

COMMITTEE ON THE HISTORY OF THE FEDERAL RESERVE SYSTEM

Minutes of Committee Meeting, Tuesday, May 24, 1955

Brookings Institution, Washington, D. C.

June 7, 1955

TO: Messrs. Allan Sproul, Chairman
W. Randolph Burgess
Robert D. Calkins
F. Cyril James
William McC. Martin, Jr.
Walter W. Stewart
Joseph H. Willits

The Committee convened for a luncheon meeting at 12:45 p.m. in a private dining room at Brookings. Mr. Allan Sproul, Chairman, Mr. William McC. Martin, Mr. W. Randolph Burgess, Dr. Robert Calkins, Mr. Winfield Riefler and Mr. Donald Woodward were present. So was Miss Mildred Adams, Executive Director. The unavoidable absences of Dr. James, Dr. Stewart and Dr. Willits were noted with regret.

After calling the meeting to order, Mr. Sproul reported on matters discussed and action taken at two meetings of the Executive Committee (February 21st and May 4th) held since the latest full Committee meeting on January 29th. These included:

- (a) A report on methods and costs of collecting papers followed by policy suggestions and a recommendation that the Committee consider appropriating \$11,000 for estimated costs over the remaining life of the project. The Committee accepted the recommended policy and approved the appropriation.
- (b) An account of conversations with Columbia University looking toward the establishing there of a center for collections of papers concerning the New York banking world. Mr. Sproul reported that these conversations were still inconclusive.
- (c) An invitation to Dr. Shepard Clough to join the Committee; Dr. Clough is in Europe and further action has been postponed until his return.
- (d) A recommendation that in accordance with Brookings practice the Committee adopt the policy of paying consultants \$50 a day, with suitable variation allowed as needed. The Committee accepted this recommendation.
- (e) A discussion of the timing and possible content of the annual report to the Rockefeller Foundation. It was agreed that Dr. Calkins and Mr. Woodward should make an official call on Dr. Norman Buchanan, incoming head of the Foundation's Division of Social Sciences, at an appropriate date in July. It was requested that copies of the report in draft form be submitted to the Committee for their suggestions.

Reverting to this Committee's unfinished business, Mr. Sproul reported that Dr. Cyril James regretted his inability to accept the Committee's invitation to write the history and direct the collateral studies. Thereupon the Executive Committee, in its meeting of May 4th, suggested that the Committee shift its point of immediate attack from the history to the monograph approach and seek an executive editor who might give the monograph plan proportion and direction. Mr. Donald Woodward was asked if he might find it possible to undertake this, but advised the Committee he cannot free himself from other commitments.

As an alternative it was suggested that, still holding to the monograph approach, a sub-committee be appointed which, in the course of meetings to be held in the near future, would block out areas of interest, set the monograph pattern in order, nominate possible writers and report its findings and recommendations to the full Committee.

This idea having been discussed and approved, Mr. Sproul suggested that the editorial sub-committee be composed of Dr. Calkins, Mr. Woodward and Dr. Stewart, with Mr. Riefler a reserve possibility in case Dr. Stewart found himself unable to serve. This was approved. Mr. Sproul was asked to get in touch with Dr. Stewart at once.* It was agreed that, as speed is desired, the sub-committee would try to have a plan ready for Committee discussion by mid-July.

Suggestions were made that word of the monograph approach be sent to learned journals as a way of discovering interested writers, and that the subject be presented at the December meeting of the American Economic Association. Interest was general, but no action was taken.

A financial report was presented in two parts - a report of expenditures for the current year, with actual figures for nine months and estimates for the other three, and a tentative budget for 1955-56. The budget, calling for a total expenditure of \$65,675 for the year was passed in principle; at the same time a measure of flexibility in detail will be allowed in view of the changing plans for 1955. Miss Adams' salary was raised \$500 per annum "in recognition of services."

Existing appointments to the office staff were confirmed as follows: Miss Adams, Mrs. Singer, Miss Burstein were reappointed for the year July 1, 1955 - June 30, 1956. Miss Burnett was reappointed for 4 months in 1955, dates not specified. Dr. Calkins observed that it might become necessary to reconstruct the present office plan when monographs were commissioned and monograph writers needed service.

A preliminary report on possible publishing costs and arrangements, requested last autumn, was presented by the executive director for the information of the Committee when needed.

* Mr. Sproul subsequently advised the Committee that Dr. Stewart had accepted the appointment.

The Annual Report to the Rockefeller Foundation, now in draft form, will be sent to all Committee members for their reading and criticism before its presentation to the Foundation by Dr. Calkins and Mr. Woodward.

In recognition of the 70th anniversary of Dr. Stewart's birth (May 24, 1885), Mr. Riefler was asked to draft a telegram of affectionate congratulation. This was sent after the close of the meeting.

There being no further business, the meeting was adjourned at 2 p.m.

Donald Woodward
Secretary

COMMITTEE ON THE HISTORY OF THE FEDERAL RESERVE SYSTEM

April 27, 1955

TO: Messrs. William McC. Martin, Jr.
Winfield W. Riefler
Walter W. Stewart

Gentlemen:

Following our various telephone calls in which we attempted to set a Committee meeting date which would be convenient for everyone, you will want to know that Wednesday, May 24th, is the first date for which we could get general acceptance. We have therefore set 12:45 p.m. on Wednesday, May 24th, in the private dining room of the Brookings Institution for a luncheon meeting. This hour is tentative, and will be confirmed later.

Very sincerely yours,

Mildred Adams

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COMMITTEE ON THE HISTORY OF THE FEDERAL RESERVE SYSTEM

AGENDA FOR COMMITTEE MEETING

May 24, 1955 12:45 p.m. Brookings

Minutes

Of the previous meeting January 29, 1955 at Princeton. (These Minutes were distributed March 1, 1955. The Secretary has a copy.)

Reports On

Old Business

Invitation to Dr. James

New Business

Recommendations of the Executive Committee

2/21 On methods and costs of handling papers, that

1) the Committee consider appropriations only for the purposes of setting papers in order and handling them, but without the elements of study or evaluation proper to an historian.

2) on an estimate of 10 major collections to be discovered which might need a substantial subsidy for handling and 10 smaller ones on which smaller sums would suffice, the Committee consider appropriating \$11,000 over the five-year life of the project.

5/4 On plan of proceeding via an executive editor

Possible interest of Mr. Woodward in this post.

Alternative suggestions

Financial report

Expenditures for 1954-55 (last three months estimated)

Tentative budget for 1955-56

Staff appointments for 1955-56 (Secretary has list)

Preliminary report on possible publishing costs and arrangements (requested last autumn; presented now for information only)

Annual Report to the Rockefeller Foundation (now in preparation - Executive Committee to advise on and approve?)

Recognition of Dr. Stewart's 70th birthday today ? (May 24, 1885-1955)

Report

May 23, 1955

Publishers and Publishing Problems

At the request of the Committee, your research director has, over the course of the last several months, discussed with publishers of various types the publishing problems which will arise as a part of this project. The list includes 4 commercial publishers (Harcourt Brace, Harper Bros., W. W. Norton and McGraw-Hill), the head of a book distributing firm (Book-of-the-Month Club), 1 university press (Princeton) and 2 foundations (Brookings and Twentieth Century Fund), of which one does its own publishing while the other used to do its own publishing.

From a strictly practical point of view, it was perhaps too early to get full value from these conversations. We do not yet know how many books are to be published, who is to be the chief historian, what are to be titles or even, except in general, what is to be the content of these books. Until these questions can be answered, it is difficult for any publisher to give an opinion on which plans can be built. Yet, given this basic difficulty, it has been interesting to see how much time commercial publishers were willing to devote in discussing it. Their advice and their suggestions varied, but without exception, the problem caught their attention and held it.

In the course of these conversations, certain areas of general agreement emerged.

First, it was agreed without exception that the project would benefit from enlisting the services of a single publisher to handle all books and manuscripts resulting from it.

Second, it was generally agreed that a common dress for all the books would both attract the eye and help cut costs. (Book design is a considerable item in publishing expense.) One publisher went so far as to speak of the "dignity and monumental aspect" which come with putting such a group of volumes into series.

Third, it was generally agreed that it would be well, once a publisher had been chosen, to enlist his help in planning the book in advance of writing. There are savings of editorial time to be made if a uniform style sheet is set up for the guidance of all authors working on various facets of the project. (Style in this sense has to do with spelling, the setting of tables, capitalization, and so forth.)

Fourth, on the matter of sales to be expected and costs, it was believed that the books would probably not have a wide enough public appeal so that they could be counted on to pay for themselves. The Committee should therefore be prepared to provide a publishing subsidy.

However, it should be noted that agreement on this fourth point, while general, was by no means absolute. One publisher advised that such an idea might present a psychological handicap to the Committee which would do more harm than good. His advice was, "Admit to yourselves that you may have to subsidize, but by no means assume that you must."

Diverse Opinions

Subsidy

Outside these areas of agreement, the advice and opinion contributed with such evident good will varied widely. Some of the commercial publishers expressed themselves as preferring to have the books they publish stand on their own feet and not liking the idea of subsidy. Others tolerated subsidies, and a third group, while not soliciting them took them for granted in the case of books which might perform a public service but could not rely on a wide popular appeal.

The most interesting contribution on the matter of subsidy was the suggestion that it could be direct or indirect. By indirect subsidy the speaker meant the promotion and guarantee of a certain volume of sales in advance of publication. He went on to say that if the Federal Reserve System would inform their member banks that the history and its attendant monographs were volumes which every member bank should have, subsequent promotion effort should be able to secure a pre-publication guarantee of perhaps 6,000 copies. To these would be added college sales, library sales and so on, making a total sale of perhaps 10,000 copies of each volume.

It should be noted that this suggestion came not from a publisher but from the head of a house (Book-of-the-Month Club) which distributes the books of other publishers. In looking at the venture as posing a problem for promotion and distribution rather than a publishing problem, he not only widened the prospect of possible readers and lightened the subsidy burden, but also made a new suggestion in the cost sector.

Costs

The figure of publishing costs is a complex of step-by-step costs including copy-editing, composition, type-setting, paper, presswork, binding, advertising, promoting, etc. These seem to be separable to a surprising degree. The suggestion of the distribution expert is that the Committee might save money by going, manuscript in hand, to a book manufacturer who would set the book up and make the plates. The next step would be to take the plates to a publisher for the processes that follow.

The publishing approach to the cost problem varied from a careful estimate of price per page to a general all-over guess. These are based on an edition of 2,000 to 3,000 copies per volume, which seems, with the exception noted above, to be the general estimate of the number to be sold.

W. W. Norton, a firm which does not like to publish subsidized books, estimated roughly that the cost of a two-volume history, such as the Committee has in mind, including the necessary charts and tables, might be \$7,500; this figure does not include the costs of composition. It is comparable to a figure mentioned by Harper Brothers. It can not, however, be taken as cost of subsidy - a matter for which close bargaining is recommended.

McGraw-Hill Book Company has made arrangements on other projects similar to those which we were discussing with them. They are now publishing the work of the Committee on Economic Development. They estimate that a 1,500 page, 2 volume history, 3,000 copies, would cost \$22,477. As for monographs, one of 250 pages, 2,000 copies printed, would cost \$3,832. As for the item of subsidy, they suggest a 35-40% formula in which the sponsoring agent (that is, the Committee) would pay for composition, copy-editing, paper, presswork and binding. The payment goes into a debit fund, and a return credit of 35-40% of the net price is set up. When the credit rises to the point where it equals the debit, the company begins paying a 35-40% royalty. In this arrangement, the publisher assumes costs of overhead and distribution.

The Princeton University Press, which handles the books and pamphlets for the National Bureau for Economic Research, thereby finds itself so heavily loaded with economic publications that they would not be interested in publishing books for this Committee. They were, however, interested in the problem. After some figuring, they produced a rough estimate of costs. They said we should figure on \$8.50 per page for an edition of 2,000 copies plus binding costs of \$1,000. On 1,500 pages, which is what a two-volume history might contain, this would mean a manufacturing cost of \$13,750.

It should be noted that this is not the figure asked for subsidy. It is a cost figure, and against it would be balanced whatever sales the Press was able to make. Princeton did not, however, as does McGraw-Hill, suggest that it would be satisfied to get the manufacturing costs back. They feel they should be reimbursed for non-manufacturing costs as well; the non-manufacturing costs run about equal to the manufacturing costs. This would mean a rough total for the history alone of \$27,500, which is comparable to the McGraw-Hill estimate.

Against figures like these, the Brookings estimates are more cheerful. Dr. Calkins says that, in general, they run 30% under other estimates; in this instance, they are much lower; if foundations will pay the printing costs, Brookings can usually break even on publication. An issue of 3,000 copies means \$5,000 to \$7,000 for printing costs. Of this, the Committee would not be expected to provide a subsidy of more than \$3,000 to \$4,000.

Other Considerations

Several other items raised in these conversations should be reported. They come under four heads: tax considerations, style, readability and scholarly responsibility.

The question of tax accountability was raised by the young men at the Princeton Press. They warned that we may run into a tax problem if we try to subsidize a commercial publisher. This detail, not mentioned before, needs further exploration.

In the matter of style, used here to denote the way a book is set up and the general dress which is given it, the McGraw-Hill Company ranks high. They have been leaders in lifting books on economics out of a traditionally dull dress. They devote a great deal of attention to size of type, setting of tables, design of dust jacket, design of the whole book, so as to make a dense and difficult subject look more attractive to the eye of the purchaser and the reader. This factor plays a real part in the saleability of a book.

Readability is a factor much stressed by the Twentieth Century Fund, but commanding little attention among most publishers of books on economic and monetary subjects. It seems to be generally assumed that anyone who will pick up a book on those subjects is prepared to move through thorny hedges of obscure prose. At the same time, Mr. Ordway Tead of Harpers spoke admiringly of the lucidity with which Mr. Randolph Burgess writes; he wishes that all writers of books on monetary subjects would be as clear and readable.

Scholarly responsibility - this matter has been discussed in Committee meetings before now. If the Brookings Institution should publish books resulting from this project, their plan for securing scholarly responsibility, which has been explained to the Committee, would probably be used.

Summary

As a result of these exploratory talks, the following recommendations can be made:

First, that, as between the three types of publishers, the Committee narrow its field of choice by dropping out the university presses. For this project, Brookings Institution, which operates a non-profit press, offers the chief advantages which a university press can offer - prestige, scholarly judgement, academic connections, subsidized rates.

Second, that the decision as between a commercial publisher and Brookings be undertaken in two steps, first by selecting the commercial publisher who would seem to promise most for this project, and second by comparing the advantages he offers with those offered by Brookings.

Third, that in deciding as between commercial publishers, the Committee lay more stress on skill in promotion and distribution of books than on traditional prestige. In the manufacture of these books, publishing competence will certainly be required, but their promotion and distribution will call for the services of a genius.

Fourth, that in considering the matter of subsidy, the Committee explore further the practicality of the indirect type, with its pre-publication guarantee of a wider distribution than seems to be contemplated by advocates of a direct subsidy. The services of an expert in this technique may come high, but the advantages of wide distribution are so great as to more than counter-balance the expense factor.

All estimates based on 2 volumes, 1,5000 pages, an edition of 2,000-3,000 copies

	<u>W. W. Norton</u>	<u>McGraw-Hill</u>	<u>Princeton U. Press</u>	<u>Brookings</u>	<u>Harper & Bros.</u>
<u>Manufacturing Cost</u>	\$7,500 (does not include cost of composition)	\$22,477 (35-40% subsidy required; 35-40% of net price of each sale to be credited against this. When subsidy repaid, a 35-40% royalty to be paid)	\$13,750 (\$8.50 per page, \$1,000 binding costs)	\$5000-\$7000 (of which \$3000-\$4000 subsidy required)	\$7,500
<u>Promotion and Distribution Costs</u>	no charge	included in above figure	\$13,750 (estimates an amount equal to manufacturing costs)	no charge	no charge
<u>Total</u>	\$7,500	\$22,477	\$27,500	\$5000-\$7000	\$7,500

Illustrative List of Suggested Monographs

Mr. Sproul has been approached for a volume of papers on policy matters.

Mr. Burgess said last July that he was thinking in terms of a small book to be called, "The Federal Reserve and the Public Interest."

Malcolm Bryan of Atlanta has said, more or less seriously, that he would like to do a "Statement of Federal Reserve Problems, with some Historical Illustrations."

Lester Chandler says there should be a volume on the 1929 Stock Market and the Federal Reserve, possibly including the years through the Banking Holiday. The recent volume by Dr. Galbraith is too quick and superficial to be of much use.

Bray Hammond has recently submitted a memorandum suggesting the following four monographs: (1) The statutory evolution of reserve requirements from 1694 (incorporation of the Bank of England) to present; (2) The Sound Money agitation preclusive to the Federal Reserve Act; (3) The Collection and Settlement Function of the Federal Reserve Banks; (4) Branch Banking and the Regulation of Group Banking.

Leonard D. White, political scientist of the University of Chicago (author of a trilogy concerned with administrative history, of which the third volume has just won a Bancroft Prize), has been suggested as the man to do a monograph on the Federal Reserve System as a case study in public administration.

George Eddy, now in the Treasury, and William Adams Brown of Brookings have been suggested as possible authors of a monograph on gold as of now.

Philip Bell of Haverford (author of a coming book on the sterling area) has been recommended as author of a monograph on the Federal Reserve in international dealings of the United States. Miroslav Kris of the New York Federal Reserve Bank and Gardner Patterson of Princeton have also been suggested for work in the international aspects of Federal Reserve activities, the Federal Reserve and International Finance, etc.

Dr. John Williams is said (by his secretary) to be now willing to do a monograph in the Federal Reserve series "if properly approached" and allowed to choose his own subject.

Paul Warburg, in 1915, had compiled an unpublished History of the Bankers' Acceptances' Regulation, with careful analysis of varying attitudes within the Board, which would make an excellent springboard for an historical study of the use of bankers' acceptances within the System. (This has just turned up in Warburg papers given to Mr. George Harrison).

Woodlief Thomas is said to have collected a mass of material on brokers' loans in the early period which would form the basis for a monograph on those loans.

Dr. Stewart has suggested that the executive director do two reportorial monographs, one on the Development of the Research and Intelligence Functions in the Board and the Banks; the other on the Regional Aspects of the System - their Character and Value.

Howard Hackley of the Board legal staff is now working on an outline or a memorandum for a monograph on the Legal Aspects of the Federal Reserve Act.

In addition, we have a chronological list of possible titles from Dr. Elmer Wood which is suggestive:

The Founding of the Federal Reserve (which might or might not be combined with the Operations during the First World War)

The Development of Federal Reserve Policy during the Nineteen Twenties (into the classic form in which B. Strong left it)

International Monetary Cooperation of the Nineteen Twenties

The Crisis of 1929 to 1933 and the Recovery

The Federal Reserve System and the Treasury, with Special Reference to the Period since 1933

"Then there might be a History of Federal Reserve Procedures and Policies for the period as a whole, which, though not attempting to cover all the source material, would get some of the cream, but in the main would be analytical. Of course Karl (Bopp) ought to do this; but if not, he ought to keep in very close touch with it."

	<u>Budget 1954-55</u>	<u>Spent through 3/31/55</u>	<u>Estimated Expenditures through 6/30/55</u>
Salaries	\$21,388.00	\$14,826.45	\$20,262.06
Expenses (office and travel)	5,000.00	4,160.84	5,140.84
Brookings	3,000.00	2,250.00	3,000.00
Kinosid-Glass	2,667.00	2,800.78	2,800.78
Chandler-Strong	4,450.00	2,000.00	4,450.00
Burnett-Archives	1,820.00	1,701.68	2,460.02
Contingency	15,000.00		
Conferences		1,947.17	1,997.17
Overrun 1/1/54-6/30/54		2,038.64	2,038.64
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	\$53,325.00	\$31,725.56	\$42,149.51

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COMMITTEE ON THE HISTORY OF THE FEDERAL RESERVE SYSTEM

TENTATIVE BUDGET - 1955-1956

Salaries

Adams		(as decided at meeting, May 24, 1955)
Singer		
Burstein	<u> </u>	18,840

Expenses

Office	2,500	
Travel	<u>3,500</u>	6,000

Brookings Overhead Allowance 3,000

Projects (in work)

Chandler	5,000	
Burnett (4 mos.)	1,237	
McKinstry (bib.est.)	<u>2,700</u>	8,937

Contingency

Conferences	<u>2,000</u>	38,777
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Unallocated

26,838 a/

Total \$ 65,675

a/ Budget for 1954-55	\$53,325
Estimated Expenditures (as of May 1954)	<u>42,150</u>
Underrun (est.)	11,175
Budget for 1955-56 (original)	<u>54,500</u>
Budget for 1955-56 (Revised)	\$65,675

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TENTATIVE BUDGET - 1955-1956

Salaries

Adams
Singer
Burstein



(as decided at meeting May 24)

~~18,340~~
18,340

Expenses

Office 2,500
Travel 3,500

~~6,000~~
~~7,000~~

Brookings Overhead Allowance

3,000

Projects (in work)

Chandler 5,000
Burnett (4 mos.) 1,237
McKinstry (bib. est.) 2,700

8,937

Contingency

Conferences

2,000

38,777
~~39,277~~

Unallocated

26,898 a/
~~26,398 a/~~

65,675

Total

~~\$ 65,675~~

\$ 65,675

a/ Budget for 1954-55 \$53,325
Estimated Expenditures
(as of May 1954) 42,150
Underrun (est.) 11,175
Budget for 1955-56 (original) 54,500

Budget for 1955-56 (Revised) \$65,675

sent out in this revised form

Note revised 11/16/55

a/ 53,325 Budget 14545
- 38,175 actual expenditures

15,150 under run
+ 54,500 original budget 1955-56

\$ 69,650 budget available for 1955-56

of which \$ 30,898 is unallocated

COMMITTEE ON THE HISTORY OF THE FEDERAL RESERVE SYSTEM

Copied for
Committee Meeting
May 24, 1955

Budget Estimates, July 1, 1954 to June 30, 1959

<u>Earlier Period (Two Years)</u>		<u>Later Period (Three Years)</u>	
Annual Salaries and Research Contracts	\$46,000.	Annual Salaries and Research Contracts	\$61,000.
Annual Travel Costs	3,000.	Annual Travel Costs	2,000.
Annual Bookings Handling and Overhead	3,000.	Annual Bookings Handling and Overhead	3,000.
Annual Other Expenses	2,500.	Annual Other Expenses	1,000.
	<hr/>		<hr/>
	\$54,500.		\$67,000.

Total for earlier period (2 years) \$109,000.
 Total for later period (3 years) 201,000.
 Total for 5 years \$310,000.

~~Mr. Woodward~~
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COMMITTEE ON THE HISTORY OF THE FEDERAL RESERVE SYSTEM

STAFF APPOINTMENTS

Miss Mildred Adams Appointed January 15, 1954 to May 1, 1954
Reappointed May 1, 1954 through June 30, 1954
Reappointed July 1, 1954 through June 30, 1955

Mrs. Ellen C. Singer Given temporary appointment September 9, 1954
to December 9, 1954
Reappointed December 9, 1954 through
June 30, 1955

Miss Irma Burstein Given temporary appointment November 1,
1954 to February 1, 1955
Reappointed February 1, 1955 through June 30, 1955

Miss Marguerite Burdett Given six-month appointment October 15,
1954 to April 15, 1955
Reappointed for two months, April 15 to
June 15, 1955
(To be reappointed for four months at
unspecified date in autumn)

COMMITTEE ON THE HISTORY OF THE FEDERAL RESERVE SYSTEM

May 12, 1955

TO: Messrs. Allen Sproul, Chairman
W. Randolph Burgess
Robert D. Calkins
F. Cyril Jones
William McC. Martin, Jr.
Walter W. Stewart
Joseph H. Willits
Donald B. Woodward, Secretary

Winfield W. Riefler

Karl Bopp
Lester Chandler
Elmer Wood

When the typed version of the Princeton conference of January 29th was distributed, Committee members and consultants were asked to make corrections in any parts of the script attributed to them which they found erroneous. Those corrections have been collated, and the enclosed transcript should be substituted for the earlier one.

Mildred Adams

COMMITTEE ON THE HISTORY OF THE FEDERAL RESERVE SYSTEM

March 31, 1955

TO: Messrs. Allan Sproul, Chairman
W. Randolph Burgess
Robert D. Calkins
F. Cyril James
William McC. Martin, Jr.
Walter W. Stewart
Joseph H. Willits
Donald B. Woodward, Secretary

Miss Adams has asked me to tell you that this office is in the process of revising the transcript of the conference at Princeton on January 29th. We have already received corrections from two participants, and we wish to add any further corrections you may suggest. Will you therefore let us know before Monday, April 11th, of any changes you wish made.

In the event you have no corrections, it would be most helpful for us to receive a note to that effect.

Very sincerely yours,

Ellen Singer
Research Assistant

*Corrected version distributed 5/15/55
U.G.*

COMMITTEE ON THE HISTORY OF THE FEDERAL RESERVE SYSTEM

February 23, 1955

TO: Messrs. Allan Spraul, Chairman
W. Randolph Burgess
Robert D. Galkins
F. Cyril James
William McG. Martin, Jr.
Walter W. Stewart
Joseph H. Willits
Donald B. Woodward, Secretary

Winfield W. Riefler

Karl Bopp
Lester Chandler
Elmer Wood

The transcript of the second Princeton conference, held January 29th, is enclosed. It has been read by Dr. Karl Bopp and two members of the Committee's staff and edited to correct certain obvious errors of transcription. We have thought you would prefer to have us leave untouched the conversational shape of sentences except where stenotype difficulties threw meaning into doubt.

You will still find evidence of moments when the transcriber was confused either by simultaneous phrases from two people or by a thought only half expressed. We hope that participants who find themselves saying things they did not mean to say will send us whatever corrections they would like to have made in the master copy. We will then circulate an errata sheet to be inserted in the transcript.

Hildred Adams

COMMITTEE ON THE HISTORY OF THE FEDERAL RESERVE SYSTEM

MINUTES OF COMMITTEE MEETING ON SATURDAY, JANUARY 29, 1955

SECOND CONFERENCE WITH THREE CONSULTANTS

March 1, 1955

TO: Messrs. Allan Sproul, Chairman
W. Randolph Burgess
Robert D. Calkins
F. Cyril James
William McC. Martin, Jr.
Walter V. Stewart
Joseph H. Willits
Donald B. Woodward, Secretary

Conference With Three Consultants

The Committee met at 10:00 a.m. in the Gold Room of the Princeton Inn at Princeton, New Jersey. Members present were Chairman Sproul, Messrs. Burgess, Calkins, James, Riefler (for Mr. Martin), Stewart and Willits. Mr. Woodward was unavoidably detained in Carolina at a business conference. Messrs. Karl Bopp, Lester Chandler and Elmer Wood attended the conference as consultants, Miss Adams in her capacity as research director.

Purpose

The meeting, originally scheduled for Saturday, January 8th, and postponed, was the outgrowth of an earlier conference with the same consultants on November 21, 1954. It was called to consider the memo-outline prepared by those consultants on the basis of the November discussion and in the process of their "group move to give clearer definition to the job of preparing the history (of the Federal Reserve System) and outlining its scope and dimensions."

Agenda

Mr. Sproul presented the agenda, calling attention to the Anniversary Report which summarized what has been accomplished since January 17, 1954 when the Committee's work formally began. Four months of that year's operation were under the pilot grant (of which full report has been made), six under the major grant; the remaining two represented a bridge between the phases financed by courtesy of the Rockefeller Foundation and Brookings Institution in making it possible to combine the pilot and the five-year grants. A financial report of the first year's operation under the major grant will be due July 1, 1955.

Mr. Sproul then asked Dr. Karl Bopp, as head of the consultants' group, to present for discussion their memo-outline, which had been sent to Committee members for their reading a week in advance of the meeting and subjected to further consultant discussion on January 28th.

Discussion

Dr. Bopp, speaking for the Committee's three advisers, presented their memo-outline as a rough chronology of Federal Reserve history, intended to stir discussion rather than to bind the eventual historian in any way. He then began to read aloud the memo-outline paragraph by paragraph with pauses for Committee comment, a procedure which (with time out for lunch hour and a business Committee meeting) lasted throughout the day.

As at the November conference, a stenotypist recorded the discussion. This verbatim record has been distributed to each member of the Committee as well as to the consultants. Taken with the memo-outline, the two documents amplify these minutes; both will be inserted in the Minute Book.

Several points were made which bear on Committee work and should be noted here:

(a) Dr. James asked if the Federal Reserve Board or the New York Bank might, as part of the project, establish an archives unit in their respective buildings. Mr. Riefler, replying for the Board, said that while they would be friendly to research, they might be hampered by space limitations. Mr. Sproul said that the New York Bank had had in mind for years the desirability of developing archives as distinct from files and records; they hope to get from this project the ideas and the impetus to go ahead with it.

(b) Dr. James also asked whether the Federal Reserve Banks had agreed that the historian-to-be could consult the directors' Minute Books, which might hold crucial evidence. Mr. Riefler replied for the Board that judgement as to what to disclose would be on an ad hoc basis, with the Board disposed to be friendly. Their position has been made clear at earlier meetings. Mr. Sproul added that the "friendly disposition" included the New York Bank, but the question had not been put in precise terms to the other banks. Mr. Burgess doubted that such substance of discussion would be found recorded in minute books.

(c) Miss Adams explained the potential peril to research material posed by the terms of the Federal Reserve Schedule for Destruction of Records. Mr. Sproul will see that remedial action is taken on this point.

(d) Mr. Burgess brought up the need for review of the history-to-be by a competent advisory group. At the Chairman's request, Dr. Calkins explained the Brookings procedure of an advisory committee and/or the circulation of manuscripts for comment. Mr. Sproul assured the group that the Committee would have the problem in mind and either use the Brookings procedure or another procedure to handle it.

Business Session

Following luncheon, the Committee convened at 1:30 p.m. in the Princeton Inn's television sitting room for a business session under the chairmanship of Mr. Sproul.

Minutes of the previous session (held November 22, 1954) had been distributed by mail and were noted.

Mr. Sproul reported the following decisions of the Executive Committee at its meeting on December 28, 1954:

On collections of papers uncovered in the work of the research director, that an overall plan be prepared and a budget made which will give basis for decision and appropriation; that the research director adopt as a policy recommending that relevant collections be deposited (a) in the Library of Congress, (b) in a regional university with which the family concerned may have relations, or (c) in such an institution as Columbia University.

On publicity for Committee activities, the research director is to send a letter advising people who might have papers useful for historical research that the Committee is interested; an announcement of the completion of the Glass inventory by Dr. Kincaid is to go to interested journals.

On proposed group interviews, the appropriation of \$500 to pay the cost of experiments in group interviews under the leadership of Dr. Walter W. Stewart.

On the naming of an historian, the compilation of a list of nine possible candidates, from suggestions made by Committee members which were then winnowed by members of the Executive Committee.

Mr. Sproul then presented the list of possible historians in order of Executive Committee preference. It is appended to these minutes. Biographic and career data on each candidate was read; the names of Mr. Howard Ellis and Mr. Frank Fetter were eliminated; discussion of the remaining seven was general, but no consensus appeared.

Mr. Sproul then suggested that it might be possible to secure the services of Dr. Cyril James for the post. Committee approval was immediate and enthusiastic. Dr. James expressed himself as eager to return to writing after fifteen years of administrative work but not certain that he could do it at this time. If possible, he would prefer to undertake the task in a university atmosphere. For this, the Institute of Advanced Studies, the Woodrow Wilson School at Princeton, and the University of Pennsylvania were all discussed.

Dr. James will make his decision and communicate with the Committee within ten days. Details of stipend, research aid, locus of operation, and so forth must be worked out.

Mr. Sproul appointed Dr. Galkins, Dr. Stewart and Mr. Woodward to act with him as a Committee to discuss the matter in detail with Dr. James when the latter is ready.

Discussion then passed to various facets of the history and the possible monographs.

Mr. Riefler suggested that Alexander Loveday might do a memorandum on the financial and economic reconstruction of Europe after World War I and the activities of the Strong-Norman-Schacht triangle in relation to it.

Dr. Stewart, doubtful of Mr. Loveday's health, suggested Mr. H. A. Siepmann (of the Bank of England) as one who could write well and from experience in this area. This was approved by Mr. Riefler.

Dr. James suggested that Mr. Carl Iversen (of Denmark) would be good on technical matters in the international sphere.

Mr. Riefler said that Mr. Bray Hammond is one of the few Americans enthusiastically interested in banking history. Mr. Hammond, who has recently completed a book manuscript on the history of the Second Bank of the United States, has at different times said he wanted to write a monograph on (a) the studies that led up to the Federal Reserve Act and (b) the check collection system.

Miss Adams reported information that Mr. Hammond's manuscript had been submitted to the Macmillan Company, applauded by them as a good job, but refused on the ground that it would attract too small an audience to be profitable. Mr. Burgess commented that Mr. Hammond's book should be published and suggested that a subsidy of \$5,000 might be provided by the Merrill Foundation.

Dr. Willits asked whether the planning of monographs was to be done by the historian or the Committee. Mr. Sproul responded that both would be active in this.

Dr. Calkins suggested that it might be well to pick a few promising young historians as research assistants and "break them in" on the project.

The business meeting adjourned at 2:30. The Committee then returned to the Gold Room to resume its discussion with the three consultants.

Resumed Discussion

At the end of the discussion Dr. Willits expressed his feeling that in attempting to recall and reappraise recent history, the Committee was initiating a process important beyond the compass of the five-year study now under way. Approval of the conference-with-consultants method was general, and hope was expressed that further meetings of the kind would be scheduled. Mr. Sproul expressed the Committee's gratitude to the consultants.

The meeting was adjourned at 4 p.m.

Mildred Adams
(Acting Secretary)

COMMITTEE ON THE HISTORY OF THE FEDERAL RESERVE SYSTEM

POSSIBLE ECONOMIST HISTORIANS

in order of rating accorded them by composite choice

Lester V. Chandler

John V. Lintner

Raymond J. Saulnier

Paul W. McCracken

Howard S. Ellis

Earl J. Hamilton

Neil Jacoby

E. A. J. Johnson

Frank W. Fetter

COMMITTEE ON THE HISTORY OF THE FEDERAL RESERVE SYSTEM

February 23, 1955

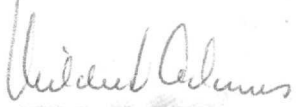
TO: Messrs. Allan Sproul, Chairman *no changes*
W. Randolph Burgess - *no changes*
Robert D. Calkins *none*
no ans. - F. Cyril James
no ans. - William McC. Martin, Jr.
Walter W. Stewart - *no changes*
Joseph H. Willits - *no changes*
Donald B. Woodward, Secretary

Winfield W. Riefler ✓

Karl Bopp
Lester Chandler *no changes*
Elmer Wood *small*

The transcript of the second Princeton conference, held January 29th, is enclosed. It has been read by Dr. Karl Bopp and two members of the Committee's staff and edited to correct certain obvious errors of transcription. We have thought you would prefer to have us leave untouched the conversational shape of sentences except where stenotype difficulties threw meaning into doubt.

You will still find evidence of moments when the transcriber was confused either by simultaneous phrases from two people or by a thought only half expressed. We hope that participants who find themselves saying things they did not mean to say will send us whatever corrections they would like to have made in the master copy. We will then circulate an errata sheet to be inserted in the transcript.


Mildred Adams

COMMITTEE ON THE HISTORY OF THE FEDERAL RESERVE SYSTEM

BUSINESS MEETING

AGENDA

Princeton Inn
January 29, 1955

1:30 p.m. Committee Meeting Convenes in 2nd Floor Sitting Room,
Mr. Sproul, Chairman

Minutes of last meeting (distributed 12/2/54 by mail)

Report of Executive Committee actions, December 28, 1954

1. Policy decisions on collections of papers discovered
 - a. Overall budget to be framed
 - b. Deposit to be recommended in Library of Congress,
regional university or Columbia
 - c. Appropriation of \$500 for experimental group
interviews to be led by Dr. Stewart
2. Compilation of rated list of possible historians as
suggested by Committee members and winnowed by
Executive Committee (list appended)

Discussion and decision on historian

2:30 p.m. Meeting Adjourns

2:40 p.m. Resumption of Meeting with Consultants

COMMITTEE ON THE HISTORY OF THE FEDERAL RESERVE SYSTEM

POSSIBLE ECONOMIST HISTORIANS

in order of rating accorded them by composite choice

Lester V. Chandler

John V. Lintner

Raymond J. Saulnier

Paul W. McCracken

Howard S. Ellis

Earl J. Hamilton

Neil Jacoby

E. A. J. Johnson

Frank W. Fetter

SOME ASPECTS AND PURPOSES OF THE
COMPREHENSIVE HISTORY OF THE FEDERAL RESERVE SYSTEM

General approach and purposes

A. Some of the major objectives of the Comprehensive History

1. To gather and preserve all relevant information about the Federal Reserve System that could possibly bear on the evolution of the structure and functioning of the System.
2. To present a comprehensive analysis from an evolutionary point of view, tracing the development of ideas and showing the interrelationships of social attitudes, social and economic events, pressure groups, and personalities on the structure and functioning of the System.
3. Some things to be given special attention¹⁵
 - a. One of the central interests of the entire study should be the methods and terms on which money has been made available to the banking system and the economy as a whole. This would include, of course, all major changes in the methods used, such as discounting and open market operations. But it would also give adequate attention to changes of policy represented by changes in methods of administration even though there was no change in the broad method of providing or extracting funds. This would require adequate attention to the whole question of location of control, the methods of administration, and the development of ideas by those who make policy.
4. Things to be avoided
 - a. This should not in any sense be considered an official history and the writer should feel perfectly free to criticize, evaluate, and interpret.
 - b. It should not be financial history in the narrow sense but should be a social history, giving due emphasis to intellectual and political, as well as the narrower economic and financial, philosophies and events.

B. Some of the specific topics and events that might be considered

1. The backgrounds of the Federal Reserve System
 - a. This should include a detailed analysis of all the conditions and thinking that led to the movement for financial reform and that influenced the form of the legislation finally enacted. This would include not only the legislative history and the conflicts in the Government accompanying the consideration of the legislation but should also include a consideration of the existing international monetary and financial relationships, the nature and structure of our own economy, the conflicts over broad

economic policies, the structure and functioning of our banking system, the economic theories underlying the various proposals, and the personalities that were involved in the whole movement.

- b. A similar study relating to the organization of the Federal Reserve Districts, of the Federal Reserve Board, and of the Federal Reserve Banks before the banks were actually opened for business.

2. Period of organization and growth - November 1914 to April 1917

- a. The whole process of determining the structure and organization of the Federal Reserve Banks, the selection of personnel for the Federal Reserve Banks, the division of control between the Federal Reserve Board and the Federal Reserve Banks, the location of control within the Federal Reserve Banks, the process of arriving at decisions as to the appropriate objectives of the Federal Reserve Banks for the longer run and for the existing situation, and the relationship between Federal Reserve operations and American foreign policy. Worthy of special consideration are not only longer term growth considerations, such as building of the prestige of the System, but the desirability of making earnings in order both to build prestige and to attract members.

3. War and inflation - 1917 to 1920

- a. A comprehensive analysis of the entire war financing program and of ideas relating to it and the relationship of the Federal Reserve to the whole process. The effect of the prevailing economic theory on the types of assistance given by the Federal Reserve to both public and private financing.
- b. In addition, adequate attention should be paid to such things as the effect of the war period on membership in the Federal Reserve System, the prestige of the Federal Reserve System, the relationship between the Treasury and the Federal Reserve, the tendency to concentrate power in the Federal Reserve Bank of New York, the subordination of the Federal Reserve Board in dealing with monetary problems, the growth of relations with foreign central banks and governments, the impact of this experience on the earlier philosophy of the Federal Reserve Act and of Federal Reserve policy, and contemporary ideas as to later developments.

4. The Federal Reserve and deflation - 1920 to 1921

Analysis of events during period and of Federal Reserve policies. A satisfactory treatment would include not only actual Federal Reserve actions but a close scrutiny of the changing role of Treasury financing, of basic philosophy and theory of the public at that time, and of the Federal Reserve officials. It would also include a detailed analysis of the process of decision-making and of the theories and objectives, explicit or implicit, of those who engage in the process.

5. The search for appropriate peacetime organizations and policies - 1921 to 1929

This period will have a number of themes and subthemes which are sometimes woven together and sometimes not. Among the major problems were the following:

- a. The struggle toward a basic philosophy of central banking: the conflict between the old commercial loan theory which would have prescribed a passive approach and the theory of positive control which would often require actions directly in conflict with those appropriate to the commercial loan theory.
- b. Changes in the methods of business financing and their impact upon the character of commercial-bank earning assets and upon the volume of brokers' loans. The need for secondary reserve assets as a factor in the growth of loans from non-banking lenders to the market.
- c. The role of gold in the System: the continued allegiance to the international gold standard as an ultimate ideal, coupled with actions that were, at least in the short run, in direct violation of the rules of the gold standard game but sometimes with the intent to reestablish the gold standard internationally.
- d. The frequent conflict of more immediate guides or objectives: the objective of reestablishing an international gold standard and of promoting recovery abroad, the accommodation of commerce, industry and agriculture at reasonable interest rates, a positive policy of stabilizing business conditions, price stabilization, the development of New York as an international financial center, the control of speculation on the stock exchanges.
- e. The evolution of instruments of Federal Reserve policy: changes in both the techniques and relative importance of instruments such as the discount rate, moral suasion of various types, open market operations, international stabilization credits, development of the "factor analysis" of the money market - member bank reserves and related items. This investigation will necessarily involve the procedures for arriving at decisions and the location of control.
- f. The process of decision-making and the location of control: this analysis will highlight the fact that the original theory of the Act - that there would be at least the possibility of separate credit policies for the various regions - came under closer scrutiny and was accompanied by many conflicts between the principles of centralized control and of regional autonomy. This involved not only the division of decision-making and control between the Federal Reserve Board and the regional Banks, but also the question as to whether and to what extent a centralized control should be exercised by the Federal Reserve Board or by centralized associations formed by the regional Banks. The weakening of the influence of the Federal Reserve Bank of New York and the increase of the influence of the Federal Reserve Board following the death of Strong.

6. Federal Reserve actions in a period of deflation and breakdown - 1929 to 1933

In analyzing this period the following important things should be stressed and interrelated:

- a. The prevailing philosophy of the public at large, the Government, and Federal Reserve officials as to the responsibility of the central bank and of the Government in dealing with conditions in such a period.
- b. "Sound money" beliefs carried over from pre-1914 days that "currency manipulation" should not be used in an attempt to bring about revival, overlooking the fact that a currency must necessarily be managed with respect to some criteria of stability when it is no longer managed with respect to the gold reserve.
- c. Lack of grasp of America's place in the world financial structure. Belief that the United States must adjust to world monetary conditions and could do little to determine them.
- d. The persistence of the belief that the United States could take no positive action to halt deflation even after the international gold standard had ceased to exist and most countries of the world had adopted national currency policies. International developments such as the cessation of foreign loans, international financial panics, breakdown of gold standards, wide changes in exchange rates, etc.
- e. Business cycle indoctrination which stressed the idea that the forces of depression were fundamentally nonmonetary and that monetary measures could play little part in bringing about recovery.
- f. On the other hand, there was a latent tradition, sometimes referred to as Bryanism, that monetary action was vital in restoring prosperity. But the monetary procedure contemplated was not primarily central banking procedure.
- g. The tradition of business cycle theory that depression was healing and beneficent and not degenerative and leading to crack-up. This tradition regarded deliberate monetary expansion to shorten the "recuperative" period as harmful.
- h. But with the deepening of the depression, the growing popularity of the belief that there were inherent forces in a capitalistic society making for stagnation and blocking the technical possibilities for much higher living standards. This point of view looked toward fundamental changes in the rules in the economic organization for the most part rather than monetary procedures.
- i. The decline in availability of bankable assets as the depression deepened, indicating the vulnerability to contraction of a monetary system that issues money against debts. The vicious circle of monetary contraction and the decline in the safety of debts

and the willingness to go into debt except by distress borrowers, proneness of American banking structure to failure, role of restrictive legislation, such as the collateral requirements behind Federal Reserve notes and restrictions of eligibility of paper for discount. The resulting lack of responsiveness of the economy to central banking measures for expansion.

- j. The diminishing tolerance of the economy for severe liquidation.
7. Federal Reserve policy from the banking crisis of 1933 to our entry into World War II - 1933 to 1941

The treatment of this period should trace the disillusion of the public and the despair that existing thinking and institutions could provide an adequate solution. It would combine a discussion of actual Federal Reserve policies with a description and analysis of the very important changes in the legislation relating to the Federal Reserve System. It would try to trace out all the lines of development that culminated in actual or proposed changes in the basic law and in the actual structure and operation of the System.

Early Recovery Period

- a. Belief that monetary measures must be mainly outside central banking procedures. (Preparation for the issue of script an extreme instance of blindness to central banking possibilities.) Due partly to lack of understanding of central banking; partly to the loss of prestige of the Federal Reserve during the crisis; and to the historical traditions regarding money of leading groups sponsoring monetary expansion. (For instance, looking back to bimetallism and to greenbacks in the Thomas Amendment.) Establishment of new institutions and procedures, such as deposit insurance, R.F.C., and so on.
- b. The loss of confidence in business leaders which came with the collapse resulted in greater receptiveness to reform legislation. The popular attitude that greed and dishonesty were in great part responsible for the collapse emphasized the necessity of "driving the money changers from the temples" and diverted attention from the monetary aspects of the collapse.
- c. Closely related was the idea that the failure to curb speculation by denying credit to speculators specifically was an important cause of the collapse. This belief led not only to reform legislation, but to the search for selective monetary controls; and it made central banking policy very sensitive to a rise of stock prices down to the present day.
- d. The continued misunderstanding of the place of the United States in the world financial structure was evidenced by some attempt at competitive devaluation. The problem of providing dollars was complicated by the protectionism of strong pressure groups.

Later Recovery Period

- a. Abandonment by the Administration of monetary action as an important means of increasing general demand, and greater emphasis upon fiscal policy, increase of farm income, and upon raising wages and other labor income by nonmonetary means.
- b. Foreign totalitarian influences on methods of maintaining prosperity. In such ideology central banks were mere agents through which governments exercised naked power. Liquidity as such was not viewed as an important means of regulating money outlay. The central core of their mechanism was power itself.
- c. Drop in interest rates to low level as the result of historical accident rather than deliberate action. The drop in long-term rates welcomed by the Federal Reserve. But the large excess reserves, which were mainly responsible for the drop, regarded as a potential danger of inflation. This fear of inflation in the midst of semidepression characterized the attitude of the Federal Reserve until Pearl Harbor.
- d. The shift in influence over monetary policy toward the Treasury. In part this was due to the new powers of the Treasury over reserves directly, but mainly it was due to the influence acquired by the Administration during the crisis and to the loss of prestige by the Federal Reserve during the depression and crisis.
- e. The policy of maintaining "orderly markets" in government securities materialized during the restriction of 1937. Though this did not imply pegging of rates, it marked a definite change from the ideas of the twenties, when short rates were supposed to be varied with respect to business conditions. After 1937 the Federal Reserve realized they would allow rates to drift within wide limits and would intervene only to prevent sudden changes. The Federal Reserve seemed by many to have become merely a check collection agency. This policy of drift was partly the consequence of the unfortunate events following the experiment in tightening in 1936-37.
- f. Pegging the Market: The policy of maintaining "orderly markets", though not at all contemplating the pegging of rates, prepared the way psychologically and developed a procedure for pegging. (The market became accustomed to the Federal Reserve's interventions for the purpose of affecting security prices as such.) The Treasury had decided on pegging many months before Pearl Harbor. The Federal Reserve did not object to the 2-1/2 per cent ceiling on the long-term rate, but objected to the rigidity of the pattern. The Federal Reserve Bank of New York would have preferred a higher long-term rate, but did not advocate raising the ceiling in the situation existing when the rate was pegged.

8. Federal Reserve policy during World War II - 1941 to 1945

- a. A thorough description and analysis of the role of the Federal Reserve in World War II finance should stress the contrast with World War I. The contrast should include differences in basic

philosophies as to the function of the Federal Reserve, differing techniques of supplying necessary money, differing philosophies as to the proper behavior of interest rates, differing reliances on monetary policy, fiscal policy, and direct controls, and differing estimates as to the nature of the problems which would have to be faced after the culmination of war.

- b. Some important changes arising out of this period: the tremendous increase in the national debt, the practice of pegging the price of Government securities, the shift of policy-making to the Treasury, the proof that a central bank can control interest rates, changes in the law to facilitate Treasury financing.
 - c. The Federal Reserve position was that credit expansion was inevitable during the War and that it was inflationary, but that raising rates would do little to prevent the expansion.
9. The search for appropriate peacetime organizations and policies - 1945 to 1954

This should include a contrast between the search which grew out of depression and the search which grew out of inflation. Very important background materials for a consideration of this period would include the continued fear of depression in the midst of inflation, the general demand that all the powers of Government be employed to prevent the recurrence of serious depression, the emerging popularity of fiscal policy as an instrument of economic stabilization, the widespread disillusionment as to the power of monetary policy to deal with unemployment and inflation, the greater tolerance of the public for direct controls as a means of obtaining objectives and its equal willingness to see their abolition at the earliest possible moment, a search for extension of powers to reconcile expanding money supply with control of inflation, support of the securities market with control of inflation, development of the concepts of rigidly controlled markets, free markets, and flexibly controlled markets.

Karl R. Bopp
Lester V. Chandler
Elmer Wood

January 14, 1955

COMMITTEE ON THE HISTORY OF THE FEDERAL RESERVE SYSTEM

January 21, 1955

TO: Messrs. Allan Sproul, Chairman
W. Randolph Burgess
Robert D. Calkins
F. Cyril James
William McC. Martin, Jr.
Walter W. Stewart
Joseph H. Willits
Donald B. Woodward, Secretary

also Wuyford Riegler

You will remember that after the meeting of Sunday, November 21, 1954 with the Committee, the three consultants (Dr. Bopp, Dr. Chandler, Dr. Wood) met on Monday, November 22 to discuss questions raised and suggestions made during the Sunday conference. At that time, they drafted a memorandum outline which, when revised after study, was to be presented to the Committee for discussion at the meeting on January 29th.

The original aim was a preliminary document which would serve both as a definition of what the Committee means by a comprehensive history of the Federal Reserve System and an outline for its writing. The enclosed memorandum-outline is presented as a rough attempt to serve those ends.

Were this intended as a finished product, the consultants might have cast what, in some sections, seem to be conclusions into the form of questions to be explored. They do not wish to impose their ideas on the ultimate historian, but they do feel that a basic focus of the comprehensive history should be the development of ideas. Within their limits of time and space, the best they could do was to illustrate what they had in mind. The historian at work may find that ideas actually developed very differently from the way in which that development is here suggested.

The outline as presented is designed to provoke, not to end, discussion. The consultants hope that the Committee will so accept it, and proceed accordingly.

Mildred Adams
Research Director

COMMITTEE ON THE HISTORY OF THE FEDERAL RESERVE SYSTEM

January 7, 1955

Messrs. Allan Sproul
W. Randolph Burgess
Robert D. Calkins
F. Cyril James
William McC. Martin, Jr.
Walter W. Stewart
Joseph H. Willits
Donald B. Woodward

Gentlemen:

This is to serve as a reminder that the Committee's second meeting with its three consultants, Messrs. Bopp, Chandler, and Wood, previously scheduled for January 8th, will take place at the Princeton Inn, Princeton, New Jersey on Saturday, the 29th of January at 10:00 a.m. Most of the Committee have signified their intention to be present.

Arrangements will be similar to those at the November meeting. The three consultants will meet at the Inn for a preliminary dinner conference on Friday evening. The Saturday conference, convening at 10:00 a.m. and running through the day, including luncheon, will cover not only presentation and discussion of the report of the consultants, but also a separate meeting of the Committee to consider the report of the Executive Committee on the choice of an historian.

Committee members preferring to spend Friday night before the meeting at the Inn are asked to communicate with Miss Adams who will be glad to make the necessary arrangements.

As at the November meeting, the Committee will charge itself with all costs, including transportation, lodging when requested, meals, etc. Bills at the Princeton Inn will be rendered direct to Miss Adams, and a statement of your transportation costs should go to her for the appropriate refund.

Yours until the 29th,

Donald B. Woodward

COMMITTEE ON THE HISTORY OF THE FEDERAL RESERVE SYSTEM

January 5, 1955

TO: Messrs. Allan Sproul, Chairman
W. Randolph Burgess
Robert D. Calkins
Donald B. Woodward, Secretary

Gentlemen:

The four lists representing the choices of Executive Committee members among possible writers of The History are all in. Together they contain twenty-two names, of which nine received two or more votes, six received three or more votes; only Lester Chandler appeared on every list, and he ranked on every list as first choice.

The composite list of twenty-two names is appended. Stars indicate those which received two, three or four votes, and a second list ranks these in order of the rating accorded them by composite choice.

I take it from what was said at the Washington meeting that the names to be presented to the full Committee will be those on the second list. We will bring biographic and career data on them; if Committee members wish other information, we will try to get it.

Very sincerely yours,

Mildred Adams

Enclosed 2

COMMITTEE ON THE HISTORY OF THE FEDERAL RESERVE SYSTEM

POSSIBLE ECONOMIST-HISTORIANS

Approved by Executive Committee

Lester V. Chandler*

Thomas C. Cochran

John A. Davidson

Haile Despres

James S. Duesenberry

Howard S. Ellis*

William J. Fallner

Frank W. Fetter*

Lewis Galantieri - Woodlief Thomas

Earl J. Hamilton*

Neil Jacoby*

E. A. J. Johnson*

D. W. Lasher

John V. Lintner*

J. J. O'Leary

Paul W. McGracken*

Raymond J. Saulnier*

Richard B. Sayers

Edward S. Shaw

Arthur Smithies

Leonard L. Watkins

J. Brooks Willis

COMMITTEE ON THE HISTORY OF THE FEDERAL RESERVE SYSTEM

MINUTES OF COMMITTEE MEETING ON SUNDAY, NOVEMBER 21, 1954

CONFERENCE WITH THREE EXPERTS

December 2, 1954

TO: Messrs. Allen Sproul, Chairman
W. Randolph Burgess
Robert D. Calkins
F. Cyril James
William McC. Martin, Jr.
Walter W. Stewart
Joseph H. Willits
Donald B. Woodward, Secretary

The Committee met at 10:00 a.m. in the Conference Room of the Princeton Inn at Princeton, New Jersey. Members present were Chairman Sproul, Messrs. Burgess, James, Reifler (for Mr. Martin), Stewart, and Woodward. Dr. Calkins was ill; Dr. Joseph Willits, newly elected, appeared for lunch and part of the afternoon session. Messrs. Karl Bopp, Lester Chandler and Elmer Wood were there as experts; Miss Adams in her capacity as research director.

Consultants

Purpose

The meeting was called to consider the conclusions reached in the course of a day-long conference held by Messrs. Bopp, Chandler and Wood on Saturday, November 20th, at the Committee's request, in their "group move to give clearer definition to the job of preparing the history (of the Federal Reserve System) and outlining its scope and dimensions."

Mr. Sproul presented the agenda, calling attention to Progress Report No. 7 and the report on the completion of the Kingsid project which were laid before the members, but without asking discussion. He then introduced Dr. Karl Bopp, as head of the group of advisers, and asked him to present the substance of the previous day's discussion.

Discussion

Dr. Bopp, speaking for the Committee's three advisers, presented for committee discussion a tentative design of the entire project which would include (A) a comprehensive history in three or four volumes, (B) the publication of source material, including an annotated bibliography and at least one volume of selected unpublished documents, (C) a history for the general reader, and (D) a series of monographs which would constitute research in-depth into certain aspects of the history which could not be sufficiently developed in the comprehensive history.

On the basis of that recommendation, Dr. Bopp then discussed alternative approaches to the comprehensive history (if topical, how to integrate? if chronological, which time periods?); the desired extent of coverage;

and the question of organization - given the mass of material which has been uncovered, could the comprehensive history be written by one person working with assistants, or was the documentation so extensive (and in the main undigested) that several writers would be needed.

The presentation was interspersed and followed by extensive discussion, during which the Committee developed trends in its own thinking. No formal resolutions were presented nor ~~discussions~~ taken, but a consensus ~~of opinion~~ among Committee members seemed to develop on the following points:

- votes
- (1) that the Committee preferred as a goal a work which would not fall in the category of an official history;
 - (2) that, so far as organization of the writing was concerned, the Committee would prefer to designate one man full-time who would be working with research assistants on the comprehensive history, and another group of men, each working for a year or two as needed on the various monographs, this group to be associated with the writer of the comprehensive history in the general project;
 - (3) that the outline of the monographs as presented by Dr. Bopp's group be re-shaped into two groups, one concerned with various aspects of the broad stream of the comprehensive history (economic, constitutional, international, a study of personalities, a general study which should include the changing climate and pressures under which the System functions), and the other to consist of what might be called peripheral monographs having to do with such things as relations of System and Treasury, System and commercial banks, and so on;
 - (4) that, of the two ways to "squeeze what is relevant" out of historical data, the Committee proposes to use both - a chronological approach geared carefully to time, and a problem approach which demands exploration of topic and problems through time;
 - (5) that if the choice had to be made between an economist unfamiliar with historical methods or an historian unlearned in economic and monetary affairs, the die would probably be cast for the first;
 - (6) that the aim be to complete the comprehensive history in the 5 year period for which funds are provided, but with a fair prospect that further help and a longer space of time can be had if needed.

The entire discussion was taken down by a stenotype operator and will serve to guide the three experts in the next stage of their task.

The problem of naming men to writing posts in the project was mostly postponed until the Executive Committee had an opportunity to review suggestions, but several names were mentioned, including Thomas Cochran, Shepard Clough, Norman Gras, McGeorge Bundy, Brooke Willis, Frank W. Fetter, Lewis Galantieri and Woodlief Thomas as a team, and Dr. Earl Hamilton as an historian working in the field of finance. It was requested that Committee members survey current periodical writings and on that basis, send in names to be considered - these names to be circularized for comment before the next meeting of the Executive Committee.

After deciding that a second conference with the three experts should be scheduled at Princeton for Saturday, January 8th (the experts to meet Thursday, January 6th and Sunday, January 9th), the meeting adjourned at 3:40 p.m.

Donald Woodward
Secretary

(Remarks at close of morning session, Sunday, November 21, 1954)

DR. WOOD: I am slightly hazy as to just how the thing has crystallized.

DR. SPROUL: I'll try to summarize it, and everyone else may have a somewhat different view.

It seems to me that so far as it has crystallized, it has crystallized first around the idea that Dr. James and Win Riefler have suggested, that there would be one man full-time who would be working on the comprehensive history with assistants, research people, working for him, and with another group of part-time, one or two-year men, who would be working on various monographs and associated with him in the whole general project. That so far as the outline here is concerned, instead of having C, a history for the general reader, and D, monographs, we would have two groups, however we list them, one of which would be in the broad stream of the comprehensive history that has been mentioned here: economic study, constitutional study, international study, personality study, and a general study, which would include the climate, the pressures which have been mentioned; and then there would be, second, the subsidiary, the peripheral monographs on these other aspects of Federal Reserve operation and relations with the Treasury and with the banking system which have been listed, in addition to others that might be suggested.

Going down to 4, that, so far as we have gone, suggests a single writer for the work on the comprehensive history and several writers for both the broad stream books and the tributary stream monographs.

DR. BOPP: And that on the monographs, several -- probably particularly those dealing with the broad stream -- would involve the full

time of a person for a year or two. Others, technical monographs, could be done part time.

MR. RIEFLER: Could we put it this way, that there are two ways of trying to squeeze what is relevant out of historical data. One is a very careful approach geared primarily to time, the chronological approach. The other is the problem approach, which tries to take a problem from a topic and explore it. And we plan to use both on an equal basis.

DR. JAMES: There is the other point, that if the monographs are well done within the first two or three years, they are going to be invaluable to whomever is writing the comprehensive history, because he will know where he wants to ask questions and what original documents he wants to examine.

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COMMITTEE ON THE HISTORY OF THE FEDERAL RESERVE SYSTEM

Conference with Three Experts

Princeton Inn
Sunday, November 21, 1954

Agenda

- 10:00 a.m. Meeting convenes, Mr. Sproul, Chairman
Progress report (at hand - needs mention only)
Report on Kincaid project (at hand - needs mention only)
Introduction of Dr. Bopp and his two colleagues
Meeting to be turned over to Dr. Bopp as Chairman pro tem.
- 12:15 p.m. Adjourn for lunch
- 2:00 p.m. Reconvene for afternoon session
- 4:30 p.m. Summary statement from the Committee Chairman
Choice of date for 2nd conference some six weeks hence -
Saturday, January 8th, and Monday, January 10th, for working group?
Sunday, January 9th, for Committee and group?
- 5:00 p.m. Adjournment

APPENDIX

Outline formulated by Drs. Bopp, Chandler and Wood in all-day meeting at Princeton, November 20, 1954 and presented as the basis for Committee discussion on November 21st (see page 6 of text).

I. GENERAL DESIGN

- A. Comprehensive history
- B. Source material
 - 1. Annotated bibliography
 - 2. Selected unpublished documents
- C. History for the general reader
- D. Monographs
 - 1. Bank Supervision
 - 2. Check Clearing and Collection
 - 3. Fiscal Agency
 - 4. Research and Intelligence
 - 5. Constitutional History
 - 6. Personnel
 - 7. Role in International Finance
 - 8. Benjamin Strong Biography
 - 9. Other?

II. ALTERNATIVE APPROACHES OF THE COMPREHENSIVE HISTORY

- A. Topical
 - How integrate?
- B. Chronological
 - What time periods?

III. COVERAGE

- A. What aspects should be covered in all periods?
- B. What aspects are limited as to time?

IV. ALTERNATIVE ORGANIZATIONS FOR COMPREHENSIVE HISTORY

- A. Single writer
- B. Several writers
 - how achieve integration, continuity, and consistency of approach?

October 29, 1954

Messrs. Allan Sproul
W. Randolph Burgess
Robert D. Calkins
F. Cyril James
William McC. Martin, Jr.
Walter W. Stewart

In our recent wire telling you that Sunday, November 21st, proved to be the most generally possible date for the meeting with Dr. Bopp and his confreres Dr. Chandler and Dr. Wood, we promised that details would follow. This is the plan:

Date - Sunday, November 21, 1954.

Time - 10 A.M. to 5 P.M. including luncheon.

Place - Princeton Inn, Princeton, New Jersey. (Committee members preferring to arrive Saturday night and/or stay through Sunday night are invited to do so at Committee expense. A small number of single rooms with bath has been reserved and will be held for us until November 13th; if you would like one of these, or any other type of accommodation, Miss Adams will be glad to take care of it on word from you.)

Participants - We have had word that most of the Committee expect to attend and will take part in the conference with Messrs. Bopp, Chandler and Wood.

Conference arrangements - The meeting itself will be held in a private conference room at the Inn. Dr. Bopp expects to have for Committee members a rough resume of points which arose in the 3-man discussion the day before - this to serve as a springboard for questions, answers, opinions. Because he is very eager that no bit of the Committee's counsel shall be lost, he has asked us to have a stenotypist on hand to record the discussion. This technique obviates

the taking of notes with the accompanying dangers of misunderstanding. The stenotype record is solely for the guidance of Dr. Bopp and his group and its use will be limited to that purpose. It should not limit discussion in the slightest.

Costs - Believing this conference to be a vital step in our plans, the Committee will charge itself with all costs, including transportation, lodging when requested, meals, etc. Bills at the Princeton Inn will be rendered direct to Miss Adams. If you will hand Miss Adams a statement of your transportation costs, she will see that they are refunded to you.

Yours with high hopes for the 21st,

Donald B. Woodward

October 21, 1954

Messrs. Allan Sproul
W. Randolph Burgess
Robert D. Calkins
F. Cyril James
William McC. Martin, Jr.
Walter W. Stewart
Donald B. Woodward

Gentlemen:

You will be glad to hear that Dr. Karl Bopp reports success in getting Professors Lester Chandler and Elmer Wood to join him in a group move to give clearer definition to the job of preparing the history and outlining its scope and dimensions. (See recent Executive Committee report.) He now needs to know what date would be convenient for the full Committee to meet with him and his colleagues for a day-long discussion of this most important matter.

The plan of work which was sketched in a conference with Dr. Bopp includes two week-end conferences, to be held a month or six weeks apart. For the first of these, Dr. Bopp suggests a three-day meeting at Princeton (probably in the Princeton Inn) of which the first day would be devoted to preliminary discussions within his three-man group, the second would invite all Committee members for a general discussion and airing of all ideas, the third would again be a working session of the three-man group.

Depending on the preference of Committee members, Dr. Bopp and his group suggest meeting either Saturday, Sunday and Monday, or Sunday, Monday and Tuesday. Of these days, only the middle one would concern the Committee; the first decision is whether Committee members would prefer to devote a Sunday or a Monday to this vital meeting. The second decision needed is the date; the week-ends suggested are the second or the third in November (13th, 14th, 15th, 16th or 20th, 21st, 22nd, 23rd).

Further details of these meetings will be cleared later. The day and the date are the first things to be decided. May we know your preference on both of these?

The time is so short that I am asking my assistant, Mrs. Singer, to phone your secretary on Monday morning in order to get your choices in this matter.

Very sincerely yours,

c.c. - Dr. Karl Bopp

Mildred Adams

Minutes of the Meeting of the
Committee on the History of the Federal Reserve System

May 11, 1954

The meeting opened at 1 P.M. in a private dining room at the Brookings Institution under the chairmanship of Mr. Allan Sproul. Members present were Messrs. Sproul, Burgess, Calkins, Riefler representing Mr. Martin, Stewart and Woodward. Absent, Mr. Martin. Miss Adams, research director, also attended.

Mr. Calkins reported that the Rockefeller Foundation had extended until September 30th the time period during which the \$10,000 fund allowed for the pilot project could be used. Brookings thereupon extended the joint appointment of Miss Adams to their staff to the end of June; subsequent plans will be made by them before that date arrives.

At the Chairman's request, the Secretary presented an agenda containing four items. These in the order presented, and with the action taken on them, follow:

1. "Clarifying the relationship which is to exist between Brookings and the Committee.
Committee decision is asked on basis of a memo circulated to members by Dr. Robert Calkins. Choices presented are:
 - (a) Plan I - Committee to assume direct responsibility for project and expenditure of grant, with Brookings acting only as fiscal agent.
 - (b) Plan II - Committee and Brookings to assume joint responsibility for project and expenditures.
 - (c) Plan III - Brookings to assume responsibility for project and the administration of funds in agreement with the Committee; latter taking on advisory capacity only."

After a statement of the Committee's wish that Brookings continue in the close relationship which prevailed under the pilot study and was assumed in the proposal for a further grant, discussion followed on the degree

of responsibility which the Committee should, could and/or would like to assume. The process by which Brookings customarily supervises and approves manuscripts was explained, and so also was the analogous procedure of the CED. It was assumed that the Committee would face similar problems, particularly in regard to the history and to the work of scholars accepting subventions.

The discussion of various possible degrees of Committee responsibility revealed a trend of thinking in favor of a revised Committee organization whereby the entire Committee (with some additions as considered under point 3) would act mostly in an advisory capacity and on policy matters, while a smaller segment would be designated as the Executive Committee.

It was decided that given the degree of responsibility assumed by the Committee when it asked the Rockefeller Foundation for the major grant, Plan II with some modifications best sets forth the Committee's desired relationship with the Brookings Institution in the handling of that grant. It was suggested that modifications in detail be in the direction of flexibility, ad hoc decisions on individual projects, a clearer drawing of lines of responsibility as between Brookings and the Committee in the making of contracts with authors and the supervision of their fulfillment. Mr. Woodward, representing the Committee, was asked to work out with Mr. Calkins for Brookings further details of Plan II and to circulate a second draft for Committee approval.

2. "Finding a major staff man (or woman) to act as administrative assistant to Miss Adams, and later as project director. (Explanatory memo had been circulated by the Secretary in advance of the meeting.)
Committee preference is asked as to type to be sought; suggestions are needed as to names within those types:
 - (a) Retired expert who would like to be drafted back.
 - (b) Active person of proven ability who can be attracted from bank or college by value of experience for future post.
 - (c) Young and promising person with proper academic background and a few years experience in banking, teaching and journalism."

After some discussion as to whether the desired administrative assistant should or should not be the person expected to write the definitive history, it was agreed that it would be difficult to find both skills in one person and that what was needed was an assistant who could become project executive under Mr. Burgess. The desired staff was then named as to include Mr. Burgess (to be eventually in charge), Mr. George Roberts (to write the history or in whatever capacity he chose), Miss Adams (to continue as is for perhaps a year), an understudy of such caliber that he or she could, after training, eventually take Miss Adams' place. Mr. Burgess was empowered to explore the availability of Mr. Roberts; Miss Adams was empowered to explore possible understudy choices, on the basis of suggestions made by Committee members, and to report.

3. "Assuring breadth of viewpoint on major subjects of inquiry. (A Secretary's memo on this point was circulated in advance of the meeting.) Committee preference is asked on two proposed methods:
 - (a) Asking individual statements on puzzling problems.
 - (b) Arranging an ad hoc conference in October with fifteen or twenty persons expert in banking, history and political science. Suggestions are asked as to time, place, consultants to be invited."

The Committee approved the desire for breadth of viewpoint, but showed no interest in either (a) or (b) as presented in the Secretary's memo. They were agreed that the Committee would benefit by a widened range of interests which went outside Federal Reserve experience, and that the addition of perhaps three members chosen preferably from among historians and economists would be desirable. Dr. John Williams, Dr. Jacob Viner, Mr. Cyril James, Mr. William Myers were suggested. It was decided that a list of individuals proposed be circularized so as to determine Committee preferences.

4. "Possible projects - Dr. Kinkaid and Lester Chandler. (See Secretary's memo.)

Provisional approval is asked on the following:

- (a) Proposal of Dr. Elbert Kinkaid to spend the summer classifying and indexing the Carter Glass papers with the aid of a graduate student whom he will train; name of student and proposed cost to follow.
- (b) Proposal of Dr. Lester Chandler to embark in February 1955 on a study of "Ben Strong, Central Banker". Time and cost budgets to follow."

Provisional approval was given both the Kinkaid and the Chandler project, but more facts would be needed before formal commitment could be made on either. The Kinkaid project is seen as a summer's work of arrangement and inventory by a graduate student under the supervision and with the advice of Dr. Kinkaid. The Chandler project was explained as including a possible subvention of \$12,000 to \$15,000 plus typing costs and publishing aid; it would begin in February 1955 and continue for at least a year. Opinion was general that this latter project should take the form of a major study. The Research Director was asked to get more detail on both projects for Committee consideration after May 20th.

There being no further business the meeting was adjourned at 2:20 P.M.

Donald Woodward
Secretary

COMMITTEE ON THE HISTORY OF THE FEDERAL RESERVE SYSTEM

Notes of a Committee Meeting in Washington
April 7, 1954

The meeting was convened in the office of Mr. Burgess at the Treasury and chaired by him. Those present in addition to Mr. Burgess were Dr. Calkins, Mr. Riefler appearing for Mr. Martin, Dr. Stewart, Mr. Woodward. Miss Mildred Adams also attended in her capacity as Research Director. Mr. Sproul was unable to attend.

The meeting was called primarily to consider and comment upon a draft of the Report of the Pilot Project, and Proposal for the larger history project, which are to be presented to the Rockefeller Foundation on April 18th. Hitherto, reports on what was happening under the pilot project have gone to the Committee in the form of progress reports. Almost three months have elapsed since the office first opened, and a great deal of work has been done, but this is the first time that all the men on the Committee have met together. Previously, smaller groups met on specific topics of discussion.

Mr. Woodward presented the draft Report and Proposal. He described the proposed study as that of an institution which men invented and men operate, but which, like all man-made institutions of stature, takes on values and imperatives of its own. The study therefore becomes in part a probing into those values and imperatives and the policies they dictate.

The following important points were made:

First, some doubt was expressed that Mr. Sproul and Mr. Martin would want to stay on the Committee in the history writing stage, if they found themselves put in the position of having at the same time to rule on the use of hitherto confidential material.

Second, when Mr. Martin accepted membership on the Committee, a condition of his participation was the acceptance of a cut-off date of 1935, after

which no history would be written. If the Committee does not accept this cut-off date, he (or Mr. Riefler for him) must go back to the Board to ask further consideration of their decision in this matter.

Third, it was stated that the Brookings Institution would present the proposal to the Rockefeller Foundation in its name, rather than have it go in as a Committee proposal. The reasoning was that Mr. Sproul and Mr. Martin could not very well ask for Rockefeller money to study the System. They had not come on the Committee until after the pilot grant had been made, and it was assumed that, by the same token, they would prefer not to be making the request for the main grant. It was stated that Committee participation in the longer project would be similar to the way things had gone in the pilot project.

Fourth, after lengthy discussion of the draft report and proposal, an expression of general approval was given, with the understanding that notice would be taken of comments and criticisms made in the course of the discussion.

No formal minutes of this meeting were kept by the Chairman. The above record is taken from notes made by the Research Director and included in the Minute Book as an important early statement of policy and opinion.

Mildred Adams