

726  
C A B L E

*file mark*  
BENJ. STRONG, Jr.  
PERSONAL.

December 5, 1914.

James Brown,  
Hotel Ritz,  
London,

Wiggin and I know nothing of cash scheme suggested by Davison and understood he and Morgan generally approved plan outlined our report of which he has copy. We asked him cooperate with you in negotiations following Paish return as he was sailing other business and felt sure you would agree. His firm's assistance and advice most important. I cannot agree to change of plan without full details and must object to any plan involving pledge further gold shipments, or change in status gold fund unless kept informed. Please tell Davison we would like to hear his plan. Will consult Wiggin to-morrow.

Benj. Strong, Jr.

7856  
BENJ. STRONG, Jr.  
PERSONAL.

New York City, Dec. 7, 1914.

James Brown,  
Hotel Ritz,  
London.

Wiggin and I believe you and Davison can agree on plan and policy which will be satisfactory here but would appreciate advice of any radical change in plan we recommended.

Benj. Strong, Jr.

BSJr/VCH-10

28  
December 14th, 1914.

Dear Jim:

Thanks for your note of the 27th ult. and the clipping from the London Times of November 27th.

I have frequently wondered at Sir George's generosity with the newspaper men over here, as doubtless you did, and fear it may have led him into difficulties at home.

Cables reaching me through Jack Morgan indicate progress in the negotiations in London, but I understand that you were obliged to leave before they were concluded. I hope everything is satisfactory.

Very truly yours,

James Brown, Esq.,  
69 Wall Street,  
New York City.

BSJr/VCM

Dictated by Mr. Strong, but  
signed in his absence.

26  
December 14th, 1914.

Dear Sir:

Referring to our telephone conversation regarding the pamphlet sent to Mr. Strong, "War and Finance", the matter of forwarding this to Mr. Thatcher Brown was called to his attention, and he has asked to be allowed to retain this a few days longer, if it will not cause too much inconvenience. Mr. Strong is very anxious to read this pamphlet and expects to be able to do so within a few days.

Very truly yours,

James Brown, Esq.,  
59 Wall Street,  
New York City.

M



26

February 17th, 1915.

Dear Sir:

At Mr. Strong's direction, I am sending you herewith the three copies of Regulation No. 5 with regard to bankers acceptances, which you requested in your favor of the 15th inst.

Very truly yours,

Secretary to Mr. Strong.

James Brown, Esq.,  
59 Wall Street,  
New York City.

VCM

C O P Y

March 9, 1915.  
(dated 8th)

ACCEPTANCES.

BANK OF ENGLAND.

Bank of England requires two English names, of which one must be acceptor. Bank will not take acceptances foreigner or London agency. (stop) British name is person or firm of which at least one partner domiciled in England. (stop) Bank can refuse any bill and especially reserves right reject any name or company where greater portion capital controlled in foreign country.

Bank does not discriminate in normal times with regard to drawer, although at present would certainly enquire into origin acceptances indicating enemy finance.

26  
BENJ. STRONG, Jr.

PERM

May 10th,  
1915.

Dear Jim:

You haven't done anything. The meeting  
was not mine anyway, and we only gave it house room.  
I'll tell you the whole story when I see you.

Very truly yours,

James Brown, Esq.,  
59 Wall Street,  
New York City.

BS Jr/VCM

26  
BENJ. STRONG, Jr.  
PERSONAL

July 6th,  
1915.

Dear Jim:

I would be glad to have you keep me posted on the latest developments in connection with the French matter we were discussing.

Mr. Warburg is shortly going away, and if changes occur in the plan which would make it desirable to have further conference with him on the subject, it will be necessary for me to take it up with him in the course of the next week.

Very truly yours,

James Brown, Esq.,  
Brown Brothers & Company,  
59 Wall Street, New York City.

BS Jr/VCM



BENJ. STRONG, JR.  
PERSONAL.

Brown  
26

PERSONAL.

September 28th, 1915.

Dear Jim:

Replying to yours of the 23rd, I see no reason why the drafts described in the extract from your manager's letter would not be eligible for our purchase. The character of the drafts as described in his letter is apparently such that they fall within the provisions of the last regulation covering bankers acceptances. It would, of course, be necessary for the acceptor to file a statement with us, agreeing to file such statements from time to time; to stamp the drafts in the customary form and undertake to answer inquiries in regard to any specific draft which we might at any time purchase.

Please do not consider this to be a final official ruling on the matter, but it is my off-hand view and when the business takes more specific shape, if you think it advisable to write formally giving the particulars, I will be very glad indeed to send a definite and official reply just as promptly as possible.

Very truly yours,

~~James Brown, Esq.,~~  
59 Wall Street,  
New York City.

BS Jr/VCM

C O P Y

December 10, 1915.

My dear Jim:

By reference to the Federal Reserve Act, you will observe that the provisions of Sections 13 and 14 in regard to acceptances which may be made by national banks and in which Federal reserve banks are permitted to invest, are exceedingly vague. In Section 13, the acceptance which a national bank may make is described as one which is "based upon the importation or exportation of goods." The language is slightly changed when describing what kind of drafts or bills of exchange Federal reserve banks may discount, the statute stating that they must be bills "growing out of transactions involving the importation or exportation of goods." The whole structure of the Act indicates that it was the purpose of Congress to confine the investment of the Federal reserve banks to paper of various kinds, including bills which had had their origin in commercial transactions, rather than in finance or speculative transactions. One difficulty which constantly arises is the line of demarcation between bills which are drawn for financing, as distinguished from those drawn for commercial purposes. Many bills, such as those arranged by you in connection with the French credit, take the form of finance bills, although the purpose of their origin is commercial.

It has always been my belief that the Bank of England and the English banks and discount houses generally dealt with this matter, not according to any fixed rule, but by a general understanding

To James Brown, Esq.,

- 2 -

12/10/15.

among themselves that prime bills, viz:- those which bear two first class English names are always available at the Bank of England, whether they were drawn for commercial purposes or for the purpose of making exchange, whether they were originally in the form of documentary bills or were, in fact, clean bills secured by collateral.

I am writing to inquire whether you will be good enough to make inquiry of Mr. Norman, in your own name, but in my behalf, as to whether, generally, my supposition is correct that the discount market of London, and particularly the Bank of England, does not discriminate against bills which are in the form of finance drafts, where, by reason of the character of the drawer and acceptor and endorser or endorsers, general knowledge of their business and the purposes for which the drafts are drawn, gives them reason to believe that they do not arise from speculative ventures or are not drawn for the purpose of carrying stocks, financing corporations, etc. In other words, is it not a fact that the so-called discrimination against finance bills in the London market which occasionally arises, is not a discrimination against the form in which the bills are drawn, but against the purpose for which the bills are drawn, which at times become generally known to the market by reason of extensive operations being conducted by the drawer and acceptor?

If you could persuade Mr. Norman to make a carefully prepared statement of the policy of the bank in the London market in regard to the bills, it would be of great service to us in our work, and I can assure you it will be greatly appreciated.

Very truly yours,

James Brown, Esq.,  
59 Wall Street.



January 10th, 1916.

Dear Jim:

Just a note to remind you that I would like a letter of introduction to your former partner, Mr. Montagu Norman.

My plan for sailing on the first is about matured and I would regret very much visiting London without an opportunity to see Mr. Norman.

Very truly yours,

Mr. James Brown,  
59 Wall Street,  
New York City.

BS Jr/VCM



57  
January 24th, [1914.] 1916

Dear Jim:

Your note of the 22nd inst. enclosing letters of introduction to Mr. Wood and Mr. Montagu was received this morning and I am looking forward with pleasure and interest to meeting these gentlemen and greatly appreciate your courtesy in affording me this opportunity.

Sincerely yours,

James Brown, Esq.,  
59 Wall Street,  
New York City.

VCM

March 14<sup>th</sup>, 1916.

Dear Jim:

Thanks for your note which has just reached me.

I was somewhat delayed in my London excursion, owing to my having spent a few days at Cannes as well as spending a little more time in Paris than I had planned to do.

I have had a very agreeable visit <sup>in</sup> ~~with~~ your London office, lunching with the partners. Mr. Norman was out of town all last week, but I expect to see him this week.

With kindest regards,

Sincerely yours,

James Brown, Esq.,  
59 Wall Street,  
New York City.

26

June 14th, 1916.

Dear Jim:

It is distressing to learn of your illness. I have been through the mumps and know how unpleasant the experience is. One of my boys is just now quarantined at school awaiting developments, as he apparently was exposed recently to some cases of mumps. I hope he escapes.

Trusting that you will be around in good shape very shortly, I am,

Sincerely yours,

James Brown, Esq.,  
Box 166, Lecust Valley,  
Long Island.

BS Jr/VCM

26  
Estes Park, Col.,

September 4th, 1916.

Dear Jim: Brown

Don't gather from the delay in answering your letter of August 4th that it was not greatly appreciated and warmly welcomed. I have been obliged to let a lot of mail accumulate, partly because I had no stenographic help for a while, and then again, because I was laid up. Things are going better now and I have almost caught up with my mail.

The boys have written me from the office of various interviews with you and of the development of the new credit, etc. Of course, Mr. Treman, in fact none of the officers, have had very much experience in foreign transactions, but the best way to learn is to go at it, and I am sure they will give every possible assistance in your plan, as I have no doubt has been evidenced already.

The decision to pay off the first \$20,000,000 credit and to arrange a new one was very wise and I am glad you did it. It increases the prestige of the drawers throughout the market, and removes the many objections to a roundabout renewal arrangement, (which some of our friends warned us would be attempted when the eligibility question was first thrashed out.)

You must not gather from those pictures that Treman showed you that no business is done up here. I have a little



To James Brown, Esq.

Sept. 4, 1916.

office where, later, I hope to get in a lot of work and among other things where I hope to have opportunity to answer many letters from you. Fortunately, some of the work of the bank can be done out here just as well as at home, and that is all that reconciles me to my banishment. I cannot play golf, although there is a small golf course here, nor have I yet been able to ride horseback, but I am able to do a little fishing and now that the Park is practically emptied of tourists and guests, I hope to get out fairly regularly.

You are to be congratulated on the conclusion of the French loan in the face of endless difficulties, all of which I realized without your mentioning them. Of course, the loan is a great success. I managed to subscribe ~~in some extent~~ for a few of the notes and wish I had taken more.

It is hard to understand Mr. Forgan. He certainly is "set in his ways", but I should think this loan would appeal to him more than most bankers on account of his nationality.

What you say about Sir Edwin Holden interests me tremendously. When I was in London, it struck me that the old man was weakening a good deal on account of illness and the harassments of the war. He has been carrying a tremendous amount of responsibility without anything like adequate assistance in his bank. I would not be surprised at any time to hear of his breaking down. In fact, when I was there, he made an address at the Manchester Chamber of Commerce in which he referred to efforts of American bankers to undermine Lombard Street's

To James Brown, Esq.

Sept. 4, 1916.

supremacy and he was so overcome by the mere thought that the old man broke down and wept, all of which was dealt with by the press in a most lurid fashion.

I hope that you and your associates in this conspiracy to undermine Lombard Street never overlook the fact that the strongest influence that can be applied is the rate of discount.  $2\frac{1}{2}\%$  in New York against  $5\frac{1}{2}\%$  in London is an argument that few bankers can resist. Behind that, however, comes the question of gold payment and if we have a great mass of bills domiciled in New York and the reserve banks are unable to do their part by making them convertible on demand into gold for export, we will lose every bit of the ground so far gained by the exigencies of the war.

I am delighted to hear from you, Jim, and hope you take opportunity now and then to write me and keep me posted on what is doing. I miss our meetings at the Metropolitan Club very much.

With warmest regards,

Very sincerely yours,

James Brown, Esq.,  
59 Wall Street,  
New York City.

BS/VCM



26  
J. Brown

PERSONAL.

November 7th, 1916.

Dear Jim:

I am writing with some hesitation about a matter which we could much better dispose of by conference, and let me say in that connection, that I miss our meetings and discussions very much indeed.

The question has arisen, and will continue to arise, as to whether our policy in fixing lines on bills of private bankers has yet been satisfactorily worked out. This letter will explain to you confidentially the difficulty. Each of the twelve reserve banks, inspired by the desire to establish and maintain as complete autonomy as the law permits, fixes in its own discretion its rules for buying bills. We here in New York are only able to carry out their instructions and do not endeavor to influence them in establishing the amount or character of the bills which they authorize us to buy for them.

In the case of bills accepted by national and state banks where sworn statements are filed with us, all the reserve banks authorize pretty liberal lines. In the case of private bankers, they establish fairly liberal lines also where they are furnished with figures. When it comes to these firms like your own and a number of others who give confidential information to the New York Reserve alone, each of the other reserve banks hesitate first to authorize any line and, second, to do more than authorize a very moderate purchase.

To James Brown, Esq.

Nov. 7, 1916.

The result of this situation is to give the Reserve Bank of New York an almost unlimited order for bills of national and state banks and narrow margins for these private bankers who have furnished their statements to all twelve of the reserve banks and such a restricted margin in the case of those firms that only give us their figures that we are really not able to do them justice in dealing with their bills.

The Federal Reserve Bank of New York is about 40 % of the whole System. If circumstances necessitated a contraction in our purchases, it would naturally be effected first by discontinuing lines extended to private bankers according to whether they had or had not furnished statements and inevitably the burden would all fall on the New York bank to take care of all the bills of those private bankers who had not furnished statements to all the reserve banks.

The largest banks in the System outside of New York without any recommendations from us have declined to buy any bills where they cannot get statements. I am writing this letter, therefore, to ask you to consider whether it may not be desirable for your firm to make arrangements with, say Boston and Philadelphia, where you have offices so that they also will have figures and will take the bills of your firm just as liberally as we will in New York. If you decide to do that I think I would recommend your doing the same in Chicago and possibly Cleveland and St. Louis.

and ✓



To James Brown, Esq.

Nov. 7, 1916.

Before discussing the matter at the bank, it might be well for you to send me an expression of your views.

I hope you keep well, busy and prosperous.

With warmest regards, believe me,

Faithfully yours,

James Brown, Esq.,  
Care Messrs. Brown Brothers Company,  
49 Wall Street,  
New York City.

BS/VCH

COPY

26

December 4th, 1916.

PERSONAL.

Dear Jim:

Your two letters of December 1st have just reached me.

If you find it possible to ~~act on the~~ suggestion about Boston and Philadelphia, I believe it would be well worth while but suggest talking it over with Jay and Tremen first, as ordinary prudence indicates the wisdom of their taking the matter up privately with Aiken and Rhoads before the matter is approached officially.

I cannot tell you how much I appreciate your letters and how much I miss opportunity to visit with you on all of these new problems that seem to come up daily now and create new embarrassments every time.

There is really no occasion for me to comment on the action of the Reserve Board. Above all things, I must and should be loyal to my associates and except as to acceptance credits, their pronouncement had no direct relation to the activities of the reserve banks.

My own theory of the situation is that our security for the future lies in having a mass of foreign loans which can be handed back with thanks when the time comes instead of the disorderly and disorganizing export of gold. Of course, I don't want to make bad loans, but as yet I have not seen any evidence of bad loans being made or attempted.

To James Brown, Esq.

Dec. 4, 1916.

They say I am making very good progress out here towards recovery, but as yet make no promises as to the date of my return. I have put on weight and think I have gotten the better of the "bugs." But the last stages of a complete cure of my difficulties are always tedious and slow and I have not reached the point where it is safe to push matters by taking active exercise. You can imagine how irksome this is.

Warmest regards, old man, and many thanks for your letters.

Faithfully yours,

James Brown, Esq.,  
59 Wall Street,  
New York City.

BS/VCM



December 4th, 1916.

Dear Jim:

Your special delivery letter of December 1st reached me last evening. I have read it with great care and am unable to understand exactly your point in regard to our policy.

At the meeting to which you refer, addresses were made by James H. Simpson of the Bank of <sup>Liverpool</sup> London, Dr. Risser, a well-known economist of Munich and Mr. Robert Masson of the Credit Lyonnais. The last named has just visited me here for two or three days on his Western tour.

You must remember that there are various objects to be accomplished by the operations of the reserve bank and the means employed to accomplish them sometimes appear to be in conflict. Let me point out some of the difficulties:

- 1st. We must maintain steady rates,
- 2nd, We must make our rates as uniform as possible, without great discrimination between various classes of bills,
- 3rd. We must encourage the development of dollar acceptances by maintaining rates which compare favorably with those of London,
- 4th. We must make the bill holdings of the reserve banks their principal source of income and sufficient to cover expenses and the greater part of their dividend requirements,
- 5th. We must accumulate ~~our holdings of bills and notes~~ <sup>our portfolio</sup> ~~now so that if necessary we can tighten up at times by withdrawing from the market,~~



To James Brown, Esq.

Dec. 4, 1916.

- 6th. We must avoid antagonizing member banks by keeping our rates too low,
- 7th. We must protect the New York market against a great flood of funds of the other reserve banks and can only do so by giving reasonable consideration to the view of the banks for which we are acting.

I think you will realize that there is food for thought in endeavoring to meet all the considerations above listed. On one point, we have encountered difficulty and are certain to encounter the same difficulty for years to come. Our call money market is still the criterion of rates. Any little bulge in the stock exchange money market may create a tendency to throw a large volume of bills into the reserve banks. Not desiring to discriminate against any particular bill such a development becomes embarrassing when the amount of bills offered of any one acceptor exceeds the amount which we reasonably should carry.

I gather from your letter rather indirectly that you think the way to avoid that situation is to advance our rate for all bills. I am not at all sure that you are right. Personally, I have not felt that any of the New York accepting institutions or firms are accepting too many bills under present conditions and that the reserve banks as a whole, so long as the volume is as restricted as it now is, should have no difficulty in meeting any situation which might arise resulting in a bulge in call money rates. The difficulty is increased, however, if we are unable to distribute all the bills purchased among all reserve banks. I refer particularly to bills of those private bankers who are unwilling to give the necessary information so that their bills are freely taken by all twelve of the reserve banks.

To James Brown, Esq.

Dec. 4, 1916.

Of course, reading between the lines, I gather that something has occurred to disturb you in this matter or you would not have written me as you have. Please do not hesitate to take it up frankly with the officers of the bank.

Many of our difficulties would be avoided and the development of a real outside market for bills would be greatly facilitated if the New York banks would abandon their practice of guaranteeing discount on renewal bills drawn under finance credits and would also abandon the practice of buying their own paper. This would throw a much larger volume of bills on the market and develop not only volume but a rate that is more actual than apparent. Your house is one of the few which has dealt with this matter in the right way.

I see no reason to anticipate any material advance in rates by the reserve banks at the moment. Their investment account is not large enough yet to earn their dividends in full and the recent announcement or warning by the Reserve Board is certain in my opinion to result in larger gold imports with the likelihood of considerable lower rates by or after the end of the year. Why, therefore, should we advance our rates?

I hope you also appreciate the difficulty which we encounter in dealing with bills in a market where endorsements are not naturally and automatically added to bills by their passing through the hands of the bill and discount houses which are in the habit of endorsing and which have large responsibility.

It distresses me to be absent at a time when so much of importance is going on, but reports I get from the office



To James Brown, Esq.

Dec. 4, 1916.

really satisfy me that their policy is careful and conservative and one which I believe in the end will bring results.

Thank you very much for writing me. I await your other letters with interest.

With warm regards,

Faithfully yours,

James Brown, Esq.,  
59 Wall Street,  
New York City.

BS/VCM

COPY

December 14th, 1916.

Dear Jim:

I was very glad to have your letter of December 10th which affords me opportunity to add a little to my letter of the 4th, and which I must ask you to retain in personal confidence.

Let me review again the seven points:

1st. We are in substantial agreement except that in a low money market the actual difference in value between a bank acceptance bearing two or more responsible obligations and single name commercial paper will amount to at least 1 % and usually more, so that the rate for bank acceptances will closely approximate the rate for call loans, which is usually "pegged" in an easy money market at 2 % because of the custom of banks and trust companies allowing 2 % on balances. The fact that for some months call money rates and rates for bank acceptances were about the same at 2 % or slightly above, was coincidence rather than design.

2nd. This we agree upon.

3rd. This also we agree upon except that I do not think that your assumption that we have been the only buyer is correct. I will refer to that later.

4th. I think you do not understand this. If there was one central bank, the situation would be very different. There are twelve banks, each reasonably autonomous and most of



To James Brown, Esq.

Dec. 14, 1916.

them desirous of earning at least their expenses and something for dividends. If we undertake to represent all twelve banks in the New York market and then, having excluded them from direct operations, decline to buy bills in sufficient volume to give them reasonable earnings, our position in the New York market would be lost, they would decline to act through us and the result would be far more serious, so far as rates are concerned, than the one which has existed. Your argument would be all right if applied to a fully developed situation and the operations of a central bank, but are really advancing a theory which hardly applies to operations of twelve banks in a bill market which is in its infancy.

5th. This statement you apparently failed to follow. Until the last few days, the Federal Reserve Bank of New York has been carrying fifteen to twenty-five million dollars of bills. Raising our rate and throwing these bills on the market as they matured would not have the slightest effect on the market because the volume is not large enough. Again you are dealing with a theory - which is correct enough - whereas, we are dealing with an actual situation. When we get \$100,000,000 of bills in our portfolio and withdraw from the market by raising our rates, it will have some really marked influence in addition to the sentimental influence, but at present the volume is too small to make any real change in our market conditions. Furthermore, the other reserve banks which we are feeding with bills from the New York market are not yet strong enough in earnings to be very gracious about making this sacrifice unless necessity can be shown.

To James Brown, Esq.

Dec. 14, 1916.

6th. What you say is right enough and that is where the conflict arises between the interests of the reserve banks and the interests of member banks.

7th. We agree about.

My criticism of your position is that you are looking at this matter entirely through the eyes of a man who understands the rules of Lombard Street where there is normally five hundred millions of sterling bills in circulation and is endeavoring to apply the rules governing Lombard Street's bill market to a market where at the outside there is probably not more than 10 % of that volume of bills, in fact, I think you fail to consider that there are two objects to be served by the operations of the reserve banks, quite independent of any question of earnings and that these two objects are more or less conflicting.

The first object is to create a volume of bills drawn in dollars on New York, Boston and Philadelphia. This country lacks the banking machinery in foreign countries to facilitate these drawings. We must use the banking machinery of other nations; in other words, we must make it necessary for the other fellow to curry our horse. There is just one way to do that, viz: to make it profitable for him by keeping rates down. I do not mean by that such abnormally low rates as would make us the only buyer, which is far from being the case, but such steady rates at levels with which London cannot compete, that drawers of bills in South America and the East really cannot afford to draw on London as against New York. You probably do not realize that



To James Brown, Esq.

Dec. 14, 1916.

the reserve banks are purchasing probably less than one-third of all the bills now being drawn and that this proportion will continue to decrease as the volume increases. I have maintained and expect to continue to maintain the policy, if possible, of keeping a steady and fairly low rate for bills so as to encourage the development of volume, otherwise, we will never have a bill market. Do you realize that a year ago, there were not more than ten or twelve names in the market that we could buy? Whereas, to-day I suppose there are 250 names. When I refer to creating volume, I do not mean volume alone in dollars but volume in names and number of acceptors and the greatest inducement for the use of this medium of exchange is to make it profitable and the result of our policy is being evidenced every day by the constant enlargement of the number of names appearing in the market. Do you also realize that with rates sufficiently attractive, drawers of bills in foreign countries will be seeking acceptance credits in this country? Whereas, if rates are not sufficiently attractive in comparison with rates afforded through their old connections, our bankers must go out and hunt this business in the face of all kinds of obstacles now being erected by foreign bankers. We have credit to sell; if we keep the price of that credit low enough other money centers cannot compete with us.

The second consideration, subordinate to the first and somewhat conflicting with it, is to broaden the market and develop a very large number of buyers of bills so that a surplus

To James Brown, Esq.

Dec. 14, 1916.

supply can always be promptly distributed. As to that, I have not the slightest concern for it is absolutely within our control. There are to-day nearly 30,000 incorporated banks in the United States in addition to all the private bankers, all of which are potentially bill buyers. The houses now dealing in bills are circularizing every bank in the United States and according to my observation, they would have no difficulty in distributing one or two thousand millions of good bills without the slightest delay the minute the rates were made a little more attractive. We would accomplish this distribution, however, at the sacrifice of the prompt development of volume and I am perfectly contented to let the broader market for bank acceptances await the development of volume, knowing as I do, and as I think you should, that there is an unlimited market in this country for such bills the minute the volume develops. Did you know, for instance, that there is a strong movement on foot to have the New York State banking law amended so as to authorize savings banks in New York State to buy such bills as are eligible for reserve banks to buy? I understand a similar plan is under way in Massachusetts. The fact is, Jim, you are altogether too much worried about the market and overlook the necessity for developing drawings.

In conclusion, let me say that this situation boils down to a conflict of interest between the bankers who open credits and accept bills and whose business will grow very rapidly so long as our discount rates are very low, and the interests of a great body



To James Brown, Esq.

Dec. 14, 1916.

of banks that would like to buy bills if the rates were higher. Take my word for it that the first step can only be successfully taken by keeping low rates and the second step will come along automatically.

Please pardon this essay. I want you to know exactly my position, want the benefit of your criticism, and if I am wrong time alone will show, but I am going to stick it out if my influence with the banks can hold them to their present policy.

Merry Christmas and a Happy New Year.

Faithfully yours,

James Brown, Esq.,  
59 Wall Street,  
New York City.

BS/VCM

James Brown  
59 Wall Street  
New York

September 2, 1914.

285

Dear Mr. Strong:

As requested in your letter of the  
1st inst., I hand you herewith check for \$92.14,  
being my share of the expense for the private car  
used on our recent trip to Washington.

Yours very truly,

*James Brown*

Benj. Strong, Jr., Esq.,  
16 Wall Street,  
New York City.

*JBH*

James Brown  
59 Wall Street  
New York

ack Sep 15/14  
September 14, 1914.

PERSONAL:

Mr. Benj. Strong, Jr.,  
President, Bankers Trust Company,  
16 Wall Street, New York, N. Y.

Dear Ben:

I was very much disturbed the other day to hear from you that at the last meeting in Washington there was some disposition on the part of the Federal Reserve Board to feel, now that short term notes issued by the City of New York, and held in London, were to be taken care of by the shipment of gold or exchange, that the need of the proposed syndicate which was to be formed for the purpose of creating an exchange fund of \$150,000,000 had passed.

I cannot understand the basis on which this idea has taken hold of the Reserve Board, and think there must be some misapprehension.

The syndicate formed for the payment of the debt of the City of New York agrees to provide \$82,000,000 in exchange or gold for the specific purpose of paying the revenue warrants as they come due. Assume for a moment that gold would have to be provided for the whole amount. Not one single dollar of exchange would be created against this gold. It would be shipped to Ottawa and the corresponding amount would be disbursed in London and Paris to holders of New York City warrants.



Assume for a moment that half the amount is provided in gold and half the amount provided in exchange. Not a dollar of exchange will be drawn against the gold, as instanced above, and the amount that is provided in exchange will make additional demands on the New York exchange market, and is likely to absorb for the next sixty days all the exchange created by grain bills and other exports.

Instead, therefore, of making the proposed exchange fund unnecessary, it really makes it more imperative. If the demand for exchange for the New York City payment should be as I describe, and of this I have good reason to believe that it will be, there would not be left a pound of exchange that could be purchased by the merchants of New York and the various large importing centers of this country for remittance in payment of their, at present, overdue obligations under the English moratorium.

The figures recently requested by the Clearing House Committees in New York, Philadelphia and Boston have placed those committees in a position to know what the past due indebtedness to England of the merchants in these centers is at the present time; also, what nearby maturities amount to. The payment of the New York City warrants held in London and Paris will, it is true, create a more favorable sentiment toward the United States, but sentiment will not pay acceptances past due and reaccepted under

moratorium. Until means are provided for the merchants of this country to send gold or exchange in payment of their obligations, the London Market will not relax toward us. The moment that partial settlement is made on account of these acceptances, England will be willing to open fresh credits that will make it unnecessary for us to pay the balances for some time, and they may then be paid through shipments of grain and other exports.

I doubt whether it has occurred to the Federal Reserve Board that at the present moment banks and institutions and private bankers in this country whose commercial credits on London are readily negotiated in the Far East and all over the world are being discriminated against, because the London Agents or Houses of the American issuers have been obliged to avail of the moratorium, and that these commercial bills of exchange have been reaccepted instead of having been paid. The discrimination referred to results in a very substantial diminution of the imports into the United States for some time to come, with its resultant effect on the Governmental revenues. It also indirectly prevents the free opening, in England, of credits in this country for the purchase of grain and other exports, and, to that extent, diminishes the supply of exchange on London in New York. This whole situation will be changed over night by the formation of a \$150,000,000 gold exchange syndicate, and the immediate shipment of a moderate amount of gold,

specifically for the settlement of the obligations of our merchants. The moment this move is made, and the first shipment reaches Ottawa, and the syndicate begins to offer exchange, I am convinced that the tension in England will relax, and that credits will be opened to an extent that will create more exchange than the merchants will need.

I do not want to bore you with a lot of arguments that you are probably thoroughly conversant with, but there is one more point which I wish to call particularly to your attention. The original moratorium was dated August 4th, and ran until September 4th. This moratorium was partially extended (entirely as to bills of exchange) until October 4th. Today is the fourteenth of September, and there is very little time remaining between now and October 4th, to work out details of a plan to enable the merchants to begin to cover their acceptances under moratorium on October 4th. You, of course, know I have a partner on the Board of the Bank of England, with whom I have been in constant correspondence by cable and letter. Quite between ourselves the Bank and the Government feels so strongly that this country is holding back its gold unnecessarily that I should not be surprised if the present moratorium should not be extended on October 4th. If exchange is not available between now and then to meet obligations then



due, the situation for our merchants will be embarrassing in the extreme. There are millions of dollars accumulated on deposit in the banks of this country, now waiting to be transferred to England. Our merchants will be solvent as far as this country is concerned, but if they cannot meet their foreign debts at that time their credit will be irreparably injured, even if bankruptcy does not follow, and it will take a generation or more to live down the consequences to them and to this country at large.

As having a most direct bearing on this whole subject I enclose a condensation of the English moratorium as set forth in the English Gazette, excluding matters that have no bearing on American merchants; also a digest of matters of interest to American merchants in connection with moratorium on time drafts in Great Britain and Ireland. I also enclose the official publications from which this condensation mentioned above is taken, which, however, is my file copy, and which I would like to have returned after you have finished with it.

Yours very truly,

*Samuel P. Ford*

(ENCLOSURES)

*[From James Brown]*

CONDENSATION OF THE ENGLISH MORATORIUM AS  
SET FORTH IN CLIPPINGS FROM THE OFFICIAL GAZETTE  
SHOWING ONLY MATTERS AFFECTING AMERICAN MERCHANTS  
IN RESPECT TO DRAFTS.

AUGUST 4, 1914 - PROCLAMATION

WHEREAS it is expedient that payment of certain bills of Exchange should be postponed.

We do hereby proclaim: If on the presentation for payment of a bill of exchange other than a cheque or bill on demand, which has been accepted before the beginning of the fourth day of August the acceptor re-accepts the bill, that bill shall, be deemed to be due and be payable on a date one calendar month after the date of its original maturity, and to be a bill for the original amount thereof increased by the amount of interest thereon calculated from the date of re-acceptance to the new date of payment at the Bank of England rate current on the date of the re-acceptance of the Bill.

THE 6th DAY OF AUGUST 1914.

In addition to the provision already made by Our Proclamation, second August relating to postponement of payment of certain bills of exchange.

We do hereby proclaim: Save as hereinafter provided all payments due before Fourth September in respect of (a cheque or bill on demand drawn before the Fourth August, or in respect of any negotiable instrument dated before that time or in respect of any contract made before that time, shall be due one calendar month after payment originally became due, or on the Fourth September whichever is the later date, payments so postponed shall if not otherwise carrying interest, and if specific demand is made for payment and payment is refused, carry interest until payment as from the Fourth August,



if due, before that day, and as from the date on which they become due if on or after that day, at the Bank rate current on the Seventh August.

THIS PROCLAMATION SHALL NOT APPLY TO:

(5) any payment in respect of any debt from any person resident outside the British Islands,

1st SEPTEMBER 1914.

P R O C L A M A T I O N .

WHEREAS, We have issued Proclamation in relation to the postponement of payments.

WHEREAS, it is desirable in the best interests of Our Realm at the present juncture that all persons who can discharge their liabilities should do so without delay, but it is at the same time for certain purposes expedient that Our <sup>said</sup> Proclamations should be varied.

WE DO HEREBY PROCLAIM:

(1) Our Proclamation, second August, shall have effect as if the period of two calendar months were substituted therein for the period of one calendar month, and the sum mentioned in any form of re-acceptance thereunder shall be deemed to be varied accordingly without the necessity of further re-acceptance.

(2) Our said Proclamation, shall have effect as if the fourth day of October were substituted therein for the fourth day of September therein wherever that date occurs, and as if two calendar months were substituted therein for one calendar month.

FROM:

Supplement, LONDON GAZETTE,  
Sept. 1, 1914  
Published by authority.



DIGEST OF MATTERS OF INTEREST TO AMERICAN  
MERCHANTS IN CONNECTION WITH MORATORIUM  
ON TIME DRAFTS IN GREAT BRITAIN & IRELAND.

PROCLAMATION AUGUST 4, 1914 says that:

drafts payable at 1 day after sight, 30-60, 90-120 days or any other period after sight if they have been accepted before August 4, 1914, need not be paid when due, but when due may be re-accepted payable one month later, plus a months interest at the Bank of England's minimum rate of interest on the day of re-acceptance. This rate was 5% for most of the month of August.

PROCLAMATION AUGUST 6, 1914: Excepting eleven classes of payment specially mentioned extends the Moratorium in a measure to cheques or drafts on demand or contracts made before August 4. This expired Sept. 4th, and was not extended. It specifically says that the Proclamations do not apply to debts owing by any person outside the British Islands.

PROCLAMATION SEPT. 1st: insists that all persons who can discharge their debts should do so and extends the Proclamation of August 2<sup>nd</sup> only, another month.

FROM. LONDON GAZETTE  
TUESDAY, 4 AUGUST, 1914.

(Published by Authority)

BY THE KING.

A PROCLAMATION

FOR POSTPONING THE PAYMENT OF CERTAIN BILLS OF EXCHANGE.

GEORGE R.I.

**W**HEREAS in view of the critical situation in Europe and the financial difficulties caused thereby it is expedient that the payment of certain bills of exchange should be postponed as appears in this Proclamation:

Now, THEREFORE, We have thought fit, by and with the advice of Our Privy Council, to issue this Our Royal Proclamation, and We do hereby proclaim, direct, and ordain as follows:—

If on the presentation for payment of a bill of exchange other than a cheque or bill on demand, which has been accepted before the beginning of the fourth day of August, nineteen hundred and fourteen, the acceptor re-accepts the bill by a declaration on the face of the bill in the form set out hereunder, that bill shall, for all purposes, including the liability of any drawer or indorser or any other party thereto, be deemed to be due and be payable on a date one calendar month after the date of its original maturity instead of on the date of its original maturity, and to be a bill for the original amount thereof increased by the amount of interest thereon calculated from the date of re-acceptance to the new date of payment at the Bank of England rate current on the date of the re-acceptance of the Bill.

*Form of Re-Acceptance.*

Re-accepted under Proclamation for £ (insert increased sum).

Signature \_\_\_\_\_

Date \_\_\_\_\_

Given at Our Court at *Buckingham Palace*, this second day of August, in the year of our Lord one thousand nine hundred and fourteen, and in the Fifth year of Our Reign.

GOD SAVE THE KING.



6190

## THE LONDON GAZETTE, 7 AUGUST, 1914.

At the Court at *Buckingham Palace*,The 6th day of August, 1914.

BY THE KING.

## A PROCLAMATION

FOR EXTENDING THE POSTPONEMENT OF PAYMENTS ALLOWED TO BE MADE BY THE PROCLAMATION OF THE 2ND AUGUST, 1914, TO CERTAIN OTHER PAYMENTS.

GEORGE R.I.

✓

*General Proclamation*

WHEREAS under the Postponement of Payments Act, 1914, His Majesty has power by Proclamation to authorize the postponement of the payment of any bill of exchange or of any negotiable instrument or of any other payment in pursuance of any contract to such extent for such time and subject to such conditions or other provisions as may be specified in the Proclamation:

And whereas it is expedient that provision should be made for the purpose of such postponement of payment in addition to the provision already made by Our Proclamation, dated the second day of August, nineteen hundred and fourteen, relating to the postponement of payment of certain bills of exchange.

Now, THEREFORE, We have thought fit, by and with the advice of Our Privy Council, to issue this Our Royal Proclamation, and We do hereby proclaim, direct, and ordain as follows:—

Save as hereinafter provided, all payments which have become due and payable before the date of this Proclamation, or which will become due and payable on any day before the beginning of the Fourth day of September, nineteen hundred and fourteen, in respect of any bill of exchange (being a cheque or bill on demand) which was drawn before the beginning of the Fourth day of August, nineteen hundred and fourteen, or in respect of any negotiable instrument (not being a bill of exchange) dated before that time, or in respect of any contract made before that time, shall be deemed to be due and payable on a day one calendar month after the day on which the payment originally became due and payable, or on the Fourth day of September, nineteen hundred and fourteen, whichever is the later date, instead of on the day on which the payment originally became due; but payments so postponed shall, if not otherwise carrying interest, and if specific demand is made for payment and payment is refused, carry interest until payment as from the Fourth day of August, nineteen hundred and fourteen, if they become due and payable before that day, and as from the date on which they become due and payable if they become due and payable on or after that day, at the Bank of England rate current on the Seventh day of August, nineteen hundred and fourteen; but nothing in this Proclamation shall prevent payments being made before the expiration of the month for which they are so postponed.

This Proclamation shall not apply to:—

- (1) any payment in respect of wages or salary;
- (2) any payment in respect of a liability which when incurred did not exceed five pounds in amount;
- (3) any payment in respect of rates or taxes;
- (4) any payment in respect of maritime freight;
- (5) any payment in respect of any debt from any person resident outside the British Islands, or from any firm, company or institution whose principal place of business is outside the British Islands, not being a debt incurred in the British Islands by a person, firm, company or institution having a business establishment or branch business establishment in the British Islands.



## THE LONDON GAZETTE, 7 AUGUST, 1914.

6191

- (6) any payment in respect of any dividend or interest payable in respect of any stocks, funds, or securities (other than real or heritable securities) in which trustees are, under Section One of the Trustee Act, 1893, or any other Act for the time being in force, authorized to invest;
- (7) any liability of a bank of issue in respect of bank notes issued by that bank;
- (8) any payment to be made by or on behalf of His Majesty or any Government Department, including the payment of old age pensions;
- (9) any payment to be made by any person or society in pursuance of the National Insurance Act, 1911, or any Act amending that Act (whether in the nature of contributions, benefits, or otherwise);
- (10) any payment under the Workmen's Compensation Act, 1906, or any Act amending the same;
- (11) any payment in respect of the withdrawal of a deposit by a depositor in a trustee savings bank;

Nothing in this Proclamation shall affect any bills of exchange to which Our Proclamation dated the Second day of August, nineteen hundred and fourteen, relating to the postponement of payment of certain bills of exchange applies.

Given at Our Court at *Buckingham Palace*, this Sixth day of August, in the year of our Lord, one thousand nine hundred and fourteen, and in the Fifth year of Our Reign.

GOD SAVE THE KING.

BY THE KING.

## A PROCLAMATION

VARYING the Proclamations in respect of the Postponement of Payments, dated respectively the second day of August, the sixth day of August, and the twelfth day of August, nineteen hundred and fourteen.

GEORGE R.I.

WHEREAS under the Postponement of Payments Act, 1914, We have power, by Proclamation, to authorize the postponement of the payment of any bill of exchange, or of any negotiable instrument, or any other payment in pursuance of any contract, to such extent, and for such time, and subject to such conditions or other provisions as may be specified in the Proclamation:

AND WHEREAS, in pursuance of that power, We have issued Proclamations in relation to the postponement of payments due before We were in a state of war or due in respect of contracts made before that time, dated the sixth day of August, and the twelfth day of August, nineteen hundred and fourteen; and on the second day of August, nineteen hundred and

fourteen, We also issued a Proclamation which is confirmed by the said Postponement of Payments Act, 1914, and is deemed to have been issued under that Act:

AND WHEREAS, under the said Act, We have power to vary, extend or revoke, any Proclamation under that Act by a subsequent Proclamation:

AND WHEREAS it is desirable in the best interests of Our Realm at the present juncture that all persons who can discharge their liabilities should do so without delay, but it is at the same time for certain purposes expedient that Our said Proclamations should be varied as hereinafter appears:

NOW, THEREFORE, We have thought fit, by and with the advice of Our Privy Council, to issue this Our Royal Proclamation, and We do hereby proclaim, direct, and ordain as follows:—

1. Our said Proclamation, dated the second day of August, nineteen hundred and fourteen, shall have effect as if the period of two calendar months were substituted therein for the period of one calendar month; and the sum mentioned in any form of re-acceptance thereunder shall

be deemed to be varied accordingly without the necessity of further re-acceptance.

2. Our said Proclamation, dated the sixth day of August, nineteen hundred and fourteen, as extended by Our said Proclamation, dated the twelfth day of August, nineteen hundred and fourteen, shall have effect as if the fourth day of October were substituted therein for the fourth day of September therein wherever that date occurs, and as if two calendar months were substituted therein for one calendar month.

3. Nothing in this Proclamation shall affect the payment of interest under the Proclamations extended thereby, or prevent payments being made before the expiration of the period for which they are postponed.

Given at Our Court at Buckingham Palace, this first day of September, in the year of our Lord one thousand nine hundred and fourteen, and in the Fifth year of Our Reign.

GOD SAVE THE KING.

*From Supplement  
London Gazette  
Sep 1/14*

*Published by authority*

*James Brown*  
59 Wall Street  
New York

*Henry Brown*  
September 16, 1914.

P E R S O N A L :

Mr. Benj. Strong, Jr.,  
16 Wall St., New York City.

Dear Ben:

Referring to my letter of the 14th and yours  
of the 15th, let me quote the following telegram to one  
of my London partners:

"Can you state with any degree of  
accuracy amount of United States bills  
extended under moratorium and percentage  
of United States bills to the total in  
moratorium,"

and the reply reading:

"Impossible obtain required  
information."

I take this opportunity of enclosing a copy of  
the official notice of the "Bank of England to discount  
approved bills of exchange, etc.," followed by a comment  
in the London Statist on this subject,- all this in ref-  
erence to our conversation at lunch the other day.

Yours very truly,

*James Brown*

(ENCLOSURES)



EXTRACT FROM THE STATIST AUGUST 15, 1914.

"The Bank of England are prepared on the application of the holder of any approved Bill of Exchange accepted before the 4th day of August, 1914, to discount at any time before its due date at bank rate without recourse to such holder, and upon its maturity the Bank of England will, in order to assist the resumption of normal business operations, give the acceptor the opportunity until further notice of postponing payment, interest being payable in the meantime at 2 percent. over Bank rate varying. Arrangements will be made to carry this scheme into effect so as to preserve all existing obligations.

The Bank of England will be prepared for this purpose to approve such bills of exchange as are customarily discounted by them, and also good trade bills and the acceptances of such foreign and colonial firms and bank agencies as are established in Great Britain."

(Comment) It is of course true that under the arrangement just concluded by the Chancellor of the Exchequer with the Bank of England all bills not met at maturity can be renewed, or, rather, that payments in connections with bills for which funds have not been received by the accepting houses from their clients can be indefinitely postponed, and that the accepting houses are thus safeguarded against demands for payment of bills that cannot be collected for the amount from foreign nations.

James Brown  
59 Wall Street  
New York

At Oyster Bay, Long Island, N.Y.  
November 8, 1914.

Benjamin Strong <sup>✓</sup> Esq.,  
Governor, Federal Reserve Bank of New York,  
62 Cedar Street, New York City, N. Y.

Dear Ben:

Only the other day I received the enclosed pamphlet, entitled "War and the Financial System", from Captain Montagu Norman, my partner, and a Director of the Bank of England. After you have read it, will you send it to Mr. Thatcher M. Brown, at 59 Wall Street?

I send it to you at once because of its bearing on our recent report to the Federal Reserve Board and the Secretary of the Treasury, and because it contains a running account of the financial emergency measures taken on the other side, shorn of their dull, legal phraseology.

What is particularly striking is the lack of co-operation on the part of the Joint Stock Banks with the Bank of England during the first part of the crisis, which comes as a surprise to me, and I think will be to you. At this distance one had supposed that the "Old Lady of Threadneedle Street" and the Joint Stock Banks had been working in entire harmony. It would seem as though, notwithstanding the disjointed nature of our system, the banks in this country had co-operated much more cordially than the English banks, and,

in bringing this about, I feel sure that you are one of the few that are entitled to great credit.

The pamphlet is really extracted from the Economic Journal of September, which is a bulky production. The author is a professor of economics, and an extremely clever man, who has been recently acting as a sort of adviser to the Government, especially on Indian Currency questions. Captain Norman says that he writes from an independent standpoint, and without prejudice.

Yours very truly,

*Samuel Norman*



BROWN BROTHERS & CO.,

NEW YORK, PHILADELPHIA, BOSTON,

BROWN, SHIPLEY & CO.,

LONDON

59 WALL STREET, NEW YORK

TELEPHONE HANOVER 5140

November 13, 1914.

Benjamin Strong, Esq.,

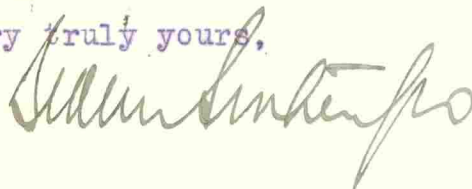
62 Cedar Street,

New York, N.Y.

Dear Sir:-

In the absence of Mr. James Brown, and  
in accordance with his instructions, we enclose here-  
with cheque for \$11.78, covering Mr. Brown's share of  
the expenses of your trip to Washington.

Very truly yours,



(Enclosure)

James Brown  
58 Wall Street  
New York

*Personal File  
B.B.  
Pouch*

November 24, 1914.

NOV 25 1914 2 34 AM

Benj. Strong, Jr., Esq.,  
Governor, Federal Reserve Bank of New York,  
62 Cedar Street, New York, N. Y.

Dear Mr. Strong:

I beg to acknowledge receipt of your  
letter of November 20th, to Mr. Brown, enclosing copy  
of letter of same date to Hon. W. G. McAdoo, Your  
letter has been forwarded to Mr. Brown, in Europe.

Respectfully,

*W. J. Clark.*

BENJ. STRONG, Jr.

PERSONAL.

~~MAILING DESK~~

FOUNDERS COURT. E.C.

DEC 17 1914

Nov 27 - 1914

FEDERAL RESERVE BANK

~~Dear Ben,~~

I cannot resist  
sending you the enclosure  
from the London Times  
of today re Sir Geo Paish -  
The statement was made  
in the House of Commons  
during a discussion on  
the Finance Bill -  
He will imagine for  
a pretty stiff "reminder"  
on his return

In haste  
Allen Mason



NOVEMBER 27, 1914.

## STOCK EXCHANGE.

### ARGENTINE RAILS BUOYANT.

Business in Stock Exchange securities continued to broaden, and the general tone remained firm.

It was reported that applicants for the larger amounts of the War Loan would receive about 96 per cent. of the sums applied for.

The chief feature was the continued demand for Argentine railway securities, and buyers again experienced difficulty in obtaining stock even at the higher level of prices established.

After some discussion it was decided to quote Canadian Pacific and certain American shares ex-dividend yesterday instead of on December 1.

Business in mining shares was quieter, but prices were well maintained. Among oil shares North Caucasian was again prominent with a further rise to 24s. 6d.; last week's output shows an increase on that of the preceding week.

In the miscellaneous group, Forestal Land, Furness Withy, and Vickers shares improved, and Lever Brothers "C" Preference retained its recent advance. Hudson's Bay shares changed hands in small parcels up to 61 $\frac{1}{2}$ . Brazilian Traction stock was firmer at 52 $\frac{1}{2}$ .

In the following tables will be found some approximate quotations which were mentioned yesterday :—

BRITISH FUNDS.			
SECURITIES.	PRICES.	SECURITIES.	PRICES.
Consols .. ..	68 $\frac{1}{2}$	War Loan ..	par 14 p.m.
Canada 4%, 1940-60	95 $\frac{1}{2}$ -6]		
HOME RAILWAYS.			
Caledonian .. ..	9-10	London and N.-W.	113 $\frac{1}{2}$ -14 $\frac{1}{2}$
Great Cent., Def.	8-9	Metropolitan ..	30 $\frac{1}{2}$ -31 $\frac{1}{2}$
Do., Prefd. .. ..	16 $\frac{1}{2}$ -17 $\frac{1}{2}$	Met. District ..	17 $\frac{1}{2}$ -18 $\frac{1}{2}$
Great Eastern ..	38 $\frac{1}{2}$ -41 $\frac{1}{2}$	Midland Def. ..	62 $\frac{1}{2}$ -3 $\frac{1}{2}$
Great North., Defd.	43 $\frac{1}{2}$ -4	North British Def. ..	8-0
Great Western ..	105 $\frac{1}{2}$ -5 $\frac{1}{2}$	North-Eastern ..	113-114
Lanc. and York. ..	72-4	S.-Eastern Def. ..	28-29
L. Brighton, Def. ..	64-6	Underground Ord. ..	17 $\frac{1}{2}$ -21 $\frac{1}{2}$
London Chatham ..	9-10	Do., Income Bds.	77-9
CANADIAN AND AMERICAN SHARES.			
Canadian Pacific ..	155 $\frac{1}{2}$ *	Southern Pacific ..	82-4*
Do., Notes .. ..	100 $\frac{1}{2}$ -7	Grand Trunk ..	9-10
Atchafson .. ..	89-90	Do., 3rd Pref. ..	23 $\frac{1}{2}$ -4
Union Pacific ..	112 $\frac{1}{2}$ -13*		
FOREIGN RAILWAY STOCKS.			
Antofagasta Notes	par 2 p.m.	Leopoldina .. ..	36-7
B.A. Pacific .. ..	52 $\frac{1}{2}$ -3 $\frac{1}{2}$	Mexican Railway ..	23-8
B.A. Gt. Sth., Ord.	96-8	Do., 1st Pref. ..	92-4
B.A. West., Ord. ..	96-6	Do., 2nd Pref. ..	50-8
Cent. Argentine, Ord	91 $\frac{1}{2}$ -92 $\frac{1}{2}$	San Paulo .. ..	189-91
Do., Notes .. ..	101 $\frac{1}{2}$ -24	United of Havana ..	50-52

*File with  
Paisch*



TELEGRAPHIC ADDRESS  
RITZOTEL-LONDON

*Nov 24-1914.*

*Ritz Hotel,  
Piccadilly,  
London.. 88.*

**BENJ. STRONG, JR.**  
**PERSONAL.**

Dear Ben,

I rec'd your cable  
re sailing of *Varisem*, Sir  
Geo Paisch on Adriatic. They  
should arrive by Friday morning  
Dec 4 - and I expect to  
call on the 5<sup>th</sup>. I am pressing  
hard as to what is up. I  
enclose clipping from *London  
Times* on the subject.

For your information only  
the "Bank" has not been  
communicated with by the  
Treasury and knows as yet  
nothing about our report.

*Hastley*

*Samuel Brown*

## RETURN OF SIR GEORGE PAISH.

(FROM OUR OWN CORRESPONDENT.)

WASHINGTON, Nov. 22.

Sir George Paish is returning to England this week in order to consult with the British Government and bankers about the proposals for dealing with the international money situation put forward by American bankers nearly three weeks ago.

While there is some disappointment that after so much delay London is still unable to make up its mind, it is recognized that even if the proposals come to nothing the visit of Sir G. Paish has been far from fruitless. It has brought Washington, New York, and London into closer touch than any amount of official correspondence could have done.

(FROM OUR CORRESPONDENT.)

OTTAWA, Nov. 21.

Mr. White, the Finance Minister, left for New York to-day to meet Sir G. Paish to discuss financial problems affecting Canada and Great Britain.

TRAFFIC RECEIPTS.



# WESTERN UNION



## DAY LETTER

Form 2589 K

*W6*

GEORGE W. E. ATKINS, VICE-PRESIDENT

NEWCOMB CARLTON, PRESIDENT

BELVIDERE BROOKS, VICE-PRESIDENT

RECEIVED AT

22 NY X 44 COLLECT COLLECT BLUE 3EX

LONDON DEC 5 VIA GREENWICH CT DEC 6, 10

BENJAMIN STRONG

BENJ. STRONG, JR.  
PERSONAL.

*39*

903 PARK AVE NY

DAVISON TRYING GET ME CHANGE CREDIT SCHEME TO CASH SCHEME

HAVE NO OBJECTIONS BUT CANNOT FATHOM HIS INTENT WHAT IS

HIS STATUS DOES HE REPRESENT STRONG WIGGIN VIEWS HAVE THEY

CHANGED REPLY FULLY AND IF IMPORTANT CHANGE SITUATION REPLY

ITZ

JAMES BROWN

*Paish*

886  
Form 287  
314  
**WESTERN UNION**

**ANGLO-AMERICAN**



**DIRECT UNITED STATES**

BENJ. STRONG, JR.  
PERSONAL.

**CABLEGRAM**

NEWCOMB CARLTON, PRESIDENT  
GEORGE W. E. ATKINS, VICE-PRESIDENT  
BELVIDERE BROOKS, VICE-PRESIDENT

*Push*

Received at 16 BROAD STREET, NEW YORK

CN X NS-17/8

LONDON 69 FST 39

CLT GOVERNOR STRONG

FEDERAL BANK

NYK

YOURS RECEIVED GLAD OF HIS FIRMS ASSISTANCE GATHERED TODAY SCHEME  
WAS RESULT OF TALK WITH ENGLISHMEN ON OCEAN MATTERS BOSS AWAY  
FOR A WEEK SO SHALL NOT SEE HIM BEFORE MY RETURN BUT

COMMITTEES POSITION IS CLEAR TO FINANCIAL AUTHORITIES AGREED  
WITH DAVISON THAT NO CHANGE BE MADE AND ANY RESULT OF HIS  
CONFERENCES SHALL BE CABLED TO COMMITTEE FOR APPROVAL

JAMES BROWN

WESTERN UNION  
 DIRECT UNITED STATES  
 CABLEGRAM

RECEIVED

DEC 9 1914 8 40 AM

FEDERAL RESERVE BANK  
 OF NEW YORK

CH X NS-17/8

YOUR RECEIVED CLAD OF FIRMS ASSISTANCE OBTAINED TODAY SCHEME  
 WAS RESULT OF TALK WITH ENGLISHMEN ON OCEAN MATTERS BOSS AWAY  
 TWO A WEEK SO SHALL NOT SEE HIM BEFORE MY RETURN BUT

*July 27 Fine 18*



James Brown  
38 Wall Street  
New York

February 15, 1915.

*R. A. Fr.*  
FEB 17 1915  
*Sent  
Allen*

Dear Ben:

Will you have someone hand the  
bearer three copies of your recent ruling  
with regard to Acceptances?

Yours very truly,

*James Brown*

Benjamin Strong, Jr., Esq.

James Brown  
59 Wall Street  
New York

February 18, 1915.

FILING DEPT.

FEB 20 1915

FEDERAL RESERVE BANK

Miss V. C. McLaren,  
Secretary to Benj. Strong, Jr., Esq.,  
62 Cedar Street, New York, N. Y.

Dear Madam:

Mr. James Brown wishes to thank Mr. Strong  
for the three copies of Regulation No. 5, in re bank-  
ers' acceptances, received with your letter of the  
17th inst.

Yours truly,

*W. J. Clark*  
Secretary.

P.S.

Have you yet returned to Mr. Brown  
the pamphlet "War and Finance"? See  
your letter of December 14th.

James Brown  
39 Wall Street  
New York

(C)  
*Brown*  
At Ottawa, Ont., March 5, 1915. *26*

PERSONAL.

Dear Ben:

I am reminded, on looking over the Bank of England's statement in the Ottawa paper this morning that up to the time I left New York, on Tuesday, you had not returned my Bank of England historic statement. The comparisons are now getting interesting, and I hope that you will have completed your own copy, and be able to return it to me the first part of the week. I shall be in New York again on Monday morning.

I am out here for some fresh air and a change in scene. There certainly is lots of fresh air, and plenty of scene. Hockey, skiing, and sundry other sports are the work I am doing. I shall be a new man by the time I return.

Yours very truly,

*James Brown*

*Mr. Higgins*

Benj. Strong, Jr., Esq.

*3/8/15*  
*Mr. Brown's Sec'y*  
*said that we might*  
*keep it two or*  
*three days longer*  
*JH*



James Brown  
50 Wall Street  
New York

May 5, 1915.

Personal.

*B. L. Fr.*  
MAY 10 1915

Dear Ben:

The enclosed clipping is from the New York Sun of this morning. I am wondering what my firm has done to be excluded from a meeting of this kind when three other international firms were represented.

Yours very truly,

*James Brown*

Benj. Strong, Jr., Esq.,  
62 Cedar Street, New York City.

James Brown  
59 Wall Street  
New York

May 5, 1915.

Personal.

*B. A. Fr.*  
MAY 10 1915

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Yours very truly,

*James Brown*

Benj. Strong, Jr., Esq.,  
62 Cedar Street, New York City.

## BANKERS CONFER ON STOCK HELD ABROAD

Study Figures Presented at  
Meeting Held at Reserve  
Bank.

Leading bankers and railroad men conferred yesterday at the Federal Reserve Bank concerning the amount of American securities held abroad. They were invited to the conference by Benjamin Strong, Jr., of the Reserve Bank.

Among those who attended were Frank A. Vanderlip, president of the National City Bank; Frederick Strauss of J. & W. Seligman & Co.; Jacob H. Schiff of Kuhn, Loeb & Co.; L. F. Loree, president of the Delaware and Hudson Railroad; Frank Trumbull, president of the Chesapeake and Ohio; E. L. Marston of Blair & Co.; F. I. Kent, vice-president of the Bankers Trust Company, and T. W. Lamont of J. P. Morgan & Co.

When bankers began an inquiry last fall regarding the indebtedness of the United States to Europe at that time, so as to take measures to relieve the exchange situation, it was also decided to find out the amount of American securities held abroad.

The meeting yesterday considered some figures that had been prepared. These were not considered as final. The figures had been prepared from direct inquiry among financial institutions abroad. It is therefore thought that when published they will provide the first authoritative statement of this question, which is of extreme interest to the financial community. None of those at the conference yesterday would discuss the figures.

Those in charge of the conference denied that it had any special significance, coming at this time. It was also denied that it was connected with the arrangement of a large British credit which is expected here.



James Brown  
59 Wall Street  
New York

26  
December 11, 1915.

Benjamin Strong, Esq.,  
Governor, Federal Reserve Bank of New York,  
New York, N. Y.

Dear Ben:

I am in receipt of your letter of  
December 10th, and am writing to Mr. Montagu  
C. Norman today, enclosing copy of your let-  
ter, and asking him to prepare the memorandum  
suggested.

Yours very truly,

*James Brown*

RECEIVED

DEC 13 1915 2 13 PM

FEDERAL RESERVE BANK  
OF NEW YORK

James Brown  
65 Wall Street  
New York

January 21, 1916.

*B.A.B.*  
JAN 24 1916

Dear Ben:

I enclose two letters of introduction,  
which I sincerely trust you will present.

I am dropping a personal line to Mr.  
James Leigh Wood, who I hope you will find at the  
office when you call. You will find him a  
most attractive and lovable fellow, and a man of  
great ability, although not originally trained  
in the commercial end of our business, and there-  
fore not as competent to give you information on  
discount and acceptance matters as Montagu C. Norman.  
Wood, however, is perhaps closer in touch with  
general market conditions in London than Norman,  
and talks with him will give you an opportunity to  
look at the other side of the picture.

Very truly yours,

*Samuel M. Wood*

Benjamin Strong, Jr., Esq.,  
62 Cedar Street,  
New York, N. Y.



James Brown  
59 Wall Street  
New York

February 26, 1916.

26

Dear Ben:

Just a line to let you know that there is now no chance of my crossing the water while you are on the other side. In one way I am relieved that it is not necessary, and, on the other hand, I regret the opportunity that I will lose of being there with you, and exchanging views on the spot. I know you are having an interesting time, and I sincerely hope that you are getting some rest and recreation. As the Englishman says, I am, as usual, "going strong", and while the negotiations of which I spoke to you are still in the preliminary stage, they are moving to my satisfaction.

Sincerely yours,

*James Brown*

Benj. Strong, Jr., Esq.,  
C/o Messrs. Morgan, Grenfell & Co.,  
London, England.

Mr. J. H. Tritton. (Barclay & Company Ltd., London, England)

" In the "Journal" the figures of the Imperial Gold Coin held by bankers, including the Bank of England, on the last week-day in June have been published from 1907 to 1913.

For Tuesday, June 30th, 1914, the Chancellor of the Exchequer has been good enough to supply me with the detailed figures, and also for Wednesday, June 30th, 1915, as follows:

1914. . . . .	£82,794,963
1915. . . . .	£110,188,109

In giving this information to the House of Commons on December 6th last in round figures he added that the Deputy Master of the Mint estimated an additional £75,000,000 to be in circulation on June 30th, last year. The marked increase in this country's gold in the banks from £33,000,000 in 1907 to £110,000,000 in 1915 is particularly gratifying to one who has consistently advocated the necessity of larger gold reserves. "

The increase to which Mr. Tritton refers is so striking that we append the figures since 1907, when the return was first made:

Year	Day of Week	Amount
1907	Saturday	£33,296,802
1908	Tuesday	50,369,167
1909	Wednesday	49,221,074
1910	Thursday	44,214,173
1911	Friday	54,009,977
1912	Saturday	60,640,681
1913	Monday	69,524,127
1914	Tuesday	82,794,963
1915	Wednesday	110,188,109

These figures are exclusive of gold bullion and foreign gold coin.

The above copied from "Journal of the Institute of Bankers, February 1916 issue, part II vol. XXXVII

26  
Mrs. Brown  
54 Wall Street  
New York

12. A. H.  
SEP 4 - 1916  
At Locust Valley, L.I., Aug? 4, 1916

Dear Ben:

I was reminded very strongly of you the other day when I called at the Federal Reserve Bank of New York to discuss a new proposition, and while Mr. Tremaine (I think that is his name), the Acting Governor, Mr. Curtis and Mr. Kinsel were very cordial and evidently anxious to facilitate new acceptance business as far as they could, I missed your perception and ready comprehension, and the approval which was accorded to my suggestions, while cordial, was not as satisfactory to me personally as yours would have been, because I had a feeling that perhaps the gentlemen I was talking to might not have understood the proposition thoroughly.

Mr. Tremaine and I have had several talks together since then. I like him. He is frank, and does not pretend to understand the intricacies of the acceptance business; nevertheless, his judgment is exceedingly good.

This reminder of you is almost a month old, but although I intended every Sunday since then to drop you a line my mind has been so fully occupied that I could not do so. Today being the fourth of August, and the Anniversary of the day on which England declared war on Germany, I am again reminded of you and the important part that you began on the first of August and continued to take with unquestioned

*the firm*

*Memorandum  
Vol 31 p 9916*



credit to yourself from that day until you were obliged to leave New York for your health.

Mr. Tremaine read me extracts from a letter from you, which interested me greatly, and showed me the photographs of your cottage not far from the hotel in the National Park in the Rockies of Colorado. I am not going to talk business to you, because the surroundings that I saw in the photographs do not lend to it, and were I in your place for a month or so of sojourn in such a locality I would hate any man who suggested a thought that made my mind revert to active business when I had been training it to occupy itself with trivial things. Even here, when I snatch two or three days off at my home on Long Island, with my mind made up to think of anything except business, I am cross when the telephone rings and someone insists upon my bringing my mind back to business. It does no harm to reminisce, however, and I am sure you must have enjoyed the retrospect since you left the active world and have had time to look back on the things you have successfully accomplished within the last two years. I think I hear you say that more than half you wish<sup>ed</sup> to do has been left undone. That is undoubtedly true, but I have a firm conviction that it was only the lack of time and physical strength and the opposition of ignor<sup>ance</sup> which prevented your accomplishing all you wished ~~to do~~<sup>of</sup> the tremendous task that you set yourself to accomplish.

omit

I don't suppose your back allows you to play golf, although I imagine that even in the National Park, many thousand feet above the sea, there is a golf course. I

managed to get in a game for the last two Sunday mornings, and while I enjoyed the exercise and took more of it than I would have had I played the game to my satisfaction, I can't say that I enjoyed the golf. Yesterday and today I played eighteen holes each morning, and began to get my eye in some times and my hand in at other times, but never, it seemed to me, both at the same time. Tomorrow and Sunday I hope to accomplish wonders. Such is hope, without which we would have abandoned all athletic games a long time ago. *omit*

My excuse for taking a few days off is the successful closing and flotation of the \$100,000,000 French loan, which Morgans and ourselves have been negotiating for the last seven months. Looking back on the negotiations, Morgan and I agreed the other day that we would have saved ourselves much trouble and many difficulties if, as early as last February, we had insisted upon the French Government recalling their then representatives in this country and substituting men of character. I never in my life have dealt with such an impossible couple, and, looking back on the final negotiations, I am somewhat surprised that we did not fall into some of the traps laid by them to trip us up and improve their political situation at our expense. It is said that the laborer is worthy of his hire, but in this case the hire was no adequate compensation for the annoyances, and even insults, which were almost daily occurrences during the last two months of the negotiation. Confidentially, our subscriptions in the first twenty-four hours were \$72,000,000 and for the \$94,500,000, although we telegraphed notices all over *Colum*

the country and closed the subscription the next day at noon, the total subscriptions were over \$115,000,000 without any subscription from Morgans and ourselves. What pleased me more than anything else was the result of my trip to Chicago and St. Louis. The Illinois Trust & Savings, Continental, Commercial, First Securities Co.

all came in handsomely. The only one persisting in his antagonism to foreign loans was old Forgan, who declined with a statement that his institution did not make speculative investments.

You will be interested to know that the old Bank of France credit begins to mature on the fifth of September, and that I have received authority to draw to meet the acceptances as they mature. You will be still more interested, however, to know that we are discussing with the Bank of France the terms of a new commercial export credit for \$25,000,000, which I hope to be able to close within the next two or three weeks. Morgan, Lazard Freres and ourselves have also issued a credit for \$5,000,000 to the Chemin du fer d'Orleans, and the best news of all is that several revolving credits, running for a year, have been opened, drafts being drawn by American drawers at ninety days sight, <sup>with no renewals,</sup> with documents attached, on French merchants under the authority of French banks. While I am not connected with it, I understand that a large syndicate credit is being negotiated to finance Egyptian cotton with dollar acceptances for account of London banks, and I am informed that Sir Edward Holden has finally capitulated, and is now



advocating the relief of the London money market by this method of financing in New York. I can't state this as a fact, but, if it is so, it is a noteworthy conversion to the American dollar acceptance.

I said I was not going to talk business, and yet I have. At the same time, I am not sure that it will not be a pleasure to you to know in a general way only what has been going on since you left New York. I don't expect you to answer this, because I noticed that your letter to Mr. Tremaine was in your handwriting. If you hate the physical labor of writing as much as I do, for Heaven's sake don't write. If you have anybody to dictate to, you may be sure I would like to hear from you.

Sincerely yours,

*Samuel M. Miller*

James Brown  
59 Wall Street  
New York

PERSONAL

26  
B

December 1, 1916.

Dear Ben:

It would seem as if I meant to punish you for letting a month pass before you answered my letter of August 4 by putting off my reply to yours of September 4 for nearly twice the time.

It is not so, however. You know how busy the world is, and I must confess that since the first United Kingdom short loan was floated, I have deliberately left undone what did not have to be done and kept my Secretary away from the farm on my days off, so that I would be forced to play golf, instead of talking him to death. As a result, I am, as our English cousins say, "awfully fit" and ready for four or five months of beastly, yet attractive, New York.

This is Thanksgiving Day and you can thank a perfect deluge of rain for keeping me in my log cabin and making me scribble this to you. I will save you from having to decipher my scrawls by having it typed tomorrow.

I miss you very much, Ben. There are so many things to be talked over, and to be kept straight or to be straightened out. I sometimes wish I was a director or advisor or whatever they are called of the Federal Reserve Bank of New York, so that I could exert my influence to prevent errors rather than, after they are made, have to do double work to correct them. I have only felt

Ben Strong, Jr., p.2  
December 1, 1916

the need of this since your absence. Jack Morgan knows and should have helped, but what, with yachting and his own business, I generally find I know whats up before he does, and now, of course, he is abroad and out of reach.

I know you will be glad to hear that Treman has really done well. He has filled the place far better than a New York man, with equal capacity, could have done. He came from the outside and created no jealousies. He is diplomatic and very thoughtful. His reasoning is sound, and, while he may not have had much experience in foreign transactions, he must have had a broad business training, and his common sense stands him in good stead. When he has studied a question, he forms a decided opinion of his own, surprisingly broad, it has seemed to me, for a man from upstate who can have had but limited opportunities. He is a far better banker than either Curtis or Jay. Incidentally, you must have left a very good character for me because his deference to my opinion is positively embarrassing.

xxx

I had a long talk with Mr. Treman on Tuesday about the Federal Reserve Board's latest "mistake". When I first read their published notice, I could not believe my eyes. I could only think of a man fighting drunk, who hits out in all directions regardless of consequences. If they found it necessary to correct the methods of your old Company and to admonish the banks against too heavy investments in any class of security, there were proper ways of doing it quietly without upsetting the whole situation. If they were afraid of English and French Treasury bills, a word to the twelve



Ben Strong, Jr., p.3  
December 1, 1916

governors that could be passed along to the member banks would have been sufficient. In fact, the Comptroller of the currency was the proper person to have suggested, through the bank examiners, that lines of foreign holdings should be reduced. Incidentally, I did not know until Wednesday that H.P.D.'s visit to Washington was to put the Treasury Bill question up to the Board. If he had asked my advice, I would have done everything to dissuade him from such a course. He invited disaster and got what he deserved, and I told him so. He said he had been strongly advised in the best quarters to follow that course. He did not say who the advisors were. They were poor that is sure. They are responsible for everybody's being hit, including K. L. & Co.'s municipal loans, for which my guess is that the underwriters are the only subscribers. Thank our lucky star we have practically no commitments out, and our participation in K. L. & Co.'s loans was only \$250,000., so you see I am not crying because I am hurt, but because of the other fellow and for the future.

One more stab at the Federal Reserve Board, and I have finished. By what earthly right was it constituted the guardian of the investor? As to acceptances and a real discount market, the work of nearly two years has been undone at one fell swoop.

You may not agree with me entirely. If you were here, we would talk it out. I appreciate you may not wish to do so in black and white, so I am going to write you a separate letter re

Ben Strong, Jr., p.4  
December 1, 1916

acceptances and the discount market that will be less incoherent, and that you will be able to reply to. Now that I think of it I seem to have illustrated my own simile in this letter for you might well think I am fighting drunk and hitting out at everybody and everything. I think you can read between the lines, however, better than most men.

Is there no prospect of your return to the land of the living within a reasonable time? Do give me some encouragement.

Very truly yours,

*Tammi Allen*

James Brown  
59 Wall Street  
New York

December 1, 1916.

PERSONAL

*B.A. Jr.*  
DEC 4 - 1916

Dear Ben:

Your letter of November 7th was very welcome for itself, and particularly so because of the subject.

I found it easy to read between the lines, and, for the present, have made such arrangements as will obviate any embarrassment should our line at the Federal Reserve Bank of New York be full. There will always be several bidders at the Federal Reserve Bank's regular rate prepared to take up any excess. I had been watching the quotations, prepared to take the necessary step when it became necessary, but your letter made me move in anticipation of the necessity. I think this was wise and I appreciate your writing.

Now as to your suggestion for a more radical cure. You know how loath I was to change the old custom and depart from an experience of a hundred years, which had stood many tests. To make a statement to you and yours was one thing, doing so in eleven other centers to twice as many other men is quite another. Boston and Philadelphia might not be as difficult, but I judge



James Brown  
59 Wall Street  
New York

December 1, 1916.

PERSONAL

*B.A. Fr.*

DEC 4 - 1916

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from your letter that these alone, while they would help, would not really meet the whole difficulty, and that for real results I would have to go farther from home.

The real trouble is that the Federal Reserve Bank of New York, in its pardonable zeal to stamp the acceptance business with its approval, has consistently outbid the market instead of protecting the market, but I won't go into that now.

Very truly yours,

*Tamm Allen*

Benj. Strong, Esq.,  
4100 Montview Boulevard,  
Denver, Colorado.

James Brown  
59 Wall Street  
New York

26  
December 1, 1916.

*B.A. Jr.*

DEC 4 - 1916

Dear Ben:

You will recall that at the dinner of the New York branch of the American Bankers Association three or four winters ago a speech was made by Simpson, of the Bank of Liverpool, on the Bank of England and the English Discount Market; by Boison, of the Credit Lyonnais, on the Bank of France and the French Discount Market; and another by, I think, Dr. Kreise, re Germany. Incidentally, Boison is out West now studying our situation, and I think will be attached to the French Finance Commission later on.

Well, I am going to attempt to describe to you, from the point of view of an outsider, what I think has taken place since dollar acceptances first appeared in this market in any quantity; why I think the policy of the Federal Reserve Bank of New York was right at first; where I think it has erred since; and how I think it is possible to correct its error and take its true position without creating distrust and spoiling the great good it did in the beginning, so that at the first American Bankers Association dinner after the war you will be able to describe the successful creation of a real discount



market in the United States.

Remember I am writing without inside knowledge, and can only judge by what I can see in the market. Remember, also, that I know you have a broad discount market for dollar acceptances at heart just as sincerely as I have, and what we both want is to build for the future to the best of our ability.

When the banks in New York first began to accept the Federal Reserve Bank of New York was a keen bidder for bills, and went out of its way to show its approval of the business by buying freely. Call money was a drug at 2% and under, and your minimum rate stood at 2% for a long time. It was wise to give the business a good start, but I think it was unwise to keep your bid so high for such a long time, even after the money market drew away from you. The banks could not afford to buy bills in competition with you because, to work out their reserves, they had to average better than 2-1/2%, and so bought commercial paper and made stock exchange time loans, and many of them kept their own acceptances on the theory that they were making the guaranteed rate of discount that was generally prevalent instead of only the difference between that rate and what the acceptances would sell for. The result was inevitable--as bills came into the market they all went to you as practically the only and the highest bidder. Your portfolio got larger and larger and finally you began to try to correct the position by lowering

your bids. The first change did not, I believe, bring results, and I doubt if your present rate of  $2-1/2 - 3/4$  has done so either, because in the meantime money rates had hardened generally, and you were still about on a parity with call money. Finally, in November, it seemed to me as if you held about 70% of the estimated outstanding acceptances in this country.

Very naturally, as your lines are fixed by your own capital without regard to the relative value of the acceptance (I think I am right in this), you began to appreciate the embarrassment to you and to the acceptor of being obliged to refuse to buy, specially because you knew there was no outside market at anything near your rates. Unfortunately for the very proper moves you were making to withdraw from "the market", the two United Kingdom loans decreased the surplus of the New York banks, both call and time money shot up, and you still remained in the position of outbidding the market when you did not want bills. On top of all this, and as far as the public is concerned without warning, out comes the Federal Reserve Board's elaborate notice advising against all foreign unsecured loans, acceptances, treasury bills, etc. The notice was susceptible of any interpretation that anyone wanted to read into it.

The picture I have drawn may not be strictly accurate as to rates and dates, but I think it is near enough to the truth to provide a setting for my moral.

What the dollar acceptance market needs now is an anchor to windward. This situation has been brought about first by your own position, and by the announcement of a new policy of the Federal Reserve Board.

Don't change your rates. Don't let anyone think either here or abroad (the latter would be fatal) that a flurry in call money disturbs you in the least. Don't let the public suspect that you now wish to discriminate against bills under renewal credits that were issued with your express approval. Keep on buying whether you like it or not. If anyone is near his line get Mr. Treman to send for him and tell him so privately. Give him a chance to take any excess up from the Federal Reserve Bank or arrange to have it done for his account.

I may be wrong, but I think the rise in call money rates is sentimental and temporary. We may, and I expect, will, have a 3% to 4% rate until after the turn of the year, but after that lower rates again. When that time comes you can begin to correct your position, but not until then. Even then it must be done gradually. In other words you must draw away so slowly that the banks begin to hold acceptances without realizing why they have become attractive, and before they realize it they will have taken the market away from you, and you will be relieved. It may take six months to arrive at this result, you may succeed in three. Without some unforeseen occurrence I think you will. When the Federal R.B. does, it will



in my opinion, hold the strongest position in the world, and be prepared to exercise its true function, namely, of keeping rates down in time of stress by relieving the market of its acceptances for the time being.

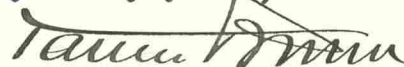
I did not go into this fully with Mr. Treman on Tuesday, but I advised him very strongly not to change his rates at present. He knows nothing of the above suggestion for taking care of excess lines. I would not have thought of doing so without consulting you, -first, because that point may not have been reached yet, and, second, because there may be other reasons that I, on the outside, know nothing about that would make my plan unwise. I leave you to follow this up, or to ask me to do so. If you should telegraph me to make the suggestion, I would do so ex Ben Strong and take my own case as an illustration.

In your letter of September 4th you express the hope that in this conspiracy against Lombard Street we should never overlook the fact that the strongest influence that can be applied is rate of discount, and that 2-1/2% in New York and 5-1/2% in London is an argument that few bankers can resist.

I agree, with this very pronounced qualification. Unless the rate of discount in New York is a genuine open market discount rate governed by actual money conditions, it is no argument with either bankers or merchants. Lombard Street is watching this keenly and keeps well informed. In

my opinion they have so far not been worried. They know that the Federal Reserve Bank is and has been the market, and I imagine have been waiting for this very moment to see us fail in the object we have set out to accomplish. This is the moment of trial. We must meet the test even if in the end the difference in discount rate should not be so much in our favor.

Very truly yours,



Benj. Strong, Esq.,  
4100 Montview Boulevard,  
Denver, Colorado.

James Brown  
59 Wall Street  
New York

December 10, 1916.

PERSONAL

26  
B.A.V.  
DEC 14 1916

Benj. Strong., Esq.,  
4100 Montview Boulevard,  
Denver, Colorado.

Dear Ben:

I received your letter of December 4th, in answer to mine of December 1st, very promptly, and I was glad to get it. Since I wrote you will have seen from the papers that the situation is changed; the money market has eased, as I felt it would, and Friday afternoon the Federal Reserve Bank discount rate was raised to 3 and 3-1/8%. I was glad that the rate was not changed until after the money market eased. I can assure you, however, that there were many in high places who thought the rate should have been jumped as soon as call money became scarce, but I advised against this, and evidently others felt as I did.

You say that something must have disturbed me to make me write you as I did. You are quite correct in this, but it was nothing of a personal nature or in any way connected with my firm's business. I was disturbed, and still am disturbed, about the lack of a real, open market for acceptances, and, frankly, your letter does not give me the satisfactory explanations I hoped you would give as to why such a market had not



been encouraged by the Federal Reserve Bank.

I recognize the difficulties of your situation, and perhaps the best way to show where I differ with you is to take your difficulties one by one and comment on them.

I agree that you must maintain steady rates, but I believe that the rate maintained should be based more nearly on the rate for commercial paper than on the call money rate.

I agree to your second proposition.

I agree to the third also, except that I do not believe it good policy to maintain rates which compare favorably with those of London if in doing so the Federal Reserve Bank <sup>has to be</sup> ~~is~~ the only buyer.

With your fourth I do not agree, and cannot quite follow your reasoning. It may be necessary from a political point of view, and because the Federal Reserve Bank is a quasi-government institution, that it is wise to make sufficient income to cover expenses and dividend requirements, but from a broad point of view, if, in order to do so, the Bank takes all the bills from the market at rates that are unremunerative for other buyers, it seems to me it weakens its power to come in and relieve the market at the time of a flurry in money.

Your fifth reason I do not follow. It would seem to me as if the way to tighten up, that is, to put

on the brakes, would be to raise your rate, i.e., lower your bid to a point where the market takes the bills instead of their being brought to the Federal Reserve Bank, because then banks and institutions would buy them in preference to putting money out at the call rate, which, under the circumstances you describe, would undoubtedly be very low, and, as the process went on, and the banks continued to invest in bills, the call rate and bill rate would draw nearer together. If, on the other hand, you intended to follow this method when you spoke of withdrawing from the market, we are in accord. Quite the opposite was proposed last week, namely, maintaining the rate and ceasing to buy bills.

Your sixth I do not follow at all. If any antagonism from the member banks were possible, you certainly must have created it during the last two years, for your rate has been so low that they could not afford to do business on the same basis.

With your seventh I agree.

To sum up, my dear Ben, I want the United States to come out of this war with a broad, real, open discount market. I want, in other words, that banks and trust companies, and even individuals, should get into the habit of investing a certain part of their funds in acceptances, just as they now invest part of them in call money and part in commercial paper. I feel that to bring this

12-10-1916.

about the earning power from investment in acceptances must, for some time, be attractive, and that brokers must be encouraged to deal in acceptances between institutions.

I do not believe that this can be brought about if the Federal Reserve Bank is a continual buyer at rates that are not attractive to institutions, and that no matter how much we may wish to have the disparity between New York and London rates appear favorable to this market we fail in accomplishing our purpose unless the rate is a real, open market rate, at which millions of dollars of acceptances can be turned over without the aid of the Federal Reserve Bank.

My complaint is that after two years of experience very little progress has been made in this direction, and my wish is that the creation of a broad, outside market should be the special object of the Federal reserve bank for the next twelve months irrespective of profit for itself, and I believe that no step can be taken which will go further toward insuring the continuance of the dollar acceptance after the war than the creation of an outside market for acceptances.

As I said before, I am sure that you and I are both working toward the same end. You may be traveling a different road to accomplish the purpose. I wish you would set out your plan and arguments. It is quite possible that in the end your way may be the best, and I am open to conviction.

Very truly yours,





*Bank of France*  
James Brown  
59 Wall St.  
New York.

April 11, 1917.

PRIVATE

Pierre Jay, Esq.,  
Federal Reserve Bank of New York,  
New York, N. Y.

Dear Mr. Jay:

I am to-day in receipt of two letters from Mr. S. G. Archibald, our representative and attorney in Paris, in answer to inquiries which I made of him on your behalf, and from which I extract the following for your information:

"You desired my opinion on the following question:

"What is the value of the undertaking of the Bank of France to export gold if necessary? or rather: Can the Bank of France legally undertake to export gold?

"The answer to this question is simple: Before the war, the Bank of France could export gold; on the 3rd of July, 1915 the Government passed a decree prohibiting the export of gold, but the Bank of France was especially excepted from the operation of this decree. Consequently, at the present moment, it is legal for the bank to export gold and the bank can therefore legally contract to do so.

"I rather imagined that this situation was perfectly well known to you and that the question which you really wished to put me was as to the legal value of the undertaking of the Bank of France with regard to the future, and in the event of the prohibition to export gold being made general and the Bank of France being included in such prohibition. With regard to this question I can only say that the French Parliament, like the English Parliament, can just about do anything they please; if they choose to prohibit the export of gold and so prevent the Bank of France from fulfilling its obligations, they can do so, just as the English Parliament could do in respect of the Bank of England. The practical effect of this would be to bankrupt the Bank of France and ruin the credit of the country and I should regard the possibility of any prohibition as to the export of gold by the Bank of France, which would affect undertakings already entered into by the Bank, as being entirely out of the realm of practical politics \* \* \* "

"I wrote you on the 28th of March giving you my opinion

as to the right of the Bank of France to contract to export gold. As a matter of fact, it hardly seems a question on which a legal opinion could be asked, from the moment that it is conceded that the Parliament are not limited in any way as to the laws they make. This is the case in France. There is nothing which is 'ultra vires' of the French Parliament and consequently they can do what they please. Practically, of course, everybody is entitled to their opinion as to what they would or would not do. I believe they still are sane and will continue so \* \* \* \* "

While the above is not entirely satisfactory from a legal point of view, and therefore may not be of sufficient value to justify the Federal Reserve Board in basing its acts upon it, I agree with Mr. Archibald and cannot conceive a condition under which the French Parliament would prevent the Bank of France from entering into contracts already in existence.

Very truly yours,

(Signed) James Brown.

James Brown  
59 Wall Street  
New York

RECEIVED

SEP 8 1917

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September 1, 1917.

SEP 5 1917

FEDERAL RESERVE BANK

Dear Ben:

When I telephoned you the other day I wanted you to lunch with me. Now, instead, I am going to suggest that, on either Tuesday or Wednesday morning of next week, you have your bag packed so that after business you and I can get into a motor and run down to my house, dine, spend the night and return in the morning.

I am keeping bachelor's hall at present, so no dress clothes are necessary.

Very truly yours,

*James Brown*

Benj. Strong, Esq., Governor,  
Federal Reserve Bank of New York  
New York, N. Y.



James Brown  
59 Wall Street  
New York

PERSONAL

RECEIVED  
DEC 18 1917  
FEDERAL RESERVE BANK

B

December 18, 1917.

Benjamin Strong, Esq.,  
Federal Reserve Bank,  
New York.

Dear Ben:

I was sorry you could not see me today. Only because I am so fearful that you will get away tomorrow without seeing me, I drop you this line to urge you not to overlook my request for a short interview. The matter is one of great importance.

Very truly yours,

*James Brown*