

National Industrial

Conference Board  
N.Y.C.

a) MW. Alexander  
president

1925

NATIONAL INDUSTRIAL CONFERENCE BOARD, INC.

247 PARK AVENUE, NEW YORK

MAGNUS W. ALEXANDER  
PRESIDENT

October 6, 1925

ACKNOWLEDGED

My dear Mr. Strong:

OCT 28 1925

I have just received a letter from my good friend, Dr. Hjalmar Schacht, the President of the Reichsbank of Berlin, advising me of his intended trip to New York City in the immediate future.

Based on my conversation with Dr. Schacht, when last I saw him, and in subsequent correspondence I wrote Dr. Schacht that I should be delighted to arrange a dinner for him at which he could intimately meet a small group of the leaders in American industry who are associated with the National Industrial Conference Board and whom he is anxious to meet in this manner. I refer to such men like Owen D. Young, Gen. Guy E. Tripp, Cornelius F. Kelley, Irene du Pont, L. F. Loree, W. H. Nichols, H. H. Westinghouse, Walter S. Gifford, Charles Cheney, etc.

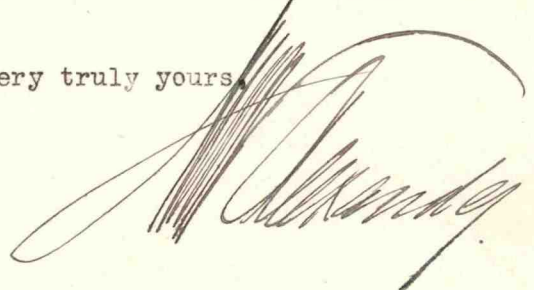
In his letter to me Dr. Schacht says that he arranged with you that all dinner and luncheon engagements for him would be made in consultation with you in order to avoid any conflict. I heartily approve of such an arrangement and am therefore asking you on what earliest evening you think I could plan a dinner for Dr. Schacht without interfering with any important arrangements that you have already in mind.

Naturally we would be delighted to have you at the dinner which I am planning to arrange with the industrial group.

Requesting the favor of an early reply, believe me,

Very truly yours,

Mr. Benjamin Strong, Governor  
Federal Reserve Bank of New York  
33 Liberty Street, New York





October 26, 1925.

My dear Mr. Alexander:

Referring to your note of October 6, Dr. Schacht has asked me to advise you that pressure of engagements which he has been obliged to make in connection with his trip will occupy so much of his time during his short stay in New York, that he finds himself unable to accept your kind invitation to attend a dinner to be arranged for him by the National Industrial Conference Board.

He is, I believe, writing you himself on the subject.

I beg to remain,

Very truly yours,

Magnus W. Alexander, Esq.,  
National Industrial Conference Board, Inc.,  
247 Park Avenue, New York.

BS.LS



October 26, 1925.

My dear Mr. Alexander:

Referring to our talk in regard to the dinner, which you were kind enough to suggest that the National Industrial Conference Board desired to have me attend, I am sorry to be obliged to advise you that my engagements seem to make it impossible for me to do so.

I am here for so short a time, and have been obliged to make so many engagements in connection with my trip, that I am reluctantly sending you this advice.

Thanking you most cordially for your courtesy, believe me,

Sincerely yours,

Mr. Magnus W. Alexander,  
National Industrial Conference Board, Inc.,  
247 Park Avenue, New York.

ES:LS



b. Carnegie Endowment for  
International Peace.

b) John B Clark  
N.Y.C.  
1914

CARNEGIE ENDOWMENT  
FOR INTERNATIONAL PEACE

DIVISION OF  
ECONOMICS AND HISTORY

407 WEST 117TH STREET  
NEW YORK CITY

*lm*  
*25*  
October 21, 1914 ✓

My dear Mr. Strong:

I am returning with sincere thanks the papers you were so kind as to loan me, which I have found quite helpful. I hope that you had an opportunity to see Sir George Paish during the brief interval when he was in New York. I have not myself seen him, but if you have done so, the main purpose in view has been accomplished. I may have an opportunity of meeting him a little later.

I am,

Very cordially yours,

*John B. Clark*

Mr. Benjamin Strong, Jr.

27 Pine Street

New York, N.Y.



Foreign Policy Com.  
1925

9) J. H. McDonald, Chairman



October 16, 1925.

My dear Mr. McDonald:

Your note of October 15 has just been received, and I shall have pleasure in bringing it to Dr. Schacht's attention upon his arrival next week.

His time here is very short, and he is already very much occupied with various engagements, so I am unable at the moment to advise you what the prospects are of his accepting your kind invitation.

Very truly yours,

BS.  
-msb

James G. McDonald, Esq.,  
Chairman, Foreign Policy Association,  
9 East 45 Street, New York City.

BS.LS



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LOFNA, NEW YORK

October 15, 1925

Benjamin Strong, Esq., Governor  
Federal Reserve Bank  
33 Liberty Street  
New York City

ACKNOWLEDGED

OCT 16 1925

B. S.

My dear Mr. Strong:

We understand that Dr. Schacht of the Reichsbank will, while in this country, be making his engagements more or less through your office. Our Executive Committee is very anxious to have Dr. Schacht as their guest at a small, informal dinner. It is not our thought that this should in any sense be a public meeting, but merely that there be an opportunity for our Committee to meet Dr. Schacht and talk over with him some of Germany's current economic and financial problems.

I should appreciate very much an opportunity to drop in and see you just a moment to explain a little more fully what we have in mind.

Very sincerely yours,

*James G. McDonald*  
Chairman

JGM:OLS



FEDERAL RESERVE BANK

OCT 16 1925 9 28 AM

RECEIVED  
GOVERNOR'S OFFICE



October 22, 1925.

My dear Mr. McDonald:

Upon my arrival in New York, Governor Strong mentioned to me your kindness in inviting me to be the guest of your Executive Committee at a dinner, and much to my regret, I feel obliged to ask him to advise you of my inability to avail myself of this opportunity because of the large number of engagements which I have been obliged to make and the very short time which I have for my visit.

Please be assured that I appreciate your kindness and this evidence of your hospitality.

I beg to remain,

Sincerely yours,

Mr. James G. McDonald,  
Chairman, Foreign Policy Association,  
9 East 45 Street, New York City.

BS.LS



October 22, 1925.

My dear Mr. McDonald:

I have just had opportunity to speak to Dr. Schacht in regard to your letter of October 15.

He finds that his engagements will occupy so much of the time of his short visit here, that he feels it is impossible to accept the kind invitation which you extend to him to be the guest of your Committee at a dinner, and has asked me to express his regret.

I beg to remain,

Very truly yours,

James G. McDonald, Esq.,  
Chairman, Foreign Policy Association,  
9 East 45 Street, New York City.

B3.LS



d) Maullon, Alfred G

7  
Institute 7  
Economics

1922



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December 1, 1922

My dear Governor Strong:

I want to take this opportunity to express my great appreciation of your kindness in asking me to join the interesting group at dinner last week. It was a very enjoyable evening indeed.

I am enclosing copy of a letter to Mr. Fred I. Kent, which deals with the general subject of the influence of cheap money. I hope you will read it if only for the reason that it expresses my general point of view more clearly than it was put forth in the discussion the other evening. You will see that what I contend is that business conditions are a resultant of a complex of many forces, no one of which under all times and all conditions is controlling. It does not follow from this, however, that we may not in the course of time learn how to exert a profound and beneficial influence upon the business cycle by a better control of interest rates.

If you decide to go to the Farmers' Conference in Chicago, as I certainly hope you will, you would find it advantageous to get in touch with Dr. E. G. Nourse, of Iowa State College, the ablest agricultural economist in the country. A letter from him informs me that he will be at the Conference. If I may be of service to you in this connection, please command me.

Yours very sincerely,

*H. G. Moulton*  
Director.

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



COPY.

[From B. Sterling]

November 29, 1922.

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

My dear Mr. Kent:

I must apologize for not replying to your kind letter of November 9th long before this. It has, however, been a very busy time for me, and I have not had an opportunity before to give thought to the problem raised in your letter.

While I have not written anything on the subject, I have given it from time to time some general consideration. My thoughts are as follows:

Those who contend that the great increase in the gold supply in the United States will inevitably raise prices here and lead to a period of inflation, in my judgment, assume that gold under present conditions has a dominating influence which it does not possess. A brief recital of our history in this connection during the past eight years will be useful.

Autumn 1914 - Autumn 1915

Large unused gold reserves;  
low interest rates; prices  
stationery.

Autumn 1915 - End of 1916

Huge imports of gold; little  
change in interest rates;  
prices rapidly rising.  
The expansion of loans and  
prices due to war demands.

1917 to Armistice

Little change in gold supply;  
interest rates fairly low; war  
orders continuing; prices rising.  
It is noteworthy, however, that  
from the middle of 1917 until  
almost the middle of 1918, there  
was little change in the general  
level of prices, due to the price  
control of certain heavily  
weighted war supplies.



Armistice - April, 1919	No significant change in gold supply or interest rates; prices falling, due to post war uncertainty.
April, 1919 - May, 1920	Gold supply rapidly decreasing; interest rates rising; prices rising extraordinarily rapidly.
May, 1920 - July, 1921	Gold supply rapidly increasing; interest rates rapidly falling; prices declining with unparalleled rapidity.
July, 1921 - November, 1922	Gold supply continuing to increase; interest rates showing comparatively little change; prices rising fairly rapidly.

Now, I think you will see from this none too precise statement that there is no close correlation between gold supply and price movements. In fact, the rapid rise in prices in 1919-20 when the gold supply was rapidly dwindling, and the extraordinarily rapid fall in 1920-21 when the gold supply was rapidly increasing, ought to, but does not, confound those who hold literally to the theory that price movements merely reflect changes in the quantity of gold. The truth is, I think, that there are many factors combining together to produce price and business changes. The influence of gold is greatly exaggerated, as is also the influence of high or low interest rates.

That the increased gold supply is not of great significance may be observed from the undoubted fact that without any increase in gold in the last year or so, we would still have had in consequence of the liquidation that has occurred, reserves at the Federal Reserve Banks of perhaps 65 or 70 per cent. (I have made no attempt to get the precise figures). Now, it is quite possible, and indeed probable, that we should have had about the same interest rates with that volume of reserve as we do have now in fact. In any event, the Federal Reserve discount policy is the most significant factor in the situation. I doubt if the Board would have established its rates appreciably above what they are now if there had been no inflow of gold. In this connection, it is a pertinent observation that although Great Britain has not had an increase of gold, the rates at the Bank of England are lower than they are here.

With reference now to the potency of cheap money to cause loan expansion and inflation. My study of our financial and industrial history has led me to believe that while cheap money is a



contributing factor, it is not a controlling one. For examples:

1873-1879 - We had almost continuously low interest rates here and in England, but loans did not expand, nor did prices rise. Other factors were unfavorable. In England, money loaned in '76 at a rate as low as  $1/2$  of 1 per cent; but few business men were willing to pay even that, because they could not see a profitable opportunity. In the United States, we find that bankers were threatening to go out of business because the business of lending money had become so unprofitable. The recovery of business in '79 is definitely assignable to other causes than cheap money.

1893-1896 - Low interest rates, with minor variations, all the time. Monetary controversies and generally unsettled business conditions more than offset whatever stimulating effects cheap money might otherwise have had.

1913 - Autumn

of 1915 Low interest rates, particularly after the lowering of reserve requirements by the Federal Reserve Act which became effective in the autumn of 1914. There was no expansion of business activity; in fact, in the year 1914, loans, I believe, showed a slight contraction, - any way, prices fell a little. The uncertainty over the European situation more than counter-balanced any stimulating effects of cheap money. In the autumn of 1915, however, loans expanded because it was then apparent that American business men could make good profits in filling war orders. They went to the banks to get the money with which to expand their business activities.

In brief, the trend of business is governed by a complex of factors, of which the rate of interest is only one of many. Looking ahead, I should attach much greater importance to the drift of events on the Continent of Europe during the next twelve months than to the fact that we have a large gold supply. I would also, I believe, attach more importance to the labor and transport shortage in this country and to the maladjustment that still exists between agricultural and manufacturing prices.

Hoping this will be at least provocative, I am

Sincerely yours

Director.



[From Billingsby]

December 11, 1922.

My dear Mr. Moulton:

Your letter of December 1 has been awaiting an opportunity for me to reply because I have been laid up for a week. I am leaving to-day to attend the Convention at Chicago, and will hope to meet Dr. Nourse. Also as I am proposing to address the Convention, I shall hope to be able to dodge quickly enough in case anything is thrown at me. You and some of your fellow economists are really responsible for my going, so the damage will be on your heads.

I have read your letter to Mr. Kent with a great deal of interest, and the following comments occur to me:

It seems to me that the total supply of gold, as you state, is not necessarily a controlling influence upon the trend of business or upon prices; rather it is what is done with the gold. For instance, if it is coined into money and goes into circulation in substitution, say, for bank notes, it probably has a very slight effect. On the other hand, if it goes into bank reserves and the policy of the bank of issue permits of an expansion of credit based upon an enlarged reserve, then it has a very strong effect upon the course of business and prices. In other words, as to the absolute amount of monetary gold, it impresses me as one would be impressed if but a small corner of a cloth were lifted from the front of a large picture and then one attempted to form an opinion from that small corner of the picture as to what sort of a picture it was. Charts which should show the amount of monetary gold should also show the total amount of all kinds of currency in circulation, and the total amount of bank credit.



December 11, 1922.

Then beyond that, we have a factor which no one can chart, and that is the state of mind of the public; whether there is confidence and the mood to buy; or whether there is distrust and the mood to sell. The important thing as to our own situation seems to be what you state on page two of your letter to Mr. Kent - that the Federal Reserve discount policy is the most significant factor in the situation. This I admit; and it is the most important factor for the reason that I have above stated, - that if our policy permits of the pyramiding of credit upon the foundation of this enormous gold reserve, then we will affect the course of business and prices. But if we can hold the volume of credit reasonably constant, and yet sufficient for the needs of legitimate business, then it seems to me we can escape the disorders otherwise consequent upon an enlarged gold supply; at least so far as the influence of credit might under a mistaken policy of expansion be allowed to produce disorder.

I am inclined to look at the reserve percentage of the Reserve System in this way: - The law requires us to maintain minimum reserves of 35 per cent. of our deposits and 45 per cent. of our note liabilities. We should now ignore the law, and assume hypothetically that this enormous reserve imposes upon us the responsibility of working (in our own minds) upon a different reserve percentage, say, 65 or 70 or 75 per cent. That can not be done exactly and actually, but it can be some sort of an intellectual support for a policy designed to avoid the dangers which might result from our large gold holding.

But, on the other hand, I do think that the influence of interest rates is very considerable; we are possibly too inclined to consider this from the standpoint of absolute stated levels of rates rather than from the standpoint of the influence of changing rates.



December 11, 1922.

Certain businesses are of such character that they are necessarily conducted upon a pretty narrow margin; a change in the level of interest rates necessitates alteration in calculations of profit. And beyond that, of course, is the very strong effect upon the mental attitude of people who are doing business in the face of rising interest rates, or, on the other hand, with the advantages of falling interest rates.

But I do agree with you completely that the trend of business is governed by a complex of factors, of which the rate of interest is only one of many. But possibly I attach more significance to it than I gather that you do; at least from what you said the other night at my apartment.

It was a pleasure to have you and your friends spend such an evening with me and I only hope that we can do it again. Certainly I profited very much by it.

Yours sincerely,

LL

Mr. H. G. Moulton,  
Director, Institute of Economics,  
26 Jackson Place,  
Washington, D. C.

BS.MM