March 18, 1954

Internal Memorandum

Interview with Mr. Casimir Sienkeiwicz

Mr. Sienkeiwicz is President and Director of the Penn Central National Bank in Philadelphia. He is a beguiling open-faced man, witty and gay, laughing easily. He has the faintest trace of an accent in spite of the fact that his English comes very easily. I suspect he was born in Europe but his card does not say. His bank is a handsome modern structure with front doors, which, instead of having to be pushed with a great force, open easily with the aid of an electric eye. He had been talking with a large lady in tweeds who looked like the Pennsylvania version of an English country woman. He said that she was the Chairman of a Committee which was going to hold a daffodil show in the bank in April and he was devising ways and means of allowing banking to go on while the daffodil show was being held in the big central foyer.

Mr. Sienkeiwicz talked on three main topics. First, what the Federal Reserve Board ought to be and do; second, what his experience had been with Mr. Eccles; third, the relationship that should prevail between the System and the commercial banks.

Mr. Sienkeiwicz was with the System from 1920 to 1947 in various capacities. He progressed from statistician to Deputy Governor of the Philadelphia Bank and finally to Governor. His concept of the Board is that it should be concerned with policy matters and not try to be a super operating organization. He says that under the present form of organization each Governor had his specialty. Mr. Evans, for example, is tied to consumer credit - buried in it. Mr. Sczymczak is concerned with salaries, etc. The result of this form of organization sounds very like the result of the organization that prevailed when Eugene Meyer came to the Board. (See memo on Mr. Meyer and his success in freeing governors from their enslavement to the regions).

Mr. Sienkeiwicz says that the matter of salaries is a perfect example of what Governors ought to be doing. It is a task of the Board to pass on the salaries paid in the regional banks. Strictly speaking, it seems to matter very little what the regional banks should pay. If they want to draft a good man from the commercial banks and pay him top rates, there seems to Mr. Sienkeiwicz no reason why the Board should stop them (perhaps this is an attempt to establish an equality between regions, this might be worth checking). This matter of salaries has apparently been very difficult in the Philadelphia situation. Mr. John Sinclair talked of the same thing at the time that I saw him. One judges that both Mr. Sinclair and Mr. Sienkeiwicz may have left Federal Reserve Bank because of this difficulty with the salaries. It was Mr. Eccles' determination that no salary of the head of a Reserve Bank should be raised more than $25,000. This is probably the total which Board members are paid.

Mr. Sienkeiwicz says that the Board is bogged down in detail because of this particular form of organization and that none of them are able to consider the affairs of the Board as a whole. The question is, of course, whether in view of the fact that this situation is similar to that which Mr. Meyer found and corrected, whether it is possible to create a form of organization which will free the Board for policy consideration and at the same time keep them well enough informed so that they know enough to make policy with intelligence and responsibility. This goes into the matter of the relationship between Staff and Board, as well as into the matter of the organization of the Board.

Mr. Sienkeiwicz inquired rather in the manner of an oratorical question, whether or not Mr. Martin was going to have courage enough to bring in an entirely new legislative attempt to reform the entire System and bring it up to date.

Speaking of Mr. Eccles, Mr. Sienkeiwicz says that "he never knows what he thinks until he opens his mouth". Mr. Eccles is a man of contradictory enthusiasms, loving the freedom of the independent business men which allowed him to get very rich, and at the same time, a born centralizer. He is also a lover of the theories of John Maynard Keynes, without really understanding the full implication of what Keynes taught. Mr. Eccles was also a lover of Roosevelt, who was also influenced by Keynes.

Speaking of Mr. Morgenthau, Mr. Sienkeiwicz said that he was a very suspicious man and a very nervous one. A man who suffered from insomnia and used to range up and down the roof of the Treasury building trying to get rest and some freedom from worry. He had a fetish about bonds. Bonds must stay at 100 and 105 was better.

Mr. Sienkeiwicz discussed at some length the post-war under Mr. Eccles in the Federal Reserve and Mr. Snyder in the Treasury. He said that this reflected not the strong and obdurate Snyder policy which the outsider imagined, but rather the absence of any policy and the resultant of warring forces. He thinks that the staff had a great deal to do with this. Mr. Henry Murphy and Mr. George Haas of the Treasury staff told Mr. Snyder what to do. Mr. Snyder did not really know very much about the problem he should have been coping with. He was a St. Louis banker and not a very big one. The United States had a huge debt and any child knew it could not be paid off quickly, yet Mr. Snyder kept acting as though it could. The debt imposed problems by its very size, yet Mr. Snyder was oblivious of those problems so he kept on insisting that high priced money be pumped in to keep Government bonds from falling. This was like pumping in gas at one end while the gas went on escaping at the other.

Mr. Martin is having a quieting and clarifying effect. The operations of last summer showed a much better grasp of what is going on and what is needed. The timing may of been wrong. The discount rate emphasis is certainly out of date

(Mr. Sienkeiwicz repeats that the whole Federal act is outmoded, that he is very doubtful as to whether Mr. Martin will do anything about bringing it up to date). At least the Treasury and the Federal Reserve acted and learned from what had happened that the dimensions of the problem had changed along with the change in the size of the debt.

Mr. Sienkeiwicz thinks that a great gap exists between the System and the banks and that this gap should be bridged. He advocates a plan for starting Reserve bankers in the commercial banks and bringing them up through the entire System, yet at the same time, he wonders why it is necessary to have first rate men in the regional banks. He asks what do most of the regions do that is more than a routine operation at the behest of the Board.

Mr. Sienkeiwicz agrees that Central banking is a very different operation based on a very different concept from that of commercial banking. He agrees that it is one which even now after forty years of experience very few bankers understand. He said, dryly, that he was not sure the entire Board understands it.

Mr. Sienkeiwicz would be glad to spend half a day talking about these matters. He felt he had talked himself out, but, as a matter of fact, I did not take him back of the Eccles period because this was a chance to listen to someone willing to talk about recent things. Mr. Sienkeiwicz has an alert and thinking mind. He will be very valuable in the entire inquiry. He is eager to see what is made of the whole thing. He should be seen again.

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