

Berkeley, California
April 5, 1955

Internal Memorandum

Interview with Mr. Chester Davis

Mr. Davis is at present lecturing on agricultural economics for the University of California. His office is in Giannini Hall at the university. This post will last until the end of the college term in June, 1955, when he expects to return to a new home which he and his wife bought at 1605 Kensington Road, San Marino 9, California. There he says he is going to raise roses.

(It was learned from another source that Mr. Davis' friends are very much distressed because when he became Associate Director of the Ford Foundation, he gave up his pension rights in the Federal Reserve System which he had served 1936 to 1951. The story is that owing to internal disagreement within the Ford Foundation, he was separated from that organization when Mr. Paul Hoffman, who had brought him in, left. Now at the age of 68, having served a long and honorable career, he is left without pension rights or any adequate professional connections. The University of California is only a one-year appointment and carries no pension rights of any kind).

Mr. Davis is very much interested in the personnel situation in the officers' ranks of the Banks and the Board. He talked at length of the Federal Reserve Bank of St. Louis, where he was president for ten years. He said that the board of directors of the St. Louis Bank had elected Guy Hitt as their president when the previous president had gone out but that the Board of the System had refused to accept Mr. Hitt. After that Mr. D.C. Johns, then of Kansas City, was chosen as President of the St. Louis Bank. It was when Mr. Davis himself was resigning that this episode took place.

Mr. Davis also spoke at length about the case of Mr. Atteberry whom Mr. Johns recommended that I not see when I was in St. Louis, as there was much bitterness connected with this situation. Mr. Atteberry was an operating man who, in the course of time, became vice president and then first vice president. He was demoted from that

position, but it was not clear whether this was because of the fear that he might be considered as president or because of internal politics or lack of understanding. At any rate, when Mr. Johns was elected president, Mr. Atterberry was returned to the position of first vice president on the understanding that when he became 65, he would resign. It seems that the appointment of first vice president had a five-year term, but he had promised that he would not try to hold the board to that five-year term. However, when he reached the age of 65, he declared his intention of staying in the position for the full five-year term. It was in persuading him to live up to his promise to get out at the age of 65 that the bitterness referred to arose.

Mr. Davis said that Mr. ^{Atterberry} ~~Hitt~~ would have been a mine of information about the older days. He died, however, shortly after I was in St. Louis in the summer of 1954. (It might be well to write to St. Louis to ask the date of his death so we may enter it correctly).

Mr. Davis talked at length about the change which is coming about and which has come about in the office of president of the Federal Reserve Banks in the last ten years. It sounds as though the investigations which were made preliminary to the Balderston Report had been highly influential, although the statement would have to be checked by comparing dates on the Balderston Report, and in fact by reading the report itself. In the early days the same situation which has been noted among directors and officers in some of the banks, namely that they rose to that post through operating experience with little or no theoretic background and sometimes without much education, obtained among the presidents themselves. Within the last decade, the trend has been not only toward men of good education but men of economic training and frequently of research rather than operating experience. Mr. Davis cited five men now in that category and spoke of a Mr. Swan of the San Francisco Bank who will probably succeed to the presidency in due time. So ^{Eliot} ~~will~~ ^{was} Mr. Oliver, ^{Bowell} ~~Wheeler~~ ^{so will} and ^{possibly} Mr. Thompson of Cleveland. ^{that} Mr. Davis said ^{now} that Canby Balderston is a member of the Board, Washington

will be even more conscious of the calibre of bank officers.

He also said that in spite of the criticisms which are from time to time launched in Congress and out, and which at all times simmer within the commercial banks, the prestige of the Federal Reserve System is very high. In the first place, very few people understand it, he said. It is a mystery within the government and within business, and he thinks that this may be in a superficial way its first attraction to men of high calibre. He cited Rufus Harris, now chairman of the board at Atlanta, as the type of man who could be attracted to a directorship in one of the banks. He said that the Class C directorship was the one to be watched for men in many fields who were attracted to the service. He also said that the same situation obtained in the board of directors in the branch banks. These men are completely unable to influence policy. They deal only with operating matters, and it is of the highest importance to keep them interested so as to hold their attention to the System work. He believes that this can be done, and in fact says that it is done, by seeing that contacts with the top officer echelon of the home bank and the board is kept alive and vigorous.

Mr. Davis talked at some length of Mr. Eccles and his contribution to the System. He recognizes that Eccles had a great many enemies among men of judgement and understanding, but he is quite certain that even his enemies admit that he is honest, hard-working and single-minded in his devotion to the System. He said that Eccles, while seeming a man pursuing a single line of thought, was amenable to argument, that his technique was to start with one idea and make a very flat hard statement of that idea, but that he had seen him many times argue himself into a quite different position, which was held by men with whom he was talking. The Eccles way of thinking seems in many cases to talk a thing out against an active opponent. ^{It} I asked whether Eccles ever thought to himself or whether his sole process of thought demanded a listener. Davis said he did not know how he had proceeded in the early days, but that he was sure there

must be some internal thinking going on at some time. It is, of course, this habit of thinking out loud and this way of appearing on the record as having started at one position and ending up at another which makes Eccles so difficult for some men to deal with or to admire.

Considering the difficulty which the Committee is having in finding an historian, I asked Mr. Davis for suggestions. He offered the following names: Henry Edmondson, who he thinks was a student of Elmer Wood at Missouri and who is now at the Kansas City Life, Frederick Deming, who is head of research at St. Louis, Charles Cortez Abbott, who is the new Dean of Business Administration at the University of Virginia.

Kenneth Galbraith of Harvard came in at that moment and interrupted the interview. After he had gone, Mr. Davis said that he had put the same question up to Galbraith and that the latter had named Roosa of the New York Bank as the smartest man in the banks and Sidney Hyman, now working on the biography of Eugene Meyer, as a very able writer in banking affairs.

Mr. Davis said that Ralph Young of the Board has a wife who writes extremely well. The suggestion was thrown out that perhaps Mr. Young and his wife might together undertake this, but Mr. Davis agreed with the Committee that ^{it} ~~this~~ would probably not be a System man who would be chosen.

Mr. Davis said that most of his papers had been left in the St. Louis Bank and the Board. However, he promised that when the university term ends and he returns to San Marino he would go over what he had and see what papers might serve our purpose. These he would send to the Board. (Another suggestion on the whereabouts of ^{deposit of} these papers might be made). He also said that he had had two secretaries, both of whom would be worth getting in touch with. The first is Carol Piper, who was his secretary in Washington and is now with the FOA. Miss Piper lives with Katharine Brand of the Library of Congress. She was with Mr. Davis for eight years, and he tried to persuade her to come to California, but she declined. She may know what of his papers were left or put away

as she had the task of separating them.

The other is Adelaide Fox, now at the St. Louis Bank as Mr. Johns' secretary. She served Mr. Davis during the ten years when he was at the Federal Reserve Bank of St. Louis.

(In connection with the usefulness of Mr. Davis, it should be noted that during the five years that he was on the Board and the ten years that he was at the St. Louis Bank, he also performed a great many other functions for the government. His list of offices shows him to have been carrying on very diverse activities, so that his comments are those of a man of wide public service, rather than of one totally devoted to banking business).

Mr. Davis has been interviewed by the Oral History Project people at Columbia University, and he has his own record, as they sent it to him. The subject of this was not banking, but agriculture. It is, however, highly possible that while he was president of the St. Louis Bank and preoccupied with agricultural problems that concerned that district, there might be Federal Reserve comments in the record. Also he was active in recruiting an agricultural expert for positions on the boards of the twelve banks. Mr. Davis said that Dean Albertson was the interviewer for the Oral History Project, that his process was to talk with a great many people who had worked with Mr. Davis and that when he came to the actual interview, he knew more about Mr. Davis' career than did Mr. Davis himself. The interview process included the use of a pile of library cards on which notes had been made and questions indicated. Mr. Davis regarded it as a successful procedure.

Given a man of this stature with his background and the fact that he is shortly to be without occupation, one wonders whether he might be the historian chosen. His age is against him. So also is the fact that, as he says, he has never looked back. He has been a man of action, and not since his early newspaper days much of a writer. On the other hand, he has made a great many speeches, and his breadth of view might make him

very useful as a consultant or in handling interviews of the type that we want taken down by tape recording. This possibility needs more consideration.

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