

COMMITTEE ON THE HISTORY OF THE FEDERAL RESERVE SYSTEM

Minutes

Executive Committee Meeting
New York, December 19, 1955

Distributed
December 23, 1955

TO: Messrs. Allan Sproul, Chairman
W. Randolph Burgess
Robert D. Calkins

The meeting was called for 1 p.m. in the Directors' Dining Room of the Federal Reserve Bank of New York. Chairman Sproul, Messrs. Calkins and Woodward were present, and Miss Adams as Executive Director. Mr. Burgess, unavoidably detained, was represented by a written expression of preference on certain items previously announced for discussion.

Minutes of the previous meeting of the Executive Committee (on November 25, 1955) for the open session were accepted as distributed. Minutes for the executive session were accepted with one correction, noted in the Minute Book.

Old Business

The purpose of the meeting was declared by the Chairman to be the completion of a program of action to be submitted to the full Committee at a meeting to be called in January. Toward that end, the Committee continued discussion of the revised program formulated tentatively in executive session on November 25th. On the basis of a memorandum then requested (prepared by Dr. Calkins and Miss Adams), the Committee agreed on these points of the proposed program:

I. Publications Program

- (1) That there should be a single volume sequential history of the Federal Reserve System. This would be factual, to be based on the assumption that as the System has continued to be an evolving mechanism its history is the story of its growth and change, to contain a minimum of interpretation, and to be designed for classroom use or as supplementary reading.
- (2) That a volume, or two, of selected readings on the Federal Reserve System should be prepared in connection with the history, this volume to consist in the main of published materials, key documents, statements in hearings or speeches, coming at key points in the growth of the System. Particular attention is to be paid to material commonly difficult of access but important to students.

- (3) That a group of monograph volumes be prepared, in general along the lines of the memorandum prepared by Dr. Calkins and Miss Adams but with their volumes III and IV as the core of this sector, and possibly omitting their volumes V and VI. These monographs, going deeper into episodes, periods, functions, etc. than is possible in the history would admit of interpretation and discussion of controversial points lacking in the factual history.
- (4) That a volume of unpublished material be considered, to be based on important items in the various collections found in the course of this project, to be prefaced by a description of the search for documents, and to include a list of the relevant collections uncovered.

Authors

It was agreed that the Selective Inventory of Carter Glass Papers not be published, but that Miss Burnett be asked to prepare a simple index for the Inventory in its mimeographed form. The mimeographed volumes in binders would then be distributed to interested libraries.

Concerning possible authors of the one-volume history suggested at the executive session, it was reported that neither Harold Roelse nor Ralph Young would be available. It was agreed that, as Dr. Howard Ellis seemed to combine the qualities of scholarship, experience and probable availability, he be consulted as to his willingness to undertake the history or a monograph. Dr. Calkins agreed to undertake this at the mid-year economic meetings. It was decided to present no formal discussion of the work of this Committee at those meetings, but to use them informally as occasion arose.

Respecting monograph authors, two courses were suggested: one, that of sending a list of monographs (when agreed upon) to the heads of economics departments in large universities and asking what scholars might be interested; the other, the development of candidates for monograph writing through the proposed seminar at Brookings.

II. Seminar Program

Dr. Calkins announced that Mr. Woodward had consented to lead the proposed conference and seminars at Brookings if this program is accepted. The plan, still tentative, calls for joint sponsorship by this Committee and Brookings of one meeting in the spring of 1956 to serve the purpose of the conference of experts described in the Progress and Plans report, and a series of seven or eight for carefully selected men and women to run once a month from perhaps September on. These autumn seminars should be fertile and valuable in the matter of exploring possible monograph subjects. Dr. Calkins stated that foundation help would be needed to pay traveling expenses of participants, and suggested that appeal might profitably be made to the Merrill Foundation.

Mr. Woodward and Miss Adams were requested to prepare a detailed statement on seminar plans to be submitted to the full Committee in advance of the January meeting.

It was agreed that a Saturday meeting of the full Committee be called for January 14th or January 21st, preferably in Princeton. The importance of selecting a date which would attract full attendance was stressed.

It was agreed that the Executive Committee would recommend to the full Committee the proposal that the Columbia University Library be placed in a position to collect, organize and put into useable condition all desirable collections of papers not clearly destined for another institution, and that a plan of action be devised whereby the Committee and the Columbia Library jointly seek a grant of the necessary \$36,000 from a foundation, talking first to the Rockefeller Foundation.

Housekeeping Details

Miss Adams agreed to continue operation of the office on the present basis until after action on future plans had been taken by the whole Committee.

In view of the fact that Miss Burstein is now the only full-time office assistant, it was agreed that her salary be raised from \$69.23 per week to \$75.00.

Dr. Galkins will send the Rockefeller Foundation a budget for 1955-56 based on present commitments but with a contingency fund large enough to cover those which await action by the full Committee.

Respectfully submitted,

Donald B. Woodward
Secretary

LM
To take to the Committee meeting at Princeton
Jan 28 - a Feb 4 - a cover held.

COMMITTEE ON THE HISTORY OF THE FEDERAL RESERVE SYSTEM
33 LIBERTY STREET, NEW YORK 45, NEW YORK
TELEPHONE: RECTOR 2-5700, EXTENSION 286

ALLAN SPROUL, *Chairman*
W. RANDOLPH BURGESS
ROBERT D. CALKINS
F. CYRIL JAMES
WILLIAM MCC. MARTIN, JR.
WALTER W. STEWART
JOSEPH H. WILLIAMS
DONALD B. WOODWARD, *Secretary*
MILDRED ADAMS, *Executive Director*

With cooperation of
THE BROOKINGS INSTITUTION
722 JACKSON PLACE, N. W.
WASHINGTON 6, D. C.

December 22, 1955

Dear Don:

Dr. Calkins phoned yesterday afternoon to say that, in accord with your suggestion, he called Mr. Riefler to find out whether there was any real feeling against Dr. Howard Ellis in that quarter which might make itself felt at the January meeting.

The reply was that Ellis was a good man and would be entirely acceptable as a monograph writer. Win is not interested in the history, thinks it cannot be properly done until after the monographs are written, is very much in favor of the monograph program and thinks we should proceed with it as rapidly as possible. *I apparently all will here*

Mr. Riefler also said that Bray Hammond's history ("American Banks and Politics from the Revolution to the Civil War") had been accepted by the Princeton University Press, that we should now move quickly to commission Hammond to do a monograph on CLEARINGS AND COLLECTIONS before he starts on the second part of his history which will carry it from the Civil War to the start of the Federal Reserve System.

Whether "quickly" means before January 28th I have no way of knowing, but I thought you would be interested both in the reaction and the suggestion.

Best as ever,



Mildred Adams

Mr. Donald B. Woodward
Vick Chemical Company
122 East 42nd Street
New York 17, N. Y.

c.c.- Mr. Sproul

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Respectfully submitted,

Donald B. Woodward
Secretary

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Minutes of Executive Committee Meeting
New York, November 25, 1955

To: Messrs. Allan Sproul, Chairman
W. Randolph Burgess
Robert D. Calkins

The meeting was called for 12:45 p.m. in the Directors' Dining Room of the Federal Reserve Bank of New York. All members of the Executive Committee were present, and Miss Adams as Executive Director.

Minutes of the last meeting of the Executive Committee (on May 4, 1955) were accepted as distributed May 15th.

Old Business

Mr. Woodward and Dr. Calkins reported on two meetings of the Subcommittee on Monographs (consisting of Dr. Calkins, Dr. Stewart and Mr. Woodward, with Miss Adams present) held at Princeton on June 22nd and July 21st. Names of possible writers, and possible topics, were discussed and some exploration done. It was the reported concensus of opinion that the monograph plan would be acceptable and successful only if individual monographs as commissioned would form a whole which represented the System's history. To interest younger men in the project, suggestions were made of a seminar to be held at Brookings.

Dr. Calkins reported that Dr. Howard Ellis of the University of California would be interested in undertaking a monograph. He also suggested Alvin Marty of Northwestern and Marshall Robinson, formerly of Dartmouth but now at Brookings, might be candidates for monographs. The former has been interested in the theory of money and banking but now is turning to its history. The latter would be interested in writing on the history of World War I or World War II. Dr. Calkins proposed that monographs be gathered into a planned and orderly symposium which would be in effect a history, and

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that the Sub-Committee on Monographs gather its list of possible authors for a conference at the December meetings of economists.

Mr. Woodward suggested that Mr. Sproul, who is scheduled to speak to the American Finance Society in December, take that occasion to mention the monograph plans of this Committee.

Report was made of two meetings with officials of the Columbia University Library on June 30th and July 19th; the first attended by Mr. Sproul, Mr. Woodward and Miss Adams, the second being a smaller meeting with Dr. Logsdon, head of the Columbia libraries. Columbia officials are interested in the project of establishing there a center for the deposit of papers concerned with New York banking, but need \$35,000 with which to set up such a depository and arrange for its servicing.

Mr. Burgess suggested that Columbia University and this Committee make a joint appeal to the Merrill Foundation for the needed funds. Dr. Calkins and Mr. Woodward reported that they had discussed the matter with the Rockefeller Foundation and found them not averse to the idea of entertaining such a request. The next move is to come from this Committee.

Progress Reports

Dr. Chandler was reported to have finished a chapter or so in his biography of Benjamin Strong and to be continuing work on it.

Miss Adams reported that after visits to the 12 banks, and with the assistance of interested officers and staff members of the Federal Reserve Bank of New York, a list had been compiled of material of historical interest which the Banks would be asked to save. Recommendation had been made to the System's Sub-Committee on Destruction of Records that they add the word "retention" to their title, and a minimum list of items was circulated and

COMMITTEE ON THE HISTORY OF THE FEDERAL RESERVE SYSTEM

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approved which should be retained for historical purposes.

It was reported that the bibliography now contains some 17,000 cards. The Committee asked that further expansion be stopped, and references be limited closely to the history of the Federal Reserve System.

Paper Hunt

The papers of Mr. Frank Vanderlip were reported to have been found in a storeroom of the Vanderlip family garage at Scarborough, New York. Suggestions that the collection be moved to the library at Columbia University were welcomed by the family, and negotiations for such a move are now in the hands of Dr. Logsdon of Columbia.

The papers of Dr. Emanuel Goldenweiser are now deposited in the Library of Congress. Restrictions have been placed on certain confidential notebooks, but otherwise they are open for the use of scholars.

The papers of Mr. Howard Loeb, recently deceased member of the Federal Advisory Council for the 2nd Federal Reserve District from 1930 to 1940, await inspection in the Tradesmen's National Bank of Philadelphia. The family is reported to be probably friendly to suggestions by this Committee.

Dr. Calkins suggested, and the Committee approved, that the information concerning the whereabouts of papers which this Committee has discovered be circulated to interested institutions such as university libraries.

New Business

The receipt was announced of a "Survey of Court Decisions and Opinions of the Attorney General Affecting the Federal Reserve System" which has been made for this Committee by the Legal Division of the Federal Reserve Board; this was by the kindness of Mr. George Vest.

COMMITTEE ON THE HISTORY OF THE FEDERAL RESERVE SYSTEM

- 4 -

Housekeeping Details

The resignation of Mrs. Ellen Singer, research assistant to the executive director, was announced as of October 1, 1955. No one has been appointed to replace her. The New York Federal Reserve Bank loaned the office the services of Miss McKinstry for one month. Mr. Sproul stated that it may be possible to continue that loan.

Recommendation that Miss Irma Burstein, second to Mrs. Singer and now acting as assistant to Miss Adams, be given that post with an increase in salary was held for further action.

Expenditure and Budget Reports

These financial items were presented:

Expenditure reports, July 1, 1954 - June 30, 1955

Expenditure report for first quarter of 1955-56

Tentative budget for 1955-56, approved May 24th and presented
for revision in executive session

There being no further business, the meeting was adjourned for an executive session.

Respectfully submitted,

Donald Woodward
Secretary

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Distributed
December 14, 1955

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Recommendation that Miss Irma Burstein, second to Mrs. Singer and now acting as assistant to Miss Adams, be given that post with an increase in salary was held for further action.

Expenditure and Budget Reports

These financial items were presented:

Expenditure reports, July 1, 1954 - June 30, 1955
Expenditure report for first quarter of 1955-56
Tentative budget for 1955-56, approved May 24th and presented
for revision in executive session

There being no further business, the meeting was adjourned for an executive session.

Respectfully submitted,

Donald Woodward
Secretary

Committee on the History of the
Federal Reserve System

DATE 12/14/55

TO Mr. Donald Woodward

FROM Mildred Adams

REMARKS

These Minutes of the open session of November 25th belong with the Minutes of the executive session of that same date which you distributed earlier.

MA

MINUTES: EXECUTIVE COMMITTEE, EXECUTIVE SESSION
COMMITTEE ON THE HISTORY OF THE FEDERAL RESERVE SYSTEM
AT FEDERAL RESERVE BANK OF NEW YORK
FRIDAY, NOV. 25, 1955

Present: Messrs. Sproul, Burgess, Calkins and Woodward

1. After extensive discussion of alternative possibilities, the Committee decided to explore intensively a revised program to consist of these parts:

- a. A single volume sequential history of the Federal Reserve System. This would be intended to be factual, to contain a minimum of interpretation and would be designed for classroom use. It might be prepared in a year.
 - b. A volume of selected readings on the Federal Reserve System. This would make available significant statements out of print, or otherwise difficult to obtain, or not available heretofore.
 - c. A series of monographs to provide more extensive discussion of episodes, periods, persons or subjects.
2. Miss Adams is requested to
- a. Develop a plan for a volume on selected readings and submit to the Executive Committee before the first of the year if possible.
 - b. Prepare a report to show all the accumulated suggestions for monograph subjects and suggestions for writers for monographs before the first of the year.

- c. Give the Committee some latitude, if she can, regarding termination of office responsibilities Jan. 15, 1956 requested in her letter to the Chairman.
- d. Continue operation of the office on present basis until the Committee reaches a conclusion on the revised program.

3. The Executive Committee will consider at an early meeting, before Jan. 1, 1956:

- a. Names for authorship of the single volume sequential history. Names suggested at this meeting for further thought were Harold Roelse, Ralph Young, Woodlief Thomas, W. W. Riefler, Brooke Willis.
- b. The reports from Miss Adams on a volume of selected readings and on monographs (2a and 2b above)
- c. A report to the entire Committee
- d. Plans to have a meeting of the entire Committee very early in 1956.

4. The Committee discussed possibility and desirability of discussion at the annual meetings of the professional associations in late December. As Mr. Sproul is addressing a luncheon session which presumably will include all those in attendance at the meetings who are interested in central banking, an opportunity exists.

5. The proposal that the Columbia University Library be put in a position to collect, organize and put into usable condition all desirable collections of papers not clearly destined for some other institution was favored. The Executive Committee probably will wish to recommend to the

entire Committee that it and the Columbia Library jointly seek a grant of the \$36,000. necessary from a Foundation, talking first to the Rockefeller Foundation.

6. A series of seminars on significant features of the Federal Reserve System and its history were discussed and is to be further considered at the next meeting.

- a. The series might be organized by Brookings and sponsored jointly by Brookings and the Committee.
- b. Each seminar might deal with a subject to be covered by a monograph, and might therefore provide a significant amount of material for each monograph.
- c. Each seminar might be participated in by those Committee members and others most familiar with or interested in the subject of each seminar plus invited experts mostly from academic institutions.
- d. Invitations would be issued far in advance, with the understanding that participants would prepare themselves for the discussion; and their expenses would be paid.
- e. The Committee might be requested to make a grant for expenses, and/or funds might be sought from another Foundation.

DW

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Executive Committee Meeting
New York, November 25, 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 Brookings Handling and Overhead	3,000.	Annual Brookings Handling and Overhead	3,000.
Annual Other Expenses	2,500.	Annual Other Expenses	1,000.
	\$54,500.*		\$67,000.
Total for earlier period (2 years)		\$109,000.	
Total for later period (3 years)		<u>201,000.</u>	
Total for 5 years		<u>\$310,000.</u>	

* Budget for 1954-55	\$53,325
Actual Expenditures for 1954-55	<u>40,793</u>
Underrun	12,532
Budget for 1955-56 (orig.)	<u>54,500</u>
Budget for 1955-56 (revised)	\$67,032

COMMITTEE ON THE HISTORY OF THE FEDERAL RESERVE SYSTEM

November 25, 1955

	<u>Budget 1954-55</u>	<u>Estimated Expenditures through 6/30/55</u>	<u>Actual Expenditures through 6/30/55</u>
Salaries and Misc. Services	\$21,388.00	\$20,262.06	\$21,232.90 (1)
Expenses (office and travel)	5,000.00	5,140.84	4,169.08 (2)
Brookings Overhead	3,000.00	3,000.00	3,000.00
Kincaid-Glass	2,667.00	2,800.78	2,802.19 (3)
Chandler-Strong	4,450.00	4,450.00	3,000.00 a/
Burnett-Archives	1,820.00	2,460.02	2,554.08 (4)
Contingency	15,000.00		
Conferences		1,997.17	1,996.50 (5)
Overrun 1/1/54-6/30/54		2,038.64	2,038.64
TOTALS	<u>\$53,325.00</u>	<u>\$42,149.51</u>	<u>\$40,793.39 a/</u>

(1) Consists of payments to:

Adams
 Singer
 Burstein
 Bank employees.
 Brookings pool.
 B. Bulla
 E. Abolin
 Evelyn Cooley .
 Dorothy Warden.

\$21,232.90

(2) Excludes items allocated to conferences, Glass papers, Burnett project

(3) Kincaid, \$2666.66; Cluett, 72.67; Cluett for supplies, 53.86; other (paid through Bank), \$9.00.

(4) Salary, \$2,469.76; expenses, 84.32.

(5) Honoraria, \$400.00; reporting and stenographic, 475.64; other expenses, \$1,120.86.

a/ Does not include \$1,500 due for payment 6/1/55 but dispersed 9/1/55 through oversight.

AGENDAExecutive Committee Meeting, New York, November 25, 1955

Minutes

Of the previous Executive Committee meeting May 4, 1955 (these Minutes were distributed May 16th--the Secretary has a copy)

Reports on

Old Business

Meetings

- ✓ Of the Sub-Committee on Monographs, June 22nd and July 21st
- ✓ With officials of the Columbia Library, June 30th and July 19th

Progress reports

- ✓ Chandler-Strong project
- ✓ Recommended changes in Federal Reserve "destruction schedules"
- ✓ Proposed bibliography

Paper hunt

- ✓ Vanderlip papers - survey and recommendation
- ✓ Goldenweiser papers at Library of Congress
- ✓ Loeb papers in Philadelphia

New Business

- ✓ Receipt of survey made for us by the Board's Legal Department on Court decisions and Opinions of the Attorney General Affecting the Federal Reserve System
- ✓ Housekeeping details

Resignation of Mrs. Singer as of October 1, 1955

Bank loan of Miss McKinstry for one month

Recommended appointment of Miss Burstein as assistant to the Executive Director, with salary increase as of November 1st

Expenditure and Budget Reports

Expenditure reports, July 1, 1954 - June 30, 1955

Report for first quarter of 1955

Tentative budget for 1955, as approved May 24th, and for remainder of the project period (presented for revision in executive session)

AS might extend

Drawn \$60 a week
MA asked

Project on the History of the Federal Reserve System
Administered Jointly with the
Committee on the History of the Federal Reserve System
Under R.F. Grants #5405 (\$10,000) and #54061 (\$310,000)

Financial Report
June 30, 1955

Receipts:

R.F. Voucher #540873, February 3, 1954	\$10,000.00
R.F. Voucher #344779, June 29, 1954	26,662.50
R.F. Voucher #548783, December 16, 1954	26,662.50
Total	<u>\$63,325.00</u>

Expenditures, years ended June 30:

	1954/	1955	
Salaries	\$ 8,865.30	\$23,016.10*	
Contract payments	1,333.33	6,380.42	
Honoraria	-	400.00	
Miscellaneous personal services	-	547.99	
Total, personal services	<u>\$10,198.63</u>	<u>\$30,344.51</u>	
Travel and entertainment	957.66	3,500.11	
Supplies	303.00	416.54	
Freight and express charges	154.06	11.79	
Equipment	4.64	742.23	
Equipment rental	324.16	231.36	
Equipment maintenance	-	44.00	
Telephone and telegraph	95.47	413.29	
Postage	3.02	8.70	
Books and subscriptions	-	42.22	
B.I. overhead allowance	-	3,000.00	
Totals	<u>\$12,938.64</u>	<u>\$38,754.75</u>	<u>\$50,793.39</u>
Balance on hand, June 30, 1955 (carried as prepaid grants)			\$ 12,531.61
Grants receivable (unpaid balance, July 1, 1955)			<u>256,675.00</u>
Total available for the period July 1, 1955-May 31, 1959			\$269,206.61

I certify that the above statement is correct.

Treasurer,
The Brookings Institution

November 22, 1955

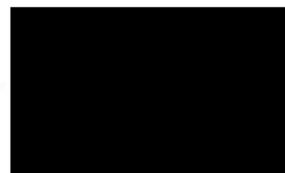
/ Six months' figure - January 1 - June 30, 1954

* See flyer for Salary Details

* SALARY DETAILS
Fiscal Year 1954-55

Regular Office Staff

Adams
Singer
Burststein

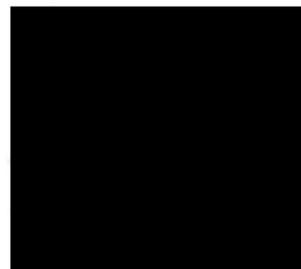


-- 10 months
-- 8 months

\$16,005.47

Other Personal Services

Burnett
McKinstry and other
Bank personnel
Galkins
Steno pool



7,010.63

\$23,016.10

BUDGET STATEMENT

Project on the History of the Federal Reserve System
 Under R.F. Grant #54061
 Fiscal Year 1954-55

 This statement is prepared on a basis consistent with estimates submitted to The Rockefeller Foundation, by Dr. Galkins, June 15, 1954.

	Estimated June 15, 1954	Actual Performance 1954-55
Salaries	\$21,388.00	\$21,232.90
Office costs and travel	5,000.00	4,169.08
Research contracts	8,937.00	8,356.27
Brookings expenses and overhead	3,000.00	3,000.00
Contingencies	15,000.00	
Two Princeton conferences .		1,996.50
Deficit for 1953-54	<u> </u>	<u>2,038.64*</u>
	\$53,325.00	\$40,793.39
Receipts, for 1954-55		<u>53,325.00</u>
Balance available for 1955-56		\$12,531.61**

* Expenditures, 1953-54 (\$12,038.64) less R.F. #5404 (\$10,000).

** See also cumulative report of receipts and expenditures under R.F. #5404 and #54061 (combined).

COMMITTEE ON THE HISTORY OF THE FEDERAL RESERVE SYSTEM

Executive Committee Meeting
New York, November 25, 1955

Expenditures

First Quarter, 1955-56

Miss Adams	
Mrs. Singer	
Miss Burstein	
Miss Burnett	
Salaries through the Bank	
Lester V. Chandler	
Travel	130.63
Other expenses	
New York office	263.04
Brookings overhead (at \$3,000 per annum)	750.00
	<hr/>
Total	\$9,050.94

* Includes \$1,500 for personal compensation to Dr. Chandler which was due for payment 6/1/55 but not paid (through oversight) until September; balance represents advance for expenses in amount of \$1,000 due 9/1/55.

COMMITTEE ON THE HISTORY OF THE FEDERAL RESERVE SYSTEM

TENTATIVE BUDGET, 1955-56

(as revised for discussion by
Executive Committee meeting,
November 25, 1955)

Salaries

Adams		
Singer (resigned 10/1/55)		
Burstein		
New staff member		\$18,840

Expenses

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

Brookings Overhead Allowance 3,000

Projects (in work)

Chandler	6,500.**	
Burnett (4 mos.)	1,237.59	
McKinstry (bib.est.)	<u>2,700.</u>	10,438

Contingency

Conferences	<u>2,000</u>	\$40,278
-------------	--------------	----------

Unallocated

26,754

TOTAL

\$67,032 a/

a/ Budget for 1954-55	\$53,325
Actual Expenditures	
1954-55	<u>40,793</u>
Underrun	12,532
Budget for 1955-56 (original)	<u>54,500</u>
Budget for 1955-56 (revised)	\$67,032

* Balance of amount previously allotted to Mrs. Singer

**Figure of \$6,500 for Dr. Chandler is composed of \$5,000 due him for 1955-56 plus \$1,500 due him in 1954-55 but paid in 1955-56 through oversight

COMMITTEE ON THE HISTORY OF THE FEDERAL RESERVE SYSTEM

Sub-Committee on Monographs

Meeting at Princeton, 1 p.m., Thursday, July 21, 1955

Present - Dr. Robert Calkins, Dr. Walter Stewart,
✓ Mr. Donald Woodward, Miss Mildred Adams

Following decisions made at the meeting of June 22nd, explorations were made into the availability of four men then approved as possible either for monographs or for wider tasks. Reports were made on these, and on an additional name, as follows:

Dr. Calkins reported that he had talked at length with R. J. Saulnier and was convinced (as was Dr. Stewart) that he had the abilities needed to take on either the job of historian or that of monograph writer. Dr. Saulnier was interested, would like to have accepted if free, but must stay with the Council of Economic Advisers until 1956, and possibly longer if the Republicans are re-elected. If not, he has commitments at the National Bureau of Economic Research.

Dr. Calkins has not been able to reach Dr. Howard Ellis.

Mr. Woodward repeated a report made by telephone between meetings that George Roberts showed no interest whatever in the project; his name should be removed from any list of the possible. He had not talked directly with W. W. Rostow, but reports from mutual friends at M.I.T. indicated that Dr. Rostow was absorbed in an international project of considerable scope for which substantial grants had been made; it seemed unlikely that he would turn aside to write a monograph in the Federal Reserve Series.

These negative reports inspired a discussion of possible courses of action which might be recommended to the full Committee for presentation to the Rockefeller Foundation. These included

- (1) a return of funds to the Foundation with a report that the task undertaken could not be carried out
- (2) a holding operation in which interest will be stimulated and "the historian" still sought, with archival and documentary activities to continue
- (3) a training operation of two possible types, both designed to interest and educate younger men in Federal Reserve history:
 - (a) to pick two or three young men of top grade, give them substantial grants and assign important sectors of the history project, take them to Washington for full-time work

(b) to organize a seminar at Brookings for the purpose of encouraging writing on Federal Reserve subjects; attendance to be limited to those who can show written work of value; conference leaders to include Walter Stewart, Burgess, Saulnier, Riefler, Youngdahl, etc. Essays expected to result.

It was decided to recommend that the Committee report to the Rockefeller Foundation that owing to (a) Mr. Burgess' decision to continue in public service and (b) the shortage of qualified economic historians free to take an assignment of the kind proposed, the original concept of a definitive history has for the time being had to be postponed.

That the Committee therefore proposes for the next year

(1) to continue archival and documentary projects now under way (the research files, reports on banks and personnel, etc.)

(2) to undertake the commissioning of further monographs on various phases of Federal Reserve history. The Chandler book on Benjamin Strong is under way. We have half a dozen other prospects of equivalent interest, but not yet in a state where they can be named except as examples.

(3) to use a portion of the funds to stimulate the interest of qualified younger scholars in a re-examination of the history of the Federal Reserve, perhaps through seminars and writing conferences at Brookings on the highest level.

The matter of using funds for a subsidy of \$35,000 to Columbia was brought up in connection with plans for next year. It was the opinion of the sub-committee that the sum represented too large a fraction of Committee funds to be allocated for that purpose, and that other donors, individuals or foundations, should be sought. The view also was expressed that Committee funds in smaller amount might be allotted if they were matched by the New York Federal Reserve Bank or the Federal Reserve Board to make up the sum needed.

Having in mind their assignment to lay out a pattern of monographs and select authors whom they would recommend, the sub-committee considered a considerable list of suggestions. No vote was taken, but the following received general approval.

Bank Holiday of 1933; a study of causes and effects from 1926 to 1933 in and on the System (no author)

Board-Treasury Relationships (no author)

Brokers' Loans, a Study of - Woodlief Thomas

Credit Controls, General and Selective - Carl Parry

Crises Under the Federal Reserve System - Paul Samuelson

Failed Banks, Their Cause, and the Fed's Handling - Oliver Powell

Federal Reserve and the Public Interest - Randolph Burgess
(this is the subject chosen by Mr. Burgess in 1954)

Gold Policy and Practice of the System - Miroslav Kriz

Intelligence and Research Functions of the Federal Reserve System - a report
by Mildred Adams

Legal Aspects of the Federal Reserve System - Howard Hackley
(this was qualified by a desire to know more about Mr. Hackley's work
and ability)

Monetary Controls in American Theory and Practice - Elmer Wood
(this is a suggestion that a book under way be subsidized in order to
speed its writing)

Procedures and Policies of the Federal Reserve, History of - Karl Bopp
(this was approved, but with the understanding that Mr. Bopp might not
be free to do it)

Regional Aspects of the System - Mildred Adams
(approved, but not given a high priority)

Reserve Requirements, Changes in - Bray Hammond (?)

Politics and the Federal Reserve System - Lucius Wilmerding
(this was approved as an idea, but Mr. Wilmerding has other commitments)

Federal Reserve System, a Case History in Public Administration - Lenoard D.
White (Dr. White is retiring this year and thought to be available if
desired)

In addition, a younger man, Philip Bell of Haverford, was discussed as
a possibility. It was further suggested that a search of the American Economic
Review annual list of Ph.D. theses might reveal other young possibilities.

Mildred Adams
Executive Director

Corrections Covered Quality
Committee on the History of the
Federal Reserve System

DATE 1/22/55

TO DW

FROM Ua

REMARKS

Corrections are expected -
My notes seemed to suffer
from the circumstances
respiration.

Ueand

COMMITTEE ON THE HISTORY OF THE FEDERAL RESERVE SYSTEM
33 LIBERTY STREET, NEW YORK 45, NEW YORK
TELEPHONE: RECTOR 2-5700, EXTENSION 286

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*
MILDRED ADAMS, *Executive Director*

With cooperation of
THE BROOKINGS INSTITUTION
722 JACKSON PLACE, N. W.
WASHINGTON 6, D. C.

July 22, 1955

Dear Don:

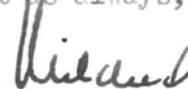
Looking back to the Minutes of the meeting of May 24th at which the sub-committee on monographs was appointed, I find their assignment to have been as follows:

" it was suggested that ... 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."

On June 22nd, at the first meeting which Bob could not attend, the "Memorandum of Points Accepted" states, "In view of the fact that the Committee has decided to go ahead with the monograph approach, the vital thing at this juncture is to settle on the names of acceptable writers and the acceptable titles of monographs... The need is for half a dozen, but if we can secure two or three now, with three more in prospect, we can then go to the Rockefeller Foundation..."

I thought you might like these terms of reference recalled in preparation for your report to Mr. Sproul. Re-reading them, it seems to me that we did a good deal of galloping in other pastures yesterday, but I have tried to write the minutes in view of the recorded background.

Best as always,



Mildred Adams

Mr. Donald B. Woodward
Vick Chemical Company
122 East 42nd Street
New York 17, N. Y.

Committee on the History of the
Federal Reserve System

DATE 6/27/55

TO Donald Woodward

FROM Willard Quinlan

REMARKS

The enclosed speaks for
itself. If you find errors,
do let me know.

Were you going ahead
on the Boston, via
Kiehlberger?

Willard

COMMITTEE ON THE HISTORY OF THE FEDERAL RESERVE SYSTEM

Sub-Committee on Monographs

Memorandum of Points Accepted

Conference at Princeton, Wednesday, June 22, 1955

Present - Dr. Walter Stewart, Mr. Donald Woodward, Miss Mildred Adams

Policy

In view of the fact that the Committee has decided to go ahead with the monograph approach, the vital thing at this juncture is to settle on the names of acceptable writers and the acceptable titles of monographs. ("Acceptable" includes a fair certainty of getting what is promised.)

The need is for half a dozen, but if we can secure two or three now, with three more in prospect, we can then go to the Rockefeller Foundation, tell them of the shift from the single historian to the monograph approach, display what we are doing, explain that at this stage it is neither comprehensive nor exclusive, ask their concurrence.

(Dr. Stewart hesitates to go forward on a general plan which we cannot make concrete. He thinks that we should, within a few months, have a list which meets our own requirements or else retreat on the ground that we have done well thus far but the field is too barren to go forward at this time.)

Definitions

In terms of writers - age, experience, qualifications - what we need is "some more Lester Chandlers," at that level of maturity and with that degree of remoteness from actual System responsibility.

In terms of style, readability and comprehensibility, the Monthly Economic Letter of the National City Bank can be taken as a small but acceptable prototype for the more general monograph. Technical papers may be more difficult.

Dr. Stewart also voiced the hope that the efforts of this Committee might result in a two-volume work, of which one would deal with operations and one with history; this to be handed each incoming director.

Studies

Two studies are to be prepared by the Committee staff on the basis of material already collected.

- (1) A study of files, libraries and archival attitudes in the Board and the twelve banks, to be submitted to Mr. Sproul and, we hope, by him to Mr. Martin; the purpose being to revive interest in System archives on the part of Board and banks.

(2) A study of the age, length of service, education and career preparation of the Board of Governors, the top officers of banks, the directors in their classes; the purpose to examine the human caliber of the System.

It is expected that these will be ready in time so that their completion can be reported to the Rockefeller Foundation in late July or early August.

Writers

Names of possible writers were explored on the basis of a revised memorandum, plus suggestions recently given Miss Adams by Dr. Herbert Heaton. These included:

Malcolm Bryan to do a monograph on southern banking against the American banking profile.

Howard Hackley - a monograph on the legal aspects of the Federal Reserve Act.

John Langum, recommended by Dr. Heaton.

Arthur Marget to do a study of the international aspect and operations of the System.

Oliver Powell, whose studies of closed banks, made for a System Committee and never published, might serve as the basis for a new study.

R. J. Saulnier, when free of the Council of Economic Advisers.

George Roberts of the National City Bank.

W. W. Rostow of M.I.T.

Leonard White to do a study of the Fed as a government entity.

Woodlief Thomas, whose collected mass of materials on brokers' loans in early days would serve as base for a monograph on that subject.

These people were discussed. The names specifically approved for exploration were George Roberts, R. J. Saulnier, W. W. Rostow; with Oliver Powell's work on closed banks, Woodlief Thomas' material on brokers' loans to be explored, and a "when and if" list to be added on which would be Randolph Burgess, Dr. John Williams, Walter W. Stewart.

Mildred Adams
Executive Director

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

TENTATIVE BUDGET - 1955-1956

Salaries

Adams		(as decided at meeting, May 24, 1955)	
Singer			
Burstein			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 (bid. est.)	<u>2,700</u>	8,937

Contingency

Conferences	<u>2,000</u>	36,777
-------------	--------------	--------

Unallocated 26,898 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 1955-57 (original)	54,500
Budget for 1955-56 (revised)	\$65,675

Committee on the History of the
Federal Reserve System

DATE 6/7/55

TO Mr. Woodward

FROM Miss Adams

REMARKS

Budget sheet enclosed with
these minutes has been modified
to show salary raise voted at
meeting.

Ma

COMMITTEE ON THE HISTORY OF THE FEDERAL RESERVE SYSTEM

TENTATIVE BUDGET, 1955-56

(as approved at Committee meeting, May 24, 1955)

Salaries

Adams		
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
-------------	--------------	----------

Unallocated

26,898

TOTAL

\$65,675 a/

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

Committee on the History of the
Federal Reserve System

DATE 5-3-55

TO DW

FROM Ma

REMARKS

Here with Minutes of the
previous Executive
Committee meeting - part
of the proper equipment
of the Secretary

Ma.

May we have this back?

Ma

COMMITTEE ON THE HISTORY OF THE FEDERAL RESERVE SYSTEM

MINUTES

EXECUTIVE COMMITTEE MEETING

New York, February 21, 1955

March 14, 1955

TO: Messrs. Allan Sproul, Chairman
W. Randolph Burgess
Robert D. Calkins

The Executive Committee met at 2:40 p.m. in the office of the Chairman, Mr. Sproul. All members (Messrs. Sproul, Burgess, Calkins and Woodward) attended. Miss Adams was present in her capacity as research director.

Minutes of the previous Executive Committee meeting were noted as having been distributed January 5th. Minutes of the meeting of the full Committee at Princeton were distributed February 14th, but some textual changes were asked, and corrections have been made.

Reports

Reports requested at the previous meeting of the Executive Committee were presented and action taken as follows:

On methods and costs of handling collections of papers, the research director recommended that, on the basis of Committee experience and profiting by the advice of several institutions, the Committee adopt a policy similar to that approved by the Library of Congress and base future appropriations on the processes of setting papers in order and cataloguing them; this would not include elements of study or evaluation, which should be regarded as the proper business of an historian. The director further recommended that, on a rough estimate of 10 major collections which might need a substantial subsidy for handling and 10 smaller ones on which smaller sums would suffice, the Committee consider setting aside \$11,000 as the sum probably to be needed for handling collections over the 5-year life of this project. Both recommendations were adopted by the Executive Committee and will be reported to the next meeting of the full Committee. (The full report of the research director on this matter is filed in the Minute Book).

On Columbia University as a possible recommended repository for collections, a draft of a letter to Dean Courtney Brown was presented, edited and approved, which the Chairman will sign with the approval of the Executive Committee.

On the letter to men retired or retiring who have been actively connected with Federal Reserve matters, a draft was presented, and approved with editorial changes.

The matter of publicity intended for learned journals was postponed for later action.

On the Princeton transcript, minimum editorial changes have been made, and distribution is expected this week.

New Reports

New reports were presented as follows:

A revised financial report from Brookings for the period July 1 - December 31, 1954 showing slight changes in arrangement for greater convenience but none in expenditure or balance; Committee members were asked to study and comment on this.

On the matter of possible conflict between the conservation of archives and the Schedule for the Destruction of Records in the Banks, Mr. Sproul reported that he had asked the Banks to appoint an officer with whom the staff of this Committee could establish liaison. Affirmative replies have already come from 8 of the 12 Banks, and the rest are expected to reply shortly.

Policy Matters

Policy matters were discussed and decided as follows:

On the invitation to Dr. Cyril James to accept the post of historian, the sudden illness of Mrs. James has impelled the postponement of a decision. Further discussions will be held as soon as possible. It was the consensus that supplementary arrangements for Dr. James be explored, and, provided that he is still interested, the Committee regard itself as willing to wait as long as two months (to April 21st) for a final decision.

On the invitation to Shepard Clough to join the Committee, the Secretary was asked to write Dr. Clough that in view of his absence from the country until September, the matter would be held in abeyance; it might be raised later.

On a future policy on honoraria to conference consultants, Dr. Calkins observed that the Brookings fee was ordinarily \$50 a day. It was agreed that this would be accepted as the Committee's basis, but with possible variations when approved.

On a policy of raising staff salaries for Mrs. Singer and Miss Burstein, the research director presented recommendations which, with slight variations, were approved. These are arranged with reference both to Brookings and Federal Reserve Bank scales of pay. The desirability of keeping Miss Burnett for another six months to complete the archives project was also approved.

Miscellaneous

At the last Committee meeting \$500 was appropriated to pay the cost of group interviews to be led by Dr. Stewart. The latter has recently expressed himself as willing to talk in detail to Dr. Chandler. The research director was empowered to arrange for the recording of such conversations if this met with the approval of Messrs. Stewart and Chandler.

On the proposed visit to the Rockefeller Foundation for reporting purposes, Dr. Calkins advised that this be postponed until the historian was appointed. Mr. Sproul asked that Dr. Calkins and Mr. Woodward be prepared to make a report to the Foundation at that time.

The research director brought up the matter of a proposed European trip in the late summer, planned as a vacation, but to include exploratory visits to the Bank of England, the Bank of France, and possibly an interview with Hjalmar Schacht, only surviving member of the Strong-Norman-Rist-Schacht quartette which was so important in the 1920's. She will present a detailed plan at a later meeting.

The meeting was adjourned at 4 p.m.

Donald Woodward
Secretary

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 W. 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 much 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 concensus 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. Calkins, 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)

Mr. Wood wood

COMMITTEE ON THE HISTORY OF THE FEDERAL RESERVE SYSTEM

AGENDA

EXECUTIVE COMMITTEE MEETING, NEW YORK, FEBRUARY 21, 1955

Minutes

of the previous Executive Committee meeting (distributed January 5, 1955)
of the Committee meeting January 29th (distributed February 14, 1955) -
verbal corrections to be made.

Reports

1. Previously requested

On methods and costs of handling collections (herewith)
On Columbia as a possible repository (letter to Dean Courtney
Brown)
On letter to retired or retiring (sample herewith)
On publicity in learned journals - postponed until historian is
named
Princeton transcript (in process - will go out this week)

2. New

Financial report, July 1 - December 31, 1954, revised
Mr. Sproul's request that Banks appoint liaison officer to act
with Committee - (8 replies)

Policy Questions

Reply of Dr. James to Committee's invitation -
Subsequent action
If reply is affirmative, does he continue as Committee member?
Title to be given him?
If negative, what next?
Invitation to Shepard Glough to join Committee? (Item postponed from
December)
Policy on honoraria for future conferences with consultants
Policy on staff salaries (Miss Adams has memo)

Miscellaneous

Dr. Stewart's reply in regard to interviewing

COMMITTEE ON THE HISTORY OF THE FEDERAL RESERVE SYSTEM

AGENDA

EXECUTIVE COMMITTEE MEETING, NEW YORK, FEBRUARY 21, 1955

Mr. Allan Sproul, Chairman

Minutes

of the previous Executive Committee meeting (distributed January 5, 1955)
of the Committee meeting January 29th (distributed February 14, 1955)

Reports

1. Previously requested
 - On methods and costs of handling collections (herewith)
 - On Columbia as a possible repository (letter to Dean Courtney Brown)
 - On letter to retired or retiring (sample herewith)
 - On publicity in learned journals - postponed until historian is named
 - Princeton transcript (herewith)
2. New
 - Provisional financial report, July 1 - December 31, 1954
 - Mr. Sproul's request that Banks appoint liaison officer to act with Committee

Policy Questions

Reply of Dr. James

Subsequent action

If reply is affirmative, does he continue as Committee member?

Title to be given him?

If negative, what next? (Rated list enclosed)

Invitation to Shepard Clough to join Committee? (Item postponed from December)

Policy on honoraria for future conference with consultants

Policy on staff salaries (Memo to Mr. Woodward)

COMMITTEE ON THE HISTORY OF THE FEDERAL RESERVE SYSTEM

POSSIBLE ECONOMIC 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

MINUTES OF EXECUTIVE COMMITTEE MEETING

December 28, 1954

January 5, 1955

TO: Messrs. Allan Sproul, Chairman
W. Randolph Burgess
Robert D. Galkins

The Executive Committee met at 1:15 p.m. in the private dining room of the Brookings Institution with all members (Messrs. Sproul, Burgess, Galkins, Woodward) and the Research Director, Miss Mildred Adams, present. Action was taken as follows:

Housekeeping details

1. The Committee expressed its gratitude to the Federal Reserve Bank of New York for moving the staff from the 8th floor to larger and more efficient quarters on the 11th floor.

2. The date and place (January 29th at the Princeton Inn) of the next Committee meeting with the three consultants (Messrs. Bopp, Chandler and Wood) were confirmed.

Project matters

1. The attention of the Executive Committee having been called to the problems and costs of handling the number of collections of private papers bearing on System matters, it was decided

- a. that the research director shall draft a plan and a budget which will give the Executive Committee some estimate of how many collections are being uncovered and how much it might cost to catalogue them.
- b. that the research director adopt as a policy the recommending that collections be placed either in (1) the Library of Congress, (2) the library of an educational institution chosen by the owner or the family of the deceased owner, or (3) the library of a qualified institution which, through such recommendations, might become a recognized center for study in this field. It was further suggested that a conference be held with the new head of the Graduate School of Business at Columbia University (Mr. Courtney Brown) in an attempt to find out whether that institution, located as it is in the financial center of the country, might be interested in being designated as the one preferred in the third category.
- c. that, in view of the recent loss by premature destruction of certain promising collections, the research director frame a letter,

addressed to all who now seem potential sources of collections important for this study, informing them that the Committee is interested in their papers and would like that interest considered in any arrangements being made for their disposition.

2. Considering the number of collections which may need to be inventoried, it was decided that the matter of an index for the Kincaid inventory of the Carter Glass papers be held in abeyance until the question of including this inventory as part of the Committee's publication program is settled; that \$112 be appropriated to pay the costs of 20 more copies to be run from the same stencils; the whole to be stored until the entire publication schedule becomes clearer.

3. It was decided that the completion of the Kincaid-Glass inventory be made the occasion for a letter describing the Committee's aims and some of its accomplishments, and requesting information concerning other collections. Such a letter would go to a selected list of interested economists and to the learned journals; it should stir fruitful interest.

4. After discussing the purpose and value of individual interview techniques and results, it was decided to appropriate not more than \$500 to pay the costs of an experimental group of interviews to be held under the leadership of Dr. Walter Stewart and on a topic which he prescribes, preferably one having to do with an important incident in the early days of the Federal Reserve System. The research director is to check on techniques found useful by Dr. Rensis Likert of the University of Michigan.

5. The designation of a possible historian was discussed at length. Recommendations will be made to the meeting of the full Committee on January 29th.

The third agenda item, concerned with the absence of Shepard Clough in Europe until September 1955, was postponed. It will appear on the next agenda.

It was suggested by Dr. Calkins that after January 1st the Committee secretary and perhaps the research director might find it well to call upon the new Executive Secretary of the Rockefeller Foundation in order to inform him as to the progress of Committee work.

Donald Woodward
Secretary

MEETING OF THE
COMMITTEE ON THE HISTORY OF THE
FEDERAL RESERVE SYSTEM

SATURDAY, JANUARY 29, 1955

PRINCETON INN
PRINCETON NEW JERSEY

PRESENT:

ALLAN SPROUL, Chairman

W. RANDOLPH BURGESS

WALTER W. STEWART

F. CYRIL JAMES

WINFIELD W. RIEFLER

JOSEPH H. WILLITS

ROBERT D. CALKINS

ADVISORY SUBCOMMITTEE:

KARL R. BOPP

LESTER V. CHANDLER

ELMER WOOD

STAFF:

MILDRED ADAMS, Research Director

ELLEN C. SINGER, Research Assistant

CHAIRMAN SPROUL: Gentlemen, let us achieve such order as we can. The schedule for today is before you. We meet here with our consultants until twelve, following which there will be a twenty-minute break while this meeting room is converted into a dining room. At one-thirty we are going to take advantage of having most of our committee members together to hold a so-called business meeting of the committee for about an hour in another room, and we will reconvene here with the consultants at two-forty and plan to adjourn at four-thirty.

A one-year progress report has been distributed by Miss Adams. It covers the first four months of preparatory work, January to May, 1954, and six months of work under our five-year grant beginning July 1, 1954. It is largely a record of the accomplishments of our indefatigable research director, and I think it is noteworthy in terms of what has been done and almost unlimited in terms of what suggestions remain to be made. Unless Miss Adams has something to say, I don't think that we need do more than call it to your attention.

MISS ADAMS: No, I thought this would save taking the time to describe it here.

CHAIRMAN SPROUL: To get on to our job and to get on to the main problem of the history of the Federal Reserve System, we asked the aid and counsel of three eminent workers in the field. They met with us here November 21st during the first day of our first three-day meeting. They have since been collaborating on an elaboration of the views developed at that meeting, and they are meeting here again for three days to finish the job we asked them to do. A memorandum outline of their suggestions was sent to you a few days ago. It is intended to be provocative of further discussion, and that is what we are here for.

I will ask Dr. Bopp and his colleagues to make whatever oral comments they wish to make on the memorandum outline they have prepared, and then the meeting will be open for general discussion.

DR. BOPP: I think I can make this very brief statement so we can get to the hard core of the work. Our assignment, as we saw it, was to prepare a preliminary document which would serve first as a definition of what the committee means by a comprehensive history. That is part A of the document.

Second, to prepare an outline for writing this history. This outline is not intended to restrict the historian, and it is not considered that he will merely fill in the gaps to support the outline as we have presented it. As a matter of fact, if you secured the writer and told him that, he wouldn't accept the assignment under any condition.

What we hope would come out of the discussion today would be not a revised outline -- if that were the objective it seems to me that the historian would feel it was much too formal and established -- but rather that there would be comments on the outline, suggestions for additions to it, deletions from it, modifications of it, and so on, so that the historian, in a sense, would have two documents, the one which is before you and, second, the comments of the group on it, which two documents would have in common, as we see it, only the basic idea as to what the comprehensive history is to be like rather than any detailed thing for him, and that there would be sufficient differences in judgment as to emphasis, and so on, between the two documents, so that he would feel perfectly free to go ahead.

In preparing part B, or the specific topics and events that might be considered, if you have read this document, you may feel, and appropriately so, that particularly in the period following 1929 we seem to have come up with a lot of conclusions as to how this development actually took place, rather than

in asking questions, leaving it to the historian to actually develop the ideas. I must confess that the reason for that is that this struck us as the quickest way in which we could indicate clearly what we had in mind in the nature of a history, and was easier in terms of time and effort than putting it in the form of questions. So we do not mean that this is the way ideas develop, but we do feel that the development of ideas is the important thing in the documentary history.

With that brief statement I think we might proceed then to the document you have before you directly, and I would propose that I go through this one step at a time and then open it for such comments and discussion as the committee members may wish to make.

First, as to the general nature of the history, is point 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."

We might stop at this point to consider 1 and 2 together.

DR. JAMES: I was going to ask a technical question. Is it envisaged as part of this that either the New York bank or the Federal Reserve Board might in fact establish an archives unit in their building? There will be a terrific amount of material that will be thoroughly studied in connection with this.

CHAIRMAN SPROUL: I can only speak for the New York bank. We have had in mind for a number of years the desirability of development of archives as distinguished from files and records, but nothing except scattered work has been done about it, and it was hoped and expected in connection with this project of

the history of the Federal Reserve System that we would get the ideas and the impetus to go forward with it.

Can you say anything about the Board, Win?

MR. RIEFLER: I know nothing specific about this. On the other hand, the idea would be received in a spirit friendly to research. I don't know about space requirements.

MR. BURGESS: Of course, you've got the Library of Congress and you've got the regular governmental archives. I suppose both of them have sections which could include this thing, but much less effectively, I should think, than the Federal Reserve Board.

DR. JAMES: I was merely going to say that this committee might suggest to the two institutions that they explore immediately the possibility of doing this. It would go forward *pari passu* with the study.

MISS ADAMS: May I make one statement, Mr. Chairman.

A propos of the work which we have done thus far in going into what there was in the way of archives, we are constantly running into the difficulties imposed by the so-called Destruction Schedule, and I have been making efforts to come up with a suggestion which could reconcile the two. There is not basically any necessary contradiction between the Destruction Schedule and the archives that are needed for this, but in the process of work they sometimes get mixed. If a reconciliation in the form of a phrase or a directive, or something of that sort, could be arrived at, I think it would be very helpful.

DR. STEWART: Is this Destruction Schedule common for the two institutions?

MISS ADAMS: It is something which evolved from the Presidents' Conference, and it is solely, as I understand it, a means of getting rid of

unnecessary materials. It is only in the definitions of necessary and unnecessary that you begin to trip.

MR. BURGESS: There is a United States Government schedule too, isn't there?

CHAIRMAN SPROUL: Yes, there is. At least ours to a considerable extent is geared to the Treasury Destruction Schedule, and most of it relates to records of various sorts which would not conflict with what we are trying to do. But on the other hand there might be some overlap.

MISS ADAMS: I have run across a couple of instances where correspondence that seemed to be important was just saved at the last moment, and it is that that one fears.

MR. BURGESS: I suspect the Treasury has an even worse system than the Federal Reserve. They don't even have the central filing system.

CHAIRMAN SPROUL: We will take account of that suggestion.

Are there any comments with respect to No. 2?

DR. STEWART: No. 2, I like very much the breadth of that, from the standpoint of an author. It seems to be a very large assignment. Take the American background of this, while I think it is important, I would think it perhaps separable.

CHAIRMAN SPROUL: I had the same reaction to it, that it includes the main history plus the peripheral monographs we discussed. As a general statement concerning the whole field to be covered, I think it would be fine, but not to be included in the one comprehensive history.

MR. RIEFLER: I don't quite understand the stress on the phrase, development of ideas. It would seem to me that the basic orientation of the history should be on facts and situations. What happened to the factual situation against which these ideas have to impringe. We have 15,000 banks

being chartered just after the System started, and then collapsing, there is the whole postwar attempt in 1921 to get things on their feet again. I think it is on those factual situations and the response to them that the history ought to focus.

MR. BURGESS: I have the same thought, Win, in some ways that if you get at the reality of the history, the System only to a moderate extent reflected the impact of the general thinking upon the System. It was much more a curious chain of events, out of which ideas developed. Of course, the ideas are still the important part.

I was struck with that phrase. I think it is right that you have got to have some center, and the center of what ideology it represents as you go along. But you will have to recognize that a lot of that was from accident, from personalities, from the grinding of the wheels of operations. Then you try to find an idea in there.

DR. BOPP: I think we may not be too far apart. I will be subject to correction from Les* and Elmer*. Our concern was this. If one looks at what we term the facts, let us take a specific illustration, say the stock market, this dramatic development in October of 1929 would tend to be the focus -- if one looks at the facts. It seems to us, however, that in terms of history, the focus should be on how the stock market became a matter of concern for the System, so that it felt it has some responsibility with respect to it.

It is this development of ideas toward and reactions to these facts that struck us as being the more important thing. The facts tend to be dramatic, and we felt that greater attention should be given to this gradual development, from the germ of an idea to its fruition.

* To identify see Appendix.

Was that it, Les?

DR. CHANDLER: Yes. And also it seems to me that there is a basic philosophy which does get modified by events. But take the early twenties. I am sure there were some people in the System who were thinking purely in domestic terms. There were others, however, who were internationalists at heart and allowed their actions and their responsibilities to events to be very much influenced by their concern about what was going on abroad, which as a matter of fact was somewhat out of the spirit that was being evidenced in the Government at that time.

MR. BURGESS: Yes.

DR. CHANDLER: The Federal Reserve policy was hardly in step with the Government of the twenties.

DR. JAMES: American banking and monetary history, down to the Aldrich Committee, was very much dominated by the currency theory as it was described in the early 19th century, and then you had this work of genius on the part of Carter Glass and the committee and his advisers, which wrote the Federal Reserve Act as I think the best legal document anywhere in the world expressing banking theory in terms of automatic gold standard. It was the last definitive statement of policy in a world that was believed to be semi-automatic in its monetary system, and it was believed to be completely integrated into a world economy.

Those ideas I think are tremendously important. Then you come at the end to a situation in which the gold standard has completely disappeared, where any idea of automaticity is completely lacking in the concept not only of the United States but every other country, and in which the United States has moved from an active peripheral point in the world economy to a nuclear position.

The history of the Federal Reserve is the history of the most significant institution in terms of the whole economic concept, from one that was devised to function at the periphery of an automatic monetary system, the tune of which was called from London, as Sir Henry Strakosch* put it, to the central institution in the determination of very largely, one can say, the extent to which the United States is able to call the tune in international affairs.

Now ideas in that sense, I think, have a very effective theme and make this one of the most important studies. But it isn't ideas just in picking up William Jennings Bryan and a host of other people. It is from a given point, the end of the old world, to another point, the beginning of the new world.

There isn't any other institution which is more important to the determination of the new pattern of ideas and theories in the political economy. In that sense, I think the ideas are virtually important, and that is the string or harp, if I can continue a musical simile, on which everyone of these little pressures begins to shape the tune. And I am firmly convinced that nobody thought all these things out, that they simply resulted from spontaneous reaction of these various pressures and problems and personalities that arose.

MR. BURGESS: Has somebody got all that down?

CHAIRMAN SPROUL: Is there any real conflict here except perhaps in wording? If we thought solely in terms of ideas, perhaps we'd get an ideal running account which was not in accord with the facts and the situations as they developed. On the other hand, if we dealt solely with facts and situations, we might lose track of these major themes and ideas.

* To identify, see Appendix.

It seems to me if you put in facts and situations as well as ideas in your general outline of things to be included, there is no real difference of opinion here.

DR. STEWART: There is not in the usage of words, but there is in the size of the canvas. As Dr. James has just said, there is a different size canvas. I think this is worth keeping in mind, that the agreement doesn't go so far but what there is a difference of emphasis between the two approaches.

CHAIRMAN SPROUL: Yes, that's right.

MR. BURGESS: Somebody should put up a little flag and say we not only did not want complete abolition of automaticity, (Laughter) but we want to make sure that some measure of it continues and that there is still room for it in the operations of a semi-free market.

CHAIRMAN SPROUL: Is there anything further to be said on these first two general statements?

Go on, Karl.

DR. BOPP: Then we go to points 3 and 4, things to be given special consideration and things to be avoided. To be given special consideration:

"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. (We had in mind there, for example, the administration of discounting rules, and so on.) 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."

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."

MR. BURGESS: That 4a raises one question we are going to have to face all through this. You are quite right, I perfectly agree that the writer of this ought to interpret and express opinion. If it is to be usefully done, that needs to be reviewed by some group of his peers, who give their reaction on it, so that you have a judgment that isn't just an individual judgment, but is a judgment measured against what some of his peers may say -- that is an advisory group. You had it in the National Bureau.*

CHAIRMAN SPROUL: Perhaps Dr. Calkins could say something about the general idea of procedure.

DR. CALKINS: The ordinary procedure that we follow at Brookings is to appoint an advisory committee of recognized scholars in the field, and our own procedure with the Brookings publications is that that committee becomes a consulting committee to the author in the progress of the work, and at the end they become an advisory committee to me, where Brookings has the final determination on publication. That determination is in the hands of the president, and the committee becomes an advisory committee to him, making their recommendation as to whether the thing is a suitable study for publication.

If that same procedure, which is a matter we have not really fully settled here as the course we want to pursue, if that were pursued in this instance, I would assume that the procedure we would follow would be one of setting up at the time this study gets organized an advisory committee chosen

* To identify, see Appendix.

to consult with the author in the progress of his work, and probably use the same committee as the advisory committee on publication at the end.

But in addition there is no reason why we could not use another procedure as we do at Brookings, and which is used by the National Bureau, I believe, C. E. D. and others, namely, to circulate manuscripts, either in outline form or in first draft, or early draft, for criticisms of any group whose judgment and views they wish to get.

The one rule that we follow on that is that the author is not himself obliged to take any of these criticisms or to make adjustments in accordance with them, unless in his judgment they are warranted. On matters in dispute, he may want to get the views of his advisory committee as well as his own judgment.

DR. WILLIAMS: How about footnotes of dissent?

DR. CALKINS: We do not employ them at Brookings. We have provisions whereby they may be employed. The procedure at Brookings has shifted a little in recent years. Some years ago we provided that the advisory committee was listed in the foreword to the study, indicating who they were, and this tended to place them in a position of personal responsibility, and as long as their names were listed, we gave them freedom to write footnotes of dissent if they wished and these were published in the study. Actually I think there are very, very few footnotes of dissent in our publications. There have been really very few in C. E. D., though some. More recently we have not published the names of the advisory committee members. Consequently they have not felt obliged to record their own dissents. But there again it is a procedure which we need to work out and agree upon for this series of studies.

DR. WILLIAMS: Thinking perhaps chiefly of the Bureau, I always respected very much the means of escape from a false intellectual unity that the

absence of footnotes connoted. When they come in, when there are issues of real difference, and when people who are entitled to authority, as are the members of this committee or an advisory committee, feel there are important differences they want to express, I think there is a lot of sense in letting them come out. That doesn't interfere at all with the freedom of the author. He is completely free. He writes what he accepted responsibility for. But the fact that a flag was up here or there, I always thought was a very good thing.

DR. CALKINS: I do too. As a matter of fact I was one of the people who urged this in the establishment of the C. E. D. I think it worked very well there, as in the Bureau. It has in our own case.

DR. WILLITS: Particularly in an area such as this, where you have a straight history, you have the documentation, put it in order, and find there are a number of issues that are going to be moot. If you assume that there is only one point of view, the point of view of the author, to me it seems to be an injustice.

CHAIRMAN SPROUL: I think you can be sure, having raised the question, that the Committee on the History will have that in mind as one of the things to be decided by that committee, and some procedure devised.

MR. RIEFLER: Is it really implicit rather than explicit in these words under special attention; how money was made available. Not how much was made available; not how the Federal Reserve actually reacted to a series of economic and financial developments, but simply the methods. And under things to be avoided, it says this shouldn't be a financial history. When you finish, where is the stress on the actual facts and developments" It seems to be the outline lacks a concept of history. It may be implicit in the thinking of the outline, but at some place in the outline there should be an

explicit recognition that we are writing a history, and not an interpretation of ideas. I don't see any place here for such a fundamental fact as the change of the United States from a debtor to a creditor nation.

DR. CHANDLER: As a matter of fact, Win, I think that specific example indicates why we used this kind of language. That is, in a very narrow financial history, one might simply deal with what the Federal Reserve did this month and what it did next month, leaving out the whole question of what kind of an environment it happened in.

MR. RIEFLER: There was a terrific impact arising out of financial developments. It is the job of a historian to build that whole picture.

CHAIRMAN SPROUL: I had a somewhat similar question, not just how the money was made available, but why it was made available in terms of the economy and the relations of the banking system in general, and the Federal Reserve System in particular to the economy, and its development at that time.

DR. JAMES: And whether it was too much or too little in the judgment of the author.

DR. CHANDLER: I think we were probably guilty of just taking for granted these things.

MR. RIEFLER: Yes. I think it is implicit.

CHAIRMAN SPROUL: Is there anything more on 3 and 4?

Go ahead, Karl.

DR. BOPP: Then we come to the substance of the history itself in terms of history, and here I think you should feel free to suggest deletions and additions and amendments. First the background of the System, which really means the period prior to the establishment of the System itself.

"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."

Cyril, on your point about the role of the United States, Beckhart* told me on Tuesday that in 1914, if an American ship or a U. S. Naval vessel were to call, let us say, at a South American port, and payday for the sailors came while they were in port, that they would be paid in sterling banknotes, Bank of England notes, not in U. S. dollars. It is just a dramatic little incident that gives reality to the changing role.

DR. JAMES: This whole section I agree with, because as I said a few minutes ago, I think this really is the picture of the world before all these revolutionary changes. This is where the difference between the Aldrich Plan and the Federal Reserve System fits into it. Actually, I don't know that anybody in any history of the United States, financial or otherwise, has really written that yet. This book breaks entirely new ground.

CHAIRMAN SPROUL: It does, I think, raise again the question which was mentioned in the beginning and may be implicit all the way through, as to how much of a particular subject and era, time period, can be gotten into the comprehensive history, in what detail, and how much will have to be in a separate study or monograph.

DR. JAMES: I do feel, Mr. Chairman, that this is the thing that has to get into the comprehensive history. I feel fairly strongly about that,

* To identify, see Appendix.

because in my judgment, very, very few people are going to read deeply in all of the technical points that come up. There will be a small limited interested audience. But from the beginning I have looked on the comprehensive history here as, if it is effectively done, one of the most important books dealing with the history of the world in the last thirty years, and putting into focus all these technical things, but writing about them as factors that are influencing the stream, and writing about them in a fashion that will make them clear to people that didn't know about them before. I grant you this is an extraordinarily difficult job, but I think it is one that can be done.

I would raise one point there that I am sure was in Karl Bopp's mind. The creation of the gold pool chiefly under the influence of the bankers in Chicago in August of 1914, and in the sending of it up to Ottawa, as you all know, is a magnificent demonstration, exactly like the payments in pound notes as he mentioned awhile ago. In fact the thinking as of that moment was still entirely along the lines of an earlier philosophy.

CHAIRMAN SPROUL: I am not sure but that if they had any gold in Chicago now they wouldn't send it to Ottawa again.

(Laughter)

DR. CHANDLER: There is another incident in history that has never been written out, and that is the gold pool that the Chicago bankers threatened to accumulate out of the System in March, 1933. I am not sure that is generally known.

DR. JAMES: On that particular point, there is a very dramatic letter that old James Forgan* wrote to his brother, because on Saturday, August 1, 1914, he received a telegram from Mr. McAdoo, Secretary of the Treasury, asking that a

* To identify, see Appendix.

committee of the Chicago Clearing House meet with him in Washington the following Monday. Mr. Forgan promptly arranged to go to New York the next day and some bankers in the president's clearing house went with him. They met at the station a few minutes before train time. They got on the train and carried on their discussions, and by the time they reached Englewood, which as you know isn't a very long journey, they all got off the train and went back to Chicago, because they felt they would get very much farther by forming their own gold pool and going on this basis than going down to New York. An extraordinarily interesting letter that almost marks a crisis in Chicago banking.

DR. CHANDLER: It begins to sound as though we ought to have two histories, one of the Federal Reserve System and one of Chicago.

MR. BURGESS: I don't know how many of you people knew that on the Friday night when the banks were closing, as they were closing, the New York Reserve Bank had reserves of about nineteen per cent against its note deposit liabilities because the outflow of money from Chicago had been very heavy. We attempted to get Chicago, as had been customary, to take its share of Government securities in the pool so that the reserves would be leveled out for the System and we would all close with a gold reserve above the legal minimum. The Chicago bankers said that if any attempt were made to do that, they would next morning withdraw their reserves from the Chicago Bank in gold. So the System closed with the New York reserve ratio of seventeen or nineteen, and Chicago's fifty or sixty. Had you heard that?

DR. JAMES: No.

MR. BURGESS: I happened to be one of the fellows that tried to do some of the negotiating. We tried to get the Board to order the Chicago Federal to discount, which the Board refused to do.

DR. WILLITS: This is very distressing to an outsider, who always assumed that everything went on in the Federal Reserve System from the point of view of high and farseeing statesmanship.

CHAIRMAN SPROUL: Maybe you shouldn't be on this committee.

(Laughter)

DR. STEWART: I think it is one of the functions of all history to prove that what you are talking about is not monolithic.

DR. WILLITS: That may become harder and harder to do.

DR. CHANDLER: I suspect this ought to be interred with their bones.

MR. RIEFLER: That is the kind of thing I think we ought to have in here. I think that is what this history is.

DR. WILLITS: You are not limiting your historian with that, are you?

DR. CHANDLER: No. We leave that to him.

DR. JAMES: I think it should go in, because the very significant thing in any history, and in this one, is how the impact of individual human beings, and individual motives, as of this 24 hours, do shape the whole development.

DR. CHANDLER: Some of those individual reactions in that period of about two weeks made extraordinary history. The group of bankers that went down after the bank closing, and the terms of the reopening, in my judgment, were tragic.

CHAIRMAN SPROUL: The next point.

DR. BOPP: "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."

There was a Congressional Committee on the question of the number of districts.

CHAIRMAN SPROUL: Any questions or comments on "b"?

DR. CALKINS: The only one I have is that it seems this presents one of the problems that we will encounter from time to time of trying to cover the 12 districts. This thing fans out in space so much that you face a very serious problem of selection; or possibly you ought to make a summary treatment of this thing here in the main volume and then let this kind of treatment go into a special monographic study, where you can do it greater justice than you can with the space that will be available in the main study.

DR. CHANDLER: I think that what we had in mind here, Bob, was not necessarily a detailed study of each of the 12 Federal Reserve Districts, but rather a description of the political process, and the decision-making process, even after the bill got through Congress and was signed by the President, when you had this tremendous controversy, not only in the original organization committee, but then in the Federal Reserve Board, as to whether the Board had power to change the number of districts, and so on, and whether it would be a good idea even if they did have power. It was quite a period of controversy, and had a tremendous effect.

DR. JAMES: Isn't that covered very largely in Paul Warburg's two volumes? I think one thing we have to remember in writing this is that we shouldn't duplicate something that has already been done.

MR. BURGESS: That whole period has very well been covered, more so than afterwards.

DR. CHANDLER: I think that's right, Cyril, but so much of those early volume were special pleading volumes, so that the emphasis needs to be changed in some of them.

DR. JAMES: Yes, but I was simply emphasizing the fact that I don't think it all ought to go in in detail.

CHAIRMAN SPROUL: There is perhaps one thread in one of the underlying themes, and that is the regional system and the relation of the New York District and the New York Bank to the rest of the country, to the Middle West, the Far West, the attempts to bring down the New York district to the smallest possible size, beginning with the financial district, going up to Canal Street, and stopping there, and then to the City, and then to the State, and then finally what it is now.

But I think that has lost significance in terms of the general development of the System, and of banking and banking thinking in this country, just the contest about the size of the New York District.

DR. CHANDLER: No doubt Carter Glass thought he was putting New York in its place. He thought he was going to do away with this business of huge bank balances in New York, and the financial power that that represented.

CHAIRMAN SPROUL: Of course some aspects of that conflict persist and exist right down to the present day. We are in conflict, that is, the System, with the Reserve City bankers on a variety of questions because of their feeling that the System is still trying to take over the functions of the correspondent banking system.

MR. RIEFLER: What place is there here for that area? I always find myself in a fog about it. What is the role of the Reserve City Bankers Association? You do run into its impingement on the System all the time. It would seem to me it ought to be treated somewhere in this history.

DR. JAMES: In fact it was Carter Glass's impression that he abolished the correspondent system. He thought he had done it effectively, and I think the persistence of the correspondent system is really one of important problems.

MR. BURGESS: That is the emotional impetus, in large measure, back of the Act of 1934.

DR. CHANDLER: I thought this ought to be a theme that would have to run through all the periods, Win. For example, in the discussion of the structure and function of the System, pre-Federal Reserve, this would be a very important aspect. And the whole question of the composition of Reserve banks in the original Federal Reserve Act, and the fighting over the changing of those in 1916, 1917, and then the attempt to revert to something like the original scheme in about 1921 or '22. Then the check clearing controversy was involved too. I should think it would be a theme that would have to be developed in various stages.

MR. RIEFLER: Yes. It might have a separate monograph also.

DR. STEWART: I think there is a myth and a reality about this which, when you watch just the operations, tends to obscure the myth. The operations, of course, are New York. But there is the political reality of the amount of protection and insulation that it has given the System. I think there have been several occasions when it would have been a question whether the System could survive if it had been centered in New York. So I am inclined to consider it as more than an illusion, like all myths. It has great value.

CHAIRMAN SPROUL: It is a myth that has an effect on the economy of this country, not only on the Federal Reserve System.

DR. STEWART: This country just doesn't like concentration of power, whether it is New York, Washington or somewhere else.

DR. CHANDLER: And you also have the nice paradox, Walter, the more you try to sectionalize, the more you may concentrate.

CHAIRMAN SPROUL: Go ahead with No. 2.

DR. BOPP: The next is the period of organization, from the opening of the banks, until the entry of the United States in the First World War.

"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."

DR. JAMES: May I ask another question of fact there, Mr. Chairman? Have we received from the various Federal Reserve Banks any undertaking that the author of this will be able to use the directors' minute books? If you don't have that, then it will be extraordinarily difficult to deal with this section, which is quite critical.

MR. RIEFLER: The authorization, from what I put up to the Board, was that there would be pretty frank disclosure of developments before 1933, and that it should stop there. I think the final letter we wrote was that we would have to judge on an ad hoc basis what was to be made available.

CHAIRMAN SPROUL: I think that's right.

MR. RIEFLER: It is a friendly disposition to make things available, but there is no commitment.

DR. JAMES: But that friendly disposition does cover all the banks?

CHAIRMAN SPROUL: It covers the Board and the New York Bank, and it hasn't been put up to the other banks in that way, although it had been put to the other banks to make available what they had in their records and files, but not going to the minute books.

DR. JAMES: You can't make this hard and fast, but I do think it is tremendously important to choose your person, someone who has discretion, and

you don't bring out current personalities. But I don't think really you can write this sort of a thing unless the individual is going to have that access.

MR. BURGESS: I don't believe your minute books are going to reveal this particular thing as much as one might think. They are pretty cautious of what goes into the minutes. I am thinking of the records of the Open Market Committee. I remember very distinctly in the middle twenties arguments in the Committee about the necessity for buying Government securities to keep up earnings. They didn't get into the minutes of the Open Market Committee. They didn't get into any of the records. The final thing was authorization to buy or sell, or something or other.

DR. STEWART: Chicago again too.

MR. BURGESS: Now, if you had the memoranda that McDougal* brought to those meetings, they would be very revealing. But they said, "To hell with all this fancy stuff that Strong is talking about. We have got to earn a living." You get some in the correspondence between Parker Gilbert* and the Board at that time, when the Treasury practically ordered the Federal to sell their Government securities.

DR. WILLIAMS: Perhaps you can guarantee access to this historian to the things that were carefully deleted from the minutes.

MR. BURGESS: We never even thought of putting them in.

DR. WILLIAMS: It would be well if the Board and the banks would go just as far as they could toward complete accessibility, because, "Yes, we will be sympathetic provided you don't go too far," is after all an extremely important limitation. I don't know the nuances and customs and the things that determine, but it seems to me that if this is going to be a history, you pick a

* To identify, see Appendix.

man whom you trust, and a man whom you trust is entitled to access to a very high degree. On that, I can't judge the considerations that limit that access.

CHAIRMAN SPROUL: I think if it were put up formally to the Federal Reserve Banks, at least at this stage, to make their minute books available to the Committee or the historian selected by the Committee, we would cool off the sympathetic attitude toward access to all other available information, in terms of memoranda, comments and discussions outside of the minutes. It may be that as we go along we will find some things that have to be gotten from the minutes that we might then ask for.

MR. RIEFLER: I think the attitude is extremely sympathetic, but a guarantee just can't be made.

DR. WILLIAMS: It has to grow in use.

DR. BOPP: Minutes of the Governors' Conferences, though, would be more revealing.

MR. BURGESS: Yes.

DR. BOPP: At one time they had stenographic minutes in the early twenties.

CHAIRMAN SPROUL: The Chairmen's Conference?

MR. BURGESS: The Chairmen's Conference doesn't appear until a good many years later than that.

CHAIRMAN SPROUL: In the twenties they had conferences and stenographic transcripts.

DR. BOPP: At one time they had conferences of the members of the Board, the Governors of the banks, and the chairmen. This famous May 1920 conference, which became a Government document, that is complete.

Then No. 3, War and inflation:

"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."

DR. JAMES: I think there it is important to mention the position of J. P. Morgan and Company in that whole picture. They were the fiscal agent of the United Kingdom Government, playing a part that seems completely incredible in terms of the Second World War.

MR. RIEFLER: 1917-1919. The periods seem to be wrong here. 1918-1920 had a special character.

MR. BURGESS: The inflation broke in the middle of '20.

MR. RIEFLER: The problem of the shift to fighting inflation started in 1919, didn't it? The shift from war financing to fighting the inflation really occurred during 1919.

DR. CHANDLER: In some ways, this period we can say was November 1919, when they got their complete freedom.

MR. RIEFLER: I would think the break would come somewhere in the first half of 1919.

DR. JAMES: You really have a separate period, 1918 and 1920.

DR. CHANDLER: This could well be, 1917-18, and then another period, November 1918 to the break of the inflation in 1920. It might have been much better to split it up.

MR. BURGESS: In terms of economic swing, you can swing it through to '20.

DR. STEWART: I have always felt that the freeing of sterling was greatly underestimated. As a force, it has been obscured by the magnitude of domestic events. In looking back now, I don't think many people realized then the implications.

MR. RIEFLER: The content here is correctly done. The content of No. 3 relates to the structure and organization of the Federal Reserve System in relation to financing the war and the huge war debt that resulted. From the end of 1918, on, we began to face an economic problem.

DR. STEWART: I think that's right, shift of emphasis.

DR. JAMES: During this period too, to take the terrific increase in bond portfolio of the Reserve System, which was one of the basic policies that made possible the open market development.

DR. CHANDLER: As I look back on this, Karl, I think we left out one very important series of things, and that is the whole change in the structure of debt, and of bank portfolios, and the financial positions of the public, of the banks and the Federal Reserve banks.

MR. RIEFLER: Yes.

DR. BOPP: I personally inferred that in the entire war financing program and ideas relating to it, as contrasted with the Second World War where the financing was public financing. The First World War was private financing. But it could be spelled out.

MR. BURGESS: In "b", I think if one were revising this, the wording "the tendency to concentrate power in the New York Federal" sounds as though people were trying to concentrate. It was a growth in power, which was done against resistance.

MR. RIEFLER: Its scope, its prestige.

CHAIRMAN SPROUL: Influence.

MR. BURGESS: The growth of influence of the Federal Reserve Bank of New York. Then it isn't the subordination of the Federal Reserve. Nobody said "we will subordinate the Federal Reserve".

DR. STEWART: Nobody?

(Laughter)

MR. BURGESS: I don't think they ever said that. They did it. But the choice of language suggests something a little different from what happened.

DR. CHANDLER: It makes it sound too conscious and deliberate.

MR. BURGESS: Yes.

DR. BOPP: This grew out of the circumstances. New York was the area in which the funds were raised, and with which the Secretary had the direct dealings.

DR. CHANDLER: I had never realized until I went back to this period the extent to which it was difficult to separate the role of say the Governor of the Federal Reserve Bank of New York as manager of monetary policy on the one hand, and as fiscal agent on the other. He just didn't know when he was acting as fiscal agent and when he was acting as Governor.

MR. RIEFLER: How do you plan to bring that into the outline, the whole fiscal agency function?

MR. BURGESS: It is the development of the triangular role of the Board, the New York Bank worked so closely with the Treasury day by day, that it built that up. The Board functioned in approving the discount rates and sat there. If they had had any ideas about what should be done, they might have been a little more forceful. But it was a thing that grew out of the situation

rather than anything deliberate. The New York Bank I think went ahead and did things and pushed ahead and didn't want to be bothered.

DR. JAMES: I don't know the date at which J. P. Morgan ceased to be the fiscal agent of England and France, and their actions were taken up directly with the New York Bank.

DR. STEWART: Have they ever ceased?

MR. BURGESS: They still are the fiscal agents. I don't think there ever was any date. But when they ceased doing their financing, the fiscal agency didn't mean so much, when it came to the handling of assets in World War II.

DR. JAMES: I was thinking rather of the change between 1918, for instance, and the period of 1923-24, when Norman and Strong were just short-circuiting Morgan entirely, and the fiscal agency had become a formal trust company business.

CHAIRMAN SPROUL: I don't think they short circuited them entirely.

MR. BURGESS: No, the kind of activity changed.

CHAIRMAN SPROUL: Change in emphasis of arrangements, but no date when one was cut off and the other took over.

DR. STEWART: I believe the real crevice between past and present practice -- the real break -- comes when the United States Treasury established direct contact with the British Treasury. Both in practice and tradition, the two Treasuries had had very little contact. The Federal Reserve Bank of New York and the Bank of England dealt directly with each other, and the British Treasury used Morgan's as its fiscal agent in the United States. During New Deal days, however, the House of Morgan ceased to be welcome in Washington, and the Federal Reserve Board increasingly took over from the New York Bank its foreign activities. After the arrival of war, the activities of the United States Treasury in monetary and credit matters reached such a magnitude that the Treasury became a center of decisions, and the Federal Reserve merely part of an

operating mechanism. Soon the relations between the two Treasuries became so continuous and unquestioned that our Secretary of the Treasury hardly knew that any other system had ever existed.

MR. BURGESS: The Banking Act of 1933 had to do with that. I think when the Treasury walked in and took the gold from the New York Bank, that was kind of a punctuation of it. That is a very interesting little incident that could be described in very dramatic terms, when the Assistant Secretary of the Treasury, a long-haired foreigner, came in and told us what was going to be done.

DR. CHANDLER: I would like a record of what was said at the Chicago Bank. (Laughter)

CHAIRMAN SPROUL: You don't want whatever comes out of the final work of the consultants to give a vicious slant to the New York Bank's assumption of power and influence? (Laughter)

MR. BURGESS: No, it wasn't just that. This was really going back to Win's point, that nobody, and I say literally nobody, looked all over there and decided, "Now we are going to do this this way." The things happened step by step.

DR. STEWART: I think I should comment on that. There is a difference of emphasis. I think Ben Strong deliberately built himself a political machine, consisting in part of the Governors of all the banks. He was perfectly aware of what the issues between the banking system and the Board were. I think he proceeded with intent to do this. I think he believed it was the right way to do it.

CHAIRMAN SPROUL: He was the man to do it.

DR. STEWART: He was the man to do it. So I don't know how much a matter of the conscious you want this whole thing to be. (Laughter)

CHAIRMAN SPROUL: He spent a good deal of time in Washington, living there. He had living quarters there.

DR. STEWART: And made a great point of cultivating Mr. Mellon, and not cultivating Mr. Crissinger.

DR. CHANDLER: I think also to go back to a point that Cyril James made earlier, there were at least some instances in which these things were planned out deliberately far in advance, and where the decisions weren't just sort of forced on by events. For example, on many of these things Strong was looking years and years into the future, and taking step after step to achieve this objective, such as, for example, the one of getting the rest of the world in debt to New York so that they could then run their monetary policy by regulating the inflow and outflow of short term credit to New York. This wasn't by any means unplanned, as far as he was concerned. It didn't occur as rapidly as he wanted.

CHAIRMAN SPROUL: We are still working on it.

(Laughter)

DR. BOPP: The next period is the Federal Reserve and deflation.

"Analysis of events during the 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 and implicit, of those who engage in the process."

CHAIRMAN SPROUL: Any comments or questions on that?

MR. RIEFLER: That ought to be pretty broad. That could include the War Finance Corporation.

CHAIRMAN SPROUL: That whole Congressional inquiry?

MR. RIEFLER: Yes. That is the experience that Gene Meyer* comes over to tell me about twice a year.

CHAIRMAN SPROUL: And he was always right.

MR. RIEFLER: How he bailed out the banks that were in debt to the Federal. I suspect it is true.

* To identify, see Appendix.

DR. BOPP: Then No. 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 exchange."

DR. STEWART: I am not quite certain that I know what the function of the outline is here. I recognize the peg on which this is hung: guidance to the Committee and thinking about the nature of the history, I take it, more than guidance to the author. And therefore the things listed are not intended to be inclusive of everything, but suggestive of the range of things.

DR. BOPP: Yes.

MR. RIEFLER: The heading, "Search for appropriate peacetime organizations," I don't think that is really quite the true emphasis. I think what really happened in that period was the discovery of effective operating techniques

on the basis of actual experience. The role of open market in relation to discount operations, was worked out. We found out in this period relationships we hadn't known existed during the war.

DR. JAMES: It isn't really peacetime organizations and practices, it is the assumption of the responsibility for conducting the entire national monetary orchestra. Really the impact in this period partly resulted in changing domestic finance, but it is continuously to be comprehended by the fact that the Federal Reserve System finds itself suddenly, partly from Strong's desire, and partly from deterministic forces, at the center of the whole international pattern.

DR. STEWART: That ideologically is true, and in terms of operating technique it is true for I should think part of the period. But you see it is that period that you break more or less in the middle, before you get England's return to the gold standard, and you don't deal with the French until later. And while discussion was taking place, and preparations perhaps being made in that sense, the actual operating function of the System as an international monetary machine was only something envisaged. It was not in operation.

DR. JAMES: I am thinking rather of short term balances before the --

DR. STEWART: Short term balances in London.

MR. BURGESS: There was a lot said about the acceptance market, a lot of boloney, and a strong effort to develop that. There was certainly beginning in '23 or '24, I think '24 really, a desire to lean to easy money here to facilitate the recovery abroad. But aside from those, the major determinants were the discovery that open market operations didn't directly raise or lower the total volume of credit but affected the discounts. This is a whole mass of development of domestic monetary policy.

MR. RIEFLER: Doesn't it take in two or three things? First, this would be the coming of age of the Federal Reserve. There is one theme that runs through, namely the appropriate role of the Federal Reserve in relation to domestic stabilization. Then there is the theme of promoting the reconstruction of the world economy. The Federal Reserve was a key participant in that. It is comparable to the role of the Marshall Plan in the postwar world this time.

DR. JAMES: Isn't there a third thing, the concept of monetary stabilization in the technological age?

MR. RIEFLER: It is hard to get all the threads together. It has always seemed to me that one of the developments that happened during that period, the obsolescence of intellectual respect for the commercial loan theory, was a deterioration of the quality of bank assets. The surprising or shocking event of 1930 was to find that as small a contraction in the economy as was experienced by 1930 was accompanied by a sharp rise in bank failures all over the country. Something happened to bank assets in that time that ought to be noted if you are going to lay any base for understanding the troubles of the thirties.

DR. STEWART: I think that may be the key. The nature of the thinking that was taking place, in contrast with the events that were occurring, was developing a gap. The thinking officially about the acceptance money. There was an isolationist attitude politically, but actually New York, from the standpoint of its financial activity, was about as far from being isolationist as you can think of: the advent of the Dawes Plan, the Young Plan, the partners of Morgan being represented in it, and then the Federal Reserve not being able to take membership in the institution that was created. So that underneath some kind of thinking, and therefore somewhat obscure, was the great major fact of

the capitalization of the corporate securities at higher levels and larger amounts of credit.

So that the very thought of stabilization of business was itself a deterrent for exercising control over the securities market. There were two or three years there where people said, "Oh, My God, you mustn't do this because you will hurt business." Somewhere in there lies an extremely interesting set of conflicting intellectual ideological notions and ideas.

DR. CHANDLER: Right along with that too, as you develop the stabilization practices in the Federal Reserve System, and they were thinking more and more in terms of national control, there was still this hope, at least on the part of some people, that before long you would get back to an international gold standard where you could rely on automatic factors. So there is definitely a conflict there.

DR. STEWART: A wonderful period.

DR. BOPP: Meanwhile, that led into such activities as paying off gold certificates in order to reduce the reserve rates so the public wouldn't press too hard for inflation.

CHAIRMAN SPROUL: I think this discussion has indicated that in the main heading under 5, the search should be about the development, not the development for appropriate peacetime organizations and policies, but taking into account these broader questions of domestic and international import.

DR. CHANDLER: I think the reason that we put that word "search" in there was because we had a feeling that although much was accomplished, that they were still searching in 1929 for some sort of an ultimate method of operation.

CHAIRMAN SPROUL: Still are.

(Laughter)

MR. RIEFLER: When you take this up in relation to the broader setting of international stabilization, the broad idea, as I understand it, was that central banks and investment bankers like Morgan and Company could get finance in shape (1) by getting budgets balanced, and (2) by getting the Treasuries out of the central banks by refinancing their loans, at the central banks in the market, both at home and in N.Y. These maneuvers could get the currency stable, and eliminate part of the chaos in the international economy.

Then the other part of the program was -- I think it was the general consensus--that with financial stability, the government could move, *pari passu*, toward reduction of trade barriers, reduction of tariffs. That was the ideology back of that whole program.

Just from memory, I remember how sick I felt in 1927, when Norman gave out a statement about it being the time to drop tariffs, and Coolidge immediately went out and met the press and said, "The United States is not going to touch the tariff."

I think you have to get those threads into this to paint the whole picture. That is a much broader concept than just the concept of the restoration of a gold standard. It is a much more basic concept.

CHAIRMAN SPROUL: As between search and development, it had always seemed to me that there was a signal post in the development of ideas in the 1923 annual report of the Federal Reserve Board, which went beyond search and was development.

MR. RIEFLER: Yes.

DR. JAMES: In fact there wasn't too much searching, because in each stage through this there was a confidence that it had been found.

(Laughter)

DR. STEWART: A perfect rationalization.

CHAIRMAN SPROUL: Do you want to take up "e" and "f", Karl?

DR. BOPP: "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 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."

CHAIRMAN SPROUL: Any comments or questions on that?

Go ahead with 6, Karl.

DR. BOPP: It is from here on that some of this may seem more in the form of conclusions than in the form of questions.

"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 the 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 reserves.

"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 non-monetary 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."

DR. STEWART: It would like to say for my part I think that is less satisfactory than the preceding sections. I don't believe it is just because you have stated them as conclusions. I find it difficult in some of these to attach datelines. They seem to be true, but I don't see why they should fall

particularly in this period. There are so many things in '29, '30 and '31, even before you get to "h", deep in the depression, which seem to me not to be things that were learned, observed, experienced, that we felt the impact of, which I don't see described in "a" to "g". "a" to "g", I agree with, I don't quite see the timing factor in it.

MR. RIEFLER: "B-1" is much more appropriate in reference to 1921. That is just what Strong expressed in Congress.

MR. BURGESS: This whole series is not the way we were thinking inside the Reserve System. There was an enormous struggle going on to resist these things and do the right thing.

MR. RIEFLER: Letter "c", I think Mr. Hoover had something to do with that. It wasn't at all prevalent within the System.

DR. STEWART: I think there needs to be more sense of struggle there. I think inside the System there wasn't this lack of recognition of these problems. It was a constant struggle to try to perfect them.

DR. JAMES: Isn't the watershed of '33 really as you say, within the System, and to a certain extent within the White House? Up to 1933, there was a real struggle to meet this deepening depression by traditional central banking means, and after '33, the balance swung over to meeting it by political means.

MR. RIEFLER: Well, the Reconstruction Finance Corporation was organized in October, '31, and it was put up to Hoover long before then.

MR. BURGESS: I think the failure of the R. F. C. to appreciate the size of the job had its impact.

MR. RIEFLER: I was awfully excited about that; I remember going over it in a closed meeting of the Senate, when Meyer presented the legislation.

to set up the R. R. C.. Senator Couzens* immediately said, "You don't propose to lend on bad assets, do you, Mr. Meyer?" He responded, "Of course not, everything has to be sound." And I remember registering it. It came to me through a remark that Walter once made that commitments made at Committee hearings seriously impair effective action later. I had a sneaking feeling at the time that he couldn't take that commitment, but he had to get that bill through. Certainly one basic reason for the inability of the R. F. C. subsequently was the fact that they were sucking the sound assets out of the banks and leaving the remaining deposits with no sound assets back of them. That came right out of those hearings.

DR. STEWART: I don't believe we have anywhere a proper appraisal of this period in terms of the effort or the growth of ideas. That is why it is so important to grow something up out of this, so that you have a sense of its coming right up.

DR. JAMES: I have always had a feeling too that by the summer of 1932 the effort had very largely succeeded, and if it hadn't been for the admixture of political things in the election campaign at the end of that year, the result might have been different.

MR. RIEFLER: You have got to trace the development of ideas running parallel with those of the Federal Reserve with respect to its monetary policies, ideal as to the role of the examination system and to its procedures. The theory at the time was that the examiners examined banks, and if they were in difficulty, closed them to protect depositors before the capital was eroded.

MR. BURGESS: Ordered them to sell out their security portfolios at the bottom.

MR. RIEFLER: And what happened was that that very fixed and rigid procedure kept clumping the money market to pieces. You should trace the evolution of the idea that the proper procedure was to keep the bank open and in being, not to close it and sell it out, either by putting in money through

* To identify, see Appendix.

the F. R. C. loans, or through purchases of preferred stock or something else. The authorities had to think through, carefully, a new idea.

DR. WOOD: I am the one who wrote a good deal of this material, here. Since I believe that the crisis of 1931-33 was essentially due to a progressive decline of liquidity (whatever other objectionable features may have been present), the leading question in my mind in studying the period is "why should a country permit itself to suffer such devastating effects from monetary contraction?" The answer seems to be that some of the basic ideas then dominant were at fault. A. C. Miller, for instance, testified that the Federal Reserve should not buy securities to stop a decline in business. There was quite a little testimony given by various people to the effect that an expansion of credit, or an expansion of money, in an unsound and declining business situation would cause further unsoundness and further decline. Beginning in 1933 there was quite a revolution in ideas, and the change in ideas that were dominant seems to be related to the change in the kind of action that was taken.

MR. BURGESS: Of course, Miller at that time was fighting his old battle against the New York Bank, because the New York Bank was partly in the lead in getting the new legislation in February, 1932, to change the status of the Government securities as collateral. That opened the way for the buying of a billion dollars of Government securities from March to June, a very vigorous operation. Miller didn't like that because it was done over his protest, in a sense. But the System was solidly behind the use of open market operations to meet a crisis of that sort.

DR. CHANDLER: Only last week I saw a memorandum written in the New York Bank in early 1930 to the effect that the System ought to engage in the purchase of approximately \$50,000,000 worth of Government securities every week until all the banks were out of debt and even had some excess reserves. And it was approximately two years later that the policy was adopted. So that I think

* To identify, see Appendix.

this kind of thing would be a useful addition to the outline, indicating that there was differences of opinion in the System and some were moving in that direction more rapidly than others.

MR. BURGESS: Who wrote it?

DR. CHANDLER: I don't know who wrote it, but it was signed by the Governor of the bank and sent to the Board.

DR. BOPP: Then there was an attempt during this period to in a sense keep the Federal Reserve pure and clean. For example, the early Hoover proposals which were to organize other institutions to take over sound assets of banks, etc., but not have them eligible for collateral loans at the Federal Reserve Banks, and so on. The suggestion of some slight modification in eligibility requirements.

MR. RIEFLER: No, that isn't the right interpretation. I remember that theory quite well. It was that if your problem involved losses in bailing out risk situations, then those losses should fall on the Treasury with its taxing power and not on the central bank. And so the R. F. C. was organized and operated in coordination with the central bank. It is a quite different theory.

DR. WOOD: Was there not a general idea in the business and financial world at that time that you did not deal with business depression by monetary expansion -- or, as it was often expressed, by tinkering with the currency?

MR. BURGESS: I don't think so. There was a strong feeling that the budget should be balanced, the argument that even at the bottom you should try to balance your budget.

MR. RIEFLER: Yes, but they took the R. F. C. out of the budget.

CHAIRMAN SPROUL: I think there was some idea in business and banking circles of the healthy characteristic of a depression, but I don't think that should be pinned on the Federal Reserve System as an idea to which it had adhered in considering its responsibilities during that period.

MR. RIEFLER: There was the idea that the central bank needed utmost public confidence in the soundness of its assets, and that the Treasury should carry the risks.

CHAIRMAN SPROUL: That would be consistent with our holding more Government securities and the Treasury taking risk.

MR. BURGESS: Of course that whole question came up after the opening of the banks in March, '33, as to how you filled that capital gap, and the mechanism of doing it. The battle was to get that done. Finally it was the R. F. C. with its capital notes and so on. The Federal Reserve after all at that time had \$400,000,000 worth of capital.

MR. RIEFLER: I remember very well in 1931 when the Anschluss came, and Luther was flying around Europe to borrow \$500,000,000. This was a much bigger credit than the capital of the Federal Reserve Banks, and there was the idea that therefore it was not proper for the reserve banks to underwrite the credit. I think it was an erroneous idea but there was that kind of an idea with respect to the capital structure of the reserve banks.

DR. STEWART: I think some period comes there between September, 1931 and March, '33, and by covering the whole thing we make the stock market break sound as if it were the persistent fact. The main characteristic of the period is that we were always behind the event. The event was moving faster than men were able to move, and that in part was because they underrated the basic illness of the community. They thought it was the stock market break, and therefore it ought to be able to readjust itself, and the over-extensions had worked their way down much more seriously. So the tragedy is the '31 to '33 period.

MR. BURGESS: The one interesting point to hinge that on was the increase in discount rate at the end of September, 1931, where the debate was, now should we at this stage of terrific deflation and loss of gold take the traditional action of raising the discount rate, or should we discount freely

* To identify, see Appendix.

and pour out money and offset it? The limiting factor there was the fact that you couldn't buy government securities because you were right up against the security of the margin of collateral of the Federal Reserve notes. But the decision as to whether to raise that discount rate had to be made and the dominating idea there was, well, England went off the gold standard with a discount rate of 2 per cent. Now should we be forced off here, with a low discount rate, when tradition calls for a higher rate?

DR. STEWART: With the French taking gold.

MR. RIEFLER: I have always thought that if the authorities had known how to handle the failure of the Bank of Kentucky and the Bank of the United States, there would have been a turning point in the fall of 1930. I wouldn't put it in '32. The failure to handle those two situations set the pattern of the credit liquidation that went on subsequently and eventually brought down everything.

MR. BURGESS: There again there certainly was the feeling in the New York Banking community that it would be a very helpful thing if these two banks could be liquidated out and "draw a circle around them and save the soundness of the structure" a thing that many of us fought as hard as we could.

Now that isn't an instance of the theory about money. That was that these banks were bad banks and this is an opportunity to cut them out of the structure. And they were bad banks.

DR. CHANDLER: Maybe the language here isn't exactly appropriate, but when I tried to imagine what we would do today if we had a repetition of 1929, 1920 and '31, the contrast between what was done then and what we would do today makes it seem like another age completely.

MR. BURGESS: That's right.

DR. CHANDLER: Something has happened that has revolutionized ideas and policy.

DR. STEWART: We could handle 1929 and '31 most effectively today. I am not sure we could handle 1956 as effectively.

DR. JAMES: You have put your finger on the point I have been thinking about. 1931 is a stronger division of these two periods than 1929. That is really the time, as Walter said, when events started racing ahead as we never quite caught up.

MR. BURGESS: Remember that Herbert Hoover got together the utility companies in 1930 and urged upon them a big expansion program, which they to some degree adopted.

DR. JAMES: I would go along with '30, but it isn't '29.

DR. STEWART: This is more important than the period we spoke of, of the Federal Reserve coming of age. This we need to know.

DR. CHANDLER: In a list of incidents and controversies and that kind of thing in this period that might be dealt with.

MR. RIEFLER: Exactly what were the incidents, what were the propositions made? Meyer tells the story about how he went to Hoover in 1930 and said, "You have got to cancel the Allied war debts." And Hoover refused. Then he went back and put a motion that if the proposal came later to bail them out, he would refuse. He tells that story.

MR. BURGESS: What about Mr. Mellon going around the country telling the people, "There is a hell of a storm coming, you'd better get liquid."

(Laughter)

I know a specific instance of that. We got in the bank and said, "By God, there is a storm coming and you better get yourself liquid."

DR. CHANDLER: That indicates that there was at least one man who might be tagged with the attitudes described here.

(Laughter)

MR. RIEFLER: Meyer had a broader view. He was the one that was desperately trying to adjust the debts.

MR. BURGESS: Of course, the one turning point there was what would be the character of the approach of the R. F. C. to its problem. You find a memorandum that says the R. F. C. should practically draw a line, we are not going to let the R. F. C. go beyond this. At the time they were lending a dollar for every two dollars of assets.

MR. RIEFLER: That was the commitment to Couzens* I mentioned earlier. That is where they got committed to that conservative banking committee.

DR. CHANDLER: Were there other things of that sort that ought to be noted here?

MR. RIEFLER: It is full of them if you would study that period, and really cull it for factual history. Miller* attempted to change the R. F. C. procedure from a lending operation on sound assets to a preferred stock subscription operation, but Ogden Mills* turned it down. That seems to me one of the crucial wrong decisions.

DR. CHANDLER: As I look at this period, it seems to me there was also a failure to see that assistance to banks was really assistance to the whole economy too. Today I think there would be an attitude that we don't save banks as banks, but you save them because the whole economy will go to pieces if you don't.

MR. RIEFLER: There wasn't a failure to see that. The problem was a moral problem, how much do you bail out stockholders and take losses for bad loans they should not have made. That was the moral problem that the authorities were trying to see their way through. And that is why Traylor* and Miller* came up with the idea that if the R. F. C. subscribed to preferred

* To identify, see Appendix.

stock in a weak bank, it would keep the bank in operation as a going concern, keep the money supply available to the economy, and still let the losses from bad lending whatever they were, fall on the stockholders who were really responsible.

MR. BURGESS: Then there was a terrific argument just after the bank closing in connection with the bank opening, of the formula to be used in opening, whether you open them all, or 50 per cent, immediately have deposits to work on, and then determine as you go along how much of the deposits have good assets back of them, or whether you open up just the good banks. And the thought was, we will just open the good banks. That meant three or four thousand banks closed; the effect on the community was terrific. You just cut off that much volume of credit. I don't know what it was, whether it was 15 or 20 per cent of the country's total volume of available credit. That accounted, in my mind, for the slowness of the recovery.

DR. CHANDLER: It is this kind of thing that I have in mind, because my guess is that faced with the same kind of thing today, there would be a tendency to open all the banks, not because of consideration for the bankers, but because of consideration for the public as a whole.

MR. RIEFLER: It was really the absence of a technique, it was not a gap in the thinking. Take the situation in October, 1930, when the Bank of Kentucky and the Bank of the United States began to go under. They were rotten banks, rife with dirt, indulging in security manipulations and real estate manipulations. In those situations there was a direct moral reaction: that we ought not to bail out all those lousy stockholders; that they ought to bear the losses.

CHAIRMAN SPROUL: Combined with the theory of banking supervision, which persists somewhat to the present day, that if a bank becomes insolvent on the basis of quotations of various boards and markets, you close it.

It seems to me two thoughts or ideas have come out of this discussion of this particular section from this group. One is that the period ought to be divided into one that would take account more clearly of the development of events. And second that both were periods of struggle of ideas as between old methods, orthodox methods, and new methods of dealing with inflation and depression, and that it was not all what might be implied here, what Major Angas* referred to as paralysis in a blizzard.

MR. RIEFLER: You certainly want to know the whole history of the war debt controversies, and who put up what propositions.

CHAIRMAN SPROUL: That is the conflict of ideas of various things. It wasn't all one way.

MR. RIEFLER: Don't you need a detailed search for facts? The credit Anstalt, and the Anschluss, and the Luther story.

DR. STEWART: I was wondering whether this period might not lend itself to commissions and studies which would be of help to the author, because it is so inadequately studied that it would be conceivable that somebody could lay out maybe half a dozen studies here, where under some editorial guidance, it could deal with this period. A single man taking on this, and then having to work with the basic job, would have a large assignment.

MR. RIEFLER: There can be a number of participants, with someone becoming the key participant.

DR. STEWART: One of the preliminaries of the development of a scandal nearly always is the ominous character of the scandal, something that is first heard of, then is quiet for awhile, then grows. The other is a political change that happens at the end. It is a common mistake to treat these as if they were not part of the story. I think they are perfectly genuine parts.

* To identify, see Appendix.

If you find a major scandal in the field of finance, you ought to be put on notice that maybe underneath this there are a lot of other things that you ought to give attention to. Then you won't ride off on a moral high horse.

CHAIRMAN SPROUL: Maybe like the crash in silk in Japan in 1920 and the Credit Anstalt in Austria?

DR. STEWART: Yes. The financial crisis in London.

DR. WILLITS: Walter, I have no right to speak on a subject about which I am not only behind the events but the events are so far beyond me, outside of my sphere. But sitting here, the sense of your statement that it would be almost an impossible task for one individual, especially if he be an individual who hasn't lived through it, to try to grasp it all, is just beyond question. He can't do it. I remember sitting with Henry Clay just about a year ago. He had the diary of Montagu Norman, and Henry would turn over a page, during this same period, 1929-33, and he would give me a lecture on all the things back of it, all based on a little note in Norman's handwriting. But Henry knew it all. To do it all with that kind of intimacy and knowledge is necessary. It seems to me it has to be broken down somewhere, at least looking at it as an outsider, and then that breakdown needs to be reviewed by the kind of awareness of events and the meaning of things that is here in this Committee.

That is purely an outside reaction, and a uninformed reaction.

CHAIRMAN SPROUL: I think you will have to quit taking cover under that "outside and uninformed." You are inside and informed.

DR. WILLITS: Pretty soon you will call me a banker. I think I need a little more input before I engage in any more output.

CHAIRMAN SPROUL: I think this is a convenient point to break up while they rearrange this room for luncheon.

(Luncheon recess at 12:00 noon.)

(Afternoon session to commence at 2:40 P.M.)

AFTERNOON SESSION

CHAIRMAN SPROUL: Resuming our discussion with our consultants, I think we had gotten down to 7, on page 5, Karl.

DR. BOPP: That's correct. I might say that although we were in a sense a bit apologetic about No. 6, I think in retrospect I wouldn't apologize at all.

CHAIRMAN SPROUL: Did it take you two hours to think up that rebuttal?

(Laughter)

DR. BOPP: I am rather hopeful that we will be able to continue in that fashion on No. 7, which concerns Federal Reserve policy from the banking crisis of '33 to our entry into World War II.

"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 or leading groups sponsoring monetary expansion. (For instance, looking back to bimetalism 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."

CHAIRMAN SPROUL: Any comments, suggestions or questions? We have the word of our consultants that we are a very stimulating group, and we all expect some more stimulation.

MR. BURGESS: I wonder how much of this was really due to this change in public thinking, and how much of it was politics, which rationalized itself by the first of the very important changes in the Reserve System. I wonder if they were as important as they seemed. The big change, it seems to me, was one of thinking; that is, the Banking Acts of '33 and '35 actually made less difference in the operation of the System than they are given credit for. It already had changed in 1932, which freed open market operations by limitations of collateral on notes, which made Lombards* possible. There was, of course, the F. D. I. C., and the Securities and Exchange Act, and the control of margin requirements. Politics exaggerated all those things.

DR. JAMES: Isn't this really a period in which the old idea of economics and business was something separate from government, and about to give place to the modern world where the government is completely intermingled with business? So there is really a change in philosophy, which as you say is partially politics.

* To identify, see Appendix.

MR. RIEFLER: Actually we are making a terrible mistake, to put the main stress on the early recovery period in terms of ideas. It was a period of milling action. You had all the banks to open, you had to get things in shape. You had to get those deposits in the closed banks freed again so that they could perform their money function. I would think that that period ought to be dealt with in terms of feverish activity, not in terms of shifts of ideas about the Government staying out, or the Government getting in; that is almost peripheral. It was a busy period, people working all over the place. There wasn't any question about the Government being in, it was in to the hilt. It was the problem of deciding what was going to be done.

CHAIRMAN SPROUL: We have to remember we are talking here primarily about a history of the Federal Reserve System, then think of treating some of the other things as collateral.

MR. RIEFLER: Getting the banks opened, getting the deposits freed.

CHAIRMAN SPROUL: Getting the banking system to working again.

MR. RIEFLER: You had that weird period of changing the price of gold.

DR. JAMES: Yes, and you had the gold block coming out of the London Economic Conference.

CHAIRMAN SPROUL: The most important underlying theme here is the growing acceptance of the idea of Government participation in the economic sphere, and I think that ties in quite closely with any history of the Federal Reserve System, because I look on it as a successful example of Government and private collaboration in a primarily Government function, with the Government having the dominant voice, but with some private influence and interest being heard and giving counsel and making their contribution. I think the underlying idea is the acceptance of Government as the prime mover in economic affairs.

DR. JAMES: And isn't this the period when a lot of emphasis shifts back from the banks to the Board?

CHAIRMAN SPROUL: I think both growing out of legislation and changes in personalities, there was a shift of influence from the banks to the Board. There was also a shift of influence from the banks and the Board beginning then to the Federal Open Market Committee.

MR. RIEFLER: And also the Treasury.

DR. STEWART: The period that Bob Warren* used to refer to as the time when there were no involuntary muscles.

(Laughter)

The sense of emergency was so dominant, something had to be done always -- action. It does fall on action, emergency. This was the period when the Treasury took over foreign exchange, isn't it?

CHAIRMAN SPROUL: This is when they began to, yes.

MR. RIEFLER: I would think that with the jiggings of the price of gold --

CHAIRMAN SPROUL: Beginning in '33.

MR. RIEFLER: The Treasury moved in.

MR. BURGESS: The Government moving in, in an area that had been more private, and acting without too much thought, seizing the gold thing, one thing after another. It wasn't a change in public thinking so much as an emergency rushing in, taking over the gold from the Federal Reserve. I think the amazing thing really is that we were able to survive that period in the System with as modest changes in the structure as there were. It could well have been a complete change in the Reserve System, or a taking over of private banking. The number of changes made in the banking system were pretty modest. There were few actual changes made. There was tremendous sound and fury about bringing

* To identify, see Appendix.

to the bar of justice, and we are fortunate that there were as few structural changes as there were. But the specific things that were done, again I agree, were a good deal a matter of seizing on the immediate things that turned up. Some pressure group gets hold of an idea.

DR. JAMES: You really need to divide the period at about '36. This terrific rush to '36, then it begins to settle down.

MR. BURGESS: Yes. Of course, there is the episode in which President Roosevelt threatened the Reserve System that if they didn't buy in the open market in '33 he would use the power of the Thomas Amendment to dissolve them. That was symptomatic. They regarded it, of course, as revolutionary change.

DR. STEWART: I saw something of the Treasury during those days, and I became convinced that they were literally frightened of the banks. This wasn't something they were working up. The first question they always asked was, has it any connection with Morgan? And I thought it was exclusively politics.

I think it is going to be hard to write this and give a proper allowance for Treasury view, or for Federal Reserve history.

MR. RIEFLER: Jack Viner* would be able to cover that.

DR. STEWART: Yes, indeed. And certainly there is the Treasury and the Federal Reserve in that period, I think, rather than primarily the New York Bank and the Board.

MR. RIEFLER: The tri-partite activity was almost entirely Treasury; Merle Cochran* can tell about those operations.

* To identify, see Appendix.

DR. STEWART: Merle is someone who would have some correspondence and notes on this.

MR. RIEFLER: the avalanche of gold.

DR. STEWART: When was the avalanche of gold? When does the big movement set in?

MR. RIEFLER: '36.

DR. STEWART: And it runs all through?

MR. RIEFLER: Then you have the Treasury starting to sterilize.

CHAIRMAN SPROUL: I think you are right about your timing on the Treasury. I think you are quite right, Mr. Stewart, about it being as much personalities as politics, and it being the Treasury versus the System rather than versus the New York Bank or the Board separately. An attempt was made to establish relationships with the new Secretary of the Treasury, Mr. Morgenthau, up in New York, which he interpreted as holding a gun to his head to try to subordinate the Treasury to the System in general, and the New York Bank in particular, and he never forgot it and referred to it from time to time, and always had questions in his mind about anything connected with banks.

MR. BURGESS: The symbol of this moving in of Treasury on the Federal was the taking over of the gold by the Treasury.

MR. RIEFLER: But the jiggling of the price of gold was much earlier without notification to the System.

CHAIRMAN SPROUL: But just notification, that was all.

MR. RIEFLER: I remember Gene Black,* and others, saying what can we do to stop them? I came up with the idea to try to divert it by concentrating on getting the deposits in closed banks freed. Everybody had been neglecting

* To identify, see Appendix.

that, so we thought that was a fine idea. We got Mort Buckner* down and organized the operation. When it was taken to the President for approval, he said in effect, that's fine, but we are still going to jiggle the price of gold.

(Laughter)

CHAIRMAN SPROUL: We have had perhaps three general ideas with respect to this section 1, that an earlier section might be split between 1923-26; second, 1931, the merging of the Government and business in economic terms; and third, most important from the standpoint of our specific subject, this shift of responsibility and authority as between the System and the Treasury, and the emphasis on actions which resulted in some of these developments.

DR. BOPP: Then the 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."

MR. RIEFLER: What does that mean, abandonment of monetary action? It wasn't abandoned. Easy money didn't take hold partly because of lack of confidence.

DR. WOOD: I was thinking of a conversation with James Harvey Rogers about 1936 -- I am not certain of the exact year. Rogers told me the Administration had given up attempting to expand general demand by means of monetary measures but was going to depend more on government spending.

MR. RIEFLER: If you have excess reserves equal to required reserves, you can't call that abandonment of monetary action. The monetary action is there in super-abundant quantity. There was a set of circumstances which required that other forms be brought into play.

* To identify, see Appendix.

DR. WOOD: But in this period (about 1936) there was a less active effort at monetary expansion than in the period when the Thomas Amendment was passed.

CHAIRMAN SPROUL: The piling up of those reserves was not an act of conscious policy. It was a result of the gold inflow which the Government and the monetary authorities accepted but didn't do anything to control or effect.

MR. RIEFLER: But if they were going to use monetary action, what they would do would be to create excess reserves.

CHAIRMAN SPROUL: It was there.

MR. RIEFLER: They were there. So it seems to me there wasn't a theory of abandonment. There was a loss of faith in the effectiveness of excess reserves because such reserves were present in a very high degree, and they weren't doing the job.

DR. CHANDLER: I wonder, Win, if your point would be partially that if "c" came first, and the word "abandonment" under "a" had substituted for it "supplementation"?

MR. RIEFLER: Supplementation, that's the point.

DR. BOPP: I might read "c".

"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."

MR. RIEFLER: Well, the drop in interest rate from 1929 to 1930 was deliberate.

MR. BOPP: This was the later recovery period.

MR. RIEFLER: Yes.

MR. BURGESS: I don't know about that last sentence. They thought that having all those reserves kicking around was going to get undesirable usage -- I guess six billion dollars of excess reserves and the money rate down to one tenth of one per cent.

DR. BOPP: Then this drop in rates at that time was a significant drop, but in terms of more recent experience -- well, that height is a relative matter.

MR. BURGESS: I think you would say that the focus of administration recovery instruments was on other policies than monetary, partly because the monetary thing wasn't working. You could throw any amount of money out, and it didn't go to work. Partly because the bank credit had been destroyed by the method of reopening the banks, in which billions of dollars of deposits had been destroyed, and partially because there were so many other aspects of the economy which were prostrate that had to be dealt with directly -- the housing, the farm situation, the Federal Farm Mortgage job. The emphasis had to be elsewhere because the situation wasn't in that balance where the monetary policy proved stimulating.

MR. RIEFLER: The only effectiveness, it seems to me, was creating a market for U. S. securities which made it easier to finance the deficit. Those deficit expenditures were stimulating.

MR. BURGESS: Part of that was due to the contradictory policies, the combination of reform and recovery. They rushed in and scared every businessman so that he didn't want to go to work on anything, and put these regulations on the security market and the stock market. All these reform measures combined to hold back recovery, along with extinguishment of bank credit.

But I think that wasn't a deliberate policy; it was events again, a whole wave of events.

DR. JAMES: Isn't it probably the influx of Keynes' theory too, which at the time was a lot talked about, that once you got easy money conditions, then you begin using your money in these various policies? I don't mean in the sense of spending it, but your wage policy, price policy, was an attempt to get it in circulation.

DR. BOFF: You have to put in active money in a sense.

DR. JAMES: Yes. It was activating the fund which was there.

MR. BURGESS: But it was true that the things which the right hand was doing were checkmated by the things which the left hand was doing. Business confidence was thoroughly destroyed, so that no matter how easy you made money, business didn't pick up. It had been destroyed by nature, but they helped nature by giving it another blow under the jaw.

DR. JAMES: I think psychologically you could almost believe in that period that you didn't need business confidence. Government would just press the button and business would respond.

MR. BURGESS: And it was a favorite sport to make fun of businessmen.

CHAIRMAN SPROUL: By increasing consumer purchasing power of governmental action, business would soon get confidence because they would have markets.

DR. STEWART: I think the trick here was to keep the Federal Reserve from going into cold storage. There was this large reserve. The Treasury moves in, and yet it can't really be said to take over the functions of central banking, and it looks a little to me as if Federal Reserve functions were not very active in the period. Just how does one, then, tell the story from Federal Reserve activity to a period in which Treasury is so dominant and influential, and sketch in the outline of a business period? The whole relation of credit and banking in that period is not self-evident.

MR. RIEFLER: If you are going into this on the basis of a history of ideas, it would seem to me the most important idea was the general loss of feeling that interest rates mattered. That was the big thing. The community gradually got to the point where it felt that interest rates didn't matter. I talked to Les about that in '48. It was just baffling. Good people would get up and even if they didn't want to peg rates, they always would say that interest rates didn't matter.

MR. BURGESS: The discount rates ceased to be of value.

DR. WILLETS: I remember in '35, a group of large retailers, sparked by Beardsley Ruml, came to the "Social Science Research Council" and wanted to have financed a commission that was to inquire into the then incipient recovery, and really to pronounce on the fact that a new system of going out of depressions had now been proven. Later, in '37, I met with the chief person and asked him, wouldn't it be nice to have the record come out just at this point?

(Laughter)

DR. BOPP: "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."

MR. BURGESS: What do you mean by new powers of the Treasury over reserves? The Thomas Amendment, and the Agricultural Bill?

MR. RIEFLER: The gold devaluation.

MR. BURGESS: The changing of the price of gold?

DR. WOOD: Following some of the meetings of the two agencies where credit policy decisions were made, there was a public announcement that the decision was arrived at jointly by the Treasury and the Federal Reserve. I think there were two such occasions.

CHAIRMAN SPROUL: It was a question of sterilization of gold, and desterilization of gold.

DR. CHANDLER: They had the Thomas Amendment powers, sterilization and desterilization, and then the operations of the exchange stabilization fund.

DR. BOPP: Was it earlier where the President was given authority, on recommendation of the Treasury, to change reserve requirements?

MR. RIEFLER: That was the first Thomas Amendment.

DR. CHANDLER: May I ask about this last point here? I must have been guilty of writing of the pegging of rates during the war as just a sort of evolutionary result of the policy from 1937, on, but I am not at all sure of that interpretation. The next question is, would you have had probably a pegging of rates during the war, inflexibly, even if you hadn't had this background of 1937 to '41 orderly markets?

CHAIRMAN SPROUL: I think we might have had and probably would have had without the background, although the background eased us into it.

DR. BOPP: Of course the basic issue was, are you going to finance it on rising rates as in the First World War?

CHAIRMAN SPROUL: I remember a conversation with the Secretary in which I used the phrase, "We can't finance this war by throwing dice with the market as to what the interest rate is going to be." It can't be financed with rising rates of interest in the market, which is continuously assuming

that the next issue will be at a higher rate so we will subscribe to this, sell out when we can, and wait for the next one.

MR. BURGESS: That really happened just after the outbreak of the war. That is, there had been plenty of manipulating the market, but not a peg.

CHAIRMAN SPROUL: No, that had not been, and the range of support was determined in large part by the existing rates at the time they went into the war. The short rate was brought up a little from zero, or one-tenth of one per cent, to three-eighths of one per cent, and the latest issue, the last previous issue of relatively long-term bonds, had been at two-and-a-half per cent.

MR. BURGESS: I wonder if you should say that after '37 the Federal Reserve realized that they would allow rates to drift within wide limits? It seemed to me we were in there. There was a fluctuation of rates at the outbreak of war abroad in '39, in which they held back from intervening. Finally, I was at the Treasury then, the Federal Reserve Board went in to peg rates before the Treasury was prepared to do it. It was a curious twist. But I don't think the Federal ever said they were going to allow them to drift within wide limits.

DR. BOPP: I think these discussions at the time of the 1937 operations were that the System does not undertake to determine what the level of rates should be, but that the movement should not be disorderly, to get from one general level to another level. As I recall, there was no notion of any limit to the level of change.

MR. BURGESS: I think that was an interpretation of what had been done for some months. I don't think there was a change in '37.

DR. JAMES: Isn't the theme of this period really developing out of what Walter Stewart said a minute ago, that Government having decided to dominate monetary policy, using the Treasury, threatening these various things that this

is the period in which monetary policy is temporarily lost to the System and in which the System gradually becomes the instrument for working it out again in collaboration with Government, instead of seeming to be fighting with Government.

CHAIRMAN SPROUL: I like Walter Stewart's phrase. This was the period when the System had to fight to stay out of cold storage. Monetary policy had been put in abeyance, not only through the emerging Treasury, but by the fact that the gold inflow had created the monetary policy for the period. There it was. Nobody had to do anything about it.

DR. JAMES: But the Treasury decided how much of that gold was going to be monetized.

CHAIRMAN SPROUL: There they did it very gingerly, and in consultation, until the '36-'37 period when Morgenthau said, "You will support Government securities, or else."

DR. BOPP: During this period, I remember something Marriner Eccles* once said. He said, "They consider me a controversial figure. I am the only person who is able to keep the Federal Reserve System's name in the newspapers."

CHAIRMAN SPROUL: I think carrying out this idea that has just been mentioned, that your key should be continued shift of influence toward monetary policy of the Treasury, then bringing out this idea of the System's struggle to stay in the picture at all.

DR. STEWART: I think a new theme is beginning to be reflected before you enter the war period. The question Les asked about whether there would have been experience with the government's pegging of rates if you had not had this preliminary is part of it. But quite apart from that, the focus of attention begins to be the government market. So the Federal Reserve is beginning to address itself to that question, and this continues until it reaches full drama and then it continues to grow. So that you want to catch it in transition, to

* To identify, see Appendix.

catch that as early as you can. Then it lasts a good, long time, and is, I think, evidence that it is the relation between the Treasury and the bank and the Government, and the whole growth of this Government market.

MR. RIEFLER: Starting with the Thomas Amendment and going through the Accord, there was a gradual acceptance everywhere that raising reserve requirements was a way to stop inflation.

DR. STEWART: That's right.

MR. RIEFLER: In '48 and '49, when I came back, everybody was talking about reserve requirements as a way of escaping from inflation.

CHAIRMAN SPROUL: Not everybody.

(Laughter)

MR. RIEFLER: I mean it was general throughout the country, and in international community. Yet Australia, with 100 per cent reserves, had the biggest inflation of all.

DR. BOPP: I was just going to say that one of the most interesting aspects was the academicians, the people in academic life, who failed to see this.

DR. WOOD: I wonder whether anyone here could help me to establish a little closer the date when the Treasury decided -- and to what extent it decided independently -- that the two-and-a-half per cent rate would be the maximum? The first point in time I can be sure about is the summer of 1941.

MR. BURGESS: I think it came very close on Pearl Harbor. I don't think it had been decided before Pearl Harbor. I remember a conversation about that time.

DR. BOPP: Hadn't there been earlier consideration of possible announcements in the event of America's entry into the war?

MR. BURGESS: No, I don't think we talked about that in '39.

MR. RIEFLER: I don't remember it at all in '39.

DR. STEWART: Isn't there a memory of Governments at par? I think that is the date. I don't think it is the two-and-a-half per cent.

MR. RIEFLER: He is merely saying why didn't they go lower.

CHAIRMAN SPROUL: Governments at par was the two-and-a-half per cent rate.

DR. STEWART: I think that is what sets the period.

MR. RIEFLER: Can't you date it from the time of the discussion with the insurance companies, when they said that they needed a living rate? Wasn't it about that time that the idea of tailoring securities became prevalent?

MR. BURGESS: The first 67-72's, the first loan drive was May, '42, wasn't it? Didn't they try to make it 2 3/4's?

MR. RIEFLER: I think I remember a discussion earlier than that of paying a higher rate than necessary, because you had to allow the insurance companies a living rate. Wasn't there some discussion along that line?

DR. CHANDLER: Probably another element that should be put into this period as a continuation from the earlier one is the rise of various kinds of Government credit institutions, which would act as retailers of credit or insurers of credit.

MR. BURGESS: Of course, you had in the immediate post-depression period the Home Loan Banks, the Federal Farm Mortgage Banks, Commodity Credit Corporation, the R. F. C. and F. H. A. developed further, that whole battery of things that goes into the immediate post-depression period. I think this period first is the revolution which in effect takes over the Reserve System

and everything else under Government direction. Then there is the gradual recovery by the System of some of its functions. First it begins to operate again with reserve requirements, and with open market operations, and so forth. Then it gets frozen in position, but nevertheless it is a great service institution by the Government, in which it only emerges at the conclusion of the war. But it is a gradual regaining of an operating position.

CHAIRMAN SPROUL: You have also that theme with the great growth in the Government debt, the great growth in the Government securities market, the Government securities market coming to be the market through which all elements of the short money market make their adjustments, and the Federal Reserve System moving from orderly markets to war finance, and pegging, and then back out of pegging, to the final course. You have those two things going on together really conditioning the whole experience of the Federal Reserve System during that period.

Anything more on 7?

Will you take up 8, Karl.

DR. BOPP: "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."

DR. JAMES: There should be emphasis there also on the difference in financing Allies and Associated Powers, which is very significant.

DR. BOPP: That is quite right, particularly in view of the war debt.

MR. BURGESS: I think also you ought to point out the influence of the Federal Reserve in trying to get the financing done, as far as possible, outside the banks, in as little as inflationary manner as possible. War loan drives included these long-term bonds, and the tremendous effort to sell bonds outside of banks.

DR. JAMES: I think even the pay-as-you-earn income tax changes is significant in this.

MR. BURGESS: I think the shift in policy making of the Treasury happened before that, and the Federal Reserve in this period was regaining gradually some of its individuality, largely because of its extreme utility as a service organization in the whole war effort. It had demonstrated its capacity for doing a lot of things that had to be done, like exchange controls, and handling the inter-war loan drives, and so on.

CHAIRMAN SPROUL: We had a nice row about that too.

(Laughter)

I missed in here the continuance of the theme of the Treasury's becoming more and more dominant in international affairs. This was the period when that was institutionalized in the form of the International Monetary Fund, and the World Bank, with the Treasury having the final say, and representatives abroad. The inter-war idea of central bank cooperation was out the window, and these new international institutions were now set up as institutions with the treasuries dominant in them.

DR. BOPP: In a sense the discussion of the differing reliances on monetary policy, fiscal policy, and direct controls, World War I versus World War II, summarize how almost complete the shift was.

MR. BURGESS: Of course the war lasted longer this time and gave you a chance. You take the actual timing. Wouldn't you find the direct controls in terms of months come in as soon in World War I as in World War II? They had them in 1918. It took a little while to do it in this war.

MR. RIEFLER: My feeling about this war is that in this country we never did come to the theory of direct control. England did. But this country in the end did not. We accepted inflation instead. We had not started with allocation of manpower, and control of production. We had those machineries going along, but they weren't in control.

MR. BURGESS: We financed a larger percentage through taxes than we did in World War I. Second, we did make a tremendous effort to do our war financing in as non-inflationary a way as possible. The banks and everybody cooperated in a very great drive to do that. The Federal Reserve was leading the way in that, which certainly has a very important place here. But we did tie the rates down as we didn't in World War I, and we did finance by direct purchases of Government securities, and this is an important point, rather than by borrowing. Unwinding it afterwards was much more arduous, and much less automatic. Maybe that is one of the reasons why we had a sharper deflation after World War I. It wound up with the banks holding three billion dollars in the Federal Reserve which they proceeded to repay. This time there was no such mechanism, and we went on to inflate after the war.

Of course as to foreign aid, the major factor in there was that after World War I we cut off foreign aid within about six months, and this time we kept on in one way or another.

CHAIRMAN SPROUL: Before we go on, I might say perhaps we ought to get it decided just how far in terms of periods we will be able to carry these studies in detail, but I think for purposes of your work and your advice and counsel to us, we might as well go right on through.

DR. BOPP: This is very short, as you notice, in No. 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."

MR. RIEFLER: It seems to me this raises again the problem of shifting prestige. By the time of the Accord, the System was taking a very strong position on one side, while the White House was taking opposing positions, partly through the Treasury, and partly through the Council of Economic Advisers. The Council of Economic Advisers advocated a complete theory of pegged rates, plus a bureaucrat sitting in each bank governing every loan at the loan window. The Treasury rejected that but insisted on a pegged rate. In each case, the Administration was insisting on giving up monetary policy.

CHAIRMAN SPROUL: There was one stage there where I was afraid that the Council of Economic Advisers was going to take over both from the Treasury and the Federal Reserve System, which I thought was about the worst possible thing that could happen. Of course that was a different Council.

DR. JAMES: Isn't there one significant thing left out of this aim, and that is the effort to establish an international economy? First the international institutions and the whole policy of supplying credits abroad.

CHAIRMAN SPROUL: Yes, I think so. Then I think there is also left out, which would come in certainly in 1953 and 1954, the international re-emergence of monetary policy.

MR. BURGESS: The whole period '45-'54 was a gradual regaining of the freedom and dignity of the central banking system. It started right in in '45, in an effort to get a little more freedom of rates in the market gradually. The first thing was the bill rate. It was pegged at three-eighths until it worked up to seven-eighths, and so on. Then a little more freedom was gained inch after inch. All the time the Council of Economic Advisers battling on the one side, and the Federal Reserve on the other, and all those episodes, with the President trying to intervene, and the Douglas Sub-Committee. I think that is a great chapter.

Paralleling that is the international effort to re-establishment of monetary sanity, and as Allan said, the monetary policy was amazingly successful after that.

DR. STEWART: Two terms used in this paragraph which recur in other places in the document, that is, fiscal policy and its increasing popularity and monetary policy and disillusionment with it. I would like those to be very carefully inspected as terms before they get widely used. I take it fiscal policy means deficit financing, and monetary policy means credit controls, and excess reserves and so on. I am extremely doubtful whether these are separable as logical intimates. You can have a Treasury pursuing a fiscal policy which is dependent upon either the collaboration or the domination over central banking, but it doesn't cease to be monetary policy, it doesn't cease to be a credit

factor. Even if it is known as fiscal financing, it has to have credit conditions. I think that because there were differences of approach emotionally between those people who felt that the way you dealt with a depression was to have a budgetary deficit, and those who believed that you should have monetary controls. We have made it appear that the two are separate to a greater extent than they are through experience. So I am not persuaded that history can make as much of a separation as logic is inclined to suggest.

DR. BOPP: Would it be fair to say that in a sense fiscal policy grew out of an attempt to extend open market operations to, in a sense, put active money into the market, and so on, so that the dividing line becomes really very thin.

MR. BURGESS: Isn't there a distinction here between what the economists were debating about in their meetings, in which the contrast between fiscal and monetary policy was prominent, that the discount rate no longer mattered, and you can't have monetary policy, and so, and what the Council of Economic Advisers was talking about. But as far as Treasury and Federal Reserve and actual action, I don't believe this was a real issue. The Treasury under Snyder* was just as eager to get the budget balanced. The fiscal policy was never really used by any administration in this country as an instrument of policy. I say that with a little hesitation, but I don't think it really was. But this issue as stated here is what economists were talking about in their annual meetings and not what was really happening in the country.

DR. CHANDLER: I think you could be made formally right, when you include Keyserling as an adviser, but certainly Keyserling made a distinction.

DR. STEWART: He believed that the Federal Reserve had no influence of any kind anyway.

* To identify, see Appendix.

MR. RIEFLER: Marriner Eccles certainly was explicit in those things.

MR. BURGESS: Nevertheless, at the same time he was talking about it, he was trying to get the bill rate up. He was trying to make monetary policy work in a limited way.

DR. JAMES: Isn't it a matter of semantics, with fiscal policy by the Treasury and monetary by the Federal Reserve?

DR. CHANDLER: I seem to remember Mr. Snyder, while saying that a rise of interest rates would do no good in fighting inflation, said that we will take care of this by taxation.

MR. RIEFLER: Yes, all the time.

MR. BURGESS: I think it would be hard to find a clean-cut statement. It is fair to say that they did, on the outbreak of Korea, go out for a heavy tax program.

DR. STEWART: Well, a taxing program is an attempt to recover back into the Treasury a liquidity that has been created by monetary means. I don't think they are as inseparable as we like to make them appear. Anyway, all I am doing is to give a warning that words don't always convey the full meaning.

DR. CHANDLER: I think generally speaking, the comments that have been made here about the academic economists being the ones that use those distinctions are quite right. For example, many of the so-called fiscal theorists would simply talk about the income effects of taxation and expenditures by the Government, losing sight completely of the liquidity effects.

MR. BURGESS: We have had built up a whole religion, a whole theology, by the economists of fiscal policy, so-called, which was far, far away from any active practice. It was not practicable. Congress would have had to pass a bill.

DR. BOPP: And even when it was, when we ran with very large cash surpluses, inflation went merrily on its way, because we simply shifted from an increase in public debt to an increase in private debt. Certainly the re-discovery of monetary policy in its various aspects, and the inadequacies of fiscal policy alone should be developed.

CHAIRMAN SPROUL: Remembering Walter's warning that you can't separate the two.

Now we have completed the section of the outline memorandum prepared by our consultants. What do we now wish them to do? In the light of this discussion, if they are willing, to prepare a new revised draft of their outlined memoranda and their discussion memoranda, which will be for our use and the use of whoever is selected as the historian in terms of carrying out this project?

DR. JAMES: I think that would be very useful, to bring together all the things that have been said here.

DR. WOOD: Karl made a suggestion earlier that you might just take the transcript of comments that were made today. That would give the future historian a pretty good picture of the Committee's ideas.

DR. BOPP: I think there is an important danger in having a revision of this. The danger is that the historian would feel more constrained by a document that had been developed as that revision would be. It would carry the impression of being official and definitive. Whereas this clearly is something just for discussion. The transcript would show that there are differences of opinion.

MR. RIEFLER: You don't see much sense in trying to winnow the discussion down and incorporating it?

DR. BOPP: No.

DR. CHANDLER: I think if I were the person who might be considering writing the comprehensive history I would find the most valuable combination would be the document from which the discussion started, plus the verbatim transcript of the comments that have been made about it. Even a condensation of the comments made today might in a sense be misleading, because they wouldn't show the richness of the suggestions that have been made; in fact, the fairly wide difference of opinions among some of the commentators.

MR. BURGESS: I think it is probably unfair to ask people to re-write this. I think it has been enormously useful and helpful and very interesting.

DR. JAMES: I think it might be useful if we could all get a copy of the transcript to stir our thinking. I think that would help a lot.

DR. STEWART: One rather odd thing about this strikes me. If you look at the periods that have been set up, they look like relatively short periods. Nearly every time we have discussed it, we have said every period ought to be broken down. This is undoubtedly true, but the question is, could they also be combined into larger periods, which would be the other question. I haven't any doubt that analysis does require the breaking of it down, but are there any segments of larger experience overlaying the whole thing, which would make combinations, perhaps not of these datelines, but of other datelines? I would rather like to see the history contemplated as a longer sequence of time, with things moving in a slower arc, and not each one a series of separate experiences. I don't know what would happen, but it is conceivable, don't you think?

DR. CHANDLER: A fascinating way to do this would be to write say the description of the Federal Reserve System, thinking, and operations, in 1915, and then jump to 1954, and say how did we get there.

DR. STEWART: I am so poor a historian that I know no other way in my thinking except to think backwards. William James once said that all

philosophies beg the question at some point. I beg it at the beginning. I feel that way about history. The things that interest me are the things of the going present, and I would therefore like to back into the past, instead of starting with this very early period, and sources, and so on.

You might take some of these things and say, what is the long arc that reaches from some past into some present? That makes it all relative and interesting and probably as ultimate as we can get.

MR. BURGESS: There is one very interesting cross-section that could be taken here, after doing this whole thing and going back. Say let's compare the domestic recovery after World War I and after World War II, and then the international situation and how that was dealt with after World War I, and this period, and contrast it. In a sense that is doing what you are saying. You take the present and say, now let's reach into the past.

DR. JAMES: The only thing that you miss if you do that is all the things which were very seriously tried and which didn't dominate men's minds at a certain point.

DR. WILLIAMS: Mr. Chairman, may I express a reflection on this task in which you are engaged? I don't know whether I stated when I was here at your last meeting an incident that I often used. I just mentioned it to Walter a bit ago.

Fred Keppel* was conducting a session in the early stages of the last war at the American Philosophical Society on the American Future, and Alfred Kidder*, an archaeologist of the Carnegie Institution, was discussing the question of, as he looked back, a grave digger by profession, as he called himself, trying to find some common key on some simpler basis than Mr. Toynbee. He said, "I find it in this. Whenever a culture, whatever degree of culture it

* To identify, see Appendix.

acquires, has reached a point where it has grown too complex for itself to comprehend, guide and control, it devolves out of the laws of its own inner being, and it winds up in a ditch."

He was in a sense describing our present culture. Your statements do not diminish that thought when you talk about the fact that events are far ahead of the human mind. Of course, that is true not merely in the field in which you are concerned, it is true in so many fields. The thing that this drives home to me more and more is the degree to which it is impossible within Government to perform any adequate and systematic appraisal, or digesting of experience, and what an immensely difficult and complicated task it is. It seems to me that in this attempt to go back and to re-apparise what was done, and learn from that experience, you aren't merely doing it in this field, you are giving a demonstration of what might be done, and how it might be done far outside, in many other places, to the very great advantage of understanding ourselves and our problems.

This would make me incline at this moment toward this conclusion, that you aren't making a five-year study, you are initiating a process that ought to go on, and to continue to go on, perhaps.

The other point that bears on the meaningfulness of what you are doing is what this means to all the people who are teaching economics, not merely central banking theory and international economics, but all the rest, and how impossible their task is, and how difficult it is to get their reality in the compass of their experience, and how much a thing like this assists the process. You might even be influencing Seymour Harris.*

(Laughter)

But I think those two things make the venture enormously important and significant.

* To identify, see Appendix.

CHAIRMAN SPROUL: At our last meeting there was something relating to what you said, Walter. It was the consensus that in the choice of the two ways to squeeze what is relevant out of the 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. That might also relate to the division of responsibility between the historian and the separate monographs relating to separate periods and times.

DR. STEWART: That is exactly what I mean.

CHAIRMAN SPROUL: Is it the general agreement of the Committee here that we discharge our group of consultants with many thanks for their labor in our behalf, and in behalf of this great undertaking which Mr. Willits has put in its proper frame, and use this document, plus the transcript, as the basis for our further consideration?

MR. BURGESS: May I amend by putting in the words, for the time being.

(Laughter)

CHAIRMAN SPROUL: We always may call them back.

MR. BURGESS: I think they have done some extraordinarily useful work, and I think that we ought to in some way and at some time reassociate them with this project.

DR. STEWART: I think the Committee ought to write the next outline and invite the consultants to come and criticize it.

CHAIRMAN SPROUL: A sadistic proposal.

MR. BURGESS: I never knew there was as much in this topic until they got into it and laid it out.

DR. BOPP: May I say, Mr. Chairman, on behalf of the three of us that it has been a terrifically stimulating experience for us. We have enjoyed every

minute we have put in on it. This is a grand session today, and it makes us feel good to see that you tore into it, as we fully intended that you should.

CHAIRMAN SPROUL: Is there anything else that anyone wants to bring up today?

We will adjourn a little ahead of schedule.

(Adjournment at 4:00 P. M.)

APPENDIX

- ANGAS, Lawrence Lee Bazley (p. 47) - Investment economist. Born in Australia in 1893. Author: *THE COMING AMERICAN BOOM* (1934); *THE PROBLEMS OF FOREIGN EXCHANGES* (1935); *INVESTMENT FOR APPRECIATION* (1936). Radio speaker and lecturer.
- BECKHART, B. Haggott (p. 15) - Professor of Banking, Columbia University. Born in Colorado in 1897. Author: *BANKING SYSTEMS* (1954); and numerous articles and books on banking.
- BLACK, Eugene R. (p. 54) - Banker. Born in Georgia. Governor, Federal Reserve Bank of Atlanta, January 13, 1938 to May 19, 1933. Governor, Federal Reserve Board, 1933 to August 15, 1934. Reappointed Governor of Atlanta Federal Reserve Bank until death. Died 1934.
- BUCKNER, Mortimer N. (p. 55) - President, New York Trust Company, 1916 to 1921; Chairman of the Board, 1921 to death. Died 1942.
- CHANDLER, Lester V. (p. 7) - Consultant to this Committee.
- COCHRAN, H. Merle (p. 53) - Deputy Managing Director, International Monetary Fund. Born in Indiana in 1892.
- COUZENS, James (pp. 39, 45) - Republican Senator from Michigan. Born in Ontario, Canada in 1872. On Senate Banking and Currency Committee, 1932-36. Died 1936 while in office.
- ECCLES, Marriner (p. 62) - Chairman, Board of Governors of the Federal Reserve System, November 15, 1938 to January 31, 1948; Vice Chairman, January 31, 1948 to July 14, 1951. Born in Utah in 1890.
- FORGAN, James B. (p. 16) - President, First National Bank of Chicago, 1900 to 1916; Chairman of the Board, 1916 to 1924. President, Federal Advisory Council, Federal Reserve Board, 1914 to 1920. Born in Scotland in 1852. Died 1924.
- GILBERT, Seymour Parker (p. 23) - Assistant Secretary of the Treasury, in charge of fiscal affairs, June 1920 to June 1921. Under Secretary of the Treasury, in charge of fiscal affairs, July 1921 to November 1923. Born in New Jersey, 1892. Died 1938.
- HARRIS, Seymour E. (p. 75) - Professor of Economics, Harvard. Born in New York in 1897. Author: *ECONOMICS OF MOBILIZATION AND INFLATION* (1951); *ECONOMICS OF NEW ENGLAND* (1952); and others.
- KEPPEL, Frederick (p. 74) - Senior member of Frederick Keppel & Company, dealers in and importers of pictures. Born in Ireland in 1845. Lecturer on art subjects, Yale, Columbia, Johns Hopkins. Died 1912.
- KEYNES, John Maynard (p. 57) - Economist. Born in Cambridge, England in 1883. Author: *THE GENERAL THEORY OF EMPLOYMENT, INTEREST, AND MONEY* (1936); *MONETARY REFORM* (1924); and others. Died April 21, 1946.
- KIDDER, Alfred V. (p. 74) - Archeologist. Born in Michigan in 1885. On faculty, Peabody Museum, Harvard.

- LOMBARDS (p. 50) - Loans on Government securities.
- LUTHER, Hans (p. 42) - Minister of Finance, Chancellor of Reich. Later succeeded Dr. Schacht as Governor of Reichsbank, resigned in March, 1933. German ambassador to Washington, 1933 to 1937.
- McDOUGAL, James Barton (p. 23) - Governor, Federal Reserve Bank of Chicago, 1914-1934. Born in Illinois in 1866. Organized department of examination of Chicago Clearing House and was its official head until 1914. Died c. 1935.
- MELLON, Andrew W. (p. 38) - Secretary of the United States Treasury, 1931 to 1932. Born in Pittsburgh in 1855. Died 1937.
- MEYER, Eugene (p. 30) - Governor, Federal Reserve Board, September 16, 1930 to May 10, 1933. Born in California, 1875. Chairman of the Board, The Washington Post.
- MILLER, Adolph Caspar (pp. 40, 45) - Member, Federal Reserve Board, August 10, 1914 to February 3, 1936. Born in California in 1866. Author of papers on finance and banking published in economic and financial journals. Died 1953.
- MILLS, Ogden (p. 45) - Secretary of the Treasury and Chairman of the Federal Reserve Board, 1932 to 1935. Born in California in 1856. Died 1929.
- NATIONAL BUREAU OF ECONOMIC RESEARCH, INC. (p. 11) - 261 Madison Avenue, New York 16, New York.
- ROGERS, James Harvey (p. 55) - Professor of Economics, University of Missouri, 1923 to 1930; Yale, 1930 to death. Born in South Carolina in 1886. Author: STOCK SPECULATION AND THE MONEY MARKET (1927); THE PROCESS OF INFLATION IN FRANCE, 1914 - 1927 (1929). Died 1939.
- SNYDER, John Wesley (p. 70) - Secretary of the United States Treasury, 1946 - 1953. Born in Arkansas in 1895.
- STRAKOSCH, Sir Henry (p. 9) - Born 1871. Author: ROAD TO RECOVERY; WITH SPECIAL REFERENCE TO THE PROBLEM OF EXCHANGE STABILITY AND THE RESTORATION OF THE INTERNATIONAL GOLD STANDARD (1935).
- TRAYLOR, Melvin Alvah (p. 45) - Member and Vice President, Federal Advisory Council, September 1930 to 1933; Member, 1933 to 1934. Born in Kentucky in 1878. President, First Trust and Savings Bank, Chicago, 1919 to 1925. President, First National Bank, Chicago, 1925 to death. Died 1934.
- VINER, Jacob (p. 53) - Professor of Economics, Princeton. Born in Montreal in 1892. Special assistant to the Secretary of the Treasury, parts of 1934, 1939, 1942. Consultant to U. S. Treasury, 1935 - 1939. Consultant, U. S. Department of State, 1943-52. Author: TRADE RELATIONS BETWEEN FREE MARKET AND CONTROLLED ECONOMIES (1943); and others.
- WARREN, Robert Beach (p. 52) - Professor of Economics, Institute for Advanced Study, Princeton, 1939 - death. Born in New York in 1891. Economist, Division of Research, Federal Reserve Board, Washington, D. C., 1922 - 1926. Economist, Foreign Department, Federal Reserve Bank of New York, 1926 - 1927. Author: THE STATE IN SOCIETY (with Henry Clay of U. K. and Leo Wollman, 1939); THE SEARCH FOR FINANCIAL SECURITY (1940). Died c. 1951.
- WOOD, Elmer (p. 7) - Consultant to this Committee.

COMMITTEE ON THE HISTORY OF THE FEDERAL RESERVE SYSTEM

MINUTESEXECUTIVE COMMITTEE MEETING

December 31, 1954

TO: Messrs. Allan Sproul, Chairman
 W. Randolph Burgess
 Robert D. Calkins

on December 28th (Tuesday)

The Executive Committee met at 1:15 p.m. [^] in the private dining room of the Brookings Institution with all members (Messrs. Sproul, Burgess, Calkins, Woodward) and the Research Director, Miss Mildred Adams, present.

Action was taken as follows:

Housekeeping details

1. The Committee expressed its gratitude to the Federal Reserve Bank of New York for moving the staff from the 8th floor to larger and more efficient quarters on the 11th floor.

2. The date and place (January 29th ¹⁹⁵⁵ at the Princeton Inn) of the next Committee meeting with the three consultants (Messrs. Bopp, Chandler and Wood) were confirmed.

Project matters

1. The attention of the Executive Committee having been called to the problems and costs of handling the number of collections of private papers bearing on System matters, it was decided

- a. that the research director shall draft a plan and a budget which will give the Executive Committee some estimate of how many collections are being uncovered and how much it might cost to catalogue them.
- b. that the research director adopt as a policy the recommending that collections be placed either in (1) the Library of Congress, (2) the library of an educational institution

chosen by the family of the deceased (or by the retired himself), or (3) the library of a qualified institution which, through such recommendations, might become a recognized center for study in this field. It was further suggested that a conference be held with the new head of the Graduate School of Business at Columbia University (Mr. Courtney Brown) in an attempt to find out whether that institution, located as it is in the financial center of the country, might be interested in being designated as the one preferred in the third category.

- c. that, in view of the recent loss by premature destruction of certain promising collections, the research director frame a letter, addressed to all who now seem potential sources of collections important for this study, informing them that the Committee is interested in their papers and would like that interest considered in any arrangements made for their disposition.

2. Considering the number of collections which may need to be inventoried, it was decided that the matter of an index for the Kincaid inventory of the Carter Glass papers be held in abeyance until the question of including this inventory as part of the Committee's publication program is settled; that \$112 be appropriated to pay the costs of 20 more copies to be run from the same stencils; the whole to be stored until the entire publication schedule becomes clearer.

3. It was decided that the completion of the Kincaid-Glass inventory be made the occasion for a letter describing the Committee's aims and some of its accomplishments, and requesting information concerning other collections. Such a letter would go to a selected list of interested economists and to the learned journals; it should stir fruitful interest.

4. After discussing the purpose and value of individual interview techniques and results, it was decided to appropriate not more than \$500 to pay the costs of an experimental group of interviews to be held under the leadership of Dr. Walter Stewart and on a topic which he prescribes, preferably one having to do with an important incident in the early days of the Federal Reserve System. The research director is to check on techniques found useful by Dr. Rensis Likert of the University of Michigan.

5. In preparation for recommendations to be made to the full Committee as to possible historians, the Executive Committee had before it two lists, one compiled by the research director and one by associates of Mr. Sproul. It was decided that Executive Committee members would each choose ten preferred names from the two lists and send them to the research director; from these four lists of ten names, agreement would be hoped on five which would then be presented to the full Committee on January 29th. Out of this discussion emerged a preference on the part of the Executive Committee that Lester Chandler be the one to undertake the history as well as the life of Benjamin Strong on which he is now working.

The third agenda item, concerned with the absence of Shepard Clough in Europe until September 1955, was postponed. It will appear on the next agenda.

It was suggested by Dr. Calkins that after January 1st the Committee secretary and perhaps the research director might find it well to call upon the new Executive Secretary of the Rockefeller Foundation in order to inform him as to the progress of Committee work.

Donald Woodward
Secretary.

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. 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 ✓

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.

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 Kincaid 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:

- (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

May 10, 1954

Messrs. Allan Sproul, Chairman
W. Randolph Burgess
Robert D. Calkins
William McC. Martin, Jr.
Walter W. Stewart
✓ Donald B. Woodward, Secretary

Herewith the agenda for the luncheon meeting of this Committee on Tuesday, May 11th, at 1:00 P. M. in the private dining room (the West Alcove) at Brookings Institution, 722 Jackson Place, N. W., Washington, D. C. There is also enclosed the promised memorandum from Mr. Woodward, giving background material for discussion on points 1, 3, and 4. You will already have received a memorandum by Dr. Calkins on point 3.

Mildred Adams,
Research Director

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Committee on the History of the Federal Reserve System

Agenda for Luncheon Meeting at the

Brookings Institution, Washington, May 11, 1954

1. Finding a major staff man (or woman) to act as administrative assistant to Miss Adams, and later as project director. (See Secretary's memo) 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 or journalism.

2. 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.

3. Assuring breadth of viewpoint on major subjects of inquiry. (See Secretary's memo).

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.

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.

Secretary's Memorandum on Points 1, 3 and 4 of Agenda

for

Committee Meeting on Tuesday, May 11, 1954

1. Finding a major staff man, (or woman). Our proposal stated (Page 19) "the Committee's aim is to find a well equipped and exceptionally able Research Assistant, with the necessary academic training in monetary matters and some experience in administration who has the capacity to play a major role in the project. Such a person would, after a year or so as administrative assistant, take charge and carry forward. Miss Adams would then be in a unique position to embark upon a major writing part of the project". This individual will be a highly significant factor in the work of the Committee. Therefore he (or she) will need to be most carefully chosen.

I should think there are several possible avenues of approach. One would be to seek an individual sufficiently close to retirement and with sufficient qualifications as to be interested in moving to this job in the near future. Such a person might be George B. Roberts of the National City Bank, Bray Hammond, formerly of the Board staff and said to be returning this summer from Italy (where he has been working on a history of the Second Bank of the United States) or J. H. Riddle recently retired from the Bankers Trust Company after some time at the Federal Reserve Board.

Another approach would be to seek a presently established person who would want to do the job and might be able to get a leave of absence, or who might see this as a big enough opportunity to wish to take it and hope to find another post at its termination. (If there were the possibility of an appointment at Brookings following experience with this project, this might be a factor. It would also seem possible that a bank president might

consider this as an exceptional training opportunity for an able staff member who would, at the end of the period, go back to the bank.) Ralph Young of the Reserve Board staff has excellent qualifications and so I should think does Donald Thompson of the Cleveland Federal Reserve Bank, E. J. Saulnier of Columbia, Lester Chandler of Princeton, or Burton Hallowell of Connecticut Wesleyan - to name a few. Others in this category, who might be interested in getting leave from their present post if salary were scaled to their present level and their future were assured include: Karl R. Bopp of Philadelphia, H. S. Ellis of the University of California, Elmer Wood of the University of Missouri, Harold L. Reed of Cornell.

A third approach would be to seek an able young person who has already demonstrated marked capacity and who might hope to make this post the springboard for major career. Such a person, "with the necessary academic training in monetary matters and some experience in administration... who would, after a year or so as an administrative assistant, take charge and carry forward" might be sought in the banking, the academic or the writing world. A list (banking and/or academic) compiled by Miss McKinstry from her experience with Dr. John Williams includes:

Paul W. McCracken, former Director of Research for the Federal Reserve Bank of Minneapolis, now at the University of Michigan.

John Lintner, Lawrence E. Thompson or Hugh Aitken of the Harvard Business School.

Victor Longstreet formerly of the Federal Reserve Board.

Harry G. Johnson of Cambridge University and the University of Toronto.

James W. Ford of Vanderbilt University.

Guy Freutel of the Federal Reserve Bank of St. Louis.

Wm. C. Bradford of Northwestern University.

Warren L. Smith of the University of Virginia.

Thomas Storrs of the Federal Reserve Bank of Richmond.

Donald C. Miller of the Federal Reserve Board.

James Tobin of Yale University.

E. Victor Morgan of Cambridge University, author of Studies in British Financial Policy, 1914-25 and of a much praised essay on Central Banking.

The Committee will doubtless have other suggestions. Thus far no inquiries have been made in the field of journalism. Your preferences on these possibilities and your suggestion of names would be most helpful.

2. Relationship with Brookings - see memorandum circulated by Dr. Calkins -
3. Assuring breadth of viewpoint on major subjects of inquiry -

One of the first problems for the research director, in passing from the exploratory phase to the main project, will be that of knowing, in so wide a field, which subjects and which points of discussion are in need of the added light that further research may bring. What do the experts want to know? What most puzzles the historians? What is it about the System that informed men have never really understood? To obtain focus on key points is of the first importance. It should be the kind of focus that comes from coordinating various points of view - from men in and out of Board and Banks, from teachers and students of finance and business, from economic historians and political scientists.

Two methods of securing this wide point of view suggest themselves - both of them include the use of thoughtful students of banking, history and political science in a consultative capacity:

First, the Committee might care to ask a dozen or so persons, particularly interested and qualified, for a thoughtful statement on the questions concerning the history, development and functioning of the Federal Reserve System

which seem to them most important and most puzzling. This method of enriching the research content of a project has been tried elsewhere with success; it seems to prove the more successful when an honorarium of \$100 or \$200 for thoughtful suggestions is offered with the request.

The second suggestion is the conference method, with an ad hoc group chosen from students and practitioners of banking, political scientists such as Dr. V. O. Key of Harvard or Arthur McMahon of Columbia, historians such as Fred Lane of Johns Hopkins or Arthur Cole of Harvard. Such a group could well include Dr. John Williams, Dr. Charles C. Abbott, new Dean of the Graduate School of Business at the University of Virginia, F. Cyril James of McGill, Jacob Viner of Princeton, F. W. Fetter of Northwestern and others that will come to mind. A meeting of fifteen or twenty men in early October, perhaps at Arden House or in New York, conferring on the basis of a carefully prepared agenda, should help greatly to enrich the research content of this project.

4. Possible projects - Dr. Kinkaid and Lester Chandler.

As the research director has reported, one of the collections important to this project, the Carter Glass papers, is at the University of Virginia and a distinguished scholar is eager to work on them. Dr. Elbert Kinkaid, for years consultant to the Federal Reserve Bank of Richmond and now retiring as Associate Director of the School of Business Administration at the University of Virginia, can spend the summer sorting, classifying and indexing them. He would want a graduate student working with him, whom he would train.

Dr. Kinkaid first proposed to spend a year or two in an intensive study of the papers, but he now expects to go to the University of Arizona for the fall term. This shorter survey project has definite advantages. It would provide us with a catalogue of the papers, and if Dr. Kinkaid's graduate

student proves competent, it may lay the basis for a later study of major importance.

The name of the chosen graduate student, and the proposed cost of the summary work, will be furnished us in a week or so. No commitment has been made, or can be made until the major project is approved by the Rockefeller Foundation, but the Secretary would like to know if the Committee provisionally approves this suggestion so that we may act quickly when the Foundation decision is announced.

The desire of Lester Chandler to embark on a study of "Ben Strong, Central Banker" has also been reported to the Committee. Mr. Chandler expects to free himself from teaching in the spring term which begins in February 1955. He would like to spend the following six months in preliminary study of material, and planning of the book; once that research and creative phase is finished, he would expect to write while teaching in 1955-56.

This project also is provisional - no budget has been submitted either of money or time. But Professor Chandler goes to Europe in June, and would like to know before he leaves whether or not the Committee would think favorable of this idea if its own funds for the longer term are granted. A more definite commitment could, of course, be made only after the submission of a more detailed plan of work and costs. Here, too, provisional approval or disapproval is asked because of the time element.

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

MINUTES

EXECUTIVE COMMITTEE MEETING

New York, February 21, 1955

March 14, 1955

TO: Messrs. Allan Sproul, Chairman
W. Randolph Burgess
Robert D. Calkins

The Executive Committee met at 2:40 p.m. in the office of the Chairman, Mr. Sproul. All members (Messrs. Sproul, Burgess, Calkins and Woodward) attended. Miss Adams was present in her capacity as research director.

Minutes of the previous Executive Committee meeting were noted as having been distributed January 5th. Minutes of the meeting of the full Committee at Princeton were distributed February 14th, but some textual changes were asked, and corrections have been made.

Reports

Reports requested at the previous meeting of the Executive Committee were presented and action taken as follows:

On methods and costs of handling collections of papers, the research director recommended that, on the basis of Committee experience and profiting by the advice of several institutions, the Committee adopt a policy similar to that approved by the Library of Congress and base future appropriations on the processes of setting papers in order and cataloguing them; this would not include elements of study or evaluation, which should be regarded as the proper business of an historian. The director further recommended that, on a rough estimate of 10 major collections which might need a substantial subsidy for handling and 10 smaller ones on which smaller sums would suffice, the Committee consider setting aside \$11,000 as the sum probably to be needed for handling collections over the 5-year life of this project. Both recommendations were adopted by the Executive Committee and will be reported to the next meeting of the full Committee. (The full report of the research director on this matter is filed in the Minute Book).

On Columbia University as a possible recommended repository for collections, a draft of a letter to Dean Courtney Brown was presented, edited and approved, which the Chairman will sign with the approval of the Executive Committee.

On the letter to men retired or retiring who have been actively connected with Federal Reserve matters, a draft was presented, and approved with editorial changes.

The matter of publicity intended for learned journals was postponed for later action.

On the Princeton transcript, minimum editorial changes have been made, and distribution is expected this week.

New Reports

New reports were presented as follows:

A revised financial report from Brookings for the period July 1 - December 31, 1954 showing slight changes in arrangement for greater convenience but none in expenditure or balance; Committee members were asked to study and comment on this.

On the matter of possible conflict between the conservation of archives and the Schedule for the Destruction of Records in the Banks, Mr. Sproul reported that he had asked the Banks to appoint an officer with whom the staff of this Committee could establish liaison. Affirmative replies have already come from 8 of the 12 Banks, and the rest are expected to reply shortly.

Policy Matters

Policy matters were discussed and decided as follows:

On the invitation to Dr. Cyril James to accept the post of historian, the sudden illness of Mrs. James has impelled the postponement of a decision. Further discussions will be held as soon as possible. It was the consensus that supplementary arrangements for Dr. James be explored, and, provided that he is still interested, the Committee regard itself as willing to wait as long as two months (to April 21st) for a final decision.

On the invitation to Shepard Clough to join the Committee, the Secretary was asked to write Dr. Clough that in view of his absence from the country until September, the matter would be held in abeyance; it might be raised later.

On a future policy on honoraria to conference consultants, Dr. Calkins observed that the Brookings fee was ordinarily \$50 a day. It was agreed that this would be accepted as the Committee's basis, but with possible variations when approved.

On a policy of raising staff salaries for Mrs. Singer and Miss Burstein, the research director presented recommendations which, with slight variations, were approved. These are arranged with reference both to Brookings and Federal Reserve Bank scales of pay. The desirability of keeping Miss Burnett for another six months to complete the archives project was also approved.

Miscellaneous

At the last Committee meeting \$500 was appropriated to pay the cost of group interviews to be led by Dr. Stewart. The latter has recently expressed himself as willing to talk in detail to Dr. Chandler. The research director was empowered to arrange for the recording of such conversations if this met with the approval of Messrs. Stewart and Chandler.

On the proposed visit to the Rockefeller Foundation for reporting purposes, Dr. Calkins advised that this be postponed until the historian was appointed. Mr. Sproul asked that Dr. Calkins and Mr. Woodward be prepared to make a report to the Foundation at that time.

The research director brought up the matter of a proposed European trip in the late summer, planned as a vacation, but to include exploratory visits to the Bank of England, the Bank of France, and possibly an interview with Hjalmar Schacht, only surviving member of the Strong-Norman-Rist-Schacht quartette which was so important in the 1920's. She will present a detailed plan at a later meeting.

The meeting was adjourned at 4 p.m.



Donald Woodward
Secretary