Ung. on
orig. carbon
740 B.S.

(C O P Y)

FEDERAL RESERVE BANK

OF NEW YORK

PERSONAL

November 23, 1922.

Dear Professor Bullock:

Thank you very much for your note of the twenty-second.

There are real and practical difficulties about my making the address. I am quite unwilling to address such a body of men without being frank and straightforward and explicit, and it may be that such a talk as that would confirm in the minds of many the mistaken notion held in some parts of the west that the Reserve System is run from Wall Street and that I am the chief devil in the conspiracy.

So far as stabilization at the 1913 level is concerned, I never entertained such a notion. I doubt very much if we could carry out such a program even if we did entertain it, and, assuming that we did and were able to carry it out, I think it would be little short of murder or suicide, or both. This notion, I believe has taken root in some parts of the country because of the belief, hard indeed to escape, that our efforts in 1919 to resist inflation became converted in 1920 into a definite policy of deflation.

The chances are that I shall decide not to make the address, but Sydney Anderson is dining with us tonight and I want to get his views before finally deciding.

I am looking forward to seeing Professor Young.

With kindest regards, believe me,

Very truly yours,

(Signed) Benj. Strong.

Professor Charles J. Bullock,
Chairman, Committee on Economic Research,
Harvard University,
Cambridge, Mass.

BS.MSB

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

December 18, 1922.

My dear Professor Bullock:

On returning to the office this morning, I find your notes of December 14 and 16. The work of art you enclosed is returned herewith. It fits the case pretty well; at least that is the way it appeared to me when I reached Chicago, but when I left I must say they all seemed to be in a very different frame of mind. I made a rotten talk - as I always do - particularly because I had been laid up, but more especially because the room was frightfully overheated, had been used continuously for meetings for nearly a week, and had no ventilation. I never had such a struggle with feelings of discomfort as I did then.

The fact is, however, that before I left Chicago - I was there three days - they really took me into camp. I got well acquainted with many of the officers and delegates, and feel that they all left convinced that I was a friend and not an enemy; which after all is better than a speech. I told them right at the outset at their Banquet, after Governor Lowden spoke (he having referred to abuse of the farmers) that I did not propose to take second place to any American farmer as recipient of abuse, which seemed to tickle their fancy a good deal.

The next time I am up your way, I will tell you all about it; but do stop in here when you are next in New York.

Yours sincerely,

Professor Charles J. Bullock,
c/o Harvard University,
Cambridge, Mass.

BS.MM
Enc.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

January 3, 1923.

My dear Professor Bullock:

I am sorry that I missed your call at the bank on Friday, December 29, owing to absence in Washington. Should you happen to be in the vicinity again, please drop in to see me.

With kindest regards and best wishes for the New Year,

Sincerely,

Prof. Charles J. Bullock,
Harvard University,
Cambridge, Mass.

GB/

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

FILING DIV.
JAN 23 1923
FEDERAL RESERVE BANK

January 19, 1923.

My dear Professor Bullock:

Most of my farming is done at 470 Park Avenue. The office at 15 Nassau Street is simply the grain elevator. Why not join me at my apartment whenever you get through at the Harvard Club, stop with me for dinner, and have a look at the crop right where it grows? If that will not suit your plans, then make it Thursday morning at 15 Nassau Street, and count on having lunch with me. I shall be mighty glad to see you.

Yours sincerely,

Professor Charles J. Bullock,
c/o Harvard University,
Cambridge, Mass.

BS.MM

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

Form 1228A

Charge to the account of Benj. Strong 15 Nassau Street $

CLASS OF SERVICE DESIRED	
Telegram	✓
Day Letter	
Night Message	
Night Letter	

Patrons should mark an X opposite the class of service desired; OTHERWISE THE MESSAGE WILL BE TRANSMITTED AS A FULL-RATE TELEGRAM

WESTERN UNION TELEGRAM

NEWCOMB CARLTON, PRESIDENT GEORGE W. E. ATKINS, FIRST VICE-PRESIDENT

Receiver's No.
Check
Time Filed

FILES DIV.

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

JAN 24 1923
FEDERAL RESERVE BANK OF NEW YORK

January 23, 1923.

Charles J. Bullock,
Harvard University,
Cambridge, Mass.

Governor Strong not very well and leaving Thursday for short vacation in South. Regrets inability to keep appointment.

George Beyer

W

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

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

To guard against mistakes or delays, the sender of a message should order it repeated, that is, telegraphed back to the originating office for comparison. For this, one-half the unrepeated message rate is charged in addition. Unless otherwise indicated on its face, this is an unrepeated message and paid for as such, in consid[illegible]on whereof it is agreed between the sender of the message and this company as follows:

1. The company shall not be liable for mistakes or delays in the transmission or delivery, or for non-delivery, of any message received for transmission at th[illegible] unrepeated-message rate beyond the sum of five hundred dollars; nor for mistakes or delays in the transmission or delivery, or for non-delivery, of any message received for transmission at the repeated-message rate beyond the sum of five thousand dollars, *unless specially valued;* nor in any case for delays arising from unavoidable interruption in the working of its lines; nor for errors in cipher or obscure messages.

2. In any event the company shall not be liable for damages for mistakes or delays in the transmission or delivery, or for the non-delivery, of any message, whether caused by the negligence of its servants or otherwise, beyond the sum of five thousand dollars, at which amount each message is deemed to be valued, unless a greater value is stated in writing by the sender thereof at the time the message is tendered for transmission, and unless the repeated-message rate is paid or agreed to be paid, and an additional charge equal to one-tenth of one per cent of the amount by which such valuation shall exceed five thousand dollars.

3. The company is hereby made the agent of the sender, without liability, to forward this message over the lines of any other company when necessary to reac[illegible] destination.

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

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

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

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

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

THE WESTERN UNION TELEGRAPH COMPANY
INCORPORATED
NEWCOMB CARLTON, PRESIDENT

CLASSES OF SERVICE

TELEGRAMS

A full-rate expedited service.

NIGHT MESSAGES

Accepted up to 2:00 A.M. at reduced rates to be sent during the night and delivered not earlier than the morning of the ensuing business day.

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

DAY LETTERS

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

SPECIAL TERMS APPLYING TO DAY LETTERS:

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

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

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

C. This Day Letter is received subject to the express understanding and agreement that the Company does not undertake that a Day Letter shall be delivered on the day of its date absolutely, and at all events; but that the Company's obligation in this respect is subject to the condition that there shall remain sufficient time for the transmission and delivery of such Day Letter on the day of its date during regular office hours, subject to the priority of the transmission of regular telegrams under the conditions named above.

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

NIGHT LETTERS

Accepted up to 2:00 A.M. for delivery on the morning of the ensuing business day, at rates still lower than standard night message rates, as follows: The standard telegram rate for 10 words shall be charged for the transmission of 50 words or less, and one-fifth of such standard telegram rate for 10 words shall be charged for each additional 10 words or less.

SPECIAL TERMS APPLYING TO NIGHT LETTERS:

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

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

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

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

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

January 24, 1923.

Dear Mr. Bullock:

Governor Strong has handed me your letter to him and asked me to say to you with great regret that he cannot have the pleasure of having you at dinner on Thursday as he is leaving to-morrow for a couple of weeks in the South.

I am very sorry to say that I am tied up for dinner to-morrow night myself, but should like very much to have the pleasure of showing you around through the bank either to-morrow or Friday, and of having you take lunch with some of our officers also. If you can make it for lunch to-morrow you will find Mr. Walter W. Stewart of the Federal Reserve Board here as well.

Won't you be good enough to call me in the morning and let me know what your plans are so that we may make arrangements accordingly?

I enjoyed greatly my visit to you yesterday, and only regretted that the time had to be so short.

Sincerely yours,

Charles J. Bullock, Esq.,
Care Prince George Hotel,
14 East 28 Street, New York City.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

FILES DIV.
JAN 24 1923
FEDERAL RESERVE BANK
OF NEW YORK

January 24, 1923.

Dear Professor Bullock:

I have your note this morning and only regret that I now find it impossible to see you on Thursday. Unfortunately I have not been very well recently and must run off for a couple of weeks' rest.

It is a disappointment, as I had my secretary wire you yesterday, not to be able to see you tomorrow, but I hope that upon my return our arrangements will meet with better success.

Sincerely yours,

Professor Charles J. Bullock,
Harvard University,
Cambridge, Mass.

MSB

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

(C O P Y)

Colo. Springs
June 28, 1923.

Dear Professor Bullock:

"And the moral of that is - The more there is of mine, the less there is of yours." Some day I shall write a book on prices - and try to point out that there are always two of us - Mr. Producer and Mr. Consumer - in everlasting strife, and when I only get a dollar a bushel for my wheat, I may be paying like thunder for my sugar! But it is the change that hurts. Anything that stays put can be endured save a pain in a tooth. But some of you men who think much upon prices, (and get paid much too little for doing so) are going to wake up to two things.

One is that a change has taken place in the control of credit - which makes prognostication of the future of prices when based upon the gyrations of past curves - extremely dangerous. I wish I had a voice and a secretary to enable me to elaborate upon this.

The other point is more impressive to me. A combination of experiences has led to an outcry for stabilizing prices! Some want a new kind of money - Fisher, Ford, Edison, et al. Others want the existing volume held constant. But all are hell bent to have prices controlled and many feel that the Federal Reserve System can and should do it. Undoubtedly if those folks have their way they will be our undoing. No one, or two or eight men are possessed of all the wisdom and courage to do that job, and escape sudden death. Prices are too little understood by people generally. We see our government, and the identical departments of the government, engaged, at identically the same moment, in developing elaborate machinery to aid the farmer to get more for his wheat and to prevent the farmer from getting so much for his sugar! The general price level will never be understood by all at the same time. To fix responsibility for prices upon the Federal Reserve System would in time destroy us. Let's do the best we can with credit, which is the chief influence upon prices, admit that

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

there are other things that do influence prices, and keep away from all the dangers of a campaign for price regulation. This question will be much less important when gold begins to work normally again and I'd rather help an early return to gold payment by about seven European nations (plus Japan) as the first real step toward steadying prices.

If I were czar of the Federal Reserve System I'd see that the total of our earning assets did not go much above or below, their past year's average, after deducting an amount equalling from time to time our total new gold imports. This is the song I've been singing in Washington since April 1922 with but moderate success. Most of them don't see the point about gold!

This doesn't seem much of a reply to your nice letter. I've not even mentioned receiving it, but I have, and enjoyed it, but especially the good will which prompted you to write me. Do it again.

Won't you remember me to Sprague, Young Persons, and the others of your good associates; my best to you all.

Sincerely

(Signed) Benj. Strong

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

MISC. 3 60 -22

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE Sept. 12, 1923 192

To Prof. Bullock

SUBJECT: Prices, etc.

FROM B. S.

Cop on file

FILING DEPT. NOV 5 1923 FEDERAL RESERVE BANK

"Under seal of the profession - "

Here are a few reflections from an economist (sic. save the mark) who learned a little from reading, more from what people told him which was sound, still more by what he observed of human nature - (mostly unsound):

1st. Many folks (quantity theory extremists) say we should regulate prices.

2nd. They think we can do it by control of the quantity of credit.

3rd. A few like you (and you may or may not think we should) know the difference between "prices" and "general price level."

4th. Almost 100% of bankers and 125% of the public think of prices only as affecting their pockets (or stomachs) - that is the things they buy and sell.

5th. If we assume to regulate prices, they will each wish us to fix their prices!

6th. We will be in a jam between producer and his high price demands and consumer and his low price demands.

7th. As every one is both producer and consumer - Every one will want us to put up the price of his product and put down the price of what he consumes.

8th. Within the past six months or so we would first have gone to jail for high sugar prices, and as soon as out on bail, been rearrested for low wheat prices (not to mention gasoline, building costs, wages, freight rates, professors' salaries and such like.)

Now I have the temerity to profess (or confess) that I believe;

1st. That price movements arise from various causes, credit being the most important most of the time.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

2nd. That price movements are a composition of individual price changes arising from supply vs. demand, etc., plus lots of other things, including (mark this) the sentiment of people generally - the mood to buy or to sell - to push or hold back, etc. (This latter is too little appreciated and is undervalued as a cause.)

3rd. That our responsibility is first as to the quantity of credit, and second, in some small measure, as to this "mood". Our method of control of quantity, likewise affects the public "mood", - which reacts on prices.

4th. That all these present views are "high lights" of feeling due to gold not functioning, and that present policies are temporary to fit conditions which we hope may not last!

Now you say "what the devil are you doing about your share of this price job" (I can see your face express the words.)

I'll tell you how to find out!

Take the Federal Reserve System statement for say 18 months or two years and analyze it with regard to the following obvious facts:

1st. Principal changes in quantity of credit in U. S. now arise from

a. Gold imports and exports.

b. Increases and decreases in our earning assets.

2nd. The same amount of inflation of credit will result from

a. Importing $1,000,000 gold, or

b. Increasing our earning assets $1,000,000.

--- T H E R E F O RE: ---

3rd. If you find that net gold imports, plus domestic production, less arts consumption is no greater in a given period than the reduction of our earning

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

assets, it is fair to assume that we have controlled volume of credit, and have discharged our duty as to prices - unless you believe that we should interfere with the general price level by means other than and in addition to, credit control! Get me?

4th. (and nearly lastly) Such interference could only be by monkeying with "mood" - which means argument, expostulation, scolding and general bedevilment; because

5th. Aside from quantity of credit - quantity of goods is the only other thing to regulate, and we could only reach the processes of production and consumption (beyond what credit does) by trying to alter the public "mood".

This may not be very clear! I don't want you to think we do nothing. For 18 months I have been chairman of a committee of the Governors which has had much to do with endeavoring to control the "quantity" of credit by control of the total of "earning assets". Look over the figures I suggest and see how they appear.

Finally. If earning assets are "discounts", banks must pay us large sums of interest (or discount), they don't like to do so and so try to collect loans and pay what they owe. (That means some pressure toward liquidation) If when that develops we step in and buy under section 14, the surplus funds are at once used to pay off "discounts" and pressure to liquidate is removed. Then again if we sell our investments, banks must borrow from us to pay for them and pressure to liquidate is renewed. Now look at the relation between discounts and investments - say early part of 1922 (when holdover pressure on frozen loans was considered too heavy) investments went up and discounts went down - good bond market, business revival, prices advancing, speculation, etc. Also late 1922 and especially early and middle 1923, when price advance looked dangerous, investments went down and discounts went up. (Always allow for net reduction of sum of both offsetting gold imports.)

These reflections are simply to call your attention to a coincidence, or a plan,

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

or a bit of forward looking - and to invite your thought thereon, and at your leisure, some comments.

But this is very secret, for no one should be able to control prices!!!

How are you? I'm better and will be home by November 1st!

B. S.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

September 12, 1923.

To Prof. Bullock

From B. S.

"Under seal of the profession."

Here are a few reflections from an economist (Sic. save the mark) who learned a little from reading, more from what people told him which was sound, still more by what he observed of human nature. - (mostly unsound)

1st. Many folks (quantity theory extremists) say we should regulate prices.

2nd. They think we can do it by control of the quantity of credit.

3rd. A few like you (and you may or may not think we should) know the difference between "prices" and "general price level."

4th. Almost 100 per cent of bankers and 125 per cent of the public think of prices only as affecting their pockets (or stomachs), that is, the things they buy and sell.

5th. If we assume to regulate prices, they will each wish us to fix their prices!

6th. We will be in a jam between producer and his high price demands and consumer and his low price demands.

7th. As every one is both producer and consumer, every one will want us to put up the price of his product and put down the price of what he consumes.

8th. Within the past six months or so we would first have gone to jail for high sugar prices, and as soon as out on bail, been rearrested for low wheat prices (not to mention gasoline, building costs, wages, freight rates, professors' salaries, and such like.)

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

Now I have the temerity to profess (or confess) that I believe

1st. That price movements arise from various causes, credit being the most important most of the time.

2nd. That price movements are a composition of individual price changes arising from supply v.s. demand,etc.plus lots of other things, including (mark this) the sentiment of people generally - the mood to buy or to sell - to push or hold back, etc. (This latter is too little appreciated and is undervalued as a cause.)

3rd. That our responsibility is first as to the quantity of credit, and second, in some small measure, as to this "mood." Our method of control of quantity, likewise affects the public "mood." which reacts on prices.

4th. That all these present views are "high lights" of feeling due to gold not functioning, and that present policies are temporary to fit conditions which we hope may not last!

Now you say "what the devil are you doing about your share of this price job? (I can see your face express the words.)

I'll tell you how to find out!

Take the F. R. System statement for, say 18 months or 2 years and analyze it with regard to the following obvious facts.

1st. Principal changes in quantity of credit in United States now arise from

a. Gold imports and exports,

b. Increases and decreases in our earning assets,

2nd. The same amount of inflation of credit will result from

a. Importing $1,000,000 gold or

b. Increasing our earning assets $1,000,000

THEREFORE:

3rd. If you find that net gold imports, plus domestic production,

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

less arts consumption is no greater in a given period than the reduction of our earning assets, it is fair to assume that we have controlled volume of credit, and have discharged our duty as to prices - unless you believe that we should interfere with the general price level by means other than and in addition to, credit control! Get me?

4th. (and nearly lastly) Such interference could only be by monkeying with "mood" which means argument, expostulation, scolding, and general bedevilment, because

5th. Aside from quantity of credit - quantity of goods is the only other thing to regulate, and we could only reach the processes of production and consumption (beyond what credit does) by trying to alter the public"mood."

This may not be very clear! I don't want you to think we do nothing. For 18 months I have been chairman of a committee of the governors which has had much to do with endeavoring to control the "quantity of credit by control of the total of "earning assets." Look over the figures I suggest and see how they appear.

Finally. If earning assets are "discounts" banks must pay us large sums of interest (or discount) They don't like to do so & so try to collect loans and pay what they owe. (That means some pressure toward liquidation.) If when that develops we step in and buy under Section 14 the surplus funds are at once used to pay off "discounts," and pressure to liquidate is removed. Then again if we sell our investments banks must borrow from us to pay for them and pressure to liquidate is renewed. Now look at the relation between discounts and investments - say early part 1922 (when hold over pressure on frozen loans was considered too heavy) investments went up and discounts went down. Good bond market, business revival, prices advancing, speculation, etc. Also late 1922 and especially early and middle 1923, when price advance looked dangerous, investments went down and discounts went up. (Always allow for net

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

reduction of sum of both offsetting gold imports.)

These reflections are simply to call your attention to a coincidence, or a plan, or a bit of forward looking - and to invite your thought thereon, and at your leisure, some comments. But this is very secret, for no one should be able to control prices!!!

How are you? I'm better and will be home by November 1st!

(Signed) B. S.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

(C O P Y)

Broadmoor, Sept. 26, 1923.

Dear Prof. Bullock:

We farmers aren't so gol darned secretive as all that! Show my maudlin ruminations to Young, Persons, Sprague, et al. Put the microscope, acid, microtome and calipers on it. Try it on the dog, and let me know if, in all candor, it's not a better or sounder record of sticking to the faith than any one of you suspected. This is all my damned ego, for I'm chairman of the committee and had a fist in it.

How are you, anyway? I'm doing nicely, be home next month, am rather fat - much too sassy - and due for a fall of some description, and suspect that you are preparing to "take it out of me" on my rejection of the price chart, in favor of a modified Keynes "managed currency."

The question always is, who'll do the managing?

Pax vobiscum.

(Signed) B.S.

P. S.

Is it undignified in one of your age, and mine, to retain a sense of humor in this age of insanity?

P. P. S.

I'm now moved to the shadow of Cheyenne Mountain - my address is care of Mrs. Henry P. Davison, Broadmoor, Colo Springs, Col.

P. S.

Read the first verse of the 121st Psalm and the 5th Act of Macbeth and you'll know the best cure for T. B.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

Broadmoor, Colo.

Oct. 5th, 1923.

My dear Professor Bullock.-

Of course what I sent you was confidential, all right, - but it was sent deliberately to be informing, to "draw" you on one point which I refer to hereafter, - but not for quotation or use publicly as coming from the "inside". The reason for such caution, - which under other circumstances would be silly - is because I cannot speak for the system, on system policies - I am chairman of the Committee which handles all open market operations for the whole system, - was responsible for the policy referred to, - but am servant and under orders and sometimes others do not agree with my views. (Nor I with theirs'!) But show all the correspondence to Sprague, Young and Persons, if they are interested, and explain my "reserve" thereupon.

The "point" upon which I wanted to draw comment from you, without disclosing it bluntly in my memo, - was the one weak spot which you nailed on the nose a la Dempsey. What can we do when all of our Section 14 investments are gone - in case gold continues to come in?! I'll refer to your specific comments after referring to this generally. It's a hard nut to crack.

Now taking the Sep. 26th statement, which is before you I hope, you will notice that we hold (the system)

(a) Bills bought in open market		\$172 millions
(b) U. S. bonds, notes & Ctfts.	88 4	92 millions
		\$264 "

All of these are voluntary purchases under Sec. 14, and can be liquidated (the method is unimportant - take my word for it) with little difficulty or delay - except that portion of these accounts representing purchases from dealers under resale contracts. The total of these items is rarely over \$25 MM to \$40 MM and I presume (without figures for any but N. Y.) that they were about \$28 or \$30 millions on Sep. 25 as our N. Y. total of "resale" items was \$25 millions, and the other banks rarely have over \$2 to \$5 millions. Now 18 months ago when I first proposed this general policy, I frankly admitted the weak spot you mentioned, but had reason to think that we could "last" about two years. I now think we can "last" one year, and possibly 18 months longer (3 years in all) for these reasons. (This again is most confidential, and I'm opening my heart, because I want you Harvard folks to have confidence in our purposes, though you may not always agree with our methods, or even theories.) The Japanese Treasury and the Bank of Japan give me their entire confidence. They want to lift the gold embargo and barring the Earthquake, might soon have done so. But even if they did, it would mean no addition to our gold from them as their gold reserves (held abroad) are bank balances, mainly in New York, much of it with us, and they would simply check on it. So eliminate Japan.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

Russia is sucked dry of gold. I have many good evidences of that! Germany cannot part with much if any more, save as an act of Hari Kari! - nor can France take it from her! I figure that we may expect to divide the South African production roughly 50-50 with India and the East - which means roughly - about $100,000,000. France will not give up gold except she signs on the dotted line (debt funding) like the British, - and that you may dismiss as a possibility even, for some time. The British debt payment this next twelve months may require anywhere from 50 to 100 millions over and above the South African production coming to us, - provided the British pay and do not exercise any options to defer. Even then we are in position to ask them, if things get difficult, - not to pay us. (Dont smile.) Our domestic production over manufacture and art consumption, is but a few millions, - as I recall from 10 to 20 a year. There are no other sources of supply of gold, and even the British cannot spare over 100 to 150 millions, beyond what they have already sent, without pinching.

So in a word, against some $235 millions of investments which could be liquidated, I can see but $150 to $200 millions of gold still to come in within a twelve month. This is not a policy of insurance against accident, - however; such as a resersal of Indian exchange, - and transmutation, and a new Rand, etc., etc. It's just carrying forward the rough calculations I made in Washington at our meeting in April 1922, when this whole difficulty bid fair to become acute. I'm shocked to admit that while the policy resolution I proposed, contemplated keeping the total of discounts and investments as constant as possible - less from time to time the amount of net gold imports, which were to be offset by sales of investments, I was actually voted down on the gold part of it, and my proposal was characterized by one or two present as d----- silly! (That was at the fall 1922 meeting and not the April one). But N. Y. had most of the liquid stuff, so we sold ours just the same and the result was as I described in my first memo.

So my friend I maintain that we did have a policy during the past 18 months,- that it has been fairly successful, and there is prospect that it can be equally so for a year to come or longer - if my pals play ball - as I know they will. After that, the deluge (of gold) if there is any left, - and of course then or earlier, higher rates of discount. But the tide may turn before then - lots may happen. All of this is preamble to repeating - what I once wrote you, that those who prophesy rising prices, based upon (a) gold imports- or (b) inflation of F. R. System origin, - must needs be careful lest the spigot is found to be closed and locked and guarded against burglars or marauders, political or otherwise. (Gosh - that reads like a Ph. D. thesis, - and at that addressed to one at whose feet I humbly squat.)

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

Now as to certain points in your letter, much of which is answered by the above.

1. Our Gov't security purchases were not to "support" the bond market. Our own reasons in N. Y. were principally 3. To get a "position" in the money market which we were losing in 1921, because of the general liquidation. To relieve the pressure by frightened bankers on "frozen" debtors, - To "tone up" business, ease the money market, put heart into the weary and downhearted, etc. We knew then as now that it meant no inflation, to amount to anything, - but simply that as we increased our "investments", "discounts" would go down, banks would go out of debt, and pressure on borrowers would end.

2. I do not entirely agree with Snyder on prices, nor upon our function as to prices, nor his scheme for price index control of rates etc. His remarks anent the investment account etc. are based upon what we did and our discussions thereupon.

3. You do not say whether you agree with me as to the F. R. System admitting a "price" function or responsibility, beyond what I described.

4. The figures you quote are dealt with above, in substance.

5. Please consider what will happen when the export movement does take place. It will be an easy matter to handle. The procedure will be about as follows. The 1st Nat. Bank will ship say $5,000,000 of gold, which they must get from us. There is no other source of supply. Their reserve becomes impaired and they borrow the 5 millions. If they call in loans or sell securities, other banks will borrow. The process continuing, in a large movement, will be financed by discounting with us. Depending of course upon the rate we charge, there will be greater or less pressure for liquidation according to whether our rate is high or low. If the pressure is too great, we can relieve it by entering the market and buying bills and Governments. There need be no fear of inflation then, as the credit we release will all be applied to repaying discounts. The banks and public will not be in a mood to employ the credit for speculation. Our discount rate must be high enough to discourage it, but not so high as to cause alarm. The two fundamental, absolutely vital matters to have in mind in considering the next gold export movement are

> 1st. It must not occur when our position is extended and reserves low, - or better stated, we must be always ready for it by not getting extended and so having the gold to spare.
>
> 2nd. We must understand the "mood" of the public, so as to avoid alarm and panic which we could easily cause by unnecessary advance in discount rates, and likewise prevent a speculation which would absorb the credit we released, rather than permit its application to reduction of discounts. There

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

are two views to take of what may be the surrounding conditions when gold moves out. One can imagine a Europe on the way to recovery, optimism, speculation, etc., or the pessimist may say it will be the day of restricted exports, adverse trade balance, dear money and alarm. I'm not ready to form an opinion. What I do know is that if that surplus reserve is used for expansion of our credit position, it will be over my dead and much mutilated body! There is absolutely no ground for alarm about gold exports, now or as far ahead as one can see, and less cause for alarm over imports, than at any past time.

6. The use you make of what I write must of course be discreet. What is already in the statements is public property, - any one can draw conclusions, - but my elaboration of my personal views and their relation to policies are for the moment sacred!

7. Now a secret also about putting gold into circulation. Please bury it. Long ago when I was concerned with some part of the program of the Genoa conference, I got wind of the fact that proposals, inspired by resentment about our debt attitude, were to be privately made to flood us with gold and let us "inflate and be damned". It had been done between 1914 and 1917, they knew how to do it, - and they knew how to convert the U. S. into a good selling market. Mind you, never a whisper of this has escaped! I wrote personally to some of my friends abroad, who were "in touch", that we had many hundreds of millions of loans and investments that we could liquidate, so as to prevent inflation, we could put gold into circulation so as to prevent the appearance of excessive gold reserves, and politely intimated that they could "ship and be damned". Then to make sure I was not misunderstood we began to pay out gold in amounts just equalling our imports. I've heard no more "inflate and be damned" talk. At least the heads of the banks of issue know how N. Y. stands on the question, and I don't think they will let their respective finance ministers forget.

8. Have I covered your "doubts" (2nd page 2nd par. your letter) as to control, for the time being, through our open market operations?

9. Your expression "for a few months", (referring to gold imports) strikes me as casual. I'd say that we are safe for from 12 to 18 as stated.

10. It's very doubtful whether we'd need to empty our portfolios - but I'd do it and more if necessary.

11. A little calculation will show what a huge export of gold we could stand, provided my two assumptions are sound and are regarded - no expansion - and the avoidance of alarm or speculation.

12. I can make no prognosis which will aid in guessing about future rates of discount - things are too uncertain, - but of course it must be used as a restraint, when conditions demand - and I hope as a supplement to such control as we can employ through our investment account as described. Do not draw from my letters that I am minimizing the importance of the discount rate, especially when the happy day of resumption of gold shipments among the nations arrives again.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

13. The figures of Aug. 22 - Sep. 19 have no significance. We cannot figure as closely as that. When the treas'-, for example, has heavy payments to make and large tax receipts coming in, or a large security issue - we must always tide them over with temporary loans, lasting from a few days to a few weeks. They run from small amounts to as high as $200 millions. The daily turnover of our members, seasonal movements and movements between F. R. districts always cause fluctuations in our discounts of many millions, - we bridge the gap of distance and time.

14. My plan is not a cureall or permanent policy. During these times when gold fails as ballast and price movements are erratic and we are on the pinnacle of gold payment as was Simon on his Column, alone and lousy with gold, we must adapt policies suitable to the conditions, for the moment, and always subject to change or modification. This seems our best just now.

15. I have written dogmatically, pedantically, and personally; but please know that the above is the fruit of much thought and discussion in New York and Washington. Miller of the Board has been staunch supporter and backer, - and a most understanding one. Jay's contribution has been what one always gets from him - sound and scholarly and devilish critical of weak spots. So does a policy develop, as a symposium, and too often with much compromise. This one is reasonably unanimous in its parts.

16. Were I boss of the F. R. System I'd tell the public all about these things, but I'm not the boss, - just an item in the whole - now and then we need help, advice, understanding, support. We need it from you and your associates, at Harvard and at all other American universities. The way to deserve and get it is to give you our confidence, and this is mine! So it's partly selfish - and writing about all this often sets my mind in order - if only as a result of letting off steam. Finally, please good friend overlook faults of penmanship, spelling (if there are any) grammar, rhetoric, diction, arrangement and style. I'm no scholar - but I like my job and thank goodness the doctors out here say I've won my way back to it in great shape. So I'll hope to see you next month - I shall be at home the last of October. Remember me to all your associates, and my best to you.

Sincerely

(Signed) Benj. Strong.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

(C O P Y)

Broadmoor, Colo.,
October 22, 1923.

Dear Professor Bullock:

An unpleasant habit of looking back over my correspondence, so as to see how often I am wrong, and so keeping my ego in check, reminds me that some day I may want a copy of my last effusion addressed to you. As I have no secretary here my habits of correspondence are in confusion. Could your stenographer copy it and send me a flimsy?

You remember Abe Lincoln's remark that he was "down to the raisins?" That's my condition at the moment as I am leaving for home day after to-morrow, praise be! And some day hope to see you and be returned to the mental posture of the neophyte.

I hope all goes well with you. Are you still predicting a tertiary boom? And will it be based upon inflation and a general lack of confidence in the Federal Reserve Board, or shall we just rock along with little ups and downs, and all of us "capitalists" just starving to make big wages for labor?

Since I became a farmer I rather like to see the plunderband plundered. But anathema to the politicos.

Yours,

(Signed) B. S.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

November 1, 1923.

Dear Professor Bullock:

I shall see you so soon that this will only acknowledge and thank you for yours of the 28th ultimo. But now I have written you like a brother, with all my best fancy ideas; so what are yours? Give us a fair exchange!

Sincerely,

Mr. Charles J. Bullock,
c/o Harvard University,
Cambridge, Mass.

BS.MM

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

(C O P Y)
470 Park Avenue
New York

(About) November 3, 1923.

Dear Professor Bullock:

It is most kind of you to write me as you do. Of course you understand that in all of these matters I am but one of a large complicated organization, of varied minds and opinions. What we did in New York, and such influence as we had upon others, was as I wrote you, a composition, toward which I suppose Gilbert and I were chief contributors. Many of the banks frankly bought for "earnings," in fact our own officers and directors were influenced for a time by that consideration. There also appeared the serious complication of our own purchases and sales conflicting with the enormous transactions we conduct for the Treasury and other departments, as fiscal agents. But after many meetings and much experimenting, the plan and policy were made to work smoothly, and I see every prospect that they will continue to do so.

Also I hope you will bear in mind that neither in "pose" nor in fact am I the boss of this system. Nor do I wish to be, nor would it be a good thing if I were. In fact the guiding thought we should all have in mind is that it is better to get a thing done than to get the credit for doing it. My personal views and of the frankest sort are always at your command. But we did "Scotch" the gold bag! And my best judgment is that we shall continue to do so.

What I mentioned about reentering the market has been much in my mind for about two months. I shall not have a settled opinion till I have seen more of conditions from the poop deck! But this and our earlier letters are confidential. The figures explain themselves! We keep as close a weekly account of the gold and investment accounts at the bank, as you do of your expenses. And that is why we know where we are at - as to inflation!

When your good associates come to town, I hope they will call - and of course we expect you to - always!

Sincerely

(Signed) Benj. Strong

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

CONFIDENTIAL November 27, 1923.

Dear Professor Bullock:

By this time you and your colleagues have probably recovered from the excessive indulgence in aquatic sports of last week and can again turn your minds to economic and other like affairs.

You may have noticed that since I wrote you from Colorado, the usual seasonal increase in discounts by members (together, of course, with further gold imports) have combined to overcome, temporarily, the offset which we had succeeded in maintaining against gold imports down to late last summer. In some ways it is a little disappointing, and yet not unexpected. The difficulty will always be to differentiate between what is a perfectly normal seasonal movement of our assets, and those movements which may be regarded as abnormal and artificial, and consequently to be guarded against. The more I reflect about the affairs of this organization, the more I marvel at the courage of those who are willing to forecast the future - and this is no reflection whatever upon the last issue of your Review.

When may I have the pleasure of seeing you or some of your associates at the bank? You promised us a visit, and I think you said that Professor Young was coming down, too.

With best regards,

Sincerely,

Professor Charles J. Bullock,
c/o Harvard University,
Cambridge, Mass.

BS.MM

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

Form 1228A

Charge to the account of Benj. Strong, 5 Nassau St., $

CLASS OF SERVICE DESIRED	
Telegram	✓
Day Letter	
Night Message	
Night Letter	

Patrons should mark an X opposite the class of service desired; OTHERWISE THE MESSAGE WILL BE TRANSMITTED AS A FULL-RATE TELEGRAM

WESTERN UNION TELEGRAM

NEWCOMB CARLTON, PRESIDENT GEORGE W. E. ATKINS, FIRST VICE-PRESIDENT

Receiver's No.

Check

Time Filed

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

November 28, 1923.

C. J. Bullock
Harvard University
Cambridge, Mass.

Regret cannot see you Friday Leaving for Washington to be gone all next week Hope we can arrange meeting later

Benj. Strong

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

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

To guard against mistakes or delays, the sender of a message should order it repeated, that is, telegraphed back to the originating office for comparison. For this, one-half the unrepeated message rate is charged in addition. Unless otherwise indicated on its face, this is an unrepeated message and paid for as such, in consideration whereof it is agreed between the sender of the message and this company as follows:

1. The company shall not be liable for mistakes or delays in the transmission or delivery, or for non-delivery, of any message received for transmission at the unrepeated-message rate beyond the sum of five hundred dollars; nor for mistakes or delays in the transmission or delivery, or for non-delivery, of any message received for transmission at the repeated-message rate beyond the sum of five thousand dollars, *unless specially valued;* nor in any case for delays arising from unavoidable interruption in the working of its lines; nor for errors in cipher or obscure messages.
2. In any event the company shall not be liable for damages for mistakes or delays in the transmission or delivery, or for the non-delivery, of any message, whether caused by the negligence of its servants or otherwise, beyond the sum of five thousand dollars, at which amount each message is deemed to be valued, unless a greater value is stated in writing by the sender thereof at the time the message is tendered for transmission, and unless the repeated-message rate is paid or agreed to be paid, and an additional charge equal to one-tenth of one per cent of the amount by which such valuation shall exceed five thousand dollars.
3. *The company is hereby made the agent of the sender, without liability, to forward this message over the lines of any other company when necessary to reach its destination.*
4. Messages will be delivered free within one-half mile of the company's office in towns of 5,000 population or less, and within one mile of such office in other cities or towns. Beyond these limits the company does not undertake to make delivery, but will, without liability, at the sender's request, as his agent and at his expense, endeavor to contract for him for such delivery at a reasonable price.
5. No responsibility attaches to this company concerning messages until the same are accepted at one of its transmitting offices; and if a message is sent to such office by one of the company's messengers, he acts for that purpose as the agent of the sender.
6. *The company will not be liable for damages or statutory penalties in any case where the claim is not presented in writing within sixty days after the message is filed with the company for transmission.*
7. Special terms governing the transmission of messages under the classes of messages enumerated below shall apply to messages in each of such respective classes in addition to all the foregoing terms.
8. No employee of the company is authorized to vary the foregoing.

THE WESTERN UNION TELEGRAPH COMPANY
INCORPORATED
NEWCOMB CARLTON, PRESIDENT

CLASSES OF SERVICE

TELEGRAMS

A full-rate expedited service.

NIGHT MESSAGES

Accepted up to 2:00 A.M. at reduced rates to be sent during the night and delivered not earlier than the morning of the ensuing business day.

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

DAY LETTERS

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

SPECIAL TERMS APPLYING TO DAY LETTERS:

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

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

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

C. This Day Letter is received subject to the express understanding and agreement that the Company does not undertake that a Day Letter shall be delivered on the day of its date absolutely, and at all events; but that the Company's obligation in this respect is subject to the condition that there shall remain sufficient time for the transmission and delivery of such Day Letter on the day of its date during regular office hours, subject to the priority of the transmission of regular telegrams under the conditions named above.

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

NIGHT LETTERS

Accepted up to 2:00 A.M. for delivery on the morning of the ensuing business day, at rates still lower than standard night message rates, as follows: The standard telegram rate for 10 words shall be charged for the transmission of 50 words or less, and one-fifth of such standard telegram rate for 10 words shall be charged for each additional 10 words or less.

SPECIAL TERMS APPLYING TO NIGHT LETTERS:

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

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

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

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

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

Form 1228A

Charge to the account of Benj. Strong 15 Nassau Street $

CLASS OF SERVICE DESIRED	
Telegram	
Day Letter	
Night Message	
Night Letter	

Patrons should mark an X opposite the class of service desired; OTHERWISE THE MESSAGE WILL BE TRANSMITTED AS A FULL-RATE TELEGRAM

WESTERN UNION TELEGRAM

NEWCOMB CARLTON, PRESIDENT GEORGE W. E. ATKINS, FIRST VICE-PRESIDENT

Receiver's No.
Check
Time Filed

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

December 5, 1923.

Professor C. J. Bullock,
Harvard University,
Cambridge, Mass.

Wire received. Governor Strong still in Washington and not expected this week.

George Beyer

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

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

To guard against mistakes or delays, the sender of a message should order it repeated, that is, telegraphed back to the originating office for comparison. For this, one-half the unrepeated message rate is charged in addition. Unless otherwise indicated on its face, this is an unrepeated message and paid for as such, in consideration whereof it is agreed between the sender of the message and this company as follows:

1. The company shall not be liable for mistakes or delays in the transmission or delivery, or for non-delivery, of any message received for transmission [illegible] unrepeated-message rate beyond the sum of five hundred dollars; nor for mistakes or delays in the transmission or delivery, or for non-delivery, of any message received for transmission at the repeated-message rate beyond the sum of five thousand dollars, *unless specially valued;* nor in any case for delays arising from unavoidable interruption in the working of its lines; nor for errors in cipher or obscure messages.

2. In any event the company shall not be liable for damages for mistakes or delays in the transmission or delivery, or for the non-delivery, of any message, whether caused by the negligence of its servants or otherwise, beyond the sum of five thousand dollars, at which amount each message is deemed to be valued, unless a greater value is stated in writing by the sender thereof at the time the message is tendered for transmission, and unless the repeated-message rate is paid or agreed to be paid, and an additional charge equal to one-tenth of one per cent of the amount by which such valuation shall exceed five thousand dollars.

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

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

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

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

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

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

THE WESTERN UNION TELEGRAPH COMPANY
INCORPORATED
NEWCOMB CARLTON, PRESIDENT

CLASSES OF SERVICE

TELEGRAMS

A full-rate expedited service.

NIGHT MESSAGES

Accepted up to 2:00 A.M. at reduced rates to be sent during the night and delivered not earlier than the morning of the ensuing business day.

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

DAY LETTERS

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

SPECIAL TERMS APPLYING TO DAY LETTERS:

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

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

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

C. This Day Letter is received subject to the express understanding and agreement that the Company does not undertake that a Day Letter shall be delivered on the day of its date absolutely, and at all events; but that the Company's obligation in this respect is subject to the condition that there shall remain sufficient time for the transmission and delivery of such Day Letter on the day of its date during regular office hours, subject to the priority of the transmission of regular telegrams under the conditions named above.

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

NIGHT LETTERS

Accepted up to 2:00 A.M. for delivery on the morning of the ensuing business day, at rates still lower than standard night message rates, as follows: The standard telegram rate for 10 words shall be charged for the transmission of 50 words or less, and one-fifth of such standard telegram rate for 10 words shall be charged for each additional 10 words or less.

SPECIAL TERMS APPLYING TO NIGHT LETTERS:

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

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

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

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

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

December 10, 1923.

VERY CONFIDENTIAL

Dear Professor Bullock:

In some way, probably inadvertently, the newspapers got a rather garbled account of a committee meeting in Washington last week, and as the result there appeared in the Journal of Commerce and the Times, some articles about the policy of the Federal Reserve System, which might lead you to believe that the matters we discussed sometime ago, very confidentially, had been made public. That is not the case. Any statement which is to be made in regard of a matter of policy, such as this, would of course be made officially by the Board and not by any individual.

I am sending you this line so as to make sure that you do not understand that the subjects on which I asked you to give me some advice and in which you displayed so much interest, are now open for discussion.

I think you will be interested to know that the Board will probably publish something on this subject in the near future, but I do not know that it is finally decided.

There is so much possibility of trouble arising from incautious discussion of these affairs, especially by those of us who are servants and not masters, that I thought I was justified in sending you this word of caution. It was a disappointment not to be able to have a meeting with you the week before last, but I hope an early opportunity will occur. Please let me know whenever you contemplate a trip to New York. With warmest regards, I am,

Sincerely yours,

Professor Charles J. Bullock,
Harvard University,
Cambridge, Mass.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

CONFIDENTIAL

December 11, 1923.

Dear Professor Bullock:

I am in a great hurry and have not even fully read your letter of December 8, - but enough to permit me to send just a line in reply, very confidentially indeed, in order that you may give the subject some thought before we next meet.

Suppose it were possible at the present time for the Reserve Banks to buy $100 or $200 millions - or any given amount - of securities in the open market, and by so doing effect an exactly equal reduction in the amount which our members were borrowing from us?

As I have written you more than once before, under certain conditions, when we go into the market to buy, the credit which we release comes immediately back to us through members who will pay off paper they have discounted. If, therefore, it were possible to increase the investments of the System and reduce the discounts, and not increase the earning assets, would we not be in position to accomplish the very thing which we are seeking to accomplish, and which you suggest, namely, to gradually liquidate investments as gold comes in and so offset the inflationary effect, whereas now, with our investments reduced as they are, the only way of reducing earning assets might be by an advance of discount rates and force the liquidation of borrowings.

This is just a thought that I want to put in your mind for consideration. Come down when you can and let us talk it over. I may have to go to Washington in the near future, so you better phone in advance.

I am sure that you will ponder this in your mind as a very confidential thought, and give me the benefit of your views when you can.

Yours sincerely,

Professor Charles J. Bullock,
Harvard University,
Cambridge, Mass.

BS.MM

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

December 13, 1923.

VERY CONFIDENTIAL

Dear Professor Bullock:

I am now able to reply to your letters of the 8th and 11th, and I hope you do not mind my making the reply rather dogmatic. Also my again urging upon you the confidential character of our correspondence. Neither I nor any committee of the Governors can or should make statements in regard to the policy of the Reserve System as a whole, especially when it is developed in collaberation with the Federal Reserve Board and subject to their approval and supervision. Now for the categorical part of it.

1. My own capacity to express views on paper is much more limited than yours. On the other hand, I have a distinct advantage over you in the fact that I am running the books and see the figures as they develop; whereas you look at them as a completed statement, and must go behind the surface to get real information.

2. There has been no increase in ownership of Government securities by the Federal Reserve System. The moderate fluctuations which take place from time to time are due to transactions for the Treasury and with dealers in Government securities, which occasionally increase what we appear to own, but which are in reality being carried for short periods. To illustrate: We were called upon to purchase temporarily some $17 millions of certificates a few days ago in connection with a transaction for the Alien Property Custodian's funds, which would appear to be an investment, but which in reality is a temporary turnover, washing out in a

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

few days. There has been an increase in bills owned. The reason for that is that our buying rate has been a shade under the market. Bills have not distributed as well as they did earlier in the year, and for the moment have piled up on us a bit. We do not like to arbitrarily decline to take eligible bills that are offered us by dealers. On the other hand, we hesitate to increase our buying rate at this time, although we may be forced to do so if the accumulation continues. For various reasons it is better to have bill holdings increase than to have discounts do so.

3. The dispatch published by the Journal of Commerce was neither an official nor an unofficial announcement. It seems to have been a leak. How those fellows get hold of things like that beats me, but they do and it sometimes causes embarrassment.

4. We fully realize the danger that gold will come in for a time faster than we like and it may involve some danger of inflation. But this brings me to the question of purchasing Government securities. You assume - and quite erroneously - that if we buy Government securities we inevitably increase our earning assets and consequently contribute to further inflation in a situation which is already in course of inflation through imports of gold. That need not be the fact, and if we do decide to make any purchases, they can, I believe, be handled so as to avoid any increase in earning assets. As I have written you before, when we make such purchases and throw our credit into the market it is immediately applied by member banks to repaying what they owe us in the way of discounts. If that can be successfully accomplished, it merely means that we would convert some millions of our earning assets into investments instead of holding them as discounts. This will give us something that we can later sell to offset gold imports and actually put some pressure on the market to prevent expansion; whereas without anything to sell, the only possible treatment of a situation such as you apprehend will be to increase discount rates, not only in New York but possibly all over the country. It is really a simple enough operation if one understands how these operations work. Unfortunately, few people do, and I am hopeful that an exposition of this will be published that will make the whole story clear to the public.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

5. As to purchasing bills in London. Here I think you have been misled in some respects, and in fact I think very few people do actually understand the effect of such an operation. If the Federal Reserve Bank of New York should buy sterling bills, the effect of the transaction would be to place exactly the dollar equivalent at the credit of New York banks on our books. The transaction would involve our buying London exchange in New York. The sterling would be placed to our credit on the books of the Bank of England, and the money that we paid out for this sterling would be paid over to bankers who had sterling for sale. We would then open an investment account in London for the amount of our investment (as the Bank of England bought bills for us) and the offset to that investment in London would be a bank credit in New York, the effect of which would be identical with gold imports. If would not offset or prevent inflation otherwise caused by gold imports one particle. It would prevent the actual gold coming in possibly to that extent, but would substitute our own credit for it in this market, just as though gold had come in. Another very practical question is - Who would be responsible for exchange losses if they arose? Were the Bank of England endeavoring to save its reserve and came to us with an offer of sterling bills in place of gold and agreed to guarantee us against exchange loss, we might then be willing to consider it. Suppose we had taken the position that we would buy sterling bills when sterling was at 4.70, - say about six months ago - and had bought £20 millions sterling, we would today have realized an interest earning of about $1,800,000, but would face an exchange loss of $7 millions. In other words, we would have lost over $5 millions on the transaction, unless we had been guaranteed by some responsible guarantor. Stated in a word, the purchase of sterling bills by the Federal Reserve Bank just now is merely substituting one possibility of credit expansion for another, and at the same time causing us the possibility of very heavy losses. I can see nothing to be gained by such policy.

My own appraisal of the situation for the future is somewhat different from yours. It may be wholly wrong, but at least it is worth considering. There will be

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

offsetting influences at work. On the one hand, we may feel the influence of gold imports, with the possibility of some expansion and increase in our price level; but at the same time may not British prices decrease to the equivalent of the lower exchange rate as further declines in sterling do occur? This may theoretically open the door to larger British exports to this country. If the volume is sufficient it would moderate the trend of rising prices. The same in greater or less degree would be true of other exchanges. On the other hand, it is not inconceivable that the present crumbling situation in Germany may not be arrested and will lead to further and even more distressing economic disorders in Europe which will call for much more drastic treatment and give rise to more alarming symptoms than any that have yet been witnessed. In other words, due to a number of causes which were not as definitely in view a few months ago, there is, I feel, great uncertainty in the outlook, but some possibility of a renewal of an advancing price movement next year. Now in this connection, I want to call your attention to another very important factor in the situation which is little commented upon. The stock market for the past six or eight months has disappointed all of the chart makers. It has reversed, or at least has not established, a course of prices which would ordinarily have been expected during at least a part of this period. The reason for that I think I have already attempted to explain, so far as it is possible for any of us to explain it at all. On the other hand, with some advance in prices of commodities next year, and especially should Mellon's tax reduction program find favor with Congress, and no bonus bill be passed, I should suppose that we would then have many of the elements which generally contribute to a speculation. That is one of the possibilities which makes me look with some doubt into the future. Now without any investments which can be sold - except our bills, the amount of which could only be reduced by advancing purchase rates - don't you think it would be a good thing for the Federal Reserve System to hold some short-time Government securities, provided they can be acquired - as I have indicated above - without effecting a net increase in earning assets? In other words, provided their purchase will simply afford the members the means to reduce their borrowings.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

I have unburdened my mind rather frankly, and hope it may explain to you in some measure some things that you do not indicate are apparent in former letters.

Now as to publicity. I have asked Miller, who runs the Federal Reserve Bulletin, to consider whether they should not publish in January, a frank simple narrative regarding policy. He seemed to think it an excellent idea. I have never written anything for the Bulletin myself, am a poor hand at that sort of thing, and of course am not the one to prepare such a statement as this; but I hope it will be done, and if it is done that it will be illuminating to you and to the public generally. Once more let me urge that this whole matter be held in confidence. I may not have been justified in writing so frankly as I do, but you have been good enough to advise from time to time in many matters, and I feel a sense of obligation which probably justifies asking you to share some of our puzzles and anxieties. Do come and see me when you are next in town, and tell Allyn Young I count on seeing him.

Sincerely yours,

Professor Charles J. Bullock,
Harvard University,
Cambridge, Mass.

BS.MM

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

December 22, 1923.

Dear Professor Bullock}

I have two letters from you which have not been answered on account of my absence in Washington.

As now advised, I am hoping that some statement will appear shortly. It may not be as complete as I would have made it or you, but I think it will be helpful. It will not, however, relieve you and me of the need for treating this subject with the confidence which it requires.

I am tremendously busy on account of accumulated work during my absence, but will write as soon as possible unless I have the pleasure of seeing you. My secretary tells me that Professor Sprague has just come in, so I shall close this at once, and may have opportunity for a chat with him.

Please accept my warmest Christmas greetings which I send not alone to you but to all your good associates whom I have come to regard as my personal friends.

Yours sincerely,

Professor Charles J. Bullock,
Harvard University,
Cambridge, Mass.

BS.MM

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

December 24, 1923.

Dear Professor Bullock:

This is still not a reply to your recent letters, but just to clear up something that you mentioned to me when I last saw you.

Do you recall stating that our business review in the early months of this year contained some cautionary statements which you thought were interpreted by the public as a warning against expansion, rising prices, etc., + had considerable effect upon the situation? I think I stated that I recalled no such comments appearing in the review. During the last few weeks I have had a chance to look over them all and find nothing which I can interpret as in the nature of warning, or certainly alarming in character. Would you mind having your files examined and pointing out to me exactly what statements you had in mind? Comment such as you made ~~are~~ is of value to us, and I want to take advantage of it. You know it is the very first principle of the review that it shall never undertake to prophesy.

I hope to have a chance to write you more fully later in the week in reply to your last two letters.

With best regards, and wishing you all a merry Christmas and a happy New Year, I am,

Sincerely yours,

Professor Charles J. Bullock,
Harvard University,
Cambridge, Mass.

BS.MSB

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

December 24, 1923.

P. S.

Dear Professor Bullock:

I was a good deal disturbed just now to learn from one of my associates that we had a call from a Chicago banker who had a letter from you, discussing the matters that we have recently been corresponding about very frankly, and that this banker had called at the Federal Reserve Bank of Chicago to get further information on the subject, and I rather get the impression that through you a good deal more information had reached some of your friends than could be gained from the regular published figures of the Reserve System or from the statements which have so far been made either officially or unofficially from Washington.

As I have already assured you, it will be unfortunate to have your organization in any way at cross-purposes with us as to what we are seeking to accomplish, and it is possible in my desire that you should be able to form an intelligent opinion about these matters, I have been franker in writing you than is justified ordinarily. But certainly my letters have been filled with warnings of unmistakable character, and I am writing now just to ask whether you will be good enough to send me a copy of your letter or letters so that I can judge a little better just what damage, if any, has been done.

My own personal desire to be of service to you and to your great organization in any proper way must not be interpreted as assuming any authority to speak for the System or delegating it and frankly I am disturbed to learn of this correspondence.

Sincerely yours,

Professor Charles J. Bullock,
Harward University,
Cambridge, Mass.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

January 7, 1924.

PERSONAL

My dear Professor Bullock:

Of course, you must understand how glad I am to have your letter of December 27. Possibly I never have explained to you the basis of some of our discussions and correspondence. I have always felt that in such matters as we deal with, our University friends who specialize in economics occupy the same relation to us that a physician does to a patient or a lawyer to a client. We need their advice and we need the intellectual and imaginative stimulation tht comes from such discussions and correspondence. Its value lies wholly in its unreserved frankness and its value is lost when anything occurs to impair that frankness. That is the reason why I was concerned by the result of your letter to Dr. Lichtenstein. As I have previously written you, were I the boss in some of these things, I would deal with the public with a good deal more freedom than the Federal Reserve Board seems able to do. They are, on the other hand, in better position to judge than I am as to the extent of freedom that is justified and safe. I am not a bit disposed to growl about your letter of November 7. In fact, as would be the case with any egotist, I am rather more inclined to take some credit to myself for throwing a bit of light on some of these matters in our correspondence.

There have been one or two unfortunate leaks. I know exactly how they happened; they were inadvertent, and I personally do not believe they did the slightest damage, and of course they did afford the opportunity for a more detailed discussion of policy after those leaks had occurred than would have been possible

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

had the source of your information been our correspondence alone. Now I hope we can lay the matter aside as a forgotten incident and continue our epistolary exchange whenever the spirit moves either of us.

Let me have your comments, if you have time to write me, on the January Bulletin and the article touching on the subject that we have been corresponding about. On the whole, I think it is an excellent presentation of the matter, but lacking only in one important respect, and that is something to answer the question which some people may ask - Why did you do this? There is no discussion at all as to the the motive.

One other matter in your letter of December 13 - all the other things I fear I must leave for discussion the next time I have the pleasure of seeing you.

There is no type of foreign bill of exchange which the Reserve Banks could buy which would protect them against exchange losses. We would only be protected in case we got adequate bank guarantees. What you say about the effect of investments abroad being somewhat similar to the effect of investments at home is true enough, excepting in one respect. Exchange operations between the nations always wash out, as you know, and find a balance. The surplus of sterling exchange in the hands of American exporters and others are gradually absorbed and do not of themselves become the basis of any expansion of bank credit in a broad or permanent way. It is only when an unwieldy exchange balance is converted into a loan or longer time investment that it can have an inflationary effect. This was illustrated during the war, of course, by the large loans which we made to the Allies, which were financed by Treasury borrowings, which in turn were made possible by Reserve Bank loans. Were we to take out of the market a certain amount of exchange, while it would nevertheless possibly have the effect of reducing gold imports by a like amount, it would certainly have some effect in stabilizing sterling. On the other hand, we would be converting these credits into more or less permanent loans purchased by Reserve Bank funds, and they would not be capable of performing the same function as a regulator of member bank borrowings from us in the same direct and effective way that domestic investments

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

are, because they would have to be made under some arrangement for guaranty against exchange loss, which would deprive us of the opportunity of immediate liquidation in case money market conditions made their liquidation desirable. It would be an unwieldy and cumbersome way of dealing with our own money market, and accompanied by a lot of difficulties and possibilities of losses, which could not possibly arise in the purchase of short-time government obligations. Of course, you and I both realize that such a transaction opens up a wide field of discussion which can hardly be covered in this letter; but I am convinced that the effect which we wish to produce by our open market operations could not be produced through investments in sterling bills at this time.

Yours very truly,

Professor Charles J. Bullock,
c/o Harvard University,
Cambridge, Mass.

BS.MM

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

January 12, 1924.

Dear Sir:

I am writing you in Governor Strong's behalf to advise you that he is leaving today for a two weeks absence in Florida and will be back shortly before the first of February. He wishes me to say that he received your letter of January 10, but has nottime to answer it until his return.

Yours very truly,

Secretary to
Governor Strong.

Professor Charles J. Bullock,
c/o Harvard University,
Cambridge, Mass.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

February 27, 1924.

Dear Professor Bullock:

Again I was sorry to miss your call. It seems as though I were away a great deal, but you may know whenever I am in Washington it is on business and not pleasure bent.

Yours sincerely,

Professor Charles J. Bullock,
c/o Harvard University,
Cambridge, Mass.

BS.MM

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

April 10, 1924.

My dear Professor Bullock:

This is to acknowledge receipt of your letter of March 26, addressed to Governor Strong at his residence 470 Park Avenue, and which will not have his personal attention until his return to the city which I anticipate will be April 29 or 30.

Yours very truly,

Secretary.

Professor Charles J. Bullock,
Harvard University,
Cambridge, Mass.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

May 16, 1924.

CONFIDENTIAL

My dear Professor Bullock:

Your epic paraphrase which might be entitled "The Snyder and the Fly", gave me a good deal of amusement when I found it among letters awaiting my return from Europe, but I shall not risk its publication. I recall that in the early days of the war Kemmerer wrote a little limerick on the subject "Borrow and Buy" which got published and made a few folks squirm. But I cannot resist in this case letting Snyder enjoy your poetry.

Now about that meeting. It is curious how careful one must be not to cause misunderstanding or apprehension. The fact is I had not the slightest intention of raising that question of an Index Number or price fixing nor at that time was I aware of what the National Monetary Association was contemplating proposing to Congress. If you will recall the discussion, it was Warburg who brought up the question of price fixing or an index control of our policy and naturally the discussion promptly swung to that aspect of the general problem that we all had been talking about.

What I can't understand is the willingness of thoughtful, studious men who presumably have been brought up in the spirit of American institutions and should be imbued with their principles, proposing a scheme to Congress which in effect delegates avowedly and consciously this vast power or responsibility of price fixing to a small group of men who, in an economic sense, might come to be regarded as nothing short of a super-government. It is undemocratic, absolutely contrary to the spirit of American institutions, and so dangerous in its possible ultimate developments that I can not see the slightest merit in the proposal.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

Now possibly you and some others are entitled to know whether any of us have any views as to the possible restoration of the gold standard throughout the world, and suggestions of means to bring it about. Offhand, I can only say that such views as I personally hold are but partly formed but have developed a good deal since my recent visit to Europe. Let me state them to you quite briefly.

First, on the negative side I consider that the proposals for making so-called "gold loans" to European nations in the expectation that we can dump our gold upon them and thereby they will be able to resume gold payment are all futile and illusory. Nothing would come of it except the expense of shipping the gold over and the expense of shipping the gold back, so long as the exchanges and the disparity of prices continue as at present. Neither the Bank of England nor the Bank of France nor any other foreign bank of issue whose currencies are at a discount want to pay the enormous cost of simply increasing the size of the showpiece of gold which they have in their vaults by borrowing huge sums abroad and taking gold in return. They would be incurring a large obligation upon which they would pay interest and upon which they would incur the possibility of a heavy loss in exchange unless indeed the only result, as I see, would be to ship the gold back again. Furthermore, I don't believe that any proposals for resumption of gold payment by European nations will prove to be feasible or if attempted would be permanent so long as the immense weight of international debts, unadjusted as to method of payment, are still hanging over the nations. For example, if the French Government should reduce the intrinsic value of the franc, that is, the amount of gold in their coins, to one-third of the pre-war amount, resume gold payment, and then enter into a contract with the American Government to pay us, say, one billion dollars a year on their debt to us, their effort to return to the gold standard would break down overnight at the first attempt to make any such huge payment. And finally on the negative side, I don't believe that even any reasonably sound program for resumption in Europe, at any level of revaluation of currencies attempted at a given moment, could be expected to be permanently successful until

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

disparities in the prices of goods in different countries are greatly reduced from those now existing. It seems to me, therefore, that we can exclude credit transactions as the single cure and we can exclude any other kind of transaction looking to gold resumption in Europe until we have an adjustment of the debts and some further readjustment of price levels between the nations.

Now looking at the subject constructively, I am rather inclined to the view the program which will ultimately work with a fair measure of success must go through the following sequence of developments and unless it does all efforts will fail:

First. There must be a definite workable plan of adjustment between Germany and her creditors. The so-called Dawes plan is ingenious and presents a better opportunity for success than anything yet proposed. If it is adopted in the right spirit of good will and with a real effort to make it a success, I think we might consider that that aspect of the debt situation has been dealt with. The next thing is the adjustment of the indebtedness of the other nations between themselves - not upon a punitive or selfish or exacting basis, but upon the same principles which characterize the Dawes plan, i.e., that the amount to be paid by one nation to another shall be strictly limited to its capacity and upon even a more generous estimate of capacity than applied to Germany, and that the limitation upon capacity shall be not only the budget capacity but the limit of capacity to make foreign payments. Within those limits, naturally, a return to the gold standard might be considered as reasonably assured against disturbance because of exacting debt payment requirements.

Then I believe the third step must be a certain cooperation between the banks of issue and their respective governments which would enable or facilitate a gradual price readjustment (using Great Britain and ourselves as an illustration) so that in the case of sterling by some small advance in our prices and some moderate reduction in theirs, or even no advance corresponding to our advance, taking place in theirs, we would gradually see the purchasing power parity of the currencies, established more nearly at the gold parity than at present. This we all realize is a very difficult

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

thing to experiment with, and in fact the approach to the ideal parity of the currencies might prove to be almost an accidental or fortuitous thing rather than one of design. Once, however, sterling got back to a moderate discount, say, such as existed about a year ago, then possibly the British Government and the Bank of England might have the courage, fortified indeed by very large credits in this country, to do just what Sherman did in 1879 when he announced that "the way to resume is to resume," and immediately begin gold payments without any restriction whatever.

Of course, you will understand that any such program as this at present seems to bristle with difficulties. A few of them which only need to be mentioned to indicate the difficulties involved are:

(1) The impossibility of protecting the London market and the value of the pound against the effect of huge arbitrage operations in London in the event that the pound is pegged at an artificial value which is any appreciable amount above true purchasing power parity.

(2) Another lies in the fact that one can not have a free gold market without having a free lending market, and it would not be safe for London to attempt resumption of gold payment unless they had a considerably higher interest level than we had and there are times when it becomes exceedingly difficult for the bank of issue to maintain its control of the market as we all know very well.

(3) There is the difficulty of the currency note issue. I personally can not see how gold payment can be resumed in England without closing the currency note issue entirely, which presumably means having the Bank of England take it over.

(4) No attempt at resumption is feasible without large credits in this country. These will be easy enough to negotiate, but I believe we are likely to find the British Government rather reluctant to increase foreign borrowings, certainly the bankers alone could not undertake it upon the scale required to make the operation absolutely assured against failure, and of course some one has got to stand the risk of exchange loss which doubtless the bankers would be unwilling to do without Government

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

tection. This means that resumption in England would require legislation by Parliament. The act of resumption is one which depends as much, if not more, upon the state of mind of the people than it does upon acts of Parliament, and the very fact that measures for resumption would need to be debated in Parliament might make successful resumption more difficult.

(5) None of us knows what the effect of resumption of specie payments would have upon the large mass of capital which has sought refuge in foreign countries, partly for the sake of security against depreciation, partly to escape taxation, and for various other reasons. Then again there would be difficulties encountered in this country with which you are just as familiar as I am. In a word, however, I think the problem boils down to the simple sequence of (1) the German settlement, (2) the debt settlement, (3) some price readjustment, and (4) a large credit in this country.

I have no misgivings as to the adoption of policies by our System which would facilitate success once the attempt was made. For example, I recall your expressing much doubt about what I had in mind in the event of a gold export movement which might very possibly succeed resumption of specie payments provided there was a large return of capital to Europe from America. You thought that gold exports would necessitate increasing our discount rates, and I found some of my friends abroad rather taking this view which might be regarded as the old orthodox view of policy. The error in that attitude, it seems to me, lies in this simple fact. Prior to the war when heavy exports of gold occurred, bank reserves became impaired and the attitude of the central bank was invariably to advance discount rates and sell securities in the market. It was done to protect reserves which were becoming deficient. Our situation would be quite the reverse. We want this gold to leave us and instead of advancing our discount rate and selling securities, it likely might be necessary to maintain a fairly low discount rate and even buy securities.

On the whole, therefore, I rather incline to the view which you seem to hold that once resumption is effected, say, in England, there is quite likely to be a gold export movement and that our gold problem would pretty soon solve itself. Furthermore,

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

very fact of our having a large export movement of gold would at once put the Reserve Bank in absolute command of the money market because of the increased borrowings by member banks or increases in our investment account, and the danger of a runaway price level would be at once eliminated because of our own ability to check speculation by the advance of our discount rate at any time. I see nothing in your letter, however, nor have I heard you express the view at any time that an adjustment of international price levels is an essential preliminary to successful resumption of gold payment in Europe. I think we can all reasonably expect that if sterling got back to par and were controlled by the usual gold movement that the minor nations like Sweden, Holland and Switzerland, and possibly a number of others, would be able to swing into line very promptly, so that if the Dawes plan were successful and the debts were funded we might expect to see a reasonably stable currency in Germany, sterling at par, the currencies of a number of the smaller nations at par, with the French franc and the Italian lira then to be dealt with by some capital operation such as reducing the gold value as proposed by the devaluationists. The Latin races will be very slow, however, to adopt such a plan and I have no doubt that the franc and lira for some years will be afloat without a hitching post.

This letter is very hastily dictated and is no more than thinking aloud, is quite a confidential expression of opinions which are in my mind which I really have not formulated very carefully. I hope to see you before long.

With best regards, believe me,

Yours sincerely,

Professor Charles J. Bullock,
Harvard University,
Cambridge, Mass.

BS.MM

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

June 9, 1924

Dear Professor Bullock:

I expect to be in New York all this week. Why don't you telephone the bank on arrival, Friday morning so that we can make an appointment.

Yours sincerely,

Professor Charles J. Bullock,
Harvard University,
Cambridge, Mass.

BS.MM

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

Bullock

Confidential

June 26, 1924.

My dear Professor Bullock:

I think if we had had a stenographic record of the statement I made at the dinner at my apartment, you would find on referring to it that I took the position that at the rate at which I had estimated gold would likely come to us, it would be possible for the Federal Reserve System, with the means then at its command, - and so far as we could see - to check the inflationary tendency of further imports of gold for a year or two.

The only possible modification which I would now make in view of developments since the dinner would be that my estimate of the amounts of gold which were likely to be received appears to have been a bit too low, due partly to some gold resources abroad of which I then had no knowledge, and partly to the rather unexpected enlargement of production, principally from South Africa. There has also been some change in our domestic situation in the way of a let up of business, which makes the problem a little more difficult than it was. So that, on the whole, I think a correct statement of my position would be that a gold inflation, so called, is not an immediate menace, but if gold continues to come it it will ultimately be a menace, and just how far an inflationary period could be staved off depends partly upon the temper of the public and partly upon our policy and partly upon the quantity of gold which we receive from now on.

I am a poor prophet and do not like to pin myself down to months or years, and, anyway, this is just an expression of opinion. And my opinion, I suppose, is no better than yours, or any other opinion. If you will recall, the discussion at my apartment was entirely predicated upon the likely gold movement, - concerning which there was a considerable difference of opinion. The facts are that it has been far in excess of what anybody at the dinner estimated as a possibility.

Sincerely yours,

Professor Charles H. Bullock,
Chairman, Committee on Economic Reserrchh,
Harvard University,
Cambridge, Mass.

BS.MSB

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

Bullock

August 13, 1924.

Dear Professor Bullock:

Your letter of August 11 is just received. At the moment there is nothing in the bank which might be of interest to Mr. Angell, although as you know, our work fluctuates a good deal and we now and then have special matters to deal with where outside help can be used to advantage. But in any event I will be delighted to see Mr. Angell, and if the course of his studies brings him at all in contact with the affairs of this bank, I hope he will not hesitate to call upon us for help.

Possibly you will be good enough to give him a card to me and when he comes to New York I will have a chat with him.

Yours sincerely,

Professor Charles J. Bullock,
Harvard University,
Cambridge, Mass.

BS.MM

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

Form 1228A

Charge to the account of Benj. Strong, 15 Nassau St. $

FILES DIVISION
AUG
FEDERAL RESERVE BANK OF NEW YORK

CLASS OF SERVICE DESIRED	
TELEGRAM	
DAY LETTER	
NIGHT MESSAGE	
NIGHT LETTER	

Patrons should mark an X opposite the class of service desired; OTHERWISE THE MESSAGE WILL BE TRANSMITTED AS A FULL-RATE TELEGRAM

WESTERN UNION TELEGRAM

NEWCOMB CARLTON, PRESIDENT GEORGE W. E. ATKINS, FIRST VICE-PRESIDENT

NO.	CASH OR CHG
CHECK	
TIME FILED	

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

August 27, 1924

Professor Charles J. Bullock

Harvard University

Cambridge, Mass.

Can you give me Persons address Please reply collect

Benj. Strong

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

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

To guard against mistakes or delays, the sender of a message should order it repeated, that is, telegraphed back to the originating office for comparison. For this, one-half the unrepeated message rate is charged in addition. Unless otherwise indicated on its face, this is an unrepeated message and paid for as such, in co[illegible]ation whereof it is agreed between the sender of the message and this company as follows:

1. The company shall not be liable for mistakes or delays in the transmission or delivery, or for non-delivery, of any message received for transmission at the unrepeated-message rate beyond the sum of five hundred dollars; nor for mistakes or delays in the transmission or delivery, or for non-delivery, of any message received for transmission at the repeated-message rate beyond the sum of five thousand dollars, *unless specially valued;* nor in any case for delays arising from unavoidable interruption in the working of its lines; nor for errors in cipher or obscure messages.

2. In any event the company shall not be liable for damages for mistakes or delays in the transmission or delivery, or for the non-delivery, of any message, whether caused by the negligence of its servants or otherwise, beyond the sum of five thousand dollars, at which amount each message is deemed to be valued, unless a grea[illegible] value is stated in writing by the sender thereof at the time the message is tendered for transmission, and unless the repeated-message rate is paid or agreed to be paid, and an additional charge equal to one-tenth of one per cent of the amount by which such valuation shall exceed five thousand dollars.

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

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

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

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

7. It is agreed that in any action by the company to recover the tolls for any message or messages the prompt and correct transmission and delivery thereof shall be presumed, subject to rebuttal by competent evidence.

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

9. No employee of the company is authorized to vary the foregoing.

THE WESTERN UNION TELEGRAPH COMPANY
INCORPORATED
NEWCOMB CARLTON, PRESIDENT

CLASSES OF SERVICE

TELEGRAMS

A full-rate expedited service.

NIGHT MESSAGES

Accepted up to 2:00 A.M. at reduced rates to be sent during the night and delivered not earlier than the morning of the ensuing business day.

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

DAY LETTERS

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

SPECIAL TERMS APPLYING TO DAY LETTERS:

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

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

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

C. This Day Letter is received subject to the express understanding and agreement that the Company does not undertake that a Day Letter shall be delivered on the day of its date absolutely, and at all events; but that the Company's obligation in this respect is subject to the condition that there shall remain sufficient time for the transmission and delivery of such Day Letter on the day of its date during regular office hours, subject to the priority of the transmission of regular telegrams under the conditions named above.

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

NIGHT LETTERS

Accepted up to 2:00 A.M. for delivery on the morning of the ensuing business day, at rates still lower than standard night message rates, as follows: The standard telegram rate for 10 words shall be charged for the transmission of 50 words or less, and one-fifth of such standard telegram rate for 10 words shall be charged for each additional 10 words or less.

SPECIAL TERMS APPLYING TO NIGHT LETTERS:

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

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

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

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

gitized for FRASER
p://fraser.stlouisfed.org/
deral Reserve Bank of St. Louis

November 19, 1924.

My dear Professor Bullock:

I have been much interested in your letter of the 18th instant just received. Unfortunately, a very busy period following my absence in Washington last week and the week before, prevents my replying in detail, which I shall hope to do when I see you in New York next month.

I find that some of my associates share the view that the organization and especially the publications over which you preside can be of some greater value in accomplishing their purpose if it were possible for you or perhaps some of your associates to make more frequent visits to New York to discuss the point of view which you develop more often in reading literature than by personal contact.

This is not a criticism, because we all have a high regard for the great work of your Committee and the influences which it represents, and the suggestion is simply an evidence of our appreciation.

Thank you very much for writing.

Yours sincerely,

Charles J. Bullock, Esq.,
Chairman, Committee on Economic Research,
Harvard University,
Cambridge, Mass.

BS.LS

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

December 1, 1924.

My dear Professor Bullock:

At the moment Mr. Strong's calendar is not filled for the time you plan to be in New York, except on Thursday afternoon and Friday morning. So he suggests that you name the time which will be most convenient to you and he will hold it open.

But if it is impossible for you to tell yet what your New York appointments will be, will you not telephone on arrival, when a meeting convenient to both you and Mr. Strong can be arranged.

In any event, Mr. Strong is hopeful that you will be at Mr. Young's dinner, when he may possibly see you, although the indications are that the Waldorf is to be well filled on that night.

Very truly yours,

Secretary to
Mr. Benj. Strong

Professor Charles J. Bullock,
Harvard University,
Cambridge, Mass.

MSS.LS

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

Bullock

February 27, 1925.

Dear Professor Bullock:

That work of art of the early Renaissance has just reached me. Of course, I accept your statement as to its genuineness and as to the period, although had it reached me without that unquestioned certificate of character, I might have had doubts as to whether it was, in fact, a product of an artist of the early Renaissance.

As I recall, the period was characterized by a certain lack of imagination and of perspective, but had highest qualities of technique in color and drawing. This masterpiece does, in fact, exhibit a degree of imagination and perspective quite beyond what one would expect from the artists of that period, and it is a matter of deep regret to me, as it doubtless is to you, that the producer failed to affix his signature to it. But whoever may have been the artist, I am grateful to you for keeping me reminded of the fact which we so often overlook, - that some of the greatest productions in this world, even in modern times, are the work of those who prefer not to be known, and who get more enjoyment from what is accomplished than from the credit of doing it.

I hope to see you next week, and am writing you separately about it.

With best regards,

Sincerely yours,

Professor Charles J. Bullock,
Harvard University,
Cambridge, Mass.

BS.LS

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

MISC. 34.1 40 M 8-24

FEDERAL RESERVE BANK
OF NEW YORK

FEDERAL RESERVE BANK OF NEW YORK

SENT BY

COPY OF TELEGRAM

Bullock

SEND TO FILES

1925 JUN 24 AM 10 29
FEDERAL RESERVE BANK OF NEW YORK

June 24, 1925.

Charles J. Bullock
Harvard University
Cambridge, Mass.

Your wire Very sorry but leave Friday for two months absence

BENJ. STRONG

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

FILES DIVISION
JUN 25 19
FEDERAL RESERVE
OF NEW Y

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

Bullock

October 19, 1927.

Dear Professor Bullock:

Both of your letters have come, and while I now expect to be at the bank both Thursday, October 27 and Friday, October 28, there is a possibility that I may be in Washington in advance of the November conference of the Governors of the Federal Reserve Banks.

Thursday is a very busy day for me on account of our directors' meeting, and even on Friday I could hardly give an hour's time to discussion, but I will do what I can in the time at my disposal, and possibly Dr. Burgess can can supplement for me.

I am not much of a prophet, and you will find me rather unwilling to attempt anything of that sort as to so remote a period as two years hence; even tomorrow is hard enough!

Perhaps in the circumstances I had better not make a specific appointment until I am sure of being here. Tentatively, however, Friday morning will be more convenient for me.

Yours very truly,

Professor Charles J. Bullock,
Harvard University,
Cambridge, Mass.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

HARVARD UNIVERSITY

COMMITTEE ON ECONOMIC RESEARCH

CAMBRIDGE, MASSACHUSETTS, U.S.A.

CHARLES J. BULLOCK
CHAIRMAN
CHARLES F. ADAMS
NICHOLAS BIDDLE
FREDERIC H. CURTISS
WALLACE B. DONHAM
OGDEN L. MILLS
EUGENE V. R. THAYER

W. M. PERSONS
EDITOR
A. E. MONROE
ASST. EDITOR
F. Y. PRESLEY
BUSINESS MGR.

ACKNOWLEDGED
OCT 10 1921
B. S.

GENERAL FILES
NOV 1 1921

October 8, 1921.

READ AND NOTED,
B. S.

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

Dear Sir:

As you are a member of the National Unemployment Conference we are enclosing a copy of a Special Letter dealing with Industrial Unemployment, prepared by the Committee on Economic Research of Harvard University.

Yours very truly,

HARVARD UNIVERSITY COMMITTEE ON ECONOMIC RESEARCH

1 Enclosure

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

HARVARD UNIVERSITY

COMMITTEE ON ECONOMIC RESEARCH

CAMBRIDGE, MASSACHUSETTS, U.S.A.

CHARLES J. BULLOCK
CHAIRMAN
CHARLES F. ADAMS
NICHOLAS BIDDLE
FREDERIC H. CURTISS
WALLACE B. DONHAM
OGDEN L. MILLS
EUGENE V. R. THAYER

W. M. PERSONS
EDITOR REVIEW OF ECONOMIC STATISTICS
J. B. HUBBARD
EDITOR HARVARD ECONOMIC SERVICE
F. Y. PRESLEY
GENERAL MANAGER

DEC 18 1922

December 14, 1922.

Governor Benjamin Strong,
Federal Reserve Bank of New York,
15 Nassau Street,
New York City.

My dear Governor Strong:

I was very glad to have your letter of the 11th, and to know that you were going to Chicago to beard the lions in their den, which I suppose is located on some vacant cow-pasture in Chicago.

As I thought of you I was reminded of a cartoon which I cut out of the Paris Herald last February when I was in France, and have managed to find it in my art gallery this morning. It relates to the fate of the Geddes report on economy and public expenditures. If I were a cartoonist, or if we had one in this organization, I would like to draw, or have drawn, a new picture of the lion in the Daniel's den.

I shall be interested some time in hearing what really happens at this party.

Yours sincerely,

Charles J. Bullock

P. S. Please return this work of art; I need it for my gallery.

CJB/AMB

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

HARVARD UNIVERSITY

COMMITTEE ON ECONOMIC RESEARCH
CAMBRIDGE, MASSACHUSETTS, U.S.A.

CHARLES J. BULLOCK
CHAIRMAN
CHARLES F. ADAMS
NICHOLAS BIDDLE
FREDERIC H. CURTISS
WALLACE B. DONHAM
OGDEN L. MILLS
EUGENE V. R. THAYER

W. M. PERSONS
EDITOR REVIEW OF ECONOMIC STATISTICS
J. B. HUBBARD
EDITOR HARVARD ECONOMIC SERVICE
F. Y. PRESLEY
GENERAL MANAGER

DEC 18 1922

December 14, 1922.

Governor Benjamin Strong,
Federal Reserve Bank of New York,
15 Nassau Street,
New York City.

My dear Governor Strong:

I was very glad to have your letter of the 11th, and to know that you were going to Chicago to beard the lions in their den, which I suppose is located on some vacant cow-pasture in Chicago.

As I thought of you I was reminded of a cartoon which I cut out of the Paris Herald last February when I was in France, and have managed to find it in my art gallery this morning. It relates to the fate of the Geddes report on economy and public expenditures. If I were a cartoonist, or if we had one in this organization, I would like to draw, or have drawn, a new picture of the lion in the Daniel's den.

I shall be interested some time in hearing what really happens at this party.

Yours sincerely,

Charles J. Bullock

P. S. Please return this work of art; I need it for my gallery.

CJB/AMB

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

HARVARD UNIVERSITY

COMMITTEE ON ECONOMIC RESEARCH

CAMBRIDGE, MASSACHUSETTS, U.S.A.

CHARLES J. BULLOCK
CHAIRMAN
CHARLES F. ADAMS
NICHOLAS BIDDLE
FREDERIC H. CURTISS
WALLACE B. DONHAM
OGDEN L. MILLS
EUGENE V. R. THAYER

W. M. PERSONS
EDITOR REVIEW OF ECONOMIC STATISTICS
J. B. HUBBARD
EDITOR HARVARD ECONOMIC SERVICE
F. Y. PRESLEY
GENERAL MANAGER

DEC 18 1922

December 14, 1922.

Governor Benjamin Strong,
Federal Reserve Bank of New York,
15 Nassau Street,
New York City.

My dear Governor Strong:

I was very glad to have your letter of the 11th, and to know that you were going to Chicago to beard the lions in their den, which I suppose is located on some vacant cow-pasture in Chicago.

As I thought of you I was reminded of a cartoon which I cut out of the Paris Herald last February when I was in France, and have managed to find it in my art gallery this morning. It relates to the fate of the Geddes report on economy and public expenditures. If I were a cartoonist, or if we had one in this organization, I would like to draw, or have drawn, a new picture of the lion in the Daniel's den.

I shall be interested some time in hearing what really happens at this party.

Yours sincerely,

Charles J. Bullock

P. S. Please return this work of art; I need it for my gallery.

CJB/AMB

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

HARVARD UNIVERSITY

COMMITTEE ON ECONOMIC RESEARCH

CAMBRIDGE, MASSACHUSETTS, U.S.A.

CHARLES J. BULLOCK
CHAIRMAN
CHARLES F. ADAMS
NICHOLAS BIDDLE
FREDERIC H. CURTISS
WALLACE B. DONHAM
OGDEN L. MILLS
EUGENE V. R. THAYER

W. M. PERSONS
EDITOR REVIEW OF ECONOMIC STATISTICS
J. B. HUBBARD
EDITOR HARVARD ECONOMIC SERVICE
F. Y. PRESLEY
GENERAL MANAGER

ACKNOWLEDGED
DEC 18 1922

December 16, 1922.

Governor Benjamin Strong,
Federal Reserve Bank of New York,
15 Nassau Street,
New York City.

My dear Governor Strong:

I didn't think that the "embattled farmers" would pull up the paving stones for the sake of throwing appropriate missiles at Wall Street; and I was very certain that the farmers would not only not want to hit you, but that you would make a distinct hit with (and not at) the farmers. I was therefore not surprised to receive your telegram of December 15, announcing that reports of your death by violence were greatly exaggerated.

But I will confess that I have been very anxious that this particular Farmerfest should be a complete success, and that I am accordingly very glad to have the evidence your telegram supplies that you were in good spirits on the evening of December 15. I believe you will feel, after you get home, that you never did a better job.

With best wishes, I remain

Yours sincerely,

Charles J. Bullock

CJB/AMB

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

RECEIVED BY
GOVERNOR'S SEC'Y
DEC 18 1922

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

HARVARD UNIVERSITY

COMMITTEE ON ECONOMIC RESEARCH
CAMBRIDGE, MASSACHUSETTS, U.S.A.

CHARLES J. BULLOCK
CHAIRMAN
CHARLES F. ADAMS
NICHOLAS BIDDLE
FREDERIC H. CURTISS
WALLACE B. DONHAM
OGDEN L. MILLS
EUGENE V. R. THAYER

W. M. PERSONS
EDITOR REVIEW OF ECONOMIC STATISTICS
J. B. HUBBARD
EDITOR HARVARD ECONOMIC SERVICE
F. Y. PRESLEY
GENERAL MANAGER

December 19, 1922.

Governor Benjamin Strong,
Federal Reserve Bank of New York,
15 Nassau Street,
New York City.

My dear Governor Strong:

I am greatly interested in your letter of December 18. I knew it would turn out that way, but am very glad to hear the details. Nothing in the world can take the place of a personal contact; and I expect your bank will presently resemble an agricultural experiment station.

The next time I go over to your village I shall surely call upon the most successful farmer in Wall Street.

Yours sincerely,

Charles J. Bullock

CJB/AMB

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

ACKNOWLEDGED
JAN 19 1923

HARVARD UNIVERSITY

COMMITTEE ON ECONOMIC RESEARCH
CAMBRIDGE, MASSACHUSETTS, U.S.A.

CHARLES J. BULLOCK
CHAIRMAN
CHARLES F. ADAMS
NICHOLAS BIDDLE
FREDERIC H. CURTISS
WALLACE B. DONHAM
OGDEN L. MILLS
EUGENE V. R. THAYER

W. M. PERSONS
EDITOR REVIEW OF ECONOMIC STATISTICS
J. B. HUBBARD
EDITOR HARVARD ECONOMIC SERVICE
F. Y. PRESLEY
GENERAL MANAGER

January 18, 1923.

Governor Benjamin Strong,
Federal Reserve Bank of New York,
15 Nassau Street,
New York City.

My dear Governor Strong:

I am going over to New York next Wednesday afternoon to look into the condition of winter wheat on Manhattan Island, and naturally want to call at the Federal Reserve Agricultural Experiment Station and talk with the head farmer.

Wednesday night I have an engagement. Thursday morning I could call at the Experiment Station, and Thursday night I could call at your house; but Thursday afternoon I have a conference at the Harvard Club, and shall be tied up. Friday morning I am going down to Philadelphia to see Governor Norris and some of the other dirt farmers, and find out how slowly winter wheat grows down in that part of the wheat belt.

If you can see me at any time Thursday morning or evening, I should be very glad indeed to secure an appointment with you. Of course I haven't any real business, but I merely want to tell you some of the things that I don't know about banking.

Yours sincerely,

Charles J. Bullock

CJB/AMB

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

HARVARD UNIVERSITY

COMMITTEE ON ECONOMIC RESEARCH

CAMBRIDGE, MASSACHUSETTS, U.S.A.

CHARLES J. BULLOCK
CHAIRMAN
CHARLES F. ADAMS
NICHOLAS BIDDLE
FREDERIC H. CURTISS
WALLACE B. DONHAM
OGDEN L. MILLS
EUGENE V. R. THAYER

W. M. PERSONS
EDITOR REVIEW OF ECONOMIC STATISTICS
C. B. HUBBARD
EDITOR HARVARD ECONOMIC SERVICE
R. C. BRESLEY
GENERAL MANAGER

FILES DIV.
MAR 2 1923
FEDERAL RESERVE BANK
OF NEW YORK

FILES DIV.
FEB 20 1923
FEDERAL RESERVE BANK
OF NEW YORK

January 22, 1923.

Governor Benjamin Strong,
Federal Reserve Bank of New York,
15 Nassau Street,
New York City.

My dear Governor Strong:

I have your very kind note of January 19. I would much rather see your farm than your grain elevator, especially if I can get around there at the time you eat your dinner on Thursday evening. I will, therefore, go over to 470 Park Avenue after our meeting at the Harvard Club, and will probably arrive just before the time the horn blows for dinner.

Yours sincerely,

Charles J. Bullock

CJB/AMB

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

RECEIVED BY
GOVERNOR'S SEC'Y

JAN 24 1923

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

FILING DIV.
FEB 19 1923
FEDERAL RESERVE BANK

HARVARD UNIVERSITY

COMMITTEE ON ECONOMIC RESEARCH

CAMBRIDGE, MASSACHUSETTS, U.S.A.

CHARLES J. BULLOCK
CHAIRMAN
CHARLES F. ADAMS
NICHOLAS BIDDLE
FREDERIC H. CURTISS
WALLACE B. DONHAM
OGDEN L. MILLS
EUGENE V. R. THAYER

W. M. PERSONS
EDITOR REVIEW OF ECONOMIC STATISTICS
J. B. HUBBARD
EDITOR HARVARD ECONOMIC SERVICE
F. Y. PRESLEY
GENERAL MANAGER

FILES DIV.
FEB 19 1923
FEDERAL RESERVE BANK
OF NEW YORK

January 23, 1923.

Governor Benjamin Strong,
470 Park Avenue,
New York City.

My dear Governor Strong:

I am sorry to miss seeing you Thursday evening, and still more sorry that you find it necessary to take a vacation in the South.

Mr. Jay has just left the office after a very pleasant call with which he honored us; and he told me that your trip to Chicago and other things had taken a good deal out of you. I am writing this letter principally for the purpose of saying that I hope a short vacation will be all that you need, and that I hope the vacation will prove not only efficacious but enjoyable.

Yours sincerely,

Charles J. Bullock

CJB/AMB

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

HARVARD UNIVERSITY

COMMITTEE ON ECONOMIC RESEARCH

CAMBRIDGE, MASSACHUSETTS, U.S.A.

CHARLES J. BULLOCK
CHAIRMAN
CHARLES F. ADAMS
NICHOLAS BIDDLE
FREDERIC H. CURTISS
WALLACE B. DONHAM
OGDEN L. MILLS
EUGENE V. R. THAYER

W. M. PERSONS
EDITOR REVIEW OF ECONOMIC STATISTICS
J. B. HUBBARD
EDITOR HARVARD ECONOMIC SERVICE
F. Y. PRESLEY
GENERAL MANAGER

June 16, 1923.

Mr. Benjamin Strong,
Cragmor Sanitarium,
Colorado Springs, Colorado.

My dear Mr. Strong:

Last week I went over to Manhattan Farms and called at the grain elevator down on Nassau Street, where you used to hang out, but are no longer to be found. Since Mr. Jay hadn't anything better to do than talk with me for about a couple of hours, I managed to extract from him full information about your present condition, together with the further information that in his (Jay's) opinion I was responsible for it, by getting you to go to Chicago last November or December. Jay evidently thought that I ought to have known that if the embattled farmers once got you within their clutches that would either plant some germs in your larynx or perhaps apply permanent cloture to it.

Whether I am responsible or not, I am certainly very sorry that you are taking an enforced vacation. Jay assured me, however, that you are getting the upper hand of the laryngeal disturbers, and said that the prospects were excellent that you would be back on the job next fall; of course you will be. Germs used to be dangerous, but they haven't much chance these days against modern methods of treatment, applied in time.

Mr. Jay looked well, and the elevator seemed to be functioning as usual. Quite a large consignment of grain was being delivered out of an armored car (or else was being taken away) when I went into the building. Probably J. P. Morgan, Kuhn Loeb, or Lazard Freres were the farmers in the transaction.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

I found the Manhattan farmers whom I called upon considerably more cheerful than they were in April, but not as cheerful as I found them the first week in March. Something is always happening to take the joy out of life for the people of Manhattan Farms. I am glad that I live at this way station on the main line from Manhattan to Labrador. If I had to live over in Manhattan I think I should join the farmer-labor party.

The enclosed Letter tells you how the crop situation looks to the Harvard Farm Service.

From reading the Federal Reserve Bulletin for June, I infer that the Washington people take a view of the situation that is very much like our own. It may be that when you return in the fall you will find prices rising again and bank loans increasing; and then again it may be you will not. It will be either the one thing or the other, or else things will be moving sidewise, or something else; and nothing in the situation justifies any less definite or less confident forecast than this. We certainly feel confident here that something is going to happen, or else nothing at all will occur, between now and the time when the Manhattan grain crop is harvested.

I hope this letter will find you in as good condition as Jay has described, and that your health will be completely restored by fall. Persons joins me in sending very best regards.

I remain

Yours sincerely,

Charles J. Bullock

CJB/AMB

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

Chas. J. Bullock

HARVARD UNIVERSITY

COMMITTEE ON ECONOMIC RESEARCH

CAMBRIDGE, MASSACHUSETTS, U.S.A.

CHARLES J. BULLOCK
CHAIRMAN
CHARLES F. ADAMS
NICHOLAS BIDDLE
FREDERIC H. CURTISS
WALLACE B. DONHAM
OGDEN L. MILLS
EUGENE V. R. THAYER

W. M. PERSONS
EDITOR REVIEW OF ECONOMIC STATISTICS
J. B. HUBBARD
EDITOR HARVARD ECONOMIC SERVICE
F. Y. PRESLEY
GENERAL MANAGER

July 25, 1923.

Governor Benjamin Strong,
Cragmor Sanitarium,
Colorado Springs, Colorado.

My dear Mr. Strong:

I was glad to receive your letter of June 28, and still more pleased to observe the vigor with which you came back at me.

I fully agree with what you say about a change having taken place in the control of credit; but I am not so sure whether your argument is made at our money curve or at Leonard Ayres's deductions from post-Civil-War experience, etc. Perhaps you had both things in mind.

I would like to sit down with you and talk this point over at length; and when you get back to New York I shall hope to have an opportunity of doing so.

If you had our curve in mind, I may say that we realize that ultimate control of credit in the United States does not rest where it rested in 1913, and that we know that the Federal Reserve System is, after all, a new machine concerning the workings of which no one can be certain. We figure in this office that we can judge pretty well what the policies of the Boston, New York, Philadelphia, Cleveland, Chicago, Minneapolis, and San Francisco reserve banks will be; concerning the Washington end of the System we are not so certain.

If, however, you had in mind the changes that have taken place in the control of credit since post-Civil-War days, I may say that we have for a long while taken these changes into account in our forecast of the probable course of commodity prices during the next ten years.

I should like also to talk over with you your plan for regulating the operation of the Federal Reserve System. I certainly sympathize with the purpose of that plan, and perhaps

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

you could satisfy me as to its practical operation.

Young and Persons, who are in town this summer, were glad to have news of your favorable condition, and want to send their best regards to you. Just now we are thinking about the possibility of an increase of rediscount rates next fall, and the probable results of such increase. Fred Curtiss and I had a long talk about this yesterday afternoon. We speculated about the possibility of increasing rediscount rates to 5 per cent without having this action taken as a signal for general liquidation. It ought not to be so regarded necessarily, but there is a distinct possibility that it may be, none the less. The country has got to have more experience with the Reserve System in normal times before one can be perfectly sure that reasonable precautionary measures will not be taken as serious danger signals.

In this office we are just now waiting to find out whether we have been false prophets or true prophets during the last three months. The last ten days or a fortnight have brought some evidence that the recession in business is nearing its end and will be followed by an upturn in the fall; but no one yet knows what is going to take place.

With very best regards, I remain

Yours sincerely,

Charles J. Bullock

CJB/AMB

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

HARVARD UNIVERSITY

COMMITTEE ON ECONOMIC RESEARCH

CAMBRIDGE, MASSACHUSETTS, U.S.A.

CHARLES J. BULLOCK
CHAIRMAN
CHARLES F. ADAMS
NICHOLAS BIDDLE
FREDERIC H. CURTISS
WALLACE B. DONHAM
OGDEN L. MILLS
EUGENE V. R. THAYER

W. M. PERSONS
EDITOR REVIEW OF ECONOMIC STATISTICS
J. B. HUBBARD
EDITOR HARVARD ECONOMIC SERVICE
F. Y. PRESLEY
GENERAL MANAGER

August 16, 1923

Governor Benjamin Strong
Cragmor Sanitarium
Colorado Springs, Colorado

My dear Mr. Strong:

Perhaps the enclosed cartoon has come to your attention, but I don't want to take any chance of your missing it, and therefore am sending it along.

I was very glad to note the fighting spirit in your letter of August eighth; and if you only please come home perfectly well, we will get up a whale of a scrap. By the way, J. tells me that it is possible for a fellow to go to Colorado Springs and still get out and see a prize fight.

To be serious for a moment,- I may say that the last three or four weeks have brought clear evidence that commodity prices in general have stopped receding and are beginning to take a little turn upward. The next three or four weeks will probably bring quite a change in business conditions and business sentiment.

With best wishes, I remain

Sincerely yours,

Charles J. Bullock

CJB M

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

HARVARD UNIVERSITY

COMMITTEE ON ECONOMIC RESEARCH
CAMBRIDGE, MASSACHUSETTS, U.S.A.

CHARLES J. BULLOCK
CHAIRMAN
CHARLES F. ADAMS
NICHOLAS BIDDLE
FREDERIC H. CURTISS
WALLACE B. DONHAM
OGDEN L. MILLS
EUGENE V. R. THAYER

W. M. PERSONS
EDITOR REVIEW OF ECONOMIC STATISTICS
J. B. HUBBARD
EDITOR HARVARD ECONOMIC SERVICE
F. Y. PRESLEY
GENERAL MANAGER

Ans Sep 26/23

September 18, 1923.

Mr. Benjamin Strong,
Cragmor Sanitarium,
Colorado Springs, Colorado.

My dear Mr. Strong:

I am greatly interested in your memorandum of September 12, and want to take a few days to digest it before replying. I will not show it to anybody; but I want to ask whether you would like to have me show it to Allyn Young and Persons, with a view to getting their reactions. I don't request this, but merely suggest it because you may decide that it is worth while to get these fellows' reactions.

I was over in New York a fortnight ago, and called at the grain elevator; but Farmer Jay was out of town, and Dairyman Snyder was in Europe or some other place. Shepherd Case had gone down to the Battery to make sure that none of the lambkins down there were wandering off on the Coney Island steamer; and therefore I didn't get much of anything except a pleasant reception from the watchman and kind smile from the messenger boy. These, however, made me feel that conditions at the Bank were quite normal, or otherwise, or something of that sort; which is to say that everything was as serene as could be expected in a Federal Reserve Bank situated so near the recognized financial district of the universe.

Yours sincerely,

Charles J. Bullock

CJB/AMB

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

C.J. Bullock

HARVARD UNIVERSITY

COMMITTEE ON ECONOMIC RESEARCH

CAMBRIDGE, MASSACHUSETTS, U.S.A.

CHARLES J. BULLOCK
CHAIRMAN
CHARLES F. ADAMS
NICHOLAS BIDDLE
FREDERIC H. CURTISS
WALLACE B. DONHAM
OGDEN L. MILLS
EUGENE V. R. THAYER

W. M. PERSONS
EDITOR REVIEW OF ECONOMIC STATISTICS
J. B. HUBBARD
EDITOR HARVARD ECONOMIC SERVICE
F. Y. PRESLEY
GENERAL MANAGER

September 24, 1923.

Mr. Benjamin Strong,
Cragmor Sanitarium,
Colorado Springs, Colorado.

My dear Mr. Strong:

Yesterday (Sunday) I found the first opportunity I have had to give your letter of September 12 the careful study it required, and to look up the very interesting statistics to which you call my attention. It is needless to say that I spent a most interesting and profitable afternoon. I had known, of course, that the Reserve Banks had done something to support the bond market when it was very weak, and that about a year ago now the Banks began to reduce their security holdings. I had not, however, realized the full importance of the changes in the earning assets of the Reserve Banks since January 1922; and I wonder how many other people have done so.

Another thing that was borne in upon me yesterday was that, when I gave your letter a first reading immediately upon its arrival, I did not fully appreciate how confidential some parts of it were. As I wrote you last week, I have kept the thing to myself; but if I had fully understood your letter then, I should have hesitated to ask your permission to show it to Persons and Young. I now appreciate that you may not want me to show the letter to any one.

I have also had to think very carefully about what use I could properly make in our publications of the conclusions to which a study of the earning assets of the Reserve Banks led me; and have concluded that all that we can now do is merely to point out that the increase of rediscounts by member banks has been offset by reduction of other earning assets of the Reserve Banks, so that the Reserve System has not expanded. Of course we had already noted that the note issues of the Reserve Banks had remained almost stationary, and had called attention to the fact that the gold which has been coming into the country has been passing into circulation. From now on, I shall note with increased interest the changes in the security holdings in the Reserve Banks.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

The theory of Federal Reserve operations which you present is to some extent contained in the article which Carl Snyder published in the American Economic Review last June. On page 284 of that article, he proposes that the Reserve Banks should increase or decrease their security holdings by an amount corresponding to net gold imports or exports. I do not infer from your letter that you would agree with some of the other things that he said in his article; for example, paragraph 4 on page 284, in which he proposes that rediscount rates be raised or lowered according to changes in the general price level.

I agree fully with what you say about the complexity of the forces that cause price changes, though I think I might state some of the points somewhat differently. I admit also all that you say about the difficulties of price regulation. I feel very doubtful, however, if the Reserve Banks can effectively control the situation through increases or decreases in their security holdings or in their purchase of bills in the open market.

My study of the very interesting figures to which you call my attention yields the following results: On September 20, 1922, the Reserve Banks held 439 millions of securities; and on September 19, 1923, they hold only 93 millions. Between the two dates, also, their bills bought in the open market seem to have decreased from 220 millions to 171 millions. The decrease in these two items is 395 millions; and meanwhile rediscounts appear to have risen by some 330 millions, the net shrinkage of earning assets being some 45 millions.

If gold imports had come to an end, the policy might be considered a success; but imports of gold are not at an end, and if they continue for a few months more the policy will fail, because the security holdings and the bills bought in the open market will have approached the vanishing point. I suppose that the vanishing point would never be quite reached, because the Reserve Banks might not want to empty completely their portfolios of open market bills, or dispose of the last dollar of their securities. On September 19 the Reserve Banks have only 264 millions of securities and bills bought in the open market; so that if gold imports continue six month longer the Banks would have no cards left to play. If, however, gold imports come to an end before then, and gold exports begin, all the cards would not have been played before this phase of the game had come to an end. As the figures now stand, I am wondering how much longer the plan, assuming it to have been effective, will continue to be capable of operation.

Another idea that is strongly impressed upon me is that if and when the movement of gold turns outward, the Reserve

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

policy of increasing bond holdings and increasing purchases of bills in the open market would not prove disastrous. Suppose that next January, before the portfolios of the Reserve Banks become bare, and therefore before the plan has broken down, a gold export movement of considerable proportions and considerable duration begins. It seems to me that if, with gold flowing out of the country, the Banks should begin to increase their purchases of bills and securities, they would either very rapidly reduce their reserve ratios to a point that would necessitate an increase of rediscount rates or else would begin to increase their note issues, which would take the place of the gold that is leaving the country. Such increase of note issues would make the reduction of the reserve ratios quite gradual, and postpone for perhaps a considerable time the inevitable increase of rediscount rates; but in the long run rediscount rates would, even in this case, have to be increased unless it was desired to have the outward movement of gold go on almost indefinitely.

December

?

What I have said comes to this; that if imports continue for a few months longer, the Reserve Banks will not have any more bonds or bills to throw upon the market, and will face the necessity of an increase of rediscount rates if they are to continue to regulate things at all. And, upon the other hand, if a prolonged export of gold should begin, rates would have to be increased sooner or later unless the Banks wanted to continue to issue reserve notes until by so doing they brought their reserve ratio down to the legal minimum. Whichever way things turn out, it seems to me the Reserve Banks will finally be thrown back upon the other policy; namely, increasing rediscount rates.

finally

One other question is also suggested by study of the figures. I notice that, between November 22, 1922, and December 27, 1922, the security holdings of the Reserve Banks increased from 295 to 458 millions. There may have been some special reason for this; but it was a violent departure from the plan of controlling things through decrease of earning assets, since it took place when gold was still coming into the country. The reversal of policy at that time raises the question whether, in the then existing condition of security markets, the Reserve Banks were able to adhere to the policy of reducing their security holdings and open market operations.

Between August 22 and September 19 of the present year, I notice that the security holdings of the Banks have increased by 9 millions, while their bills bought in the open market have decreased by 6 millions, the net increase of these earning assets being 3 millions; and I am wondering whether further similar increases will

Treas. Op[e]r[atio]ns

Figures to close

be shown during the next few weeks. The security market is now in a fairly weak condition; and the private information we get from New York and Boston is to the effect that the condition of the bond market is fairly bad. The expansion of these earning assets between the dates I mention was, of course, so small as to be unimportant; but I find myself wondering greatly whether some further expansion is now to take place, or whether the policy of reduction of these assets will be resumed.

Altogether I feel very doubtful whether the plan you outline will work without changes in rediscount rates. Perhaps you did not mean to say that it would work without such increase of rates. I can see that changes in your security holdings and open market operations are a valuable adjunct to changes of rates; but I doubt if the plan will work without rate changes. Perhaps you did not intend to imply that it would.

Nov 6th

It is very unsatisfactory to try to thresh out such matters as this by correspondence; and on this account, as well as on others, I am very glad to learn that you expect to be home on November 1. Not long after that date your office door will be darkened by the shadow of an earnest inquirer after knowledge, which shadow hasn't grown any less since I saw you last winter. It is very pleasant to know that you are coming back in good shape and so much interested in economic and banking problems.

With best wishes, I remain

Yours most sincerely,

Charles J. Bullock

CJB/AMB

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

HARVARD UNIVERSITY

COMMITTEE ON ECONOMIC RESEARCH
CAMBRIDGE, MASSACHUSETTS, U.S.A.

CHARLES J. BULLOCK
CHAIRMAN
CHARLES F. ADAMS
NICHOLAS BIDDLE
FREDERIC H. CURTISS
WALLACE B. DONHAM
OGDEN L. MILLS
EUGENE V. R. THAYER

W. M. PERSONS
EDITOR REVIEW OF ECONOMIC STATISTICS
J. B. HUBBARD
EDITOR HARVARD ECONOMIC SERVICE
F. Y. PRESLEY
GENERAL MANAGER

October 28, 1923.

ACKNOWLEDGED
NOV 1 - 1923
R S

Governor Benjamin Strong,
Federal Reserve Bank,
15 Nassau Street,
New York City.

My dear Mr. Strong:

I was very glad to receive your letter stating that you were on the point of leaving for home, and am very glad to bid you welcome back to your village.

When you take a walk out in your front garden you will find that the bloom is off the stock market; but, if you continue on until you come to the bond market, you will find that the poor little bonds and bondlets are beginning to raise their heads. Perhaps this is because they know that on October 17 the New York Federal Reserve Bank only had about twelve millions of bonds and notes left to drop upon them. You will find business in the doldrums, but money disgustingly cheap, so that the outlook for a business depression is really not as good as some of the brethren would like to have it.

I enclose a copy of your last long letter, which of course I read with great interest. All that I want to say in this letter is, first, that I am mighty glad you are returning in such good condition; and, second, that I expect to descend on your Bank vi et armis some time next Thursday or Friday, when I expect to be in New York. I am very anxious to have a long talk with you, and appreciate that, after such a prolonged absence, you may be very busy at this time so that you cannot give me more than a few minutes. If this turns out to be the case, I will make another trip over to your village at a later date, when we can really get a chance to talk things over.

Yours sincerely,

Charles J. Bullock

CJB/AMB

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

Cable Address "PRINCEGEO"

Prince George Hotel
Fifth Ave. & 28th Street New York

GEO. H. NEWTON, MANAGER

Nov. 2, 1923.

My dear Governor Strong:–

After twenty four hours more for reflection I am writing to say that I am ready now to "hand it to you". Leaving out of account some qualifications that are not of considerable importance, and looking at the practical situation you faced, I think that you have outguessed all of them and have done a big thing. Even if more gold comes here

Cable Address "PRINCEGEO"

Prince George Hotel
Fifth Ave. & 28th Street New York
GEO. H. NEWTON, Manager

than you now believe possible, the "policy" has done no harm and has helped just so much. And if your calculations of the probable gold inflow are correct, the "policy" is a perfect marvel.

I have been worried about the effect of the reverse policy when gold begins to move out, in case the policy is continued too long; but what you said on that point meets my criticism fully, and again I "hand it to you".

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

CABLE ADDRESS "PRINCEGEO"

Prince George Hotel
Fifth Ave. & 28th Street New York

GEO. H. NEWTON, MANAGER

Since some of the Federal Reserve people have been talking about it so that the thing is not a secret — and you did not expect it to be — I have discussed the matter with three of the wisest bankers I know, and their reaction is very favorable. It was surprising to find that they had not understood things, but, of course, they appreciated the practical aspects of the case and saw the important practical advantages. It would have done both your heart and

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

Cable Address "PRINCEGEO"

Prince George Hotel
Fifth Ave. & 28th Street New York

GEO. H. NEWTON, Manager

throat good to hear some of the things they said. There may be some dissenters later, but I believe you will never regret adopting the policy and will receive the approval that is justly due you.

With kindest personal regards I am

Yours Sincerely

Charles J. Bullock

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

Prince George Hotel
Fifth Ave & 28th St., N. Y.

Nov. 2 letter from Bullock (apparently after convers w/ St.)

My Dear Governor Strong: —

After twenty four hours more for reflection I am writing to say that I am ready now to "hand it to you". Leaving out of account some qualifications that are not of considerable importance, and looking at the practical situation you faced, I think that you have outguessed all of them and have done a big thing. Even if more gold comes here than you now believe possible, the "policy" has done no harm and has helped just so much. And if your calculations of the probable gold inflow are correct, the "policy" is a perfect marvel.

I have been worried about the effect of the reverse policy when gold begins to move out, in case the policy is continued too long; but what you said on that point meets my criticism fully, and again I "hand it to you."

Since some of the Federal Reserve people have been talking about it so that the thing is not a secret — and you did not expect it to be — I have discussed the matter with three of the wisest bankers I know, and their reaction is very favorable. It was surprising to find that they had not understood things, but, of course, they appreciated the practical aspects of the case and saw the important practical advantages. It would have done both your heart and throat good to hear some of the things they said. There may be some dissenters later, but I believe you will never regret adopting the policy and will receive the approval that is justly due you.

With kindest personal regards I am

yours Sincerely
Charles J. Bullock

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

Form 1201

CLASS OF SERVICE	SYMBOL
Telegram	
Day Letter	Blue
Night Message	Nite
Night Letter	N L

If none of these three symbols appears after the check (number of words) this is a telegram. Otherwise its character is indicated by the symbol appearing after the check.

WESTERN UNION TELEGRAM

AN ANSWER IS EXPECTED by the s... of th... Pl...

NEWCOMB CARLTON, PRESIDENT GEORGE W. E. ATKINS, FIRST VICE-PRESIDENT

1923 NOV 28 AM 11 18

...REET, N.Y.

RECTOR 9288

RECEIVED AT

Answ 11/28/23 B

BF107 16

1923 NOV 28 AM 10 56

CAMBRIDGE MASS 28 1016A

GOVERNOR BENJAMIN STRONG 231

FEDERAL RESERVE BANK NASSAU ST NEWYORK NY:

=LETTER RECEIVED MAY I SEE YOU AT ANY TIME FRIDAY NOVEMBER 30 PLEASE TELEGRAPH IMMEDIATELY:

=C J BULLOCK.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

WESTERN UNION TELEGRAM

CLASS OF SERVICE	SYMBOL
Telegram	
Day Letter	Blue
Night Message	Nite
Night Letter	N L

If none of these three symbols appears after the check (number of words) this is a telegram. Otherwise its character is indicated by the symbol appearing after the check.

NEWCOMB CARLTON, PRESIDENT GEORGE W. E. ATKINS, FIRST VICE-PRESIDENT

RECEIVED AT 9 PINE STREET, N.Y. RECTOR 9280

1923 DEC 5 AM 10 46

DEC 5 1923

BA372 21

CA CAMBRIDGE MASS 5 1020A

GOV BENJAMIN STRONG

137 FEDERAL RESERVE BANK NASSAU ST NEWYORK NY:

=SHALL CALL AT BANK TOMORROW MORNING AND HOPE TO GET APPOINTMENT WITH YOU SOMETIME THAT AFTERNOON STOP TOMORROW MORNING IS FULL=

:CHAS J BULLOCK.

RECEIVED WIRE TRANSFER

DEC 5 1923 F. R. B. N. Y.

ACKNOWLEDGED
DEC 13 1923
B.S.

HARVARD UNIVERSITY

COMMITTEE ON ECONOMIC RESEARCH
CAMBRIDGE, MASSACHUSETTS, U.S.A.

CHARLES J. BULLOCK
CHAIRMAN
CHARLES F. ADAMS
NICHOLAS BIDDLE
FREDERIC H. CURTISS
WALLACE B. DONHAM
OGDEN L. MILLS
EUGENE V. R. THAYER

W. M. PERSONS
EDITOR REVIEW OF ECONOMIC STATISTICS
J. B. HUBBARD
EDITOR HARVARD ECONOMIC SERVICE
F. Y. PRESLEY
GENERAL MANAGER

December 8, 1923.

Governor Benjamin Strong,
Federal Reserve Bank,
15 Nassau Street,
New York City.

My dear Governor Strong:

1 Your letter of November 27 has remained unanswered because I had hoped to see you very shortly, and so to avoid discussion at long range by correspondence. Either I differ from other people, or else I have a special facility for saying things in such a manner as not to convey quite the ideas which I wish to convey.

2 In the first place, I may say that I had noticed the recent increase of open market operations of the Federal Reserve Banks, which I had supposed might indicate nothing more than a desire to keep on earning their dividends at a season when rediscounts were diminishing. But I saw last Tuesday a Washington dispatch to the Journal of Commerce to the effect that it was expected that extensive purchases are to be made in

3 the market in the immediate future; and this naturally set me wondering. Since I had to go to New York some time this month, and should have difficulty in going later, I went over last Wednesday night, hoping that you would be back by Thursday or Friday. I had a very pleasant talk with Mr. Jay, but regret that I did not see you. I had appointments in Cambridge that made it necessary for me to be home today; otherwise I should have waited until Sunday night in the hope of seeing you.

Under the conditions, I can simply write what is on my mind, and what I would have said to you if I had been able to see you.

4 There is real danger of gold inflation through continued imports of gold; and up to November you were successful, by a bold stroke, in holding the thing off. Unfortunately for the policy, it now seems that unsettled conditions in Europe and discussions of a capital levy in Great Britain are likely to continue to produce large gold imports for some months to come. Meanwhile you have used up about all of the ammunition with which you started, and have got to find something else to do. At such a juncture it is surprising to see open market operations begin to increase.

5 This development has led me to think further about the idea which has been considered by you but rejected; namely, the purchase of acceptances in the London market as a means of preventing gold coming here and inflating us. I understand fully the difficulties of a political nature that such a policy would encounter, but

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

would like to make the following suggestion. Perhaps the thing might now be done with benefit rather than detriment to the farmer. If gold continues to come here, it will certainly produce inflation and will increase the prices of the things the farmer buys. Upon the other hand, if you were to
6 adopt the policy of buying bills in the London market, you would be doing something that would tend to inflate the markets where the farmer sells his staple crops. Would it not be for the farmer's interest to have gold inflation in the United States avoided, and to have bills bought in the London market with the possible effect of improving the prices that the farmer gets for his export surplus? I concede that the amount of such purchases which you might make would be relatively small, and might make no substantial difference over there; but the tendency would be as I have suggested. Under existing conditions, therefore, is it not possible to reopen the question of the advisability of purchasing bills in the London market? Incidentally, such a policy would help to solve the problem of meeting the expenses of the Reserve Banks.

I had hoped to give you an opportunity to shoot this full of holes without exposing my ignorance in a written communication; but since I did not see you I have got to make this possible exposure of my ignorance. I am taking it for granted that there is nothing in the law that prevents you from purchasing the right sort of acceptances abroad. If the law prevents you from doing so, then of course my ignorance is all the greater.

I should be considerably disturbed in mind if I should see the Federal Reserve Banks increasing greatly their purchases of government certificates during the next thirty to sixty days, because it does not seem to me that either security or commodity markets need to be stimulated at this time. I may be wrong on this point; but we are inclined to think here that the first three months of next year will be a period of considerable activity in business, and that it is even possible that by April there will be need of some restraining influence. To stimulate things now might make the need of a restraining influence in April all the greater; and I should consider it unfortunate for the doctor to stimulate the patient and then be obliged to administer sedatives four months later. Doubtless the Reserve Banks could purchase a very moderate amount of securities in the immediate future without stimulating things to an appreciable degree, and if that if all that happens my fears will be unfounded; but I am disturbed at the suggestion in the Washington dispatch to the Journal of Commerce to the effect that a resumption of purchases in the open market by the Reserve Banks may be intended to obviate a necessity for a change in rediscount rates, which change, evidently, would be in a downward direction.

So far as I can see, security and commodity markets ought not to be stimulated by reductions of reserve rates or increased open market purchases on a scale sufficient to make money cheaper than it would otherwise be. If you have different information on this point from what I have, you would naturally not agree with me, and I would probably not undertake to convince you that my information is better than yours; but I merely state my views for what they are worth.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

From what we can learn about the prospects of the building industry and the plans of the automobile makers, as well as the general trend of developments in other industries, it may well turn out that the first three or four months of next year will be very much like the same months of 1923, with the possibility of a situation developing which will call for moderate corrective measures by next April or May.

There is one other thing which I should have said to you if I had seen you; namely, that it may be that the reparations problem is now in course of solution, although most of those who are talking and writing about it think that it is farther from settlement than ever. The solution which may be in process of being worked out is the French solution, and not the English. It may involve the gravest danger of another European conflict at some future time; but it may also produce conditions under which economic conditions in Germany will become stabilized and will then gradually improve. The agreements that the French are working out with the German industrialists in the Ruhr will begin to yield some reparation money; and they will have the further effect of weakening Germany in the political and military sense, and thereby affording immediate security to the French, which is probably the main thing that the French have in mind. It is possible, indeed, that the French policy will result in political and social disturbances in Germany this winter, which will make conditions there worse than ever; but if they do not do so we may, by spring, find the Ruhr industries going ahead again on a basis that will have to be accepted as the final adjustment for the time being of the reparations problem. This is a very tentative opinion, which the developments of the next three months may prove to be wrong; but I think it is worth serious consideration.

Allyn Young is, I think, planning to go over to New York some time before Christmas; and I have suggested to him that he should try to see you while he is there. I doubt if I can get over again before the early part of January.

Yours sincerely,

Charles J. Bullock

CJB/AMB

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

HARVARD UNIVERSITY

COMMITTEE ON ECONOMIC RESEARCH

CAMBRIDGE, MASSACHUSETTS, U.S.A.

CHARLES J. BULLOCK
CHAIRMAN
CHARLES F. ADAMS
NICHOLAS BIDDLE
FREDERIC H. CURTISS
WALLACE B. DONHAM
OGDEN L. MILLS
EUGENE V. R. THAYER

W. M. PERSONS
EDITOR REVIEW OF ECONOMIC STATISTICS
J. B. HUBBARD
EDITOR HARVARD ECONOMIC SERVICE
F. Y. PRESLEY
GENERAL MANAGER

Governor Benjamin Strong,
Federal Reserve Bank,
15 Nassau Street,
New York City.

December 11, 1923.

My dear Governor Strong:

I have your letter of December 10, and am glad to learn that the Board will probably publish something concerning its policies in the near future. Enough has leaked from Washington, both about the plan of combatting inflation and the matter of handling investment accounts, so that both things have been to some extent the subject of discussion among bankers and others interested since early in November. There has been, however, surprisingly little discussion, or for that matter intelligent interest in them, on the part of large bankers. I have talked with only a few, and in no case until after there had been a leak at Washington. We will, of course, be very careful what we say in our publications.

Even if there had not been these two leaks, it would be very desirable for the Federal Reserve Board or the Committee of Governors to publish a statement about their policies; and I was very glad to learn from what you said when I saw you last month that you had been in favor of proper publicity. The kind of publicity that these matters get at Washington has seemed to me to be pretty unfortunate. In addition to things that members of the Board and the Board's employees say, and in addition to the Washington newspaper dispatches, there is a certain person who makes a business of sending out to subscribers to his service reports of what he says he has learned from members of the Board about future policies. You doubtless know to whom I refer.

Following up the suggestion that I made in Saturday's letter about doing something to inflate the marketsin which the farmer sells his commodities, it has occurred to me that it is perhaps not impossible to get some representative of the farm interests to "demand" that the Federal Reserve Banks do something to prevent inflation of the markets in which the farmer buys, and to inflate the markets in which he sells. When we revised the tax laws in Massachusetts some years ago, we had two delicate matters which we managed by having a demand made upon us that these things should be done, the demand coming from the quarters that might naturally have been expected to oppose them.

Yours sincerely,

Charles J. Bullock

CJB/AMB

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

HARVARD UNIVERSITY

COMMITTEE ON ECONOMIC RESEARCH

CAMBRIDGE, MASSACHUSETTS, U.S.A.

W. M. PERSONS
EDITOR REVIEW OF ECONOMIC STATISTICS

CHARLES J. BULLOCK
CHAIRMAN
CHARLES F. ADAMS

December 11, 1922.

Governor Benjamin Strong,
Federal Reserve Bank,
15 Nassau Street,
New York City.

My dear Governor Strong:

I have your letter of December 10, and am glad to learn that the Board will probably publish something concerning its policies in the near future. Enough has leaked from Washington, both about the plan of combatting inflation and the matter of handling investment accounts, so that both things have been to some extent the subject of discussion among bankers and others interested since early in November. There has been, however, surprisingly little discussion, or for that matter intelligent interest in them, on the part of large bankers. I have talked with only a few, and in no case until after there had been a leak at Washington. We will, of course, be very careful what we say in our publications.

RECEIVED BY
GOVERNOR'S
DEC 1 1922

Even if there had been these two leaks, it would be very desirable for the Federal Reserve Board or the Committee of Governors to publish a statement about their policies; and I was very glad to learn from what you said when I saw you last month that you had been in favor of proper publicity. The kind of publicity that these matters get at Washington has seemed to me to be pretty unfortunate. In addition to things that members of the Board and the Board's employees say, and in addition to the Washington newspaper dispatches, there is a certain person who makes a business of sending out to subscribers to his service reports of what he says he has learned from members of the Board about future policies. You doubtless know to whom I refer.

Following up the suggestion that I made in Saturday's letter about doing something to inflate the markets in which the farmer sells his commodities, it has occurred to me that it is perhaps not impossible to get some representative of the farm interests to "demand" that the Federal Reserve Banks do something to prevent inflation of the markets in which the farmer buys, and to inflate the markets in which he sells. When we revised the tax laws in Massachusetts some years ago, we had two delicate matters which we managed by having a demand made upon us that these things should be done, the demand coming from the quarters that might naturally have been expected to oppose them.

Yours sincerely,

CJB/AMD

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

HARVARD UNIVERSITY

COMMITTEE ON ECONOMIC RESEARCH

CAMBRIDGE, MASSACHUSETTS, U.S.A.

CHARLES J. BULLOCK
CHAIRMAN
CHARLES F. ADAMS
NICHOLAS BIDDLE
FREDERIC H. CURTISS
WALLACE B. DONHAM
OGDEN L. MILLS
EUGENE V. R. THAYER

W. M. PERSONS
EDITOR REVIEW OF ECONOMIC STATISTICS
J. B. HUBBARD
EDITOR HARVARD ECONOMIC SERVICE
F. Y. PRESLEY
GENERAL MANAGER

December 13, 1923.

Governor Benjamin Strong,
Federal Reserve Bank,
15 Nassau Street,
New York City.

My dear Governor Strong:

I have your letter of December 11, and if it is possible to do so I will run over to New York some time before Christmas. But work in this office is very exacting; I have company coming; and there are certain family and personal matters long neglected which are demanding immediate attention; so that I am not at all confident that I can come.

On the other hand, Allyn Young is going to New York on or about the 17th, and will write you to make an appointment with you. If the complications I referred to can be disposed of, I can perhaps come over to New York on December 19, and either see you that evening or see you some time on the morning of the 20th. I should have to return to Cambridge on the afternoon of that day. It is unlikely that I can do this, however; and my ability or inability to make the trip will depend upon whether a certain surgical operation which is in prospect turns out to be a minor operation or one of intermediate importance. It pretty certainly isn't a major operation; but it is troublesome just the same.

My opinion upon the question put in your letter of December 11 is probably not worth a great deal; but I am greatly interested in the problem that "teacher" has propounded, and will venture to make the following statement of my ignorance:

A. If the Reserve Banks were to buy $100 or $200 millions of securities in the New York market, and by so doing effect an exactly equal reduction in the amount which New York City banks were borrowing from you, you would probably not stimulate greatly the security market or tend to inflate business by that operation. But this answer is predicated on the assumption that your purchases reduce member banks' borrowings, by an amount corresponding to your purchases, below the point which they would otherwise fall to at this season of the year. If you stay out of the open market, rediscounts are going to decrease anyhow during the next thirty to sixty days, and your purchases will stimulate the market unless they make rediscounts diminish by enough more than the seasonal amount to offset the effects of your purchases. If rediscounts are going to diminish seasonally $100 to $200 millions anyway, and you do not, by releasing money through your purchases, diminish them by an additional $100 to $200 millions, you will be inflating things.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

B. In the above answer I have said "New York City banks". Of course it is true that in the long run money finds its level in all the different uses to which it is put. But the money you release is going to be put into the investment market in the first instance; and unless the reduction of rediscounts goes on by banks who are in daily touch with the investment market, and so presumably effects an amount of liquidation in that particular use of money equivalent to your purchases of securities, you will be tending to inflate things. Money does not find its way immediately to the same level in all the uses to which it is put; the security investment part is one use, commerce is another, etc., etc. A lot of money dumped into one of these pots doesn't immediately affect a general redistribution of money through the underground conduits that connect the different pots; and if speculative markets are inclined to be bullish your action will stimulate speculation in securities.

C. As a means of combatting gold inflation, I rather doubt if your plan is effective after you use up the original ammunition with which you started. In the spring of 1922 the Reserve Banks had some $500 or $600 millions of governments, and that stock of ammunition could be employed effectively along the lines you propose. When you use up that original stock, I doubt if you are going to accomplish much in the way of combatting inflation by buying more ammunition. If your purchases of securities could compel the banks that are in direct touch with financial markets to reduce their rediscounts with you, you would not inflate security markets very much; but I guess that if you buy as many as $200 millions of governments during the next sixty or ninety days you are going to stimulate security markets to a very considerable extent, and you are not going to accomplish anything much in the way of combatting gold inflation.

D. You may by this operation accumulate some securities which you can use as a means of controlling security markets, and so controlling business expansion next spring, if there is need for exerting such control then; but you will probably have stimulated both things somewhat by your purchases.

E. I think everything depends upon the amount of your purchases. $50 to $100 millions would not stimulate things much anyhow; but, on the other hand, it would not go far toward combatting gold inflation or giving you control of the situation next spring. Whichever thing you are aiming at, you would not want to buy a popgun; and the purchase of a really powerful weapon would seem to require purchases of government securities on a considerable scale. $200 millions would certainly not be a great deal of ammunition.

F. I have made some inquiries this week about the price of certificates, and am told that certain issues have recently risen in price, and that any considerable further demand for such issues would produce further price increases. Perhaps these are not the issues you want to buy.

I shall not be surprised to receive a mark of zero on this examination paper; but I hope teacher will be as kind as it's in the nature of such animals to be!

Yours sincerely,

CJB/AMB

Charles J. Bullock

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

RECEIVED BY
GOVERNOR'S SEC'Y

DEC 15 1923

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

HARVARD UNIVERSITY

COMMITTEE ON ECONOMIC RESEARCH

CAMBRIDGE, MASSACHUSETTS, U.S.A.

CHARLES J. BULLOCK
CHAIRMAN
CHARLES F. ADAMS
NICHOLAS BIDDLE
FREDERIC H. CURTISS
WALLACE B. DONHAM
OGDEN L. MILLS
EUGENE V. R. THAYER

W. M. PERSONS
EDITOR REVIEW OF ECONOMIC STATISTICS
J. B. HUBBARD
EDITOR HARVARD ECONOMIC SERVICE
F. Y. PRESLEY
GENERAL MANAGER

December ~~18~~ 20, 1923.

Governor Benjamin Strong,
Federal Reserve Bank,
15 Nassau Street,
New York City.

Dear Governor Strong:

I have your letter of December 13, and will regard it as strictly confidential. It will be very fortunate if a simple statement of the policies the Reserve Banks are following can be published in some form that will be considered authoritative.

In the first place, I note what you say about the causes for the increase in the holdings of certificates and the increase in bills owned. So far as certificates are concerned, your explanation clears the whole matter up; but what you say about bills owned leads me to make the following comment.

An increase of your buying rate would, I suppose, throw a greater burden upon member banks, and tend to increase the amount of discounts and rediscounts. By buying more bills without changing your buying rate, and so allowing rediscounts to diminish, you ease the money situation, and thereby give the bill market and the statements of member banks an appearance of ease which does not reflect accurately the actual conditions. This may be a wise thing to do, particularly if you believe the conditions to be temporary; but it would seem to me, none the less, that you are expanding Reserve Bank credit, and thereby preventing the slow distribution of bills from producing the natural effect it would have upon the bill market. The policy may be a wise one; but it tends to make money conditions easier than they would be if you advanced your buying rate, thereby causing banks to increase their bill holdings and to stop reducing their borrowings from the Reserve Banks. Assuming that the policy is a wise one under the conditions, it seems to me to make a real difference in the bill market and in the reported condition of member banks. I assume you are right in saying that it is better to have bill holdings increase than to have discounts do so; but this seems to me to mean that the increased bill holdings are making some difference.

I did not mean to assume that by purchasing government securities you inevitably increase your earning assets above what they were at the time that the policy of buying governments is put into operation, because of course rediscounts might decrease by an amount fully equivalent, or even more than equivalent, to your government purchases; but I meant to say that, even though your total earning assets showed no increase, you might be doing something that would prevent them from showing a decrease that would otherwise take place. Let us assume that, during

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

RECEIVED BY
GOVERNOR'S
DEC 21 1923

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

the period you are buying $100 millions of governments,your rediscounts would, in the natural course of events at this season, diminish $100 millions. I meant to say that your government purchases might tend to affect the situation unless they had the effect of producing an additional decrease of $100 millions in rediscounts. If the natural seasonal decrease of rediscounts during the period be placed at $100 millions, and your purchases have the effect of causing a decrease of $200 millions in rediscounts, then you have not affected the situation; but if your buying of governments results in an additional decrease of rediscounts of only $50 millions, then the result will be that rediscounts will decrease by the total amount of $150 millions, and your government holdings will increase by $100 millions, thus making your earning assets $50 millions larger than they would have been if you had not been purchasing governments.

I intended to raise the question whether you could be sure that purchases by the Reserve Banks of $100 millions of governments would make the reduction of member banks' rediscounts $100 millions greater than it would naturally be at this season of the year. I have no doubt that such purchases of governments by the Reserve Banks will make rediscounts decrease faster than they would otherwise decrease at this time; but you will certainly be affecting the money market if your purchases do not cause a decrease of rediscounts $100 millions greater than would otherwise have occurred.

In regard to buying bills in the London market, I did not mean to suggest that the Reserve Banks should buy sterling bills and get involved in a speculation in sterling exchange. I assumed, as was assumed in what discussion I had of the subject with some of the Reserve Bank people two or three years ago, that bills could be bought abroad drawn in terms of gold currency, which would not involve a gamble in exchange. Perhaps it would be hard to find such bills today in considerable quantity which would be eligible for purchase by the Reserve Banks; and if so, there is nothing in the suggestion that I made.

If there are eligible bills drawn in terms of gold currency which can be bought abroad, in London or anywhere else, it still seems to me, in spite of what you say on the third page of your letter, that, to the extent to which you could buy such bills, you would be likely to head off gold imports. In order to secure the credit on the books of the Bank of England there would have to be either a gold shipment or, what of course is more likely, a purchase of foreign bills, which would make the foreign countries our creditors to that extent. By becoming our creditors on account of this transaction, they would not be under the necessity of remitting gold in case there were a foreign demand for gold in order to purchase American securities or to buy anything else in the United States.

So far as the effect of your purchase on the American market is concerned, it seems to me to be like any other investment that you make, for example the purchase of government certificates that we have been discussing above. If you can do that without inflating,

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

you could, under similar conditions, do the other thing; and of course the amount of the purchases of foreign bills that you could make without causing inflation here would be limited in the same way that your purchase of certificates is limited.

The fourth page of your letter is intensely interesting, but impossible to discuss without expanding this letter into a volume. I agree that we may next spring reach a situation in the United States that will call for some action by the Reserve Banks to prevent inflation. I did not think that was the case last spring, but I can see that it may happen next spring. If the situation arises, the best thing to do would be to advance rediscount rates; but I know what you would say on that point if we were talking the matter over, either at the Links Club or down at your grain elevator. In view of the conditions you would undoubtedly state if we were having such a conversation, I agree that it may be a good thing for Reserve Banks to provide themselves now with some short-time government securities, provided they can be acquired without stimulating the market. The last sentence on page 4 of your letter putsthe proviso quite differently, namely, as follows: provided they can be acquired "without effecting a net increase in earning assets". In order to avoid stimulating the things you may need to regulate later, you would need, it seems to me, to increase your purchases of governments only by such amount as would make your total earning assets move precisely as they would move if you were not making government purchases. If, at a time when your total net assets would otherwise decrease as the result of decreasing rediscounts, you purchase governments and thereby keep your total earning assets at the same level, it seems to me you would be stimulating the market.

Allyn Young went over to New York on a hurried trip Monday, but was unfortunate enough to find you out of town. He will be going through your city the last part of Christmas week, and will doubtless try to see you then.

Yours sincerely,

Charles J. Bullock

CJB/AMB

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

RECEIVED BY
GOVERNOR'S SEC'Y

DEC 21 1923

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

OMS 2 30M 8-23
FEDERAL RESERVE BANK
OF NEW YORK

INTEROFFICE
ROUTE SLIP

OFFICE SERVICE
MESSENGER SECTION

Strong

TIME ~~P. F.~~ A. M. P. M. DATE

TO for Strong — DEPARTMENT DIVISION SECTION

This [illegible] yours [illegible]

REMARKS How is this? I went

for Bullock at once & this

FROM is his reply BS DEPARTMENT DIVISION SECTION

N. B. USE THIS FORM INSTEAD OF OFFICE ENVELOPE WHEN POSSIBLE.
TO INSURE PROMPT AND ACCURATE DELIVERY ALL COMMUNICATIONS SHOULD BE DISTINCTLY LABELED

cautionary effect

...RSITY

...EARCH

...S.A.

ACKNOWLEDGED

JAN 7 - 1924

W. M. PERSONS,
EDITOR REVIEW OF ECONOMIC STATISTICS
J. B. HUBBARD
EDITOR HARVARD ECONOMIC SERVICE
F. Y. PRESLEY
GENERAL MANAGER

December 27, 1923.

Dear Governor Strong:

I have your letter of December 24, and enclose herewith the only correspondence with the Chicago banker. This was based upon such published data as were available concerning Federal Reserve Bank investments and information that "leaked", probably from Washington, during October. I know that one "leak" was from Washington; the source of other "leaks" I do not know.

I think this letter is written just as it would have been written if I had never had any letters from you and had not seen you on the second of November. At any rate, that was my intention. Your correspondence has been regarded as confidential; but of course I cannot profess to be ignorant of things that come from outside sources. In this letter to Dr. Lichtenstein I tried to write as an outside observer, expressing merely beliefs or conclusions based upon data available to him.

I told you, either when I saw you on November 1 or 2 or in the letter which I wrote you just before I left New York, that there had been a "leak" on this matter, and that I had therefore felt free to discuss things about which I couldn't very well be ignorant after other people knew them. I also told Mr. Jay the same thing, and said that I had talked with two or three people in New York whose reactions to the policy had been very favorable.

I also enclose a copy of Dr. Lichtenstein's letter to me, in order that you may understand the references in my letter to the general credit situation, about which I wrote on the last page. Of course I should not have written any such letter if the thing had not already been out.

We shall always keep everything we have from confidential sources strictly confidential until the thing gets out. After that it is impossible for us to be ignorant, although of course we never refer to confidential sources, and do not profess to have inside information.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

OMS 2 30M 8-23
FEDERAL RESERVE BANK
OF NEW YORK

HARVARD UNIVERSITY

ACKNOWLEDGED
JAN 7 - 1924

COMMITTEE ON ECONOMIC RESEARCH
CAMBRIDGE, MASSACHUSETTS, U.S.A.

CHARLES J. BULLOCK
CHAIRMAN
CHARLES F. ADAMS
NICHOLAS BIDDLE
FREDERIC H. CURTISS
WALLACE B. DONHAM
OGDEN L. MILLS
EUGENE V. R. THAYER

W. M. PERSONS
EDITOR REVIEW OF ECONOMIC STATISTICS
J. B. HUBBARD
EDITOR HARVARD ECONOMIC SERVICE
F. Y. PRESLEY
GENERAL MANAGER

December 27, 1923.

Governor Benjamin Strong,
Federal Reserve Bank,
15 Nassau Street,
New York City.

Dear Governor Strong:

I have your letter of December 24, and enclose herewith the only correspondence with the Chicago banker. This was based upon such published data as were available concerning Federal Reserve Bank investments and information that "leaked", probably from Washington, during October. I know that one "leak" was from Washington; the source of other "leaks" I do not know.

I think this letter is written just as it would have been written if I had never had any letters from you and had not seen you on the second of November. At any rate, that was my intention. Your correspondence has been regarded as confidential; but of course I cannot profess to be ignorant of things that come from outside sources. In this letter to Dr. Lichtenstein I tried to write as an outside observer, expressing merely beliefs or conclusions based upon data available to him.

I told you, either when I saw you on November 1 or 2 or in the letter which I wrote you just before I left New York, that there had been a "leak" on this matter, and that I had therefore felt free to discuss things about which I couldn't very well be ignorant after other people knew them. I also told Mr. Jay the same thing, and said that I had talked with two or three people in New York whose reactions to the policy had been very favorable.

I also enclose a copy of Dr. Lichtenstein's letter to me, in order that you may understand the references in my letter to the general credit situation, about which I wrote on the last page. Of course I should not have written any such letter if the thing had not already been out.

We shall always keep everything we have from confidential sources strictly confidential until the thing gets out. After that it is impossible for us to be ignorant, although of course we never refer to confidential sources, and do not profess to have inside information.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

In our publications we have said less than we should have been justified in saying, in view of the "leaks" which occurred in October and in the first week of December. I think the only reference to anything of the sort is in the Letter of September 29, in which it is pointed out, in a survey of the general money situation, that, while member banks have expanded during the past year, the Federal Reserve Banks have not expanded, in spite of gold imports.

It is our intention not to do anything but chronicle movements of the bank statistics until there is some authoritative statement of Federal Reserve policy. It is my belief that it would be a bad thing for our publications to have the idea get abroad that we are operating on inside information. We have, I think, never published anything not based upon data which were common property, or intended to be common property. As for speaking with any authority about the policies, of course we shall never think of doing that, either in our publications or personally. The fact that Fred Curtiss is on our Committee alone would make this necessary. Fred has always leaned over backward; and he never has told me anything about your policies.

I hope that my letter to Dr. Lichtenstein has caused no embarrassment in Chicago. You will see that its effect would be to impress upon him pretty strongly the fact that, during the previous twelve or fourteen months, the Reserve Banks had acted pretty effectively as an equalizing factor in preventing gold inflation.

Yours sincerely,

Charles J. Bullock

CJB/AMB

P, S. On looking at my letter from Chicago, I notice something confidential in it, which I had not noticed before. I will therefore, instead of sending it, affix to the letter that I wrote Dr. Lichtenstein a statement about the question that he asked me. It is possible that I could secure from Lichtenstein, whom I know very well, permission to send you the whole letter; but there is nothing in the part that I omitted which bears upon the thing you are now interested in, namely, the information that I sent him.

C. J. B.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

Copy of letter by C. J. B.

November 7, 1923.

Dr. Walter Lichtenstein, Executive Secretary,
First National Bank,
Chicago, Illinois.

My dear Dr. Lichtenstein:

I have your letter of October 31, and thank you for the information about business conditions in your district. Boston felt the easing of money rates first; New York felt it about a fortnight ago; and you will doubtless feel it very shortly, if, indeed, you have not begun to feel it by the time this letter reaches you. In New York last week, I found that the rate to best customers had already fallen from $5\frac{1}{4}$ per cent to 5 per cent.

On last week's trip I visited most of the large banks there, and found them feeling cheerful and confident about the outlook. If a business depression is coming, there is certainly nothing in the large New York banks to indicate it.

Question asked by Dr. Lichtenstein,

Dr. Lichtenstein asks what the experience of the last year has shown to be the influence of open market operations and rediscount transactions, respectively, on the credit situation, and what is the proper function of both classes of operations in a wise credit policy.

He goes on to say that he thinks this question puts the cart before the horse, because the general credit situation would influence the open market operations and rediscount transactions, rather than vice versa; and asks if there is something in this question which he has not grasped.

His letter to me, dated October 31, was written after the "leaks" which occurred in October; and I concluded that these leaks were the occasion for the letter being written, although of course I do not know about that.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

Copy of letter
by C. J. B.

November 7, 1923.

Dr. Walter Lichtenstein, Executive Secretary,
First National Bank,
Chicago, Illinois.

My dear Dr. Lichtenstein:

I have your letter of October 31, and thank you for the information about business conditions in your district. Boston felt the easing of money rates first; New York felt it about a fortnight ago; and you will doubtless feel it very shortly, if, indeed, you have not begun to feel it by the time this letter reaches you. In New York last week, I found that the rate to best customers had already fallen from $5\frac{1}{4}$ per cent to 5 per cent.

On last week's trip I visited most of the large banks there, and found them feeling cheerful and confident about the outlook. If a business depression is coming, there is certainly nothing in the large New York banks to indicate it.

In the textile and clothing trade we are in, and are going to continue in, a fight between producers who find raw materials high and middlemen who doubt their ability to pass along to their customers increased prices. We are bound to have complaints from all parties to the scrap, and we shall have to agree that their situation is a difficult one.

Retail trade is holding up very well in the East; and in Boston we find that the opening days of November have been exceptionally good. Warm weather checks sales, and then a spell of cooler weather brings business back very strongly.

Your inquiry from the Federal Reserve Bank is probably connected with the action of the Federal Reserve Banks during the last twelve or fourteen months in selling most of their government securities. I believe that the theory on which this was done is that something was needed in order to counteract the effects of continued gold imports. These imports increased member bank reserves and produced a condition that might have led to undue expansion of credit.

igitized for FRASER
ttp://fraser.stlouisfed.org/
ederal Reserve Bank of St. Louis

The Reserve Banks have been paying out large amounts of gold certificates and reducing their outstanding note issues, and have thereby counteracted the gold imports somewhat. They have also sold most of their bond holdings, which amounted to $603 millions on May 31, 1922, and had been reduced to $88 millions on October 24, 1923. When they sold these securities the market was obliged to carry them, and the additional load thus thrown upon the market brought member banks in to rediscount. The increase of rediscounts in the last twelve to fourteen months has been substantially equal to the amount of government securities sold by the Reserve Banks. Thus the System has not increased its total earning assets, and the increased deposits which gold imports enabled member banks to make at the Reserve Banks have been offset by the load which sales of securities by the Reserve Banks have compelled the market to carry. It seems to me that, during this period, the Reserve Banks have been acting pretty effectively as stabilizers and equalizers, with the result that gold imports have not threatened to inflate us as they might conceivably have done otherwise.

Open market operations probably act in the same way as sales or purchases of securities. By buying fewer bills, the Reserve Banks compel the member banks to carry a bigger load, and presumably increase the amount of rediscounting; whereas, by buying more bills, just the opposite result is reached.

If it weren't for the gold imports which created a special problem the policies of the Reserve Banks would probably have been influenced by the general credit situation, as you suggest; but I think that study of the composition of the different kinds of earning assets of the Reserve Banks for the last twelve to eighteen months indicates that they have had in mind the danger of inflation from gold imports, although doubtless they have not lost sight of the general credit situation.

Yours sincerely,

CJB/AMB

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

HARVARD UNIVERSITY

COMMITTEE ON ECONOMIC RESEARCH

CAMBRIDGE, MASSACHUSETTS, U.S.A.

CHARLES J. BULLOCK
CHAIRMAN
CHARLES F. ADAMS
NICHOLAS BIDDLE
FREDERIC H. CURTISS
WALLACE B. DONHAM
OGDEN L. MILLS
EUGENE V. R. THAYER

W. M. PERSONS
EDITOR REVIEW OF ECONOMIC STATISTICS
J. B. HUBBARD
EDITOR HARVARD ECONOMIC SERVICE
F. Y. PRESLEY
GENERAL MANAGER

FILES DIVISION
MAY 1924
FEDERAL RESERVE BANK
OF NEW YORK

January 10, 1924.

Governor Benjamin Strong,
Federal Reserve Bank,
15 Nassau Street,
New York City.

Dear Governor Strong:

I am very glad indeed to have your letter of January 7, and very glad that you are not "disposed to growl" about my letter of November 7. It is difficult sometimes to draw the line between things that have become public and things that still remain confidential; but in that letter I tried to be careful not to mention anything that had not been discussed in Federal Reserve publications or made known through the "leaks" that occurred in October. If I weren't doing this economic research thing, I wouldn't need ever to talk about or write about any subject that we have ever discussed; but as it is I have to do a certain amount of talking and writing. The letter I sent you is the only one that I have written to any Chicago banker, and it therefore gives you the whole of the correspondence.

During the past fortnight most of the fellows in this office have been away at meetings of scientific associations or have been home for the Christmas vacation; so that I have not been able to look up myself, or to have any one in the organization look up, the passages in Federal Reserve publications last spring which seemed to us and to others to contain cautionary statements that were naturally interpreted by the public as a warning. Persons and Hubbard have just completed a reading of these publications, and have brought me the necessary memoranda to enable me to answer your inquiry.

The general theme of most of these statements was about as follows: prices have had a somewhat sharp rise; credit of member banks is expanded to a point about equal to the 1920 maximum; production is approaching, or even near, a maximum; labor is fully employed, and in some cases a shortage has developed; further increases of bank credit would serve merely to inflate prices and not increase production, etc.

In the Federal Reserve Bulletin for March, pages 283-4, you will find most of these points mentioned. On page 284, in the second paragraph of the second column, the discussion ends in the following paragraph:

"Expansion in the volume of reserve bank credit at a time when physical production is approaching maximum, particularly if the growth of business extends to all districts, will bring the "reserve banks into a closer relationship through their rediscount operations to the movement of production, trade, and prices than they have sustained for more than a year."

The first four lines, taken in connection with preceding discussion, lead to the conclusion that an increase of rediscount rates is impending. The last five lines, however, "let the reader down easy" by telling him that the Reserve Banks are merely coming into closer relationship, through their rediscount operations, to the current large movement of trade. The first half of the paragraph seems to call attention to conditions that require caution; but the last half says nothing definite, and leaves the reader to guess what the whole discussion really means. Like the Grand Old Duke of York, the writer marches boldly up the hill, and then marches down again.

In April the Federal Reserve Bulletin comments along somewhat similar lines upon credit expansion, but without saying anything specific which suggests caution.

The May Bulletin points out, on page 539, that during the previous fifteen months the commercial banks had expanded nearly to the point reached in 1920 without much resort to the Reserve System, and that the volume of goods produced and marketed exceeds the peak reached in 1920. On page 543 it states that the extent to which member banks can finance further growth of business without additional accommodation from Reserve Banks depends mainly upon the size of gold imports and the possibility of shifting from investments and collateral loans to commercial and industrial loans. Then it goes on to say that the import of gold is not large, and if it continues at the existing reduced rate it will not finance much further expansion. It then adds that the possibility of realizing on securities is limited, and states that a continuance of the growth of commercial loans must soon result in increased borrowings at Reserve Banks.

After this it adds, in the last paragraph on page 543, a quotation from Hoover's report as Chairman of the President's Conference on Unemployment, to the effect that additions to credit which do not increase production are speculative, and should be subjected to control in order to keep business in a healthy state. It then concludes, on page 544, with a paragraph which says that the lending capacity of the country's banking system greatly exceeds the credit needs of the country's productive capacity, and that, as available supplies of labor and equipment become fully used, "credit policy must be increasingly influenced by careful consideration of the continued effectiveness of further additions to the total volume of credit in contributing to increased productivity".

Articles upon the same general line appeared in most, if not all, of the publications of the various Reserve Banks during the spring. In the March 1 Monthly Review of your Bank, on

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

pages 2-3, you will find data presented along the same general lines, concluding with a paragraph, at the bottom of page 3 and top of page 4, which states that, in the present situation, when industry and trade are approaching maximum productivity, the effectiveness of further additions to credit will be of diminishing importance in promoting production and distribution of goods.

In the May issue of your Review, on the last page, you will find further discussion, beginning with the extract from Hoover's report upon the effect of the overexpansion of bank credit, and ending with a quotation from the current issue of the Federal Reserve Bulletin about the approach of limits at which credit policy must be increasingly influenced by careful consideration of whether additional credit expansion contributes to increased productivity or merely causes inflation.

Articles of somewhat similar purport were published in the Reviews of other Reserve Banks in April and May; for example the Reviews of the Cleveland Bank. Altogether, the reader of the Reserve Bulletin and the various Reserve Bank publications would seem to be justified in concluding that the Federal Reserve authorities thought industrial expansion was at, or near, the limit, and that those responsible for Federal Reserve policies were about to give very careful consideration to the question whether a further increase of bank credit was desirable.

While these publications were appearing the New York papers had, for two or three successive weeks, articles about an increase of the rediscount rate at the New York Reserve Bank. These articles were doubtless got up by newspaper men, but they inevitably created the impression that an increase of rediscount rates was under discussion in New York; and bankers in both Boston and New York presently learned that your Bank came very near to increasing the rate.

Personally, I attach very great importance to the effect of various published articles by economic and financial writers criticizing the Reserve Banks for not raising their rate above the market rate for commercial loans, and saying that the Reserve Banks were not on their job. This subject was mentioned, I think, in our last conversation. An editorial written by a New York writer was published in a Boston paper, and had the effect of sending a large and perfectly good borrower into one of the biggest banks in Boston, with a panicky inquiry as to whether he could be sure of having renewed a very moderate loan which was coming due within thirty days.

There were other things, such as the steps taken to moderate building operations and Mr. Hoover's statement

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

which was taken as a suggestion of a boycott by housewives against sugar, which tended to the same general result. By the end of May or first of June we were in receipt of inquiries from subscribers as to what it all meant; and some of them asked whether business was going to be liquidated "again" just as operations were beginning once more to be carried on at a profit.

Perhaps the effect of the developments outlined above would have been less if the business community had not retained rather painful memories of 1920 and 1921. The net result may have been good; but I felt at the time, and am still inclined to think, that the doses of caution were somewhat overdone.

The recent article or two in the Federal Reserve Bulletin have been helpful in bringing to the forefront the matter of open-market operations of the Federal Reserve Banks. They avoid, as you suggest, the discussion of reasons for the open-market operations of 1922 and 1923; but they perhaps prepare the way for further and more explicit statements about policies, and therefore I have been very glad to see them appear.

About the matter of buying bills in Europe, I have no argument left if there is no way of buying bills that would protect the Reserve Banks against losses in exchange. Concerning the effect of such investments, if they could be made in bills drawn in gold currency, I will not argue further now, partly because I need further time for digesting what you say on the subject in the last paragraph of your recent letter.

I had hoped to get over to New York this week, but pressure of work in the office has made it impossible to leave Cambridge. I shall be there for a day or two week after next, and shall hope to call upon you; but I am going over to hold a conference with subscribers, and my time is under the control of the fellows who are arranging the conference. In any event, I hope to see you next month.

Believe me to be

Yours sincerely,

Charles J. Bullock

CJB/AMB

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

HARVARD UNIVERSITY

COMMITTEE ON ECONOMIC RESEARCH

CAMBRIDGE, MASSACHUSETTS, U.S.A.

CHARLES J. BULLOCK
CHAIRMAN
CHARLES F. ADAMS
NICHOLAS BIDDLE
FREDERIC H. CURTISS
WALLACE B. DONHAM
OGDEN L. MILLS
EUGENE V. R. THAYER

W. M. PERSONS
EDITOR REVIEW OF ECONOMIC STATISTICS
J. B. HUBBARD
EDITOR HARVARD ECONOMIC SERVICE
F. Y. PRESLEY
GENERAL MANAGER

February 28, 1924.

Governor Benjamin Strong,
Federal Reserve Bank,
15 Nassau Street,
New York City.

My dear Governor Strong:

I was sorry indeed to miss you last Tuesday, but still sorrier to learn that you were in Washington rather than down in Florida. If you had been in the latter place, I should have been fully reconciled; but as it is you might just as well have been in your office submitting to the ordeal of an interview with a Harvard economist as down at Washington trying to find out what members of the Federal Reserve Board, if any, have been taking dough from Doheny, putting sin into Sinclair, or trying to find out how much gold the Federal Reserve Banks hold "exclusively" as a reserve against federal reserve notes, and if so, what they are going to do with it.

I went over to New York to attend a dinner Monday night, and took advantage of the opportunity to cruise around in the spring wheat belt Tuesday morning, in order to find out how many more rural banks are going to blow up, and if so, when.

I was going to recommend to your careful consideration an article which Warren, of Cornell, has published in the February number of the Quarterly Journal of Economics. This deals with the agricultural depression.

Mr Snyder please get for me

Warren is a good economist and a practical farmer, and the article has impressed me very greatly. I told Mr. Jay that he ought to read it, and I think that you certainly should.

I shall probably be over in New York within a month or two, and shall try at that time to see you.

Yours sincerely,

Charles J. Bullock

CJB/AMB

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

7/1 ~~

C. J. Bullock

ACKNOWLEDGED

MAY 16 1924

R.S.

HARVARD UNIVERSITY

COMMITTEE ON ECONOMIC RESEARCH

CAMBRIDGE, MASSACHUSETTS, U.S.A.

CHARLES J. BULLOCK
CHAIRMAN
CHARLES F. ADAMS
NICHOLAS BIDDLE
FREDERIC H. CURTISS
WALLACE B. DONHAM
OGDEN L. MILLS
EUGENE V. R. THAYER

W. M. PERSONS
EDITOR REVIEW OF ECONOMIC STATISTICS
J. B. HUBBARD
EDITOR HARVARD ECONOMIC SERVICE
F. Y. PRESLEY
GENERAL MANAGER

March 26, 1924.

Governor Benjamin Strong,
470 Park Avenue,
New York City.

My dear Governor Strong:

I have been trying for about a week to sit down and compose my ideas and write you this letter. When I got my ideas working, the first thing that they did was to throw off the enclosed wretched verses, which may interest you or may not. I am not often taken with such an attack; but sometimes I can't express myself in prose as well as in verse. This is always when I am not serious. I have kept no copy of the verses,and am sending this letter to your house; so that if the thing ever gets itself into print, or does any other desperate thing, it will be your fault.

When you took the economists out into your front parlor so graciously after dinner, and administered the well-deserved spanking, I was at a little loss to understand what was up; and you will remember I asked you what the efforts were which you thought economists were making to get laws passed requiring Federal Reserve authorities to regulate prices, by changing discount rates, or dumping gold into the Atlantic Ocean, or otherwise. I shouldn't have asked the question if I had seen the proof of an article, which I found on my desk when I returned to Cambridge, which one of the National Monetary Association people is going to publish in the Harvard Business Review. These proposals were not only new to me, but I find that they were new to Allyn Young. Warren Persons knew about them, but hadn't given them much consideration, although I believe he didn't object to them. You may have had still other things in mind; but if this article had reached me before I went over to New York I shouldn't have asked the question that I did.

I think that probably I am in substantial, and perhaps complete, agreement with you with reference to the degree of power which Federal Reserve authorities have over price movements. Some time I would like to talk with you further upon this point, and make absolutely sure that I understand your ideas; but I fully agree with your contention that control of credit is only one of the factors affecting prices, although a very important one, and I agree that it is perfectly impossible to impose upon Federal Reserve authorities the duty of general price regulation.

In my remarks immediately after the dinner, I fear that I left out one very important thing which I had intended to

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

APR 1 1924

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

say but was unlucky enough to forget; namely, that if confidence can be restored in Europe, so that the gold imports now resulting from lack of confidence by European investors (chiefly, I suppose, but not wholly, in France) come to an end, it isn't at all clear that we shall have any gold import problem. When John Williams made his estimate of the balance of payments for 1922, he found it difficult to account for the whole amount of gold imports that year except on the ground that foreign buying of American securities had been going on. He is of the opinion that, if we leave transactions on capital account out of consideration, there isn't much reason to expect gold imports unless we do something that appears to be impossible; namely, make our French, Italian, and other foreign creditors pay us interest on the money they owe us as the British are now doing. I had this in my mind, but I think I didn't say it; and I believe the conclusion to be drawn from my remarks was that I expected there would be a substantial, though not an excessively large, amount of gold imports even after the restoration of confidence in Europe.

Williams is of the opinion, and I think he has good reason, that, if we go on exporting capital, we may very well have an outward movement of gold which would bring our troubles to an end, at least for the time being.

Persons and Young have called to my attention the advance copy of the report of the Federal Reserve Board, and I expect tonight to read what it says about Federal Reserve policies. Young and Persons seem to be much interested, as well as gratified, by the discussion of the subject.

I greatly enjoyed the evening that we spent with you, and found it very profitable as well as pleasant. Some time, when you have nothing better to do, I want to talk with you further about deflation. Some things you and Mr. Warburg said led me to infer that you believed that, in Europe, when gold payments are resumed, the outstanding volume of paper money will be greatly reduced. Of course this means deflation.

With kindest regards, I remain

Yours sincerely,

Charles J. Bullock

CJB/AMB

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

"Will you come and try my Index?" said the Snyder to the Strong,
"It will regulate the cycles, as the sweet things move along.
Whenever the curve moves upward, we will jam the prices down;
And then reverse the process, so we'll not alarm the town."
"Will you? Won't you? Will you? Won't you?
Walk in Mr. Strong.
Will you? Won't you? Will you? Won't you?
Walk in Mr. Strong."

"The way into my Index is up a winding trend;
And many cute statistics, you'll find there at the end.
When we approach depression, we'll then turn on a boom,
And after that is started, we'll quickly spread some gloom."
"Will you? Won't you? Will you? Won't you?
Walk in Mr. Strong.
Will you? Won't you? Will you? Won't you?
Walk in Mr. Strong.

"I thank you very kindly," the Governor replied.
"I like your handsome Index, but there are many things beside.
We need to watch the microbes which destroy the beasts and crops,
And watch the big gold imports, and see that nothing drops."
"No I thank you. No I thank you.
No thanks, Mr. Snyder.
You have a pretty Index; but
I cannot walk inside 'er."

"And then think of the Brookharts, the Dakotas and the Sioux,
The Heflins and LaFolletes and fierce, wild Kickapoo,
Just think what these wild Injuns may do to our new banks.
And think of the economists, and all the other cranks."
"No I thank you. No I thank you.
No thanks, Mr. Snyder.
You have a pretty Index; but
I cannot walk inside 'er."

This was the conversation 'tween the Snyder and the Strong.
It was very interesting, but it was not very long.
And now when I hear skeptics on the business cycle scoff
I think of the new Index, and can see where they get off.
"Will you? Won't you? Will you? Won't you?
Walk in Mr. Strong.
With this Index, trade depression
Never can last long."

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

APR 1 1924

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

HARVARD UNIVERSITY

COMMITTEE ON ECONOMIC RESEARCH

CAMBRIDGE, MASSACHUSETTS, U.S.A.

CHARLES J. BULLOCK
CHAIRMAN
CHARLES F. ADAMS
NICHOLAS BIDDLE
FREDERIC H. CURTISS
WALLACE B. DONHAM
OGDEN L. MILLS
EUGENE V. R. THAYER

W. M. PERSONS
EDITOR REVIEW OF ECONOMIC STATISTICS
J. B. HUBBARD
EDITOR HARVARD ECONOMIC SERVICE
F. Y. PRESLEY
GENERAL MANAGER

DIVISION
JUN 3 1924
FEDERAL RESERVE BANK
OF NEW YORK

June 2, 1924.

Governor Benjamin Strong,
Federal Reserve Bank,
15 Nassau Street,
New York City.

My dear Governor Strong:

Your letter of May 16 was very carefully read and studied by Allyn Young and myself, and we have been "meditating" upon it ever since. I have started once or twice to reply, but have never been able to complete a letter because I really haven't known what to say.

I appreciate the force of your suggestions, and think that, if I were as fully informed about facts and conditions as you are, I should very likely be in full agreement with you. Yet there are a lot of questions that come to my mind and make it difficult to feel sure that I am not writing nonsense. What I need to do is to prepare a little brief on the subject, and then sit down and talk to you.

As soon as I get examination books read and a few other chores attended to so that I can leave Cambridge, I am going to run over to New York; and I shall hope to be able to make an appointment with you to talk things over. In such case I believe I will try to put on paper, in the form of a little summary, my whole state of mind, so that I may be sure to talk to the point.

If I should try now to give you the impressions left in my mind by your letter, I am sure that a good deal of what I should write would serve no useful purpose. I need to be sure that I see the fundamental facts as you see them, or know whether and at what points we differ about fundamental facts, before I can write anything that is worth being read by you, or, for that matter, anybody else.

Yours sincerely,

Charles J. Bullock

CJB/AMB

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

HARVARD UNIVERSITY

COMMITTEE ON ECONOMIC RESEARCH

CAMBRIDGE, MASSACHUSETTS, U.S.A.

CHARLES J. BULLOCK
CHAIRMAN
CHARLES F. ADAMS
NICHOLAS BIDDLE
FREDERIC H. CURTISS
WALLACE B. DONHAM
OGDEN L. MILLS
EUGENE V. R. THAYER

W. M. PERSONS
EDITOR REVIEW OF ECONOMIC STATISTICS
J. B. HUBBARD
EDITOR HARVARD ECONOMIC SERVICE
F. Y. PRESLEY
GENERAL MANAGER

ACKNOWLEDGED
JUN 9 - 1924
R S

June 5, 1924.

Governor Benjamin Strong,
Federal Reserve Bank,
15 Nassau Street,
New York City.

My dear Governor Strong:

I am planning if possible to be in New York on June 13 and the morning of June 14. Can I see you at any time between ten o'clock on June 13 and twelve o'clock on June 14?

Yours sincerely,

Charles J. Bullock

CJB/AMB

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

RECEIVED BY
GOVERNOR'S SEC'Y

JUN 19 1924

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

Bullock

HARVARD UNIVERSITY

COMMITTEE ON ECONOMIC RESEARCH
CAMBRIDGE, MASSACHUSETTS, U.S.A.

CHARLES J. BULLOCK
CHAIRMAN
CHARLES F. ADAMS
NICHOLAS BIDDLE
FREDERIC H. CURTISS
WALLACE B. DONHAM
OGDEN L. MILLS
EUGENE V. R. THAYER

W. M. PERSONS
EDITOR REVIEW OF ECONOMIC STATISTICS
J. B. HUBBARD
EDITOR HARVARD ECONOMIC SERVICE
F. Y. PRESLEY
GENERAL MANAGER

FILES DIVISION
JUN 13 1924
FEDERAL RESERVE BANK
OF NEW YORK

June 10, 1924.

Governor Benjamin Strong,
Federal Reserve Bank,
15 Nassau Street,
New York City.

My dear Governor Strong:

I am looking forward with much interest and pleasure to seeing you next Friday morning, and am writing to suggest that the basis for some of the things that I am going to say is to be found in Volume I of our Review of Economic Statistics, which we published in 1919. It will save some time in our discussion if you can have that volume of the Review on your desk Friday morning.

Yours sincerely,

Charles J. Bullock

CJB/AMB

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

RECEIVED BY
GOVERNOR'S SECY
JUN 12 1924

HARVARD UNIVERSITY

COMMITTEE ON ECONOMIC RESEARCH

CAMBRIDGE, MASSACHUSETTS, U.S.A.

CHARLES J. BULLOCK
CHAIRMAN
CHARLES F. ADAMS
NICHOLAS BIDDLE
FREDERIC H. CURTISS
WALLACE B. DONHAM
OGDEN L. MILLS
EUGENE V. R. THAYER

W. M. PERSONS
EDITOR REVIEW OF ECONOMIC STATISTICS
J. B. HUBBARD
EDITOR HARVARD ECONOMIC SERVICE
F. Y. PRESLEY
GENERAL MANAGER

June 20, 1924.

ACKNOWLEDGED
JUN 2 C 1924
B. S.

Governor Benjamin Strong,
Federal Reserve Bank,
15 Nassau Street,
New York City.

My dear Governor Strong:

We have been so busy taking in the money here this week that I haven't had time to give further thought to the very interesting discussion which we had last week Friday. I agree that economists are a pretty bad lot, and that statistics are an invention of the Devil, and that prophets ought always to be without honor not only in their own country but also in all other countries.

You were saying so many interesting things that I forgot to question you about one statement that you made which surprised me. It relates to the discussion at your dinner last winter.

A week ago today I understood you to say that you agreed with me in the view which I expressed at your dinner to the effect that, unless we lost some of the gold that had come to us, we should ultimately, somehow, some time, be inflated by it. I was surprised when you said that, because I thought you expressed the contrary opinion at your dinner; and I intended to ask you whether I had understood you correctly, but the thing got crowded out of my mind entirely.

I find, on talking the thing over with Allyn Young, that he understood you at the dinner to express the view that the Federal Reserve authorities could prevent the gold that has come here from inflating us even if it stays with us. Did I misunderstand you last week Friday morning, or did Young and I misunderstand what you said at the dinner, or have you modified your opinion since the dinner?

Yours sincerely,

Charles J. Bullock

CJB/AMB

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

(Bullock)

HARVARD UNIVERSITY

COMMITTEE ON ECONOMIC RESEARCH

CAMBRIDGE, MASSACHUSETTS, U.S.A.

CHARLES J. BULLOCK
CHAIRMAN
CHARLES F. ADAMS
NICHOLAS BIDDLE
FREDERIC H. CURTISS
WALLACE B. DONHAM
OGDEN L. MILLS
EUGENE V. R. THAYER

W. M. PERSONS
EDITOR REVIEW OF ECONOMIC STATISTICS
J. B. HUBBARD
EDITOR HARVARD ECONOMIC SERVICE
F. Y. PRESLEY
GENERAL MANAGER

June 27, 1924.

FILES DIVISION
JUN 30 1924
FEDERAL RESERVE BANK
NEW YORK

Governor Benjamin Strong,
Federal Reserve Bank,
Nassau Street,
New York City.

My dear Governor Strong:

I am greatly indebted to you for your letter of June 26, which clears up the thing that had puzzled me. It shows how easy it is for people who want to understand each other to derive wrong impressions from an exchange of views. Language is, after all, a pretty effectual device for concealing thought, no matter how hard we try to make ourselves clear.

This morning I noted in the press the statement of the Federal Reserve Board's statistical department about business conditions, which seems to me to be a good illustration of what you said a fortnight ago about statistics always being late. That statement appearing at the end of June really reflects conditions existing at the end of May, or perhaps the first week in June, which was perhaps the low point of the recent dip. At any rate, during the last three weeks there have been an increasing number of indications of a slight improvement in business. Moreover, the fact that after a pretty sharp recession which has lasted about four months the great slump in everything, which the calamity prophets foretold, has not occurred, is one of the most significant and most reassuring facts at the present moment.

Yours sincerely,

Charles J. Bullock

CJB/AMB

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

+ Angell

HARVARD UNIVERSITY

COMMITTEE ON ECONOMIC RESEARCH

CAMBRIDGE, MASSACHUSETTS, U.S.A.

CHARLES J. BULLOCK
CHAIRMAN
CHARLES F. ADAMS
ROBERT AMORY
FREDERIC H. CURTISS
WALLACE B. DONHAM
OGDEN L. MILLS
EUGENE V. R. THAYER

W. M. PERSONS
EDITOR REVIEW OF ECONOMIC STATISTICS
J. B. HUBBARD
EDITOR HARVARD ECONOMIC SERVICE
HOMER B. VANDERBLUE
ECONOMIST
F. Y. PRESLEY
GENERAL MANAGER

ACKNOWLEDGED
AUG 13 1924
R. S.

August 11, 1924.

Governor Benjamin Strong,
Federal Reserve Bank,
15 Nassau Street,
New York City.

Dear Governor Strong:

One of the best economists we have ever turned out is leaving us this fall to accept a lectureship at Columbia University next year. The fellow is named James W. Angell, and he is the son of President Angell of Yale University. He graduated from Harvard in 1917, spent the next year or two in the army, then came back and completed the requirements for the degree of Ph.D., and also served as instructor and tutor.

He is a brilliant student; and Allyn Young, under whom he wrote his doctor's thesis, said that this thesis was about the best piece of investigation he had ever seen a student do. Angell is also a fellow with a very attractive personality. He was offered a prize lectureship at Columbia, which was quite a flattering offer for a young fellow in his position to receive; and he thought it might be well for him to spend a year in New York anyhow.

I am writing to you about him because his special interest just now is with problems of international exchange and finance. His doctor's thesis was in this field, and he expects to devote some attention to it next year. Angell's duties at Columbia will be light, and he is intending to give most of his time to investigation.

I am writing because, if you were looking for a most promising young economist to investigate conditions in Europe at this most interesting time, and should write to myself or to Allyn Young asking if

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

we could recommend a man to you, we should both of us reply that Jimmy Angell is the man and that he is going to be in New York anyhow, under conditions that would make it possible for you to get part of his time.

I am not writing because Angell needs employment. He hasn't expected to do anything except give his lectures at Columbia and do some job of research in his special field, which job he expected to do, as economists usually have to do their work, strictly upon his own account. He isn't wealthy, but he is provided for sufficiently well for the next year; so that, as I said, he isn't looking for employment.

I venture to suggest that, if you want somebody to do special work in the economic field which would not require all of his time, Angell would be a remarkably good man to employ; and also to say that, if you have no need of such a man, you might be able to suggest to him some problems of international finance to which he might well devote his attention next year, and you might find it well worth your while to assist him in getting information.

Angell will have a good year in any event; but I know that he is the sort of fellow you would like to know about, even though you may have no work for him to do for you or no suggestion of work that he might do on his own account. If you would like to have him call upon you when he goes over to your village in the fall, I can tell him to do so.

Yours sincerely,

Charles J. Bullock

CJB/AMB

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

HARVARD UNIVERSITY

COMMITTEE ON ECONOMIC RESEARCH

CAMBRIDGE, MASSACHUSETTS, U.S.A.

CHARLES J. BULLOCK
CHAIRMAN
CHARLES F. ADAMS
ROBERT AMORY
FREDERIC H. CURTISS
WALLACE B. DONHAM
OGDEN L. MILLS
EUGENE V. R. THAYER

W. M. PERSONS
EDITOR REVIEW OF ECONOMIC STATISTICS
J. B. HUBBARD
EDITOR HARVARD ECONOMIC SERVICE
HOMER B. VANDERBLUE
ECONOMIST
F. Y. PRESLEY
GENERAL MANAGER

August 15, 1924.

Governor Benjamin Strong,
Federal Reserve Bank,
15 Nassau Street,
New York City.

Dear Governor Strong:

I have your letter of August 13, and am just now sending Jimmy Angell a card of introduction to you. I am suggesting that, before he decides definitely upon a subject for investigation next fall, he should call upon you and talk over the different things that he may then have in mind. They will probably relate to problems of international credit and exchange involved in the present European situation.

I know that you will find Angell an attractive young fellow, and am glad that you are interested in seeing him.

Yours sincerely,

Charles J. Bullock

CJB/AMB

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

RECEIVED BY
GOVERNOR'S SEC'Y
AUG 16 1924

W. T. 11. 1 15 M 5-24

FEDERAL RESERVE BANK
OF [N]EW YORK

TELEGRAM

COMMERCIAL WIRE—INCOMING

TRANSLATION COPY

WIRE TRANSFER
DIVISION

ATTENTION ____________

DECODED ____________
CHECKED ____________
COMPANY ____________

124WU MQ 30 COLLECT CA CAMBRIDGE MASS 321P AUG 27

GOV BENJ STRONG FRB

PERSONS ON AUTOMOBILE TRIP OUT OF TOUCH WITH OFFICE WILL RETURN TO CAMBRIDGE ABOUT SEPT 5 STOP IF I HEAR FROM HIM I WILL ASK HIM TO WIRE YOU

CHAS J BULLOCK 5P

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

RECEIVED BY
GOVERNOR'S SEC'Y

AUG 28 1924

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

HARVARD UNIVERSITY

COMMITTEE ON ECONOMIC RESEARCH

CAMBRIDGE, MASSACHUSETTS, U.S.A.

CHARLES J. BULLOCK
CHAIRMAN
CHARLES F. ADAMS
ROBERT AMORY
FREDERIC H. CURTISS
WALLACE B. DONHAM
OGDEN L. MILLS
EUGENE V. R. THAYER

W. M. PERSONS
EDITOR REVIEW OF ECONOMIC STATISTICS
J. B. HUBBARD
EDITOR HARVARD ECONOMIC SERVICE
HOMER B. VANDERBLUE
ECONOMIST
F. Y. PRESLEY
GENERAL MANAGER

Ack only 11/19/24. B.S. mlB

November 18, 1924.

GOVERNOR'S COPY

NOV 19 1924

Governor Benjamin Strong,
Federal Reserve Bank of New York,
33 Liberty Street,
New York City.

Dear Governor Strong:

I have just been reading George Roberts's November publication, and on page 176 notice that he thinks that cheap money has found its way into use and that one reason for this is that the Reserve Banks have been putting back into circulation the gold which member banks devoted to paying off their indebtedness to the Reserve Banks. He doesn't say anything about what business conditions would have been since last March if the Reserve Banks hadn't been doing what they did.

All this is preliminary to saying that the last six months have greatly increased my respect for the potency of the weapon (or, if you please, instrument) which the Reserve Banks have in their open-market operations. In the fall of 1922, when I first talked with you, I was inclined to think (without, however, supposing that I really knew anything about the subject) that you attached too much importance to the decrease in Federal Reserve security holdings between June and November of that year. I could clearly see that the effect of the open-market operations at that time would be unfavorable to security markets, but thought that the amount involved was not large enough to produce as much effect as you seemed to think it had done. It was not until the spring of 1923 that I acquired great respect

ACKNOWLEDGED
NOV 18 1924
B S

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

for the potency of the "invisible hand"; and even then I did not have sufficient respect for it because I knew that the campaign to "kill inflation before it gets started" had frightened people who knew nothing whatever about open-market operations of the Reserve Banks. 1924 ought to give everybody a wholesome respect for the aforesaid "invisible hand".

And yet, in spite of all that has happened this year, I do not think that the banking community as yet has any adequate idea of the importance of the open-market operations of the Reserve Banks; and this applies to the heads of some of the biggest banks, I think.

I haven't been over to New York since last June, and hope to go over next month. I haven't anything that justifies taking any of your time; but I am going to call at the Bank, and hope to see you for a few moments anyhow.

Gregory, of the London and Cambridge Service, who has been over here for some months, seems to me a very promising man, and I should like some time to learn whether you have seen enough of him to form any opinion about him.

Carl Snyder gave us an extremely interesting and valuable talk at our conference last Friday night, and contributed greatly to the success of our conference.

I remain

Yours most sincerely,

Charles J. Bullock

CJB/AMB

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

HARVARD UNIVERSITY

COMMITTEE ON ECONOMIC RESEARCH

CAMBRIDGE, MASSACHUSETTS, U.S.A.

CHARLES J. BULLOCK
CHAIRMAN
CHARLES F. ADAMS
ROBERT AMORY
FREDERIC H. CURTISS
WALLACE B. DONHAM
OGDEN L. MILLS
EUGENE V. R. THAYER

W. M. PERSONS
EDITOR REVIEW OF ECONOMIC STATISTICS
J. B. HUBBARD
EDITOR HARVARD ECONOMIC SERVICE
HOMER B. VANDERBLUE
ECONOMIST
F. Y. PRESLEY
GENERAL MANAGER

RECEIVED BY
GOVERNOR'S SEC'Y

NOV 26 1924

November 25, 1924.

Governor Benjamin Strong,
Federal Reserve Bank of New York,
33 Liberty Street,
New York City.

My dear Mr. Strong:

I have your letter of November 19, and shall be very glad at the first opportunity to take advantage of your suggestion that I drop in at your office and get a spanking.

I am planning to go over to your village some time between the first and tenth of December; and as soon as I can fix the date will write you and try to get an appointment.

Of course we are somewhat out of touch with things over here, and probably we ought to be in New York oftener than we are; but one trouble is that one gets so much over in your town that he has to forget or disregard that one sometimes doubts whether it isn't better to be off on the sidelines.

With best regards, I remain

Yours sincerely,

Charles J. Bullock

CJB/AMB

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

HARVARD UNIVERSITY

COMMITTEE ON ECONOMIC RESEARCH
CAMBRIDGE, MASSACHUSETTS, U.S.A.

CHARLES J. BULLOCK
CHAIRMAN
CHARLES F. ADAMS
ROBERT AMORY
FREDERIC H. CURTISS
WALLACE B. DONHAM
OGDEN L. MILLS
EUGENE V. R. THAYER

W. M. PERSONS
EDITOR REVIEW OF ECONOMIC STATISTICS
J. B. HUBBARD
EDITOR HARVARD ECONOMIC SERVICE
HOMER B. VANDERBLUE
ECONOMIST
F. Y. PRESLEY
GENERAL MANAGER

ACKNOWLEDGED
DEC 2 1924

RECEIVED BY
GOVERNOR'S SEC'Y

DEC 2 1924

December 1, 1924.

Governor Benjamin Strong,
Federal Reserve Bank of New York,
33 Liberty Street,
New York City.

Dear Governor Strong:

I had planned to go to New York this week; but, in view of an invitation that I have received to the Owen Young dinner next week, I have decided to go over to your village at that time. The invitation, by the way, while it came from Mr. Bedford, has your card upon it; and I suppose this means that it is to you that I am indebted for the opportunity to attend this function.

I am writing particularly to ask at what time between the evening of Wednesday, December 10, and the noon of Sunday, December 14, it will be convenient for you to have me call upon you. I shall reach New York in time to be able to call upon you Wednesday evening at, let us say, around 8:30. I can stay over until Sunday noon, so that I can call upon you Sunday morning, December 14; or I will come at any intermediate hour convenient.

Yours sincerely,

Charles J. Bullock

CJB/AMB

Wednesday - Only O/c
Thurs - Directors
Friday - Only O/c
Sat -

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

Bullock

HARVARD UNIVERSITY

COMMITTEE ON ECONOMIC RESEARCH
CAMBRIDGE, MASSACHUSETTS, U.S.A.

CHARLES J. BULLOCK
CHAIRMAN
CHARLES F. ADAMS
ROBERT AMORY
FREDERIC H. CURTISS
WALLACE B. DONHAM
OGDEN L. MILLS
EUGENE V. R. THAYER

W. M. PERSONS
EDITOR REVIEW OF ECONOMIC STATISTICS
J. B. HUBBARD
EDITOR HARVARD ECONOMIC SERVICE
HOMER B. VANDERBLUE
ECONOMIST
F. Y. PRESLEY
GENERAL MANAGER

FEDERAL RESERVE BANK
OF NEW YORK
DEC 11 1924

December 5, 1924.

RECEIVED BY
GOVERNOR'S SECY

Governor Benjamin Strong,
Federal Reserve Bank of New York,
33 Liberty Street,
New York City.

My dear Governor Strong:

Your secretary writes that you will be able to see me at any time during my visit next week except Thursday afternoon and Friday morning. I am therefore writing to say that, unless your secretary meanwhile informs me to the contrary, I will call at the Palazzo Vecchio at 11 A.M. next Thursday.

If anything has come up, since your secretary wrote, to make this hour inconvenient, I should be glad to have him write me, either at this office if he writes not later than Monday, or at the Hotel Commodore, New York, if he writes after next Monday.

I am expecting to attend the Young dinner; but am not counting on having much opportunity to talk with anybody in particular at such a large gathering.

Yours very truly,

Charles J. Bullock

CJB/AMB

OK BS.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

Bullock

HARVARD UNIVERSITY

COMMITTEE ON ECONOMIC RESEARCH
CAMBRIDGE, MASSACHUSETTS, U.S.A.

CHARLES J. BULLOCK
CHAIRMAN
CHARLES F. ADAMS
ROBERT AMORY
FREDERIC H. CURTISS
WALLACE B. DONHAM
OGDEN L. MILLS
EUGENE V. R. THAYER

W. M. PERSONS
EDITOR REVIEW OF ECONOMIC STATISTICS
J. B. HUBBARD
EDITOR HARVARD ECONOMIC SERVICE
HOMER B. VANDERBLUE
ECONOMIST
F. Y. PRESLEY
GENERAL MANAGER

February 24, 1925.

Mr. Benjamin Strong,
270 Park Avenue,
New York City.

Dear Governor Strong:

Ever since I visited the Palazzo Vecchio last December I have wanted to send you some little contribution to the furnishings of your most impregnable and artistic Bank, but haven't been able to pick up anything that would be quite appropriate.

Last week, however, I had to go to Washington to attend Cal Coolidge's inheritance tax conference, and while I was wasting two days there found time to visit some of the second-hand book shops and other places where genuine antiques can occasionally be found. By good luck I managed to pick up the enclosed pen and ink sketch which our art connoisseurs here tell me is undoubtedly by some unknown Florentine artist. The best opinion I can get is that the artist intended to represent what used to happen in Florence when Lorenzo di Medici found it necessary to apply the brakes in order to prevent undue credit expansion, by which credit would increase faster than production, with the result that prices (expressed in terms of Florentine currency of that period) would tend to become inflated. At any rate, if it doesn't represent this, it represents something else; and that's about all that you can expect to get from a pen and ink sketch by an unknown Florentine master picked up in a Washington book shop.

I will add, in conclusion, that this is the only copy of the thing that exists; so that you can feel sure that you have a unique work of art. If it gets into the newspapers, it will be nobody's fault but yours.

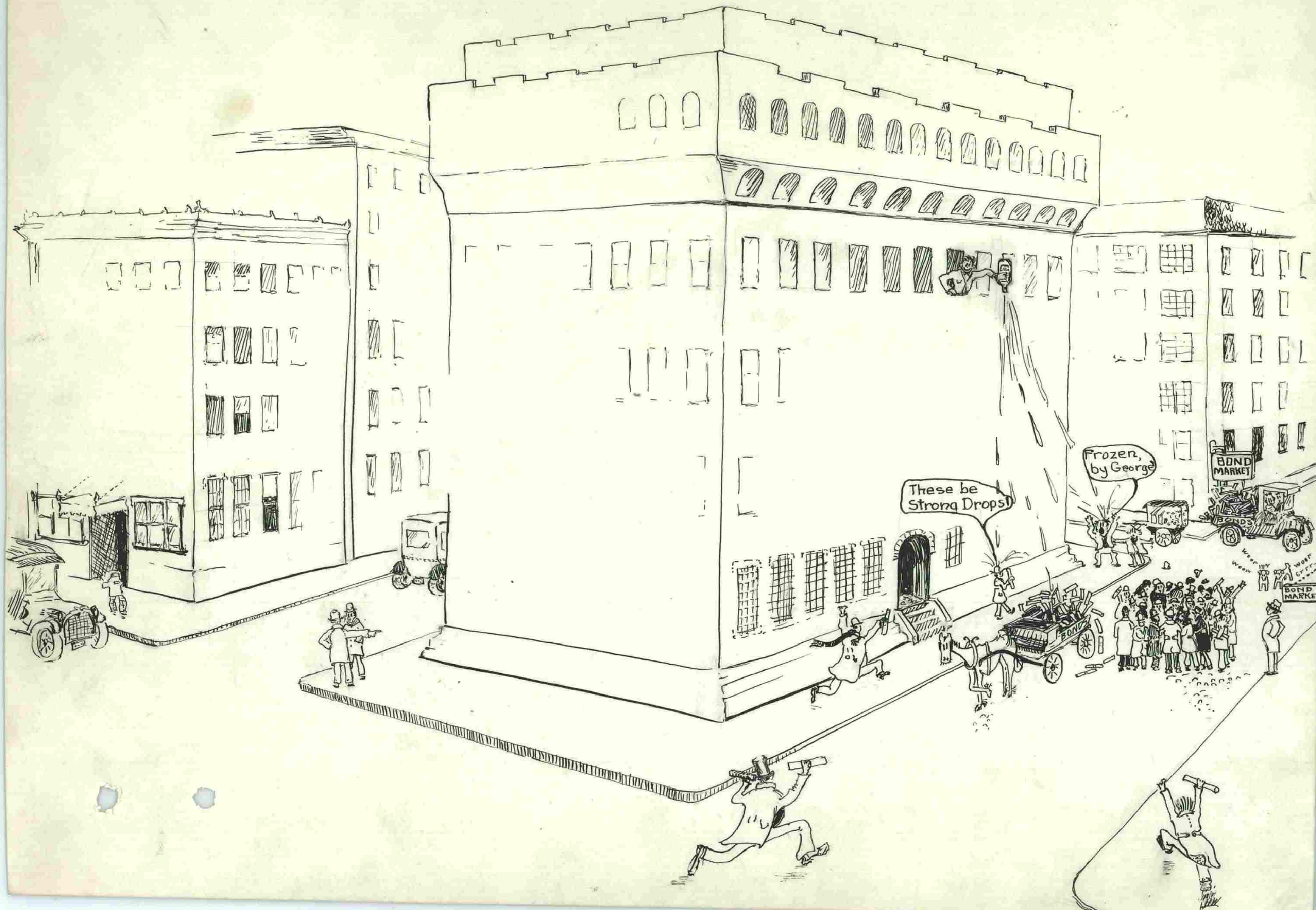
Yours sincerely,

Charles J. Bullock

CJB/AMB

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

THE HAND THAT ROCKS THE BOTTLE ROCKS THE WORLD



Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

7 24

HARVARD UNIVERSITY

COMMITTEE ON ECONOMIC RESEARCH

CAMBRIDGE, MASSACHUSETTS, U.S.A.

CHARLES J. BULLOCK
CHAIRMAN

CHARLES F. ADAMS
ROBERT AMORY
FREDERIC H. CURTISS
WALLACE B. DONHAM
OGDEN L. MILLS
EUGENE V. R. THAYER

HOMER B. VANDERBLUE
DIRECTOR HARVARD ECONOMIC SERVICE
WARREN M. PERSONS
EDITOR REVIEW OF ECONOMIC STATISTICS
JOSEPH B. HUBBARD
EDITOR HARVARD ECONOMIC SERVICE
W. L. CRUM
DIRECTOR OF STATISTICAL LABORATORY
JOSEPH L. SNIDER
ECONOMIST
T. P. BLODGETT
BUSINESS MANAGER

October 15, 1927.

Governor Benjamin Strong,
Federal Reserve Bank of New York,
33 Liberty Street,
New York City.

Dear Governor Strong:

I expect to go over to New York the latter half of next week, and am writing to ask whether you can see me some time on Thursday, October 20, or Friday, October 21. I can call upon you at any place or hour that is convenient. Perhaps I should need as much as one hour of your time; but I should be very glad to see you even if you could only give me fifteen minutes.

I want to talk about the things that I would naturally have in mind at this moment; namely, gold, international debts, and the year 1929. I know that you are well "fed up" on all these subjects, and therefore haven't bothered you for a year or two past. The time has come, however, when I feel constrained to trespass upon your good nature by making the above request.

Yours very truly,

Charles J. Bullock

CJB/AMB

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

HARVARD UNIVERSITY

COMMITTEE ON ECONOMIC RESEARCH
CAMBRIDGE, MASSACHUSETTS, U.S.A.

CHARLES J. BULLOCK
CHAIRMAN

CHARLES F. ADAMS
ROBERT AMORY
FREDERIC H. CURTISS
WALLACE B. DONHAM
OGDEN L. MILLS
EUGENE V. R. THAYER

HOMER B. VANDERBLUE
DIRECTOR HARVARD ECONOMIC SERVICE
WARREN M. PERSONS
EDITOR REVIEW OF ECONOMIC STATISTICS
JOSEPH B. HUBBARD
EDITOR HARVARD ECONOMIC SERVICE
W. L. CRUM
DIRECTOR OF STATISTICAL LABORATORY
JOSEPH L. SNIDER
ECONOMIST
T. P. BLODGETT
BUSINESS MANAGER

Dr Burgess
Please note all corr & return. MBL

noted WRB

Received 10/19/27

October 18, 1927.

Governor Benjamin Strong,
Federal Reserve Bank of New York,
33 Liberty Street,
New York City.

Dear Governor Strong:

Conditions have suddenly arisen at home which make it impossible for me to leave Cambridge this week, so that I am obliged to postpone my trip to New York until next week.

I am therefore writing to tell you of my change of plans, and to ask for an appointment any time at your convenience on Thursday, October 27, or Friday, October 28.

Yours sincerely,

Charles J. Bullock

CJB/AMB

Advise him I hope to be here if not in Wash^n

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

W.T. 11.1 50M 1-25

FEDERAL RESERVE BANK OF NE[W] Y[OR]K

TELEGRAM

COMMERCIAL WIRE—INCOMING

TRANSLATION COPY

WIRE TRANSFER DIVISION

ATTENTION

ACKNOWLEDGED JUN 24 1925

DECODED

CHECKED

COMPANY

48WU C 22 CA CAMBRIDGE MASS JUN 23 1035

GOV BENJ STRONG

NY

COULD YOU SEE ME FOR FIFTEEN MINUTES SOME TIME NEXT FRIDAY MORNING IF SO PLEASE WIRE FIXING HOUR MOST CONVENIENT TO YOU

CHAS J BULLOCK

Very sorry leaving Friday 1212P

for absence of two months.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

FEDERAL RESERVE BA

JUN 23 1925 12 18 PM

RECEIVED
GOVERNOR'S OFFICE

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

Bullock

HARVARD UNIVERSITY

COMMITTEE ON ECONOMIC RESEARCH

CAMBRIDGE, MASSACHUSETTS, U.S.A.

CHARLES J. BULLOCK
CHAIRMAN

CHARLES F. ADAMS
ROBERT AMORY
FREDERIC H. CURTISS
WALLACE B. DONHAM
OGDEN L. MILLS
EUGENE V. R. THAYER

HOMER B. VANDERBLUE
DIRECTOR HARVARD ECONOMIC SERVICE
WARREN M. PERSONS
EDITOR REVIEW OF ECONOMIC STATISTICS
JOSEPH B. HUBBARD
EDITOR HARVARD ECONOMIC SERVICE
W. L. CRUM
DIRECTOR OF STATISTICAL LABORATORY
JOSEPH L. SNIDER
ECONOMIST
T. P. BLODGETT
BUSINESS MANAGER

Noted by
B.S.

October 20, 1927.

Governor Benjamin Strong,
Federal Reserve Bank of New York,
33 Liberty Street,
New York City.

Dear Governor Strong:

I thank you for your letter of October 19, and will plan to call up your secretary some time during the afternoon of October 27 and ask for an appointment at such hour as you find convenient on Friday, October 28.

I have been expecting to see Mr. Burgess, and I will endeavor to take as little of your time as possible.

Yours very truly,

Charles J. Bullock

CJB/AMB

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis