent that entirely. And that can only be done with an institution that is large enough to do it. If you have a large number of institutions dealing in gold or in foreign exchange with Europe, you are going to have the same condition that exists today, that is, that they must base it on profit, and that is the only way gold is shipped back and forth now, so far as this country is concerned, on a basis of profit. Now a public utility bank is supposed to be in a position to ignore profit temporarily, when the needs of the country require it, and on that account it would seem to me we should have a bank in New York that is strong enough so that it could afford to stand that expense, and that would have a sufficient power to get enough bills together and enough credit together

abroad so it could handle the gold proposition as the necessity develops.

The Secretary of the Treasury: You realize, of course, that if you had three of these banks, they are co-ordinated through the Reserve Board, and one of the protections is the uniform interest rate that may be established. Now as it stands to-day, your protection against gold exports is very much less than it will be under this system, even with three reserve banks on the Seaboard, is it not?

Mr. Kent: Well, that might be true and it might not. You see the regional banks are bound together in weakness and not in strength. In other words, it is impossible to make the reserves of each regional bank serve as reserves for all. Instead, when a regional bank gets into trouble or when it becomes extended, or when, in the natural course of business it must borrow from some other regional bank, then when it is in that state of weakness, it takes strength from some other regional bank.

The Secretary of the Treasury: Not of necessity.

Mr. Kent: Well, it would probably have to, in a way. That is, you do not get mobility. In other words, we have

three central reserve cities now and that is considered too many. Now if we increase it to eight, we will have seven too many.

The Secretary of the Treasury: But there is no power of co-ordinating the present reserve cities; no power exists anywhere to coordinate them.

Mr. Kent: No, that is true.

The Secretary of the Treasury: They are independent of each other and do absolutely as they please; but the present system contemplates a very effective co-ordination of these units through the Federal Reserve Board, and that is a very decided element of strength in this system.

Mr. Kent: It is necessary, I grant, in this system, in order to give it any degree of efficiency whatever. But it seems to me that it should be worked out and can be worked out very nicely. If we have a proper Federal Reserve Board, there is no reason why this country should not grow as a change in our banking system of this kind would make possible. But in figuring out the regional districts, it seems to me if you are to have eight to start with, which I understand you must have, if you have one in New York and the other seven are divided in here, as business goes on and develops

you can easily establish another in Boston or Philadelphia, if it seems necessary; whereas, if you divide your strength at the moment, and later you find you do not need one in Boston or in Philadelphia, you have gone to unnecessary expense. It is more difficult to bring a condition back when you have spread it, than it is to let it grow naturally.

The Secretary of Agriculture: Has it not grown that way? Is not Boston a reserve for New England?

Mr. Kent: Why, yes, but on the other hand it is a very small part of the country. For instance, I believe the New England banks, that is the national banks, would have a capital of \$9,900,000 if regional banks were formed in New England, whereas in New York, if you took the natural eastern states, as they are called, it would be about 40,000,000, and the southern states would represent about 15,000,000, and the middle western states about 25,000,000; you see that would include Chicago and St. Louis, and then the western states would be about 6,000,000, and the Pacific states about seven and one half million. That is about the way that divides up.

But we must consider again, it seems to me, the question

of the currents of trade, the way trade works back and forth. For instance, we have, say, about two billion in manufactures around New York City, I believe. Now those manufactures are spread out over the west, and the west has to pay New York for them, and that is one thing that makes New York exchange necessary in the west, just the same as the question of influence. Now we must differentiate in considering the trade of this country between what you would call local trade and through trade, and New York shows a very large proportion of through trade.

The Secretary of the Treasury: Are you proceeding on the assumption that these reserve banks are to be banks of deposit and discount in a general sense?

Mr. Kent: Only of their member banks.

The Secretary of the Treasury: Exactly.

Mr. Kent: Yes.

The Secretary of the Treasury: Now the currents of trade do not affect them to the same extent, because they are
are reservoirs of credit, and so long as they are accessible to the different districts and the reserve which they hold is readily available for the assistance

banks alone would make, but I mean just to consider it; now how is a bank of that size going to take any appreciable part in handling the gold which goes back and forth between this country and Europe?

The Secretary of the Treasury: It depends entirely upon its resources, apart from capital.

Mr. Kent: But European banks in dealing with this country, are not patriotic. When they come to deal with this country they look to the profit, and to the risk which is to be run. Capital is one of the things they give a good deal of attention to.

The Secretary of the Treasury: But capital and resources combined is the thing which determines.

Mr. Kent: But the resources must necessarily be bound by the resources of that individual bank, because the only value that these other regional banks have to that bank is for it to borrow from them. That is all they can give.

The Secretary of the Treasury: But you realize, Mr. Kent, that the reserves of a Federal Reserve Bank are of a very different character from those of an ordinary bank of discount and deposit. These banks hold the reserves of the member banks, and they are of a liquid character, and they are utilized, under the provisions of this bill, in such a manner that they are kept liquid all the time, and they are there available for use by the member banks, and there cannot be a run on a Federal Reserve Bank.

Mr. Kent: But if there was a run in any district there would be a run on the member banks.

The Secretary of the Treasury: The Federal Reserve Bank, under those circumstances, is expected to be able to assist the member banks. The provisions of the law seem to be quite adequate for that purpose, so that in considering the power of any one of these banks, it must be considered as a related institution to the system and as one of several strong coordinated units and may, in case of necessity, have recourse to the combined power of the other banks through the Federal Board. In that aspect of the case, the considerations you are presenting here, while important, are not of the supreme importance that they would be if each

of these banks was an ordinary bank of discount and deposit, as if they were expected to stand alone.

Mr. Kent: Conversationally that might seem to be true, but practically things do not always work out that way.

The Secretary of the Treasury: I am^{not}/suggesting the practice, I am trying to familiarize you with the structure of this system.

Mr. Kent: I understand the structure very well, but what has been in my mind is the question as to how European banks, with their great big capitals which run from \$50,000,000 up, in many cases, are going to look at a small institution in New York that may be dealing back and forth in the shipment of gold, and that may be particularly true if we realize that the New York City bank is apt to be called upon to make loans out in different parts of the country. There are two sides to that question of being bound to the other banks. On one side it gives strength, if it needs to borrow; on the other is that it may make that bank of less strength if it is forced to loan.

The Secretary of the Treasury: Assuming that these eight banks have a combined capitalization of more than one hundred million dollars?

Mr. Kent: \$106,000,000, I believe.

The Secretary of the Treasury: And that they may hold ultimately something like six hundred to seven hundred or eight hundred millions of dollars of Government deposits and the reserves of the member banks, and all of those units thoroughly coordinated through the Federal Reserve Board; at any time, either domestic or abroad, can you cite any institution in the world that would have the same strength, the same inherent elements of strength that this combined system would have.

Mr. Kent: I cannot see how it is possible for you to figure the reserves of one regional bank as being a part of the reserves of the other, when every regional bank is organized by itself, on its own basis, and the only way it is coordinated with the others is through the loaning power. That is, it may be called upon to loan or it may ask for loans. I think it makes a very different proposition of it. I can see how this may be developed into a very satisfactory system but yet, in order to do so, it seems to me the districts should be divided with the greatest care and that was one phase of it that appeared to me. Now, I am a western man; I was born in Illinois and brought up there, and I have

always felt as though this was one great country, the United States of America, and I notice that the western people and the southern people and others seem to think possibly New York is too powerful at home here, but we are very proud of it in Europe and we ought to be proud of it in this country too. We are just as much a part of the south's wonderful cotton crop * and the men in the west should be, all of us. It seems to me it is not a question of for instance trying to divide up the cotton fields and have part of the cotton grown in the north or of trying to divide up the great financial power of New York and trying to put that out in the desert or in the country, but a question of trying to work this thing out for the benefit of all.

The Secretary of Agriculture: No one is interested in any other question.

Mr. Kent: I realize that. I did not want you to misunderstand me, that I was urging New York as against the other part of the country.

The Secretary of Agriculture: We can waive all that. We are all interested in working out a system that will be best for the nation.

The Secretary of the Treasury: This is purely an economic

* about sentence and half left out.

problem and it has to be dealt with in the broadest possible spirit of patriotism and intelligence, and the purpose of this committee in having these hearings is to get the benefit of the best judgment of the business men and bankers of this country to enable us to put this system into operation not for the benefit of any locality but the country as a whole; so we might dismiss any other consideration.

Mr. Kent: I appreciate that. The reason I mentioned what I did was because I wanted you to realize I had that in mind also, and in speaking for New York in the manner I have done, it is not because I think New York should be favored, because I don't think so; it was only for the purpose of expediency.

The Secretary of the Treasury: You were suggesting the districts that you had in your mind. What would you say should be the reserve cities, if you have not less than eight.

Mr. Kent: That is a pretty difficult problem, without sitting down and going into figures for a good many hours.

The Secretary of the Treasury: You haven't done that?

Mr. Kent: No, I admit I have not. I did do this, I took the natural divisions of the country as shown by the Comptroller and figured out the percentage of capital, to see

how it would work, and those are the figures I gave you a few minutes ago, and that is as far as I have gone. The channels of trade, it seems to me, should be considered. It may be that you could work over those channels of trade, but it would seem as though it would be uneconomic.

The Secretary of Agriculture: We are required to do that by law, as well as by the natural economic view of it.

Mr. Kent: Yes.

The Secretary of Agriculture: Would you have time and inclination to study over the matter further, and give us your views in a little brief on the subject, and mark a map for us, giving your notions as to the division of the territory.

Mr. Kent: I will be very pleased to do so if you would like to have me.

The Secretary of the Treasury: If you will take that and let us have that map with your suggestions for the division of the country at as early a moment as you can, we shall be very much obliged to you.

Mr. Kent: How long would I have to prepare it? I would like to give it careful thought.

The Secretary of the Treasury: Would a week be sufficient?

Mr. Kent: Yes.

The Secretary of the Treasury: Will you kindly send it to Washington?

Mr. Kent: yes.

The Secretary of the Treasury: And we will attach it to your testimony.

STATEMENT OF STEPHEN BAKER.

The Secretary of Agriculture: Will you state your banking connection, Mr. Baker, for the sake of the record.

Mr. Baker: I am President of the Bank of Manhattan Company.

The Secretary of Agriculture: You know the problem we are wrestling with? We would be very glad to have any suggestions or expressions from you to help us.

Mr. Baker: Mr. Secretary, I feel that I would be in favor, have been in favor under this bill of reducing the regional reserve banks down to as small a proportion as possible, but recognize that the bill has become a law and that the bill provides for eight regional reserve banks as a minimum and twelve as a maximum. So it seems to me that consideration should be given to locating those regional

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BANKERS TRUST COMPANY

CAPITAL \$10,000,000
 SURPLUS 10,000,000

CABLE ADDRESS: BANKTRUST, NEW YORK.

16 WALL STREET

NEW YORK, April 18, 1914.

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 I. MICHAELS, Trust Officer.

FOREIGN EXCHANGE DEPARTMENT

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

Dear Ben:-

Thinking that possibly you might like to look over a proposed itinerary before getting back into harness, enclose herewith copy. This gives you three full days in London on arrival, six full days in Paris, one full day in Zurich (all that is necessary), five full days in Berlin (more than you would require in order to call upon all of our bankers, but not more than you could use effectively), three full days in Amsterdam, Saturday, Sunday and Monday (the Monday would be all you would need for business), and twelve days in London before sailing. With this itinerary as a base, think you can change to suit yourself, either before you sail or as you go along. There is no real necessity of your going to Zurich, if for any reason you prefer not to, for I shall call upon our bankers there. If, therefore, when in Paris you find that you prefer to cut out Zurich, you could go straight across to Berlin.

If this itinerary suits you, I will write abroad to some of those whom I wish you to meet, and find out whether they expect to be at their offices upon your arrival. Have already written Hugo Schmidt of the Deutsche Bank, Berlin, Mr. Simpson and Sir Edward Holden.

The record of our foreign accounts will be ready for you Monday, with the exception of any additional entries we may desire to put in later after we have chatted the matter over.

If you are entirely recovered, which I sincerely hope may be true, will be awfully glad to have you back at the office, for we have really missed you more than I can say. With sincere regards, I am,

Cordially yours,

GERRARD
4.3.23

SAVOY HOTEL,
LONDON.

My dear Ben-

First let me say that your letter was a better prize than the Victoria Cross would have been and it braced me up as nothing else could have done. During this whole turmoil I have realized every minute what I was putting you up against but if it had not been for your work we never would have "got anywhere". On that account while regretting to so, have to burden you yet I knew it could not be helped. Then again I can hear you think so clearly that many times I have been able to follow your whole line of thought when I knew that from your standpoint it was right and clear and clear and yet from conditions here that you could not

3 up in Red Tape whereas a financial
advisor to the Embassy I am
doing things every day worth while.
This work I consider of great future
value to the Trust Co and so does North
and that is why I have given it so
much time day and night in addition
to other work. The Ambassador just tells
him man to draw checks according to
my instructions and then he signs
them and gives them to me and I
get his receipts later. Have also done
a good deal for the British Government
and that is appreciated mightily and
if the Gov. lasts they will never forget
the Bankers Trust Co. Have a meeting
tomorrow at 10.30 with the head of the
Foreign Office and some others and
expect to make a good deal for them
and for us. It may result in our
getting rid of marks 200,000. at the
five rate ruling today in exchange
for £10,000. The conditions surrounding
payments I dare not write but will
tell you all about them someday.

All the men Buchanan left here
were going to do everything on their
own hook but they soon got bumped

2 know of, that we could not carry out
all your ideas. Take the Embassys for
instance, when it comes to paying
against letters of credit they are helpless
and they even are unable to select banker
who can properly help them. For instance
Van Dyke the Ambassador to Holland
arranged with the Bank of Netherlands
to cash credits for American. Well
that Bank never met a letter of credit
in its life and so they drew drafts
upon the parties holding the credits
instead of upon the Bank and
got Van Dyke to endorse them. The
result is they are holding 74,000
guilders of such stuff they cannot
collect and they have put it up to
me to straighten out. Fortunately it
is not a committee matter and
cannot be a question as to protection
from our gold fund so I can
take care of it I am sure. Ordinarily
Red Tape in a government affair
but the conditions are rapidly
changing about here for our
Bankers Committee, is all tangled.

so hard that they finally came to me
and now I have everything fixed up
fine for them. Unfortunately Americans
have had to pay for their blunders
and it has cost them \$2600.00 up to the
day I took hold. Will explain the
detail in my next typewritten letter as
it will interest you.

By the way I told the Secretary of our
Committee to send you that statement
regardless of what anybody said and
I will stand the racket at the
meeting tomorrow.

In reading over my letter tonight after
the stenographer had gone I find it
somewhat mixed as I was interrupted
so continuously and at times for so long
that I really forgot what I had said
and what I had not said. However
know you would rather have it as it
is than have me hold it so please
excuse and realize it and the other
letter were written in minutes grabbed
from strenuous hours.

Really Ben I have had a banging
such as I never dreamed a man
could stand but I have stood it
without giving an inch because of
my great Trust Co at home and

GERARD 4343

SAVOY HOTEL,
LONDON.

you great fellows in it and back
of it - If inspiration could come from
any institution the Bankers Trust Co
is that one.

Later -

Was just interrupted by Wilmarth
and Reardon who came to see me
about that Holland matter I spoke of -
We straightened it all up and now
it is after midnight and I must
mail this or it won't get the boat -
Am so sorry as I had so much to
say to you of appreciation, for your
thoughtfulness for me and otherwise -
Will just add that I am really well
although fightfully tired but even the
tiredness is nothing to what it was
ten days ago and you may rest easy in
your mind about me for I am more
rested every day. Would not admit being
tired but would you to know that I am
being frank with you so you will have
full confidence in what I say -
North is as fine as the world ever made
you more of him when I can't see to all yet.

[From Benjamin Strong]

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CAPITAL \$10,000,000
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CABLE ADDRESS: BANKTRUST, NEW YORK.

16 WALL STREET

NEW YORK, June 5, 1914.

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 I. MICHAELS, Trust Officer.

FOREIGN EXCHANGE DEPARTMENT

Mr. Benjamin Strong, Jr.,
 C/o London City & Midland Bank, Ltd.,
 London, England.

Dear Ben:-

Your letter of May 29 just received, and will have time to answer you and get it off by the "Imperator".

Your outline of the situation in London, Paris and Berlin accords fully with the impressions I have received from reading London financial papers in connection with newspaper reports. On the other hand I am fairly well satisfied in my own mind that the fear that is extant is induced more because of world wide unrest among laboring classes, that has been brought about through muckraking and demagoguery. It seems to me that this country has helped stir up the other countries to a larger extent than is generally considered, and that we are consequently largely to blame. It is quite natural that the fear of unrest in Germany and France should turn towards a possible war between those countries, particularly as there seems to be a large class of politicians who entertain the idea, and honorably too I think, that when there is internal strife in any country, the best way to correct it is to have a war with a foreign country, or at least to make it appear as though there might be such a war, with enough force to attract the attention of all people.

The foreign trade of European countries is, as far as I can find out, holding up wonderfully well, and is actually making progress. In the United States each month seems to show a greater percentage of increase of imports in relation to exports. Secretary Redfield has written a great deal along the line of attempting to prove that because we were exporting heavily under a high tariff that we could unquestionably do so, and to better advantage, under a low tariff. Two particular reasons that he has given are first, that under a low tariff other countries will be more disposed to buy from us, and second, that through being able to obtain raw products at low rates, we can turn out finished products at less cost. These arguments, while seemingly logical, do

not work out. In the first place, while an occasional individual will allow sentiment to interfere with business, yet such persons are undoubtedly so few in number that their influence would not be worthy of consideration in comparison with the business of this country. In the second place, our ability to sell goods abroad in spite of our tariff was due partly to our greater efficiency (which is fast being equalled in other countries), and partly to the fact that our foreign markets were used largely to take care of overflow, which made cheaper production, because it meant a continuous market and a possible multiplication of manufactured articles. Instead, therefore, of our manufacturers importing raw materials at lower rates, and so being in position to supply the rest of the world at less cost, they have been importing manufactured goods, which have taken the place of those which were made in this country, and which has consequently served to raise the cost of manufacturing in this country, because of the reduction in number of pieces put out here. The result has been such a decrease in manufacturing in this country that we have not supplied our own wants, and consequently have had nothing to spare for sale abroad, that is of course in some lines. Instead, therefore, of our exports increasing under our new tariff in proportion to the increase in our imports, they have dropped off very materially. The result in our foreign exchange balance is not, of course, immediate, because such a large proportion of imports are brought in under 60 and 90 day sight commercial credits, but the increased imports have now been coming in for a sufficient number of months, so that we are having to meet the credits under which they have been financed. A part of the reason for our high rates, therefore, does undoubtedly lie in the changes that have taken place in our foreign trade.

While travel is undoubtedly lighter in this country as a whole than in previous years, yet as the time for the sailing of European steamships has arrived, they have been pretty well loaded. The money needed to take care of such travel, therefore, is probably just as great at this time as in previous years, although domestic travel is probably very much lighter than usual. Adding to these requirements for exchange in this country the facts mentioned by you having to do with securities, with which I fully agree, and further the necessity of making exchange with gold coin instead of gold bars, the whole foreign exchange position is thoroughly accounted for.

Conditions in Washington are worse rather than better, due I think to the feeling on the part of the administration that freight rates may be raised, and that when this is done, business will immediately become better. There seems to be a disposition to carry out to the limit every so-called reform that has been undertaken. Several periods of hesitation have occurred during the last year, all of which have been due to fear on the part of the Democrats that they might be injuring their chances of re-election, because business was being stopped. Each time, however, as soon as a little optimism has become noticeable in the country, based on the apparent change of attitude in Washington, they have immediately reverted back to their former point of view. Consider-

ing the calibre of the men, I am inclined to believe that if freight rates are raised and it does cause a better feeling in business circles, that the program of business destruction will go merrily on to the bitter end. Of course the nearer we approach the fall elections, the inclination to hold things over will grow, but even so, unless the elections result in considerable of a turnover, nothing will really be accomplished. While Wilson made a tremendous howl about lobbying when business men were being asked to give their views on the tariff and other matters, yet he has not mentioned the subject during the last few weeks while the labor agitators have been in Washington working for exemption of labor from the Sherman law. The galleries were so full of laboring men that one Congressman addressed his remarks to them when opposing the attitude of Congress toward labor. These things all say in so many words that we cannot expect any relief from Washington, which if true means that we will have no improvement in business at least until fall, and then only if it appears as though the November elections would turn out favorably.

The administration is still endeavoring in every way possible to discredit New York. McAdee is still holding up the subway from going under the Post-Office, and the Comptroller has asked National Banks all over the country to turn in a daily statement during the month of June, giving the detail of every transaction, even of the smallest nature (undoubtedly aimed at New York banks for the purpose of enabling the Comptroller to trace their business). There is every reason to believe that friction has been stirred up among the smaller banks of New York State by the government in order to try to make it appear as though New York City banks were endeavoring to control the directors of the New York regional bank, and the Treasury Department has ruled that banks shipping currency to Washington for redemption must pay the express charges, instead of the banks whose circulation is returned. As the Treasury Department and the Comptroller know that a very large portion of National Bank bills returned to Washington go by way of New York, it looks as though they were aiming directly at the banks of this city. Not having seen the evening paper, I do not know whether they have concocted any new scheme against New York to-day or not. All of this will re-act against the authors, but at the moment they are of course in a position of power.

Anderson just stopped in on his way to Washington, having arrived on the Aquitania this morning. He is coming back to New York Thursday, and is to take luncheon with me Friday, when I will go into the acceptance matter with him. The committee authorized acceptances up to \$5,000,000, after which the matter is to be referred to them again. Will talk over the detail with you when I see you.

Have arranged for Frank Close to go to the Convention of the New York State Bankers next Thursday and Friday. Am to explain the whole acceptance matter to him on Tuesday at luncheon, and he is to sound bankers from a number of different cities to see how they feel about it. He was quite pleased to be able to

B. S., Jr. 4.

attend the convention, as he has never been to one before. Mr. Hurlbut will also be there, and can introduce him to those whom I particularly want him to see.

We have about \$400,000 running in Swift bills, which came in from Argentina, \$90,000 on a 4% basis and the balance at 5%. In addition we receive a commission of 1/8 of one per cent., which in effect adds 1 1/2% to the interest.

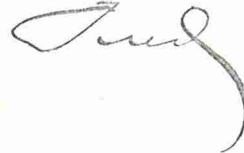
Forwarded our Southern Pacific notes, which mature June 15, to the Credit Lyonnais, London, for redemption and deposit of proceeds with the London City and Midland Bank. Exchange is so high that it will enable us to make a nice profit on the deal. Do not mention this in the London City, as we found it difficult to deal with them, for reasons which I can explain when I see you. We may handle the Baltimore & Ohio notes, maturing July 1, in the same manner.

Am cabling you to-night, but after reading Dan's letter, which was mailed on the "Carmania", and talking it over with him, can think of nothing that could be said in a cable that would really be of value to you. If anything develops, however, will cable you fully, so that if you receive no wire, you will know that nothing of importance has occurred.

Increased the revolving credit of the I. A. C. from Marks 150,000 to Marks 200,000 a month to-day. Yesterday we received a letter from the Chase National Bank, guaranteeing the old credit of Marks 2,100,000, which places this matter entirely in order.

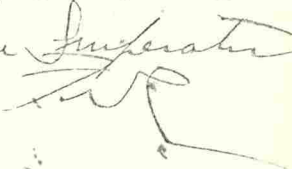
Was sorry to hear that you were working hard, but was afraid that it would be unavoidable. Hoping that this will find you well, and with sincere regards, I am,

Cordially yours,



P.S.

Have had to hurry this in order to get it through so will not attempt to correct it as I am sure you would prefer to have it go on the Register



[Finn B. Blouffe]

London, June 27, 1914.

Dear Ben, -

Last evening Mrs. Kent, Warner and myself took dinner with Sir Edward at his home, after which Sir Edward and I spent the evening together, talking over the question of a branch office for the Bankers Trust Company in London. I asked Sir Edward point blank for his opinion in the matter, which he gave at great length and in detail. He prefaced his remarks with the statement that Mr. Vanderlip had recently asked him the same question, and while he had replied that it was questionable whether the National City Bank could actually make money through the establishment of an office in London, ^{yet that} if he himself were connected with that bank he thought that he would probably open such an office, his reason being one of sentiment only, that is, the National City Bank being the largest banking institution in the United States, it would seem rather fitting that it should have a London office. Sir Edward does not feel that other banks have any such reason for an office here, and that the expense on that account would be a foolish one for them to incur.

Coming to the Bankers Trust Company, he said that if we felt that, because the Guaranty Trust Company had an office here, in order to maintain our prestige we should have one also, that it might be of value to us to open such an office; but that whether we would care to undertake the expense involved for any such reason was a question entirely up to us. He also said that from the point of view of looking after the interests of tourists he thought we would find that we really had nothing to gain. Such an office would require a large force at certain times of the year, the majority of whom would have nothing whatever to do during the winter season, which means not alone an unnecessary and unusual expense, but as well inefficiency in office management, as months of doing nothing seem to have a

bad influence upon clerks.

These two matters aside, he then took up in detail the kind of business that a London office would undertake, and if he had seen my report to you he could not have followed it very much more closely. He boiled it all down to the security business and seemed to think that if we could develop a satisfactory security business we might make a London office pay. In order to do so, however, he stated that it would be necessary for us to work with an English institution and that we must have an English board of advisers, which would of course add to the expense materially. Such a board he felt necessary, not alone in order to help open the way to English business, but to act as a check on the manager of the London office, who might otherwise be hard to control. He felt that it would be quite impossible to get a man who would be at all satisfactory for less than £2,000. a year, and stated that only a man of unusual ability could fill the position at all. He recognized the fact that, while a security business would be almost impossible in this market at the moment, because of special conditions, times will unquestionably change and that in a year or two this market may begin to again absorb American offerings. He states that practically all the men who have called upon him from the States for the purpose of investigating this market with the idea of doing business here, have been bond men, and that while some of them have attempted to do a little business, yet the large majority have found it impossible, or at least unwise, to enter the market. English banks having branches throughout England are in better position to distribute securities than anyone else.

After he had given me his views in detail, I asked him if he did not think it would be possible for him to do a much more active business with the Bankers Trust Company in the future, even if we did not open a branch. He replied that he felt that, without the branch, the opportunity to work together would be much

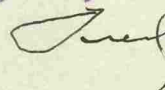
greater than with it, for we would not be in a competitive position. After repeating more or less of the conversation I had had with Mr. Anderson and telling him of the arrangement for increased business that I made with him, I asked him whether he could not give us participations in syndicates, should we desire to enter into any such arrangement with him. He stated that he would be very pleased indeed to do so, and I then asked for information as to just the kind of securities that he was in the habit of placing. Briefly, he stated that, first, there are no offerings of railways here, so that that line was not open to them. Second, that occasionally they had opportunity to take part in a foreign Government loan, such as the one to Argentine that we were interested in but that the Barings succeeded in obtaining. In this connection would say that the reason the Barings obtained this loan was not due to any better rates made by them, but to the fact that they bound themselves to take other securities in the future, under ^{conditions} which Sir Edward did not consider sound for him to undertake as a bank of deposit. One syndicate having to do with Scandinavian securities that they handled was only subscribed to the amount of about 50%, but even so the securities, which they have held for some little time and are now disposing of, are netting them a profit of about £18,000. of a total issue of £400,000., only half of which had to be taken up. All the other syndicates that they have handled have been oversubscribed from two to three times. Two issues of stock for Gordon Selfridge's store were placed by them and were oversubscribed more than twice. The General Electric Company was another matter handled by them, and in this country it is only securities of this kind that they have an opportunity to market. By using all of his branches for the placing of such securities he has a wonderful distributing ability; but as they are a bank of deposit and as they use their branches for the purpose of distributing securities, they do not dare run any risk of putting out anything which they do not feel

absolutely certain in their own minds will prove to be a satisfactory investment for their clients. He said that if they should make an issue which resulted in a loss to purchasers, it would react upon them so severely that they have to be most particular. Bearing in mind the nature of the issues which they place, and the care with which they are obliged to handle them, he is willing to offer us participations in the future, provided we desire to have him do so. At present the time is not ripe, of course, for matters of this kind, and even in good times the London City does not handle many propositions of this sort because of being obliged to pick only the best and those which they feel assured will represent a proper investment to the buyer.

This will give you a general idea of the conversation, which I can supplement when I return to New York.

Read the Frisco papers this morning, and it seems to me that you have succeeded in establishing the position of the Bankers Trust Company in the minds of those on this side of the water in a most effective manner. I shall advise the London City of the points at which they can reach the steamer, which, by the way, will not be until we have begun to come down the coast of Norway, and if necessary for you to cable me, you can do so. Will advise you by cable immediately upon reaching Hamburg, where we are due July 30th. It was real fine to see you looking so well, and I hope that after your return you may continue to improve until you are yourself again. Hoping that you may have a most pleasant return trip, and with sincere regards, I am,

Cordially yours,



[From B. Strong]

Memo. London Calls
(Mr. Kent)

June 26, 1914.

Banca Commerciale Italiana.

Mr. Bieber established an office in London for the Banca Commercial Italiana two years ago and, as he has had the experience of organizing and building up a business for such a branch recently, went into the question with him in considerable detail of the advisability of the Bankers Trust Company establishing a branch. As we would not compete with them, because of the nature of his business, his opinions were undoubtedly given without prejudice. He stated that if he had not had certain very large interests back of him which brought him business immediately, he felt that he could not have made his branch office in London pay. His bank is closely connected with a large institution having many branches in South America. These branches have large dealings with London and at once supplied him with a considerable amount of English business. His bank is also closely associated with the Italian State Railways. His London office has developed very nicely and is now doing an excellent business, but it is almost entirely based upon the foundation of business obtained from such connections as those mentioned. He states that the arbitrage business has deteriorated in London to almost nothing and that the competition in the foreign exchange business is so great as to make it most unsatisfactory. He feels that, except through English connections, it would be almost, if not quite, impossible to distribute securities in this market. The expenses of running the office are rather large, because rents are high. The salaries of clerks are comparatively small. The present office of the bank is in the banking district, and he has found it necessary, in order to look after the tourist business from Italy, to open a branch in the West End. Arrangements have already been made to do so, although this is confidential and not known at the moment. Mr. Bieber

was very much opposed to opening the West end branch, as he felt that it would not pay, but has been obliged to do so. It is his opinion that business in England is improving, and that conditions in France have passed the crisis. He feels that the placing of the new Brazilian loan is certain to help French interests very materially. Business in the States looks very bad to him, and he fears that it will be much worse before it is better.

It is his opinion that, while the British Bank for South America has a most excellent foreign directorate, yet that the failure of Chaplin, Milne, Grenfell & Co. has hurt the institution's credit, as Mr. Grenfell was the English manager. He does not feel, however, that the bank itself has been hurt financially, in so far as it is known at the time.

Regarding the British Bank for Foreign Trade, he advised us to go slow. He states that it was organized to take over the shares of the Commercial Bank of Russia, and while the business of the British Bank may be all right at the moment, yet it is only as good as the Commercial Bank, and the standing of that institution is not high. I have made a note to look further into the Commercial Bank upon arriving in Berlin.

Mr. Bieber states that before the Banca Commercial Italiana opened its branch in London they were able to obtain from their London correspondents the best rate of discount on portfolio bills not generally accepted in the market, but that as soon as the branch was in operation such discount was refused, as the branch was considered a competitor and consequently placed on the same basis as any other London bank.

London Joint Stock Bank.

Mr. Gow feels that conditions are improving rapidly in London and that the crisis in Paris has now passed.

Regarding the establishment of offices in London by American banks, he stated with great positiveness that he felt they would represent an expense that could not possibly be met by the business obtainable. He thought that practically all business open to the branch would have to be created by the American office and that such business can now be handled far cheaper through London banks already established. He said that possibly one or two banks might, because of some special business that might be within their control, be able to use a London office to advantage and that he thought possibly, because of the travellers check system, the Bankers Trust Company might be one of such institutions; but, even in this case, he could not see wherein any real benefit could accrue unless we considered the ability to advertise that we had a London office of some value. He stated that competition here was such that there was absolutely no money whatever in arbitration, although that business formerly carried with it a fair profit. Further, that the foreign exchange business was now being done on an unprofitable basis. He felt that, regardless of the number of bills that might be purchased by an institution in America, if the business consisted largely of such operations, a London branch would not only be unnecessary but would increase the cost of handling the items very materially.

Guaranty Trust Company.

Went over the matter of a London office in detail with Mr. Wyse. He stated that he did not feel that it would make any difference whatever to the Guaranty Trust Company whether the Bankers Trust Company opened an office in London or not, as he has worked up a business in short time notes, both American and Continental, that he can hold with us in the market exactly as well as he can against all London. (Other bankers tell me that Mr. Wyse has the cream of this business in this city.) He also states that his ability to arrange for the discount of items sent here by the Guaranty Trust Company of New York would not be affected in the slightest particular by the establishment of a London office by the Bankers Trust Company. He mentioned these two matters, he said, as a proof of his disinterestedness in making the statements to me, which he was pleased to do, concerning his opinion of the value of a London office to us. Then he stated emphatically that he thought we could not make it pay expenses for at least five years, if then able to do so; that he felt it would be essential to have a Board of English representatives, the same as the Guaranty Trust Company, and that it would be necessary to get a first-class man to handle the office. Such being the case, he thought that the annual expense, including employees, would amount to fully \$50,000., if the office were opened in the only manner that the Bankers Trust Company could afford. He then covered considerable of the detail contained in my report to Mr. Strong, without knowing anything about such report, and in a manner almost identical with my conclusions.

He seemed quite anxious about the effect in the States of the Claflin failure. Sir Edward Holden is also much disturbed about it.

Banco Espanol del Rio de la Plata.

Lalys
Talked over with Mr. Burns the question of American acceptances, particularly the value that such bills might have in South America. At first Mr. Burns felt that London would always be preferable, but on calling his attention to the ~~establishment~~ ^{from} shipments of meat ~~to~~ Buenos Ayres and Montevideo, he admitted that should such shipments be maintained, American bills might become useful. Suggested to him that he give the matter some thought, as it was a new facility that America had to offer, and asked that he take it up by correspondence with his Buenos Ayres office and advise them to bear the matter in mind and take it up direct with the Bankers Trust Company in New York if there seemed to be any opportunity to do any business in such paper. At present the National City Bank of New York has the whole of the American business of this bank. Mr. Burns said that the Government of Argentine was in good financial condition, as opposed to that of Brazil, but that the industrial situation in Argentine was very bad and that many firms were having difficulty.

Bank of Athens.

The manager stated that he felt certain that there would be another war between Turkey and Greece, and he feared it might occur before Greece could get the warships which she had just purchased into Grecian territory. Even so, he felt that as a war was bound to occur, it was better to have it started as soon as possible. He considers the financial condition of Greece as so much better than that of Turkey that they will be able to more than hold their own, and upon arrival of the two battleships referred to should be able to obtain a satisfactory agreement with Turkey concerning the treatment of Grecian residents on Turkish soil and also in regard to the islands under dispute. Until this war is over he feels that there will be no business between Greece and the United States to speak of, but it is quite certain that, immediately upon its settlement, if conditions of peace seem to be assured for some time to come, the new territory acquired by Greece during the Balkan war together with the old kingdom will develop very rapidly and that business with the United States will grow in leaps and bounds. On that account he advised me strongly to go to Athens and endeavor to make tentative arrangements with his Athens office for business, should things develop as he anticipates. He suggested that he give me letters of introduction, which he is mailing today. When in Vienna will take up the matter, and if it then seems worth while and there is time will call upon the Athens bank.



WALDORF HOTEL,
ALDWYCH, W.C.

Telegrams: "WALDORFIUS", LONDON.
Telephone: GERRARD 140.

B.A.H.
1st July, 1914
JUL - 9 1914

Benj. Strong, Junr., Esq.,
c/o The Bankers Trust Co.,
New York City, U.S.A.

Dear Benjamin*,

Have been extremely busy since I saw you with the exception of Saturday^{p.m.} and Sunday.

We spent the whole of Sunday with Sir Edward and his daughter. Motored to the Private Golf Club of the Duke of Richmond which is about 2½ to 3 hours by motor from London. Had luncheon there, and played a little golf and was back in town at 8 o'clock. The day was beautiful and we had a most interesting time.

Expect to leave for Liverpool this afternoon and to take dinner with Mr. Simpson at his home tomorrow afternoon. Expect to be there all day Thursday and Friday, and longer, if necessary to get all the facts concerning the Cotton Buyers, ~~where necessary.~~

Yesterday I met Mr. Crisp who handled the Chinese Loan in opposition to the various Governments some little time since. Mr. Crisp

(2)

feels that he can give us some most excellent Russian business, but I am not certain yet whether his operations are of a kind that would interest us as there seems to be quite a difference of opinion among London Bankers as to his methods. Those who operate with him seem to consider him wonderfully conservative and efficient, but those whom he has opposed say that he is not conservative, all of which is quite natural. All opinions expressed concerning an office in London have been along the same lines as those already outlined will not repeat.

In order that you may see something of what has been going on in the last few days, however, I have asked Mr. Schmid to shew you a letter which I am mailing him to-day.

Hoping that you may be having a most pleasant trip, and with sincere regards to yourself and the boys,

I am, cordially yours,

Paul

Late

Just returned from a call on Mr. Whigham of Morgan Grenfell & Co. Also saw the Managing Director of Lloyds about Mr. Crisp. Will give you results on my return -

Paul

E-21-52

Ad. No. 71

JUL 18 1914

Dear Ben -

We are just about to leave for the Victoria Cruise and I won't write but a word or so as I have notes of special matters and will be able to talk them over for better.

Spent some time with Mr. Simpson and went over the whole matter of a London office in detail. He wired to London to have a man come up and see me who he thinks is well fitted by education, experience

and ability to manage an
Office should we establish
one. I spent two hours with
the party and was very
favorably impressed. Have
all the particulars of his
business life as well as
the detail and expense of a
London office as he feels
it should be run and as
he has confidence he
could run it. Think we
can talk it over better than
I can write it. The Liverpool
people say the rain we buy
cotton upon are the very best
in England and that one
never need lose any sleep over
them. May write you more in
detail on the boat and wait
at Hounslow.

With sincere regards to you
and all the boys I am

July 8, 1819

Cordially yours
Fred

Personal file

25th Sept. 1914.

235

Mr. Benjamin Strong Junr,
Bankers' Trust Company,
16, Wall Street. NEW YORK.

Dear Ben,

Regarding the 100 million gold pool formed by Bankers of America for the purpose of making foreign exchange, would say that I fully agree with the contents of your letter in which you stated that the exchange should not be used for trading purposes. It is of course going to be impossible to control Bankers who buy exchange in the United States from exporters and require them to use such exchange to meet current obligations of the business interests of the United States in England. Banks purchasing exchange in the open market or from their customers are therefore going to be in position to carry such exchange, which under present conditions would be equivalent to hoarding it, and then endeavour to buy exchange of the New York Committee that had been made by the gold fund in order to meet their legitimate demands. With discounts and deposit rates in London ruling as they do today there is going to be a natural desire on the part of many buyers of exchange to discount their purchases of 60 day bills, for instance, at 3%, and put them into their account at $3\frac{1}{2}\%$ where they have such arrangements with their London correspondents, provided they can feel that the rate of exchange, should it drop considerably at the moment because of the gold pool, might recover later. At the higher rates prevailing now there is of course no temptation to hoard exchange, unless one has an actual forward use for it. I question whether the New York Committee can handle the gold fund without too much friction unless they ignore the question of exchange supplies that Banks may have when called upon for exchange for certain specific requirements that are legitimate. On the other hand the New York Committee will undoubtedly be in position to demand that it know the actual foreign balances of banks asking for exchange against the gold, should they see fit to do so. If the Banks did not choose to show their balances it would

merely mean they did not care for the exchange with sufficient urgency to give up their position in order to obtain it. It would therefore be entirely possible to control the hoarding of exchange that might be purchased if it is considered wise to do so, taking into account the natural objection of foreign exchange men to show their position. The first thing that will have to be decided by the Committee, therefore, seems to me to be what policy they will pursue in this particular matter; that is, whether they will sell exchange to Banks asking for it upon satisfactory proof that it is to be used for purposes that are considered legitimate, or whether in addition they will demand knowledge of the amount of exchange that the Bank has available as well as the amount that it requires.

After this question is settled, what constitutes legitimate requirements must be determined. In order to settle this matter, the object of the fund must be borne in mind. It has been created for two purposes; primarily to settle the obligations of the people of the United States in Great Britain, and secondly to help the exchange market. The first is a matter of honour and integrity, but the second merely one of profit. The second, therefore, should only be considered after the first is satisfied. This being true, will first list our obligations. These consist at the moment of 7 items:-

1. Maturing short term notes or bonds,
2. Maturing commercial paper,
3. Demand dollar deposits of foreign banks,
4. Amounts due for Securities sold in America, but not yet delivered,
5. Maturing acceptances of American Banks for commercial Letters of Credit and finance paper.
6. Obligations of American Banks under Travellers' Letters of Credit where their accounts have not been covered by the gold fund or otherwise.
7. Contracts already made by American importers for goods in process of manufacture or otherwise where the nature of the Contracts is such that it should be kept.

It would seem as though you could obtain a fair idea of No. 1, after a little careful enquiry in New York, and that No. 2 could be ascertained with considerable certainty by getting figures from Hathaway, Naumberg & Co., Goldman Sachs & Co., and

such others as these firms may advise you to call upon for information.

No. 3.-The total of such deposits can easily be obtained by asking for information from Banks in New York and a few Banks outside of New York. No Bank should object to giving such information, as they would not have to give any names of institutions, and it would be confidential information for the Committee as well.

No. 4.-comes to about 10 million dollars and is represented by stocks that have been sold in New York by London Brokers where delivery has been made by borrowing stock in America. The actual stock at the moment is being carried for the London Brokers by the London Banks. This stock when sent to America to replace borrowed stock, will have to be paid for by American Houses. Have good reason to believe that the figures mentioned are correct, as they were compiled by responsible people in this market.

No. 5.- The same Bankers who would furnish the figures for No. 3 and quite a number of others, could furnish these figures if they wished to. Whether you would care to ask that the commercial credits be separated from the finance bills is a further matter for consideration.

No. 6.- As far as I can judge this amount is of negligible quantity. The large majority of Americans have returned to the United States and as very few are coming to Europe at this time, no appreciable amount of money is going to be needed to cover this requirement unless all reports from Embassies and others as to the number of Americans still in Europe are absolutely incorrect.

No. 7.- This amount cannot be determined, but is undoubtedly so small that it can be left out of the calculations, although it should be borne in mind. The reason this may be small is because in great numbers of cases the parties on this side are unable to make delivery, which will naturally cancel the contracts.

All of these matters should represent obligations of the kind incurred say before the date of the actual original deposit of gold, or October 1st. or such

other date as the Committee may think proper. All new obligations should be incurred at the risk of those undertaking the transactions and they should not be allowed to call upon the gold fund for cover. Matters which have to do with profits are only five in number,-

1. New Letters of Credit which might be issued to importers.
2. New Letters of Credit which might be issued to travellers.
3. Ordinary foreign remittances from America.
4. The further purchase of securities from abroad.
5. The purchase of exchange for balances either for the purpose of obtaining higher rates of interest or in anticipation of exchange profits.

1.- It might be valuable to the country to encourage importing from Europe where such trade is possible, for it would increase the power of the countries to buy from us and would so help our exports. It need not be considered as an amount of importance, as the natural exports under present conditions will probably exceed the imports.

2.- Quite a number of business houses are going to find in the present condition an opportunity to increase their trade because of their specialties being required, and they will be obliged to send travelling men to obtain the business. It is of value to encourage such travelling, but the amount in credits issued would seem to be negligible.

3.- It would seem as though such remittances would have to stand upon their own bottom and that the remitters ought to pay rates of exchange which would cover the transactions without reference to the gold fund. In the case of Americans abroad who are in the habit of receiving monthly remittances, the demand has probably been reduced because such persons have returned to America, to a point where it need not be considered.

4.- While we are under obligations to take up securities which we have purchased, yet should means be found for the making of further sales to American from Europe it should be clearly understood that no payments can be made out of the gold fund and that one of the risks of the sale lies in the question of

ability to obtain exchange for cover. The securities held here were purchased for the profit of those making the purchases and not for any accomodation to American interests. We are under no obligation whatever to buy further of our securities although we are under obligation to pay for those which we have bought.

5.- It would not be a legitimate use of the gold fund to allow Banks or Bankers to purchase exchange against it for either interest or exchange profit.

Have had no time to study the matter, having been obliged to sit down and dictate without notes or references of any kind, and it is possible that I may have overlooked some transactions that should be considered, but if so they will undoubtedly occur to you, and with this outline think you can see about what idea I have in regard to the use of the fund. The question of what is going to be necessary to satisfy the Committee of the legitimacy of each demand for exchange as it is made, is one that seems to me rather simple to work out, for the rules can be published if desired, or put in such form that every Banker wishing to make purchases will understand exactly what is required of him and know that there is no discrimination or doubt as to integrity. Such being the case documents can be required or not as the Committee thinks best. Personally I think that as the exchange buyer is not obliged to purchase of the gold fund Committee unless he wants to, the Committee will be justified in making as stringent rules as it wishes. Should a buyer find it impossible to purchase exchange from any other source than the Committee, it would be just as valuable to him to have rules that would protect the exchange from misuse as to anyone else.

In order to have this catch the steamer must stop. Hoping that this may give you some of the information which you desire, I am,

Sincerely yours,

[F. J. Kennerly]

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PERRY D. BOGUE, Asst. Secretary.
HARRY N. DUNHAM, Asst. Treasurer.
I. MICHAELS, Trust Officer.

6th October, 1914.

Mr. Benjamin Strong Junr,
Bankers' Trust Company,
16, Wall Street. NEW YORK.

Dear Ben,

Your letter of September 24th received and read with the greatest care and interest. It really told me very little of your thoughts which I had not fully anticipated, but it was nevertheless most valuable and pleasing to me to receive, and I shall read it again with very great care. There was one thing in it, however, that fully explains a matter that puzzled me. I could not understand why Mr. Vanderlip and yourself were thinking of coming to London, as there was nothing to do here other than arrange with the Bank of England for a rate and for the opening of the accounts. Your letter, however, shows clearly what you had in mind. On the other hand, after having studied the situation for the past two months, I am of the positive opinion that you would have made a very great mistake had you attempted to work out any such proposition as you had in mind. In the first place the figures given by you should be kept secret. Your greatest protection lies in doing so

for I am quite convinced that you could make absolutely no deal with any ~~existing~~ institutions here which would allow you to stand upon the first shipment under consideration. There are a few very broad Bankers here who would, I am sure, be glad to co-operate in such a proposition, but it is too tremendous for them to handle alone and I do not believe that a sufficient number could be brought into harmony with the proposition to make it effective. All that you would succeed in doing would be to bring ~~it~~ before the public not alone here, but in America as well, because such things will get out, the full extent of the figures, and as the public could not see the sets-off represented by our exports, I believe it would have a very disturbing influence in both countries. In the first place we must take such action in New York City as will absolutely prevent the sale of further American Securities held in foreign markets to American buyers until the foreign exchange situation is settled. Our obligation to pay for securities held abroad does not begin until we have purchased them. After the purchase is made our obligation is one that should be lived up to. We should therefore be extremely careful not to assume any such obligation, but should temporarily allow no machinery to be put in force that will enable transfers of securities. This is a fair and square proposition, and one that is of just as much value to those here as to American interests. The next thing to do is to use such exchange as we can obtain to pay obligations already assumed, even if we are obliged to cut down our imports from Great Britain. It is here that we have the whip hand and we shall have to make use of

this for the protection of all concerned.

It was only because of this feature of the proposition that we were able to hold the attention of the Governor of the Bank of England to our proposition concerning rates for gold. In rather a supercilious way he suggested that we were obliged to ship this gold whether we wished to or not in order to pay our debts, and asked how we would pay them otherwise. I answered by saying that instead of using our exchange to pay for imports from Great Britain, we would use it to pay our debts and that we felt that if we should stop all importing from Great Britain, that the whole proposition would work out, as time went on and maturities arrived, in a manner favourable to us. He did not apparently see how we could prevent large numbers of our importers from dealing with British Houses. I explained that to him by stating that the importers could not pay for goods unless the Banks furnished them with exchange, and if the Banks had no exchange to furnish because they were obliged to use it to pay maturing obligations, that the importers could not buy whether they wished to or not, unless the British exporters wanted to take the chance of being paid at some future time. The Governor saw this proposition to a certain extent, and rather than turn us down flatly, he stated that the exchange matters were all handled by the Joint Stock Banks and suggested that we try to work out something with them, and confer with him later. Of course he knew as well as I did that the Joint Stock Banks could not make any use of gold deposited in Ottawa except as

they sold it to the Bank of England, and he knew that the only deal that would better our rate that we could possibly make with them would be to have them pay the gold to the Bank of England and give us more for it than they received, which is preposterous. Think he mentioned it, however, more to give him an opportunity to talk the matter over with some of his board, and that he took that way of putting us off instead of coming out in a manly way and telling us that he wanted to consider it further.

As he had suggested that we try to find some other way out I asked him if he thought it would be of value to us to go to the Chancellor of the Exchequer, and possibly make an arrangement with the British Government under which gold could be deposited in Ottawa that would act as reserve for their Treasury Notes which are outstanding. The British Government has something like four million pounds on deposit with the Bank of England as a reserve against these notes. I told him that it seemed to me that the British Government would be tremendously interested in the proposition because it is of value to the whole British Nation to have their exports to America go forward freely. This proposition rather jarred the Governor, I think, and he tried to turn it off by saying, "well, if you go to the Chancellor, he will of course send for me." I then said, "you would not oppose our proposition, would you, when it is for the interest of the British people?" He said, "Well, I could not recommend that the British Government pay more for the gold than the Bank of England is paying."

The Governor stated during the conversation in different ways that the whole proposition with them is one of profit and that they have no other view point whatever.

In order to carry out the request of the Governor we started out to call upon some of the Joint Stock Bankers, even though we knew that it was absurd. Sir Edward was not in. We did see Mr. Bell of Lloyds Bank, however, and put up the whole proposition to him. He seemed to feel confidentially that we would be warranted in going to the Chancellor of the Exchequer. We expect to see Sir Edward Holden and Sir Felix Schuster today, and if they agree with Mr. Bell we shall undoubtedly go to the Chancellor. Personally I am almost inclined to advise the throwing over of the whole proposition unless the Governor of the Bank of England will come to terms, for Britain certainly needs the arrangement far more than America, and if their representative bank will not play square, they cannot expect us to do more than handle matters as rapidly as exchange is made. The fact, as stated in your letter, that we need the amount of exchange outlined, means that if we do not put up any more of the 100 million pool, that it will only serve to carry forward maturities from a little earlier date than might otherwise be the case. Under such circumstances I can see no reason why we should accept any old thing that they are willing to give us in the line of rate. Of course on the other hand the percentage is not really so very great. The gold in the sovereign is equivalent to the gold in 4.86656 American dollars. This expressed in shillings

per ounce represents for the English sovereign $77/10\frac{1}{2}$ d. against $76/5\frac{1}{2}$ d. for American eagles, the difference being due to the fact that the sovereigns are $11/12$ ths fine and the eagles $9/10$ ths fine. Under the law the Bank of England is obliged to pay $77/9$ for bar gold. As soon as the Bank saw that America would have to ship gold, they dropped the rate that they were paying for American eagles from $77/5\frac{1}{2}$ d. to $77/5$ and then to $77/3\frac{1}{2}$. This was not because they did not need the gold, which is the ordinary reason why the rate is reduced, but because they thought that America would have to furnish it, and they might just as well reduce their rate as low as the law would allow. The equivalent of $77/9$ for American eagles is $76/4\frac{6}{100}$. The Bank took off the extra $\frac{1}{2}$ d. making it $76/3\frac{1}{2}$ because they figure that it costs that amount to melt eagles down and re-coin them into sovereigns. When figuring out the original transaction made in Ottawa, I am certain that the rate of $76/5$ for American eagles could have been obtained if we had negotiated for it and had refused to make the shipment on that any other basis, and if I had had any opportunity to take part in that negotiation I should have demanded it. As the Bank of England at that time was about to undertake the discounting of promissory bills which would reduce its proportion of reserve tremendously, it needed the gold as much as ever in its life, and it is only due to receiving the American gold that its reserve has been maintained at any respectable figure. Then, therefore, was the time when we should have demanded a fair rate. The fact that

we did not do so when we had our opportunity, leads them to believe that our needs are such that we will take any old rate they choose to give us. The Governor stated that he could not have two rates running at one time, and we therefore suggested that he arrange to release the gold to us at a rate that would give us the benefit of the fact that it did not have to be shipped to London, instead of changing the payment rate. We would then be taking the risk of the gold coming back to us, and the Bank of England would still make the profit that was represented in the reduced rate they were allowing. This they would not consider. The amount lost to us in 100 million dollars would be about 220,000 dollars in addition to the 3d. charged us for the possible cost of shipping the gold from Ottawa to London, which is 330,000 dollars more. It is only fair of course that the Bank of England be covered for the cost of shipment of gold from Ottawa to London. On the other hand they certainly should be willing to forego such cost in the case of all gold that is later released to us, and that they are not obliged to ship. If they shipped the gold they would not make this profit but would still have the profit represented in the reduced rate that they are paying for the gold. Consequently under the circumstances there is no reason in the world why they should not allow the American Banks putting up the gold to save the cost of shipment if the market should turn that way. We would be running all the risk of having it so turn and would in the meantime be covering the Bank for the cost. As I

stated before, the percentage does not amount to so very much, but the total on a transaction like 100 million dollars is large, and where a principle is involved as well, it is certainly worth while saving. May be able to tell you the outcome of this matter before closing this letter as we hope to arrive at some sort of proposition today. If necessary to see the Chancellor of the Exchequer, however, it will probably be impossible to settle the rate before tomorrow.

Am in receipt of your cablegram stating that you wish me to remain here for the present, and I have therefore cancelled my reservation. Aside from a personal desire to get home, my only reason for hurry was because I felt that it might be to the interest of the Trust Company to have me return under the circumstances covered in your message 45. As I am certain that you would not suggest my remaining even under such circumstances unless you felt it would be of value to the Trust Company, I have accepted your judgment in the matter and arranged to stay. There is no doubt but that this gold pool matter should be watched carefully. On the other hand, not only a part but practically all of the work must be done in America after a definite rate is established with the Bank of England, that is until such time as we seem to need further exchange. As our exports to Great Britain will undoubtedly grow because of their requirements here, which in many lines are going to be rather large, I am very hopeful that enough exchange will be made in this manner to take care of obligations as they mature. Again, the payment in this market of the amount of

money mentioned in your letter would make a plethora of money here that would have to seek investment some place outside of this market. Such being the case there is no doubt but that American Investments are still going to be in demand, particularly where sterling bills of good American Railroad Companies can be ^{issued} used. There is less need, therefore, of worrying about this situation except for the immediate present, than the amount involved might seem to warrant.

6.30 p.m. We saw Sir Edward this morning and he seemed to feel the same as Mr. Bell, but that of course is confidential also. We then went back to the Governor of the Bank of England to see if he had anything to say to us. We saw Sir Gordon Naire who suggested that we put our suggestion in writing. As this meant further delay we told Sir Gordon that before doing so we thought we had better see the Chancellor of the Exchequer along the lines suggested to the Governor of the Bank the day before. We then went to Ambassador Page and got a letter of introduction to Lloyd George and arranged an appointment with him, which was for 5 o'clock. I had prepared a little statement, which follows, in order that he might see our point easily:-

"The actual grains of gold in an English sovereign equal the actual grains of gold in \$4.86656.

One ounce of American gold coin is worth \$18.6046.

\$18.6046 at the rate of \$4.86656 = 76s 5½d.

∴ the actual gold grains in one ounce of American gold are worth 76s. 5½d.

" Allowing a charge of 3d as being a fair rate to cover the cost of shipment of gold from Ottawa to London and its coinage into sovereigns, American gold coin deposited in Ottawa for account of the Bank of England should cancel indebtedness of America to England at the rate of 76s 2 $\frac{1}{2}$ d.

On all gold which is later released by the Bank of England to America in Ottawa without shipment to London the Bank of England will make a full profit of 3d per oz. or £67.187 if the whole \$100,000,000 were returned to America."

As I was the spokesman I then made a statement to him about as follows. Due to the sudden stoppage of trade caused by the war, American institutions have found it impossible to obtain enough sterling exchange to enable them to both meet their obligations and pay for further exports from Great Britain. As it is only right that we pay our obligations before undertaking others, such exchange as we can obtain must be used for that purpose until our indebtedness is settled. As it is the desire of America to foster its trade with Great Britain and not curtail it, we have been endeavouring to make more exchange through the formation of a gold pool. Banks throughout the United States have been asked to contribute to this pool. The majority of such banks are not financially interested in the matter but are putting up their gold for the general good and for the purpose of co-operating with England. This being true it is only right that America should receive full value for its gold; in fact if full value cannot be

obtained it is questionable whether the formation of the pool will not be stopped. America has been backing up England in the position which it has taken in this war, but if its efforts to meet the situation which has arisen due to no fault of its own but which are aimed to aid Great Britain as much as if not more than America, are defeated merely because we cannot obtain full value for our gold, it is apt to have a very serious sentimental effect when it gets out in the American newspapers, as it certainly will. This being an emergency requires emergency treatment, and as we can see that the disruption of the pool will certainly be detrimental to British interests both from a business and a sentimental standpoint, we did not feel justified in cabling to America that our request for an equivalent rate had been refused by the Bank of England without first calling it to the attention of the Chancellor. This is practically the substance of what I said and in about the order. Lloyd George then said that this whole matter was under consideration, and that reports were being made to him which he expected to have in about two weeks, when he could give us an answer. I told him that two weeks was too long to wait; that the American Banks were hot on this proposition now and it was the time to strike, and that if we allowed the matter to go over it might make it much more difficult to accomplish anything in the future. He then said that he understood the proposition fully and that he would see the Governor of the Bank of England tomorrow and call me up immediately after. Then he turned and said, "I am in-

formed, however, that exchange is getting much better now and that things are easing up." I immediately replied "Yes, that was true yesterday and the day before, and the reason it was true was due to the fact that New York Bankers shipped 10 million Dollars of the gold pool of 100 millions to Ottawa in order to help the situation even though the rate given them by the Bank of England did not satisfy them, and it was because of exchange sold against such shipment that the market had fallen off. Further that the rate had gone up again today because there was no further movement in connection with the gold pool, and just as soon as it came out that the balance of 90 million dollars of gold was not coming forward because of disruption of the pool, exchange might be worse than it ever had been." He then repeated that he would see the Governor of the Bank of England in the morning and let me know the result.

Thought you might wish to have this matter in some detail, so am sending it forward on tomorrow's steamer even though there is not time to go into it any further.

Sincerely yours,

Truf -

11.45 P.M.

Just received a lot of mail including letters from you and Mr. Schmidt. Cannot answer them until next steamer. Sincere regards to all -
Truf -

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CABLE ADDRESS: BANKTRUST, NEW YORK.

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 HARRY N. DUNHAM, Asst. Treasurer.
 I. MICHAELS, Trust Officer.

7th October, 1914.

Mr. Benjamin Strong Junr,
 Bankers' Trust Company,
 16, Wall Street. New York.

Dear Ben,

North left this morning at 9 o'clock in his motor for Liverpool and will sail on the "Olympic". Presume you will see him about the same time this letter reaches you. It is certainly going to be lonesome here without him and Mrs Duane, as they have both been perfectly fine to me and have made everything as easy and as pleasant as possible. It is quite unnecessary for me to add anything to what I have already written you about North as to his judgment and ability, so will wait until I see you before saying more.

Received a letter today from Mr. Alexander asking me to call upon the four Banks with whom we are dealing in the gold pool, and see that they understood his letter of September 29th. Called upon them all and explained his letter carefully and received authority from each one to cable Mr. Alexander, which I am doing through you, that they agreed to his proposition, or in other words that they would make cable payments against the cypher code arrangement outlined.

Although the Chancellor was to notify me today after he saw the Governor of the Bank of England on the gold matter, yet I have not heard anything up to the present moment, which is 5.30. Explained what had been done to Sir Edward Holden, Mr. Bell and Mr. Whalley, and to put it mildly they were nearly tickled to death, which is of course more than confidential.

Noted in this morning's paper that your election as Governor of the Federal Reserve Bank had been made public. Can just imagine the consternation of those in the Bankers' Trust Company who were not "in the know" when they read it. Wish you would let me know

in your next cable after receiving this, when you expect to leave the Trust Company, for unless it is to the interest of the Company for me to remain here, I should like very much to be in New York while you are still our President, even if only for five minutes. Am not reconciled to the idea a little bit and like it less and less the more I think of it. However, as it cannot be helped, suppose we will all have to make the best of it as with everything else that is ultra vires.

Today when talking with Mr. Bell of Lloyds Bank he asked me to call your attention to their institution in connection with your work with the Federal Reserve Bank. He stated that he felt his institution was broad minded enough and of sufficient importance to be able to give a perfect service to the regional banks and he wished to be in the running first. I told him that it would give me great pleasure to write you as he requested. There is no doubt whatever but that Mr. Bell is a capable and energetic Banker and a very broad man as well, and since I have been thrown with him as closely as has been necessary to work out some matters during the last few weeks, I have much greater respect for his institution than I ever had before, as it was only its size that impressed me until I knew Mr. Bell. Have of course always known that it was a conservative, well managed institution, but my dealings have been with the Manager of the American and Colonial business, who while a very nice fellow, yet is not as broad a man as Mr. Bell by any manner of means. Of course if the Bankers' Trust Company opens a Branch in London and it proves to be perfectly legitimate and proper for the Federal Reserve Bank in New York to do its business through us, we are not going to boom anybody else, which kindly note, but if it should so happen that you were obliged to deal with an English Bank, I have no doubt but that Lloyds would serve you well. Sir Edward has not yet spoken to me about the matter but I presume he will later, in which event I may have to write you about him also.

Was awfully sorry that the Bankers' Trust second account was placed with Parr's Bank instead of Lloyds, as I should have liked an opportunity to take up the matter of an account again with Lloyds, and that would have given me a fair chance.

Have been over all the correspondence relating to payments in Switzerland and am thoroughly convinced that the Express Company put one over on us, so to speak. As you know, one of the members of our Committee is the Manager of the Express Company in London. He acquiesced in and was familiar with the arrangement made with the Swiss Bankverein, and in fact when he obtained the right to make the deposit in Italy he had a copy of the Swiss Bankverein's arrangement delivered to him, so that he could use it as a form from which to wire to Italy. Knowing how other cheques were going to be handled, and judging from some matters which were brought to my attention direct from Switzerland, he arranged to have certain

other Swiss Banks send out a circular that American Express cheques would be cashed in full. Of course there is no object in saying anything about this, and I had rather you would not, as it is too late to correct the wrong in any particular. It has certainly been an eye-opener for me, however, and if I am ever tangled up again in any such proposition with people of that sort, you can just bet your last dollar I am going to have an agreement in writing that they will play square, and I will not take it for granted that when they have accepted a position on a Committee or other body, that they have mentally taken the oath of office. However, we have one piece of satisfaction in the whole deal and that is that we have played absolutely square in every particular and have never once taken advantage of our position in any way to obtain favours. As you said in one of your letters, it is all history, but I can assure you that it is not only ancient history but it is going to have its effect on future history.

9th Oct.-

Now about the gold pool negotiation. Wrote you by Wednesday's steamer of our meeting with the Chancellor. Yesterday morning I received a letter of which the following is a copy:-

"Treasury Chambers,
Whitehall, S.W.
7th October, 1914.

"Dear Sir,

The Chancellor of the Exchequer has discussed with the Governor of the Bank of England the question of the price paid for gold deposited at Ottawa about which you spoke to him yesterday and he suggests that you should see the Governor on the matter.

The question is of course primarily one for the Bank of England, who carry out the transaction. The Chancellor of the Exchequer trusts that an arrangement will be arrived at which will be satisfactory to all the parties concerned without the necessity for his intervention.

Yours faithfully,
(Signed) H.P.HAMILTON.

Fred. I. Kent, Esq,
Vice President,
Bankers' Trust Company,
NEW YORK.

Immediately called for Mr. Jacobs and we went to the Bank. Saw Sir Gordon Naire and he asked us to come back after a meeting of the Board of Governors, which we did. He then informed us that the Governor of the Bank absolutely refused to raise the rate but that he might, if he saw fit at the time, make some allowance for gold that might later be released to the States without having to come to England. I asked Sir Gordon if the Governor was willing to make any such agreement. He said "no" that the Governor

would make no agreement of any kind, but that what he meant in effect was, to put it in other language, that he might take it into his head when the time came, to give up some of his profit if he had had a good breakfast and his mood was more than usually pleasant, and if all the world looked bright and shining to him. If you had met the Governor as we have, I am quite certain that you would not pay any dividends on profit that might accrue from any such statement, at least until you saw the money, and that even then you would wish a doctor's certificate that you were in your right mind and that your eyes were working properly, and that the money before you was actually there. I am firmly convinced, as I cabled you, that the Governor only put us off as one more bluff to hold up his game, because he had a feeling that we would not return to the Chancellor; but that he knew from his conversation with the Chancellor that he might be called upon to change the rate if we ultimately went to him.

Our first negotiation was merely for an increase of 2d. in the rate, which would leave the Bank the full profit on such gold as might be released in Ottawa. The attitude of the Governor was so positive that it seemed as though it might be better to go to the Chancellor with only such a request, even though we did endeavour to obtain from the Governor an agreement to deliver such gold back as was not shipped at a better rate. Your cablegram stating in effect that you should not only have a higher rate for the gold now, but that it should be released for full value also pleases me very much, and there is no doubt whatever but that it is an absolutely correct and proper position for the Committee to take. I note that you wish us to hold back on the negotiation for a while, which may also be of value, but I am thoroughly convinced in my own mind that if you will authorise me to go to the Chancellor again and demand full value for our gold and full value for such gold as is returned from Ottawa, that he will intervene. He is wonderfully quick to see a point and if he finds that America is being defeated in its attempts to help out this situation, which is of just as much value to Britain as to America, or more, because of the grasping nature of the Governor of the Bank of England, he will put the screws on. I am simply crazy to go on with this negotiation, and do not feel beaten in any particular at the moment. In fact, the way it has developed would seem to me to lead to a better opportunity of obtaining more for the American Committee than if we had been given a higher rate at the start. It is my hope, however, that you will not take it up with the United States Government, at least without giving me another crack at it, for I should dislike very much to have them step in and obtain the concession that I am sure is about ready to be made, for our Bankers can do things as well as the Government at times

* Of course expect you to do what is best.

Later.

Have just gone over this whole matter with Ambassador Page as suggested in your second from last letter received. He was most pleased to get the information as Lloyd George had asked him for an interview this afternoon and he did not know whether it was about this matter or not, and he now feels well enough posted on the proposition so that he can answer any questions that Lloyd George may put to him. I told him that from your cablegram of today I felt that the whole matter was off for the present, and that I did not feel at liberty to approach Lloyd George again without special instructions from the Committee. Did say to him, however, that if Lloyd George brought up the subject and personally asked to see me, that I should of course hold myself ready to meet him, but that I had no power to negotiate at present.

Also saw Robert Bacon and had a long talk with him. At first he seemed to feel that we were wrong in asking a better rate, but after I had explained the whole situation to him he apparently agreed with me fully. He said, however, that the Chancellor would not intervene with the Bank of England, which leads me to believe that he has talked the matter over with Mr. Grenfell, although of course he did not say so. Mr. Grenfell, as you know, is a Director of the Bank. I am not so positive, however, that the Chancellor will not intervene, judging from his letter. Mr. Grenfell may not know what he would, or would not, do, for his opinion of the invulnerability of the Bank is naturally as great as that of others connected with it. Regardless of what happens, however, I can say to you absolutely from the shoulder that I have handled this matter fairly and squarely open and above board, and without once giving or receding from the position that we were only asking what was right and justifiable.

Last night called up your brother Arch, and as he had an engagement, arranged to meet him this morning. Took him up to the Embassy and fixed it up so that he goes to Paris as a special envoy of Ambassador Page to Ambassador Herrick. Felt that this would give him the best possible entrée into France. He is to leave with the other members of the party at 10 o'clock tomorrow morning and should be in Paris tomorrow night. The Embassy is looking after all his baggage arrangements and everything else exactly as they would in the case of any other personal messenger. He is to carry a sealed pouch addressed to Ambassador Herrick. Your brother is a fine young fellow, and I was very pleased indeed to meet him, and would have been glad to have accommodated him for himself. It was a real pleasure, however, to feel that I was at the same time doing a little something for you, as such opportunities are always most welcome to me. Am giving him further letters of introduction also.

Confidential -

Sir George Paish and Sincerely yours,

another man from the British Treasury

left for America on the Baltic

and are going direct to Washington

July -

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 PERRY D. BOGUE, Asst. Secretary.
 HARRY N. DUNHAM, Asst. Treasurer.
 I. MICHAELS, Trust Officer.

12th October, 1914.

Mr. Benjamin Strong Junr,
 Bankers' Trust Company,
 16, Wall Street. New York.

Dear Ben,

Am very sorry indeed that my cablegram No. 30 replying to your No. 52 about Mrs Strong, was not delivered. Cannot imagine why it should have been held up unless because I referred to passports. I answered your cable immediately and wanted you to understand that everything was in order. Can do everything necessary through the Embassy and Mare has been waiting for word as to when Mrs Strong would arrive ever since. Also cabled you at Greenwich immediately upon receipt of your wire a week ago Sunday morning. Do not know whether this cable reached you or not but sincerely hope it may have done so, and that you may not have been anxious about the matter.

October 13th.-

Have just received your cablegram stating that Mrs Strong is coming on the "Lusitania" and that you would cable particulars later. Have notified Mare and he will go up to Liverpool with me to meet Mrs Strong. You need have no anxiety whatever about her insofar as everything is concerned that bit is possible to control. No-one can tell what a day will bring forth along the battle line and I should have preferred to have gone to Switzerland for Mrs Strong's sister rather than to have had her come here. Nevertheless, there is no real need to feel anxious if things remain as they are at present. Think I wrote you that Mare had made a trip into France, Switzerland and Germany and brought out 25 trunks for different people. You can see, therefore, that he knows how to get about even under present conditions. Of course he had special letters which I obtained for him from the Embassy without which he could hardly have made the journey. He still has those letters and I shall also see that Mrs Strong is properly provided. As I telegraphed, I will gladly go to Switzerland with Mrs Strong

provided it seems necessary when she arrives, or anyway if I find that you desire it or that she prefers to have me. Am therefore whipping my work into shape as rapidly as possible to enable me to leave for Switzerland with her should it prove to be the thing to do for any reason whatsoever. Should I do so will come back here immediately, but probably by way of Milan, Italy, and Germany, as I wish to make certain that the lire deal with the German Banks is in order, for I cannot seem to get any satisfactory word concerning it. Am also anxious to see Hugo Schmidt of the Deutsche Bank.

Will close, as I have an appointment with the British Foreign Office at 4 o'clock, and have just time to make it.

With sincere regards, and hoping that you have not hesitated in your full instructions which Mrs Strong is carrying, to ask anything and everything of me that you really wish, I am,

Cordially yours,

A handwritten signature in dark ink, appearing to be 'J. M. [unclear]', written in a cursive style.

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**BANKERS TRUST
 COMPANY**

CAPITAL \$10,000,000
 SURPLUS 10,000,000

CABLE ADDRESS: BANKTRUST, NEW YORK.

16 WALL STREET

NEW YORK

London, 13th October, 1914.

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 PERRY D. BOGUE, Asst. Secretary.
 HARRY N. DUNHAM, Asst. Treasurer.
 I. MICHAELS, Trust Officer.

Mr. Benjamin Strong,
 C/o Bankers Trust Co.,
 New York.

Dear Ben,

Certain things are going on in connection with the negotiations between the United States and Great Britain, which possibly I am not supposed to know about but that I do, as a matter of fact, and that which concern me. What I refer to particularly has to do with the Declaration of London. That interesting document has never been accepted by Great Britain nor any other country, I believe, except the United States. Since the war started, Germany, however, has become very much interested in it and as it has to do partly with the regulation of shipping in case of war, and as Germany is thoroughly blockaded, you can readily see that it is to her interest, and her interest only among the belligerents, to wish to have the Declaration of London accepted by all nations. Until the war, Germany was never interested in the Declaration of London in any particular so far as I can learn and apparently never gave it any real consideration. Now the United States Government is trying to force the Declaration upon the British Government and it could not do so with any success at all if Britain were not fighting for her life. This being true, it does not seem right for the United States to assume the position that it is doing, and it seems to me that it is certain to react upon it in the future. All we have to gain at the moment, if anything, is the opportunity to land a few more goods in Holland and possibly a very few at that; certainly the small number of shippers that will be benefited will never pay the United States for having rather forced Britain's hand at this particular time; and it seems to me that every bit of pressure that can be brought to bear upon Washington to get them to realise their mistake ought to be

exerted. Of course one argument of the United States is that unless the Declaration of London is subscribed to they have no means whatever of knowing what strict neutrality really means. While this is true to a certain extent, yet as there is no Court of Appeal from the Declaration of London in case it is not lived up to the United States is just exactly as well off without it as with it. International Law, as it has been developed in various countries, unquestionably has many points of difference, for each country has accepted only such conditions as have seemed of particular benefit to it, either because of its geographical situation, trade and commerce, or armament; and it seems quite absurd to expect Governments who are at war to give up certain points that they have stood out for for many years in order to meet the Declaration of London. Such being the case it would seem absurd to believe it possible to obtain a general agreement at this time and without such agreement the whole matter would be valueless. I am firmly convinced, therefore, that the United States has everything to lose and nothing to gain through its present attitude and I certainly hope that something can be done that will show our Administration, or those responsible for our present attitude, just how things stand. Great Britain has arbitrated many subjects with us and has made very few demands from which she has not receded when America has refused to consider them.

If she wins in this war, as she certainly will have to do unless as a powerful nation she becomes extinct, she is going to be more powerful than ever and if so, we do not want to be in the position of having her feel that we took unfair advantage of her while she was in the midst of a devastating war. Not of course that we have anything to fear, but that it would make diplomacy much harder to carry out and might end in something serious; whereas by using good judgment now and not assuming any false or unnecessary position we may draw closer to Britain so that in future we could pull together more effectively for both nations. If Britain is defeated it will not make any difference either way for she will inevitably lose her prominent position among the nations of the world to such an extent that whether she accepts or does not accept the Declaration of London it will not make the slightest difference.

I cannot imagine either Secretary Hay or Secretary Root indulging in any such precarious negotiations and as an American citizen I feel that it should be brought to our Government that it is making a mistake and one from which we have nothing to gain and everything to lose. I do not know of course whether you have any means of properly bringing this to the attention of those who should know about it, but as you have been so closely

associated with many of those prominent in the present Administration I thought that I would bring it to your attention. Of course I realize how difficult it will be for you to apparently know nothing about the proposition because they would wonder how you found out and I certainly am not supposed to know, but that is a matter I can leave to your judgment without question and I am certain that it will be handled, if you judge it wise to take it up at all, in a way that will be entirely proper and satisfactory to all concerned. It will, of course, be a very delicate piece of business but I am sure that you are fitted to undertake it if anyone is.

With sincere regards,

I am, Cordially yours,





Telegr. Otobelli

HÔTEL LOTTI

7 et 9, Rue de Castiglione

PARIS

Dear Ben -

Arrived in Paris last night. Saw Ambassador Herrick this morning and am to take luncheon with him and Mrs. Herrick as soon as I finish this.

Just returned from the American Ambulance Hospital where I made a careful inspection which I will report upon later. Saw Everingham one of the boys who came over with Arch. He is doing good work and is a thoroughly fine fellow.

Arch is out at the front being situated just back of the battle line. He has made a fine impression on all who have seen him and both Ambassador Herrick and Hermann Harzer speak of him in the highest terms. The Ambassador just returned from the (front) and said he

left Arch well and working hard. Should it so happen on my return with your sister that we stop long enough in Paris for me to do so, I shall go out to the front just to see Arch and slap him on the back and wish him God speed. If I cannot go will send a letter and let him know how everyone feels about him for he is going to be pretty tired at times when a little human interest will do him a lot of good even though he is well able to take care of himself.

Leave for Switzerland at midnight but the day or hour of arrival is not possible to obtain from the officials here.

Hoping this will find everything moving forward as well as possible with you all I am with love to all

Sincerely your friend
Paul

Oct 17, '14

30-10-1914
H. L. L.



75169, Otelotti

HÔTEL LOTTI

7 et 9, Rue de Castiglione

PARIS

Dear Ben-

Could not get any place on the midnight via Dijon as they are all taken for several days - Was able to get two places with six others on the eight o'clock for Lyons and they were the last two on that train - We should reach Lyons around five o'clock tomorrow morning. Can sleep in our clothes probably as there will be room to stretch out some. A train will leave Lyons for Geneva tomorrow around 2 or 9 o'clock that should reach its destination by 1 a.m. Monday so we will be in Nyon by Monday morning.

The French Government is at Bordeaux which is a nuisance when one is in a hurry but Ambassador Herrick has taken up the matter with the Minister of Justice by

phone and I am to be notified of the result by wire at Nyon. The idea is to get a special pass that will not necessitate any consideration of citizenship so that Nettie may be able to decide about what she wants to do later. I am so positive of my recollection of the law that I wrote you about from London that I don't want to make any false steps. If this is done will have her sail from Havre on the French line and shall try for Oct 24 as the La France will sail then unless taken off.

Wrote Mrs. Strong today that she had better be prepared to take the boat at Havre if I wire her through the Embassy. She can go direct there from London via Southampton. Also wrote Hodson of the Embassy to get her accommodations and look after her luggage if I wire him to do so. Hodson has done such work for the Embassy for many years and knows all the officials on trains and boats. Both letters go in the packet of the Ambassador here to Ambassador Page on

Monday so will reach their destination
promptly - you see if I succeed in getting
the pass for France I had better let well
enough alone and get them off from Havre.
Unless there is some reason for it I will not
return on the French line as I ought to go
back to London first. My baggage in all these
too. Of course if advisable because of the condition
of any of the ladies I shall sail with them
for I will not leave them under any circumstances
unless it is absolutely all right.

Ambassador Herrick is a brick and has
done wonderful work here. Will tell you all
about it when I see you.

Must stop a few little time to get
my dinner and the train.

Frederic F. F. -

Oct 17, '14

GRAND HOTEL NATIONAL



G. WILD, PROPRIÉTAIRE

DIRECTION GÉNÉRALE DE LA C. NUNGOVICH HÔTELS CY. EGYPTE

Well he signed it anyway. Then I went to the French Legation and certainly had a ~~cut~~ and dog time. Saw the French Minister first and he turned me over to someone else or he would do what I wanted. This other person said he couldn't so I asked for the Secretary. Agreed with him and he said it couldn't be done but I stayed on just the same and paid absolutely no attention to his attitude. I suggested that I go. Finally he went to the Minister again and came back and said it could not be done. Then asked him if I could see someone else and in desperation he called in another man who seemed a lot more business like. Explained it all over to him but the Secretary said the Minister had already refused three times and would not change his mind. I told the last man

that if the Minister would just do the little things I wanted which was no trouble at all I would leave. He shrugged his shoulders and went in again to the Minister and came out with my paper properly stamped and signed just as I wanted it and I was tickled to death over it. Then went back to the American Minister and found him talking to the French Legation which had just called him up as they were scared at what they had done. Stovall said "W by Mr. Hunt just walked in now" I said "tell him what he did was all right". Stovall did so and "everybody was happy including your truly". Also called upon the German and English ministers for special matters I can tell you about and reached the station at 4.47 for the 4.45 train to Zurich. Mine was scared to death for for we would miss it but I told him it was an American habit and not to worry. Of course we got it OK. Reached here at 8 P.M. had dinner and then met the 9.07 train. Telegraphed Hugo Schmidt last night to cable about the B. & O.

mortgage recommending that the B. J. C. be made trustee - Also wired the Banca Commerciale Station to let me know if my instruction as to all lire transfers had been carried out - Am going down to the bank now and will leave this for and may have more satisfactory news to tell you later - Gee! Ben but I am glad I got that paper - The French Minister said I wouldn't need anything else and so did the English Minister - Well! we shall see

7/20 P.M.

Nettie and the baby came in on the two o'clock train and are now here at the hotel. Nettie in thin but otherwise well - the baby in tired and has been sleeping all the afternoon - We are to stop at Berne tomorrow over one train and try and arrange for the Austrian nurse to get through England and France - Everything else is in perfect order - Nettie did not object to changing her citizenship as she had nothing but personal property in Germany and is going to bring up the baby in America so she registered as an American in Wimboden and ~~was~~ brought a passport. That of course was the simpler way and all my other arrangements are now unnecessary but she could have gone just as well the way I had it fixed and still have retained her citizenship under the law so that she could have been legal guardian of her child - Not being able to hear from her and knowing it would take time to get the other papers I thought best to do it anyway - Am very glad however that everything is arranged this way - the nurse proposition is going to be more difficult but I hope to fix it somehow.

9. P.M.

This morning I spent at the Schweizerische Creditanstalt and got them to give me \$100,000 on which we are to pay 3% until our interest rates fall off - also arranged to buy some cotton bills as I wrote as their officer - The stenographer couldn't understand English very well and so spelled the letter all up but guess it will explain everything. Am also arranging to get some English drafts cashed that have been returned and am sure it will please them very much. The manager of the Swissbank is now on his way to the hotel to talk over their matter as I couldn't get to him this afternoon. Hope he don't stay too late as we get up at 6 o'clock to take the train. However had to see him. Must stop as he is downstairs. Love to all

Fred

Friday Oct 20 '14

to read
the return

GRAND HOTEL NATIONAL



G. WILD, PROPRIÉTAIRE

DIRECTION GÉNÉRALE DE LA G. NUNGVOICH HÔTELS CY. EGYPTE

~~Monday~~
Monday 19/14

Dear Bess -

Can hardly remember when I wrote you or what I said so may repeat. Traveling so steadily for so many days and sleeping in one clothes sort of makes every day look like a week. It certainly was a most enjoyable experience to get my clothes off last night and get a bath and a good night's rest and it made up for everything that had gone before.

Well we reached Nyone late Sunday afternoon and I called upon Mr. Chandler. He is a delightful old fellow and I took to him at once. We went over Nettie's correspondence and telegrams together carefully and both agreed that there was no certainty that she would start from her home

at all for there were so many contradictions. The one favorable sign was that her butler had arrived with her trunk. He said that he had telegraphed back to her to come the same way that he had done and also that she would stop at this hotel in Zurich. I telegraphed her at once that I would meet her at any time and place she wished and asked her to answer care Mr. Chandler. Now if she received it she would answer and if she had already started she would not which would give me a line on what was being done. You see her last wires kept saying she would start and then again she wouldn't and then that she might etc. Next I wired the custom House official where her butler said she would cross the line and told them to tell her when she presented her passport that I was waiting for her at this hotel in Zurich. Then I arranged with Mr. Chandler to wire me anything he heard from her care of the American Embassy or rather Legation in Bern if it yesterday and here if today.

He did not wire yesterday up to 4 P. M. when I left Berne for Zurich which meant that he had received no reply from my wire to Nettie and that she had therefore probably left her husband's home where she has been all the time apparently ~~and~~ ^{or} Mr. Chandler now says she never went to St. Moritz at all. That would mean that she could not reach Zurich before the 9.07 last night and I miss that train. She was not on it which may mean that she stopped the other side of Lake Constance over night and is due here at 2 P. M. today. Am meeting all the trains from the German frontier today both from Singen and Lake Constance. Have telephoned all hotels in Zurich to let me know at once if she stops at any of them. Also telegraphed Chandler last night she had not arrived and asked him to wire me this morning whether he had heard anything or not. She had told him definitely that she would stop over night in Zurich which is really all she has said that was positive. If I find she has not started will telegraph her from here to stay where she is and that I will come for her. Can reach her in one day but cannot start until I know she is waiting for me. So much for that. Yesterday on arrival in Berne I called upon Minister Stovel and asked him if he had heard from Bryan. He said he thought he had and asked his stenographer if he had. She said she thought so too. Then he began going over the papers on his desk and in his drawers looking for the wire. He looked through the same papers so many times and the same drawers so many times that I began to get fascinated watching him. However had no time to fool away so told him I would tell him what to do and he could get the wire afterwards. He has Bryan's picture over his desk so from that and other things I saw my way clearly and told him just what Mr. Bryan had probably said in that wire. He said he did remember it was about what I suggested and asked what he could do. So I told him just how to reach out the paper I wanted and I had it written in French with a translation in English directly under it. He said "but I don't know about that" and I said "neither do I so that lets us both out".

~~243~~ 109

Mr. Strong:-

The following is an extract from Mr. Kent's cablegram received to-day:-

"Tell Strong fully agree opinions expressed his letter tenth, pages nine and ten, but believe adjustment likely soon and am considering farther (believe this should be 'further')".

JFS.

10-27-14.

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JAMES S. ALEXANDER, Prest. Nat. Bank of Commerce in N.Y.
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CABLE ADDRESS: BANKTRUST, NEW YORK.

16 WALL STREET

NEW YORK

London, 28th October, 1914.

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 PERRY D. BOGUE, Asst. Secretary.
 HARRY N. DUNHAM, Asst. Treasurer.
 I. MICHAELS, Trust Officer.

104 / 7i Rent

Benjamin Strong, Esq., (Jnr.)
 C/o Federal Reserve Bank of New York,
 27, Pine Street,
 New York, U.S.A.

Dear Ben,

Cabled you from both Switzerland and Zurich on my way with Nettie and wrote you all along the line as well. Do not know, however, whether the letters will reach you till after the Federal Reserve Bank is making a name for itself in the world under its able management. Did not cable you upon our arrival in London as Mrs. Strong seemed to wish to do so and I thought it hardly necessary to send two cablegrams. To be perfectly frank, it was a real relief to me to get the party into London for while I had papers of all possible sorts and kinds that might be of value yet the baby speaking only German and the nurse not only speaking German but looking the part most effectually, resulted in our being looked upon as suspicious throughout the whole trip. This led to several very unpleasant experiences, only two of which, however, became known to Nettie - one when some French soldiers forced open the door of our compartment in the middle of the night and began to growl about "Allemands" and the other when "Yours truly" was arrested. The details of that pleasurable experience I do not feel inclined to put down in black and white but will tell you about it some time. Before the incident was over I was mad enough to eat tacks because they nearly made me miss the train and I was afraid that if I did Nettie might be made very nervous and she was already rather unstrung. She and the baby and the nurse were in a compartment, however, with Maré, which I had had marked "for the American Embassy", so that they would really have been all right even if I had missed the train. As

it was, however, I just stepped into the door as the train started forward, so that everything after all was all right. At the station I had Maré tell Mrs. Strong, whom I felt certain must be in the crowd outside, that we had gone directly to the hotel, Found a taxi where the train stopped and as the baby was fast asleep and there was a chance that we might get him right to the hotel without awakening him, it seemed to me to be better to try and do so. Mrs. Strong reached the hotel shortly after we did. The baby did not awaken once during the trip and was upstairs and in his little bed without knowing anything about the journey from the train to the hotel.

Last night the British Government notified the White Star Line that it would have to take the "Celtic", consequently the reservations were changed to the "Lapland". Am rather inclined to believe, however, that they will be just as comfortably situated, if not more so, for they have the very best rooms on the boat and it is a comparatively new ship, being only five years old and although smaller than the "Celtic" is still an 18,000 ton boat, which a few years ago would have been considered a giant.

As I have so much to do, the success of which may depend upon prompt cabling, I did not think it would be right for me to go to Liverpool as long as it is not really necessary. Maré is going, however, and will see that they get off all-right. They have a compartment reserved for them upon the boat train and their seats at table and positions for their steamer chairs have also been arranged by me, so that I am certain everything will work out to their satisfaction.

Now regarding your letter of the 10th inst. I did not cable you Sunday about it because I wished to see how the Foreign Exchange market was acting under the various operations that seem to have been taking place and I could not, of course, find out anything about that until Monday. Then the Bethlehem Steel matter came up and that kept me on the jump all day long. However, managed to find out enough about the markets to confirm my opinion that the present strained condition is apt to work itself out before very much longer. The only phase of it that I do not like is the fact that exchange is being furnished for the New York City Warrants instead of gold, because such exchange, even if not purchased directly from the gold pool Committee, must of necessity work out exactly as though it were so purchased because the exchange used for the City Warrants would otherwise go towards meeting the sterling liabilities for which the Gold Committee might actually be selling exchange. It seems to me, therefore, that it is quite important not to countenance such exchange deliveries to the City until the rate goes under the cost of delivering gold,

Benjamin Strong, Esq., (Jnr.)

3.

Benjamin Strong, Esq., (Jnr.)

provided there is any way to prevent it. If, therefore, there is any way in which to require deposits of gold in payment for the City Warrants, I believe it should be done, otherwise from all market operations it would appear as though exchange was working exactly as desired.

If the Bethlehem Steel operation goes through it will mean £750,000 immediately available and further large amounts rapidly as time goes on. Many other operations are working the same way. To-day therefore I cabled you as follows:

"Tell Strong fully agree opinions expressed his letter tenth pages nine and ten but believe adjustment likely soon and am considering further."

While I can readily see that everything you outline in your letter might easily and naturally occur, yet in the back of my mind I sort of think that a way out can be found. Have not had the opportunity, however, to sit down and go over it carefully because of this Bethlehem Steel matter. This proposition is so huge and the British War Office is so crazy to have the matter put through immediately, and the difficulties in doing so are so great because of not knowing exactly what negotiations are being carried on in New York, that it is extremely difficult to work out, and between conferences at the War Office, with the Bethlehem Steel representative, and with the Midland Bank and cables in between, it seems to take up more hours than there are in a day. However, I have it in mind and hope to be able to give it careful and consecutive thought in a day or so and if I have reason to change my opinion materially, I will cable you.

Regarding the expenses connected with getting Nettie and the baby have no doubt in my mind whatever but that Mr. Converse wishes to take care of them and, in fact, that he would naturally insist on doing so. Such being the case, I did not let Nettie use any of the money which she had with her to pay any of them. In order to save her loss in exchange I used all the franc bills which she took with her from Germany but returned the amount in American money when I reached London, otherwise she would have no money with her for I made her deposit all of her marks with the Société de Crédit Suisse in Zurich for the credit of the Bankers' Trust Co., for credit of her account with them. That seemed to be the only possible way to save her greater loss than she had already incurred by carrying the bills in Switzerland; and again it did not seem wise to carry around so much money under prevailing conditions. Have had Maré keep track of all of the expenses. The amount up to date is £116. 18. 4.

Benjamin S
for the City
there is an
proposed by

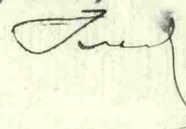
Benjamin Strong, Esq., (Jnr.)

4

and includes everything except Maré's expenses from London to Liverpool and return and the money he is obliged to spend for luggage and other matters during the trip. Will give you that later. You can pay the amount to the Bankers' Trust Co. and Mr. Schmid will give you the rate. These expenses include the work Maré has done since the return to England as well. Have had him go out with the nurse and baby every day rather than take any chance of having trouble ensue because both the baby and the nurse talk German. Will advise Mr. Schmid how to credit the cheque which you give him.

Will not write more now as I wish to get this letter into Mrs. Strong's hands this evening.

Sincerely yours,



DIRECTORS.

JAMES S. ALEXANDER, Prest. Nat. Bank of Commerce in N.Y.
 STEPHEN BAKER, President Bank of the Manhattan Co.
 SAMUEL G. BAYNE, President Seaboard Nat. Bank.
 EDWIN M. BULKLEY, Spencer Trask & Co. Bankers.
 E. C. CONVERSE, President Astor Trust Co.
 THOMAS DeWITT CUYLER, Prest. Commercial Trust Co. Phila.
 HENRY P. DAVISON, J.P. Morgan & Co. Bankers.
 WM. NORTH DUANE, Vice President.
 RUDOLPH ELLIS, President Fidelity Trust Co. Phila.
 E. HAYWARD FERRY, Vice President Hanover Nat. Bank.
 WALTER E. FREW, President Corn Exchange Bank.
 FRED'K T. HASKELL, V. Prest. Ill. Trust & Savings Bank Chicago.
 A. BARTON HEPBURN, Chairman Chase Nat. Bank.
 FRANCIS L. HINE, President First Nat. Bank.
 EDGAR L. MARSTON, Blair & Co. Bankers.
 JOSEPH B. MARTINDALE, President Chemical Nat. Bank.
 GATES W. MCGARRAH, Prest. Mechanics' & Metals Nat. Bank.
 CHARLES D. NORTON, Vice Prest. First Nat. Bank.
 WILLIAM C. POILLON, Vice President.
 DANIEL E. POMEROY, Vice President.
 SEWARD PROSSER, President.
 DANIEL G. REID, Vice President Liberty Nat. Bank.
 EDWARD F. SWINNEY, Prest. First Nat. Bank, Kansas City.
 GILBERT G. THORNE, Vice President Nat. Park Bank.
 EDWARD TOWNSEND, Prest. Imp. & Traders' Nat. Bank.
 ALBERT H. WIGGIN, President Chase Nat. Bank.
 SAMUEL WOOLVERTON, Vice President Hanover Nat. Bank.

**BANKERS TRUST
 COMPANY**

CAPITAL \$10,000,000
 SURPLUS FUND 10,000,000

CABLE ADDRESS: BANKTRUST, NEW YORK.

16 WALL STREET

NEW YORK, November 23, 1914.

OFFICERS.

SEWARD PROSSER, President.
 WILLIAM C. POILLON, Vice President.
 D. E. POMEROY, Vice President.
 W. N. DUANE, Vice President.
 F. I. KENT, Vice President.
 HAROLD B. THORNE, Vice President.
 F. N. B. CLOSE, Vice President.
 GEO. G. THOMSON, Secretary.
 GEORGE W. BENTON, Treasurer.
 GUY RICHARDS, Asst. Secretary.
 H. W. DONOVAN, Asst. Treasurer.
 BETHUNE W. JONES, Asst. Secretary.
 H. F. WILSON, JR., Asst. Secretary.
 R. H. GILES, Asst. Treasurer.
 PERRY D. BOGUE, Asst. Secretary.
 HARRY N. DUNHAM, Asst. Treasurer.
 I. MICHAELS, Trust Officer.

FOREIGN EXCHANGE DEPARTMENT

Mr. Benjamin Strong, Jr.,
 62 Cedar Street,
 New York City.

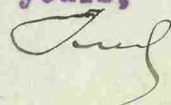
Dear Ben:-

Your letter of the 20th instant just received. Was out of town Saturday watching Harvard show Yale how to play the time-honored game of football.

It does not seem to me that there is any reason why the Post-Office Department of the United States Government should take over the Treasury Department's loss in exchange. If the Post-Office Department is required to buy exchange to meet its money orders, it goes into the market and obtains offers from many banks, and then accepts the best rate. The result is that the Postmaster obtains exchange at practically the market rate. This being true, if the Postmaster General took over the Treasury Department's exchange at the cost to the Treasury Department, it would represent an actual loss in the Post Office Department that properly belongs in the Treasury Department.

It seems to me the best way for the Treasury Department to handle the proposition is to telegraph to Ambassador Page and to the Bank of England, requesting each to deposit the sums which they hold with the London City and Midland Bank, Ltd. for credit of the Bankers Trust Company, with instructions to the London City & Midland Bank, Ltd. to cable us advice of the deposit. We will then refund the amount to the Treasury here at a proper rate. This will be the most satisfactory and the cheapest way to handle the proposition. Exchange is getting pretty strong, as you have undoubtedly noticed.

Sincerely yours,



DIRECTORS.

JAMES S. ALEXANDER, Prest. Nat. Bank of Commerce in N.Y.
 STEPHEN BAKER, President Bank of the Manhattan Co.
 SAMUEL G. BAYNE, President Seaboard Nat. Bank.
 EDWIN M. BULKLEY, Spencer Trask & Co. Bankers.
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 EDWARD TOWNSEND, Prest. Imp. & Traders' Nat. Bank.
 ALBERT H. WIGGIN, President Chase Nat. Bank.
 SAMUEL WOOLVERTON, Vice President Hanover Nat. Bank.

**BANKERS TRUST
 COMPANY**

CAPITAL \$10,000,000
 SURPLUS FUND 10,000,000

CABLE ADDRESS: BANKTRUST, NEW YORK.

16 WALL STREET

NEW YORK, December 21, 1914.

OFFICERS.

SEWARD PROSSER, President.
 WILLIAM C. POILLON, Vice President.
 D. E. POMEROY, Vice President.
 W. N. DUANE, Vice President.
 F. I. KENT, Vice President.
 HAROLD B. THORNE, Vice President.
 F. N. B. CLOSE, Vice President.
 GEO. G. THOMSON, Secretary.
 GEORGE W. BENTON, Treasurer.
 GUY RICHARDS, Asst. Secretary.
 H. W. DONOVAN, Asst. Treasurer.
 BETHUNE W. JONES, Asst. Secretary.
 H. F. WILSON, JR., Asst. Secretary.
 R. H. GILES, Asst. Treasurer.
 PERRY D. BOGUE, Asst. Secretary.
 HARRY N. DUNHAM, Asst. Treasurer.
 I. MICHAELS, Trust Officer.

FOREIGN EXCHANGE DEPARTMENT

BENJ. STRONG, Jr.
 PERSONAL.

B.A.H.
 DEC 24 1914

Mr. Benjamin Strong, Jr.,
 C/o Federal Reserve Bank,
 62 Cedar Street, N. Y.

Dear Ben:-

Your letter of the 18th instant received, and I en-
 close herewith statements which I think will answer your purpose.
 Have made them as simple as possible.

Sincerely yours,

John *R*

*Should you wish to talk over the methods of
 figuring shall be pleased to do so
 J.S.*

DIRECTORS.

JAMES S. ALEXANDER, Prest. Nat. Bank of Commerce in N.Y.
 STEPHEN BAKER, President Bank of the Manhattan Co.
 SAMUEL G. BAYNE, President Seaboard Nat. Bank.
 EDWIN M. BULKLEY, Spencer Trask & Co. Bankers.
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 ALBERT H. WIGGIN, President Chase Nat. Bank.
 SAMUEL WOOLVERTON, Vice President Hanover Nat. Bank.

FOREIGN EXCHANGE DEPARTMENT

BANKERS TRUST COMPANY

CAPITAL \$10,000,000
 SURPLUS FUND 10,000,000

CABLE ADDRESS: BANKTRUST, NEW YORK.

16 WALL STREET

NEW YORK, December 22, 1914.

Waibure
 OFFICERS.

SEWARD PROSSER, President.
 WILLIAM C. POILLON, Vice President.
 D. E. POMEROY, Vice President.
 W. N. DUANE, Vice President.
 F. I. KENT, Vice President.
 HAROLD B. THORNE, Vice President.
 F. N. B. CLOSE, Vice President.
 GEO. G. THOMSON, Secretary.
 GEORGE W. BENTON, Treasurer.
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 H. W. DONOVAN, Asst. Treasurer.
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 H. F. WILSON, JR., Asst. Secretary.
 R. H. GILES, Asst. Treasurer.
 PERRY D. BOGUE, Asst. Secretary.
 HARRY N. DUNHAM, Asst. Treasurer.
 I. MICHAELS, Trust Officer.

BENJ. STRONG, JR.
 PERSONAL.

Mr. Benjamin Strong, Jr.,
 62 Cedar Street,
 New York City.

Dear Ben:-

Referring to your letter of December 21, would say
 that the Bankers Trust Company is in position to handle the busi-
 ness referred to, and we have to-day taken it up by mail with
 the parties in New Orleans.

Thanking you for having given us an opportunity to ob-
 tain this business, I am,

Sincerely yours,

John *Keut*

104

BANKERS TRUST COMPANY

OFFICERS

SEWARD PROSSER, PRESIDENT.
WILLIAM C. POILLON, VICE PRESIDENT.
D. E. POMEROY, VICE PRESIDENT.
W. N. DUANE, VICE PRESIDENT.
F. I. KENT, VICE PRESIDENT.
HAROLD B. THORNE, VICE PRESIDENT.
F. N. B. CLOSE, VICE PRESIDENT.
GEO. G. THOMSON, SECRETARY.
GEORGE W. BENTON, TREASURER.

CAPITAL \$10,000,000
SURPLUS FUND 10,000,000

CABLE ADDRESS: BANKTRUST, NEW YORK.

16 WALL STREET

OFFICERS

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H. W. DONOVAN, ASST. TREASURER.
BETHUNE W. JONES, ASST. SECRETARY.
H. F. WILSON, JR., ASST. SECRETARY.
R. H. GILES, ASST. TREASURER.
PERRY D. BOGUE, ASST. SECRETARY.
HARRY N. DUNHAM, ASST. TREASURER.
I. MICHAELS, TRUST OFFICER.

FOREIGN EXCHANGE DEPARTMENT

NEW YORK March 30, 1915.

R. A. Fr.
APR 6 1915

Dear Ben:-

The Federal Reserve Board has sent out circulars to the National Banks throughout the country which contain the following clause:-

"Remittance should be made by postal money order or express order".

Many of the bankers are writing to me personally, objecting to the position taken by the Federal Reserve Board in demanding payment in anything except bank drafts. Rather than call the attention of anyone else to this matter thought it would be proper to advise you for as Chairman of the Governors Committee you could easily take it up with those responsible.

While I recognize the fact that it does not particularly matter, yet as many bankers are pretty angry about it, it would seem best for the good of all concerned to prevent a recurrence of any such action for it is certainly a pretty strong slap at the banks.

Had a pleasant visit with Mr. Jay and Mr. Curtis yesterday and was very glad to hear that you are away and are having a rest.

With sincere regards, I remain

Cordially yours,

Fraser

104
FILING DEPT.

APR. 9 - 1916

BANKERS TRUST COMPANY

FEDERAL RESERVE BANK

OFFICERS
SEWARD PROSSER, PRESIDENT.
WILLIAM C. POILLON, VICE PRESIDENT.
D. E. POMEROY, VICE PRESIDENT.
W. N. DUANE, VICE PRESIDENT.
F. I. KENT, VICE PRESIDENT.
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CAPITAL \$10,000,000
SURPLUS FUND 10,000,000

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R. H. GILES, ASST. TREASURER.
PERRY D. BOGUE, ASST. SECRETARY.
HARRY N. DUNHAM, ASST. TREASURER.
I. MICHAELS, TRUST OFFICER.

CABLE ADDRESS: BANKTRUST, NEW YORK.

16 WALL STREET

COPIED
FOREIGN EXCHANGE DEPARTMENT

New York, April 6, 1915.

Mr. Benjamin Strong, Jr.,
Governor, Federal Reserve Bank,
62 Cedar Street, N. Y.

Dear Ben:-

Referring to my letter of recent date, about which you spoke to me yesterday, would say that the announcement in question was concerning the new digest of the Federal Reserve Act and amendments.

If I can obtain a copy of the circular, will forward to you, but think the above information will serve to locate it.

Sincerely yours,



MAILING DEPT.

MAY 4 1915

BANKERS TRUST COMPANY

CAPITAL \$10,000,000
SURPLUS FUND 10,000,000

CABLE ADDRESS: BANKTRUST, NEW YORK.

16 WALL STREET

OFFICERS
SEWARD PROSSER, PRESIDENT.
WILLIAM C. POILLON, VICE PRESIDENT.
D. E. POMEROY, VICE PRESIDENT.
W. N. DUANE, VICE PRESIDENT.
F. I. KENT, VICE PRESIDENT.
HAROLD B. THORNE, VICE PRESIDENT.
F. N. B. CLOSE, VICE PRESIDENT.
GEO. G. THOMSON, SECRETARY.
GEORGE W. BENTON, TREASURER.

FOREIGN EXCHANGE DEPARTMENT

104
MAY 3 1915
OFFICERS
GUY RICHARDS, ASST. SECRETARY.
H. W. DONOVAN, ASST. TREASURER.
BETHUNE W. JONES, ASST. SECRETARY.
H. F. WILSON, JR., ASST. SECRETARY.
R. H. GILES, ASST. TREASURER.
PERRY D. BOGUE, ASST. SECRETARY.
HARRY N. DUNHAM, ASST. TREASURER.
I. MICHAELS, TRUST OFFICER.

NEW YORK, April 30, 1915.

Mr. Benjamin Strong, Jr.,
Governor, Federal Reserve Bank,
62 Cedar Street, N. Y.

My dear Ben:-

Your letter of the 29th instant, with enclosure, received and carefully noted.

There is no question but that it would be a real help in placing the dollar acceptance if firm forward rates could be made, and I should very much like to see it done. On the other hand, I recognize certain difficulties that the officers of the Federal Reserve Bank should have in mind when undertaking such propositions. Suppose, for instance, the Federal Reserve Bank makes the rate of 3% for delivery of \$100,000 in 90 day sight acceptances, deliverable in 30 days, with each of 10 banks - that such banks wire these offers to Buenos Aires - that the Buenos Aires banks cable back acceptance, and the New York banks advise the Federal Reserve Bank that their rate has been accepted. Contracts would then have been entered into, under which the Federal Reserve Bank would have agreed to discount at 3% \$1,000,000 worth of bills arriving inside of 30 days. While the reserves of the Federal Banks are as great as at present, a difference of 10 days or so in the arrival of the bills might not be of moment. In times of great demand for money, and after the business of the country has grown to a point where it largely absorbs the surplus of the Federal Banks, the proposition might be a more difficult one. For instance, an examination of receipt of letters from Buenos Aires shows that for a considerable period back the quickest delivery has been 22 days, and the longest 39 days. While I believe that the Federal Reserve Bank can successfully figure out how to meet such conditions, yet they must bear in mind the fact that there might be 17 days difference, for instance, between the time of delivery of bills purchased for forward delivery from say Buenos Aires at different times.

Again, if bankers in Buenos Aires found that they met with a large tax in the form of higher rates of interest as penalty, if the bills did not arrive until after 30 days had elapsed, they might not care to take the chance, which would of course work against the value of establishing forward rates.

B. S., Jr. 2.

The Federal Reserve Bank would, therefore, have to determine what its action would be in case of delayed delivery, that is whether they would apply the then prevailing rate without regard to whether it was higher or lower than the rate agreed upon for the 30 day delivery. If, for instance, the Federal Reserve Bank figured upon receiving a million dollars at 3% interest, running 90 days, on 30 days' delivery, would it be willing to reduce the rate to 2 1/2% on 35 days' delivery, provided the rate had gone down, exactly as it might wish to raise the rate to 3 1/2% if the rate had gone up? With a fairly regular steamship service, such conditions would not require the consideration that they do at the moment, and while I believe that it would be of value to have forward rates obtainable from the Federal Reserve Bank, yet I also believe that they should, before making them, determine upon a well understood policy that would eliminate any possible friction. While our dollar acceptance is being established in foreign countries, we should not move faster than can be done with certainty of giving satisfaction, for if friction develops before the business becomes customary and well established, it is certain to interfere with such establishment. Elimination of the difficulty to a certain extent could be had where certain steamers are nominated as the ones to carry the bills. Records of the sailing time of such steamers could then be accumulated by the Federal Reserve Bank, so that it would be in position to make a rate based upon their proper arrival. The same condition would hold true with many points in the Far East, although the time of arrival from some of the principal ports might be more clearly established, accidents excluded.

Assuring you that I shall be pleased to go over the matter further with you, should you desire to have me, I am,

Sincerely yours,



April 29,
1915.

Personal.

My dear Fred:

I enclose copy of a letter just received from a New York banking house, which I am sending you in confidence because I would like your best opinion and advise on the subject mentioned. I am not sure under present conditions whether you are giving rates to your correspondents for dollar drafts or not, but, of course, a number of banks and banking houses are doing so and the question of quotation of forward rates for discount is a pretty important one just now, when means of communication are so slow and inadequate.

Very truly yours,

Fred I. Kent, Esq.,
Vice President, Bankers Trust Company,
16 Wall Street, New York City.

BS Jr/VCM

**BANKERS TRUST
COMPANY**

104
1 Cent

OFFICERS

SEWARD PROSSER, PRESIDENT.
WILLIAM C. POILLON, VICE PRESIDENT.
D. E. POMEROY, VICE PRESIDENT.
W. N. DUANE, VICE PRESIDENT.
F. I. KENT, VICE PRESIDENT.
HAROLD B. THORNE, VICE PRESIDENT.
F. N. B. CLOSE, VICE PRESIDENT.
GEO. G. THOMSON, SECRETARY.
GEORGE W. BENTON, TREASURER.

CAPITAL \$10,000,000
SURPLUS FUND 10,000,000

CABLE ADDRESS: BANKTRUST, NEW YORK.

16 WALL STREET

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H. F. WILSON, JR., ASST. SECRETARY.
R. H. GILES, ASST. TREASURER.
PERRY D. BOGUE, ASST. SECRETARY.
HARRY N. DUNHAM, ASST. TREASURER.
I. MICHAELS, TRUST OFFICER.

FOREIGN EXCHANGE DEPARTMENT

NEW YORK, June 23, 1915.

Mr. Benjamin Strong, Jr.,
Governor, Federal Reserve Bank,
62 Cedar St., N. Y.

Dear Ben:-

Your letter of the 18th has come before me every day since its receipt, but much to my disgust, I have not had a moment in which to answer it, as I wish to go into some detail, because I feel that you would wish me to do so. It is after 6 o'clock, and I have other matter that must go out tonight, so will only send this forward to let you know that you will hear from me soon,

With sincere regards, I am,

Cordially yours,

Sub

RECEIVED
JUN 24 1915 8 35 AM
FEDERAL RESERVE BANK
OF NEW YORK



CAPITAL \$10,000,000
SURPLUS FUND \$10,000,000

33 WALL STREET
NEW YORK

NEW YORK, June 23, 1915.

Mr. Benjamin Strong, Jr.,
Governor, Federal Reserve Bank,
33 Cedar St., N. Y.

Dear Sir:-

Your letter of the 18th has come before me every day since its re-
ceipt, but much to my disgust, I have not had a moment in which to answer it,
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so. It is after 6 o'clock, and I have other matters that must go out tonight,
so will only send this forward to let you know that you will hear from me soon.

With sincere regards, I am,

Cordially yours,

BANKERS TRUST COMPANY

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D. E. POMEROY, VICE PRESIDENT.
W. N. DUANE, VICE PRESIDENT.
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CAPITAL \$10,000,000
SURPLUS FUND 10,000,000

CABLE ADDRESS: BANKTRUST, NEW YORK.

16 WALL STREET

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PERRY D. BOGUE, ASST. SECRETARY.
HARRY N. DUNHAM, ASST. TREASURER.
I. MICHAELS, TRUST OFFICER.

Nov 2 - 1915
FOREIGN EXCHANGE DEPARTMENT

DEPT.
FEDERAL RESERVE BANK

104 / Personal File
NEW YORK, October 28, 1915.

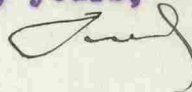
Mr. Benjamin Strong, Jr.,
Governor, Federal Reserve Bank,
62 Cedar Street, N. Y.

Dear Ben:-

Your letter of the 26th instant received and carefully noted. Am having the law looked up, and will see you about it later.

It is quite beyond my comprehension why an officer of the United States Navy, acting under the instructions of the Navy Department, should have any hold whatever upon any interests that the United States Navy felt, for the good of the nation, required government assistance. Again, as the individuals who were helped by the whole situation came from all parts of the country, and represent a very important part of our population in their own persons and friends, because of their character, it would seem as though whatever compensation might be considered right under the circumstances should be paid by the government, as proportionate collection was not made from each beneficiary of the action of the government at the time it was undertaken.

Sincerely yours,





CAPITAL 10,000,000
SURPLUS FUND 10,000,000

RECEIVED
OCT 29 1915 10 47 AM
FEDERAL RESERVE BANK
OF NEW YORK

RECEIVED

OCT 29 1915 10 47 AM
FEDERAL RESERVE BANK
OF NEW YORK

October 29, 1915.

Mr. Benjamin Strong, Jr.,
Governor, Federal Reserve Bank,
33 Cedar Street, N. Y.

Dear Sir:-

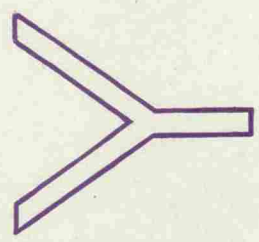
Your letter of the 28th instant received and carefully
noted. In having the law looked up, and will see you about it in
a few days.

It is quite beyond my comprehension why an officer of
the United States Navy, acting under the instructions of the Navy
Department, should have any hold whatever upon any interests that
the United States Navy felt for the good of the nation, required
government assistance. Again, as the individuals who were helped
by the whole attention came from all parts of the country, and
represent a very important part of our population in their own per-
sons and friends, because of their character, it would seem as
though whatever cooperation might be considered right under the
circumstances should be paid by the government, as proportionate
collection was not made from each beneficiary of the action of the
government at the time it was undertaken.

Sincerely yours,

HAMMERMILL
BOND

December 7, 1915.



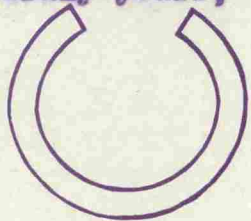
Captain Benton C. Decker,
Commanding U. S. S. "Tennessee",
Navy Department, Washington, D. C.

Sir:-

Your letter of October 23rd addressed to Benjamin Strong, Jr., Esq., the former President of this institution, has been referred to me for answer.

Without prejudice to your claim for commission or to our position in respect thereto, we must and do take the position that we cannot entertain it without the sanction and approval of the Secretary of the Navy. If you will bring the matter before us through that channel, we shall be pleased to give it our consideration.

Truly yours,



Vice-President.

FIK/MKS
[Kent]

HAMMERMILL
BOND

HAMMERMILL
BOND

December 7, 1915.

FEDERAL RESERVE BANK
OF NEW YORK
DEC 14 1915 8 54 AM
RECEIVED

FEDERAL RESERVE BANK
OF NEW YORK
DEC 14 1915 8 54 AM
RECEIVED

RECEIVED

Captain Gordon G. Parker,
Commanding U. S. S. Tennessee,
Navy Department, Washington, D. C.

Your letter of October 23rd regarding the position of
the former President of this institution, has been re-
ferred to me for answer.

Without prejudice to your claim for nomination or for con-
sideration in respect thereto, we must not take the position that
we cannot entertain it without the sanction of the Secretary of the
Navy. If you will bring the matter before us through that
channel, we shall be pleased to give it our consideration.

Very yours,



Vice-President.

W. W. W.

HAMMERMILL
BOND

BANKERS TRUST COMPANY

OFFICERS

SEWARD PROSSER, PRESIDENT.
WILLIAM C. POILLON, VICE PRESIDENT.
D. E. POMEROY, VICE PRESIDENT.
W. N. DUANE, VICE PRESIDENT.
F. I. KENT, VICE PRESIDENT.
HAROLD B. THORNE, VICE PRESIDENT.
F. N. B. CLOSE, VICE PRESIDENT.
GEO. G. THOMSON, SECRETARY.
GEORGE W. BENTON, TREASURER.

CAPITAL \$10,000,000
SURPLUS FUND 10,000,000

CABLE ADDRESS: BANKTRUST, NEW YORK.

16 WALL STREET

OFFICERS

GUY RICHARDS, ASST. SECRETARY.
H. W. DONOVAN, ASST. TREASURER.
BETHUNE W. JONES, ASST. SECRETARY.
H. F. WILSON, JR., ASST. SECRETARY.
R. H. GILES, ASST. TREASURER.
PERRY D. BOGUE, ASST. SECRETARY.
HARRY N. DUNHAM, ASST. TREASURER.
I. MICHAELS, TRUST OFFICER.

FOREIGN EXCHANGE DEPARTMENT

NEW YORK, December 13, 1915.


Mr. Benjamin Strong, Jr.,
Governor, Federal Reserve Bank,
62 Cedar Street, N. Y.

Dear Ben:-

Referring to your letter of December 9, addressed to Mr. Walker, would say that he forwarded to me forms for two letters, copies of which I enclose herewith, that I understood were in accordance with his conversation with you. I therefore signed the letters and mailed them. Have heard nothing from either letter, and hope that the whole matter may be in order.

Assuring you of my appreciation of the trouble you took in the matter, I am,

Sincerely yours,



FEDERAL RESERVE BANK
OF ST. LOUISIS

CHRYSLER
SUNBURT FUND

DEPT. AGENTS

RECEIVED
DEC 14 1915 8 55 AM
FEDERAL RESERVE BANK
OF NEW YORK

December 14, 1915

Mr. Benjamin Strong, Jr.,
Governor, Federal Reserve Bank,
33 Cedar Street, N. Y.

Dear Sir:-

Referring to your letter of December 9, addressed to Mr. Walker, would you be forwarded to me forms for two letters, copies of which I enclosed herewith, that I understand were in accordance with his conversation with you. I therefore signed the letters and mailed them. Have heard nothing from either letter, and hope that the whole matter may be in order.

Assuring you of my appreciation of the trouble you took in the matter, I am,

Sincerely yours,

BANKERS TRUST COMPANY

OFFICERS

SEWARD PROSSER, PRESIDENT.
WILLIAM C. POILLON, VICE PRESIDENT.
D. E. POMEROY, VICE PRESIDENT.
W. N. DUANE, VICE PRESIDENT.
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PERRY D. BOGUE, ASST. SECRETARY.
HARRY N. DUNHAM, ASST. TREASURER.
I. MICHAELS, TRUST OFFICER.

NEW YORK, January 17, 1916.

R.A. Jr.
JAN 17 1916

Mr. Benjamin Strong,
Governor, Federal Reserve Bank,
62 Cedar Street, N. Y.

Dear Ben:-

Your letter of the 14th instant received. Have already given instructions to collect £200 in bank notes and British and French gold during the next few days, as we can pick it up.

Will also have a Letter of Credit and Travelers' Cheques ready.

Sincerely yours,

Julius

BANKERS TRUST COMPANY

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SEWARD PROSSER, PRESIDENT.
D. E. POMEROY, VICE PRESIDENT.
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J. F. SCHMID, ASST. TREASURER.
R. G. PAGE, ASST. TRUST OFFICER.
W. A. HENDERSON, AUDITOR.

FOREIGN EXCHANGE DEPARTMENT

NEW YORK, January 24, 1916.

R.A. Jr.
JAN 24 1916

Mr. Benjamin Strong,
Governor, Federal Reserve Bank,
62 Cedar Street, N. Y.

Dear Ben:-

Just received a letter from Mr. Deans, in which he states that he has seen Mr. Hulbert, and has definitely decided to remain with the Merchants' Loan and Trust Company. Am sorry, because I really believe that he would have been an ideal man for the position.

Sincerely yours,

Paul

Enclose letter introduction to Mr. Bell -
your credits and gold are ready and can
be delivered when desired.

Paul

January 25th, 1916.

Dear Fred:

Thank you for your note of the 24th containing the information about Mr. Deans. Also, the letter of introduction to Mr. Bell which I greatly appreciate and which I shall take much pleasure in presenting.

Sincerely yours,

Fred. I. Kent, Esq.,
The Bankers Trust Company,
New York City.

VCM

BANKERS TRUST COMPANY

OFFICERS
S. H. PROSSER, PRESIDENT.
D. E. PUMEROY, VICE PRESIDENT.
W. N. DUANE, VICE PRESIDENT.
F. I. KENT, VICE PRESIDENT.
F. N. B. CLOSE, VICE PRESIDENT.
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R. G. PAGE, ASST. TRUST OFFICER.
W. A. HENDERSON, AUDITOR.

FOREIGN EXCHANGE DEPARTMENT

NEW YORK, May 24, 1916.

Mr. Benjamin Strong,
Governor, Federal Reserve Bank,
62 Cedar Street, N. Y.

Dear Mr. Strong:-

Referring to our recent correspondence in regard to rates for gold, would say that the development of any plan would require consideration of the matter from two points of view - one, that of the Sterling business of the New York bank; the other, that of the dollar business of the English bank.

Considering the Sterling account first, there are four phases requiring definite agreement as to gold rate - first, the price for earmarking American gold; second, the price for earmarking gold bars; third, the price for earmarking sovereigns; fourth, the price for earmarking miscellaneous foreign coins. We will discuss them in order.

1. In the interests of economy of operation to both governments, it would seem natural that the English bank would earmark eagles for the New York bank, whenever it was in position to do so. The English bank would have received such gold based on the actual weight of the pure gold which it contained (see dollar account), consequently when earmarking eagles based on actual gold values, the English bank would be delivering the metal at exactly the price paid for it (transportation charges in the case of eagles, that might have been received by the English bank through its dollar account and imported, properly belong to the exchange account). Gold so earmarked for the New York bank would then become available either for importation or resale to the English bank. If imported, the costs to the New York bank would represent a proper exchange charge, and the profit which might accrue, because of the ability to use the light weight eagles at face value, would properly belong to the New York bank.

In this connection, and also with the thought of the dollar account in mind in its relation to shipments of sovereigns, it might be well to have an understanding that would prevent the importation by either bank of its own coins, in order to make what might be called the seigniorage, but still leave entire freedom of such importation whenever it was a natural exchange operation.

2. The price at which gold bars should be earmarked. There

B. S. 2.

would seem to be no valid reason for earmarking gold bars upon any other basis than that of the intrinsic value of the actual gold which they contain, the same rate to apply when earmarked bars are returned to the English bank for credit. In fairness to the English bank, however, it should be understood that only gold which had been earmarked from the Sterling account of the New York bank could be returned to the English bank at such rate, for otherwise the New York bank might seriously interfere with operations of the English bank, if it went into the market and purchased gold not intended for immediate import.

3. The price for earmarking sovereigns could, in all fairness to both the English bank and the New York bank, be based upon actual gold value. With a Sterling and dollar account opened respectively by the New York and English banks, it might be supposed that all operations in sovereigns in New York would be for account of the English bank, but it is also conceivable that the American bank might purchase sovereigns from our mint at their gold value, which might be entirely agreeable to our government, as it would prevent the necessity of minting sovereigns sold them. The New York bank could then ship such sovereigns to London, and obtain credit for their face value with some other banking institution than the bank with which it has undertaken the joint arrangement in question. This would not, of course, injure the English bank in any particular, except that it would introduce a competitor for sovereigns in this market that would hold an advantageous position. It might be advisable to have some understanding between the New York and the English bank in respect to the purchase of sovereigns in this country by the New York bank, more especially because of the charge made by our government for gold bars, namely, five cents per hundred dollars.

It is to be presumed that the English bank would never earmark any except full weight sovereigns, for if light weight coin were set aside, it would represent an actual cost to the English bank, except in the case of sovereigns, which it might have purchased of other countries on an actual gold weight basis.

4. The price for earmarking miscellaneous coins could also be based upon actual gold value. The English bank in the natural course of business would probably never earmark foreign gold, and if it did so, except upon request of the New York bank, it should be understood that it would guarantee the gold ratios in the coin so earmarked. At times it might be of value to the New York bank to request that certain specific coins of foreign gold be earmarked, provided the English bank had such coin and was willing to turn it over. Of course the chances are that at the same time the New York bank might desire say French coin that it contemplated shipping to France for credit, the English bank might also desire the coin for the same purpose.

In general it would seem as though it might be of value, and entirely safe, to arrange for the earmarking of foreign gold, even though actual operation in it might not take place except under special conditions that would probably not develop once in several

B. S. 3.

years.

We will consider the dollar account in the same order as the Sterling account.

1. In justice to the English bank, only full weight eagles should be earmarked for its account by the New York bank, unless gold so earmarked should be set aside according to the intrinsic value of the actual gold in each coin. The New York bank could, of course, pass such American gold coin in and out of the account of the English bank without loss either way in the case of either full weight or light weight coin, but if the English bank desired to import eagles, it would have a right to expect to receive full weight coin, or have light weight coin made up with additional gold. If this were done, it might represent an expense to the New York bank, as light weight coin would cost exactly as much as full weight coin. Such being the case, it would seem preferable to have the arrangement for the earmarking of eagles in the dollar account call for full weight coin.

2. Gold bars should be earmarked at the exact cost to the New York bank, which, under present regulations of the United States Treasury Department, would be five cents per one hundred dollars. Should this be done, the English bank would have to stand the loss so made, whether it had the gold returned to its dollar account or imported it, unless some arrangement could be made between the New York bank, and the United States Government, under which gold bars could be earmarked in the United States mint upon request of the New York bank for account of the London bank, no charge to be made except on delivery, or unless the government would agree to purchase the bars at the same price it sold them when return was being made, because of release of the gold for the dollar account of the English bank. As the five cents per hundred dollar charge is claimed to be the exact cost of manufacturing the bars, there would seem no reason why the government should not co-operate in this manner, unless their bookkeeping is such that they could not charge the cost properly when taking back bars, in which case earmarking in the Treasury would seem to be the better way to handle the matter.

3. The price for earmarking sovereigns should be based upon their actual gold value. This would be fair to both institutions, for the New York bank when receiving such sovereigns would have paid for them at their actual gold value (exchange excluded). While the London bank might be able to use the sovereigns at their face value, and so make a profit, it would be legitimate, and would not injure the New York bank. With such operations in force, it is very probable that the New York bank would see fit to hold sovereigns that it might have occasion to import in its vaults as gold bullion, rather than to have them minted or melted into bars.

4. The price for earmarking miscellaneous coins should also be based upon actual gold value. It would seem wise to have such an arrangement included in the original agreement, for it is conceivable that the future development of trade might easily result in foreign

B. S. 4.

coin coming to New York, even though it might not be common for some years. In such event there is every possibility that the English bank might, when importing, desire such coin. The New York bank should, of course, guarantee gold ratios in the foreign coin that it might earmark for the English bank.

In general it should be borne in mind that where exchange conditions are the governing forces in the exportation and importation of gold that both the New York and English banks would be inclined to operate simultaneously, one exporting and the other importing. Without proper understanding of the operation of the two accounts, it would be entirely possible that acting independently, a large enough amount might be exported by one bank and imported by the other to make necessary an immediate reversal of the operation. This being true, and each bank having an opportunity to make an extra profit through the importing of the gold of its country, it would seem well worth while to consider handling the whole matter on a joint account basis, when operations for exchange were the only ones contemplated. Each bank, however, should be free to import for its own account, if conditions of policy required it, even though such conditions would naturally be reflected in the exchange rate.

In this discussion only the principal points have been covered, as the intention has been more to lay out the situation and make possible a more complete and systematic study of the matter.

Very truly yours,



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MAY 26 1916 8 35 AM

FEDERAL RESERVE BANK
OF NEW YORK

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DATE 12/14/82 BY SP-6/BJL/STP

DATE 12/14/82 BY SP-6/BJL/STP

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CONFIDENTIAL.

Guaranty Trust Company of New York
Bankers Trust Company
William P. Bonbright & Co., Inc.

Syndicate Managers

October , 1916.

FRENCH INDUSTRIAL CREDIT

A Secured Commercial Export Credit to French Industrial Concerns

Not to exceed
\$100,000,000

GENTLEMEN:

A group of important French industrial concerns, through the French Government as intermediary, have asked the above named Syndicate Managers to arrange for them a commercial export credit in New York of not exceeding \$100,000,000. The Guaranty Trust Company of New York and the Bankers Trust Company will participate in this Credit, the net proceeds of which are to be expended in the United States for merchandise to be exported from this country.

While this Credit resembles other credits recently effected, it will have some particularly advantageous features.

The terms of the Credit will be substantially the following:

1. The Credit will be availed of by drafts in dollars drawn by each French industrial concern on every participating American banking institution ratably to their respective participations in this Credit.
2. The drafts will be the direct and several but not joint obligations of the French concerns, payable at final maturity in United States gold dollars in New York.
3. The drafts will be drawn at three months sight, with five renewals of three months each, making the life of the Credit, including renewals, eighteen months.
4. The drafts will be accepted by the participating American banking institutions in the amounts of their several participations and purchased by them at par in New York funds, and they will be compensated for each three months' period at the rate of five and one-half per cent. ($5\frac{1}{2}\%$) per annum bank discount, payable upon the first acceptance and upon each renewal acceptance. The American participants will also receive upon the first acceptance and upon each renewal acceptance, an acceptance fee of one-quarter of one per cent. ($\frac{1}{4}\%$), making the investment return including acceptance fees, at a rate in excess of six and one-half per cent. ($6\frac{1}{2}\%$) per annum.
5. The net proceeds of the drafts will be expended only in the United States for merchandise to be exported from this country.
6. In addition to their own responsibility for the liquidation of the Credit at its maturity, the French concerns will pledge and deposit as further security:
 - (a) in New York with Guaranty Trust Company of New York and Bankers Trust Company, French Government Notes to the full amount of the Credit, which Notes will be payable in United States gold dollars in New York, and will mature about fifteen days after the final maturity of the Credit.
 - (b) in Paris with the Bank of France, approved bonds issued by or in neutral countries. The market value of these securities and approved substitutions, based on the then existing rate of exchange, is always to be maintained at an amount equal in dollars to at least 20% of the total amount of the Credit.
7. In lieu of payment in gold dollars in New York, the Managers may, at their option, require final payment in whole or in part, in francs on the basis of 5.70 francs per dollar ($5.18\frac{1}{8}$ being the par of exchange). If at maturity exchange be at par, the payment in francs under this option would provide a profit of approximately 10% on the amount paid in francs. If the Managers elect to take payment in francs in whole or in part, they may charge a commission of $\frac{1}{4}$ of 1% on the amount so paid, to be deducted from the profits on exchange, for handling the exchange operation. The Managers will make no other charge to the American participants for their services, as they will be compensated by the French concerns.

Under the present regulations of the Federal Reserve Board, these drafts when accepted by participating banking institutions which are members of the Federal Reserve system, or by other banks and trust companies which have qualified under the rulings of the Federal Reserve Board, are eligible for purchase by the Federal Reserve Banks.

Banking institutions which have not heretofore qualified for the purpose of selling their acceptances to Federal Reserve Banks may do so by applying to their local Federal Reserve Bank and securing its approval.

Any American banking institution participating in the Credit may dispose of its acceptances in the open discount market. At the present time a substantial profit could be obtained by this operation. The Managers tender their services in placing any acceptances which the American participants may not desire to hold.

As the drafts will be the several but not joint obligations of the French concerns, existing limitations, as to the amount of drafts which may be accepted or purchased by an American banking institution, should apply to the amount of its acceptances for each French concern, and not to its total participation in the Credit.

The Managers reserve the right to reject applications in whole or in part, or to allot an amount less than that applied for, and to determine the final form and substance of the contracts, drafts and other documents effecting the Credit. No application for less than \$50,000 participation will be accepted.

The Managers will be advised by cable when the drafts are to be mailed from Paris, and they will promptly advise participants, thus giving participants about two weeks' notice before presentation of the drafts.

We recommend a participation in this Credit as an attractive investment or remunerative acceptance operation for American banking institutions.

We shall be pleased to have you telegraph us, at our expense, indicating what participation, if any, you desire in the proposed Credit, confirming your request by filling in and signing the application on the enclosed copy of this letter. This signed letter is to be retained for your files.

Very truly yours,

GUARANTY TRUST COMPANY OF NEW YORK,

BANKERS TRUST COMPANY,

By

By

Vice-President.

Vice-President.

WILLIAM P. BONBRIGHT & CO., INC.,

By

Vice-President.

SYNDICATE MANAGERS.

TO THE ABOVE NAMED SYNDICATE MANAGERS:

We hereby make application for \$..... participation in the Credit above described, at the rates and on the terms and conditions outlined above.

(Signed)

By

Dated October , 1916

Address

BANKERS TRUST COMPANY

OFFICERS
 SEWARD PROSSER, PRESIDENT.
 D. E. POMEROY, VICE PRESIDENT.
 W. N. DUANE, VICE PRESIDENT.
 F. I. KENT, VICE PRESIDENT.
 F. N. B. CLOSE, VICE PRESIDENT.
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 J. F. SCHMID, ASST. TREASURER.
 R. G. PAGE, ASST. TRUST OFFICER.
 W. A. HENDERSON, AUDITOR.

FOREIGN EXCHANGE DEPARTMENT

NEW YORK, August 24, 1916.

Mr. Benjamin Strong, Jr.,
 Estes Park, Colo.

Dear Ben:-

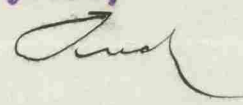
Your letter received, and I am mighty sorry to know that you feel it may be necessary for you to remain away for such an extended period. On the other hand there is no question but that it will pass by before you know it, and will have been worth while after all.

The big loans coming out now follow each other so rapidly that there is hardly time to breathe in between - first the Russian, then the French and now the English. The nature of the security, however, is such that there is not the same difficulty in placing them as was true in the earlier loans.

To-day I received a letter from Charles A. King, Comptroller and Accountant General of the General Post-Office, London, dated August 9, enclosing a non-negotiable War Savings Certificate, payable five years hence, for £500, purchase price £387-10-0, No. D17260, made out in the name "Benjamin Strong, Care Bankers Trust Company, 16 Wall Street." I have placed the certificate in our vault awaiting your further instructions.

Had a very interesting chat with Mr. Treman, but we did not discuss the question of proposals for arrangements abroad.

Hoping that this will find you better than you anticipated possible, and with sincere regards, I am,

Cordially yours,


104

BANKERS TRUST COMPANY

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 H. H. MARTIN, ASST. SECRETARY.
 H. B. WATT, ASST. SECRETARY.

FOREIGN EXCHANGE DEPARTMENT

NEW YORK, November 22, 1916.

B.A.H.
 NOV 28 1916

Mr. Benjamin Strong,
 4100 Montview Boulevard,
 Denver, Colo.

Dear Ben:-

Several weeks ago I wrote you at Estes Park, advising that we were in receipt of the certificate from England, and asking for your instructions as to its disposition. Not having received a reply, presume that my letter never reached you.

Have had some interesting meetings at the Federal Reserve Bank, and in Washington with the Federal Reserve Board, during the last little while, and am looking forward to an opportunity to chat the matter over with you some day. There are many things involved that I am certain never reached you in any reports that might have been made, that will interest you very much. They might make rather attractive reading for you on your extended holiday, but I do not feel warranted in putting them in cold type, even with the small chance that the letter might be lost in the mails.

Understand that you are getting along very nicely, and hope that the truth may be far ahead of the rumor.

With sincere regards, I am,

Cordially yours,

Jewel

BANKERS TRUST COMPANY

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H. H. MARTIN, ASST. SECRETARY.
H. B. WATT, ASST. SECRETARY.

FOREIGN EXCHANGE DEPARTMENT

NEW YORK, December 4, 1916.

Mr. Benjamin Strong, Jr.,
4100 Montview Boulevard,
Denver, Colo.

Dear Ben:-

Your letter of November 28 received, and it was quite what I should expect, knowing that you are a long way from having all the facts. This does not mean that I have any thought that you may have been misinformed by those who have written you in the matter, but because there are certain developments of which they were not intimately aware, and certain others that were known to them that they might naturally omit in writing to you, as they had more bearing upon the cause than the effect, and the latter was naturally the only thing to consider, as removal of the cause would not have recalled the unfortunate publicity which had taken place much against my will.

Even though you were not here I thought it advisable to familiarize the officials of the Federal Reserve Bank with the matter, and had Mr. Jay and Mr. Curtiss take luncheon with me for that purpose. Went over the whole matter in detail in conversation, and expected later to do so in connection with all printed matter, but a sneaking newspaper reporter got hold of a sufficient amount of information to upset the whole plan. When I found out about this, I made an agreement with him, under which he was not to publish the matter until I advised him that everything was in order. Instead of keeping his agreement he wrote his story and put it out the following morning. This was only one phase of the matter that developed beyond my control, but it was sufficient in itself to start the trouble going.

However, enough of this for the moment, but when you are in New York, which I hope may be soon, we will have a luncheon together over it, an invitation for which you may consider in your possession upon receipt of this letter.

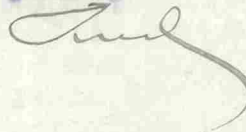
You overlooked advising me what disposition you wish made of the War Savings Certificate which was received sometime since that is at present being held by our Securities Department. There is no need of your writing specially about it, unless you prefer. When you have the time, will be glad to receive your instructions.

B. S., Jr. 2.

We are now in our new house in Scarsdale, and have been most fortunate in having the music room turn out with most excellent acoustic properties. In fact I cannot imagine a room being better in this particular. It has tempted us into making a regular Sunday night arrangement with a very fine pianist to play trios, quartettes, etc. Warner graduated in June, and is living at home now, and is taking up his violin again, and he certainly has the dash and musical understanding necessary to make him a most interesting musician in our amateur way. Shall hope that you may hear him some time. He is now in Bonbright's office, and is getting a great deal of valuable experience. He is also taking two courses with the Wall Street Branch of the New York University, one in Accounting and the other in Public Utilities.

Hoping you will keep up the good work, I am, with sincere regards,

Cordially yours,

A handwritten signature in cursive script, appearing to be 'Fred', written in dark ink.

BANKERS TRUST COMPANY

OFFICERS
 SEWARD PROSSER, PRESIDENT.
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 F. I. KENT, VICE PRESIDENT.
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CAPITAL \$10,000,000
 SURPLUS FUND 10,000,000

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 W. A. HENDERSON, AUDITOR.
 H. H. MARTIN, ASST. SECRETARY.
 H. B. WATT, ASST. SECRETARY.

CABLE ADDRESS: BANKTRUST, NEW YORK.

16 WALL STREET

FOREIGN EXCHANGE DEPARTMENT

B.A. Jr.
 NEW YORK, December 21, 1916.
 JAN 3 1917

Mr. Benjamin Strong,
 4100 Montview Boulevard,
 Denver, Colo.

Dear Ben:-

Your letter of the 12th was received while I was in Chicago attending a meeting of the Committee of the State Bankers of the United States, which has in consideration the Federal Reserve System. The State Banks are anxious, if possible, to work out a series of recommendations as to amendments to the Federal Reserve Act that would seem to make the system more attractive to State Banks. This would not only cover special matters that might apply specifically to State Banks, but to general matters as well that would seem to need attention.

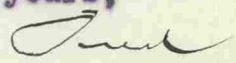
The Committee decided to send a letter to all the State Banks suggesting certain things and asking for opinions, and also for individual recommendations that might not be covered in the letter. By handling the matter in this way we hope that it will be possible to educate the State Banks along a number of lines that should be of value. Many State Bankers I am certain have very wrong ideas in connection with the whole matter, and if we can at the same time that we are obtaining the criticisms of the State Bankers teach them certain things that have apparently been misunderstood by them, we may work out something of value.

Mr. Hulbert of the Merchants' Loan and Trust Company and I have been appointed a sub-committee to see the Federal Reserve Board and obtain their approval of the questions that we send out, as it is felt that co-operation will bring better results than individual action.

The cable transfer requested by you was made promptly, as per advices which went forward from the department direct.

With sincere regards, I am,

Cordially yours,



104

BANKERS TRUST COMPANY

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 SEWARD PROSSER, PRESIDENT.
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 H. H. MARTIN, ASST. SECRETARY.
 H. B. WATT, ASST. SECRETARY.
 A. C. LIVINGSTON, ASST. TRUST OFFICER.

FOREIGN EXCHANGE DEPARTMENT

NEW YORK, January 11, 1917.

Mr. Benjamin Strong,
 4100 Montview Boulevard,
 Denver, Colo.

Dear Ben:-

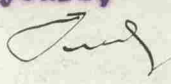
Your letter of the 4th instant received, and I take pleasure in enclosing herewith proof of matter that is to be submitted for the purpose mentioned in my former letter.

In this connection would say that the preparation of the matter was rather taken away from Mr. Hulbert and from me, as the Executive Committee of the State Bankers Association Section wished to have certain things considered that are possibly irrelevant, because the members of the Committee had the feeling that State Bankers would be much more inclined to give consideration to the proposition if it were developed somewhat.

The enclosed proofs have just come in to me, and I have not had time to look them over, but expect to do so this evening. Rather than delay until I can read them, thought I would let them go forward to you, as I have extra copies.

If you have any suggestions, shall appreciate it if you will return them to me quickly, as we are very anxious to get the matter in order and get it before the Board at the first possible moment. Of course you must realize that the matter covered is only intended to go to bankers for the purpose of bringing out all their thoughts on the subject. When it comes to the actual question of presentation of amendments desired, our Committee will have charge of it, although we will have to obtain the approval of the Executive Committee before our final report goes to the Federal Reserve Board.

Sincerely yours,



QUESTION 4.—ARE THE RESERVE REQUIREMENTS OF THE FEDERAL RESERVE SYSTEM SUITABLE FOR YOUR COMMUNITY AND YOUR INSTITUTION? IF NOT, WHAT RESERVE REQUIREMENTS WOULD YOU SUGGEST?

The Federal Reserve Act provides that banks in central reserve cities shall maintain a reserve of 18% on demand deposits. In reserve cities the percentage is 15, and in cities and towns outside of reserve and central reserve cities the percentage is 12. Until November 16, 1917, country banks may keep with approved reserve agents one-sixth of their reserve. Banks that are members of the Federal Reserve System are not now required to keep any specified percentage of their reserves in their own vaults, but may keep all or any part of their reserve in the Federal Reserve Bank of their district.

In California, Georgia, Louisiana, Maine, Massachusetts, Michigan, Minnesota, Missouri, New Hampshire, New Jersey, New York, Ohio, Oregon and Texas, state banking laws provide that if a State Bank becomes a stockholder in a Federal Reserve Bank it shall be subject to the provisions of the Federal Reserve Act, and any amendments thereto relative to bank reserves shall be in substitution for the requirements of respective State statutes. California and New York have amended their laws pertaining to reserves so as to make State requirements similar to requirements under the Federal Reserve Act. In cities of 100,000 population or over in California, and cities or boroughs of over 2,000,000 population in New York, the required reserve for State Banks is 18%. In cities of from 50,000 to 99,999 population in California, and from 1,000,000 to 1,999,999 population in New York, the reserve requirement is 15%. In cities elsewhere in New York and California the reserve requirement is 12%.

State laws requiring State Banks to hold 10% of reserve on demand deposits are in force in Delaware in cities of 50,000 population or less, Iowa in cities under 30,000 population, and in Tennessee. In Delaware and Iowa a proportion of such reserves may be kept with approved reserve agents, and in Tennessee reserves may consist of balances due

from banks on demand. Reserves of 12% on demand deposits are required in Connecticut, Kansas in cities and towns of less than 50,000 inhabitants, Kentucky, Minnesota in cities other than reserve cities, New Mexico, Virginia and Wisconsin. Parts of such reserves may be kept with approved reserve agents.

Thirty-two States require that their State Banks shall maintain reserve of 15% on demand deposits. Such States are Arizona, Arkansas, Idaho, Illinois, Indiana, Iowa in cities of 3,000 population or over, Kansas in cities of over 50,000 population, Kentucky in reserve cities, Maine, Massachusetts, Michigan in cities of 100,000 population or less, Minnesota in reserve cities, Mississippi in cities of less than 50,000 population, Missouri providing that in cities of 200,000 inhabitants or over banks may not count Federal Reserve notes as reserves on hand, Montana in all banks except reserve agents approved as such by the superintendent of banks, Nebraska in cities of less than 25,000, Nevada, New Hampshire, New Jersey, North Carolina, Ohio, Oklahoma in cities of 25,000 or less, Oregon, Pennsylvania, Rhode Island, Texas for banks with capital of \$25,000 or more, Utah in cities of 50,000 or less, Vermont, Washington and West Virginia. In such States various parts of required reserves may be kept with approved agents.

The laws of thirteen States provide for 20% reserves on demand deposits. Such States are Arkansas, Colorado, Delaware in cities of 50,000 or more, Florida, Michigan in cities of 100,000 or over, Nebraska in cities of 25,000, North Dakota, Oklahoma, South Dakota, Texas in banks with capital of \$25,000 or less, Utah in cities of 50,000 or less, Wisconsin and Wyoming. Cities where State laws provide for 25% reserves are Colorado for banks that are reserve agents, Illinois for banks in Chicago, Louisiana, Mississippi in cities of over 50,000, Nevada and South Dakota. Varying percentages of such reserves may be kept with reserve agents.

HERE ANSWER QUESTION NO. 4.

QUESTION 5.—ARE THE LOAN LIMITATIONS PRESCRIBED BY THE FEDERAL RESERVE ACT SUITABLE FOR YOUR COMMUNITY AND YOUR INSTITUTION? IF NOT, WHAT LOAN RESTRICTIONS WOULD YOU SUGGEST?

Section 5200 of the National Bank Act refers to limitations of liabilities which may be incurred by any one person, company, corporation or firm to a national bank, and provides that such liability shall not exceed ten per cent of the bank's capital stock and surplus unimpaired; and in no case shall it exceed 30 per cent of the capital stock. There are few states that follow the National Bank Act respecting the limitations on commercial loans. In Michigan State Banks may loan to any one individual, firm or corporation 8 1/10 per cent of capital and permanent surplus. Eleven states have a ten per cent loan limit. Such states are Alabama, which also includes undivided profits; California, unless capital and surplus are not over \$25,000, when it is 20%; Connecticut; Georgia; Maine, also including undivided profits; New Hampshire; New Jersey; New York, including acceptances, and except in boroughs of over 2,000,000 population; North Carolina, if paid up capital is over \$100,000; Rhode Island, exactly similar to provision in National Bank Act; South Carolina, 10% of capital only. Six states have 15% limitation. They are Illinois, with 30% of capital as an extra limitation; Kansas; Minnesota; North Dakota; Tennessee, including

undivided profits; Utah. Fourteen states provide a limitation of 20% capital and surplus. They are Idaho; Iowa, on paid up capital only; Kentucky; Louisiana, including undivided profits; Maryland; Montana; Nebraska; New Mexico; Ohio; Oklahoma; Oregon; South Dakota; West Virginia, including undivided profits; Wyoming. Five states provide for a limitation of 25% of capital and surplus. They are Colorado; Mississippi; Nevada; Texas; Virginia. Arkansas and Wisconsin have a 30% of capital and surplus limitation. Vermont limits loans to \$10,000 plus one per cent of deposits in excess of \$1,000,000 and not over \$50,000 except where capital and surplus exceed \$50,000, when the limit is 10% of capital and surplus. Missouri provides a 15% limitation when city population is over 100,000; 20% from 7,000 to 100,000, and 25% elsewhere. There are no specific loan limitations in the banking laws of Arizona, Delaware, Florida, Indiana, Pennsylvania and Washington. In some States larger loans may be made by vote of directors. Exceptions are also made for some States in case of loans secured by collateral.

HERE ANSWER QUESTION NO. 5.

QUESTION 6.—SHOULD BANKS OF LESS THAN \$25,000 CAPITAL BE ELIGIBLE FOR MEMBERSHIP IN THE FEDERAL RESERVE SYSTEM?

QUESTION 7.—WOULD IT BE RIGHT AND PROPER FOR FEDERAL RESERVE BANKS TO PAY INTEREST ON THE BALANCES OF MEMBER BANKS?

QUESTION 8.—WHAT, IF ANYTHING, CAN BE DONE TO AVOID COMPETITION BETWEEN FEDERAL RESERVE BANKS AND OTHER BANKS?

Underneath write answers to questions 6, 7, 8 and 9, numbering answers accordingly.

When you have answered the questions asked in this communication, fill out the following form.

Name of Bank.....

City or Town.....State.....

Date.....Name of Officer Signing.....

And mail to Geo. E. Allen, Secretary, 5 Nassau Street, New York City.

QUESTION 3.—WHAT, IF ANY, CHANGES SHOULD BE MADE IN THE PROVISIONS OF THE FEDERAL RESERVE SYSTEM IN REGARD TO LOANS BY STATE BANK MEMBERS ON REAL ESTATE SECURITY?

In this connection the provisions of the Federal Reserve System pertaining to loans on farm land and other real estate that may be made by National banks are of interest. Section 24 of the Federal Reserve Act provides in part that—

Any national banking association not situated in a central reserve city may make loans secured by improved and unencumbered farm land situated within its Federal reserve district or within a radius of one hundred miles of the place in which such bank is located, irrespective of district lines, and may also make loans secured by improved and unencumbered real estate located within one hundred miles of the place in which such bank is located, irrespective of district lines; but no loan made upon the security of such farm land shall be made for a longer time than five years, and no loan made upon the security of such real estate as distinguished from farm land shall be made for a longer time than one year nor shall the amount of any such loan, whether upon such farm land or upon such real estate, exceed fifty per centum of the actual value of the property offered as security. Any such bank may make such loans, whether secured by such farm land or such real estate, in an aggregate sum equal to twenty-five per centum of its capital and surplus or to one-third of its time deposits and such banks may continue hereafter as heretofore to receive time deposits and to pay interest on the same.

In Regulation G of the Series of 1916, the Federal Reserve Board supplements the foregoing section of the Federal Reserve Act by the statement that national banks not located in central reserve cities may, therefore, legally make loans secured by improved and unencumbered farm land or other real estate as provided by this section.

Certain conditions and restrictions must, however, be observed—

- (a) There must be no prior lien on the land; that is, the lending bank must hold an absolute first mortgage or deed of trust.
- (b) The amount of the loan must not exceed 50 per cent of the actual value of the land by which it is secured.
- (c) The maximum amount of loans which a national bank may make on real estate, whether on farm land or on other real estate as distinguished from farm land, is limited under the terms of the act to

an amount not in excess of one-third of its time deposits at the time of the making of the loan, and not in excess of one-third of its average time deposits during the preceding calendar year: Provided, however, That if one-third of such time deposits as of the date of making the loan or one-third of the average time deposits for the preceding calendar year, is less than one-fourth of the capital and surplus of the bank as of the date of making the loan, the bank in such event shall have authority to make loans upon real estate under the terms of the Act to the extent of one-fourth of the bank's capital and surplus as of that date.

(d) Farm land to be eligible as security for a loan by a national bank must be situated within the Federal Reserve district in which such bank is located or within a radius of 100 miles of such bank irrespective of district lines.

(e) Real estate as distinguished from farm land to be eligible as security for a loan by a national bank must be located within a radius of 100 miles of such bank irrespective of district lines.

(f) The right of a national bank to "make loans" under section 24 includes the right to purchase or discount loans already made as well as the right to make such loans in the first instance: Provided, however, That no loan secured by farm land shall have a maturity of more than five years from the date on which it was purchased or made by the national bank and that no loan secured by other real estate shall have a maturity of more than one year from such date.

In order that real estate loans held by a bank may be readily classified, a statement signed by the officers making a loan and having knowledge of the facts upon which it is based must be attached to each note secured by a first mortgage on the land by which the loan is secured, certifying in detail as of the date of the loan that all of the requirements of law have been duly observed.

IN STATES WHERE BANK EXAMINATIONS BY STATE AUTHORITIES ARE ACCEPTED BY THE FEDERAL RESERVE BOARD, THE SAID BOARD IS APPARENTLY EMPOWERED TO PERMIT STATE BANK MEMBERS OF THE FEDERAL RESERVE SYSTEM TO MAKE LOANS ON REAL ESTATE IN ACCORDANCE WITH RESPECTIVE STATE LAWS AND REGULATIONS; PROVIDED, HOWEVER, THAT NO SUCH LOAN TO ANY ONE PERSON, FIRM OR CORPORATION SHALL EXCEED TEN PER CENT OF THE COMBINED CAPITAL AND SURPLUS OR THIRTY PER CENT OF THE CAPITAL OF THE BANK MAKING THE LOAN.

HERE ANSWER QUESTION NO. 3

QUESTION 2.—WHAT, IF ANY, CHANGES SHOULD BE MADE IN THE PROVISIONS OF THE FEDERAL RESERVE SYSTEM GOVERNING THE SUPERVISION AND EXAMINATION OF STATE BANK MEMBERS?

EXAMINATIONS OF STATE BANK MEMBERS.—The Federal Reserve Board, in Regulation 21 of the Series of 1916, declares that every State bank or trust company, while a member of the Federal Reserve System, shall be subject to such examinations as may be prescribed by the Federal Reserve Board in pursuance of the provisions of the Federal Reserve Act. In order to avoid duplication the Board will exercise the broad discretion vested in it by the act in accepting examinations of State banks and trust companies made by State authorities wherever these are satisfactory to the Board and are found to be of the same standard of thoroughness as national bank examinations and where, in addition, satisfactory arrangements for cooperation in the matter of examination between the designated examiners of the Board and those of the States already exist or can be effected with State authorities. Examiners from the staff of the Board or of the Federal Reserve Banks will, whenever desirable, be designated by the Board to act with the examination staff of the State in order that uniformity in the standard of examination may be assured.

STATE BANKS AND THE COMPTROLLER OF THE CURRENCY.—In a joint letter signed by the Governor of the Federal Reserve Board and the Comptroller of the Currency, announcement is made that the Federal Reserve Board and the Comptroller of the Currency have agreed upon and now promulgate the following rules in regard to the periodical reports of condition which the State member banks of the Federal Reserve System are required to render under the provisions of the Federal Reserve Act:

(1) When the reports of condition made to the State Banking Departments are rendered as of the same date as required by the Comptroller of the Currency for national banks:

- (a) The Comptroller of the Currency will accept the reports so rendered by the State banks, on the same forms used in reporting to the State Banking Departments.
 - (b) The publication of reports will be accepted by the Comptroller of the Currency on the publication form rendered to State Banking Departments, provided, the office of the Comptroller of the Currency is furnished with proof of publication in the manner required of National Banks.
 - (c) State member banks will be furthermore required to furnish the office of the Comptroller of the Currency, for abstracting purposes only, a statement of resources and liabilities on the form prescribed by the office of the Comptroller of the Currency for National banks. This statement must be signed by the president or cashier of the reporting bank and acknowledged before a notary public.
- (2) When reports to State Banking Departments are not required to be rendered on the same date as reports called for by the Comptroller of the Currency from National banks:
- (a) State member banks will be required to execute their reports on the same form prescribed by the Comptroller of the Currency for National banks, but omitting from their report blank, if they so desire, all schedules except that relating to coin and coin certificates.
 - (b) They will also be required to conform to the regulations governing National banks in the matter of publication of reports and the furnishing of proof of such publication.
- These rules may be revised or revoked on 30 days' notice from the Federal Reserve Board or the Comptroller of the Currency.

HERE ANSWER QUESTION NO. 2

Top of page

J. H. PUELICHER, President E. D. HUXFORD, Vice-President C. B. HAZLEWOOD, Chairman Executive Committee GEO. E. ALLEN, Secretary

State Bank Section American Bankers Association

Five Nassau Street

New York, January 1, 1917

STATE BANKS AND THE FEDERAL RESERVE SYSTEM

The Executive Committee of the State Bank Section of the American Bankers Association is desirous of obtaining from the State bankers of the country an expression of their opinion in regard to the advantages and disadvantages of membership in the Federal Reserve System. Several questions have accordingly been prepared with due care that no question shall be so constructed as to suggest any particular answer. Full and free discussion is desired and personal identities will not be disclosed. In view of the fact that the matter of clearing and collecting checks is being considered by the Committee of Twenty-five appointed for such purpose by the American Bankers Association at its Kansas City Convention, no questions in regard to that subject are submitted by the State Bank Section in this connection. The questions to which answers are desired at the present time are embodied in this communication.

QUESTION 1. (a) HOW WOULD FINANCIAL AND COMMERCIAL CONDITIONS IN THE UNITED STATES BE AFFECTED BY INCREASED MEMBERSHIP OF STATE BANKS IN THE FEDERAL RESERVE SYSTEM? (b) HOW WOULD MEMBERSHIP IN THE FEDERAL RESERVE SYSTEM AFFECT YOUR OWN INSTITUTION? (c) WHAT, IF ANY, CHANGES IN THE FEDERAL RESERVE ACT, OR IN ITS ADMINISTRATION, ARE NEEDED TO INCLINE YOUR INSTITUTION TO BECOME A MEMBER OF THE FEDERAL RESERVE SYSTEM?

Conditions governing the membership of State Banks and Trust Companies in the Federal Reserve System are described by the Federal Reserve Board in Regulation H of the Series of 1916, as follows:

BANKS ELIGIBLE FOR MEMBERSHIP.—A State bank or a trust company to be eligible for membership in a Federal Reserve Bank must comply with the following conditions:

- (1) It must have been incorporated under a special or general law of the State or district in which it is located.
- (2) It must have a minimum paid-up unimpaired capital stock as follows:

- In cities or towns not exceeding 3,000 inhabitants, \$25,000;
- In cities or towns exceeding 3,000 but not exceeding 6,000 inhabitants, \$50,000;
- In cities or towns exceeding 6,000 but not exceeding 50,000 inhabitants, \$100,000;
- In cities exceeding 50,000 inhabitants, \$200,000.

APPLICATION FOR MEMBERSHIP.—Any eligible State bank or trust company may make application on Form 83 made a part of this regulation, to the Federal Reserve Agent of its district for an amount of capital stock in the Federal Reserve Bank of such district equal to 6 per cent. of the paid-up capital stock and surplus of such State bank or trust company. (Three per cent. has already been called from national and other member banks, but the remainder of the subscription or any part of it shall be subject to call if deemed necessary by the Federal Reserve Board). Upon receipt of such application the Federal Reserve Agent shall submit the same to a committee composed of the Federal Reserve Agent, the Governor of the Federal Reserve Bank, and at least one other member of the board of directors of such bank, to be appointed by such board, but no Class A director whose bank is in the same city or town as the applying bank or trust company shall be a member of such committee. This committee shall, after receiving the report of such examination as may be required by the Federal Reserve Bank in pursuance of directions from the Federal Reserve Board, consider the application and transmit it to the Federal Reserve Board with its report and recommendations.

APPROVAL OF APPLICATION.—In passing upon an application the Federal Reserve Board will consider especially—

- (1) The financial condition of the applying bank or trust company and the general character of its management.
- (2) Whether the nature of the powers exercised by the said bank or trust company and its charter provisions are consistent with the proper conduct of the business of banking and with membership in the Federal Reserve Bank.
- (3) Whether the laws of the State or district in which the applying bank or trust company is located contain provisions likely to prevent

proper compliance with the provisions of the Federal Reserve Act and the regulations of the Federal Reserve Board in conformity therewith.

If, in the judgment of the Federal Reserve Board, an applying bank or trust company conforms to all the requirements of the Federal Reserve Act and these regulations, and is otherwise qualified for membership, the Board will issue a certificate of approval. Whenever the Board may deem it necessary, it will impose such conditions as will insure compliance with the act and these regulations. When the certificate of approval and any conditions contained therein have been accepted by the applying bank or trust company, stock in the Federal Reserve Bank of the district in which the applying bank or trust company is located shall be issued and paid for under the regulations of the Federal Reserve Act provided for national banks which become stockholders in the Federal Reserve Banks.

POWERS AND RESTRICTIONS.—Every State bank or trust company while a member of the Federal Reserve System—

- (1) Shall retain its full charter and statutory rights as a State bank or trust company, and may continue to exercise the same functions as before admission, except as provided in the Federal Reserve Act and the Regulations of the Federal Reserve Board, including any conditions embodied in the certificate of approval.
- (2) Shall invest only in loans on real estate or mortgages of a character and to an extent which, considering the nature of its liabilities, will not impair its ability to meet current or maturing obligations.
- (3) Shall adjust, to conform with the requirements of the Federal Reserve Act and these regulations, within such reasonable time as may be determined by the Board in each case, any loans it may have at the time of its admission to membership, which are secured by its own stock, or any loans to one person, firm, or corporation aggregating more than 10 per cent. of its capital and surplus or more than 30 per cent. of its capital, or any real estate loans which, in the judgment of the Federal Reserve Board, impair its ability to meet current or maturing obligations.
- (4) Shall maintain such improvements and changes in its banking practice as may have been specifically required of it by the Federal Reserve Board, as a condition of its admission and shall not lower the standard of banking then required of it; and
- (5) Shall enjoy all the privileges and observe all those requirements of the Federal Reserve Act and of the regulations of the Federal Reserve Board made in conformity therewith which are applicable to State banks and trust companies which have become member banks.

WITHDRAWALS.—Any State bank or trust company desiring to withdraw from membership in a Federal Reserve Bank may do so 12 months after written notice of its intention to withdraw shall have been filed with the Federal Reserve Board.

HERE ANSWER QUESTION NO. 1.

104

BANKERS TRUST COMPANY

OFFICERS
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 W. N. DUANE, VICE PRESIDENT.
 F. I. KENT, VICE PRESIDENT.
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 SURPLUS FUND 10,000,000

CABLE ADDRESS: BANKTRUST, NEW YORK.

16 WALL STREET

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 H. B. WATT, ASST. SECRETARY.
 A. C. LIVINGSTON, ASST. TRUST OFFICER.

FOREIGN EXCHANGE DEPARTMENT

NEW YORK, January 23, 1917.

R.A.H.
 JAN 27 1917

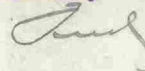
Mr. Benjamin Strong,
 4100 Montview Boulevard,
 Denver, Colo.

Dear Ben:-

Your letter of the 16th in relation to foreign correspondent relations received. In general it seems to me that after having made the arrangements agreed upon that it might be better to consider their readjustment as business develops, rather than to try to anticipate many of the unknown quantities. If readjustment were not always possible it might seem more advisable to work out the development in considerable detail, for the purpose of checking the arrangement, but as the proposition is reciprocal in its nature and can be cancelled at will by either party, I believe you are thoroughly protected.

If after thinking the matter over further I change my mind on this, will be pleased to carry out your suggestion.

Sincerely yours,



FIK/MKS

BANKERS TRUST COMPANY

OFFICERS

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R. H. GILES, TREASURER.

CAPITAL \$10,000,000
SURPLUS FUND 10,000,000

B.A. Co.
CABLE ADDRESS: BANKTRUST, NEW YORK.

JAN 27 1917 16 WALL STREET

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I. MICHAELS, TRUST OFFICER.
BEACH POLK, ASST. TREASURER.
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H. B. WATT, ASST. SECRETARY.
A. C. LIVINGSTON, ASST. TRUST OFFICER.

FOREIGN EXCHANGE DEPARTMENT

NEW YORK, January 23, 1917.

Mr. Benjamin Strong,
4100 Montview Boulevard,
Denver, Colo.

Dear Ben:-

Your letter of the 16th instant received, and I am very much pleased to know that in general you agreed with the form of questions.

Regarding the payment of interest, would say that there is no doubt in my mind but that the Federal Reserve banks should not pay interest on reserve balances. In talking with country bankers, however, we have found that they are generally ignorant as to the reasons why the law did not authorize Federal Reserve banks to pay interest. This being true, and as it seems extremely important that the reasons be made clear to country bankers and that they be given to understand in some satisfactory way that the question of interest is a closed one, I believe it will be of great value to let the questions bring out what they will in this matter. When they realize once and for all that no agitation is going to change the interest question they will naturally accept it, for human nature is quite inclined to accept whatever it considers inevitable, even though individuals here and there will always be found who will grumble more or less about anything.

Bearing all of this in mind it seemed wise to take up the question of payment of interest with the idea of ultimately downing it with good and sufficient reasons. If this is not done, now that we have the opportunity to reach thousands of country bankers, the question of interest is apt to continually arise. In other words, as we know that this is a much talked of point in connection with the Federal Reserve System, it seems best to bring it forward and settle it rather than to let it linger in the minds of bankers as something that may possibly be changed if they only hang out hard enough for it.

It seemed as though we might make a very great error if we attempted to do more than state facts in the first letter to bankers, for many of them might feel that if we gave arguments of any sort we were not treating their intelligence with the re-

B. S. 2.

spect that they might feel is its due. After receiving answers to the first circular, we can without any chance of injuring anyone's feelings send a second letter giving decisions as to recommendations, together with reasons. Such reasons could then be shown to represent final opinions based upon replies received from the original letter, so that we would be in the position of making a report to bankers instead of apparently trying to tell them something that we thought they did not know. In dealing with country bankers for many years I have some strong opinions in my mind as to the best method to approach them, and I feel very positive that they will absorb reasons given them that apparently emanate from themselves with much better results than if they think they have been compiled by metropolitan representatives.

Confidentially, and just between us, I have been having some difficulty in preventing other members of the Committee from having a system of questions prepared with arguments on both sides as a preliminary presentation. This is the form in use in the Chamber of Commerce, as you well know, but the presentation is made in a manner similar to that which our second letter would cover and not at all along the lines of our introduction of the subject to the state bankers. Under the Chamber of Commerce system the various arguments for and against that have been received by the Chamber are passed along, but in the case of the Federal Reserve System it seems to me that no original arguments could be prepared that would not seemingly carry a bias that might be ascribed by country bankers to the individual views of members of the Committee.

Expect to leave Wednesday night for Pittsburgh for the purpose of attending the Fourth Annual Convention of the National Foreign Trade Council, of which I have just been appointed a member.

There is a possibility that Messrs. Schneider & Company may desire a new credit after the one maturing is paid, for the purpose of shipping further goods from this country. Before agreeing to take up the matter I talked it over with Mr. Tremane, Mr. Jay and Mr. Curtiss, and will follow their suggestions in handling the matter. Have not yet approached any of the New York bankers who might be interested in taking part in a new credit, as I am not yet ready to do so. In some unaccountable way not known to Mr. Bonbright, Mr. Willcox nor myself some newspaper reporter got an inkling of the fact that another credit might be established, and instead of finding out he thought he could get a scoop by taking a chance, and published a statement about the credit, writing the matter apparently from the newspaper articles that had been written in connection with the French Industrial Credit. Of course the whole thing is most exasperating, as bankers like to be approached on business themselves before it comes out in the newspapers, and consequently it is going to be much more difficult for me to form a Syndicate, provided it devel-

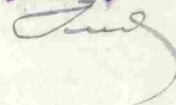
B. S. 3.

ops that the credit for the new shipments can be satisfactorily arranged.

Again I realize that the Federal Reserve Board may be more or less disturbed by the newspaper article, as they were in the case of the French Industrial Credit. Advised Mr. Jay immediately after reading the article that neither Bonbright nor ourselves had anything to do with its preparation, and knew nothing whatever about it, but it seems a pity that it is possible for our newspapers to be run in such manner that reporters can abuse the rights of any they choose in order to make an extra dollar through taking up space. In the first Schneider credits I was fortunate enough to be able to keep everything of the kind out of the papers, as they had no story to go upon, but after the Guaranty Trust Company gave out the story about the French Industrial Credit it was quite natural that reporters should take such matter as a basis for writing articles in regard to any other credit that seems to be similar in its make-up. The first Schneider credit matures February 1, and arrangements have already been undertaken for its payment.

Realize that I have sort of rambled this letter off in between telephones and personal calls, but will let it go in any event, as I will not have time to look it over, and am sure you will understand.

Sincerely yours,



FLK/MKS

**BANKERS TRUST
COMPANY**

R.A. Jr.
FEB 21 1917

104

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SEWARD PROSSER, PRESIDENT.
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R. H. GILES, TREASURER.

CAPITAL \$10,000,000
SURPLUS FUND 10,000,000

CABLE ADDRESS: BANKTRUST, NEW YORK.

16 WALL STREET

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FOREIGN EXCHANGE DEPARTMENT

NEW YORK, February 5, 1917.

Mr. Benjamin Strong,
4100 Montview Boulevard,
Denver, Colo.

Dear Ben:-

Since forwarding to you the form of questions in connection with the Federal Reserve System another meeting has been held in Chicago, and it was found necessary to make a compromise. Some of those on the Committee, as I wrote you, were very anxious to argue every question from both sides in the first letter rather than in the second letter, which is to be in the form of a report. They agreed after hearing the arguments opposed to such a scheme that it was better not to handle the matter in that manner. They insisted, however, that the questions should be so worded that a "yes" or "no" answer could be given by all who might have an opinion but who felt incapable of expressing it at any length, and at the same time give an opportunity to others who might wish to argue at length to do so. It seemed to me that this plan might, as was hoped, bring out more opinions, and as the original letter is only aimed to put the Committee in position first to find out all it can as to the real opinions of state bankers, and second, to prepare recommendations for desirable changes in the Federal Reserve System with proper arguments, it is more important in the first letter to have something that will bring forth answers and will get it thoroughly in the minds of bankers that their Committee is anxious for their opinions for the purpose of forming a base upon which to work.

If these forms meet with your approval, believe we are in position to use them exactly as they are.

My own idea at the moment is that it is not really important to have state bankers in small towns, and with small capital, come into the System, if all such bankers in the important centers of the country, including reserve and central reserve cities and possibly some others, should do so. The nature of the business of many of the small country state banks is such that it would not harmonize well with the Federal Reserve System. Again, if all of the larger state banks join the System, it would give sufficient financial power to enable it to protect the country in so far as such a system possibly can.

Sincerely yours,



BANKERS TRUST COMPANY

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F. I. KENT, VICE PRESIDENT.
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CAPITAL \$10,000,000
SURPLUS FUND 10,000,000

CABLE ADDRESS: BANKTRUST, NEW YORK.

B.T.C. 16 WALL STREET

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A. C. LIVINGSTON, ASST. TRUST OFFICER.

FOREIGN EXCHANGE DEPARTMENT

APR 22 1917

NEW YORK, April 17, 1917.

Mr. Benjamin Strong,
4100 Montview Boulevard,
Denver, Colo.

Dear Ben:-

Do not know whether it will interest you, but thought it might be well to send you a copy of an address which I recently made in Scranton, Pa.

In connection with it, one foreign banker acknowledged it in considerable detail, from which I quote a part, as it interested me very much:

"Thank you very much indeed for the copy of your address on American acceptances. It is a very comprehensive treatise on the subject which I have read with much interest, and I quite agree with your views.

Regarding the question of banks purchasing their own acceptances, I might say that I know from actual experience that some English banks do this, as during the time I was stationed in London, England, banks were willing in the ordinary course of business to purchase in the open market their own acceptances. As a matter of fact, one or two of them were, when they were buying bills, always prepared to pay a slightly better rate for their own bills."

Sincerely yours,

J. H. ...

FIK/MKS
Enc.

BANKERS TRUST COMPANY

CAPITAL \$10,000,000
SURPLUS FUND 10,000,000

CABLE ADDRESS: BANKTRUST, NEW YORK.

16 WALL STREET

B.A. Jr.
APR 17 1917

NEW YORK, April 12, 1917.

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F. N. CLOSE, VICE PRESIDENT.
A. H. MARCKWALD, VICE PRESIDENT.
A. A. TILNEY, VICE PRESIDENT.
H. F. WILSON, JR., VICE PRESIDENT.
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A. C. LIVINGSTON, ASST. TRUST OFFICER.

FOREIGN EXCHANGE DEPARTMENT

Mr. Benjamin Strong,
4100 Montview Boulevard,
Denver, Colo.

Dear Ben: -

Your letter of the 4th instant received. There is no question in my mind but that it might be of real value to Warner to grow up in the Federal Reserve System, and I am really rather sorry that he has not had such actual experience in foreign operations as to make him available for working into the position about which Mr. Treman was talking with me lately. He has been tremendously interested in international exchange, and wrote a thesis in Harvard on "The Bank of England and the War" that I understand is going to be used in their future courses in some way.

Thought some of giving him a month or two in the Foreign Department of the Guaranty Trust Company just to familiarize him with foreign exchange practice, with the idea of rounding out the theoretical knowledge that he has already obtained. It so happened, however, that he worked into a position in Bonbright's office, because of some rapid changes that took place soon after he entered their employ, that is giving him a very unusual opportunity to acquire valuable knowledge and information. Confidentially he is actually preparing reports in answer to inquiries that go to Bonbright or that are desired by members of the firm on all sorts of firms and corporations. The vacancy that gave him this opportunity came long before I imagined he could fill the bill, but Mr. Bonbright told me yesterday that they were tremendously pleased with his work. It seems to me that he could stay in this position for a couple of years and continue to accumulate knowledge of a very valuable kind. His work in this respect seems to have interested others, because he has just been offered the Managership of the Statistical Department of another large house without any effort or encouragement on his part, and after he had told them directly, when it was suggested to him, that he would not be interested.

As you were kind enough to mention the matter in your letter, thought you would be interested in knowing what he was doing and why I feel satisfied that the nature of his work is giving him as fine an opportunity to lay the foundation for a proper bus-

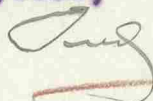
B. S. 2.

iness career as would seem possible.

Am doing my best to find a man I would be willing to recommend in connection with your foreign business. It is quite difficult, because I feel as though you should have someone familiar with the technical end, informed as to theory in general and capable of analyzing new conditions without being too much tied down by precedent. This sort of a person is hard to get, and as I am having difficulty in finding someone for three other banking institutions whose requirements are not as great, you can see why I have not yet found anyone that I could conscientiously suggest to Mr. Treman.

With sincere regards, I am,

Cordially yours,

A handwritten signature in dark ink, appearing to be 'T. J. ...', written over a horizontal red line.

FIK/MKS

State Bank Section American Bankers Association

Five Nassau Street

New York, February 15, 1917

STATE BANKS AND THE FEDERAL RESERVE SYSTEM

The Executive Committee of the State Bank Section of the American Bankers Association is desirous of obtaining from the State bankers of the country an expression of their opinion in regard to the advantages and disadvantages of membership in the Federal Reserve System. Several questions have accordingly been prepared with due care that no question shall be so constructed as to suggest any particular answer. Full and free discussion is desired and personal identities will not be disclosed. In view of the fact that the matter of clearing and collecting checks is being considered by the Committee of Twenty-five appointed for such purpose by the American Bankers Association at its Kansas City Convention, no questions in regard to that subject are submitted by the State Bank Section in this connection. The questions to which answers are desired at the present time are embodied in this communication.

MEMBERSHIP CONDITIONS

Conditions governing the membership of State Banks and Trust Companies in the Federal Reserve System are described by the Federal Reserve Board in Regulation H of the Series of 1916, as follows:

BANKS ELIGIBLE FOR MEMBERSHIP.—A State bank or a trust company to be eligible for membership in a Federal Reserve Bank must comply with the following conditions:

- (1) It must have been incorporated under a special or general law of the State or district in which it is located,
- (2) It must have a minimum paid-up unimpaired capital stock as follows:
 - In cities or towns not exceeding 3,000 inhabitants, \$25,000;
 - In cities or towns exceeding 3,000 but not exceeding 6,000 inhabitants, \$50,000;
 - In cities or towns exceeding 6,000 but not exceeding 50,000 inhabitants, \$100,000;
 - In cities exceeding 50,000 inhabitants, \$200,000.

APPLICATION FOR MEMBERSHIP.—Any eligible State bank or trust company may make application to the Federal Reserve Agent of its district for an amount of capital stock in the Federal Reserve Bank of such district equal to 6 per cent. of the paid-up capital stock and surplus of such State bank or trust company. (Three per cent. has already been called from National and other member banks, but the remainder of the subscription or any part of it shall be subject to call if deemed necessary by the Federal Reserve Board). Upon receipt of such application the Federal Reserve Agent shall submit the same to a committee composed of the Federal Reserve Agent, the Governor of the Federal Reserve Bank, and at least one other member of the board of directors of such bank, to be appointed by such board, but no Class A director whose bank is in the same city or town as the applying bank or trust company shall be a member of such committee. This committee shall, after receiving the report of such examination as may be required by the Federal Reserve Bank in pursuance of directions from the Federal Reserve Board, consider the application and transmit it to the Federal Reserve Board with its report and recommendations.

APPROVAL OF APPLICATION.—In passing upon an application the Federal Reserve Board will consider especially—

- (1) The financial condition of the applying bank or trust company and the general character of its management.
- (2) Whether the nature of the powers exercised by the said bank or trust company and its charter provisions are consistent with the proper conduct of the business of banking and with membership in the Federal Reserve Bank.
- (3) Whether the laws of the State or district in which the applying bank or trust company is located contain provisions likely to prevent

proper compliance with the provisions of the Federal Reserve Act and the regulations of the Federal Reserve Board in conformity therewith.

If, in the judgment of the Federal Reserve Board, an applying bank or trust company conforms to all the requirements of the Federal Reserve Act and these regulations, and is otherwise qualified for membership, the Board will issue a certificate of approval. Whenever the Board may deem it necessary, it will impose such conditions as will insure compliance with the Act and these regulations. When the certificate of approval and any conditions contained therein have been accepted by the applying bank or trust company, stock in the Federal Reserve Bank of the district in which the applying bank or trust company is located shall be issued and paid for under the regulations of the Federal Reserve Act provided for National banks which become stockholders in the Federal Reserve Banks.

POWERS AND RESTRICTIONS.—Every State bank or trust company while a member of the Federal Reserve System—

- (1) Shall retain its full charter and statutory rights as a State bank or trust company, and may continue to exercise the same functions as before admission, except as provided in the Federal Reserve Act and the Regulations of the Federal Reserve Board, including any conditions embodied in the certificate of approval.
- (2) Shall invest only in loans on real estate or mortgages of a character and to an extent which, considering the nature of its liabilities, will not impair its ability to meet current or maturing obligations.
- (3) Shall adjust, to conform with the requirements of the Federal Reserve Act and these regulations, within such reasonable time as may be determined by the Board in each case, any loans it may have at the time of its admission to membership, which are secured by its own stock, or any loans to one person, firm, or corporation aggregating more than 10 per cent. of its capital and surplus or more than 30 per cent. of its capital, or any real estate loans which, in the judgment of the Federal Reserve Board, impair its ability to meet current or maturing obligations.
- (4) Shall maintain such improvements and changes in its banking practice as may have been specifically required of it by the Federal Reserve Board, as a condition of its admission, and shall not lower the standard of banking then required of it; and
- (5) Shall enjoy all the privileges and observe all those requirements of the Federal Reserve Act and of the regulations of the Federal Reserve Board made in conformity therewith which are applicable to State banks and trust companies which have become member banks.

WITHDRAWALS.—Any State bank or trust company desiring to withdraw from membership in a Federal Reserve Bank may do so 12 months after written notice of its intention to withdraw shall have been filed with the Federal Reserve Board.

QUESTION 1. ASSUMING THAT SOME CHANGES AGREED UPON BY STATE BANKERS ARE MADE IN THE FEDERAL RESERVE LAW AND ITS ADMINISTRATION, SHOULD STATE BANKS CONSIDER JOINING THE FEDERAL RESERVE SYSTEM FOR THE PURPOSE OF STRENGTHENING BANKING AND COMMERCIAL CONDITIONS IN THE UNITED STATES? ANSWER "YES" OR "NO."

QUESTION 2. SHOULD BANKS OF LESS THAN \$25,000 CAPITAL BE ELIGIBLE FOR MEMBERSHIP IN THE FEDERAL RESERVE SYSTEM? ANSWER "YES" OR "NO."

QUESTION 3. WOULD IT BE RIGHT AND PROPER FOR FEDERAL RESERVE BANKS TO PAY INTEREST ON THE BALANCES OF MEMBER BANKS?

SUPERVISION AND EXAMINATION

EXAMINATIONS OF STATE BANK MEMBERS.—The Federal Reserve Board, in Regulation H of the Series of 1916, declares that every State bank or trust company, while a member of the Federal Reserve System, shall be subject to such examinations as may be prescribed by the Federal Reserve Board in pursuance of the provisions of the Federal Reserve Act. In order to avoid duplication the Board will exercise the broad discretion vested in it by the act in accepting examinations of State banks and trust companies made by State authorities wherever these are satisfactory to the Board and are found to be of the same standard of thoroughness as National bank examinations and where, in addition, satisfactory arrangements for cooperation in the matter of examination between the designated examiners of the Board and those of the States already exist or can be effected with State authorities. Examiners from the staff of the Board or of the Federal Reserve Banks will, whenever desirable, be designated by the Board to act with the examination staff of the State in order that uniformity in the standard of examination may be assured.

STATE BANKS AND THE COMPTROLLER OF THE CURRENCY.—In a joint letter signed by the Governor of the Federal Reserve Board and the Comptroller of the Currency, announcement is made that the Federal Reserve Board and the Comptroller of the Currency have agreed upon and now promulgate the following rules in regard to the periodical reports of condition which the State member banks of the Federal Reserve System are required to render under the provisions of the Federal Reserve Act:

(1) When the reports of condition made to the State Banking Departments are rendered as of the same date as required by the Comptroller of the Currency for National banks:

QUESTION 4. (A) DO YOU CONSIDER SATISFACTORY THE REGULATIONS OF THE FEDERAL RESERVE SYSTEM GOVERNING THE SUPERVISION AND EXAMINATION OF STATE BANK MEMBERS? ANSWER "YES" OR "NO."

(B) IF SUCH REGULATIONS ARE NOT SATISFACTORY, WHAT CHANGES WOULD YOU RECOMMEND?

- (a) The Comptroller of the Currency will accept the reports so rendered by the State banks, on the same forms used in reporting to the State Banking Departments.
 - (b) The publication of reports will be accepted by the Comptroller of the Currency on the publication form rendered to State Banking Departments, provided the office of the Comptroller of the Currency is furnished with proof of publication in the manner required of National banks.
 - (c) State member banks will be furthermore required to furnish the office of the Comptroller of the Currency, for abstracting purposes only, a statement of resources and liabilities on the form prescribed by the office of the Comptroller of the Currency for National banks. This statement must be signed by the president or cashier of the reporting bank and acknowledged before a notary public.
- (2) When reports to State Banking Departments are not required to be rendered on the same date as reports called for by the Comptroller of the Currency from National banks:
- (a) State member banks will be required to execute their reports on the same form prescribed by the Comptroller of the Currency for National banks, but omitting from their report blank, if they so desire, all schedules except that relating to coin and coin certificates.
 - (b) They will also be required to conform to the regulations governing National banks in the matter of publication of reports and the furnishing of proof of such publication.
- These rules may be revised or revoked on 30 days' notice from the Federal Reserve Board or the Comptroller of the Currency.

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FRASER WILLIAMS

Name of Bank _____
City or Town _____
Date _____
Name of Officer Signing _____

REAL ESTATE LOANS

In this connection the provisions of the Federal Reserve System made by National banks are of interest. Section 24 of the Federal Reserve Act provides in part that—

Any national banking association not situated in a central reserve city may make loans secured by improved and unencumbered farm land situated within its Federal reserve district or within a radius of one hundred miles of the place in which such bank is located, irrespective of district lines, and may also make loans secured by improved and unencumbered real estate located within one hundred miles of the place in which such bank is located, irrespective of district lines; but no loan made upon the security of such farm land shall be made for a longer time than five years, and no loan made upon the security of such real estate as distinguished from farm land shall be made for a longer time than one year nor shall the amount of any such loan, whether upon such farm land or upon such real estate, exceed fifty per centum of the actual value of the property offered as security. Any such bank may make such loans, whether secured by such farm land or such real estate, in an aggregate sum equal to twenty-five per centum of its capital and surplus or to one-third of its time deposits and such banks may continue hereafter as heretofore to receive time deposits and to pay interest on the same.

THE FEDERAL RESERVE BOARD PERMITS STATE BANK MEMBERS OF THE FEDERAL RESERVE SYSTEM TO MAKE LOANS ON REAL ESTATE IN ACCORDANCE WITH RESPECTIVE STATE LAWS AND REGULATIONS; PROVIDED, HOWEVER, THAT NO SUCH LOAN TO ANY ONE PERSON, FIRM OR CORPORATION SHALL EXCEED TEN PER CENT. OF THE COMBINED CAPITAL AND SURPLUS OR THIRTY PER CENT. OF THE CAPITAL OF THE BANK MAKING THE LOAN.

The following extracts from a statement published by the Federal Reserve Board (Federal Reserve Bulletin, Aug. 1, 1916, p. 393) set forth the Board's attitude toward State bank members:

QUESTION 5. (A) DO YOU CONSIDER SATISFACTORY THE CONDITIONS UNDER WHICH STATE BANK MEMBERS OF THE FEDERAL RESERVE SYSTEM ARE PERMITTED TO MAKE LOANS ON REAL ESTATE SECURITY? ANSWER "YES" OR "NO."

(B) IF SUCH CONDITIONS ARE NOT SATISFACTORY, WHAT CHANGES WOULD YOU RECOMMEND?

As the extent of the Board's power to adopt any specific regulation involves a question of law which must be determined by the facts in each case, it is, of course, impracticable to outline definitely the scope of all future regulations. The Board understands that it is not its function to undertake to impose on the activities of member banks any restrictions that are not contemplated by the Act, but only to prescribe such regulations as are designed to carry out the purposes of the Act. The Board does not feel that it is one of its purposes to undertake to restrict State banks or trust companies in the exercise of true banking or trust-company powers as defined by the laws of the State in which they are created. In passing upon the applications of State banks and trust companies, however, it believes it to be its duty to admit only those institutions which are solvent and sound and whose membership will not constitute an element of weakness in the system. The Board does not consider that it is a prerequisite to the admission of any State bank or trust company that it should possess any certain amount of paper eligible for rediscount with a Federal Reserve Bank. It is, of course, indispensable that any paper offered for rediscount to a Federal Reserve Bank should conform to the provisions of the Act and of the regulations of the Board. It is clear, however, that a Federal Reserve Bank will have to look all the more carefully into the status of a State member bank asking for rediscounts if such State bank or trust company exercises banking functions that are likely to interfere with the liquidity of such State member institution or may lead to overextension.

In other words, the Board might consider that the exercise of extraordinary powers, such as might make an applying State bank or trust company an undesirable member, a sufficient reason to refuse the grant of the application. After such a State bank or trust company, however, has become a member bank the Board does not expect to interfere with the exercise of those banking and trust company powers authorized by its charter. If the exercise of such powers should tend to interfere with the liquid and sound condition of a State bank or trust company member, the Federal Reserve Bank would, of course, be justified in taking due precaution in dealing with the applications for rediscount of such State bank or trust company.

[Faint, mostly illegible text from the survey responses, including names and addresses.]

QUESTION 6. ASSUMING THAT SOME STATES WOULD PERMIT STATE BANK MEMBERS OF THE FEDERAL RESERVE SYSTEM TO MAKE LOANS ON REAL ESTATE SECURITY IN ACCORDANCE WITH RESPECTIVE STATE LAWS AND REGULATIONS; PROVIDED, HOWEVER, THAT NO SUCH LOAN TO ANY ONE PERSON, FIRM OR CORPORATION SHALL EXCEED TEN PER CENT. OF THE COMBINED CAPITAL AND SURPLUS OR THIRTY PER CENT. OF THE CAPITAL OF THE BANK MAKING THE LOAN. DO YOU CONSIDER THIS A DESIRABLE POLICY? ANSWER "YES" OR "NO."

[Faint, mostly illegible text from the survey responses.]

HAMMERMILL
BOND

Name of Bank
City or Town
Name of Officer Signatory
Date

RESERVE REQUIREMENTS

The Federal Reserve Act provides that banks in central reserve cities shall maintain a reserve of 18% on demand deposits. In reserve cities the percentage is 15, and in cities and towns outside of reserve and central reserve cities the percentage is 12. Until November 16, 1917, country banks may keep with approved reserve agents one-sixth of their reserve, and reserve state banks may keep with approved reserve agents one-fifth of their reserve. Banks that are members of the Federal Reserve System are not now required to keep any specified percentage of their reserves in their own vaults, but may keep all or any part of their reserve in the Federal Reserve Bank of their district.

In California, Georgia, Louisiana, Maine, Massachusetts, Michigan, Minnesota, Missouri, New Hampshire, New Jersey, New York, Ohio, Oregon and Texas, state banking laws provide that if a State Bank becomes a stockholder in a Federal Reserve Bank it shall be subject to the provisions of the Federal Reserve Act, and any amendments thereto relative to bank reserves shall be in substitution for the requirements of respective State statutes. California and New York have amended their laws pertaining to reserves so as to make State requirements similar to requirements under the Federal Reserve Act. In cities of 100,000 population or over in California, and cities or boroughs of over 2,000,000 population in New York, the required reserve for State Banks is 18%. In cities of from 50,000 to 99,999 population in California, and from 1,000,000 to 1,999,999 population in New York, the reserve requirement is 15%. In cities elsewhere in New York and California the reserve requirement is 12%.

State laws requiring State Banks to hold 10% of reserve on demand deposits are in force in Delaware in cities of 50,000 population or less, Iowa in cities under 30,000 population, and in Tennessee. In Delaware and Iowa a proportion of such reserves may be kept with approved reserve agents, and in Tennessee reserves may consist of balances due

from banks on demand. Reserves of 12% on demand deposits are required in Connecticut, Kansas in cities and towns of less than 50,000 inhabitants, Kentucky, Minnesota in cities other than reserve cities, New Mexico, Virginia and Wisconsin. Parts of such reserves may be kept with approved reserve agents.

Thirty-two States require that their State Banks shall maintain reserve of 15% on demand deposits. Such States are Arizona, Arkansas, Idaho, Illinois, Indiana, Iowa in cities of 3,000 population or over, Kansas in cities of over 50,000 population, Kentucky in reserve cities, Maine, Massachusetts, Michigan in cities of 100,000 population or less, Minnesota in reserve cities, Mississippi in cities of less than 50,000 population, Missouri providing that in cities of 200,000 inhabitants or over banks may not count Federal Reserve notes as reserves on hand, Montana in all banks except reserve agents approved as such by the superintendent of banks, Nebraska in cities of less than 25,000, Nevada, New Hampshire, New Jersey, North Carolina, Ohio, Oklahoma in cities of 25,000 or less, Oregon, Pennsylvania, Rhode Island, Texas for banks with capital of \$25,000 or more, Utah in cities of 50,000 or less, Vermont, Washington and West Virginia. In such States various parts of required reserves may be kept with approved agents.

The laws of thirteen States provide for 20% reserves on demand deposits. Such States are Arkansas, Colorado, Delaware in cities of 50,000 or more, Florida, Michigan in cities of 100,000 or over, Nebraska in cities of 25,000, North Dakota, Oklahoma, South Dakota, Texas in banks with capital of \$25,000 or less, Utah in cities of 50,000 or less, Wisconsin and Wyoming. Cities where State laws provide for 25% reserves are Colorado for banks that are reserve agents, Illinois for banks in Chicago, Louisiana, Mississippi in cities of over 50,000, Nevada and South Dakota. Varying percentages of such reserves may be kept with reserve agents.

QUESTION 6. (A) ARE THE RESERVE REQUIREMENTS OF THE FEDERAL RESERVE SYSTEM SUITABLE FOR YOUR COMMUNITY AND YOUR INSTITUTION? ANSWER "YES" OR "NO."

(B) IF SUCH REQUIREMENTS ARE NOT SATISFACTORY, WHAT CHANGES WOULD YOU RECOMMEND?

LOAN LIMITATIONS

Section 5200 of the National Bank Act refers to limitations of liabilities which may be incurred by any one person, company, corporation or firm to a national bank, and provides that such liability shall not exceed ten per cent of the bank's capital stock and surplus unimpaired; and in no case shall it exceed 30 per cent of the capital stock. There are few states that follow the National Bank Act respecting the limitations on commercial loans. In Michigan State Banks may loan to any one individual, firm or corporation 8 1/10 per cent of capital and permanent surplus. Eleven States have a ten per cent loan limit. Such States are Alabama, which also includes undivided profits; California, unless capital and surplus are not over \$25,000, when it is 20%; Connecticut; Georgia; Maine, also including undivided profits; New Hampshire; New Jersey; New York, including acceptances, and except in boroughs of over 2,000,000 population; North Carolina, if paid up capital is over \$100,000; Rhode Island, exactly similar to provision in National Bank Act; South Carolina, 10% of capital only. Six States have 15% limitation. They are Illinois, with 30% of capital as an extra limitation; Kansas; Minnesota; North Dakota; Tennessee, including

undivided profits; Utah. Fourteen States provide a limitation of 20% capital and surplus. They are Idaho; Iowa, on paid up capital only; Kentucky; Louisiana, including undivided profits; Maryland; Montana; Nebraska; New Mexico; Ohio; Oklahoma; Oregon; South Dakota; West Virginia, including undivided profits; Wyoming. Five States provide for a limitation of 25% of capital and surplus. They are Colorado; Mississippi; Nevada; Texas; Virginia. Arkansas and Wisconsin have a 30% of capital and surplus limitation. Vermont limits loans to \$10,000 plus one per cent of deposits in excess of \$1,000,000 and not over \$50,000 except where capital and surplus exceed \$50,000, when the limit is 10% of capital and surplus. Missouri provides a 15% limitation when city population is over 100,000; 20% from 7,000 to 100,000, and 25% elsewhere. There are no specific loan limitations in the banking laws of Arizona, Delaware, Florida, Indiana, Pennsylvania and Washington. In some States larger loans may be made by vote of directors. Exceptions are also made in some States in case of loans secured by collateral.

QUESTION 7. (A) ARE THE LOAN LIMITATIONS PRESCRIBED BY THE FEDERAL RESERVE ACT SUITABLE FOR YOUR COMMUNITY AND YOUR INSTITUTION? ANSWER "YES" OR "NO."

(B) IF SUCH LOAN LIMITATIONS ARE NOT SATISFACTORY, WHAT LOAN LIMITATIONS WOULD YOU SUGGEST?

[Faint, mostly illegible text from the reverse side of the page is visible through the paper. Some words like "QUESTION 7" and "ANSWER" are faintly discernible.]

COMING
RECEIVED

GENERAL QUESTIONS

QUESTION 8.—WHAT, IF ANYTHING, CAN BE DONE TO AVOID COMPETITION BETWEEN FEDERAL RESERVE BANKS AND OTHER BANKS?

QUESTION 9.—WHAT, IF ANY, CHANGES IN THE FEDERAL RESERVE ACT, OR IN ITS ADMINISTRATION, ARE NEEDED TO INCLINE YOUR INSTITUTION TO BECOME A MEMBER OF THE FEDERAL RESERVE SYSTEM?

Underneath write answers to questions 8 and 9, numbering answers accordingly.

[Faint, illegible text, likely bleed-through from the reverse side of the page.]

QUESTION 8.—DO YOU CONSIDER SATISFACTORY THE CONDITIONS UNDER WHICH STATE BANK MEMBERS OF THE FEDERAL RESERVE SYSTEM ARE PERMITTED TO MAKE LOANS ON REAL ESTATE SECURITIES? ANSWER YES OR NO. IF THE ANSWER IS NO, WHAT CHANGES WOULD YOU RECOMMEND? IF SUCH CHANGES ARE NOT SATISFACTORY, WHAT CHANGES WOULD YOU RECOMMEND?

When you have answered the questions asked in this communication, fill out the following form

Name of Bank.....

City or Town.....State.....

Date.....Name of Officer Signing.....

And mail to Geo. E. Allen, Secretary, 5 Nassau Street, New York City.

CAPITAL \$ 11,250,000

SURPLUS \$ 11,250,000

BANKERS TRUST COMPANY

16 WALL STREET

— AND —

5TH AVENUE AND 42ND STREET

CABLE ADDRESS: BANKTRUST, NEW YORK.

16 WALL STREET

NEW YORK, July 25, 1917.

OFFICERS

SEWARD PROSSER, PRESIDENT.
D. E. POMEROY, VICE PRESIDENT.
W. N. DUANE, VICE PRESIDENT.
F. I. KENT, VICE PRESIDENT.
F. N. B. CLOSE, VICE PRESIDENT.
A. H. MARCKWALD, VICE PRESIDENT.
A. A. TILNEY, VICE PRESIDENT.
H. J. COCHRAN, VICE PRESIDENT.
THOMAS HILDT, VICE PRESIDENT.
H. F. WILSON, JR., VICE PRESIDENT.
B. W. JONES, SECRETARY.
R. H. GILES, TREASURER.
BARKLEY WYCKOFF, CASHIER.

OFFICERS

GUY RICHARDS, ASST. SECRETARY.
P. D. BOGUE, ASST. SECRETARY.
J. R. TROWBRIDGE, ASST. SECRETARY.
H. N. DUNHAM, ASST. TREASURER.
I. MICHAELS, TRUST OFFICER.
BEACH POLK, ASST. TREASURER.
J. F. SCHMID, ASST. TREASURER.
R. G. PAGE, ASST. SECRETARY.
W. A. HENDERSON, AUDITOR.
H. H. MARTIN, ASST. SECRETARY.
H. B. WATT, ASST. SECRETARY.
L. S. STILLMAN, ASST. SECRETARY.
CLIFFORD WILMURT, ASST. CASHIER.
A. C. LIVINGSTON, ASST. TRUST OFFICER.

FOREIGN EXCHANGE DEPARTMENT

Mr. Benjamin Strong,
128 Gilpin Street,
Denver, Colo.

Dear Ben:-

Since writing you, have been called to Washington, or I should have sent you the enclosed before. It represents the general idea of the proposition that the gentlemen from the Bank of Italy wish to present to the Federal Reserve Bank of New York, provided and only if it will probably be satisfactory to the Federal Reserve Bank.

At the last conference it came out very clearly that their principal desire was to earmark gold in Italy for the purpose of obtaining dollars here. The representative of the Italian Embassy joined the conference about this time, and I made the following statement: "While I have no authority to say to you that the Federal Reserve Bank of New York will not be willing to enter into such an arrangement with you, even with the understanding that you pay for the privilege, as you suggest, yet it is my firm personal belief that they would not be justified in doing so. The government of the United States is making vast loans to the Allies. In order to do so it is obliged to borrow tremendous sums in this country. To accomplish this the Federal Reserve Banks are obliged to hold themselves in readiness to make such loans to member banks as are necessary in order to make it possible for such banks to subscribe for their depositors and themselves in such amounts as are necessary for the government to obtain its requirements. If the Federal Reserve Banks do not keep their gold where it can flow freely from one Federal Reserve Bank to another as sectional demands make necessary, and our government is consequently hampered in placing its loans, it will not be able to make the advances to Italy and the other Allies that it desires to do. In my opinion the government is the proper party to make the loans, and the Federal Reserve System the proper instrument for the government to use to obtain the funds. If both the government and the Federal Reserve Banks loan to foreign governments, it would seem to me not only to be an unjustifiable operation, but one that might prove most harmful to the Allies, for if carried sufficiently far, it would unquestionably handicap our government very seriously by curtailing

B. S. 2.

the ability of the Federal Reserve Banks to carry member banks until the public could absorb the securities."

The representative of the Italian bank agreed with me fully, and the representative of the Italian Embassy was very vehement in his expression of opinion that the better way was for the government to make advances, and the Federal Reserve Banks keep sufficiently liquid to be able to do their part. The Italians then gave it as their opinion that rather than go back without having formed any sort of an arrangement, they would like to make a tentative one, not with the idea of undertaking any transactions at the moment, but for sentimental reasons, and in order to put the two banks in position to operate quickly and without delay in case it ever proved to be advisable. I said to them then, "It will be entirely agreeable to you to form such an arrangement with the Federal Reserve Bank, with the specific agreement that it shall only become operative at such time as may be mutually agreeable and both banks give their consent?" This they agreed to, and the enclosed suggestions represent their idea of what should be covered by the agreement, in addition to this statement as to when it should become operative.

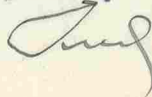
They were very anxious to have me send it to you for the purpose of obtaining your opinion on the matter. If you agree, as I judge you will from your letter referring to the matter, that an arrangement be entered into along these lines, to become operative when mutually agreeable, they would then like to make a formal presentation of the matter to the Board of Directors of the New York Federal Reserve Bank. Have sent you the copy delivered to me by Mr. Gidoni, which I take that he wrote himself, as it is very much in line with the English which he speaks. It is really just his rough idea to try to accomplish something without meaning to have it too specific until the time comes when actual transactions may take place.

Mr. Gidoni will appreciate it if you will telegraph your opinion, provided you desire to do so, otherwise he will gladly await your reply by mail, in which case he hopes that you will send me a letter to deliver to him that will couch the agreement in terms satisfactory to you.

Am arranging to have the Bank of France matter go forward on the first steamer, and have an appointment to talk it over with those in the office suggested by you.

With sincere regards, I am,

Cordially yours,



FIK/MKS
Enc.

CAPITAL \$11,250,000

Pers
104
SURPLUS \$11,250,000

BANKERS TRUST COMPANY

16 WALL STREET

— AND —

5TH AVENUE AND 42ND STREET

CABLE ADDRESS: BANKTRUST, NEW YORK.

16 WALL STREET

NEW YORK, September 4, 1917.

OFFICERS

SEWARD PROSSER, PRESIDENT.
D. E. POMEROY, VICE PRESIDENT.
W. N. DUANE, VICE PRESIDENT.
F. I. KENT, VICE PRESIDENT.
F. N. B. CLOSE, VICE PRESIDENT.
A. H. MARCKWALD, VICE PRESIDENT.
A. A. TILNEY, VICE PRESIDENT.
H. J. COCHRAN, VICE PRESIDENT.
THOMAS HILDT, VICE PRESIDENT.
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CLIFFORD WILMURT, ASST. CASHIER.
A. C. LIVINGSTON, ASST. TRUST OFFICER.
P. E. GODRIDGE, ASST. TRUST OFFICER.

FILING DEPT.

SEP 6 1917

FEDERAL RESERVE BANK

RECEIVED

SEP 5 1917



FEDERAL RESERVE BANK

Mr. Benjamin Strong,
Governor, Federal Reserve Bank,
Nassau and Pine Streets, N. Y.

Dear Ben:-

Your letter of August 31 received and carefully noted. The arrangement outlined is entirely acceptable to me, and I will gladly endeavor to keep myself free from outside entanglements, in order to have the time necessary for the work you have in mind.

Now that I am relieved from the Liberty Loan work, I have no work outside of the Trust Company of importance at the moment, other than the two following matters: Am Chairman of the Cotton Committee of the Southern Commercial Congress, which is to hold its annual meeting in New York, October 15, and have agreed to prepare and deliver an address at Atlantic City at the War Convention of American Business, Thursday, September 20. This meeting, I understand, is to be attended by members of the Cabinet and members of the Council of Defense, and it is hoped that important and beneficial results will develop.

Sincerely yours,

J. I. Kent

FIK/MKS

December 5, 1918.

Dear Fred:

I had hoped to be able to make an engagement with you for Saturday. Unfortunately, however, I will be obliged to be out of town and am writing to ask if you will be available for either Monday or Tuesday of next week. There are some matters I want to discuss with you.

Sincerely,

F. I. Kent, Esq.
Bankers Trust Company,
16 Wall Street, New York.

BS/MSB

Claridge's Hotel, Brook Street, W. I.

Dear Ben:

Just returned from telegraphing you acknowledgment of your wire which was received too late to notify any of the parties mentioned. Will do so first thing in the morning. Cabled New York today through the Embassy as follows after my checkword:

(TRANSLATION)

Bank of England is sending their representatives Wednesday to both Amsterdam and Brussels to arrange for gold as follows:

1. From Brussels 200,000,000 gold marks.
2. From Amsterdam equivalent of 240,000,000 gold marks, part of which consists of other coin and bars.
3. In both cases no shipment exceeding 16,000,000 marks or \$4,000,000 each unless you can arrange insurance for shipment of larger lots.
4. In both cases no shipment can be made unless we receive advices from you that you have effected insurance against all risks covering total amount in each case from door to door bank to bank together with final instructions gross amount covered in each shipment and to whom advices must be sent.
5. Bank of England will be ready to ship by next Monday and must have prompt reply through American Embassy London.
6. Expected about two or three shipments weekly.

Was obliged to stop right there or the cable could not have gone tonight and also had to let it go without referring to any of your cables of detail as I did not know the number or dates sent. Even so I am positive that Chubb and Son can arrange all detail from the information they already have together with their cable and we should have an answer before any shipments are ready to come forward. The Bank of England people will arrive Friday and do not expect to be able to get anything off before next week regardless of receipts of reply.

Tomorrow I shall cable New York again and have them add one per cent. to the insurance to cover incidentals as is usual. Could not get it in today as the cable would not have gone if I had done so and it is only important in the final negotiation.

Must mail this or you would not receive it in the morning.

Sincerely,

FRED

Aug. 19, '19.

When I saw Sir Lionel Abrahams, I found that he had received advice that the Federal Reserve Bank or our Treasury Department or both had no objection to their making an arrangement to handle the matter through someone else, but do not wish to have the Federal Reserve Bank act for them. As a result the India Council took ~~talked~~ it up with the Bank of Montreal and made ~~an~~ ^{under} arrangement with it ~~which~~ which they are to offer the rupees each week in the New York market. I told Sir Lionel that I was very sorry that it ~~was~~ ^{so} happened that they had acted before I saw him as I should have been very glad to have handled the matter through the Trust Company, if agreeable to our Government. It seems rather a pity to have the whole rupee situation in the United States thrown into the hands of a Canadian Bank, but the matter is finished now, and there is



CLARIDGE'S HOTEL,
BROOK STREET, W. 1.

21st. August 1919.

Dear Ben,

I am telegraphing you to-day giving you the cost of shipping *gold* to Spain which I confirm as follows:-

Freight 3/8% (on not less than \$200,000)	
(To port only)	\$1,125
Insurance 1/8% (To Madrid)	375
Packing Charges, 60 boxes @	
4/- each	12
Fees	1
	<u>\$1,513</u>

Say $\frac{1}{2}\%$ + $\frac{1}{20}\%$

The cost of conveying gold from the Spanish port to Madrid is not known here.

NEXT STEAMERS DUE TO LEAVE FOR SPAIN.

R.M.S.P. Steamer "Demerara" - Liverpool to Vigo - 29th August.

Subsequent programme not yet arranged but there are generally about two

steamers a month in this service.

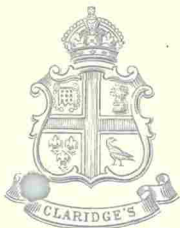
This represents insurance in pounds sterling and ~~not~~ dollars.

Perhaps I can obtain insurance in dollars even so, although the expenses would undoubtedly be greater as the risk of exchange will be added to the carrying risk. P will advise you as soon as I receive cables from the Federal Reserve Bank covering insurance.

Yesterday I sent through the Embassy a second cablegram to the Federal Reserve Bank, advising them of the necessity of adding 1% to cover incidental expenses such as boxing, packing shipping, and so forth, and after covering certain other matters which I do not wish to write in open letter - I advised the Bank that in the Insurance arrangement ~~of~~ the Bank of England they *are* not required to declare each shipment as made, but they say a statement in writing after shipment has

been made and ~~is~~ delivered is effective. Suggested that the Federal Reserve Bank arrange their insurance so that cable notices of each shipment would not be necessary *but* that all shipments made would be covered as and when shipped with notices to follow. I also told them that while cable advises could be sent just the same, yet that the arrangement suggested would be far safer, as it would not cancel any insurance in case of oversight on the part of anyone in sending notices. Can see no reason why the insurance cannot be effected on this basis, as I have made such arrangements ~~myself~~ in connection with ~~the~~ special shipment. It only involves *the* integrity of the banks with *the Insurance Co's* whom ~~they~~ are dealing, which should not be a question in the case of the Federal Reserve Bank.

The India situation is all settled.



CLARIDGE'S HOTEL,
BROOK STREET. W. 1.

-3-

nothing further to be done.

sincerely yours,

Paul

Benjamin Strong Esq.,

Ritz Hotel,

PARIS.

Please pardon the appearance
of this letter as I have not
been able to get a secretary yet
although several of the banks are
trying to look up one for me -
Paul

Tar Leppingwell from Kent
Cost shipping gold London to
Madrid follows freight London to Spanish
Port three eighths percent from Port to
Madrid unknown stop insurance in
sterling London to Madrid one eighth
percent maybe fractionally higher payable
in dollars stop incidental expenses about
twentieth permille stop next steamer
Liverpool to Vigo sails August twenty
nine later steamer undetermined.

Sent through Embassy London Aug 23/19

Claridges' Hotel,
Brook Street,
London, W. 1.
22nd August 1919.

Dear Ben,

Your letter of the 21st instant received this morning, together with the enclosures. Last night late I received your telegram requesting me to cable Leffingwell, which I have done, enclosing copy herewith. Nothing has yet come from New York shewing that insurance has been effected. Consequently the whole matter stands exactly as it was.

Mrs. Kent and I are remaining in London over the week-end as I did not feel warranted in leaving with the possibility of cables coming in to-day that might have to be answered or advice of which might have to go to Amsterdam and Brussels. If the cable arrives on Monday it will not delay the Bank of England representatives, however, as they do not expect to be able to get off any shipments until possibly the Tuesday or Wednesday Steamers, whatever days they may sail.

Sincerely Yours,

Judith Kent

Governor Benjamin Strong,
Hotel Ritz,
PARIS.

Your cablegram of 18 received through Embassy state Paris will accept sum paid 999.4. whereas the confirmation reads 899.4. which I will consider in error unless I hear from you to contrary.
Judith

Claridge's Hotel,
Brook Street,
LONDON, W.,

England, 25th August 1919.

Mr. Benjamin Strong,
The Ritz Hotel,
PARIS, France.

Dear Ben,

It seems to me that in figuring the cost of shipping gold from London to New York it should be on the basis of the ordinary market, and not on any special rate that the Bank of England might be able to obtain covering some particular transaction. This being true, I got the regular rates for shipping gold in the market today, which I am telegraphing you to-night. These rates are $\frac{3}{8}$ of 1% for freight and $\frac{3}{4}$ per Mille insurance.

The insurance companies state that their present feeling is that without question they would be willing to make the insurance read in Dollars, although the rate might be fractionally higher if Exchange should go much worse. They also stated that the rate of $\frac{3}{4}$ per Mille might be shaded in case of an actual transaction, particularly if the amount was large. It seems to me, therefore, fair to take these two rates as ~~being~~ a basis, particularly in view of the fact that you contemplate making a return, if shipment is not made, whereas you would have no means of recovery should you be obliged to ship at a higher cost.

The incidental expenses would probably be about one-twentieth per Mille. A fair rate therefore might be $\frac{3}{8}$ of 1% for freight and one per Mille for insurance, and incidental expenses. Will telegraph you the Bank of England rates as soon as received.

Sincerely yours,



* later raised to one per mille
as telegraphed you - Even so
believe $\frac{3}{8}$ of 1% + 1/100 would cover an
actual transaction -

Claridge's Hotel,
Brook Street,
LONDON, W.,
August 25th 1919.

Mr. Benjamin Strong,
Ritz Hotel,
PARIS, France.

Dear Ben,

Your letter of the 23rd instant with enclosure is received. My cablegram to the Federal Reserve Bank of New York had only to do with the shipments of gold from Amsterdam and Brussels to London. At the time I wrote you I had not received your telegram requesting me to cable Leffingwell about the gold to Spain. Immediately upon receipt of your telegram concerning this matter I cabled Leffingwell as requested, and wrote you to that effect on Friday.

Regarding the cost of shipping gold from London to Spain, would say that the figures given you were copied exactly from a statement which was furnished to me by the Bank of England, except that through an oversight the stenographer left out the first line which stated that the transaction upon which the figures were based covered a shipment of £300,000. This, as you can see, puts the figures exactly in order so that the cablegram which I sent to Leffingwell was correct, as I only gave him the per centages.

Sincerely yours,



(Received August 23, 1919)

London 13907 44 212 7H15 \$ =

Benjamin Strong

Ritz Hotel Paris France

Freight London to Spanish port three eighths one per cent from port
D Madrid unknown stop Insurance to Madrid one eighth per cent and
incidental costs twentieth per mille stop Next steamer Liverpool to Vigo
sails August twenty ninth

KENT

(Received Monday morning, August 25th)

London 40519 15 24 7h8

BENJAMIN STRONG

Hotel Ritz Paris

Telegram received Sunday morning will telegraph figures
required Monday

KENT

Special

1-FBS.

BLUE. 650.

Amembassy Paris,

Dated August 26th 1919.

Rec'd 4:45 p.m. Sept. 1st.

Ammission,

Paris.

650 August 26th 8 p.m.

For Benjamin Strong for Federal Reserve Bank, New York, from Kent.

"Cablegram number 3 replying your cablegram August (2269040(?)) insurance effected. Bank of England has been instructed to proceed as follows: One, shipments are to be made from both Amsterdam and Brussels as rapidly as packing and available steamer make possible. Two, until otherwise instructed no single shipment from either point will exceed five million dollars. Three, representatives Bank of England in both places will telegraph advice of each shipment giving name of steamer to Bank of England, London. Four, upon receipt such telegrams Bank of England will cable advice of shipments to Federal Reserve Bank, New York. Five, Federal Reserve Bank, New York, will advise insurance agent. Six, should two or more shipments arrive at British port for same train, only one shipment will be allowed to come forward at a time. Seven, we are operating on this basis but would

appreciate

1-RFA

SECOND SHEET OF #650 FROM AMEMBASSY, PARIS.

appreciate prompt confirmation. For your information (1) Different steamers take freight from Amsterdam and Brussels. (2) It is expected that of the one hundred and ten million covered by insurance, 75 million will come from Amsterdam and 35 million from Brussels. (3) This will leave ten to eleven million in Amsterdam, and twelve to thirteen million in Brussels, still to be moved, awaiting decision about shipment to Spain. (4) All of this amount excepting any that may go to Spain will have to be insured and come forward as part of this. (5) Insurance should, therefore, be arranged under prompt advice to cover such part as may be shipped to London to prevent holding bank of England representative unduly in Amsterdam and Brussels. (6) Believe this could be arranged by securing insurance same conditions for any part of a further 25 million dollars which may be shipped. (7) Referring to number six under procedure as some steamers from Brussels and Amsterdam will probably enter same port. great delay may ensue and added danger unless insurance limit arranged to cover steamer only so that if two shipments should happen to come forward from a British port to London on same train they would be covered. This is regular procedure here and should be allowed. Please cable as to this immediately."

DAVIS

Special

Claridge's Hotel,
Brook Street,
LONDON, W.,

England, 26th August 1919.

Mr. Benjamin Strong,
HOTEL RITZ,
PARIS, France.

Dear Ben,

As I wrote you this morning I arranged with the Bank to telegraph release of shipments; arranged with them to make one shipment not to exceed *legzakajum* Dollars or *leppy kajum* Marks from each point! Norman stated that this would cover all they can handle for two or three days, and in the meantime I am cabling back to New York as per copy which I am having the Embassy repeat to you. If no reply is received by Thursday morning I will have the operation repeated as outlined above, for there is no question whatever about cover having been effected. At the same time, in view of certain possibilities which my cable covers, thought it best to authorise the one shipment first. On receipt of reply to my cablegram the Bank will have everything moved forward in good order in accordance with instructions.

20,000,000

5000,000

The method of advice will be as follows:-

The representatives of the Bank of England will cable to the Bank giving particulars of each lot, and the bank immediately upon receipt of such cable will advise the Federal Reserve Bank in New York by cable, so that the latter will be in position to properly advise Chubb. There will then be nothing further for me to do unless something new turns up. On that account, as I feel very much the need of a few days' rest - as I have been actively busy here until away late at night, I shall try and leave Friday afternoon for the Valley of Rocks Hotel, Lynton, England. Will leave my address with the Embassy, Claridge's, The London Joint City & Midland bank, and

26/8/1919.

the Bank of England.

I will have any and all cablegrams that may come for me telegraphed on. Will also advise Mr. Norman that I will be ready at a moment's notice to return to London in case of need. Hope to stay there about 10 days. The head man of the Imperial Ottoman Bank is in Scotland, and as it is very important that I see him on account of General Harbord before I return to Paris, I have made an engagement at his office to meet him on September 9th in London.

In the meantime certain matter is being prepared for me.

Shall then, unless something turns up in the interim, to prevent, leave for Paris on September 10th or 11th. In any event, you need have no anxiety about the situation here, as I will stick to it as long as is necessary and be within constant call at all times.

Sincerely yours,



London 54331 50 25 7h2

BENJAMIN STRONG

Hotel Ritz Paris

Outside rates freight London New York three eighths per cent.
insurance one permille could be straded covering incidental stop Will
telegraph Bank rates tomorrow stop Embassy delivered insurance cable
from New York six o'clock and will release shipments Bank tomorrow stop
Letters received everything in order writing

KENT

Claridges' Hotel,
Brook Street,
LONDON, W.,
England, 26th August 1919.

Mr. Benjamin Strong,
Hotel Ritz,
PARIS, France.

Dear Ben,

Confirming my telegram of today, would say that the Bank of England found that they could obtain a special rate London to New York, freight from door to door, of \$2.00 per thousand payable in New York, and for insurance $\frac{1}{8}$ of 1% payable in Dollars. \$2.00 payable in New York would of course make the percentage charge greater than if you could pay in Sterling Exchange. These rates, however, were special rates made to the Bank of England as an accommodation to them. The Bank stated that they felt that the ordinary rate would be \$2¹/₂ per thousand, but this also would be payable in New York; and they further felt that the rate of $\frac{1}{8}$ of 1% for insurance might have to be fractionally increased if payment in Dollars should be insisted upon. The rate which I telegraphed you last night, $\frac{3}{8}$ of 1%, was a straight percentage on the Sterling, and, as I wrote you, represented the open market rate. After having made a rate of $\frac{3}{4}$ per mille for insurance, with the statement that on an actual transaction it might be reduced, they came back later with the statement that the rate would have to be increased to 1 per Mille. Everything taken into consideration, I believe that it would be thoroughly fair and proper for you to make a flat charge of a half of 1% to cover all expenses. If untoward conditions developed which would seemingly be the only reason why you might desire to move the gold to New York for some time, there is good reason to expect that the cost of shipment might be materially increased; in fact obtaining shipping space might be extremely difficult, and it might even be necessary for special guards to be furnished - possibly from the United States. - As you would have no means of recovery after having made a settlement, in case the cost of shipping at the time of actual transfer increased, you are certainly more than justified in making a flat rate of $\frac{1}{2}$ of 1%; and further I question whether you could, out of fairness to the Federal Reserve Bank, make a less rate all things considered.

I am about to leave for the Bank to have them telegraph proper release in accordance with cablegram received last night from the Federal Reserve Bank, which I quote as follows;-

Claridges' Hotel,
Brook Street,
LONDON, W.,
England, 26th August 1919.

Mr. Benjamin Strong,
Hotel Ritz,
PARIS, France.

Dear Ben,

Confirming my telegram of today, would say that the Bank of England found that they could obtain a special rate London to New York, freight from door to door, of \$2.00 per thousand payable in New York, and for insurance $\frac{1}{8}$ of 1% payable in Dollars. \$2.00 payable in New York would of course make the percentage charge greater than if you could pay in Sterling Exchange. These rates, however, were special rates made to the Bank of England as an accommodation to them. The Bank stated that they felt that the ordinary rate would be \$2¹/₂ per thousand, but this also would be payable in New York; and they further felt that the rate of $\frac{1}{8}$ of 1% for insurance might have to be fractionally increased if payment in Dollars should be insisted upon. The rate which I telegraphed you last night, $\frac{3}{8}$ of 1%, was a straight percentage on the Sterling, and, as I wrote you, represented the open market rate. After having made a rate of $\frac{3}{4}$ per mille for insurance, with the statement that on an actual transaction it might be reduced, they came back later with the statement that the rate would have to be increased to 1 per Mille. Everything taken into consideration, I believe that it would be thoroughly fair and proper for you to make a flat charge of a half of 1% to cover all expenses. If untoward conditions developed which would seemingly be the only reason why you might desire to move the gold to New York for some time, there is good reason to expect that the cost of shipment might be materially increased; in fact obtaining shipping space might be extremely difficult, and it might even be necessary for special guards to be furnished - possibly from the United States. - As you would have no means of recovery after having made a settlement, in case the cost of shipping at the time of actual transfer increased, you are certainly more than justified in making a flat rate of $\frac{1}{2}$ of 1%; and further I question whether you could, out of fairness to the Federal Reserve Bank, make a less rate all things considered.

I am about to leave for the Bank to have them telegraph proper release in accordance with cablegram received last night from the Federal Reserve Bank, which I quote as follows;-

26/8/1919.

- (1) REPLYING YOUR NUMBERS ONE AND TWO CHUBB HAS PLACED INSURANCE IN THIS MARKET PAYABLE IN DOLLARS UP TO 7½ CENTS FOR EACH 100 DOLLARS.
- (2) PROTECTION IS EFFECTED UP TO ~~TO~~ ^{lifhokejium \$110,000,000} BLANK DOLLARS AGAINST ALL RISKS AND ATTACHES IRRESPECTIVE OF WHEN DECLARATIONS ARE MADE BUT IT IS EXPECTED CABLE WILL BE SENT UNIVERSALLY STATING DATE OF SHIPMENT AND THE AMOUNT.
- (3) CHUBB COULD ONLY ARRANGE FOR ~~BLANK~~ ^{legzakejium \$5,000,000} DOLLARS ON ANY ONE CONVEYANCE AT ONE TIME OR IN ANY ONE PLACE, BUT HOPES TO ADVISE US BY MONDAY OF A LARGER AMOUNT.
- (4) TO AVOID DISPUTE IN CASE OF LOSS INSURANCE IS ARRANGED FOR ON THE BASIS OF MINT PAR FOR THE COINS AND THE BARS AT \$20.6713462 PER OUNCE OR PLUS 1%.

While there is nothing in the cablegram to shew that the insurance covers both points* of departure, yet as the total is in excess of the ~~total~~ greatest possible amount that could be shipped from the point where they had previously cabled you that insurance could be arranged, I feel that there is not the slightest doubt but that both points are included. Even so, and while I am allowing the matter to go forward on this basis, yet I have today cabled the Federal Reserve Bank through the Embassy confirming their cable on that basis.

In view of the change in amounts that may be shipped, it may be necessary to have the insurance increased; but until this is fully determined will keep strictly within the amount mentioned.

Sincerely yours,

Frank B. Rowland

* you remember the cable only spoke of the insurance from one point. As operations are now going on thought best to guard open letter. The stenographer I have in all right I feel certain for I looked him up a little but even so have felt it advisable not to let him know too much. He of course sees no incoming mail or telegram.

London 60608 34 26 10h15

Benjamin Strong

Hotel Ritz Paris

Bank figures two dollars and quarter per thousand for freight
normal times and one eighth per cent insurance or more payable dollars
stop Believe outside rates telegraphed you safest

KENT

Recd

Claridge's Hotel,
Brook Street,
LONDON, W., England,
28th August 1919.

Mr. Benjamin Strong,
Ritz Hotel,
PARIS.

Dear Ben,

Your letter of the 26th instant with enclosures received this morning, August 28th. You need give the Turkish-Armenian matter no thought whatever, as I have done everything necessary and will be in position to make a final report to General Harbord as arranged in a few days. I am thoroughly convinced that nothing would have been gained by going to Constantinople, as I can get more real light on the situation here than would be possible there. Will send the report direct to General Harbord as requested, as I imagine that he desires to have it in Constantinople to work into the balance of his own report. The Imperial Ottoman Bank have been working upon the matter for several days, and I expect to see them this afternoon.

As there is absolutely nothing further that I can do at the Bank of England in connection with the Gold at the moment, except to advise them of any changes that it may be possible to make in regard to the amount covered under any one shipment, including the question of train service covered in my cablegram to New York copy of which I had repeated to you through the Embassy, in Paris, I will leave for the Valley of Rocks Hotel, Lynton, North Devon tomorrow morning. Should any telegrams or cables come for me while there they will be forwarded without practical loss of time, and if necessary I will come back to London immediately.

Shall see Mr. Norman this afternoon the last thing and make certain that I am correct in my judgment as to the advisability of my being out of London for a few days. Of course, if I were not within easy call by telegraph I would not consider doing so, under any circumstances. The Federal Reserve Bank is cabling a short repetition of the cables to me direct to the Bank of England, so that the Bank would be advised promptly in any event. The instructions to the Bank of England stand

Mr. Benjamin Strong, PARIS.

SHEET 2.

28/8/1919.

positively and clear, and will only be changed as proper authority is received from New York.

Sincerely yours,

A handwritten signature in cursive script, likely belonging to a high-ranking official of the Federal Reserve Bank of St. Louis, such as Governor Francis B. Saypol.

Special

Claridge's Hotel,
Brook Street,
LONDON, W.,

29th August 1919.

Mr. Benjamin Strong,
RITZ Hotel,
PARIS,
France.

Dear Ben,

Your letter of the 27th received this morning, Friday. It is quite impossible yet to make any estimate that would be helpful to Mr. Hoover for the reason that the experience of the Bank of England in moving its own Gold can hardly be used to estimate the shipments for the Federal Reserve Bank. This is partly due to the fact that the amounts covered by insurance on one conveyance are much smaller than those under which the Bank made shipments. The time involved will therefore be much longer and the incidental expenses also, all of which will be covered in the bill which the Bank will have to render after the operations are closed. This being true I believe that it would hardly be possible for the Bank to make any estimate that would be a satisfactory one upon which to base a settlement.

Upon my return to London September 9th I will take this matter up, as sufficient movement will then have occurred to make it possible to make a fair estimate. We will also know before that time whether the shipments can come forward more rapidly than under present conditions.

Saw Mr. Norman yesterday afternoon and left him a copy of the cablegram which I sent to the Federal Reserve Bank of New York through the Embassy, and which I had repeated to you in Paris, which, after reading, he said he would use as his bible for it covered every phase of the situation. Also left ~~the~~ letter with him authorising him to act upon any telegram received by the bank direct from the Federal Reserve Bank of New York, which might give positive authority to make larger shipments.

Called Mr. Paice, the Cashier of the bank, on the telephone and asked him if, as far as he could see, everything was in order; and if it would be alright in his opinion for me to go on to Lynton for a few days. He stated that, with the copy of the cablegram which I had given him, they were in a position to move forward without any delay or any further instructions, and therefore I am going on to Lynton to-day. Both Mr. Norman and Mr. Paice know that I will come back at a moment's notice if necessary.

Sincerely yours,



5, RUE SCRIBE

TÉL: CENT. 79-75

Paris, Sept. 15, 1919.

Mr. Benjamin Strong,
Ritz Hotel,
London, England.

Dear Ben:-

Was awfully sorry to leave London before your return, but as I could see that the gold situation is all in order, with the exception of a few unknown quantities that are at present covered by estimates, did not believe that it would inconvenience you in the slightest, particularly as I told Mr. Vaughan to forward copies of any new statements or figures to me here, so that I could check them up.

Regarding the figures given by the Bank of England as representing the melting cost, am inclined to believe after talking it over with three members of the office force who have such matters in charge that it is based on the following:

The gold coin which was melted was practically full weight, and therefore the shrinkage representing £123,000 represents both light weight and remedy, with the probability that the coin itself was such a high average of weight that the loss was due almost entirely to remedy. This being true, and as in figuring the value of the gold we have used the exact weight, thus having made allowance for light weight, the loss of gold in melting as determined by the Bank of England in their operations will be found to run the same when applied to the figures which I prepared, which are based on actual weights of coin.

There is one thing, however, which should be borne in mind, and that is that the remedy in Austrian coin is apt to run much higher than in gold Marks, and as there were 18,300,000 Austrian Crowns, it might increase the percentage somewhat over that shown by the Bank of England.

In talking with the Bank of England representatives Friday afternoon, I told them that it was my understanding that you wished the British bars kept intact, but that you desired to have the German bars melted and re-assayed. You of course will give such instructions as you think best, but thought I would mention this, for if I gave any wrong impressions as to your wishes, you might desire to correct them.

B. S. 2.

Expect to see Mr. Stettinius this afternoon, and if anything develops that will be of interest to you, will advise you.

Hoping you will not hesitate to continue to call upon me exactly as if I were in London, I am,

Sincerely yours,



FIK/MKS

5, RUE SCRIBE

TÉL: CENT. 79-75

Paris, Sept. 18, 1919.

Mr. Benjamin Strong,
Ritz Hotel,
London, England.

Dear Ben:-

Your letter of the 15th, enclosing check to my order for Francs 2,000, received. Did not care at all to have you send me this check, but thought it could go against any settlement we had to make later.

In connection with your suggestion that I make a statement of expense to you, feel that there is no call whatever for my doing so, and if from your point of view it is in order, I should prefer to consider the whole matter settled.

It was a real pleasure to me to have the opportunity to work with you, and I still wish to have you feel perfectly free to call upon me. Can understand that if you really sail for New York on the "Baltic" that there may be matters left over that you would like to have the Bank of England refer to me. Should such be the case, hope you will not hesitate to do so, for I would gladly make a special trip to London should it be advisable, and the same thing is true as far as Brussels and Amsterdam are concerned.

Should this letter fail to reach you before you sail, in which case I presume it will be forwarded to New York, you can reach me by cable as follows: "Kent Banktrust Paris". As you know, I have a copy of Bentley's code, and also a set of check words, a few of which I used with the Federal Reserve Bank. You could also obtain a copy of the regular Bankers Trust code from our office, should you prefer to use that, as I also have a copy of the Bankers Trust code with me.

Hoping that you may have a most pleasant trip, and with sincere regards, I am,

Cordially yours,

J. P. Morgan

FIK/MKS

*European Trust
Kent*

*- Not sent to
F files*

5, RUE SCRIBE

TÉL: CENT. 79-75

Paris, Sept. 22, 1919.

Mr. Benjamin Strong,
Governor, Federal Reserve Bank,
15 Nassau St., N. Y.

BA
OCT 15 1919

Dear Ben:-

Your letter of the 19th instant, dated at London just before you were to sail, received.

Am sorry that you still have the Turkish matter on your mind, as I thought that I wrote you fully and advised you that I was preparing a report for Major General Harbord. As a matter of fact the Imperial Ottoman Bank were kind enough to give me copies of the confidential reports which they had received from their various branches in Turkey, with the understanding that I should use great care, in taking from them, not to use any matter that should properly be secret to the bank. All of the reports, except two, are in French, and they are now being translated.

Lord Faringdon, whose organization controls the National Bank of Turkey, is also having matter prepared for me, so that I expect to be in position to give Major General Harbord a full report on his arrival in Paris.

Have already had a talk with the gentleman connected with the Imperial Ottoman Bank in Paris mentioned in your letter, but do not think I will get any additional information from him that is not covered in the other matter coming forward.

There seems to be a little easier feeling existing in Paris the last week over developing conditions. The stopping of the rise in the value of the dollar, even though it may be temporary, and its slight recovery (that is, from 9 down to 8.64 and back to 8.90, and then to 8.82) has apparently been brought about by the strenuous newspaper campaign concerning the exchanges which has been carried on the last two weeks. This campaign, while of course not affecting the actual amount of exchange in the market, has had a tendency to make those having Francs to sell hold off, hoping to obtain a better rate, and others having had to buy dollars doing the same thing.

Just had a letter from Dr. Vissering this morning, enclosing another copy of his report. He said that he feared that possibly his letter to you might not have reached London until after you had sailed, and so thought it best to send a copy of the memorandum direct to me. When in Holland I realized fully that the Dutch were tremendously interested in trying to take part in any

B. S. 2.

operation that might ultimately be developed. Both Dr. Vissering and Mr. ter Meulen asked me if I would not bear that phase of the situation thoroughly in mind. In reality I had already been giving it a good deal of thought, and talked over the situation with Dr. Naon, of Argentine, when on the "Baltic".

Had luncheon with Mr. Simon last week, and expect to go before the five principal French bankers for a quizz on the whole situation sometime this week.

Am planning now to be in Amsterdam on October 9 to see Mr. Warburg, as I think I can make that fit in with my other engagements, so that it will work out most satisfactorily all around. He seems to be tremendously anxious to see me for some reason or other, as I had letters today from both Dr. Vissering and Mr. ter Meulen trying to arrange a meeting.

Hoping that you may have had a most satisfactory return trip, and with sincere regards, I am,

Cordially,



FIK/MKS

5, RUE SCRIBE

TEL: CENT. 79-75

Paris, Sept. 25, 1919.

Mr. Benjamin Strong,
Governor, Federal Reserve Bank,
15 Nassau St., N. Y.

BA
OCT 15 1919

Dear Ben:-

As requested in your letter of the 17th instant, I bought a carton of Lucky Strike cigarettes for Mr. Norman. It was only Fr. 18, and you need not bother about it. As Mr. Stettinius is going to London in a few days, will ask him to take it with him, as that will probably be the surest way of getting it there.

It was very interesting to note in the London newspapers the various articles about the gold shipments. It was very evident that the writers were extremely curious about the whole operation, and could not get at the bottom of it. Some of them even went so far as to watch the gold supply of the Bank of England, and wondered why the importations did not increase it.

There is no doubt whatever but that the situation is clearing a little in France. The increase in the price of the French Franc, even though it has been small in comparison with the discount, has given a better tone, and has seemed to encourage French interests very much. There seems to be a feeling in the street that it is largely due to the newspaper campaign which has been going on here, which, if true, can only be temporarily effective.

At present I am planning to go to Amsterdam the end of the first week in October, as Dr. Vissering is anxious to see me, and Paul Warburg will be there at the same time, so that in connection with other matters I can make the trip of considerable count.

Had luncheon with Mr. Simon the other day, and de Neufflize is to take luncheon with me today. Also saw Mr. Delano yesterday, who is to take luncheon with me tomorrow, and by keeping after different ones I hope to gather in every angle of the situation that is possible.

They have asked me to sit on one of the temporary Reparation Committees, which I have agreed to do for a few days at least, in order to help them get started. Whether I can keep it up long, I doubt, as they waste too many hours. Yesterday, for instance, the French and Italian delegates argued back and forth for a whole hour over matters that could not possibly be settled

- Had sent to Files

B. S. 2.

until a general plan of procedure had been developed. Finally I suggested that a sub-committee draw up a plan to be submitted to the general committee, so that we could get down to brass tacks and argue on matters that had some bearing on the subject. This was agreed to, and then they started in on another long harangue, which I interrupted with the suggestion that before we approve or disapprove of any particular policies, we await the report of the sub-committee, as otherwise we might embarrass them very seriously in developing a plan. This was agreed to, and then I suggested that we adjourn, which fortunately worked, so that we finished the same day. We have a meeting of the sub-committee this afternoon at 4 o'clock for one hour, and the general committee is then to join us at 5 o'clock. In the meantime after finishing this dictation I am going to tackle the problem myself. There is no question but that it is a tremendously difficult situation. On the other hand, it is solvable, and in fact a solution must be reached, and promptly. The work is preliminary to the meeting of the Reparation Committee after its appointment, provided it ever is appointed. If anything develops in connection with this work that I feel would be of value to you, particularly in view of what may take place when appointments begin to be made, I will advise you fully.

Colonel Logan is going to send you a cablegram on Monday of a memorandum which I expect to turn in to the Committee, unless something develops in the meantime to make me change my opinion as to its desirability. Thought it best for him to send it to you, so that you can take it up with the Treasury, rather than the other way round, in view of certain possibilities.

Have given the films to a shop here in Paris, and will forward the pictures to you as soon as received.

Sincerely,



FIK/MKS

5, RUE SCRIBE

TÉL: CENT. 79-75

Paris, Oct. 3, 1919.

Mr. Benjamin Strong,
Governor, Federal Reserve Bank,
15 Nassau St., N. Y.

BA

OCT 15 1919

Dear Ben:-

Am just in receipt of your cablegram advising me that you have received cable from the Bank of England that gold shipments had been stopped Sept. 27. Before receipt of your wire, had a reply from Norman to my cablegram to him, thanking me for having wired and advising me that he had cabled you that shipments had been stopped. In view of the fact that he so promptly looked after the matter, I am greatly pleased that my cablegram to him stated that my action was taken fearing that possibly he might not be able to communicate with his representatives in Holland and Belgium promptly. His cablegram in reply shows that he thoroughly appreciated the point of view.

See Norman's cable
9/27/19

We did not have sufficient information as to the development here so that I could tell whether telegraphic communication was affected, as well as transportation, so that I felt it best not to take any chances.

Am very glad indeed to know that no shipments were in transit, as Norman's cablegram to me states.

Have not yet sent the cigarettes over to him, as Mr. Stettinius changed his plans and sailed on the La France instead of going over to England. Am holding them here, and will get them over as soon as the railroad strike is settled.

The pictures are not finished as yet, but I will forward them as soon as received.

Sincerely yours,

FIK/MKS

draft matter for 5/15.75 franc

5, RUE SCRIBE
TEL: CENT. 79-75

Paris, Oct. 22, 1919.

Mr. Benjamin Strong,
Governor, Federal Reserve Bank,
15 Nassau St., N. Y.

Dear Ben:-

Enclose herewith letter addressed to you from the Embassy, and presume it may contain bills for cablegrams, as I received a similar letter enclosing papers which I am sending with this letter, as the cablegrams referred to were all account Federal Reserve Bank business. Have paid the Embassy for the cables account General Harbord Commission, which were rendered in a separate bill.

Have advised the Embassy that the bills have been forwarded to you, and that you will remit for them direct, so that they will fully understand the cause for the delay.

Your cablegram advising me that you had cable advice from the Bank of England stating that gold shipments could be resumed was received, but several days before it arrived I had advice that the Bank of England was ready to resume shipments, and authorized the Banque Nationale de Belgique and the Nederlandsche Bank that unless they had instructions from you to the contrary, shipments could be resumed at the request of the Bank of England. This placed the whole matter in order, and cancelled all restrictions contained in the telegrams which I sent at the time of the strike. Everything is moving forward satisfactorily, and Dr. Vissering stated that he anticipated no friction of any sort.

Sincerely yours,

Handwritten signature and initials

FIK/MKS
Enc.

5, RUE SCRIBE

TÉL: CENT. 79-75

Paris, Oct. 27, 1919.

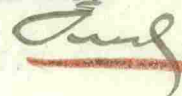
Mr. Benjamin Strong,
C/o Federal Reserve Bank,
15 Nassau St., N. Y.

Dear Ben:-

While I hold the photographer's receipt for the films that I delivered for the purpose of having prints made, yet he has been unable to find them, and while he feels certain that they will turn up eventually, yet at the moment to my disgust I am not in position to forward you the pictures.

As soon as they come to light, if they ever do, I will get them to you immediately.

Sincerely,



FIK/MKS

PERSONAL AND CONFIDENTIAL FILING DEPT.
DEC 23 1919

5, RUE SCRIBE

TEL: CENT. 79-75

FEDERAL RESERVE BANK
Paris, Nov. 18, 1919
Sent Dec. 2, 1919

Mr. Benjamin Strong,
Governor, Federal Reserve Bank,
15 Nassau Street,
New York.

Dear Ben:-

You may not have realized it, but I have had a very delicate situation to handle. Dr. Vissering as I wrote you called a meeting in Amsterdam which I attended, after which it was determined to call a further conference which was to include representatives from the neutral nations of Europe other than Spain. This was all constructive and had the elements of a development that might result in much good. In fact it has already done so.

At the second meeting it was proposed by Mr. Keynes that a Memorandum be filed with the League of Nations, which was to be signed by representatives of all the countries concerned. This you know as I forwarded a copy to you immediately upon my return to Paris. When doing so I did not stop to think that it would of necessity reach you long before I could give you all the further facts of the development and it was really sent forward as preliminary information. As I wrote you, I did not propose to allow anything to go forward that would have a tendency to embarrass our Treasury Department, and on that account I arranged in Amsterdam to have the whole matter held up until I could present it to our Government for consideration. It seemed the best way to handle the matter and I am convinced that it will in the end bring better results than if I had caused the conference in Amsterdam to break up in a great division of opinion that would have made everyone feel as though their time had been wasted. As the matter stands to-day, all the members of the conference, as far as I know, feel that something real was accomplished in ascertaining as we did the attitude of our Government which has resulted in preventing the Memorandum going forward to the League of Nations.

Before going to Amsterdam I told Rathbone that I would let him know immediately upon my return just what was done and as soon as I could see him after I got back, I explained the whole situation and he cabled the Memorandum to Washington. The reply received was quite to be expected as far as their attitude toward the Memorandum is concerned, except that their opinion as to the filing of a memorandum with the League of Nations in any form was unknown to me. While personally I knew of no reason why some such memorandum should not be filed with the League of Nations, yet as

B. S. 2.

I was not familiar with the negotiations which had resulted in its development I did not know how the President expected to have it used and could not tell whether it would be desirable or not. On this account, it seemed better to ascertain the opinion of the Administration before the idea was turned down. Their reply is positive as to their feeling that the League of Nations should not be applied to in connection with any financial matters, and I have notified Dr. Vissering for the benefit of all members of the Conference, as per copy of letter enclosed herewith. As a result of this manner of handling the situation, the members of the conference are all ready to come to Paris whenever the time seems ripe for the purpose of endeavoring to build up some cooperative scheme among Bankers only, in the various countries to help the situation. Whether this can be done I do not know. The detail of accomplishing it is, to my mind, very simple and I feel that I could draw up a plan that would be extremely effective. On the other hand interests in the United States may not feel that it is the way to operate and on that account I do not propose to go any further with the matter until I know their feeling. Should it so happen that American bankers would look upon the cooperation between the countries as of value, the meeting in Paris could be quickly arranged. If on the other hand the Bankers in America believe it unwise to attempt any cooperative scheme, I can present it in proper form at the right time to Dr. Vissering for distribution to the members of the Conference. In any event, I feel much has been gained, for the meetings brought out a large amount of information which was of real value.

One thing in this connection that might interest you is the fact that it developed in the last meeting that the neutral nations themselves are more or less anxious about their own industries, fearing that possibly Germany once she gets started can rapidly make it difficult for them to carry on their industries. At first thought one might feel that the neutral nations were principally concerned about the situation because of their fear that they might lose the money which Germany owes them. While this is unquestionably true to a certain extent, yet the other feeling expressed at the meeting seems to be very strong and I am not certain but that they would rather take the chance of losing on the loans which they have made than have their industries disrupted through a too quick coming to life of German manufacture.

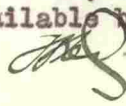
Sincerely yours,



FIK/MC.

1 Enc.-

P.S.- Was obliged to hold this letter from November 18, until to-day December 2, as the statement from the Treasury was not available before.



Paris, December 2, 1919.

Dr. G. Vissoring,
President, Nederlandsche Bank,
Amsterdam, Holland.

Dear Dr. Vissoring:-

Reply to the cablegram referred to in my former letter just received. It is most fortunate that the proposed memorandum was held up, as it would not be acceptable to our government to have it presented to the League of Nations, either in its present form or otherwise. As the conference called in Amsterdam was solely for the purpose of endeavoring to find a way to be helpful to the situation, and as I am convinced beyond doubt that no greater mistake could be made than to file the proposed memorandum with the League of Nations, I am certain that the other members of the conference will be very happy to know that this information has been obtained in time to prevent any harm being done, and further, that the conference has already resulted in accomplishing much of value, in that the attitude of our government has been ascertained, as set forth in an authoritative statement of the point of view of the Secretary of the Treasury of the United States, enclosed herewith. I think it will be fully recognized by every member of the conference that this letter shows a most comprehensive understanding of the European situation, and that it should be our effort to work along lines aimed to co-operate with the ideas expressed in it.

One reason for the delay in developing a satisfactory means to finance European foreign trade has been due to the difference of opinion as to whether it should be undertaken by government in part or in whole. In the event that government had undertaken the matter, the United States would undoubtedly have been called upon by the other nations concerned to have taken such a principal part that it would have been ^{abs}urd to have proceeded along any lines aimed to accomplish the making of loans through a government pool unless the Treasury Department of the United States was fully in accord with the idea. In view of the constant negotiations between governments that were necessary during the war, and that are now necessary in connection with peace, which have been and must continue to be for some time of a most delicate nature, it would be extremely unwise for any body of men, no matter how earnest they might be in purpose, to undertake to develop a combination between governments without governmental approval. No amount of intelligence applied without knowledge of the nature of negotiations which were being and are being carried on could be expected to bring about a satisfactory result. At this crucial time in the world's history, it is particularly important not to interfere in any manner with governmental negotiations where all of the facts are not clearly understood.

Judging from the sincere attitude of all of those who attended the conference, I am certain that each and every one is in accord with this point of view.

G. V. 2.

Having before us the statement of the Secretary of the Treasury of the United States, with whose views I fully agree, has placed us in position to consider what is best to be done from the standpoint of better knowledge of the situation as it applies to governmental attitude, that is, of the particular government which other governments would expect to take a principal part in any large governmental loaning operation which might be developed. We can now, therefore, move forward with intelligence, and bring together all banking power possible to aid in the financing of the exchange of commodities between nations.

While the situation as a whole is being considered, the bankers of the neutral countries of Europe can help trade by financing barter wherever conditions warrant. This seems a most important thing to undertake, and one that will stimulate additional activity in the exchange of goods between countries while a more comprehensive scheme of financing is worked out, provided it proves advisable and necessary to develop something of the kind.

Sincerely hoping that my position in the matter is in full accord with that of every other member of the conference, and asking that you kindly distribute copies of this letter to each one concerned, I am,

Very truly yours,

FIK/MRS.
Enc.-

(Copy)

Since the Armistice the United States Treasury has advanced to the Governments of the Allies as of the close of business November 15th, 1919, the sum of \$ 2,329,258,138.55, and there remained on November 15th, 1919, an unexpended balance of \$593,628,111.45 from the total loans of \$ 10,000,000,000 authorized under the Liberty Loan Acts . The Treasury sees no need of an additional appropriation for Government loans, though it may later have occasion to ask the Congress to make some further modification of the terms under which the existing appropriation is available . The Treasury asked and obtained power for the War Finance Corporation to make advances up to the amount of \$1,000,000,000 for non-war purposes, and the War Finance Corporation is prepared to make such advances. The Secretary of War is authorized to sell his surplus stores on credit .

The power which at present exists in the Government or Governmental agencies to assist in meeting Europe's financial needs is therefore considerable . This power must, of course, be exercised with extreme caution and with the most careful regard for the urgent needs of our own people for an ample supply of foodstuffs and other necessities of life at reasonable prices.

The Treasury is prepared at the convenience of the Governments of the Allies to take up with their representatives the funding of the demand obligations which the United States holds into long time obligations, and at the same time the funding during the reconstruction period or say for a period of two or three years, of the interest on the obligations of Foreign Governments acquired by the United States under the Liberty Loan Acts .

The Treasury believes that the need of Europe for financial assistance is very great and very real, though it has been very much exaggerated here and abroad. Our hearts have been so touched by the suffering which the war left in its train and our experience is so recent of the financial condition which existed during the war (when men were devoting themselves to the business of destruction) that we are prone to overlook the vast recuperative power inherent in any country, which though devastated has not been depopulated and the people of which are not starved afterwards. We must all feel deep sympathy for the suffering in Europe to-day, but we must not permit our sympathy to warp our judgment and by exaggerating European financial needs make it more difficult to fill them. Men must go back to work in Europe; must contribute to increase production. The industries of Europe, of course, cannot be set to work without raw material, machinery, etc., and to the extent that these are to be secured from the United States the problem of financing the restoration of Europe belongs primarily to our exporters . Governmental financial assistance in the past and talk of plans for future government or banking aid to finance exporters has apparently led our industrial concerns to the erroneous expectation that their war profits based so largely on exports will continue indefinitely without effort or risk on their part. To them will fall the profits of the exports and upon them will fall the consequences of failure to make the exports . As soon as domestic stocks, which were very low at the time of the Armistice, have been replenished, those industries which have been developed to meet a demand for great exports paid for out of Government war loans will be

forced to close plants and forego dividends unless they maintain and develop an outlet abroad . The industries of the country must be brought to a realization of the gravity of this problem ; must -go out and seek markets abroad ; must reduce prices at home and abroad to a reasonable level, and create or cooperate in creating the means of financing export business .

Since Armistice Day the consistent policy of the Treasury has been, so far as possible, to restore private initiative and remove governmental controls and interferences. It has been the view of the Treasury that only thus can the prompt restoration of healthy economic life be gained . The embargoes on gold and silver and control of foreign exchange have been removed, as well as the voluntary and informal control of call money and the stock exchange loan account . The control exercised by the Capital Issues Committee over capital issues has been discontinued. Thus the financial markets of the United States have been opened to the whole world and all restrictions removed that might have hindered America's capital and credit resources, as well as its great gold reserve, from being available in aid of the world's commerce and Europe's need .

There are those who believe that the dollar should be kept at par ^{no more no less} in the markets of foreign exchanges. If effective action were taken to carry out such a policy, it could only be done by drawing gold out of the United States when the dollar would otherwise be at a discount and by inflating credit when the dollar would otherwise be at a premium .

- 4 -

The dollar is now at a premium almost everywhere in the world. Its artificial reduction and maintenance at the gold par of exchange in all currencies is quite unthinkable unless we propose to level all differences in the relative credit of nations and to substitute for our gold reserve a reserve consisting of the promises to pay of any nation that chooses to become our debtor. Inequalities of exchange reflect not only the trade and financial balances between two countries, but particularly after a great war such as that we have been through the inequalities of domestic finance. The United States has met a greater portion of the cost of the necessary war measures from taxes and bond issues than any other country. Largely as a consequence of this policy the buying power of the dollar at home has been better sustained than has the buying power at home of the currency of any European belligerent. For the United States to determine by governmental action to depress the dollar as measured in terms of foreign exchange, and to improve the position of other currencies as measured in terms of dollars would be to shift to the American people the tax and loan burdens of foreign countries. United States Government action at this time to prevent in respect to foreign exchange the ordinary operation of the law of supply and demand which automatically sets in action corrective causes, and to make an attempt to prevent the dollar from going to a premium when its natural tendency is to do so would as a natural ~~consequence~~ consequence stimulate our exports and through the competition of export demand with domestic demand maintain or increase domestic prices. Had the Allied Governments, after they had relaxed the war control of their imports, attempted to continue to hold the

exchange value of their currencies in the United States at an artificial level by further borrowings, the effect would necessarily have been to stimulate their imports and to discourage their exports, thus aggravating their already unfavorable international balances.

It is essential to discriminate between plans on the one hand to support exchange by direct action of the United States Government and plans on the other hand to facilitate the extension of private credit and the investment of private capital in Europe. To the former the Treasury is utterly opposed. Of the latter the Treasurer heartily approves. Some progress has already been made in placing in the United States through private channels the loans of Allied and neutral European countries and municipalities. The Treasury favors the making in our markets of such loans which contribute to relieve the exchanges. I am sure that American exporters and European importers will lay the basis of credit in sound business transactions and I know that American bankers will not fail to devise means of financing the needs of the situation, nor American investors to respond to Europe's demand for capital on a sound investment basis.

Meanwhile it is well to remember the silent factors which are always at work towards a solution of the problem. Immigrants' remittances to Europe are and will continue to be a very large item in rectifying the exchanges. Foreign travel will be a further item. Another very important factor is the purchase of European securities and repurchase of foreign held American securities by American investors. But the principal factor in Europe's favor is the inevitable

curtailment of her imports and expansion of her exports . These processes, of course, are stimulated by the very position of the exchanges which they tend to correct .

Sole
Have Mr. Rusk. for
the pictures. I sent me
the pictures %
Programme at Paris if
the arrives in time
RO.

Ack Prof. G.B.

5, RUE SCRIBE
TÉL: CENT. 79-75

Paris, Jan. 7, 1920.

Mr. Benjamin Strong,
15 Nassau St.,
New York City.

Dear Ben:-

My films were ultimately located, and I have had extra prints made for you, which I am sending under another cover. I am sorry for the delay. On the other hand, as the people in New York who put the new lens in my camera did not set it properly, so that it was not parallel with the film, the pictures are not in proper focus. I realized this, and endeavored to correct it by pushing the top of the shutter away from the film when taking the pictures, and succeeded in getting it about right in a number of cases, but to my disgust the majority of the pictures are really spoiled. Even so, I am sending them on as a few of them may be useful to you in connection with the trip.

On some of my other trips I endeavored to retake some of the scenes that I thought might be most useful to you, but I found it quite impossible to hold the lens with any degree of certainty as to focus. Should have had the camera fixed before I went out again, but no one seemed able to do it. Am much disappointed, as I have a really very fine lens that has given me some wonderful pictures in the past.

Dr. Vissering was in Paris a few days ago, and spent several hours with me. He stated that they had become rather convinced in Holland that it would be better to wait a little before making loans to Germany until the future developments could be ascertained a little more clearly. This was an extremely interesting statement, in view of the fact that there is evidence to believe that Dutch interests are going into Germany in a very large way, making investments wherever they find a good thing, while at the same time, hoping to keep others away, the same interests are shaking their heads about the German situation, and saying that everyone must be careful what they do there. Of course I would not accept Dr. Vissering's statement as being in line with an attempt to play any such game, but it was extremely interesting in view of the other developments which have reached me through absolutely authentic sources. This is, of course, strictly confidential, but as it is so indicative of many of the things that are going on in Europe, thought you would be interested in hearing of it.

Am wondering what you will think of Keynes' book, which was just published. Intended to get a copy and send it to you, but they have none in Paris, and Brentano's say that the first edi-

B. S. 2.

tion was all sold and none of the books are obtainable. The copy I read was one which Rathbone let me take. The book is so right in many particulars and so wrong in others that it is quite a curiosity. Keynes feels the matter very earnestly, and before the book was published, told me that he was going to put it out and was fearful it might make more or less friction, but felt that it was his duty to publish it even so.

The situation in Austria is frightful, but the Allies are really doing what they can to help at the moment. The Russian situation is, of course, a fright, and I guess has been about as badly mishandled as human ingenuity could devise. Just what is going to happen there, no one can foretell. There is a possibility, however, that the British Government may ultimately join with the French and stop the thing, although the attitude of labor in both countries is such that there may be difficulty in their doing so. In fact the attitude of labor, which has been recognized by the opportunists as being something that they must keep in step with for their own good, is at the bottom of the whole Russian development, otherwise the situation would have been controlled immediately at the time when it could have been done without difficulty. However, we have to march from today, and cannot return to a former state even though it is comparatively recent.

Sincerely,



FIK/MKS

5, RUE SCRIBE

TÉL: CENT. 79-75

Paris, Jan. 23, 1920.

Hon. Benjamin Strong,
Governor, Federal Reserve Bank,
15 Nassau St., N. Y.

Dear Ben:-

Note in the London Times that a great number of prominent Americans have signed the memorandum prepared in Amsterdam after the elimination of a certain part of it, and am very curious to know how it is being received in government quarters.

In view of the attitude of the Treasury, I of course dropped out of the situation after accomplishing two things which they particularly desired, one, to prevent the memorandum from going to the League of Nations, and the other, to eliminate the question of marking off loans.

Thinking it might interest you, would call your attention to the fact that Rathbone is making a most favorable impression here, and is handling himself very well. He is certainly a man of very great ability in his line, and is a hard worker.

With sincere regards, I am,

Cordially,



FIK/MKS

5, RUE SCRIBE

TÉL: CENT. 79-75

Paris, Feb. 26, 1920.

Mr. Benjamin Strong,
15 Nassau St.,
New York City.

Dear Ben:-

Your letter of Jan. 27 just received, and I am so glad that you are having another opportunity to "patch up", as I firmly believe that if for a time you take periods away from business that you will finally overcome all of your troubles and get back much of your old time strength. You must remember it is pretty hard on a poor human body to have to carry around such an active mind, and you must give it every chance you can. With the Liberty Loans finished it would seem to me that if you once got well rested now that nothing should develop that should in any way be taxing. While you will have many problems to solve that are most difficult, yet they will not require the same sort of concentrated energy that was true during the war. If you have this well in mind, I think it will not be long before things will work out much better for you.

When we were traveling together here I felt tremendously encouraged about your condition, and really believe that you have a wonderful chance to beat it for good and all if you are just a little over-careful, so to speak, for a time.

Possibly this may seem peculiar advice coming from me, because I do not seem to be able to do the same thing myself. On the other hand, having had experience my point of view should be all the more valuable.

After you left my ears did get worse and worse for a time, due to the awful weather conditions existing here in Paris, together with the fact that there was not enough coal to keep things warm. We worked in this office with a thermometer of from 58 to 62 for days. However, I was fortunate enough to be sent to a French specialist, to whom I go every day. He is an old man, and is wonderfully careful, as well as knowing what he is about every moment. He has brought my ears back to where they were before I came to Europe, and promises to carry them still farther forward before I return. In fact he says that if I could get rested, he feels that even now they would be much better. Opportunities to rest at the moment, however, do not seem to exist in this part of the world, at least as far as I am concerned. After accomplishing a few more very difficult stunts, however, I am rather inclined to believe that things will let up, and I think I can see my way clear to solve some of the problems already before me.

B. S. 2.

Am sure it would interest you to know that our government and the British Government after going into the situation carefully determined that it would be advisable for the British Government to approach the neutral nations in order to see whether they would join with the United States and Great Britain in looking after Austria and some of the other countries of Central Europe, that is of course provided that the \$50,000,000 loan which is now before Congress is passed. The British Government requested me to sound the neutral nations and ascertain whether it would be agreeable to them to be approached. I immediately took up the matter, and have succeeded in arranging with Holland, and Norway, Denmark and Switzerland, and hope to have a favorable answer from Sweden in the course of a few days. This afternoon we are to have a meeting between the representatives of the British Government, the Austrian Government and the Swiss Government to get the matter lined up. Then the British representatives will take it up in The Hague and Copenhagen. Of course if our government does not pass the \$50,000,000 credit the whole situation is lost. It is on that account that I sent a cablegram to McHugh, Chairman of the Committee on Commerce & Finance of the American Bankers Association, of which I am a member of the Executive Committee, that may have come before you long before this letter reaches you. This whole matter of course is confidential, but I thought you would be very much interested in it. Austria is really in a bad way, and the whole of Europe might be set on fire if the situation is not taken care of. The British have done wonders in helping Central Europe, but of course the cheap politicians in our country are all the time twisting the lion's tail, and every time Britain makes a move, they say it is because she wants to beat us at something or other. You would be tremendously interested in knowing all of the detail of this situation, and sometime I hope to be able to tell you about it. At present, however, cannot write more, as I have an appointment that prevents.

Hoping this will find you improving so rapidly that you will hardly know yourself, and with sincere regards, I am,

Cordially yours,



FIK/MKS

CAPITAL \$20,000,000

SURPLUS \$11,250,000

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FOREIGN EXCHANGE DEPARTMENT

16 WALL STREET
 NEW YORK, Jan. 24, 1921.

Hon. Benjamin Strong,
 Governor, Federal Reserve Bank,
 15 Nassau St., N. Y.

BA
 JAN 25 1921

Dear Ben:-

Enclose herewith two copies of The Proposed International Credits Scheme of The League of Nations, as promised you this noon.

Sincerely,
Paul

FIK/MKS
 Enc.

Issued Monthly
BY THE
Publicity Committee
OF THE
American
Acceptance Council

for the information of members and local associations of the Council and, through them, the business and banking public generally.

The membership of the Council embraces three classes—active, associate and supporting. These include representatives of business and financial organizations of state, interstate, national and international scope, representatives of local associations of the Council, and individuals, firms, partnerships, banks, bankers and corporations.

General information concerning the Council will be supplied upon request. Address

ROBERT H. BEAN,
Executive Secretary,
111 Broadway, New York.

The Council was organized "for the purpose of conducting and directing a nationwide educational campaign designed to inform the business people and bankers as to the merits of trade and bankers acceptances, the method of their use in foreign and domestic merchandising, and for the further purpose of aiding in the establishment of a comprehensive open discount market, and to assist in other matters that will improve the credit system and strengthen the financial position of America."

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ACCEPTANCE BULLETIN

OF THE
AMERICAN ACCEPTANCE COUNCIL

111 BROADWAY, NEW YORK

Vol. 2

November, 1920

No. 11

Bankers' Liability Under Commercial Letters of Credit

BY FRED I. KENT

Vice-President, Bankers Trust Co., New York

The tremendous foreign trade of the United States during the last five years could not have been carried on had it not been for the Federal Reserve Act through its authorization of the bankers acceptance and the regulations of the Federal Reserve Board covering such financial obligations.

Previous to 1914, our foreign trade had largely been financed by Commercial Letters of Credit issued in Pounds Sterling and drawn upon British banks. The Dollar Acceptance was unknown throughout the United States in regular practice. As a market has been built up in the United States for the Dollar Acceptance as authorized under the Federal Reserve Act and the regulations of the Federal Reserve Board, a constantly growing number of American banks have been engaging in the acceptance business. This has been undertaken in part through the issuance of Commercial Letters of Credit for the importation of goods into the United States. Under the terms of such Letters of Credit, American bankers have agreed to accept upon presentation drafts drawn upon them at sight, 30, 60 or 90 days after sight, or other periods, when accompanied by certain documents described in the Letter of Credit showing that the goods covered by the Credit had been shipped according to the terms of the Letter of Credit, such as bills of lading, insurance certificates, etc., etc.

During a period of stable or rising prices, operations under such Commercial Letters of Credit are carried out with little or no friction, as there is generally a market for goods covered by the credit upon their arrival in the country of import. When, however, prices are falling and importations lose a large percentage of their value while in transit, serious difficulties may arise. Throughout the entire period that American banks have been able to accept in dollars against Letters of Credit issued by them, there has been steady increase in prices, with occasional periods of partial steadiness, until the recent severe drop in the prices of many staple commodities took place. It was not unnatural, therefore, that the acceptance business of American banks should have run on smoothly during the time of rising prices, even though it was a new business to most of them, and that friction should have developed since the fall in prices started in, because it is a new business to them. Irrevocable Letters of Credit worked so easily

and profitably during the first period that many bankers engaging in such transactions did not realize that they were assuming obligations just as binding when issuing such Letters of Credit as when signing checks or receiving deposits. As a result, since prices of commodities began to fall some American bankers have had the idea that where their client, the importer, had had goods shipped to him by foreign exporters that were not according to contract, the banker could protect the importer from such fraud by refusing to accept drafts drawn upon the banker under outstanding Letters of Credit, whereas the banker has no such right if all of the terms of the Letter of Credit issued by him have been lived up to, and he must honor drafts which are presented to him in regular order, regardless of any breach of contract that may exist between the exporter and the importer concerning quality of goods, or similar questions, if the Letter of Credit did not contain any stipulations in this regard that had been violated. Again, certain importers have been led to believe that they could protect themselves against fraudulent shipments by an exporter made against an irrevocable Letter of Credit by obtaining an injunction restraining the banker from honoring drafts drawn under such credits, whereas if the terms of the Letter of Credit have been lived up to he has absolutely no right of injunction against a bona fide negotiator or endorser of such a draft. It is necessary, therefore, that every banker issuing an irrevocable Letter of Credit, and every importer who authorizes a banker to issue such a Letter of Credit, realize that if negotiators of drafts under the Letter of Credit see that all of the terms of the contract of the Letter of Credit are carried out that such drafts must be accepted upon presentation if in regular order, regardless of any contract that may exist between the importer and exporter, and that failure to so accept will subject the banker to penalties that may involve a serious money loss if his refusal injures innocent third parties.

The acceptance under a Commercial Letter of Credit is not any more familiar to some of our courts than to many of our bankers, and until it is better understood it is natural to expect the issuance of a few irregular injunctions, even though they must be removed upon appeal. The foreign negotiator of drafts against American irrevocable Letters of Credit should understand, even as should the issuing banker and the importer, that in spite of untenable temporary injunctions he is fully protected under our law just the same as he would be under the law of Great Britain if he negotiated drafts drawn under irrevocable Credits in exact accordance with the terms of

such Credits. Of course, if foreign negotiators of such drafts find that certain American banks attempt to dishonor them, they will in the future refuse to buy bills drawn on such banks.

It is so vital to the foreign trade of the United States, however, that the credit of the Dollar Acceptance be maintained throughout the world that it is conceivable that the Federal Reserve Board may well find it advisable to recommend to the Federal Reserve Banks that they stop buying the acceptances of any American banker who has so little regard for his credit, or that of the United States, that he will refuse acceptance of a draft drawn under his irrevocable Letter of Credit when all the terms of the credit have been complied with, even though the law later forces him to honor such draft and to make good any loss that may have been caused by his breach of faith. While the foreign or domestic buyer of American bankers acceptances and bills of exchange drawn in conformity with the terms of Dollar Letters of Credit will find himself fully protected under the law, the banking and business community ought not to leave any doubt that it unreservedly condemns any wilful attempt to disregard sacred pledges, and that it will not permit mistaken or misguided actions of a few to jeopardize or damage the good name of a class that is jealous to keep its business reputation beyond reproach.

NEW SERVICE MEMBERS

The following have been added to the service membership of the American Acceptance Council since the publication of the last issue of the ACCEPTANCE BULLETIN:

Calbro Mills, New York City,
H. L. Doherty & Co., New York City,
Edson Adams Co., San Francisco, Cal.
Eagle Paper Co., New York City,

ACCEPTANCES IN SOUTH DAKOTA

The South Dakota Bankers Association is conducting a special educational campaign in behalf of trade acceptances. Immediately in charge of the effort is the Association's Trade Acceptance Committee, composed of R. A. Goodwin, Wakonda State Bank, Wakonda; R. E. Cone, James Valley Bank, Huron; J. D. Fleckenstein, Sioux Falls National Bank, and Frank A. Fosdick, Sioux Falls Savings Bank.

Literature published by the American Acceptance Council is being used in this campaign, which was undertaken in cooperation with the Council, the American Bankers Association and the Federal Reserve Bank of Chicago.

The Future of Interest Rates

By GEORGE E. ROBERTS

Vice-President, National City Bank of New York

General trade and industry is in a state of pronounced reaction, which unquestionably points toward easier money, but the credit situation as a whole has not yet been affected. Liquidation is under way in some quarters but increased demands elsewhere have maintained the aggregate demand. The farmers have suffered a great mental shock in the rapid decline of their products, and are withholding them from market. While this is the case, and until buying revives in general trade, money will remain tight.

It is apparent, that a fundamental change in conditions is going on. Trade is slackening and prices are falling all over the world and there is no gainsaying that this means a lessened demand for credit. While a boom is on and prices are rising all influences work together to increase the amount of credit in use. People anticipate their wants, they overbuy, dealers carry more goods than usual and manufacturers carry more materials than usual. The railroads have been congested with traffic, deliveries have been slow, and this has been another reason for carrying heavier stocks. Speculation on the part of intermediaries also has been a factor in magnifying the demand for goods and increasing the use of credit. Working capital was absorbed by the higher inventories and the temptation was strong to enlarge business operations, frequently by fixed investments. Such times are favorable also to all kinds of new proposals. There is an appearance of scarcity in everything; all of the old facilities and services appear to have been outgrown.

Struggle Against Downward Tendencies

But when the crest is passed, and the public is convinced that the course of prices will be downward, it is surprising how many goods are found to be in stock and how ample all the facilities and services appear to be. Nobody wants to borrow to buy anything or build anything. Nobody wants to go into a new scheme. There is, for a time, a demand for credit from the people who are caught with commodities on hand and who struggle against the downward tendencies. They are not convinced that lower prices have come to stay, they hope for recovery and refuse to sell. For a time there is the appearance of a deadlock; we have been seeing something of the kind; but the economic law will have its way and prices and wages, production and consumption, must find a new equilibrium.

Reports indicate a light fall trade all over the country; consumers are holding back for lower prices and merchants are doing the same. Liquidation cannot begin until stocks move actively all along the line. When that occurs money will pass down the line, paying debts as it goes, and used almost exclusively for that purpose. Production is going to be light until the surplus stocks are worked off.

No Speedy Working-Off of Loans

It must be considered, however, that it will take many more goods to liquidate a given amount of indebtedness at the new prices than it would have taken at the old prices; hence, it must not be expected that the enormous accretion of bank loans since 1917 is going to be speedily worked off.

On the 1st of April, 1917, six days before the declaration of war, the writer of this statement described the financial situation in a written review as follows:

There is nothing in prevailing monetary conditions to indicate that the country is on the verge of war. Money is as easy as the proverbial old shoe. Credit is granted with customary freedom for the usual commercial requirements, and there is not much demand for other purposes.

The total earning assets of the twelve Federal Reserve Banks were \$170,125,000; the rediscount rate on commercial paper was 4%; the net cash reserve against aggregate deposit and note liabilities was 81.5%.

And yet even at that time the industries were working under the stimulus of war conditions in Europe and practically at capacity. The enormous expansion of credit since that time has accomplished but little in the way of increased production.

The increase in loans and discounts of all banks and trust companies in this country, between the beginning of the war, a date soon after our entrance, and at the close of the last government fiscal year, are shown by the reports of the Comptroller of the Currency, as given below:

LOANS OF ALL BANKS AND TRUST COMPANIES	
June 30, 1914.....	\$15,288,400,000
June 30, 1917.....	20,641,427,000
June 30, 1920.....	30,891,693,000

This inflation would have been impossible under the rules governing bank reserves which

were in force before the establishment of the Federal Reserve system and the adoption of the amendments in 1917, and the effect of these legal enactments is something to be considered in forecasting the course of deflation and of interest rates.

Deflating the Reserve Banks

The policy of the Federal Reserve authorities may be expected to adhere persistently to the purpose of deflating the Reserve banks, and bringing their condition down to what it should be in view of their responsibilities as the custodians of the final reserves of the country. That would mean with reserves fluctuating normally around 75%. The rates probably will be reduced before that position is reached, but the reserve banks are likely to follow the member banks in reductions rather than lead them. They will want the member banks to get on their own footing.

As liquidation proceeds the banks which are not rediscounting, of whom there are many, will be first to compete for open market business, and as rates decline the houses which have been accustomed to find supplies in the general market will resort to it and pay down their borrowings with their own banks, which will stimulate the latter to get out of the Reserve banks, thus lowering the whole volume of bank loans.

Lower Reserve Requirements

At this point we shall see the final effects of the policy of lowering the legal reserve requirements. Undoubtedly we are going to run with lower reserves than in the years before the war. The law has been changed to permit it, and we have become accustomed to rely upon the Reserve banks. But the effect is going to be to give us low interest rates long before complete deflation, by the standard of former normal conditions, is reached. Of a total increase in loans of \$10,250,265,747 in the individual banks from June 30, 1917, to June 30, 1920, only \$2,777,083,000 was passed on to the Reserve banks, and if they were all paid off the major portion of the inflation would remain, unless the necessity of applying to the Reserve banks for currency would bring the local banks under the influence of its rate-making authority. An inflation of credit, carrying with it an inflation of prices and wages, is bound to create a demand for more currency, and currency can be had only from the Reserve banks. That seems to be the one grip which the Reserve authorities have on the general credit situation. It is the one influence that will tend to maintain the pressure for deflation and in that manner prevent a rapid collapse of interest rates, for it may be

assumed that the authorities will endeavor to stabilize rates, rather than have them fall unduly low.

A collapse of interest rates which would encourage the permanent maintenance of the great body of bank loans now outstanding is certainly undesirable for many reasons.

Discount Market Rates

Prime eligible bank acceptances

	1920	1919	1918
90 days—			
Nov. 19	6 $\frac{3}{8}$ —6 $\frac{1}{4}$	4 $\frac{9}{16}$ —4 $\frac{3}{8}$	4 $\frac{3}{8}$ —4 $\frac{1}{8}$
Nov. 12	6 $\frac{3}{8}$ —6 $\frac{1}{4}$	4 $\frac{9}{16}$ —4 $\frac{3}{8}$	4 $\frac{3}{8}$ —4 $\frac{1}{8}$
Nov. 5	6 $\frac{3}{8}$ —6 $\frac{1}{4}$	4 $\frac{9}{16}$ —4 $\frac{1}{2}$	4 $\frac{3}{8}$ —4 $\frac{1}{8}$
Oct. 29	6 $\frac{3}{8}$ —6 $\frac{1}{4}$	4 $\frac{9}{16}$ —4 $\frac{1}{4}$	4 $\frac{3}{8}$ —4 $\frac{1}{8}$
Oct. 22	6 $\frac{3}{8}$ —6 $\frac{1}{4}$	4 $\frac{9}{16}$ —4 $\frac{1}{4}$	4 $\frac{3}{8}$ —4 $\frac{1}{4}$
60 days—			
Nov. 19	6 $\frac{1}{4}$ —6 $\frac{1}{8}$	4 $\frac{7}{16}$ —4 $\frac{1}{8}$	4 $\frac{3}{8}$ —4 $\frac{1}{4}$
Nov. 12	6 $\frac{1}{4}$ —6 $\frac{1}{8}$	4 $\frac{7}{16}$ —4 $\frac{1}{8}$	4 $\frac{3}{8}$ —4 $\frac{1}{4}$
Nov. 5	6 $\frac{1}{4}$ —6 $\frac{1}{8}$	4 $\frac{1}{2}$ —4 $\frac{1}{8}$	4 $\frac{3}{8}$ —4 $\frac{1}{4}$
Oct. 29	6 $\frac{1}{4}$ —6 $\frac{1}{8}$	4 $\frac{1}{4}$ —4 $\frac{1}{8}$	4 $\frac{3}{8}$ —4 $\frac{1}{4}$
Oct. 22	6 $\frac{1}{4}$ —6 $\frac{1}{8}$	4 $\frac{1}{4}$ —4 $\frac{1}{8}$	4 $\frac{3}{8}$ —4 $\frac{1}{4}$
30 days—			
Nov. 19	6 $\frac{1}{8}$ —6	4 $\frac{3}{8}$ —4 $\frac{1}{4}$	4 $\frac{1}{4}$ —4 $\frac{1}{8}$
Nov. 12	6 $\frac{1}{8}$ —6	4 $\frac{3}{8}$ —4 $\frac{1}{4}$	4 $\frac{1}{4}$ —4 $\frac{1}{8}$
Nov. 5	6 $\frac{1}{8}$ —6	4 $\frac{1}{8}$ —4 $\frac{1}{4}$	4 $\frac{1}{4}$ —4 $\frac{1}{8}$
Oct. 29	6 $\frac{1}{8}$ —6	4 $\frac{1}{8}$ —4	4 $\frac{1}{8}$ —4
Oct. 22	6 $\frac{1}{8}$ —6	4 $\frac{1}{8}$ —4	4 $\frac{1}{8}$ —4

Commercial paper, New York

Nov. 19	8—8 $\frac{1}{4}$	5 $\frac{1}{2}$ —6	6
Nov. 12	8—8 $\frac{1}{4}$	5 $\frac{1}{2}$ —6	6
Nov. 5	8—8 $\frac{1}{4}$	5 $\frac{1}{4}$ —5 $\frac{1}{2}$	6
Oct. 29	8—8 $\frac{1}{4}$	5 $\frac{1}{4}$ —5 $\frac{1}{2}$	6
Oct. 22	8—8 $\frac{1}{4}$	5 $\frac{1}{4}$	6

London discount rates

Nov. 19	60 days	6	3 $\frac{1}{2}$
	90 days	6	3 $\frac{1}{2}$
Nov. 12	60 days	6 $\frac{3}{4}$ —6 $\frac{1}{2}$	5 $\frac{3}{8}$
	90 days	6 $\frac{3}{4}$ —6 $\frac{1}{2}$	5 $\frac{3}{8}$
Nov. 5	60 days	6 $\frac{5}{8}$ —6 $\frac{1}{2}$	5 $\frac{3}{8}$
	90 days	6 $\frac{5}{8}$ —6 $\frac{1}{2}$	5 $\frac{3}{8}$
Oct. 29	60 days	6 $\frac{1}{2}$ —6 $\frac{5}{8}$	4 $\frac{3}{8}$
	90 days	6 $\frac{5}{8}$ —6 $\frac{1}{2}$	4 $\frac{3}{4}$
Oct. 22	60 days	6 $\frac{1}{2}$ —6 $\frac{3}{4}$	4 $\frac{3}{8}$
	90 days	6 $\frac{1}{2}$ —6 $\frac{3}{4}$	4 $\frac{3}{4}$

NEW EDGE LAW BANKING COMPANY

Leading bankers of the South are represented in the Federal International Banking Co., which is now in process of organization under the Edge Export Finance Act. The institution will concern itself chiefly with the financing of cotton exports, but has in mind also, of course, the needs of exporters of Southern products generally who are not in a position to accept the long terms of payment desired by prospective purchasers. The company will start business as soon as \$6,000,000 has been subscribed. Its home office will be at New Orleans.

Report of Acceptance Committee of A. B. A.

To the Forty-Sixth Convention:

Your Acceptance Committee entered upon its duties fully convinced that the acceptance method of financing is sound and efficient,—is here to stay, is giving powerful aid to American foreign and domestic commerce, deserves the careful study and thoughtful consideration of every banker, and that its continued success and further helpfulness are dependent entirely upon honest and proper application.

The St. Louis convention charged the Committee with the responsibility of bringing before the bankers the facts as to what acceptances are, how they may be used, why they should be used, and the dangers to be avoided in their use; also the arranging for two committees:

One to give its attention to the working out of a satisfactory schedule of service exchange and collection charges for handling acceptances;

The other to devise the most efficient and economical method for handling trade acceptances within banks and business houses.

After a careful survey of the situation, the Committee determined that its work could be most successfully accomplished through coöperation with the American Acceptance Council. It accordingly got in touch with the officials of the Council with the view of securing the publication of the necessary material. The Council has since published and distributed to banks, business concerns and others throughout the country more than 300,000 pamphlets, including the following:

Report Made by the Acceptance Committee of the American Bankers Association to the Annual Convention at St. Louis.

Trade Acceptances—What They Are and How They Are Used, by Robert R. Treman, formerly Deputy Governor of the Federal Reserve Bank of New York.

Bankers Acceptances—Principles and Practices, Chapters 1 and 2, written by a Committee of Federal Reserve Agents in co-operation with a Committee of the American Acceptance Council.

The Case of the Trade Acceptance, a pamphlet prepared by the American Acceptance Council.

Acceptances in Our International and Domestic Commerce, by Paul M. Warburg.

Term Settlements, by Samuel F. Streit.

Practical Problems in the Development of Bankers Acceptances, prepared by the Executive Committee of the American Acceptance Council in reply to a questionnaire emanating from the Federal Reserve Board.

Problems and Progress with Dollar Acceptances, an address by Jerome Thralls before the Clearing House Section of the American Bankers Association.

Arrangements were made for the appointment of a Committee on Service Exchange and Collection Charges, consisting of five bankers, two Federal Reserve bank representatives, and three business men—trade acceptance users. This special committee devoted over eight months' time to an educational effort which resulted in a clearer understanding of the problem and has for the present relieved the necessity for the establishment of a uniform schedule of service exchange and collection charges for handling acceptances. It is believed that where banks determine to make any charge for this character of service, they may be depended upon individually to make satisfactory arrangements with their respective customers.

Arrangements were also made for the appointment of a Committee to devise the most efficient and economical method of handling trade acceptances. This committee includes four bankers, two Federal Reserve Bank representatives, and four business men—trade acceptance users. While this committee has rendered valuable service and made considerable progress with its work, it has not submitted a complete report. It is believed, however, that the Committee will develop and place at the disposal of the banks and trade acceptance users a method that will enable a great saving of labor and expense.

The number of trade acceptance users is increasing rapidly and includes practically every line of business that makes sales on the time basis. There are more than 20,000 known users, and where the trade acceptance has been legitimately used, the results have been very satisfactory. It has enabled an equal amount of capital to do a greater amount of service, it has shortened the credit period, it has made collections more certain, it has reduced the expense of operation, both for the buyer and for the seller, it has stabilized the businesses involved; and has produced a character of strictly liquid paper. The trade acceptance brings transactions out into the open where they can be treated upon their merits and it eliminates many claims and disputes.

There has been some complaint because of trade acceptances not being purchased freely in the open market. It seems certain that trade acceptances originating outside of the leading financial centers will necessarily find lodgment in local banks where the names are known. The expense of credit investigations on the small amounts where the names are not known preclude their coming into the open market.

There is, however, a steadily growing demand

in the open market for bank-indorsed trade acceptances, and where such paper is offered it moves more readily than the best single-name commercial paper, even though the latter yields from $\frac{3}{4}$ to 1% higher return.

Every banker should remember that, although trade acceptances are better than single-name paper, there should never be any lessening in the matter of analyzing the condition of the acceptors, drawers, and indorsers on such paper. The same acid test that is applied to any credit risk should be applied with equal severity to trade acceptances.

BANKERS ACCEPTANCES are becoming more and more valuable as an aid in the financing of our export and import business. In March, 1919, there were about 350 accepting banks in America. Their accepting power was \$1,027,275,000. They had accepted in the aggregate \$451,265,000. We now have approximately 500 accepting banks, 249 members of the Federal Reserve System, having applied for and acquired the privilege of accepting up to 100% of their combined capital and surplus. These 249 banks alone have the power of accepting to the extent of \$1,275,860,000. They had acceptances outstanding on June 30th of approximately 40.8% of this amount. The total of American bankers acceptances outstanding at that time, including those of non-member banks, private banks and acceptance houses, was approximately \$975,000,000.

The maximum acceptance power of the members of the Federal Reserve System is \$3,197,470,000. Private banks, non-member banks and acceptance houses have an acceptance power approximating \$650,000,000, making the whole acceptance power of American banks approximately \$3,847,470,000. This power might conservatively be used to the extent of \$2,148,735,000, were our open discount market thoroughly developed and the business methods and practices in this country changed to enable the system to function in the most satisfactory way.

There is now outstanding about \$1,150,000,000 in American bankers acceptances. The holdings of the Federal Reserve banks of this character of paper bought in the open market and discounted increased during the year about 33%, while the volume of acceptances issued and outstanding have almost trebled since March, 1919. The Federal Reserve banks purchased in their own market operations for the year ending August 31, 1919, \$2,292,456,374; for the year ending August 31, 1920, \$3,389,615,984. They discounted during the year end-

ing August 31, 1919, \$14,922,634, and for the year ending August 31, 1920, \$211,682,038.

The increase in the total purchased by the Federal Reserve banks in their open market operations is not due so much to the increase in the volume of acceptances outstanding at any one time as it is to the Federal Reserve banks having restricted their purchases to bills of very short maturities. The Federal Reserve banks held on June 30, 1919, bankers acceptances purchased in the open market aggregating \$233,519,000; December 31, 1919, \$405,339,000; June 30, 1920, \$255,564,000. These figures show conclusively the growing ability of the open market to absorb bankers acceptances. Such acceptances are now regarded by investors, individuals, firms, corporations, bankers and others, not only as a safe and sound investment, but a real reserve that can be converted into cash within 48 hours. The New York and New England savings banks alone now have available funds invested in acceptances to the extent of over \$65,000,000. The discount houses and dealers in the acceptance market now carry portfolios averaging in the aggregate about \$100,000,000. From these holdings investors are able to make selections satisfactory as to maturities, denominations and names.

As an evidence of the progress that is being made in the development of the market it might be said that one concern whose resources and energies are being applied to the development of the open discount market has discounted and resold to investors, firms, individuals, corporations and banks throughout the United States since January 1, 1920, an aggregate of over \$1,380,000,000 of acceptances.

The Federal Reserve banks have been giving splendid support to the development of the open discount market. This support is being availed of to a less and less degree as the market develops.

The idea of lending money on call against acceptances as collateral and at a preferential rate is growing in favor and as this feature develops the market will be strengthened.

America now has the opportunity of establishing herself as a leading commercial and financial power among the nations of the world. With a trade balance of \$4,000,000,000, and which may exceed \$6,000,000,000 before the close of the current year, there is urgent need for the development of the acceptance system to a degree where it will afford the maximum of facilities. The proper use of acceptances, coupled with a comprehensive and well-developed open discount market, is essential to our future progress as a commercial and financial

power. In view of the growing importance of this subject to the commercial, financial and industrial interests of this country, your Committee would recommend the appointment of a committee of three or more to carry on the work during the ensuing year.

Respectfully submitted,

E. R. ROONEY,
JOHN W. STALEY,
JEROME THRALLS, *Chairman*,

Washington, D. C.
October 22, 1920.

NATIONAL COFFEE ROASTERS' ASSOCIATION

At the request of the National Coffee Roasters' Association the Council obtained as a speaker on trade acceptances for the annual convention of that organization Ramond F. McNally, Vice-President and Cashier of the National Bank of Commerce in St. Louis. The convention was held in St. Louis in the second week of November. Mr. McNally spoke at a general session on November 11th, when there were present not only members of the Coffee Roasters' Association but numerous representatives of other branches of the coffee business.

FORUM DISCUSSES ACCEPTANCES

"Bankers Acceptances and Trade Acceptances—Their Proper Use and Advantage in Commerce and Finance Based on Experience" was the subject of addresses and discussion at the Forum meeting of the New York Credit Men's Association on November 10th. John E. Rovensky, Vice-President of the National Bank of Commerce in New York, spoke on bankers acceptances. Paul E. Hunter, Credit Manager, L. Erstein & Bro., and Edwin B. Heyes, Credit Manager, W. & J. Sloane, spoke on trade acceptances. The address of Mr. Rovensky was published in the *New York Tribune* of November 14th.

The Providence Chapter of the American Institute of Banking held its fall meeting on November 10th. The speaker was Jerome Thralls, Secretary-Treasurer of the Discount Corporation of New York, who delivered an address on bankers and trade acceptances.

Annual Meeting of the Council

The annual meeting of the American Acceptance Council for the presentation of reports and election of officers will be held at 3 P. M., Thursday, December 2nd, in the Assembly Room of the Merchants' Association, Woolworth Building, New York.

Questions and Answers

Many of the inquiries received by the American Acceptance Council are of such general interest as to justify their publication, together with answers and opinions, in these columns. Inquiries are invited and should be addressed to the Executive Secretary, American Acceptance Council, 111 Broadway, New York. In such inquiries as are published, the names of the principals will be withheld.

QUERY 129. Is a trade acceptance which bears the date of July 1, which has been accepted July 10 and which reads "thirty days after date," due August 1 or August 10? It is our understanding that, although the date on a negotiable instrument is of importance, the instrument takes effect upon delivery, which we should think would be the date of acceptance.

ANSWER. The Negotiable Instruments Act provides that "the acceptance of a bill is the signification by the drawee of his assent to the order of the drawer." The order of the drawer in this case is dated July 1 and calls for payment thirty days after date of July 31. The fact that the acceptor dates his acceptance July 10, when made, does not change the order of the drawer or the terms of the bill. The acceptor on July 10 agrees to pay the bill according to the order of the drawer, namely, on July 31. The acceptance, it is true, takes effect as against the acceptor upon its delivery by him on July 10, but it takes effect according to the terms of the bill and becomes a promise by the acceptor, completed by delivery, to pay the bill according to its terms, namely, on July 31. The acceptor might, in his acceptance, fix another date for payment of the bill; but if he did so this would be a qualified acceptance, varying the effect of the bill as drawn, and if the holder took the acceptance thus qualified it would operate to discharge the drawer and prior indorsers from liability, unless they had expressly or impliedly authorized the holder to take such qualified acceptance or subsequently assented thereto. But the mere signing and dating an acceptance July 10 upon a thirty-day bill, dated July 1, is a general and not a qualified acceptance; it is an assent, without qualification to the order of the drawer and to the terms of the bill as drawn and the acceptance is payable according to the date of maturity fixed by the bill.

E. R. Kenzel, Deputy Governor of the Federal Reserve Bank of New York, spoke on bankers acceptances on October 28th at the first meeting of the new Forum of the Buffalo Chapter of the American Institute of Banking.

New Trade Acceptance Literature

(Reviewed by William J. Boies)

Copies of the Council's latest pamphlet publication—"Elements of Trade Acceptance Practice," by Robert H. Bean—were distributed to members earlier in the current month and are now ready for general distribution. At a time of credit strain, when it is of all things needful for banks and business men to have their assets in liquid shape, a clear statement of the trade acceptance question will be of great benefit to the American people. Mr. Bean's pamphlet will be well received by a public that is eager for authoritative information available in language that the ordinary layman can understand.

The author has succeeded in his effort to restate basic governing principles and recognizes the limitations of the system and speaks frankly concerning various abuses. He is well within the truth, however, in saying that "when correctly drawn and used in strict accordance with the terms of the Federal Reserve Act and good business practice, the trade acceptance represents the best form of liquid merchant's paper and enjoys the highest per cent. of payments at maturity." Notwithstanding this, however, the advantages of the system are not generally understood, and in a country which has long transacted business on the basis of open book accounts, any movement to substitute the trade acceptance is sure to encounter opposition. All buyers are "from Missouri" in the sense that they have to be shown why they should give a bill having a fixed maturity when for years they have purchased what they needed on the 30, 60 or 90 days basis, frequently taking a longer time to pay what they owed. It means, therefore, a remarkable transformation to change the buying methods of many years and shift commercial indebtedness from the open account basis and to liquify it with the aid of the trade acceptance.

This does not mean, however, that the trade acceptance could be substituted for the entire mass of open accounts, or that it is available for every commercial operation. It is apparent, as the author says, that the trade acceptance is not available in cases where goods are leased and the title remains with the seller until payment is completed, nor where collateral security is used. It stands to reason also that the instrument does not apply to purchases made for cash, nor to transactions which could better be closed through offer of a cash discount. On the contrary the trade acceptance in essence represents a time credit and could easily be made available for virtually all of the business now carried in

open book accounts. In all cases where a trade acceptance is given, however, the buyer must possess title and the goods must have been actually sold.

Unless an actual sale has taken place a trade acceptance cannot properly be used. Also it would be contrary to the principles of sound banking to use a trade acceptance in settlement of an over-due account. There has never been justification for viewing the trade acceptance as a vehicle for the collection of long standing accounts, although some firms apparently have had that idea of it. Mr. Bean points out that "to use the trade acceptance merely as a means of collecting an otherwise slow account would tend to subordinate the trade acceptance to the open account by suggesting it as a last resort for bad debts." This view will be concurred in by the real friends of the trade acceptance, for instead of representing slow debts, this credit instrument ought to represent the highest credit, being used with the best class of current accounts.

In the hope and belief that this new publication will fill a real need, the Council has in mind, as already indicated, an insistent demand from business men and bankers for a very brief presentation of trade acceptance procedure in language that the layman can readily understand—a presentation which will serve as a guide and means of reference and at the same time will be especially useful for distribution by business houses to their sales forces and to their trade. The Council's experience has been that many business concerns, and banks as well, desire copies of its literature in quantity for just such direct distribution; and while it has been able to supply trade acceptance literature for this purpose, there have been frequent appeals for a pamphlet which would cover just the subject matter treated in "Elements of Trade Acceptance Practice," which traces the course of trade acceptance procedure through the several steps from the creation of the instrument to its collection at maturity.

The pamphlet contains a cut of the form of trade acceptance recommended for general use by the Council. The whole matter is embraced in 16 pages, bound in size to fit into the ordinary small-size business envelope. The size and appearance are uniform with such other titles published by the Council as "Why Accept?," "The Better Way—A Banker's Opinion," etc. Single copies are available to other than Council members at the nominal price of five cents, which merely covers cost of printing and handling. Prices for quantity lots will be quoted upon request.

CAPITAL \$20,000,000

SURPLUS \$11,250,000

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16 WALL STREET

NEW YORK, Jan. 26, 1921.

ack 1/27/21

Hon. Benjamin Strong,
 Governor, Federal Reserve Bank,
 15 Nassau St., N. Y.

Dear Ben:-

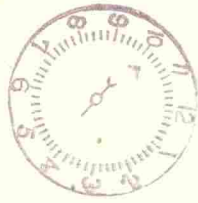
Hope the enclosed will be of use to you. Brought them back with me from Paris, and have held them for your return.

Sincerely yours,



FIK/MKS

JAN 27 1921



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GOVERNOR'S SIGNATURE

EX-100

ST. LOUIS, MO.

TO: -

THE FEDERAL RESERVE BANK OF ST. LOUIS
ST. LOUIS, MO.

INTERNATIONAL EXCHANGE BANKING CORPORATION

ST. LOUIS, MO. JAN 27 1921

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INTERNATIONAL EXCHANGE BANKING CORPORATION
120 N. 2ND ST. ST. LOUIS, MO.
CASH ON HAND \$1,000,000.00
RESERVE FUND \$1,000,000.00
TOTAL ASSETS \$2,000,000.00
TOTAL LIABILITIES \$2,000,000.00
NET CAPITAL \$1,000,000.00
ST. LOUIS, MO. JAN 27 1921

INTERNATIONAL EXCHANGE BANKING CORPORATION

ST. LOUIS, MO. JAN 27 1921

RECEIVED



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ST. LOUIS, MO. JAN 27 1921

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July 11, 1921.

Hon. Benjamin Strong,
Governor, Federal Reserve Bank of New York,
15 Nassau Street, New York City.

Dear Ben:

Referring to your form letter of the 1st instant, would say that I have forwarded to your Statistical Department the information requested, and hope that everyone asked may do likewise. Whether the figures resulting will be of much value, depends largely on how successful your Department was in making its selection of those to whom the letters were sent, taking it for granted that they will all reply.

For instance, the other day one individual who called upon me in connection with exchanges, admitted after we had been talking awhile that he had over nine million dollars in European countries. Your investigations will, of course, miss this individual and many like him, but even so it may give you a sufficient groundwork of information to enable some fair estimate of the situation not now possible.

Assuring you that I should be most pleased to help Mr. Snyder in working this matter out if it seems desirable, and with sincere regards, I am

Cordially yours,



FIK-RG

I

BANKERS TRUST COMPANY

NEW YORK
170 NASSAU ST.
CHICAGO
ST. LOUIS
MEMPHIS
SAN FRANCISCO
SAN ANTONIO
HOUSTON
DALLAS
FORT WORTH
PHOENIX
SEATTLE
PORTLAND
SPRINGFIELD
INDIANAPOLIS
CINCINNATI
COLUMBUS
CLEVELAND
DETROIT
MILWAUKEE
MINNEAPOLIS
PITTSBURGH
RICHMOND
WASHINGTON
BALTIMORE
BOSTON
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NEWARK
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CLEVELAND
DETROIT
MILWAUKEE
MINNEAPOLIS
PITTSBURGH
RICHMOND
WASHINGTON
BALTIMORE
BOSTON
PHILADELPHIA
NEWARK

NEW YORK
July 11, 1921



Hon. Benjamin S. Briggs,
Governor, Federal Reserve Bank of New York,
10 Nassau St., New York City.

Dear Sir:

Referring to your form letter of the 1st instant, which I have forwarded to your various departments, may the information requested, and hope that everyone asked may be likewise. Whether the figures resulting will be of much value depends largely on how success in your department who is making the selection of those to whom the letters were sent, taking it for granted that they will reply.



In instances, the other in connection with examination we had been talking awhile that he had done business in European countries. Your investigation of course, was this individual and was the result of so it may give you a sufficient groundwork of information as to whether fair estimate of the situation is now possible.

Assuming you that I should be most pleased to help Mr. Snyder in working this matter out if it seems desirable, and with sincere regards, I am

Cordially yours,

FIA-22

BANKERS TRUST COMPANY

SEWARD PROSSER, PRESIDENT

MANAGING COMMITTEE

D. E. POMEROY, VICE PRESIDENT
F. I. KENT, VICE PRESIDENT
F. N. B. CLOSE, VICE PRESIDENT
A. A. TILNEY, VICE PRESIDENT
THOMAS HILDT, VICE PRESIDENT
H. J. COCHRAN, VICE PRESIDENT

NEW YORK
16 WALL STREET
FIFTH AVENUE AT 42ND STREET
MADISON AVENUE AT 57TH STREET

PARIS
9 RUE ST. FLORENTIN
16 PLACE VENDOME
CABLE ADDRESS - BANKTRUST - NEW YORK

FOREIGN DEPARTMENT

F. I. KENT, VICE PRESIDENT
J. F. SCHMID, VICE PRESIDENT
F. A. KLINGSMITH, ASST. TREASURER
C. F. BOCK, ASST. MANAGER
GEORGE WEXLER, ASST. MANAGER
W. J. KENNY, ASST. MANAGER

Chk 8/26/21

16 WALL STREET
NEW YORK

July 29, 1921.

Hon. Benjamin Strong,
Governor, Federal Reserve Bank,
15 Nassau St., N. Y.

Dear Ben:-

In the general floundering around that is now being done by various interests with the hope of ameliorating some of our present difficulties, it has been suggested to one of the Committees of the National Foreign Trade Council that they start out on a campaign aimed to force the Federal Reserve banks to issue credits here against gold deposited in foreign countries. At the moment they particularly have Argentine in view.

The Committee in question asked me to sit in with them, and I succeeded in holding up the whole proposition until I can have a chance to talk it over with you, after which I feel certain that I can guide the matter as you may prefer.

Would like to have you take luncheon with me any day next week that suits your convenience at say 12:45, unless you prefer some other time, as that is ordinarily the best time to go up to the Bankers Club.

Will call for you on such day as you may name, and we can go up together.

Sincerely yours,

F. I. Kent

FIK/MKS

UNITED STATES
FEDERAL RESERVE BANK

NEW YORK
July 29, 1931

July 29, 1931

Benjamin Strong,
Governor, Federal Reserve Bank,
33 Nassau St., N. Y.

Dear Ben:

In the general foundation and that is now being
done by various interests with the hope of ameliorating some
of our present difficulties, it has been suggested to one of
the members of the National Foreign Trade Council that they
start on a campaign aimed to force the Federal Reserve
banks to issue credits here against gold deposited in foreign
countries. At the moment they particularly have Argentina in
view.

The Committee in question make no ill in wish
them, and I succeeded in holding up the whole proposition until
I can have a chance to talk it over with you, after which I
feel certain that I can make a better case for you than I can
now.

Would you have the discussion with me any day
next week that you are interested in any 12:45, unless you
prefer some other time, at which time I will call on you on such days as you may name, and we
can go on together.

Jul 30 1931



CONFIDENTIAL

Sincerely yours,

FRASER

FRED I. KENT
SIXTEEN WALL STREET
NEW YORK CITY

~~_____~~
Aug 7
1921
8/4
~~_____~~
August 4, 1921.

Hon. Benjamin Strong,
C/o Federal Reserve Board,
Washington, D. C.

Dear Ben:-

The news in the papers this morning gives me some concern, not as to the outcome of the controversy but as to its possible effect upon your health if you allow the matter to stir up your anger or resentment in any way.

It is really not worth while letting any feeling develop, and a cold, impartial, impersonal attitude will carry you through with flying colors, and without doing you the slightest harm physically. Knowing this from my own experience of many years, thought I would just drop you this warning, hoping that it might be helpful to you in case the strain of the situation should lead you away from any thought of protecting yourself.

Sincerely yours,

Fred I. Kent

FIK/MKS

BANKERS TRUST COMPANY

Kent

SEWARD PROSSER, PRESIDENT

MANAGING COMMITTEE

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F. I. KENT, VICE PRESIDENT
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THOMAS HILDT, VICE PRESIDENT
H. J. COCHRAN, VICE PRESIDENT

NEW YORK
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PARIS
9 RUE ST. FLORENTIN
16 PLACE VENDOME
CABLE ADDRESS - BANKTRUST - NEW YORK

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C. F. BOCK, ASST. MANAGER
GEORGE WEXLER, ASST. MANAGER
W. J. KENNY, ASST. MANAGER

ACKNOWLEDGED

SEP 27 1921

16 WALL STREET
NEW YORK

R. S.

Sept. 26, 1921.

GENERAL FILES
SEP 28 1921
FEDERAL RESERVE BANK
OF NEW YORK

Secretary to Governor Strong,
Federal Reserve Bank,
15 Nassau St., N. Y.

Dear Sir:-

As advised you over the telephone, Mr. Kent is on his way to the Coast, and is not expected to return to the office until about the middle of November.

Will appreciate it, therefore, if you will ask Governor Strong if it would meet with his approval if I quoted his letter, addressed to Mr. Kent, dated Sept. 23, to the National Foreign Trade Council.

Thanking you for your attention in the matter, I am,

Very truly yours,

M. R. Stieb

Secretary to Mr. Kent.

BANKERS TRUST COMPANY

SEWARD PROSSER, PRESIDENT

MANAGING COMMITTEE

A. A. TILNEY, VICE PRESIDENT
F. I. KENT, VICE PRESIDENT
F. N. B. CLOSE, VICE PRESIDENT
H. J. COCHRAN, VICE PRESIDENT

NEW YORK

16 WALL STREET

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PARIS

3 & 5 PLACE VENDOME

CABLE ADDRESS - BANKTRUST - NEW YORK

FOREIGN DEPARTMENT

F. I. KENT, VICE PRESIDENT
J. F. SCHMID, VICE PRESIDENT
F. A. KLINGSMITH, ASST. TREASURER
GEORGE WEXLER, ASST. MANAGER
W. J. KENNY, ASST. MANAGER

RECEIVED
SEP 21 1922
B S

16 WALL STREET
NEW YORK

September 15, 1922.

Hon. Benjamin Strong,
Governor, Federal Reserve Bank of New York,
15 Nassau Street, New York City.

Dear Ben:

The Executive Committee of the International Chamber of Commerce has requested me to call the attention of a few bankers who might be interested, to the existence of the Chamber, in order that they might be in a position to determine whether they consider it to their interest to become members.

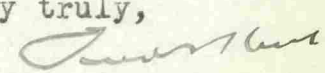
There is no question but that the Chamber is doing some excellent work that is proving to be very helpful in connection with developing European conditions.

The International Chamber of Commerce works in conjunction with the Chamber of Commerce of the United States. The American Committee, of which Mr. A. C. Bedford, President of the Standard Oil Company, is Chairman, is made up of representatives from all parts of the United States.

Whether you will consider it to your interest to join the Association I do not of course know, and in taking the liberty of enclosing the application for membership I am doing so merely to give you an opportunity to associate yourself with the organization, provided you desire to do so.

With kind regards, I am

Yours very truly,



FIK-AB.

FRASER BANK

FRASER BANK
ST. LOUIS, MISSOURI

FRASER BANK
ST. LOUIS, MISSOURI

FRASER BANK
ST. LOUIS, MISSOURI

FRASER BANK
ST. LOUIS, MISSOURI

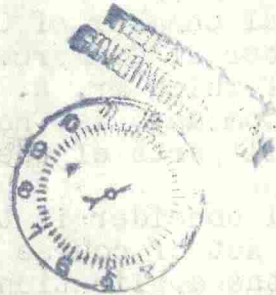
FRASER BANK
ST. LOUIS, MISSOURI

FRASER BANK
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FRASER BANK
ST. LOUIS, MISSOURI

FRASER BANK
ST. LOUIS, MISSOURI

FRASER BANK
ST. LOUIS, MISSOURI



SEP 19 1922

FRASER BANK

FRASER BANK

FRASER BANK

ACKNOWLEDGED

SEP 26 1922

FOREIGN DEPARTMENT

F. I. KENT,	VICE PRESIDENT
J. F. SCHMID,	VICE PRESIDENT
F. A. KLINGSMITH,	ASST. TREASURER
GEORGE WEXLER,	ASST. MANAGER
W. J. KENNY,	ASST. MANAGER

BANKERS TRUST COMPANY

SEWARD PROSSER, PRESIDENT

MANAGING COMMITTEE

D. E. POMEROY,	VICE PRESIDENT
F. I. KENT,	VICE PRESIDENT
F. N. B. CLOSE,	VICE PRESIDENT
A. A. TILNEY,	VICE PRESIDENT
H. J. COCHRAN,	VICE PRESIDENT
BENJAMIN JOY,	VICE PRESIDENT

NEW YORK

16 WALL STREET

FIFTH AVENUE AT 42ND STREET

MADISON AVENUE AT 57TH STREET

PARIS

3 & 5 PLACE VENDOME

CABLE ADDRESS - BANKTRUST - NEW YORK

16 WALL STREET
NEW YORK

September 22, 1922.

Hon. Benj. Strong,
Governor, Federal Reserve Bank of New York,
New York City.

Dear Ben:

Your letter of the 21st inst. received, and I note that you have also been disguised as a target for those who are striving to build up memberships in various organizations. It certainly is a fright, and there is no question about it, and I have had to refuse a few almost every day.

In writing you concerning the International Chamber of Commerce I did not have it in mind that you personally would wish to join, but thought possibly the Federal Reserve Bank might desire to do so. As the meetings of the International Chamber bring together men of high standing from many countries for the discussion of important financial matters, there would seem every reason to believe that this contact has had some very excellent results already, even though the organization is only two years old. Of course, it cannot continue unless it is supported, and whether it is going to develop into a continuing worth while organization depends largely upon its membership. However, this is not intended to argue you into a change of decision, but merely to let you know I was not shooting at you personally.

I wonder if you could not take luncheon with me some day this week, and if so, would appreciate it if you will have your secretary advise me of the day and hour and I will call for you.

With sincere regards, I am

Cordially yours,

FIK-AB.

FILES DIV.
SEP 27 1922

51X-78

ST. LOUIS, MO.

SEP 26 1922

RECEIVED

THE FEDERAL RESERVE BANK OF ST. LOUIS
RECEIVED FROM THE FEDERAL RESERVE BANK OF ST. LOUIS
SEP 26 1922

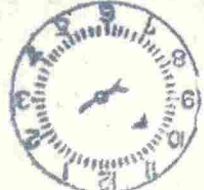
THE FEDERAL RESERVE BANK OF ST. LOUIS
RECEIVED FROM THE FEDERAL RESERVE BANK OF ST. LOUIS
SEP 26 1922

THE FEDERAL RESERVE BANK OF ST. LOUIS
RECEIVED FROM THE FEDERAL RESERVE BANK OF ST. LOUIS
SEP 26 1922

RECEIVED

SEP 26 1922

THE FEDERAL RESERVE BANK OF ST. LOUIS
RECEIVED FROM THE FEDERAL RESERVE BANK OF ST. LOUIS
SEP 26 1922



SEP 26 1922

RECEIVED BY
GOVERNOR & SECY

ST. LOUIS, MO.
SEP 26 1922

Pass.

BANKERS TRUST COMPANY

SEWARD PROSSER, PRESIDENT

MANAGING COMMITTEE

D. E. POMEROY,	VICE PRESIDENT
F. I. KENT,	VICE PRESIDENT
F. N. B. CLOSE,	VICE PRESIDENT
A. A. TILNEY,	VICE PRESIDENT
H. J. COCHRAN,	VICE PRESIDENT

FOREIGN DEPARTMENT

F. I. KENT,	VICE PRESIDENT
J. F. SCHMID,	VICE PRESIDENT
F. A. KLINGSMITH,	ASST. TREASURER
GEORGE WEXLER,	ASST. MANAGER
W. J. KENNY,	ASST. MANAGER

NEW YORK
 16 WALL STREET
 FIFTH AVENUE AT 42ND STREET
 MADISON AVENUE AT 57TH STREET

PARIS
 3 & 5 PLACE VENDOME
 CABLE ADDRESS - BANKTRUST - NEW YORK

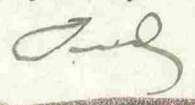
16 WALL STREET
 NEW YORK
 September 27, 1922.

Hon. Benj. Strong,
 Governor, Federal Reserve Bank,
 New York City.

Dear Ben:

Your letter of the 26th inst. just received. As next week is that of the American Bankers Association Convention I will not have any time, but I have asked my Secretary to arrange with your Secretary for some day the following week, which I hope may prove satisfactory.

Sincerely yours,



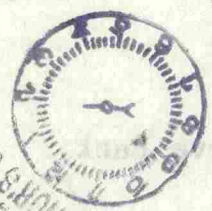
FIK-AB.

COMMUNICATIONS SECTION

RECEIVED
SEP 29 1937

SEP 29 1937
GOVERNOR ST. LOUIS

RECEIVED BY
GOVERNOR'S OFFICE



Hon. H.M. Brown,
Governor, Federal Reserve
New York City.

Dear Ben:

Your letter of the 22nd inst. has received
As next week is that of the American Bankers Association
Governor I will not have any time, but I have asked
my secretary to arrange with your secretary for some
of the following week, which I hope we have made
satisfactory.

Sincerely yours,

711-AB.

MAILING DIV.

FEB 19 1923

FEDERAL RESERVE BANK

BANKERS TRUST COMPANY

F.I. Kent

SEWARD PROSSER, PRESIDENT

MANAGING COMMITTEE

A. A. TILNEY,	VICE PRESIDENT
F. I. KENT,	VICE PRESIDENT
F. N. B. CLOSE,	VICE PRESIDENT
H. J. COCHRAN,	VICE PRESIDENT

FOREIGN DEPARTMENT

F. I. KENT,	VICE PRESIDENT
J. F. SCHMID,	VICE PRESIDENT
F. A. KLINGSMITH,	ASST. TREASURER
GEORGE WEXLER,	ASST. MANAGER
W. J. KENNY,	ASST. MANAGER

NEW YORK
16 WALL STREET
FIFTH AVENUE AT 42ND STREET
MADISON AVENUE AT 57TH STREET

PARIS
3 & 5 PLACE VENDOME
CABLE ADDRESS - BANKTRUST - NEW YORK

16 WALL STREET
NEW YORK
January 26, 1923.

Hon. Benjamin Strong,
Governor, Federal Reserve Bank of New York,
15 Nassau Street, New York City.

Dear Ben:

Your letter of the 24th instant received and it was real fine of you to take the trouble to advise me concerning Norman.

It was a disappointment to me not to see him, for I am working very hard with half a dozen very important Committees trying to develop the foundation for the later formation of a proper public opinion, and I was very anxious to have a talk with Norman.

You might be interested to know that I expect to attend the International Chamber of Commerce meeting in March as Chairman of the Committee representing the American Bankers Association.

Sincerely yours,



FIK-RG

BANKERS TRUST COMPANY

FEB 10 1923
FEDERAL RESERVE



JAN 27 1923
New York
January 28, 1923

Mr. Benjamin Strong,
Governor, Federal Reserve Bank of New York,
15 Nassau Street, New York City.

Dear Sir:

Your letter of the 24th instant received and it was
real time of you to take the trouble to advise me concerning
Norman.

It was a disappointment to me not to see him for I am
working very hard with half a dozen very important Committees
trying to develop the foundation for the later formation of
a proper basis opinion, and I was very anxious to have a talk
with Norman.

You might be interested to know that I expect to attend
the International Chamber of Commerce meeting in London as
Chairman of the Committee representing the American Bankers
Association.

Sincerely yours,

FK-RG

SOCIÉTÉ ANONYME
CAPITAL DE \$ 20.000.000
(ENTIÈREMENT VERSÉ)

SIÈGE SOCIAL
16 WALL STREET
NEW YORK

TÉLÉPHONES

CENTRAL 41.77 CENTRAL 81.12 CENTRAL 94.04
— 51.58 — 81.43 — 94.05
— 79.75 — 81.44 — 98.14
LOUVRE 47.17 GUTENBERG 45.18
INTER-SPECIAL 11.56 ET 11.57

MEMBER OF FEDERAL RESERVE SYSTEM
OF UNITED STATES



3 & 5, PLACE VENDÔME

RÉSERVES \$ 15.000.000

ADRESSE
TÉLÉGRAPHIQUE :
BANKTRUST

F.I. Hunt

PARIS May 19, 1923.

Mr. Benjamin E. Strong, Governor,
Federal Reserve Bank of New York,
New York.

Dear Ben:

It gave me a very unhappy time when I heard that you were ill again and had gone to Colorado, but now I find that you have found something that is helping you very much and that will undoubtedly return you to health soon, which pleases me very much.

Knowing that that active brain of yours can never be quiet regardless of anything else that might happen I thought it might interest you to know something about what is going on here, even though it is strictly confidential and is being sent to you personally.

In the first place would say that a Committee was appointed at the Meeting of the International Chamber of Commerce in Rome with instructions, in effect, to make a study of the European situation and suggest a means of correcting it. In the Resolution under which the Committee was appointed, however, it was specifically stated that the present moment was not opportune to undertake the work as it was realized that while France and Germany are still too far apart to enter into effective negotiations that nothing real could be accomplished. This being true, it meant that I, as Chairman of the Committee, could not, from that standpoint, enter into the controversy between the two nations referred to. On the other hand, as Chairman of the Commerce and Marine Commission of the American Bankers Association, and having in charge all questions relating to the pre-War Mark balances of American banks I was in position to go to Germany to negotiate in connection with this matter.

Naturally the question of the payment of such balances was certain to arise, which would quite properly lead me into a consideration of the reparation payments. This being true, after the meeting in Rome I had many hours of conferences with men such as Stinnes, von Simson who used to be with the Foreign Office in Berlin under Rathenau, Urbig of the Disconto Gesellschaft, and some of the industrial leaders in the Ruhr. After these conferences I came to Paris and finally got in position to be able to go to Berlin with a proper understanding of what was necessary to

develop a contact between the two countries.

Upon my arrival in Berlin I first spent several hours with Ambassador Houghton to get such facts as he had that might be of value to me. Then I spent an hour and a half alone with the Chancellor, after which I had conferences of from one to three hours, individually in every case and collectively as well in some cases, with the following:

Helfferrich, formerly of the Reichsbank;
Bergmann, whom you know;
Von Simson, and some of the others already mentioned whom
I had seen in Rome,
Wirth, the former Chancellor,
Baron Malzahn, the Foreign Minister,
Hermes, the Finance Minister,
Urbig of the Disconto, and
Von Gwinner, Wassermann and Blinzig of the Deutsche Bank;
Melchior of M. M. Warburg & Company.

There were also a number of others whose names might not interest you so much.

After working very hard for a number of days and nights the whole arrangement that I was trying to develop was agreed upon and the Saturday night before the German Note of May 2nd was sent out everything was working perfectly. Sunday, reports in the papers led the members of the German Cabinet to believe that Poincare had demanded that Germany surrender before a Note would be received. While this proved to be merely a rumor, yet the Germans were so shocked by it that they never stopped to check it up but simply went up in the air. Their feeling then was that the offer which we were working upon would not be received. Even so, I succeeded in getting them to work upon a form of answer to the supposed statement of Poincare that would carry in it a form of Note and that would not arouse resentment.

After a meeting of the Cabinet on Monday night this was taken up. Tuesday afternoon or Wednesday morning, however, at the last minute the Bavarians came in and upset the whole thing and demanded the "sassy" stupid Note which was finally determined upon. Wirth, Malzahn and another gentleman were having luncheon with me that day when I received a telephone from Cuno asking me to call and see him at four o'clock. This I did and when I found the nature of the Note which had gone forward I was certainly disgusted. It took comparatively little explanation of the way that such a Note would be received in my opinion by all countries concerned to satisfy the Chancellor that they had made a very bad mistake and it seemed necessary for me to come right on to Paris with the hope that a way might be found to leave the situation still open so that the Germans could have another try.

While there were no sleeping cars to be had and our passports were

not in order, yet the Chancellor made such arrangements as were possible, which meant that my secretary and I had a compartment together and he was able to lie upon one side and I upon the other, although we could not, of course, undress. It was so frightfully cold that I could not sleep either. Fortunately they put a diner on at 5:30 in the morning and as the Germans eat all day and all night we were able to get some breakfast at that hour. It was no European breakfast, however, that we indulged in, for it was necessary to get something inside of us that would keep us warm.

Just twenty four hours after we left Berlin we were in Paris as we were fortunate in making connections in Amsterdam. It was not safe to come through Cologne because we might have been subject to very serious delays.

Well, as matters developed here a way was left open in the French and Belgian Note for Germany to come back and while, because of the stupidity of the German Note, the doors were closed somewhat tighter, yet even so the contact has been established. The Germans are now at work on a new Note and I received a telegram asking me in effect to come back to Berlin, which I understand to mean in view of our conversations in Berlin that I am wanted back to help work on the new German Note which is to be along the lines of the plan which I developed, provided the German Government finds that it can do so without endangering its position with its people.

In the meantime I have prepared a complete Note which is under consideration and that is aimed merely to bring about a situation where final negotiations can be undertaken. It would be quite impossible, in my opinion, for Germany to offer in a Note the most that it could do as the various political forces in Germany would not stand for it as they all feel that whatever they may offer will be accepted by the French as the minimum instead of the maximum of what they can do. On that account, even in connection with the evacuation of the Ruhr and peace agreements, as well as reparations, I have drawn up the Note on a basis that will allow some elasticity to Germany in the negotiations that it may develop, provided it does. Even at that it is a little stiff for Germany to swallow right at the moment, by which I mean that while the pressure on the German people outside of the Ruhr because of the occupation is getting extremely difficult to bear, yet it has not reached the point where the pressure on the German Government on the part of the people has become sufficiently strong to warrant the Government in going as far as it will have to go before this thing is settled.

The difficulty is that the German Government, having so successfully organized the German people for resistance, is finding it extremely difficult now to reorganize them for settlement. However, the German people have reached the turning point and almost any week now may see the development of the sort of pressure on the Government by the people that will enable the

May 19, 1923.

Government to do what it must do before peace can be brought about.

One thing that I particularly recommended to the German Government was that they try to bring all German business together in such manner as to satisfy the world that it would be back of the German Government in any agreement that it might undertake. In order to show them just what I meant I prepared a proposed memorandum that I felt the German business men could deliver to the German Government and that the German Government could quote in a Note if it was found advisable as matters developed. This is now being considered and German business men have been called into consultation with the Government for the purpose of working out something along the lines which I proposed.

A very interesting side light on the whole situation lies in the development of one of the bogies which the Germans hoped might be effectively used on the Americans as well as on Europeans to try and break the French determination. Just how far the German Government took part in this, if at all, I do not pretend to know. Some interests in Germany, however, began to stage a lot of beautiful scenery almost immediately upon the occupation of the Ruhr aimed to scare the world into thinking that Communism was apt to develop in Germany at any moment with the complete overthrow of the Government and a strong combination with the Russian Bolshevists. Americans who had been in Germany with whom I talked before going there myself came back frightened to death about this situation and almost every German with whom I had previously talked gave me the impression that he was also frightened. From what I could gather while in Berlin, however, I came to the conclusion that the whole thing was a "set up" as too many photographs had been taken of various occasions where well-known Communists were apparently taking principal parts and red flags were so placed as to allow the breezes to blow them around crucifixes, etc. Then the attention of the superstitious was called to this latter situation and as they naturally would not stop to think that the crucifixes could not blow even though the red flags could and so were not able to get out of the way it developed quite a little feeling that there was an omen in the occurrence.

Personally, my only fear of this situation lies in the possibility that those in Germany who are allowing the Communists such leeway at the moment may awakensome day and find, that, exactly as in the case of the German currency, that it has gotten beyond their control. At the moment I do not believe that it is beyond their control in the least particular, but I can conceive of such a thing happening if they let it go too far.

To my mind the next Note which Germany delivers, that may be put out the latter part of next week or the following week, is apt to be the crucial act in this situation. If the Bavarians can be brought into line and

May 19, 1923.

be made to see that arousing further resentment on the part of France is going to accomplish nothing for them but instead is going to make it harder, it should be possible to develop a Note that will open up the way for negotiations around a table, when I am certain that everything can be worked out. The problem in itself, of course, is not such a difficult one except from the standpoint of political forces that are elements of it. The difficulty there, though, is very real, but even that does not mean that the solution is not possible.

One of the 'unfortunate developments in Germany lies in the fact that the members of the cabinet and seemingly most other prominent Germans have been so overwhelmed mentally by the difficulties involved that instead of trying to find a way around them they have stood before them helplessly and have actually been obsessed by them.

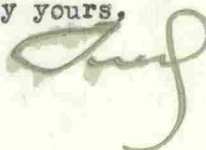
After Helfferich had consumed nearly an hour telling me the things "We won't do" and during which he had not offered one constructive idea I said to him "In Chicago, where I was born, the motto is 'I will' and not 'I won't' and it has seemed to me that it brings better results". He asked me just what I meant by it and I told him that I felt that the duty of the German Government to its people lay in finding a way out of their difficulties and not in giving up under them. He actually saw the point and agreed with me and from then on we had a very constructive talk.

The same thing in different ways came up with any number of those with whom I talked and I found that what was seeming obstinacy in some cases, while undoubtedly partly that was largely a form of mental inertia that was brought about through constant circular thinking about the things that would not be done, accepting them as immovable obstacles that could not be overcome or gotten around.

Of course it would be much nicer to be able to give you the end of this story, but it seemed to me better to send along something with the hope that it might prove to carry with it a little interest that would help you while you were ill. It is also on that account that I have been willing to take the chance of putting in black and white some of the statements made, for, as you can readily see, they cannot ever become public.

Hoping that this will find you greatly improved, and with sincere regards, I am

Cordially yours,



FIK-TJS



CONFIDENTIAL

MAY 31 1952



RECEIVED BY
GOVERNMENT STIC

Dear Sir:

Reference is made to your letter of May 29, 1952, regarding the proposed merger of the Federal Reserve Bank of St. Louis with the Federal Reserve Bank of Chicago.

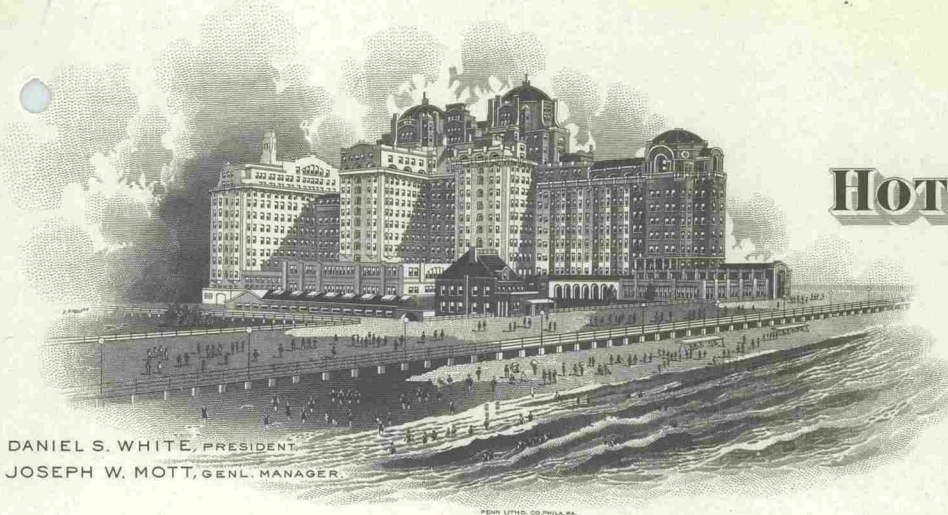
As you can readily see, there cannot be a merger of the two banks until the merger of the Federal Reserve Bank of St. Louis with the Federal Reserve Bank of Chicago is completed. It is also on that account that I have been unable to meet with you to discuss the proposed merger. It is my hope that it will be possible to meet with you at some time in the near future.

It is my hope that it will be possible to meet with you at some time in the near future. The same thing in different ways come up with any number of these

As you can see, the proposed merger of the Federal Reserve Bank of St. Louis with the Federal Reserve Bank of Chicago is a very complex matter. It involves the merger of two banks with different assets and liabilities. It also involves the merger of two banks with different branches and offices. It is my hope that it will be possible to meet with you at some time in the near future.

One of the important developments in Germany has been the merger of the Federal Reserve Bank of St. Louis with the Federal Reserve Bank of Chicago. This merger is a very important step in the development of the Federal Reserve System.

It is my hope that it will be possible to meet with you at some time in the near future. The same thing in different ways come up with any number of these



HOTEL TRAYMORE

ATLANTIC CITY, N. J.

September 27, 1923.

Mr. Benjamin Strong,
Federal Reserve Bank,
New York, N. Y.

Dear Ben:

Yesterday I had a talk with Pierre Jay and he tells me that you are absolutely cured and that you will probably be back in a comparatively short time. It is quite impossible for me to tell you how happy I am over the news, and while I am in the midst of this Convention, which is really very strenuous, yet I cannot delay writing you and telling you how pleased I am. It will certainly be wonderful to have you back thoroughly cured and I am looking forward to seeing you with more enthusiasm than I can display in a mere letter.

Thinking it might while away a little of your time and possibly put you to sleep if you are restless, I am enclosing copy of a report which I made to the Chamber of Commerce in Paris. Later I will send you a copy of the address which I made here at the Convention that resulted in the passage of a resolution, copy of which I will also send you, that carries the recommendations which I wish to see carried out. It is my firm belief, after five months in Europe, during which, as you know, I spent hours and days with the representatives of the different Governments concerned, that if we can take the part outlined in my address that the whole situation can be settled very quickly, which, in view of the fact that more or less evolution is involved, does not mean either to you or to me in a few minutes, a few days, or a few weeks.

Congratulating you upon the wonderful fight you have made to get back your health, and with sincere regards, I am,

Cordially yours,
J. M. Jones

Enc.
FIK-R

BANKERS TRUST COMPANY

SEWARD PROSSER. PRESIDENT

NEW YORK
16 WALL STREET
FIFTH AVENUE AT 42ND STREET
MADISON AVENUE AT 57TH STREET
PARIS
3 & 5 PLACE VENDOME
CABLE ADDRESS - BANKTRUST-NEW YORK

F. I. KENT. VICE PRESIDENT

16 WALL STREET
NEW YORK

October 10, 1923.

Mr. Benjamin Strong,
Federal Reserve Bank,
New York, N. Y.

Dear Ben:

It was really fine to hear from you and your
letter did me a lot of good.

LOOSE IN FILE

As the newspaper articles which you read only
gave excerpts of the address which I made before the
American Bankers Association, I am enclosing a complete
copy together with the resolution that was passed after-
ward. It will interest you as well, I am sure, to
know that of the other nine organizations to which I
have presented the matter since the Convention, two have
already agreed to cooperate and the others are actively
interested in presenting the matter to their membership.

Your friends here in the Bankers Trust Company
were all tremendously pleased to hear from you and you
are certainly going to have a warm welcome when you come
back again.

With sincere regards, I am,

Cordially yours,



FIK-R
Enc.

SEWARD PROSSER,
CHAIRMAN OF THE BOARD

ALBERT A. TILNEY,
PRESIDENT

BANKERS TRUST COMPANY

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PARIS
3 & 5 PLACE VENDOME

F. I. KENT,
VICE PRESIDENT

ACKNOWLEDGED
DEC 24 1923

16 WALL STREET
NEW YORK

R S

December 12, 1923.

Mr. Benjamin Strong, Jr.,
Federal Reserve Bank,
New York, N. Y.

Dear Ben:

Since you returned to New York, I have purpose-ly refrained from bothering you, as I feared that I might be taking some of your time which you needed to get into your work again without too much of a strain. I do want to see you, however, and have a chance for a little visit. Knowing that you should protect your throat, I will bring an instrument with me that will make it possible for you to talk with me in a very low voice.

In addition to my great desire to see you personally, I am also anxious, when opportunity offers, to tell you some of the things which have been going on in connection with the European situation, with which I am certain you cannot be familiar, as they have not been given out.

I am obliged to be in Chicago the balance of this week and in Washington on the 19th, after which date I will call up your secretary and ascertain when it may be convenient, and I cannot tell you how much I am looking forward to seeing you.

With sincere regards, I am,

Cordially yours,

Fred I. Kent
mk

FIK-R

Mr. Kent dictated the above but was obliged to leave before it was written.

BANKERS TRUST COMPANY

ACKNOWLEDGED
DEC 11 1928

December 11, 1928

DECEMBER 11 1928



I have pleasure in acknowledging the receipt of your letter of the 10th inst. in relation to my great desire to see you personally. It is also anxious when opportunity offers to tell you of the things which have been going on in connection with the European situation, with which I am cognate. I cannot be realistic, as they have not been given opportunity.

I am obliged to be in Chicago the balance of this week and in Washington on the 15th, after which date I will call on your secretary and associates when it may be convenient, and I cannot tell you how much I am looking forward to meeting you.

With sincere regards,
Cordially yours,

Very truly yours,
Wm. C. Clegg

SEWARD PROSSER,
CHAIRMAN, BOARD OF DIRECTORS

ALBERT A. TILNEY,
PRESIDENT

BANKERS TRUST COMPANY

CABLE ADDRESS—NEW YORK & PARIS—BANKTRUST
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NEW YORK
16 WALL STREET
FIFTH AVENUE AT 42ND STREET
MADISON AVENUE AT 57TH STREET
PARIS
3 & 5 PLACE VENDOME
LONDON
26, OLD BROAD STREET, E.C.2.

F. I. KENT,
VICE PRESIDENT

RECEIVED

Jack.
AUG 18 1925

U. S. C.

16 WALL STREET
NEW YORK

August 12, 1925.

Mr. Benjamin Strong, Jr.,
c/o Federal Reserve Bank,
New York, N. Y.

Dear Ben:

As I note that you are a member of the Down-Town Association and the names of my son, Warner W. Kent and myself are slowly approaching the time when they will be considered by the members of the Committee of the Club, I will greatly appreciate it if you will write to the Club such letter as you may feel justified concerning each of us, but in separate letters so that they may be filed in the proper envelopes.

As you undoubtedly know enough about me to cover anything that it might be necessary to say, I will only give you a few facts concerning Warner that might be useful. He is a graduate of Harvard College, is a member of the Union League and the Harvard Clubs of New York and is connected with the firm of Ingalls & Snyder, 100 Broadway, dealers in bonds. He owns his own home in Scarsdale, New York, where he lives with his wife and four children. If there is anything further that you desire concerning either of us, I will be very glad to answer any questions you may have.

Assuring you of my appreciation of such consideration as you may care to give this suggestion and with kind regards, I am,

Cordially yours,

Frank

FIK-R *x Coming up in September*

Kent

FRED I. KENT
SIXTEEN WALL STREET
NEW YORK

TO MEMBERS OF THE
FEDERAL RESERVE BOARD
RECEIVED
ACKNOWLEDGED
SEP 22 1925

GOVERNOR'S OFFICE
RECEIVED
SEP 22 1925

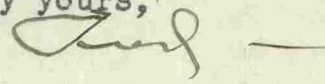
Sept. 21, 1925.

Dear Ben:

Your letter received and it was real fine of you to express your willingness to write to the Down Town Association. It so happens that my name came up last Thursday, and I was accepted.

Warner's application was not presented until a little later, and I believe will not come forward until the next meeting. If, therefore, it is agreeable to you to write the Association concerning him (Warner W. Kent), we will both greatly appreciate your doing so.

Sincerely yours,



Mr. Benjamin Strong, Governor,
Federal Reserve Bank,
33 Liberty Street,
New York City.

FEDERAL RESERVE BANK
OF ST. LOUIS

FEDERAL RESERVE BANK
OF ST. LOUIS

SEP 22 10 58 AM

RECEIVED
GOVERNOR'S OFFICE

FEDERAL RESERVE BANK
OF ST. LOUIS

SEP 22 10 48 AM

RECEIVED
GOVERNOR'S OFFICE

Dear Sir:

Your letter received and it was real
fine of you to express your willingness to write
to the Down Town Association. It so happens that
my name came up last Thursday, and I was accepted.

Warner's application was not presented
until a little later, and I believe will not come
forward until the next meeting. In the meantime,
it is desirable for you to write the Association
concerning him (Warner W. Jones), we will both
greatly appreciate your attention.

Sincerely yours,



Mr. Benjamin Strong, Governor,
Federal Reserve Bank,
33 Liberty Street,
New York City.