

COMMITTEE ON THE HISTORY OF THE FEDERAL RESERVE SYSTEM

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MILDRED ADAMS, *Research Director*

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

April 20, 1954

Messrs -

Allan Sproul, Chairman  
W. Randolph Burgess  
Dr. Robert W. Calkins  
✓ William Mc M. Martin Jr.  
Walter W. Stewart  
Donald B. Woodward, Secretary

Enclosed is the document, revised in accordance with suggestions from Committee members, which went today to Dr. Willits of the Rockefeller Foundation, asking a grant of \$300,000 for the major project proposed by this Committee. A report of the pilot project, sent to Committee members earlier, is included. I am also appending the letter of transmittal which was signed by Donald Woodward, secretary of this Committee, and which notes that a supporting letter written by Dr. Robert Calkins as President of the Brookings Institution is to follow.

If, despite everyone's care, you find corrections which must be made will you let us know so that we may phone them to Dr. Willits' office.

Mildred Adams

Clean copy -

Report on Pilot Project

10 copies

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retyped 4/19/54

Correction on p. 5 can be made by per  
if time is short,

April 20, 1954

Dear Mr. Sproul:

Thanks so much for your great kindness in reading the Proposal so quickly and with such care, and for your confidence as expressed in the granted right to "use or remodel" your editorial comments. The rearrangement of material on pages 13, 14, and 15 has been made as you asked, and almost all your editorial preferences have gone in. I wish all editors I have known were as kind and constructive.

As for the part of the precious week-end which the job took, I can only hope it was Saturday in the rain, not Sunday in the sunshine.

Other members of the Committee asked for small textural changes, which have been embodied. None of them changed the content, and I have therefore not bothered you with them.

The revised text of the Proposal, together with the Report of the pilot project, is due to go to Dr. Willits today and we are hoping to be able to send copies to the Committee at the same time. If you find anything in the whole which must be changed I will telephone the correction to Dr. Willets' office.

Sincerely yours,

Mildred Adams

Mr. Allan Sproul, President  
Federal Reserve Bank of New York  
New York 15, New York

FEDERAL RESERVE BANK  
OF NEW YORK

NEW YORK 45, N. Y.


April 19, 1954

Miss Mildred Adams,  
Research Director,  
Committee on the History of the  
Federal Reserve System,  
33 Liberty Street, New York 45.

Dear Miss Adams:

As you requested, in your letter of April 15th, I have spent part of a precious weekend going over the proposal to the Rockefeller Foundation, which Don Woodward and you have prepared for the Committee on the History of the Federal Reserve System. I consider it time well spent and you have my general approval of the proposal. The editorial comments, on the copy which I now return, you may use or remodel as you see fit, except for the rearrangement of material on pages 13, 14 and 15 which I think is necessary.

Sincerely,



Allan Sproul,  
President.

Enclosure

PROPOSAL

Copy edited by  
Mr. Sproul

Introduction

In January 1954 the Rockefeller Foundation made a grant for a pilot project leading toward a history of the Federal Reserve System. The immediate end was to find out what materials were available for such an undertaking, materials not only in the sense of papers, but also of the living memories of men active in the early days of the System.

That task has been carried on since January 15th. It has yielded extraordinarily good results (a report of its findings to April is appended), and there is every reason to believe that an even greater harvest of papers and memories lies waiting to be gathered. The Committee feels that this has proved to be in the best sense of the word a pilot project. In addition to exploring papers and memories, it uncovered that sense of personal struggle and accomplishment which is the living core of any institution. It enlisted interest and it ensured cooperation for the future. It points the way very surely to the next and much bigger task which lies ahead, and for which the Committee now asks the consideration of the Foundation.

I The Task

In calling itself the Committee on the History of the Federal Reserve System, the group presenting this proposal defined its primary purpose. But the discoveries, <sup>and</sup> contacts <sup>made</sup> and discussions <sup>had</sup> made during the pilot project have deepened the content and widened the scope of that purpose. The Committee now knows that what needs to be done is much more than a single history of the Reserve System - it is an appraisal of <sup>an</sup> ~~one of the most~~ extraordinary inventions ~~in this democracy~~, a review of experience in its functioning, an analysis <sup>of its performance</sup> in terms of the memories of men who helped develop it and who took <sup>papers and</sup> part in its operation. The episodes around which conflicts swarmed, and out

of which change came, the process by which decisions were made, the importance of personalities, the interplay between public policy and private needs - these various angles of approach and many more which have been suggested from time to time by Committee members <sup>and persons interviewed</sup> testify to the vitality of the subject and to the lessons which can be learned for other democratic institutions by a detailed study of <sup>the</sup> its experience. *of the FR System.*

## II Why Important?

The importance of the subject is, however, greater than ~~a matter~~ ~~of~~ the material dealt with or the people dealing with it. It goes much farther than the task of history writing, vital as that is, and farther than what are commonly considered the somewhat narrow confines of the banking world.

(a) <sup>Amongst</sup> ~~Of all~~ the innovations in government mechanisms which Americans have brought about during the twentieth century the Federal Reserve System <sup>occupies a unique position,</sup> stands ~~first~~, and not only because of the <sup>highly important</sup> ~~unprecedented~~ functions which it is called on to perform. It operates with a high degree of autonomy linked with a fine sense of public purpose. To an extraordinary extent it has managed to preserve its freedom from both <sup>temporary</sup> Congressional and <sup>narrow</sup> Executive pressures, <sup>to such pressure</sup> In periods when it has been forced to yield the public protests against such yielding have been continuous until the pressures have softened and the balance has been restored.

(b) Writing in 1946 about twentieth century monetary controls, Professor Robert Warren of the Institute for Advanced Study observed that in the nineteenth century there developed a new type of society, the money economy, which made new demands on those who administer Government control over the supply of money. "High and low, rich and poor, bond and free there had always been, but never before had there been an economy that expected the majority of its people to be totally dependent upon the continuity of a stream of money

*while maintaining its responsiveness to the general economic purposes of the Government.*

income". Along with other observers Professor Warren interpreted the primary task of the Federal Reserve System as one of seeing that this continuity of the stream is not interrupted by monetary failures. To do this it bridges <sup>a</sup> ~~the~~ gap between public and private efforts to influence the economy. The goal toward which it has been directed in these later stages is the stability of the economy for the public good; in that pursuit it has developed, tried and discarded one method after another, only to reach for a new one which promised better results. Analysis of these experiences form important chapters in both monetary and economic history, *and in our striving to develop an economic system in which increased public participation will not stifle private initiative.*

(c) In the practise of the functions laid upon it, the System has enlisted and trained staffs whose skill and devotion to the System's work stands in notable contrast to that of <sup>some</sup> ~~certain~~ other governmental institutions, <sup>or agencies.</sup> Not only have they weathered forty years of political storms ~~with a minimum of vulnerability~~; the System as a whole, by some curious magic, has withstood political attack from both parties. Tensions which in theory should have split it apart seem somehow to have been important factors in holding it together.

(d) An analysis of the changing experience in design and in operation of this unique governmental mechanism would have great value. It is important for the future performance of the System and of the American economy. There is reason to believe that such analysis may hold lessons of great value which can be applied to problems of organization in both governmental and private <sup>affairs not directly concerned with</sup> ~~life, far removed from~~ the process of monetary management.

III The questions which this study would illumine fall into two categories. There are in the first place what might be called the technical

issues, some theoretical and some matters of operating policy, which have absorbed the System's attention at one time or another in its life. These appear in <sup>private papers, and in</sup> annual reports, <sup>and</sup> they are high-lighted in <sup>Congressional</sup> government hearings, but ~~in both instances~~ the questions which an informed and impartial student might ask are <sup>usually</sup> diverted by the exigencies of the moment. Enough time has elapsed, for instance, since control of the discount rate was first used by the System as a tool of monetary policy so that its importance under varying conditions can be weighed and studied. The same thing is true of changes in reserve requirements, and of ~~the tool of~~ open market operations. Yet <sup>there is little knowledge of</sup> a vast amount of controversy <sup>even among an informed public, and</sup> still surrounds them, some of which could be resolved by competent studies.

Beyond the technical points at issue (of which these are merely instances that come first to hand) lie broader issues both within and without the banking system. For example, how did it come about that <sup>such</sup> a ~~so~~ unique mechanism of monetary control <sup>uniquely adapted to our needs,</sup> was established? By what methods and devices has it endured and thrived? How are the skill, competence and individual freedom of its staff, <sup>when compared with</sup> unusually high in government or in private bodies, maintained and encouraged? How has the relationship between ~~staff and Board members~~ been worked out? How can the System's role in the world of government and in the <sup>private</sup> economic world be best defined and understood? What are the lessons of this role for other organizations, in or out of government? How are ~~Board~~ <sup>of the Board of Governors, of the Federal Open Market Committee, of the Boards of directors of Reserve Banks,</sup> decisions, with their high degree of importance in American life, arrived at? How does the System influence the operations of <sup>the whole</sup> monetary mechanism at moments of crisis? What lessons are there in the relations which prevail between <sup>the</sup> ~~Board,~~ <sup>Fed Res System</sup> Reserve Banks and Member Banks, and how are those relationships evolving?

IV Scope and Method of Inquiry

The study which we propose would cover the entire Federal Reserve

→ regional Reserve Banks and the Board of Governors, between staff members and policy making officials at Banks and Board,

of this ignorance could be dispelled and some of these controversies might



System, including the Board and the twelve regional banks, from their inception. Much has been written on the events, crises and personalities which led up to the founding of the System, but even this needs re-studying in the light of newly discovered material; *and then it needs to be carried forward into four decades of operation*

We would therefore set out to make a complete search for the material and the people concerned in Federal Reserve legislation, theory and operation, going back at least to 1907 when the Aldrich Commission functioned. From 1913 forward we would undertake *bring records to light and use and* to discover the cast of influential characters in the System's growth, change and operation, including governmental figures in Congress and the executive branch; Members of the Board and influential men on the Board staff; Governors, Presidents and ~~senior~~ officers of Reserve Banks; Members of the Federal Advisory Council, the <sup>Federal</sup> Open Market Committee and allied bodies; men in academic life (as for example, Oliver W. M. Sprague and John H. Williams) who have been in close and influential contact with the System during its years of growth.

The method to be used is that which has successfully been developed during the pilot project phase of this study. It includes visiting Board and Banks, both to search out men who remember early days, and to ascertain how records are kept and what local records are available; the establishing of the names of the dramatis personae, the recording of brief biographic data concerning them, the request for interviews if they are still alive, the search for their papers if they are deceased.

Experience in the pilot project, and consultation with those engaged in other attempts to chart and record the course of living institutions, have taught us that the comprehensive study of the Federal Reserve System which is the core of our endeavor divides itself into three steps; these for convenience may be called, the archival process, the interview process and

the writing process. Logically, these three appear to be separate, just as in the pilot project the process of discovery of papers, gathering of memories and building of card files appeared to be separate. Actually, each process in the pilot project fed and profited from <sup>the</sup> each other. The success of that project was in no small part due to what seemed at times a handicap - namely, that all three processes were necessarily going on at once.

Were it advisable, in view of that experience, to try to carry on the archival, the interview and the history-writing processes of the main project one at a time, in series, we might propose that the grand design move forward in two phases. A reading of the report on the pilot project shows how much has been started, and how much remains to be done. For example, the research director hoped to visit all twelve Reserve Banks during the pilot phase, but the volume and variety of work under way forced postponement; most of those Banks distant from the Atlantic seaboard remain to be explored. The mapping and survey stage uncovered not only papers and memories. It also set the pattern for the study of those papers and those memoirs. A great deal more must be done along these lines before the master files of papers and other materials are ready for the student's use.

Not only must the master files be completed, but the papers which have been uncovered during the pilot project, and the collections still to be found, must be analyzed for pertinent material. The Hamlin diaries, recently released from a ten-year seal, stand alone in terms of the preparation and indexing lavished on them, but even the Hamlin diaries are new ground for the student. Someone must read those 26 volumes and evaluate them for the purposes of any comprehensive history of the System.

The work to be done on other collections, not yet sorted or classified, is more extensive. The National Records Management group stands ready to start a pilot study of a similar group of papers in order to chart costs and work out efficient methods of handling. <sup>H.</sup>Young <sup>Jr.</sup>Parker Willis would take time from his work at the Federal Reserve Bank in Boston to survey his father's papers if this were arranged. The Goldenweiser papers, the Adolph C. Miller papers are destined for this Committee's use. These and many more must be classified and set in order.

But even while setting down these small examples of the large amount of work which remains to be done in the first two processes we recognize how inextricably linked with them is the third process. During the pilot phase we became aware of writings under way and needing encouragement which would be valuable for our purposes and which would be finished the sooner if they could profit from the work we were doing. Research into the past is not well done in a vacuum or without the added spur of a person who wants to use its results. The historian who can work with researchers, using their data, stimulating and broadening their search by his questions, has a richer content to draw from than the one who starts after the research process is finished and filed away.

### Proposal

We therefore propose to move forward with three groups of activities, all of them vital to the comprehensive study which is the core of this endeavor:

#### 1. Archival

- (1) To continue and complete the visits to Board <sup>Reserve</sup> and banks, the search for records, the interviewing, the hunt for papers and the recording of discovered material which was



### 3. Writing

The writing and editing falls into three parts -

- (1) The monographs - in a study as extensive and important as this the monograph plays a key part. In some instances it stands by itself, as a definitive study of one part of a related whole. In others it acts as an introductory study and may later be incorporated into the whole. The pilot phase uncovered certain monograph ideas, some of them already started, others only in the planning stage. For example, Carl Parry, now retired from the Board staff, should be encouraged to complete his half-done monograph on Selective Credit Controls, a subject in which he has had active as well as theoretical interest. Gardner Patterson of the International Finance Section at Princeton University would like aid to write a study of Reserve Inaternational Financial Operations in the 1920s; Lester Chandler, also of Princeton, would like aid to write a long monograph or a short book on "Ben Strong, Central Banker"; two able men, Dr. Karl Bopp of the Philadelphia Federal Reserve Bank and Professor Edward Shaw of Stanford University are each interested in a study which might be called "The Art and Politics of Central Banking." No commitments have been made in regard to such work. These examples are, however, listed as showing the <sup>kind</sup> caliber of work which this Committee would like to encourage, <sup>and</sup> <sup>with</sup> <sup>access to materials and</sup> <sup>of</sup> for which it would use funds.

(2) Major Works

Of these the definitive history is the core of the project and the one toward which we continue to point our endeavors. We believe that its writing will take a good three years on the part of a distinguished scholar who has already shown the skill and judgment which the creation of such a history demands. The task of exploration and recording of materials will be carried further and the field of possible scholars will continue to be canvassed.

Considering the high cost of subsidies for major works we would hesitate to name other volumes for which we are ambitious were it not for hopes that at least some of these might find publication through commercial channels and would need from this Committee little more help than can be provided through consultation, use of materials, perhaps a small subsidy for stenographic aid. We have from the beginning believed that the play of personalities <sup>is</sup> ~~would be~~ an important factor in any governmental operation and that a volume of biographic essays on key figures could be written so as to illuminate various facets of the System. We also think that a volume of essays on crises in the banking world, following the volume by Oliver M. W. Sprague on History of Crises Under the National Banking System, would be an important contribution which might find publication through regular channels. There would be others as the project develops.

(3) Editing and Publishing of Documents

The Committee's staff has noted with interest the British example whereby documents basic to central banking in England, including key speeches and memoranda as well as legislation, were edited and published under the title Gregory's Select Statutes, Documents and Reports Relating to British Bank, 1832-38. Comparable material <sup>basic to central</sup> ~~in American~~ <sup>in America</sup> banking practise is scattered, and might well be gathered in some such volume. It has also been suggested that a comprehensive annotated bibliography covering both published and unpublished works bearing on the <sup>Federal Reserve</sup> ~~System~~ would be a most useful contribution to research activities. In addition it is not improbable that selected papers from the various collections under survey may prove so valuable as to deserve publication. No decisions have been made in this field, but <sup>it is a phase of the overall study</sup> ~~we list this activity as one~~ <sup>wish to encourage</sup> in which the Committee may engage.

Use Of Materials

The Board and the Reserve Bank of New York have been particularly interested in the work of this Committee; individuals from these institutions, both officers and staff have been actively participating in it. Both Board and Bank may face problems of participation when more recent events come to be discussed; the availability of confidential materials covering recent events may also present a problem.

The existence of this problem must be recognized, but the Committee is confident that a solution will be found which will neither hamper the project nor strain either the willingness or the ability of individuals or institutions to continue their co-operation.

VI Organization, Personnel and Budget

(a) Organization

The grant for the pilot project was made to the Brookings Institution; an informal working arrangement was established whereby the President of Brookings became a member of the Committee, work was done under Committee supervision, and Brookings acted as disbursing and bookkeeping agent. That institution also furnished office space in Washington for the Research Director, as did the Federal Reserve Board.

Because the Committee was composed of busy men, the supervisory function fell most frequently to its secretary, Donald Woodward, at one time on the Board's staff, now Chairman of the Finance Committee of Vick Chemical. The other members of the Committee have also shown steady and vigorous interest in the pilot project and have been generous with time and advice when called on for consultation.

The daily work was carried on by a small staff headed by Mildred Adams as Research Director, assisted by Katherine McKinstry (who shared her skill as research assistant and her time between the work of this Committee and that of Dr. John H. Williams, consultant to the Federal Reserve Bank of New York) and two young typists. All these assistants were assigned by the Bank from its own staff, their salaries paid by the Committee. The Bank also supplied working space and furniture.

This same plan of organization, with some modifications, is the one we would recommend for the comprehensive study. The association between an ad hoc committee and Brookings Institution is unusual, it has values for both groups and we recommend that it continue. Certain problems in that relationship will arise when the publishing stage is reached. These problems do not, however, call for immediate solution and their resolving will not disturb the work of this Committee.



(A)

The Committee's functioning, and its relation to the small staff, would continue along established lines. Thus far the Committee has been kept informed of work accomplished through progress reports put out by the research director, through personal consultation; and by discussion in meetings. Meetings will be held when needed, they will be called by the Secretary with the consent of the Chairman. The identification of interests between the Committee members and the work being done will make for continuing oversight on the part of members.

(b) Personnel

*The Committee will place the*

1. The major project ~~will be put in charge~~ of a scholar of wide experience and attainments who will have general supervision over its various parts and who <sup>may</sup> ~~will~~ himself undertake some of the writing assignments which the Committee contemplates. Mr. W. Randolph Burgess, presently Deputy to the Secretary of the Treasury, will occupy this part when his present work at the Treasury is completed. An active member of this Committee, he brings to the post an extraordinary combination of practical experience in monetary affairs and scholarly accomplishment. A graduate of Brown University, he got his doctorate at Columbia in 1920 and went at once to the Federal Reserve Bank of New York. He became Deputy Governor of that Bank in 1930, and Vice President in 1936. To this experience in central banking he added fifteen years' experience in commercial banking as Vice Chairman of the National City Bank and then Chairman of its executive committee. In 1953 <sup>when about to</sup> ~~he~~ returned to the Federal Reserve Bank, <sup>as a director, he was called</sup> ~~only to go to the Treasury as Deputy to the Secretary.~~ The breadth of his scholarly interests is indicated by the fact that he has been at various times President of the American Statistical Association and the Academy of Political Science, as well as of the American Bankers Association. Mr. Burgess is editor of a volume of papers by Benjamin Strong, "Interpretations of Federal Reserve Policy", and author of "The Reserve Banks and the

*Market*  
Money ~~System~~", a classic in this field of literature.

For obvious reasons this cannot yet be publicly announced, but the commitment is firm. Mr. Burgess will give full-time to this project.

He has from the beginning of the pilot phase been an active participant in Committee discussion and will so continue during the remainder of his service

at the Treasury. *Meanwhile his proposal has for indentifying the major project*  
~~During that interim he will continue to be assisted in Com-~~

*will go forward with the aid of*  
~~mittee matters~~ by Mr. Donald Woodward, Secretary of the Committee. Mr. Wood-

ward's experience with monetary material includes work on the Board staff and writing about System affairs for the Wall Street Journal, Business Week and The

Economist (of London). He developed the research division of the Mutual Life Insurance Company and became First Vice President of that institution. He is

now Chairman of the Finance Committee of the Vick Chemical Corporation.

*Committee is composed of men experienced*  
The ~~other four members of the Committee are, of course, experts~~ and *strongly interested in the development of economic studies.*  
in the monetary field. The Chairman, Mr. Allan Sproul, has spent his working

life within the Federal Reserve System. Starting in 1920 in the Federal Reserve Bank of San Francisco he served there ten years and then moved to the Federal Reserve Bank of New York. He has been President of the New York Bank since 1941.

*his father having been*  
~~famous in central banking.~~ To experience in the Federal Reserve Bank of St.

Louis he added ten years of activity in the investment business. He was President of the New York Stock Exchange from 1938 to 1941; Chairman and President of the Export-Import Bank in 1946; U. S. Director of the Bank for Reconstruction and Development; Assistant Secretary of the Treasury in 1949. He is now Chairman of the Board of Governors of the Federal Reserve System.

Dr. Robert Calkins is now President of the Brookings Institution. He got his doctorate in 1933 with a thesis on banking, went at once into academic work, lecturing on economics both at Stanford and at the University of California

*to Committee Members*  
*Add Burgess, of whom more below under Personnel"*

To  
A  
on  
page  
13

where he became Chairman of the Economics Department and then Dean of the College of Commerce. Between 1941 and 1947 he was Dean of the School of Business at Columbia University, and from 1947 on he was Vice President and Director of the General Education Board. Dr. Calkins served for five years as Director of the Federal Reserve Bank of New York.

Dr. Walter W. Stewart also has combined academic with banking and investment experience. Professor of Economics at Amherst College from 1916 to 1922, he then went to the Federal Reserve Board as Director of the Division of Research and Statistics. In 1928 he became Economic Adviser to the Bank of England; in 1931 he was appointed American Member of a special committee of the Bank of International Settlements to look into German reparation obligations under the Young Plan. He was for some time President of Case Pomeroy and Company, an investment house. Trustee of the Rockefeller Foundation, Chairman of the General Education Board, Professor at the Institute for Advanced Studies, he was in 1953 called to Washington to become a member of the Council of Economic Advisers.

2. As Research Director, Mildred Adams who initiated and carried through the work of the pilot phase, will continue during at least the early period of the main study. Miss Adams (in private life Mrs. W. Houston Kenyon, wife of a New York attorney) is an economist by education and a journalist by training. To experience in feature writing for the New York Sunday Times, Barrons Weekly and various other magazines she added editorial writing for Business Week, and for The Economist (of London). She has recently been United Nations correspondent for the latter publication.

3. In order to do the amount of visiting of Reserve Banks which the study needs, Miss Adams must have an assistant capable of accepting more responsibility for administrative detail than can be delegated to Miss McKinstry

To A  
on  
page  
3

if the part-time arrangement for the latter's services prevailing under the pilot project is to continue. 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 <sup>would</sup> ~~will~~ then be in a unique position to embark on a major writing part of the project.

4. In addition we would need a secretary with research experience, (Miss McKinstry is so exceptional that we would like to keep her, even with the handicap of part-time service). It may be necessary to add secretarial help in Washington, and provision for this contingency will be made in the budget.

(c) Quarters

There is reason to believe that offices and equipment assigned for the pilot project by the Federal Reserve Board in Washington, the Brookings Institution and the Federal Reserve Bank in New York will continue to be available.

This provision of rent-free quarters and equipment (the Federal Reserve Bank imposes a very nominal fee for furniture rental which is more than counterbalanced by its many operating services) is a concrete instance of the interest which the System is taking in the entire project. Board and Banks are also making important contributions in the form of material and of research assistance. Their continued co-operation is of course a vital factor in the process.

(d) Budget

In the exploratory phase, personnel of Board and Banks have been helpful and co-operative with specialized knowledge and time for discussion.

The Committee's debt to librarians, heads of research departments, purchasing agents, secretaries who helped out is very real, and financially substantial.

Significant parts of the cost of this project will be provided by contributions from the System in the form of rent-free quarters, use of equipment, consultations with officers, hours of work on the part of librarians, research aides, purchasing agents, secretaries, and other staff members. The Board and the twelve Reserve Banks have evidenced continuing interest. The Treasury files are open to us, the manuscript division of the Library of Congress and interested people in the University libraries are rendering us all possible aid. The Committee members themselves are serving without compensation, and with no allowances except for occasional travel expense.

In addition to these large contributions from the System and other groups, contributions which in themselves attest to the importance of this project, further funds will be needed to carry on this study.

The costs which can be estimated are preponderantly for staff salaries, travel expenses, supplies (limited mostly to stationery and archival materials) and subventions to be used in three ways - to be paid for the study and evaluation of collections of papers, to assist the writers of monographs, to defray the cost of major works.

Based on experience in the pilot project, we have made estimates in two groups, one for an early period when research expenses and travel costs will be relatively high, the other for a period when the heavy costs will take the form of subventions and other aids to writing and publishing which are the goals of this study. These budgets should be taken as estimates only, and we would ask that a high degree of flexibility be allowed the Committee in allocating the funds for which it asks. There may be instances in which provision for salaries will be transferred to grants-in-aid, and vice versa, depending on the situation.

Budget Estimates June 1, 1954 to May 31, 1959

	<u>Earlier Period</u> (Two Years)		<u>Later Period</u> (Three years)
Salaries to provide a research director administrative assistant, research secretary, secretary for the project head, typist	\$30,000	Salaries	\$40,000
Travel Costs	3,000	Travel Costs	2,000
Other expenses	1,500	Other expenses	1,000
Funds for writing	<u>15,000</u>	Funds for writing	<u>24,000</u>
Annual Total	\$49,500	Annual Total	\$67,000

Totals for earlier period (2 years) \$ 99,000

Totals for later period (three years) 211,000

Total for five years \$310,000

The arithmetic in this table is worked out ~~on a two and a~~ <sup>for two phases</sup>

~~three-year period.~~ Actually we cannot tell at this moment exactly <sup>how</sup> fast the work will proceed, how much overlap there will be, and when competent people will be available or just how fast some steps can go. Therefore, people will be available to undertake writing assignments. Therefore, we would ask that the expenditure curve be left flexible.

VII Request

In view of these estimates the Committee respectfully requests that for the purpose described in this proposal the Rockefeller Foundation grant \$310,000 to be expended in the five years between June 1, 1954 and May 31, 1959.

The grant should go to the Brookings Institution with the understanding that its responsibilities and those of the Committee toward the project are mutual, and that an informal relationship between the two bodies comparable to that which proved so satisfactory during the pilot phase is to continue.

The report of the pilot project, which reveals the wealth of materials found and <sup>suggests</sup> ~~indicates~~ the richness yet uncovered, is appended.

*and in promoting  
economic stability*

Walter Bagehot said "Money will not manage itself". To which the late Emanuel Goldenweiser added his plea for "an understanding of this major force, of its causation and consequences". We are convinced that the role which central banking plays in the management of money will be even greater in the future than it is now. It is the hope of this Committee that the ~~study~~ proposed will contribute to its better understanding.

*delete ?*

April 20, 1954

Dear Mr. Burgess:

Thanks so much for your quick response in the matter of the draft proposal. The textual changes you suggest have been embodied in the final copy, and we are expecting to send the entire document to Dr. Willits this afternoon. We hope to be able to mail it to committee members at the same time.

Very sincerely yours,

Mildred Adams

Mr. W. Randolph Burgess  
Deputy to the Secretary  
Treasury Department  
Washington, D. C.





TREASURY DEPARTMENT

WASHINGTON

April 16, 1954

Dear Miss Adams:

The revised draft for the proposal to the Foundation arrived a few minutes ago and I have read it. In general it seems to me in fine shape.

In the paragraph of the document which relates to me, I should like to suggest some changes, and I attach a revised sheet for that purpose which I think is definite enough to do the job without putting all the nails in the coffin.

You will notice that I have taken out the sentence about its being a fulltime job, which I don't really believe it is, but I suggest wording it in a way that avoids a commitment on that matter.

Also, I am suggesting a revision of the paragraph relating to William Martin.

Otherwise, I have no suggestions to offer.

I am sending this along now since I shall be in White Sulphur on Monday.

Sincerely yours,

A handwritten signature in cursive script, reading "W. Randolph Burgess".

W. Randolph Burgess

Miss Mildred Adams  
Research Director, Committee on the  
History of the Federal Reserve System  
33 Liberty Street  
New York 45, New York

Enclosures

C.C. to Donald B. Woodward

(b) Personnel

The major project will be put in charge of a scholar of wide experience and attainments who will have general supervision over its various parts and who will himself undertake some of the writing assignments which the Committee contemplates. Mr. W. Randolph Burgess, presently Deputy to the Secretary of the Treasury, has indicated his willingness to occupy this post when his present work at the Treasury is completed. An active member of this Committee, he can bring to the post an extraordinary combination of practical experience in monetary affairs and scholarly accomplishment. A graduate of Brown University, he earned his doctorate at Columbia in 1920 and went at once to the Federal Reserve Bank of New York. He became Deputy Governor of that Bank in 1930. To this experience in central banking he added fourteen years' experience in commercial banking as Vice Chairman of the National City Bank and then Chairman of its executive committee. In January 1953 he retired from the Bank to go to the Treasury as Deputy to the Secretary. The breadth of his scholarly interests is indicated by the fact that he has served as President of the American Statistical Association and the Academy of Political Science, as well as of the American Bankers Association. Mr. Burgess is editor of a volume of papers by Benjamin Strong, "Interpretations of Federal Reserve Policy", and author of "The Reserve Banks and the Money System", which has for years held an outstanding position as a text book and reference book in this field.

13-A (Continued)

He is a fellow of Brown University, a Trustee of Teachers College (Columbia), of Robert College (Istanbul), and of The Carnegie Corporation.

For obvious reasons this cannot yet be publicly announced. Mr. Burgess has from the beginning of the pilot phase been an active participant in Committee discussion and will so continue during the remainder of his service at the Treasury. . . . .

Revision on Page 14

. . . . Mr. William McChesney Martin, Jr., comes from St. Louis, where his father was the head of the Federal Reserve Bank of St. Louis. To a brief experience in the Federal Reserve Bank of St. Louis he added ten years of activity in the investment business. He was President of the New York Stock Exchange from 1938 to 1941; Chairman and President of the Export-Import Bank in 1946; U. S. Director of the Bank for Reconstruction and Development; Assistant Secretary of the Treasury in 1949. Since 1951 he has been Chairman of the Board of Governors of the Federal Reserve System. . . . .

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Sent out

4/15/54 to

Committee

Members

## PROPOSAL

### Introduction

In January 1954 the Rockefeller Foundation made a grant for a pilot project leading toward a history of the Federal Reserve System. The immediate end was to find out what materials were available for such an undertaking, materials not only in the sense of papers, but also of the living memories of men active in the early days of the System.

That task has been carried on since January 15th. It has yielded extraordinarily good results (a report of its findings to April is appended), and there is every reason to believe that an even greater harvest of papers and memories lies waiting to be gathered. The Committee feels that this has proved to be in the best sense of the word a pilot project. In addition to exploring papers and memories, it uncovered that sense of personal struggle and accomplishment which is the living core of any institution. It enlisted interest and it ensured cooperation for the future. It points the way very surely to the next and much bigger task which lies ahead, and for which the Committee now asks the consideration of the Foundation.

### I The Task

In calling itself the Committee on the History of the Federal Reserve System, the group presenting this proposal defined its primary purpose. But the discoveries, contacts and discussions made during the pilot project have deepened the content and widened the scope of that purpose. The Committee now knows that what needs to be done is much more than a single history of the Reserve System - it is an appraisal of one of the most extraordinary inventions in this democracy, a review of experience in its functioning, an analysis in terms of the memories of men who helped develop it and who took part in its operation. The episodes around which conflicts swarmed, and out

of which change came, the process by which decisions were made, the importance of personalities, the interplay between public policy and private needs - these various angles of approach and many more which have been suggested from time to time by Committee members testify to the vitality of the subject and to the lessons which can be learned for other democratic institutions by a detailed study of its experience.

## II Why Important?

The importance of the subject is, however, greater than a matter of the material dealt with or the people dealing with it. It goes much farther than the task of history writing, vital as that is, and farther than what are commonly considered the somewhat narrow confines of the banking world.

(a) Of all the innovations in government mechanisms which Americans have brought about during the twentieth century the Federal Reserve System stands first, and not only because of the unprecedented functions which it is called on to perform. It operates with a high degree of autonomy linked with a fine sense of public purpose. To an extraordinary extent it has managed to preserve its freedom from both Congressional and Executive pressures. In periods when it has been forced to yield the public protests against such yielding have been continuous until the pressures have softened and the balance has been restored.

(b) Writing in 1946 about twentieth century monetary controls, Professor Robert Warren of the Institute for Advanced Study observed that in the nineteenth century there developed a new type of society, the money economy, which made new demands on those who administer Government control over the supply of money. "High and low, rich and poor, bond and free there had always been, but never before had there been an economy that expected the majority of its people to be totally dependent upon the continuity of a stream of money



income". Along with other observers Professor Warren interpreted the primary task of the Federal Reserve System as one of seeing that this continuity of the stream is not interrupted by monetary failures. To do this it bridges the gap between public and private efforts to influence the economy. The goal toward which it has been directed in these later stages is the stability of the economy for the public good; in that pursuit it has developed, tried and discarded one method after another, only to reach for a new one which promised better results. Analysis of these experiences form important chapters in both monetary and economic history.

(c) In the practise of the functions laid upon it, the System has enlisted and trained staffs whose skill and devotion to the System's work stands in notable contrast to that of certain other governmental institutions. Not only have they weathered forty years of political storms with a minimum of vulnerability; the System as a whole, by some curious magic, has withstood political attack from both parties. Tensions which in theory should have split it apart seem somehow to have been important factors in holding it together.

(d) An analysis of the changing experience in design and in operation of this unique governmental mechanism would have great value. It is important for the future performance of the System and of the American economy. There is reason to believe that such analysis may hold lessons of great value which can be applied to problems of organization in both governmental and private life, far removed from the process of monetary management.

III The questions which this study would illumine fall into two categories. There are in the first place what might be called the technical

issues, some theoretical and some matters of operating policy, which have absorbed the System's attention at one time or another in its life. These appear in annual reports, they are high-lighted in government hearings, but in both instances the questions which an informed and impartial student might ask are diverted by the exigencies of the moment. Enough time has elapsed, for instance, since control of the discount rate was first used by the System as a tool of monetary policy so that its importance under varying conditions can be weighed and studied. The same thing is true of changes in reserve requirements, and of the tool of open market operations. Yet a vast amount of controversy still surrounds them, some of which could be resolved by competent studies.

Beyond the technical points at issue (of which these are merely instances that come first to hand) lie broader issues both within and without the banking system. For example, how did it come about that so unique a mechanism of monetary control was established? By what methods and devices has it endured and thrived? How are the skill, competence and individual freedom of its staff, unusually high in government or in private bodies, maintained and encouraged? How has the relationship between staff and Board members been worked out? How can the System's role in the world of government and in the economic world be best defined and understood? What are the lessons of this role for other organizations, in or out of government? How are Board decisions, with their high degree of importance in American life, arrived at? How does the System influence the operations of monetary mechanism at moments of crisis? What lessons are there in the relations which prevail between Board, Reserve Banks and Member Banks, and how are those relationships evolving?

#### IV Scope and Method of Inquiry

The study which we propose would cover the entire Federal Reserve

System, including the Board and the twelve regional banks, from their inception. Much has been written on the events, crises and personalities which led up to the founding of the System, but even this needs re-studying in the light of newly discovered material.

We would therefore set out to make a complete search for the material and the people concerned in Federal Reserve legislation, theory and operation, going back at least to 1907 when the Aldrich Commission functioned. From 1913 forward we would undertake to discover the cast of influential characters in the System's growth, change and operation, including governmental figures in Congress and the executive branch; Members of the Board and influential men on the Board staff; Governors, Presidents and senior officers of Reserve Banks; Members of the Federal Advisory Council, the Open Market Committee and allied bodies; men in academic life (as for example, Oliver W. M. Sprague and John H. Williams) who have been in close and influential contact with the System during its years of growth.

The method to be used is that which has successfully been developed during the pilot project phase of this study. It includes visiting Board and Banks, both to search out men who remember early days, and to ascertain how records are kept and what local records are available; the establishing of the names of the dramatis personae, the recording of brief biographic data concerning them, the request for interviews if they are still alive, the search for their papers if they are deceased.

Experience in the pilot project, and consultation with those engaged in other attempts to chart and record the course of living institutions, have taught us that the comprehensive study of the Federal Reserve System which is the core of our endeavor divides itself into three steps; these for convenience may be called, the archival process, the interview process and

the writing process. Logically, these three appear to be separate, just as in the pilot project the process of discovery of papers, gathering of memories and building of card files appeared to be separate. Actually, each process in the pilot project fed and profited from each other. The success of that project was in no small part due to what seemed at times a handicap - namely, that all three processes were necessarily going on at once.

Were it advisable, in view of that experience, to try to carry on the archival, the interview and the history-writing processes of the main project one at a time, in series, we might propose that the grand design move forward in two phases. A reading of the report on the pilot project shows how much has been started, and how much remains to be done. For example, the research director hoped to visit all twelve Reserve Banks during the pilot phase, but the volume and variety of work under way forced postponement; most of those Banks distant from the Atlantic seaboard remain to be explored. The mapping and survey stage uncovered not only papers and memories. It also set the pattern for the study of those papers and those memoirs. A great deal more must be done along these lines before the master files of papers and other materials are ready for the student's use.

Not only must the master files be completed, but the papers which have been uncovered during the pilot project, and the collections still to be found, must be analyzed for pertinent material. The Hamlin diaries, recently released from a ten-year seal, stand alone in terms of the preparation and indexing lavished on them, but even the Hamlin diaries are new ground for the student. Someone must read those 26 volumes and evaluate them for the purposes of any comprehensive history of the System.

The work to be done on other collections, not yet sorted or classified, is more extensive. The National Records Management group stands ready to start a pilot study of a similar group of papers in order to chart costs and work out efficient methods of handling. Young Parker Willis would take time from his work at the Federal Reserve Bank in Boston to survey his father's papers if this were arranged. The Goldenweiser papers, the Adolph C. Miller papers are destined for this Committee's use. These and many more must be classified and set in order.

But even while setting down these small examples of the large amount of work which remains to be done in the first two processes we recognize how inextricably linked with them is the third process. During the pilot phase we became aware of writings under way and needing encouragement which would be valuable for our purposes and which would be finished the sooner if they could profit from the work we were doing. Research into the past is not well done in a vacuum or without the added spur of a person who wants to use its results. The historian who can work with researchers, using their data, stimulating and broadening their search by his questions, has a richer content to draw from than the one who starts after the research process is finished and filed away.

### Proposal

We therefore propose to move forward with three groups of activities, all of them vital to the comprehensive study which is the core of this endeavor:

#### 1. Archival

- (1) To continue and complete the visits to Board and banks, the search for records, the interviewing, the hunt for papers and the recording of discovered material which was

started during the pilot phase.

- (2) to continue and complete the biographic, bibliographic and chronological master files which were started during the pilot phase.
- (3) to make available to qualified students that part of the Committee's research material which is pertinent to their inquiries.
- (4) to work out problems of handling related collections of papers and putting them in usable shape for students. This may include financial aid in certain instances. (For example, the Carter Glass papers are at the University of Virginia as described in the report on the pilot phase. Their classification and study is essential, but funds would have to be provided).

## 2. Interview

To continue the interview process which has yielded such good results under the pilot project, and to enter on a series of further interviews with chosen individuals in the older group who have already shown themselves to have good memories and an interest in contributing all they can to this project. Such men as Roy Young and Walter Wyatt of the Board, George Harrison, J. Herbert Case and Leslie Rounds of the New York Bank, John Sinclair and Casimir Sienkeiwicz of Philadelphia, are of this type, and there are many more. Just as the Harvard Business Studies group finds a tape recorder valuable for catching the living word in key interviews, so might we profitably avail ourselves of this technique in selected instances.

### 3. Writing

The writing and editing falls into three parts -

- (1) The monographs - in a study as extensive and important as this the monograph plays a key part. In some instances it stands by itself, as a definitive study of one part of a related whole. In others it acts as an introductory study and may later be incorporated into the whole. The pilot phase uncovered certain monograph ideas, some of them already started, others only in the planning stage. For example, Carl Parry, now retired from the Board staff, should be encouraged to complete his half-done monograph on Selective Credit Controls, a subject in which he has had active as well as theoretical interest. Gardner Patterson of the International Finance Section at Princeton University would like aid to write a study of Reserve Inaternational Financial Operations in the 1920s; Lester Chandler, also of Princeton, would like aid to write a long monograph or a short book on "Ben Strong, Central Banker"; two able men, Dr. Karl Bopp of the Philadelphia Federal Reserve Bank and Professor Edward Shaw of Stanford University are each interested in a study which might be called "The Art and Politics of Central Banking." No commitments have been made in regard to such work. These examples are, however, listed as showing the caliber of work which this Committee would like to encourage, and for which it would use funds.

(2) Major Works

Of these the definitive history is the core of the project and the one toward which we continue to point our endeavors. We believe that its writing will take a good three years on the part of a distinguished scholar who has already shown the skill and judgment which the creation of such a history demands. The task of exploration and recording of materials will be carried further and the field of possible scholars will continue to be canvassed.

Considering the high cost of subsidies for major works we would hesitate to name other volumes for which we are ambitious were it not for hopes that at least some of these might find publication through commercial channels and would need from this Committee little more help than can be provided through consultation, use of materials, perhaps a small subsidy for stenographic aid. We have from the beginning believed that the play of personalities would be an important factor in any governmental operation and that a volume of biographic essays on key figures could be written so as to illumine various facets of the System. We also think that a volume of essays on crises in the banking world, following the volume by Oliver M. W. Sprague on History of Crises Under the National Banking System, would be an important contribution which might find publication through regular channels. There would be others as the project develops.



(3) Editing and Publishing of Documents

The Committee's staff has noted with interest the British example whereby documents basic to central banking in England, including key speeches and memoranda as well as legislation, were edited and published under the title Gregory's Select Statutes, Documents and Reports Relating to British Bank, 1832-38. Comparable material in American banking practice is scattered, and might well be gathered in some such volume. It has also been suggested that a comprehensive annotated bibliography covering both published and unpublished works bearing on the System would be a most useful contribution to research activities. In addition it is not improbable that selected papers from the various collections under survey may prove so valuable as to deserve publication. No decisions have been made in this field, but we list this activity as one in which the Committee may engage.

Use Of Materials

The Board and the Reserve Bank of New York have been particularly interested in the work of this Committee; individuals from these institutions, both officers and staff have been actively participating in it. Both Board and Bank may face problems of participation when more recent events come to be discussed; the availability of confidential materials covering recent events may also present a problem.

The existence of this problem must be recognized, but the Committee is confident that a solution will be found which will neither hamper the project nor strain either the willingness or the ability of individuals or institutions to continue their co-operation.

VI Organization, Personnel and Budget

(a) Organization

The grant for the pilot project was made to the Brookings Institution; an informal working arrangement was established whereby the President of Brookings became a member of the Committee, work was done under Committee supervision, and Brookings acted as disbursing and bookkeeping agent. That institution also furnished office space in Washington for the Research Director, as did the Federal Reserve Board.

Because the Committee was composed of busy men, the supervisory function fell most frequently to its secretary, Donald Woodward, at one time on the Board's staff, now Chairman of the Finance Committee of Vick Chemical. The other members of the Committee have also shown steady and vigorous interest in the pilot project and have been generous with time and advice when called on for consultation.

The daily work was carried on by a small staff headed by Mildred Adams as Research Director, assisted by Katherine McKinstry (who shared her skill as research assistant and her time between the work of this Committee and that of Dr. John H. Williams, consultant to the Federal Reserve Bank of New York) and two young typists. All these assistants were assigned by the Bank from its own staff, their salaries paid by the Committee. The Bank also supplied working space and furniture.

This same plan of organization, with some modifications, is the one we would recommend for the comprehensive study. The association between an ad hoc committee and Brookings Institution is unusual, it has values for both groups and we recommend that it continue. Certain problems in that relationship will arise when the publishing stage is reached. These problems do not, however, call for immediate solution and their resolving will not disturb the work of this Committee.

The Committee's functioning, and its relation to the small staff, would continue along established lines. Thus far the Committee has been kept informed of work accomplished through progress reports put out by the research director, through personal consultation; and by discussion in meetings. Meetings will be held when needed, they will be called by the Secretary with the consent of the Chairman. The identification of interests between the Committee members and the work being done will make for continuing oversight on the part of members.

(b) Personnel

The major project will be put in charge of a scholar of wide experience and attainments who will have general supervision over its various parts and who will himself undertake some of the writing assignments which the Committee contemplates. Mr. W. Randolph Burgess, presently Deputy to the Secretary of the Treasury, will occupy this part when his present work at the Treasury is completed. An active member of this Committee, he brings to the post an extraordinary combination of practical experience in monetary affairs and scholarly accomplishment. A graduate of Brown University, he got his doctorate at Columbia in 1920 and went at once to the Federal Reserve Bank of New York. He became Deputy Governor of that Bank in 1930, and Vice President in 1936. To this experience in central banking he added fifteen years' experience in commercial banking as Vice Chairman of the National City Bank and then Chairman of its executive committee. In 1953 he returned to the Federal Reserve Bank, only to go to the Treasury as Deputy to the Secretary. The breadth of his scholarly interests is indicated by the fact that he has been at various times President of the American Statistical Association and the Academy of Political Science, as well as of the American Bankers Association. Mr. Burgess is editor of a volume of papers by Benjamin Strong, "Interpretations of Federal Reserve Policy", and author of "The Reserve Banks and the

Money System", a classic in this field of literature.

For obvious reasons this cannot yet be publicly announced, but the commitment is firm. Mr. Burgess will give full-time to this project. He has from the beginning of the pilot phase been an active participant in Committee discussion and will so continue during the remainder of his service at the Treasury. During that interim he will continue to be assisted in Committee matters by Mr. Donald Woodward, Secretary of the Committee. Mr. Woodward's experience with monetary material includes work on the Board staff and writing about System affairs for the Wall Street Journal, Business Week and The Economist (of London). He developed the research division of the Mutual Life Insurance Company and became First Vice President of that institution. He is now Chairman of the Finance Committee of the Vick Chemical Corporation.

The other four members of the Committee are, of course, experts in the monetary field. The Chairman, Mr. Allan Sproul, has spent his working life within the Federal Reserve System. Starting in 1920 in the Federal Reserve Bank of San Francisco he served there ten years and then moved to the Federal Reserve Bank of New York. He has been President of the New York Bank since 1941.

Mr. William McChesney Martin Jr. comes from a St. Louis family famous in central banking. To experience in the Federal Reserve Bank of St. Louis he added ten years of activity in the investment business. He was President of the New York Stock Exchange from 1938 to 1941; Chairman and President of the Export-Import Bank in 1946; U. S. Director of the Bank for Reconstruction and Development; Assistant Secretary of the Treasury in 1949. He is now Chairman of the Board of Governors of the Federal Reserve System.

Dr. Robert Calkins is now President of the Brookings Institution. He got his doctorate in 1933 with a thesis on banking, went at once into academic work, lecturing on economics both at Stanford and at the University of California

where he became Chairman of the Economics Department and then Dean of the College of Commerce. Between 1941 and 1947 he was Dean of the School of Business at Columbia University, and from 1947 on he was Vice President and Director of the General Education Board. Dr. Calkins served for five years as Director of the Federal Reserve Bank of New York.

Dr. Walter W. Stewart also has combined academic with banking and investment experience. Professor of Economics at Amherst College from 1916 to 1922, he then went to the Federal Reserve Board as Director of the Division of Research and Statistics. In 1928 he became Economic Adviser to the Bank of England; in 1931 he was appointed American Member of a special committee of the Bank of International Settlements to look into German reparation obligations under the Young Plan. He was for some time President of Case Pomeroy and Company, an investment house. Trustee of the Rockefeller Foundation, Chairman of the General Education Board, Professor at the Institute for Advanced Studies, he was in 1953 called to Washington to become a member of the Council of Economic Advisers.

As Research Director, Mildred Adams who initiated and carried through the work of the pilot phase, will continue during at least the early period of the main study. Miss Adams (in private life Mrs. W. Houston Kenyon, wife of a New York attorney) is an economist by education and a journalist by training. To experience in feature writing for the New York Sunday Times, Barrons Weekly and various other magazines she added editorial writing for Business Week, and for The Economist (of London). She has recently been United Nations correspondent for the latter publication.

In order to do the amount of visiting of Reserve Banks which the study needs, Miss Adams must have an assistant capable of accepting more responsibility for administrative detail than can be delegated to Miss McKinstry

if the part-time arrangement for the latter's services prevailing under the pilot project is to continue. 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 will then be in a unique position to embark on a major writing part of the project.

In addition we would need a secretary with research experience, (Miss McKinstry is so exceptional that we would like to keep her, even with the handicap of part-time service). It may be necessary to add secretarial help in Washington, and provision for this contingency will be made in the budget.

(c) Quarters

There is reason to believe that offices and equipment assigned for the pilot project by the Federal Reserve Board in Washington, the Brookings Institution and the Federal Reserve Bank in New York will continue to be available.

This provision of rent-free quarters and equipment (the Federal Reserve Bank imposes a very nominal fee for furniture rental which is more than counterbalanced by its many operating services) is a concrete instance of the interest which the System is taking in the entire project. Board and Banks are also making important contributions in the form of material and of research assistance. Their continued co-operation is of course a vital factor in the process.

(d) Budget

In the exploratory phase, personnel of Board and Banks have been helpful and co-operative with specialized knowledge and time for discussion.

The Committee's debt to librarians, heads of research departments, purchasing agents, secretaries who helped out is very real, and financially substantial.

Significant parts of the cost of this project will be provided by contributions from the System in the form of rent-free quarters, use of equipment, consultations with officers, hours of work on the part of librarians, research aides, purchasing agents, secretaries, and other staff members. The Board and the twelve Reserve Banks have evidenced continuing interest. The Treasury files are open to us, the manuscript division of the Library of Congress and interested people in the University libraries are rendering us all possible aid. The Committee members themselves are serving without compensation, and with no allowances except for occasional travel expense.

In addition to these large contributions from the System and other groups, contributions which in themselves attest to the importance of this project, further funds will be needed to carry on this study.

The costs which can be estimated are preponderantly for staff salaries, travel expenses, supplies (limited mostly to stationery and archival materials) and subventions to be used in three ways - to be paid for the study and evaluation of collections of papers, to assist the writers of monographs, to defray the cost of major works.

Based on experience in the pilot project, we have made estimates in two groups, one for an early period when research expenses and travel costs will be relatively high, the other for a period when the heavy costs will take the form of subventions and other aids to writing and publishing which are the goals of this study. These budgets should be taken as estimates only, and we would ask that a high degree of flexibility be allowed the Committee in allocating the funds for which it asks. There may be instances in which provision for salaries will be transferred to grants-in-aid, and vice versa, depending on the situation.

Budget Estimates June 1, 1954 to May 31, 1959

<u>Earlier Period</u>		<u>Later Period</u>	
Salaries to provide a research director administrative assistant, research secretary, secretary for the project head, typist	\$30,000	Salaries	\$40,000
Travel Costs	3,000	Travel Costs	2,000
Other expenses	1,500	Other expenses	1,000
Funds for writing	<u>15,000</u>	Funds for writing	<u>24,000</u>
Annual Total	\$49,500	Annual Total	\$67,000
Totals for earlier period		\$ 99,000	
Totals for later period		<u>211,000</u>	
Total for five years		\$310,000	

The arithmetic in this table is worked out on a two and a three-year period. Actually we cannot tell at this moment exactly when people will be available or just how fast some steps can go. Therefore, we would ask that the expenditure curve be left flexible.

VII Request

In view of these estimates the Committee respectfully requests that for the purpose described in this proposal the Rockefeller Foundation grant \$310,000 to be expended in the five years between June 1, 1954 and May 31, 1959.

The grant should go to the Brookings Institution with the understanding that its responsibilities and those of the Committee toward the project are mutual, and that an informal relationship between the two bodies comparable to that which proved so satisfactory during the pilot phase is to continue.

The report of the pilot project, which reveals the wealth of materials found and indicates the richness yet uncovered, is appended.



Walter Bagehot said "Money will not manage itself". To which the late Emanuel Goldenweiser added his plea for "an understanding of this major force, of its causation and consequences". We are convinced that the role which central banking plays in the management of money will be even greater in the future than it is now. It is the hope of this Committee that the study proposed will contribute to its better understanding.

# Proposal

## Introduction

In January 1954 the Rockefeller Foundation made a grant for a pilot project leading toward a history of the Federal Reserve System. The immediate end was to find out what materials were available for such an undertaking, materials not only in the sense of papers, but also of the living memories of men active in the early days of the System.

That task has been carried on since January 15th. It has yielded extraordinarily good results (a report of its findings to April is appended), and there is every reason to believe that an even greater harvest of papers and <sup>memories</sup> ~~memoirs~~ lies waiting to be gathered. The Committee feels that this has proved to be in the best sense of the word a pilot project. In addition to exploring papers and memories, it uncovered that sense of personal struggle and accomplishment which is the living core of any institution. It enlisted interest and it ensured cooperation for the future. It points the way very surely to the next and much bigger task which lies ahead, and for which the Committee now asks the consideration of the Foundation.

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In calling itself the Committee to <sup>on</sup> ~~Study~~ the History of the Federal Reserve System, the group presenting this proposal define its primary purpose. But the discoveries, contacts and discussions made during the pilot project have deepened the content and widened the scope of that purpose. The Committee now knows that what needs to be done is much more than a single history <sup>of the Reserve System</sup> it is an appraisal of one of the most extraordinary inventions in this democracy, a review of experience in its functioning, an analysis in terms of the memories of men who helped develop it and who took part in its operation. The episodes around which conflicts swarmed, and out of which change came, the

process by which decisions were made, the importance of personalities, the interplay between public policy and private needs - these various angles of approach and many more which have been suggested from time to time by Committee members testify to the vitality of the subject and to the lessons which can be learned for other democratic institutions by a detail<sup>ed</sup> study of its experience.

## II Why Important?

The importance of the subject is, however, greater than a matter of the material dealt with or the proper dealing with it. It goes much farther than the task of history writing, vital as that is, and farther than what are commonly considered the somewhat narrow confines of the banking world.

(a) Of all the innovations in government mechanisms which Americans have brought about during the twentieth century the Federal Reserve System stands first, and not only because of the unprecedented functions which it is called on to perform. It operates with a high degree of autonomy linked with a fine sense of public purpose. To an extraordinary extent it has managed to preserve its freedom from both Congressional and executive pressures. In periods when it has been forced to yield the public protests against such yielding have been continuous until the pressures have softened and the <sup>balance</sup> ~~surprising degree~~ of public action been restored.

(b) Writing in 1946 about twentieth century monetary controls, Professor Robert Warren of <sup>the Institute for Advanced Study</sup> ~~Princeton University~~ observed that in the nineteenth century there developed a new type of society, the money economy, which made new demands on those who administer Government control over the <sup>supply</sup> ~~factor~~ of money. "High and low, rich and poor, bond and free there had always been, but never before had there been an economy that expected the majority of its people to be totally ~~dependent~~ upon the continuity of a stream of money

income". Along with other observers Professor Warren interpreted the primary task of the Federal Reserve System as one of seeing that this continuity of the stream is not interrupted by monetary failures. To do this it bridges the gap between public and private efforts to <sup>influence</sup> ~~manage~~ the economy. The goal toward which it has <sup>been directed</sup> ~~come to reach~~ in these later stages is the stability of the economy for the public good; in that pursuit it has developed, tried and discarded one method after another, only to reach for a new one which promised better results. Analysis of these experiences form important chapters in both monetary and economic history.

(c) In the practise of the functions laid upon it, the System has enlisted and trained staffs whose skill and devotion to the System's work stands in notable contrast to that of certain other governmental institutions. Not only have they weathered forty years of political storms with a minimum of vulnerability; the System as a whole, by some curious magic, has withstood political attack from both parties. ~~Starting life with a twenty-year Charter, it was promoted to a permanent Charter in 1933, a year in which the mere fact of its survival sometimes seemed tinged with the miraculous.~~ Tensions which in theory should have spilt it apart seem somehow to have been important factors in holding it together.

(d) An analysis of the changing experience in design and in operation of this unique governmental mechanism would have great value. It is important for the future performance of the System and of the American economy. There is reason to believe that such analysis may hold lessons of great value which can be applied to problems <sup>of organization in both</sup> ~~of~~ government far removed from the process of monetary management. <sup>of + private life,</sup>

III The questions which this study would illumine fall into two categories. There are in the first place what might be called the technical

issues, some theoretical and some matters of operating policy, which have absorbed the System's attention at one time or another in its life. These appear in annual reports, they are high-lighted in government hearings, but in both instances the questions which an informed and impartial student might ask are diverted by the exigencies of the moment. Enough time has elapsed, for instance since control of the discount rate was first used by the System as a tool of monetary policy so that its importance under varying conditions can be weighed and studied. The same thing is true of changes in reserve requirements, and of the tool of open market operations. Yet a vast amount of controversy still surrounds them, some of which <sup>should</sup> be resolved by competent studies.

Beyond the technical points at issue (of which these are merely instances that come first to hand) lie broader issues both within and without the banking system. For example, how did it come about that so unique a mechanism of monetary control was established? By what methods and devices has it endured and thrived? How are the skill, competence and individual freedom of its staff, unusually high in <sup>or in private</sup> government bodies, maintained and encouraged? How has the relationship between staff and Board members been worked out? How can the System's role in the world of government and in the economic world be best defined and understood? What are the lessons of this role for other <sup>organizations, in or out of government?</sup> ~~governmental divisions~~? How are Board decisions, with their high degree of importance in American life, arrived at? How does the System influence the operations of monetary mechanisms at moments of crisis? What lessons are there in the relations which prevail between Board, Reserve Banks and Member Banks, and how are those relationships evolving?

#### IV Scope and Method of Inquiry

The study which we propose would cover the entire Federal Reserve System, including the Board and the twelve regional banks, from their inception,

X ~~until the most recent date for which adequate material could be made avail-~~  
~~able.~~ Much has been written on the events, crises and personalities which  
led up to the founding of the System, but, even this needs re-studying in  
the light of newly discovered material.

We would therefore set out to make a complete search for the ma-  
terial and the people concerned in Federal Reserve legislation, theory and  
operation, going back at least to 1907 when the Aldrich Commission functioned.  
From 1913 forward we would undertake to discover the cast of influential char-  
acters in the System's growth, change and operation, including governmental  
figures in Congress and the executive branch; Members of the Board and in-  
fluential men on the Board staff; Governors, Presidents and senior officers  
of Reserve Banks; Members of the Federal Advisory Council, the Open Market  
Committee and allied bodies; men in academic life (as for example, Oliver  
W. M. Sprague and John<sup>H.</sup> Williams) who have been in close and influential con-  
tact with the System during its years of growth.

The method to be used is that which has successfully been developed  
during the pilot project phase of this study. It includes visiting Board and  
Banks, both to search out men who remember early days, and to ascertain how  
records are kept and what local records are available; the establishing of  
the names of the dramatis personae, the recording of brief biographic data  
concerning them, the request for interviews if they are still alive, the  
search for their papers if they are deceased.

Experience in the pilot project, and consultation with those en-  
gaged in other attempts to chart and record the course of living institutions,  
have taught us that the comprehensive study of the Federal Reserve System  
which is the core of our endeavor divides itself into three steps; these for  
convenience may be called, the archival process, the interview process and

the writing process. Logically, these three appear to be separate, just as in the pilot project the process of discovery of papers, gathering of memories and building of card files appeared to be separate. Actually, each process in the pilot project fed and profited from each other. The success of that project was in no small part due to what seemed at times a handicap - namely, that all three processes were necessarily going on at once.

Were it advisable, in view of that experience, to try to carry on the archival, the interview and the history-writing processes of the main project one at a time, in series, we might propose that the grand design move forward in two phases. A reading of the report on the pilot project shows how much has been started, and how much remains to be done. For example, the research director hoped to visit all twelve Reserve Banks during the pilot phase, but the volume and variety of work under way forced postponement; most of those Banks distant from the Atlantic seaboard remain to be explored. The mapping and survey stage uncovered not only papers and memories. It also set the pattern for the study of those papers and those memoirs. A great deal more must be done along these lines before the master files of papers and other materials are ready for the student's use.

Not only must the master files be completed, but the papers which have been uncovered during the pilot project, and the collections still to be found, must be analyzed for pertinent material. The Hamlin diaries, recently released from a ten-year seal, stand alone in terms of the preparation and indexing lavished on them, but even the Hamlin diaries are new ground for the student. Someone must read those 26 volumes and evaluate them for the purposes of any comprehensive history of the System.

*not yet sorted or classified, is more extensive*

The work to be done on other collections ~~is still more elementary.~~

The National Records Management group stands ready to start a pilot study of a similar group of papers in order to chart costs and work out efficient methods of handling. Young Parker Willis would take time from his work at the Federal Reserve Bank in Boston to survey his father's papers if this were arranged. The Goldenweiser papers, the Adolph Miller papers are <sup>c</sup>des-  
~~The Goldenweiser~~ tined for this Committee's use. These and many more must be classified and set in order.

But even while setting down these small examples of the large amount of work which remains to be done in the first two processes we recognize how inextricably linked with them is the third process. During the pilot phase we became aware of writings under way and needing encouragement which would be valuable for our purposes and which would be finished the sooner if they could profit from the work we were doing. Research into the past is not well done in a vacuum or without the added spur of a person who wants to use its results. The historian who can work with researchers, using their data, stimulating and broadening their search by his questions, has a richer content to draw from than the one who starts after the research process is finished and filed away.

*Proposed*

We therefore propose to move forward with three groups of activities, all of them vital to the comprehensive study which is the core of this endeavor:

1. Archival

- (1) To continue and complete the visits to Board and banks, the search for records, the interviewing, the hunt for papers and the recording of discovered material which was started during the pilot phase.



- (2) to continue and complete the biographic, bibliographic and chronological master files which were started during the pilot phase.
- (3) to make available to qualified students that part of the Committee's research material which is pertinent to their inquiries.
- (4) to work out problems of handling related collections of papers and putting them in useable shape for students. This may include financial aid in certain instances. (For example, the Carter Glass papers are at the University of Virginia as described in the report on the pilot phase. Their classification and study is essential, but funds would have to be provided).

## 2. Interview

To continue the interview process which has yielded such good results under the pilot project, and to enter on a series of further interviews with chosen individuals in the older group who have already shown themselves to have good memories and an interest in contributing all they can to this project. Such men as Roy Young and Walter Wyatt of the Board, George Harrison, J. Herbert Case and Leslie Rounds of the New York Bank, John Sinclair and Casimir Sienkeiwicz of Philadelphia, are of this type, and there are many more. Just as the Harvard Business Studies group finds a tape recorder valuable for catching the living word in key interviews, so we might profitably avail ourselves of this technique in selected instances.

3. Writing

✓ The writing and editing falls into three parts - *When is 43*

(1) The monographs - in a study as extensive and important as this the monograph plays a key part. In some instances it stands by itself, as a definitive study of one part a related whole. In others it acts as an introductory study and may later be incorporated into the whole. The pilot phase uncovered certain monograph ideas, some of them already started, others only in the planning stage. For example, Carl Parry, now retired from the Board staff, should be encouraged to complete his half-done monograph on Selective Credit Controls, a subject in which he has had active as well as theoretical interest. Gardner Patterson of the International Finance Section at Princeton University would like aid to write a study of Reserve International Financial Operations in the 1920s; Lester Chandler, also of Princeton, would like aid to write a long monograph or a short book on "Ben Strong, Central Banker"; two able men, Dr. Karl Bopp of the Philadelphia Federal Reserve Bank and Professor Edward Shaw of Stanford University are each interested in a study which might be called "The Art and Politics of Central Banking." No commitments have been made in regard to such work. These examples are, however, listed as showing the caliber of work which this Committee would like to encourage, and for which it would use funds.

(2) Major Works

Of these the definitive history is the core of the project and the one toward which we continue to point our endeavors. We believe that its writing will take a good three years on the part of a distinguished scholar who has already shown the skill and judgment which the creation of such a history demands. ~~However, we do not believe ourselves justified in naming such a person at the present moment.~~ The task of exploration and recording of materials will meantime be carried further and the field of possible scholars will continue to be canvassed.

Considering the high cost of subsidies for major works we would hesitate to name other volumes for which we are ambitious were it not for hopes that at least some of these might find publication through commercial channels and would need from this Committee little more help than can be provided through consultation, use of materials, perhaps a small subsidy for stenographic aid. We have from the beginning believed that the play of personalities would be an important factor in any governmental operation and that a volume of biographic essays on key figures could be written so as to illumine various facets of the system. We also think that a volume of essays on crises in the banking world, following the volume by Oliver M. W. Sprague on History of Crises Under the National Banking System would be an important contribution which might find publication through regular channels. There would be others as the project develops.

# on editing —

~~111~~  
(3) Editing and Publishing of Documents

The Committee's staff has noted with interest the British example whereby documents basic to central banking in England, including key speeches and memoranda as well as legislation, were edited and published under the title Gregory's Select Statutes, Documents and Reports Relating to British Banking, 1832-38. <sup>material</sup> No comparable work exists in American banking practise. <sup>is scattered, and might well be gathered in some such volume</sup> It has also been suggested that a comprehensive annotated bibliography covering both published and unpublished works bearing on the System would be a most useful contribution to research activities. In addition it is not improbable that selected papers from the various collections under survey may prove so valuable as to deserve publication. No decisions have been made in this field, but we list this activity as one in which the Committee may engage.

Use of Materials

The <sup>Board</sup>~~Branch~~ and the Reserve Bank of New York have been particularly interested in the work of this Committee, and individuals from these institutions, both officers and staff, have been actively participating in it. Both Board and Bank may face problems of participation when more recent events come to be discussed; the availability of confidential materials covering recent events may also present a problem.

The existence of this problem must be recognized, but the Committee is confident that a solution will be found which will neither hamper the project nor strain either the willingness or the ability of individuals or institutions to continue their co-operation.

~~Brookings Institution after long experience and found satisfactory.~~

VI Organization, Personnel and Budget

(a) Organization

The grant for the pilot project was made to the Brookings Institution; an informal working arrangement was established whereby the President of Brookings became a member of the Committee, work was done under Committee supervision, and Brookings acted as disbursing and bookkeeping agent. That institution also furnished office space in Washington for the Research Director, as did the Federal Reserve Board.

Because the Committee was composed of busy men, the supervisory function fell most frequently to its secretary, Donald Woodward, *at one time* ~~at one time~~ ~~formerly~~ on the Board's staff, now Chairman of the Finance Committee of Vick Chemical. The other members of the Committee have also shown steady and vigorous interest in the pilot project and have been generous with time and advice when called on for consultation.

The daily work was carried on by a small staff headed by Mildred Adams as Research Director, assisted by Katherine McKinstry (who shared her skill as research assistant and her time between the work of this Committee and that of Dr. John <sup>H.</sup> Williams, consultant to the Federal Reserve Bank of New York) and two young typists. All these assistants were assigned by the Bank from its own staff, their salaries paid by the Committee. The Bank also supplied working space and furniture.

This same plan of organization, with some modifications, is the one we would recommend for the comprehensive study. The association between an ad hoc committee and Brookings Institution is unusual, it has values for both groups and we recommend that it continue. Certain problems in that relationship will arise when the publishing stage is reached; ~~it must~~ ~~for example, be decided whether Brookings is to exert the same critical function~~ ~~in regard to publications prepared under the terms of this Committee as is cus-~~

tomary in regard to those it sponsors directly. These problems do not, however, call for immediate solution and their resolving will not disturb the work of this Committee.

The Committee's functioning, and its relation to the small staff, would continue along establish lines. Thus far the Committee has been kept informed of work accomplished through progress reports put out by the research director, through personal consultation; and by discussion in meetings. ~~It is assumed that meetings will be held when needed, but no oftener, that they will be called by the Secretary with the consent of the Chairman, and that the~~ identification of interests between the Committee members and the work being done will make for continuing oversight on the part of members.

(b) Personnel

The major project will be put in charge of a scholar of wide experience and attainments who will have general supervision over its various parts and who will himself undertake some of the writing assignments which the Committee contemplates. Mr. W. Randolph Burgess, presently Deputy to the Secretary of the Treasury, will occupy this part when his present work at the Treasury is completed.

For obvious reasons this cannot yet be publicly announced, but the commitment is firm. ~~Mr. Burgess~~ <sup>he</sup> An active member of this Committee, brings to the post an extraordinary combination of practical experience in monetary affairs and scholarly accomplishment. A graduate of Brown University, he got his doctorate at Columbia in 1920 and went at once to the Federal Reserve Bank of New York. He became Deputy Governor of that Bank in 1930, and Vice President in 1936. To this experience in central banking he added fifteen years' experience in commercial banking as Vice Chairman of the National City Bank and then chairman of its executive committee. In 1953 <sup>returned to the Federal Reserve Bank, only</sup> ~~he resigned that post~~ to go to the Treasury as Deputy to the Secretary. The breadth of his scholarly interests is indicated by the fact that he has been at various times President of the American Statistical Association and the Academy of Political Science, as well as of the American Bankers Association. Mr. Burgess is editor of a volume of papers by Benjamin Strong, "Interpretations of Federal Reserve Policy", and author of "The Reserve Banks and the Money System", a classic in this field of literature.

Mr. Burgess will give full-time to this project. He has from the beginning of the pilot phase been an active participant in committee discussion and will so continue during the remainder of his service at the Treasury. During that interim he will continue to be assisted in Committee matters by Mr. Donald Woodward, Secretary of the Committee. Mr. Woodward's experience with monetary

material includes <sup>work on the Board staff and</sup> writing about System affairs for the Wall Street Journal, Business Week and The Economist (of London). He developed the research division of the Mutual Life Insurance Company and became First Vice President of that institution. He is now Chairman of the Finance Committee of the Vick Chemical Corporation.

The other four members of the Committee are <sup>of course</sup> experts in the monetary field. The chairman, Mr. Allan Sproul, has spent his working life within the Federal Reserve System. Starting in 1920 in the Federal Reserve Bank of San Francisco he served there ten years and then moved to the Federal Reserve Bank of New York. He has been President of the New York bank since 1941.

Mr. William McChesney Martin Jr. comes from a St. Louis family famous in central banking. To experience in the Federal Reserve Bank of St. Louis he added ten years of activity in the investment business. He was President of the New York Stock Exchange from 1938 to 1941, Chairman and President of the Export-Import Bank in 1946, U. S. Director of the Bank for Reconstruction and Development, Assistant Secretary of the Treasury in 1949. He is now Chairman of the Board of Governors of the Federal Reserve System.

Dr. Robert Calkins is now President of the Brookings Institution. He got his doctorate in 1933 with a thesis on banking, went at once into academic work, lecturing on economics both at Stanford and at the University of California where he became Chairman of the Economics Department and then Dean of the College of Commerce. Between 1941 and 1947 he was Dean of the School of Business at Columbia University, and from 1947 on he was Vice President and Director of the General Education Board. Dr. Calkins served for five years as Director of the Federal Reserve Bank of New York.

Dr. Walter W. Stewart also has combined academic with banking and



*He was for some time  
President of Case Pomeroy and Co., investment house,*

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investment experience. Professor of Economics at Amherst College from 1916 to 1922, he then went to the Federal Reserve Board as Director of the Division of Research and Statistics. In 1928 he became Economic Adviser to the Bank of England; in 1931 he was appointed American Member of a special committee of the Bank of International Settlements to look into German reparation obligations under the Young Plan. Trustee of the Rockefeller Foundation, Chairman of the General Education Board, Professor at the Institute for Advanced Studies, he was in 1953 called to Washington to become a member of the Council of Economic Advisers.

As Research Director, Mildred Adams who initiated and carried through the work of the pilot phase, will continue during at least the early period of the main study. Miss Adams (in private life Mrs. W. Houston Kenyon, wife of a New York attorney) is an economist by education and a journalist by training. To experience in feature writing for the New York Sunday Times, Barrows Weekly and various <sup>other</sup> magazines she added editorial writing for Business Week, and for The Economist of London. She has recently been United Nations correspondent for the latter publication.

In order to do the amount of visiting of Reserve Banks which the study needs, Miss Adams <sup>must have</sup> ~~will need~~ an assistant capable of accepting more responsibility for administrative detail than can be delegated to Miss McKinstry if the part-time <sup>pilot</sup> arrangement for her services prevailing under the ~~pilot~~ project is to continue. 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 of the project and carry ~~it~~ forward. Miss Adams will then be in a unique position to embark on a major writing part of the project.

~~xxxxxx~~ In addition we would need a secretary with research experience, *Continued*

(Miss McKinstry is so exceptional that we would like to keep her, even with the handicap of part-time service, ~~and a salary.~~) It may be necessary to add secretarial help in Washington, and provision for this contingency will be made in the budget. 16

(c) Quarters

There is reason to believe that offices and equipment assigned for the pilot project by the Federal Reserve Board in Washington, the Brookings Institution and the Federal Reserve Bank in New York will continue to be available. ~~Work can be expected to center mostly in the latter because staff is provided there and the research director will be resident in New York.~~

This provision of rent-free quarters and equipment (the Federal Reserve Bank imposes a very nominal fee for furniture rental which is more than counter balanced by its many operating services) is a concrete instance of the interest which the System is taking in the entire project. Board and Banks are also making important contributions in the form of material and of research assistance, ~~which cut down the cost of the entire project.~~ Their continued cooperation is of course a vital factor in the process.

(2) Budget

In the exploratory phase, personnel of Board and Banks have been helpful and co-operative with specialized knowledge and time for discussion. The Committee's debt to librarians, heads of research departments, purchasing agents, secretaries who helped out is very real, and financially substantial.

Significant parts of the cost of this project will be provided by contributions from the System in the form of rent-free quarters, use of equipment, consultations with officers, hours of work on the part of librarians, research aides, purchasing agents, secretaries, and other staff members. The Board and the twelve Reserve Banks have evidenced continuing interest. The Treasury files are open to us, the manuscript division of the Library of Congress and interested people in the University libraries are rendering us all possible aid. The Committee members themselves are serving without compensation, and with no allowances except for occasional travel expense.

In addition to these large contributions from the System and other groups, contributions which in themselves attest to the importance of this project, further funds will be needed to carry on this study.

The costs which can be estimated are preponderantly for staff salaries, travel expenses, supplies (limited mostly to stationery and archival materials) and subventions to be used in three ways - to be paid for the study and evaluation of collections of papers, to assist the writers of monographs, to defray the cost of major works.

Based on experience in the pilot project, we have made estimates in two groups, one for an early period when research expenses and travel costs will be relatively high, the other for a later period when the heavy costs will take the form of subventions and other aids to writing and publishing which are the goals of this study. These budgets should be taken as estimates only, and we would ask that a high degree of flexibility be allowed the Committee in allocating the funds ~~it hopes may be granted.~~ *for which it asks. There may be instances in which provision for salaries will be transferred to grants-in-aid, and vice versa, depending on the situation.*

Budget Estimates June 1, 1954 to May 30, 1959

<u>Earlier Period</u>		<u>Later Period</u>	
Salaries to provide a research director, administrative assistant, research secretary, secretary for the project head, typist	\$30,000	Salaries	\$40,000
Travel costs	3,000	Travel costs	2,500
Other expenses	1,500	Other expenses	1,000
Funds for writing	<u>15,000</u>	Funds for writing	<u>24,500</u>
Annual Total	\$49,500	Annual Total	\$67,000
Totals for earlier period		\$ 99,000	
Totals for later period		<u>211,000</u>	
Total for five years		\$310,000	

The arithmetic in this table is worked out on a two and a three-year period. Actually we cannot tell at this moment exactly when people will be available or just how fast some steps can go. Therefore, we would ask that the expenditure curve be left flexible.

VII Request In view of these estimates the Committee respectfully requests that for the purpose described in this proposal the Rockefeller Foundation grant \$310,000 to be expended in the five years between June 1, 1954 and May 30, 1959.

The grant should go to the Brookings Institution with the understanding that its responsibilities and those of the Committee toward the project are mutual, and that an informal relationship between the two bodies comparable to that which proved so satisfactory during the pilot phase is to continue.

The report of the pilot project, which reveals the wealth of materials found and indicates the richness yet uncovered, is appended.

Walter Bagel<sup>not</sup>~~int~~ said "Money will not manage itself". To which the late Emanuel Goldenweiser added his plea for "an understanding of this major force, of its causation and consequences".

It is the hope of this Committee that the study proposed will contribute to <sup>its better</sup> ~~this~~ understanding.

*We are convinced that the management of money is the role which central banking plays in this economy will be <sup>even</sup> greater in the future than it is now.*

# Proposal

## Introduction

In January 1954 the Rockefeller Foundation made a grant for a pilot project leading toward a history of the Federal Reserve System. The immediate end was to find out what materials were available for such an undertaking, materials not only in the sense of papers, but also of the living memories of men active in the early days of the System.

That task has been carried on since January 15th. It has yielded extraordinarily good results (a report of its findings <sup>up</sup> to April <sup>15<sup>th</sup></sup> is appended), and there is every reason to believe that an even greater harvest of papers and memoirs lies waiting to be gathered. The Committee feels that this has proved to be in the best sense of the word a pilot project. In addition to exploring papers and memories, it uncovered that sense of personal struggle and accomplishment which is the living core of any institution. It enlisted interest and it ensured cooperation for the future. It points the way very surely to the next and much bigger task which lies ahead, and for which the Committee now asks the consideration of the Foundation.

## I The Task

In calling itself the Committee <sup>com</sup> ~~to Study~~ the History of the Federal Reserve System, the group presenting this proposal defined its primary <sup>purpose</sup> ~~purpose~~. But the discoveries, contacts, and discussions made during the pilot project have deepened the content and widened the scope of that purpose. The Committee now knows that what needs to be done is much more than a single history - <sup>of the Reserve System</sup> it is an appraisal of one of the most extraordinary inventions in this democracy, a review of experience in its functioning, an analysis in terms of the memories of men who helped develop it and who took part in its operation. The <sup>which gave rise to conflicts of views,</sup> episodes around which conflicts swarmed, and out of which change came, the

process by which decisions were made, the importance of personalities, the interplay between public policy and private needs - these various angles of approach and many more which have been suggested from time to time by Committee members testify to the vitality of the subject and to the lessons which can be learned for other democratic institutions by a detail<sup>ed</sup> study of its experience.

## II Why Important?

The importance of the subject is, however, greater than a matter of the material dealt with or the proper dealing with it. It goes much farther than the task of history writing, vital as that is, and farther than what are commonly considered the somewhat narrow confines of the banking world.

(a) Of all the innovations in government mechanisms which Americans have brought about during the twentieth century the Federal Reserve System stands first, and not only because of the unprecedented functions which it is called on to perform. It operates with a high degree of autonomy linked with a fine sense of public purpose. To an extraordinary extent it has managed to preserve its freedom from both Congressional and executive pressures. In periods when it has been forced to yield, the public protests against such yielding have been continuous until the pressures have softened and the surprising degree of <sup>balance</sup> ~~public action~~ <sup>been</sup> restored.

(b) Writing in 1946 about twentieth century monetary controls, Professor Robert Warren of Princeton University observed that in the nineteenth century there developed a new type of society, the money economy, which made new demands on those who administer Government control over the <sup>supply?</sup> factor of money. "High and low, rich and poor, bond and free there had always been, but never before had there been an economy that expected the majority of its people to be totally independent upon the continuity of a stream of money

income". Along with other observers Professor Warren interpreted the primary task of the Federal Reserve System as one of seeing that this continuity of the stream is not interrupted by monetary failures. To do this it bridges the gap between public and private efforts to manage the economy. The goal toward which it has <sup>been directed</sup> come to reach in these later stages is the stability of the economy for the public good; in that pursuit it has developed, tried and discarded one method after another, only to reach for a new one which promised better results. Analysis of these experiences form important chapters in both monetary and economic history.

(c) In the practise of the functions laid upon it, the System has enlisted and trained staffs whose skill and devotion to the System's work stands in notable contrast to that of certain other governmental institutions. Not only have they weathered forty years of political storms with a minimum of vulnerability; the System as a whole, by some curious magic, has withstood political attack from both parties. Starting life with a twenty-year Charter, it was promoted to a permanent Charter in 1933, a year in which the mere fact of its survival sometimes seemed tinged with the miraculous. Tensions which in theory should have spilt it apart seem somehow to have been important factors in holding it together.

(d) An analysis of the changing experience in design and in operation of this unique governmental mechanism would have great value. It is important for the future performance of the System and of the American economy. There is reason to believe that such analysis may hold lessons of great value which can be applied to problems of government far removed from the process of monetary management.

III           The questions which this study would illumine fall into two categories. There are in the first place what might be called the technical



issues, some theoretical and some matters of operating policy, which have absorbed the System's attention at one time or another in its life. These appear in annual reports, they are high-lighted in government hearings, but in both instances the questions which an informed and impartial student might ask are diverted by the exigencies of the moment. Enough time has elapsed, for instance, since control of the discount rate was first used by the System as a tool of monetary policy so that its importance under varying conditions can be weighed and studied. The same thing is true of changes in reserve requirements, and of the tool of open market operations. Yet a vast amount of controversy still surrounds them, some of which <sup>could</sup> should be resolved by competent studies.

Beyond the technical points at issue (of which these are merely instances that come first to hand) lie broader issues both within and without the banking system. For example, how did it come about that so unique a mechanism of monetary control was established? By what methods and devices has it endured and thrived? How are the skill, competence and individual freedom of its staff, unusually high in government bodies, maintained and encouraged? How has the relationship between staff and Board members been worked out? How can the System's role in the world of government and in the economic world be best defined and understood? What are the lessons of this role for other governmental divisions? How are Board decisions, with their high degree of importance in American life, arrived at? How does the System influence the operations of monetary mechanisms at moments of crisis? What lessons are there in the relations which prevail between Board, Reserve Banks and Member Banks, and how are those relationships evolving?

#### IV Scope and Method of Inquiry

The study which we propose would cover the entire Federal Reserve System, including the Board and the twelve regional banks, from their inception

until the most recent date for which adequate material could be made available. Much has been written on the events, crises and personalities which led up to the founding of the System, but, even this needs re-studying in the light of newly discovered material.

We would therefore set out to make a complete search for the material and the people concerned in Federal Reserve legislation, theory and operation, going back at least to 1907 when the Aldrich Commission functioned. From 1913 forward we would undertake to discover the cast of influential characters in the System's growth, change and operation, including governmental figures in Congress and the executive branch; Members of the Board and influential men on the Board staff; Governors, Presidents and senior officers of Reserve Banks; Members of the Federal Advisory Council, the Open Market Committee and allied bodies; men in academic life (as for example, Oliver W. M. Sprague and John<sup>H</sup> Williams) who have been in close and influential contact with the System during its years of growth.

The method to be used is that which has successfully been developed during the pilot project phase of this study. It includes visiting Board and Banks, both to search out men who remember early days, and to ascertain how records are kept and what local records are available; the establishing of the names of the dramatis personae, the recording of brief biographic data concerning them, the request for interviews if they are still alive, the search for their papers if they are deceased.

Experience in the pilot project, and consultation with those engaged in other attempts to chart and record the course of living institutions, have taught us that the comprehensive study of the Federal Reserve System which is the core of our endeavor divides itself into three steps; these for convenience may be called, the archival process, the interview process and

the writing process. Logically, these three appear to be separate, just as in the pilot project the process of discovery of papers, gathering of memories, and building of card files appeared to be separate. Actually, each process in the pilot project fed and profited from each other. The success of that project was in no small part due to what seemed at times a handicap - namely, that all three processes were necessarily going on at once.

Were it advisable, in view of that experience, to try to carry on the archival, the interview and the history-writing processes of the main project one at a time, in series, we might propose that the grand design move forward in two phases. A reading of the report on the pilot project shows how much has been started, and how much remains to be done. For example, the research director hoped to visit all twelve Reserve Banks during the pilot phase, but the volume and variety of work under way forced postponement; most of those Banks distant from the Atlantic seaboard remain to be explored. The mapping and survey stage uncovered not only papers and memories. It also set the pattern for the study of those papers and those memoirs. A great deal more must be done along these lines before the master files of papers and other materials are ready for the student's use.

Not only must the master files be completed, but the papers which have been uncovered during the pilot project, and the collections still to be found, must be analyzed for pertinent material. The Hamlin diaries, recently released from a ten-year seal, stand alone in terms of the preparation and indexing lavished on them, but even the Hamlin diaries are new ground for the student. Someone must read those 26 volumes and evaluate them for the purposes of any comprehensive history of the System.

The work to be done on other collections <sup>not yet sorted and classified, is more</sup> is still more elementary. <sup>extensive</sup>

The National Records Management group stands ready to start a pilot study of a similar group of papers in order to chart costs and work out efficient methods of handling. Young Parker Willis would take time from his work at the Federal Reserve Bank in Boston to survey his father's papers if this were arranged. The Goldenweiser papers, the Adolph <sup>C.</sup> Miller papers are destined for this Committee's use. These and many more must be classified and set in order. <sup>G L ?  
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But even while setting down these small examples of the large amount of work which remains to be done in the first two processes we recognize how inextricably linked with them is the third process. During the pilot phase we became aware of writings under way and needing encouragement which would be valuable for our purposes and which would be finished the sooner if they could profit from the work we were doing. Research into the past is not well done in a vacuum or without the added spur of a person who wants to use its results. The historian who can work with researchers, using their data, stimulating and broadening their search by his questions, has a richer content to draw from than the one who starts after the research process is finished and filed away.

\* Proposal We therefore propose to move forward with three groups of activities, all of them vital to the comprehensive study which is the core of this endeavor:

1. Archival

- (1) To continue and complete the visits to Board and banks, the search for records, the interviewing, the hunt for papers and the recording of discovered material which was started during the pilot phase.

- (2) to continue and complete the biographic, bibliographic and chronological master files which were started during the pilot phase.
- (3) to make available to qualified students that part of the Committee's research material which is pertinent to their inquiries.
- (4) to work out problems of handling related collections of papers and putting them in usable shape for students. This may include financial aid in certain instances. (For example, the Carter Glass papers are at the University of Virginia, as described in the report on the pilot phase. Their classification and study is essential, but funds would have to be provided).

## 2. Interview

To continue the interview process which has yielded such good results under the pilot project, and to enter on a series of further interviews with chosen individuals in the older group who have already shown themselves to have good memories and an interest in contributing all they can to this project. Such men as Roy Young and Walter Wyatt of the Board, George Harrison, J. Herbert Case and Leslie Rounds of the New York Bank, John Sinclair and Casimir Sienkeiwicz of Philadelphia, are of this type, and there are many more. Just as the Harvard Business Studies group finds a tape recorder valuable for catching the living word in key interviews, so we might profitably avail ourselves of this technique in selected instances.

### 3. Writing

The writing and editing falls into three parts -

- (1) The monographs - in a study as extensive and important as this the monograph plays a key part. In some instances it stands by itself, as a definitive study of one part a related whole. In others it acts as an introductory study and may later be incorporated into the whole. The pilot phase uncovered certain monograph ideas, some of them already started, others only in the planning stage. For example, Carl Parry, now retired from the Board staff, should be encouraged to complete his half-done monograph on Selective Credit Controls, A subject in which he has had active as well as theoretical interest. Gardner Patterson of the International Finance Section at Princeton University would like aid to write a study of Reserve International Financial Operations in the 1920s; Lester Chandler, also of Princeton, would like aid to write a long monograph or a short book on "Ben Strong, Central Banker"; two able men, Dr. Karl Bopp of the Philadelphia Federal Reserve Bank and Professor Edward Shaw of Stanford University are each interested in a study which might be called "The Art and Politics of Central Banking." No commitments have been made in regard to such work. These examples are, however, listed as showing the caliber of work which this Committee would like to encourage, and for which it would use funds.

(2) Major Works

Of these the definitive history is the core of the project and the one toward which we continue to point our endeavors. We believe that its writing will take a good three years on the part of a distinguished scholar who has already shown the skill and judgment which the creation of such a history demands. However, we do not believe ourselves justified in naming such a person at the present moment. The task of exploration and recording of materials will meantime be carried further and the field of possible scholars will continue to be canvassed.

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### Use of Materials

When the pilot project was started it was with the understanding that the Board was much interested in helping along an independent and impartial history project, did not wish to impose restrictions on the Committee's research, but would prefer that no explorations be made into events taking place after 1935. Because the research director was during the pilot project primarily eager to search out the papers and people of the older stages of the System this cut-off date created no difficulties. It will, however, pose problems as the work of history-writing takes shape. A forty-year life, whether of man or of institution, can hardly be adequately recorded if biographers and historians are allowed to examine only its first half. On the other hand in operations as pregnant with differences of opinion as those which take place in the monetary world, certain material is highly confidential, certain reticences must obviously be respected.

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As for the future commissioning of authors, and the problems which this may create, the Committee would in this follow the rules laid down by



Brookings Institution after long experience and found satisfactory.

VI Organization, Personnel and Budget

(a) Organization

The grant for the pilot project was made to the Brookings Institution; an informal working arrangement was established whereby the President of Brookings became a member of the Committee, work was done under Committee supervision, and Brookings acted as disbursing and bookkeeping agent. That institution also furnished office space in Washington for the Research Director, as did the Federal Reserve Board.

Because the Committee was composed of busy men, the supervisory function fell most frequently to its secretary, Donald Woodward, formerly on the Board's staff, now Chairman of the Finance Committee of Vick Chemical. The other members of the Committee have also shown steady and vigorous interest in the pilot project and have been generous with time and advice when called on for consultation.

The daily work was carried on by a small staff headed by Mildred Adams as Research Director, assisted by Katherine McKinstry (who shared her skill as research assistant and her time between the work of this Committee and that of Dr. John Williams, consultant to the Federal Reserve Bank of New York) and two young typists. All these assistants were assigned by the Bank from its own staff, their salaries paid by the Committee. The Bank also supplied working space and furniture.

This same plan of organization, with some modifications, is the one we would recommend for the comprehensive study. The association between an ad hoc committee and Brookings Institution is unusual, it has values for both groups and we recommend that it continue. Certain problems in that relationship will arise when the publishing stage is reached; it must for example, be decided whether Brookings is to exert the same critical function in regard to publications prepared under the terms of this Committee as is cus-

tomary in regard to those it sponsors directly. These problems do not, however, call for immediate solution and their resolving will not disturb the work of this Committee

The Committee's functioning, and its relation to the small staff, would continue along establish lines. Thus far the Committee has been kept informed of work accomplished through progress reports put out by the research director, through personal consultation; and by discussion in meetings. It is assumed that meetings will be held when needed but no oftener, that they will be called by the Secretary with the consent of the Chairman, and that the identification of interests between the Committee members and the work being done will make for continuing oversight on the part of members.

(b) Personnel

It is proposed that the major study be put in charge of a scholar of wide experience and attainments who will have general supervision over its various parts and who wishes himself to undertake some one of the writing assignments which the Committee contemplates. We take pleasure in suggesting for this post the name of Mr. W. Randolph Burgess, presently under-Secretary of the Treasury, with the Federal Reserve Bank of New York from 1920 to 1938 during which time he served six years as Deputy Governor and two as Vice President, author of two books on phases of the Federal Reserve which are classics. Mr. Burgess has shown himself deeply interested in the work of this Committee has been an active participant in discussion, and he has every intention of writing on Federal Reserve Subjects when his work at the Treasury is over.

Until Mr. Burgess is free the present arrangement by which matters requiring Committee supervision are customarily referred to Mr. Donald Woodward will continue. Mr. Woodward is worked on Reserve Board papers in earlier days, is in close touch with all the members of the Committee, and has an informed and enthusiastic interest in this project.

For research director we recommend that Mildred Adams who initiated and carried through the work of the pilot phase be continued in the work of the main study. She will need an assistant able to give full time and capable

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of accepting more responsibility for administrative detail than could be delegated to Miss McKinstry under the part-time arrangement prevailing during the pilot project. Her aim is to find a young, well-equipped and able research assistant with the proper academic training and some experience in administrative work of a related nature, who would after a year or so be capable to take entire charge of the project and carrying it forward, leaving Miss Adams then free to undertake the writing of one of its parts.

In addition we would need a secretary with research experience, (Miss McKinstry is so exceptional that we would like to keep her, even with the handicap of part-time service and a typist. It may be necessary to add secretarial help in Washington, and provision for this contingency will be made in the budget.

(c) Quarters

There is reason to believe that offices and equipment assigned for the pilot project by the Federal Reserve Board in Washington, the Brookings Institution and the Federal Reserve Bank in New York will continue to be available. Work can be expected to center mostly in the latter because staff is provided there and the research director will be resident in New York.

This provision of rent free quarters and equipment (the Federal Reserve Bank imposes a very nominal fee for furniture rental which is more than counter balanced by its many operating services) is a concrete instance of the interest which the System is taking in the entire project. Board and Banks are also making important contributions in the form of material and of research assistance which cut down the cost of the entire project. Their continued cooperation is of course a vital factor in the process.

(d) Budget

It is assumed that the general director of the study will work without salary, but that secretarial help should be provided for him as needed. The item of rent is also furnished without charge. This means that the costs which can be estimated go for staff salaries, travel expenses of the director and the research director, supplies (limited mostly to stationery and archival materials) and subventions to be used in three ways - to be paid for the study and evaluation of collections of papers, to assist the writers of monographs, to subsidize or assist in the writing of major

Based on experience in the pilot project, we have made estimates in two groups, one for the first two years when research expenses and travel costs will be relatively high, the other for the remaining three years when the heavy costs will take the form of subventions and other aids to writing and publishing which are the goals of this study. These budgets should be taken as estimates only, and we would ask that a high degree of flexibility be allowed the Committee in allocating the funds it hopes may be granted.

Budget Estimates June 1, 1954 to May 30, 1959

<u>YEARS I &amp; II</u>		<u>YEARS III, IV, V</u>	
Salaries		Salaries	
Research Director	\$10,000	Research Director	\$10,000
Administrative Secretary	7,500	- - - - -	
Research Secretary	6,000	Research Secretary	6,000
Secretary for Project Head	3,500	Secretary for Project Head	3,500
Typist	<u>3,000</u>	Typist	<u>3,000</u>
Salary Total . . . .	\$30,000	Salary Total . . . . .	\$23,500
Travel costs	3,000	Travel costs	2,500
Other expenses	1,500	Other expenses	1,000
Subventions	<u>15,000</u>	Subventions	<u>40,000</u>
Annual Total	\$ 49,500	Annual Total	\$ 67,000

YEARS I & II      Total for 2 years      \$ 99,000  
 YEARS III, IV, V,      Total for 3 years      211,000  
                                  Total for 5 years                      \$310,000

VII Request In view of these estimates the Committee respectfully requests that for the purpose described in this proposal the Rockefeller Foundation grant \$310,000 to be expended in the five years between June 1st, 1954 and May 30, 1959

The grant should go to the Brookings Institution with the understanding that its responsibilities and those of the Committee toward the project are mutual, and that an informal relationship between the two bodies comparable to that which proved so satisfactory during the pilot phase is to continue.

## Introduction

In January 1954 the Rockefeller Foundation made a grant for a pilot project leading toward a history of the Federal Reserve System. The immediate end was to find out what materials were available for such an undertaking, materials not only in the sense of papers, but also of the living memories of men active in the early days of the System.

That task has been carried on since January 15th. It has yielded extraordinarily good results (a report of its findings to April is appended), and there is every reason to believe that an even greater harvest of papers and memoirs lies waiting to be gathered. The Committee feels that this has proved to be in the best sense of the word a pilot project. In addition to exploring papers and memories, it uncovered that sense of personal struggle and accomplishment which is the living core of any institution. It enlisted interest and it ensured cooperation for the future. It points the way very surely to the next and much bigger task which lies ahead, and for which the Committee now asks the consideration of the Foundation.

### I The Task

In calling itself the Committee to Study the History of the Federal Reserve System, the group presenting this proposal define its primary purpose. But the discoveries, contacts and discussions made during the pilot project have deepened the content and widened the scope of that purpose. The Committee now knows that what needs to be done is much more than a single history - it is an appraisal of one of the most extraordinary inventions in this democracy, a review of experience in its functioning, an analysis in terms of the memories of men who helped develop it and who took part in its operation. The episodes around which conflicts swarmed, and out of which change came, the

process by which decisions were made, the importance of personalities, the interplay between public policy and private needs - these various angles of approach and many more which have been suggested from time to time by Committee members testify to the vitality of the subject and to the lessons which can be learned for other democratic institutions by a detail study of its experience.

## II Why Important?

The importance of the subject is, however, greater than a matter of the material dealt with or the proper dealing with it. It goes much farther than the task of history writing, vital as that is, and farther than what are commonly considered the somewhat narrow confines of the banking world.

(a) Of all the innovations in government mechanisms which Americans have brought about during the twentieth century the Federal Reserve System stands first, and not only because of the unprecedented functions which it is called on to perform. It operates with a high degree of autonomy linked with a fine sense of public purpose. To an extraordinary extent it has managed to preserve its freedom from both Congressional and executive pressures. In periods when it has been forced to yield the public protests against such yielding have been continuous until the pressures have softened and the surprising degree of public action been restored.

(b) Writing in 1946 about twentieth century monetary controls, Professor Robert Warren of Princeton University observed that in the nineteenth century there developed a new type of society, the money economy, which made new demands on those who administer Government control over the factor of money. "High and low, rich and poor, bond and free there had always been, but never before had there been an economy that expected the majority of its people to be totally independent upon the continuity of a stream of money

income". Along with other observers Professor Warren interpreted the primary task of the Federal Reserve System as one of seeing that this continuity of the stream is not interrupted by monetary failures. To do this it bridges the gap between public and private efforts to manage the economy. The goal toward which it has come to reach in these later stages is the stability of the economy for the public good; in that pursuit it has developed, tried and discarded one method after another, only to reach for a new one which promised better results. Analysis of these experiences form important chapters in both monetary and economic history.

(c) In the practise of the functions laid upon it, the System has enlisted and trained staffs whose skill and devotion to the System's work stands in notable contrast to that of certain other governmental institutions. Not only have they weathered forty years of political storms with a minimum of vulnerability; the System as a whole, by some curious magic, has withstood political attack from both parties. Starting life with a twenty-year Charter, it was promoted to a permanent Charter in 1933, a year in which the mere fact of its survival sometimes seemed tinged with the miraculous. Tensions which in theory should have spilt it apart seem somehow to have been important factors in holding it together.

(d) An analysis of the changing experience in design and in operation of this unique governmental mechanism would have great value. It is important for the future performance of the System and of the American economy. There is reason to believe that such analysis may hold lessons of great value which can be applied to problems of government far removed from the process of monetary management.

III                   The questions which this study would illumine fall into two categories. There are in the first place what might be called the technical



issues, some theoretical and some matters of operating policy, which have absorbed the System's attention at one time or another in its life. These appear in annual reports, they are high-lighted in government hearings, but in both instances the questions which an informed and impartial student might ask are diverted by the exigencies of the moment. Enough time has elapsed, for instance since control of the discount rate was first used by the System as a tool of monetary policy so that its importance under varying conditions can be weighed and studied. The same thing is true of changes in reserve requirements, and of the tool of open market operations. Yet a vast amount of controversy still surrounds them, some of which should be resolved by competent studies.

Beyond the technical points at issue (of which these are merely instances that come first to hand) lie broader issues both within and without the banking system. For example, how did it come about that so unique a mechanism of monetary control was established? By what methods and devices has it endured and thrived? How are the skill, competence and individual freedom of its staff, unusually high in government bodies, maintained and encouraged? How has the relationship between staff and Board members been worked out? How can the System's role in the world of government and in the economic world be best defined and understood? What are the lessons of this role for other governmental divisions? How are Board decisions, with their high degree of importance in American life, arrived at? How does the System influence the operations of monetary mechanisms at moments of crisis? What lessons are there in the relations which prevail between Board, Reserve Banks and Member Banks, and how are those relationships evolving?

#### IV Scope and Method of Inquiry

The study which we propose would cover the entire Federal Reserve System, including the Board and the twelve regional banks, from their inception

until the most recent date for which adequate material could be made available. Much has been written on the events, crises and personalities which led up to the founding of the System, but, even this needs re-studying in the light of newly discovered material.

We would therefore set out to make a complete search for the material and the people concerned in Federal Reserve legislation, theory and operation, going back at least to 1907 when the Aldrich Commission functioned. From 1913 forward we would undertake to discover the cast of influential characters in the System's growth, change and operation, including governmental figures in Congress and the executive branch; Members of the Board and influential men on the Board staff; Governors, Presidents and senior officers of Reserve Banks; Members of the Federal Advisory Council, the Open Market Committee and allied bodies; men in academic life (as for example, Oliver W. M. Sprague and John Williams) who have been in close and influential contact with the System during its years of growth.

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When the pilot project was started it was with the understanding that the Board was much interested in helping along an independent and impartial history project, did not wish to impose restrictions on the Committee's research, but would prefer that no explorations be made into events taking place after 1935. Because the research director was during the pilot project primarily eager to search out the papers and people of the older stages of the System this cut-off date created no difficulties. It will, however, pose problems as the work of history-writing takes shape. A forty-year life, whether of man or of institution, can hardly be adequately recorded if biographers and historians are allowed to examine only its first half. On the other hand in operations as pregnant with differences of opinion as those which take place in the monetary world, certain material is highly confidential, certain reticences must obviously be respected.

Two ways of handling the problem have been proposed, one that the question of a cut-off date be taken back to the Board in the hope of another ruling when and if the question becomes acute, the other that perhaps it is unfair to ask men now active in the Reserve System to stay on the Committee and thus lend their tacit approval to explorations which in their official roles they might feel unable to encourage. The Committee would hate to lose them as members, but neither does any one want them to be subjected to unnecessary dilemmas. A third solution might be to postpone action on the problem in view of the fact that the work thus far proposed is mostly concerned with matters prior to 1935 and that therefore the difficulties are all in the future. When they arise they can be dealt with individually.

As for the future commissioning of authors, and the problems which this may create, the Committee would in this follow the rules laid down by



Brookings Institution after long experience and found satisfactory.

VI Organization, Personnel and Budget

(a) Organization

The grant for the pilot project was made to the Brookings Institution; an informal working arrangement was established whereby the President of Brookings became a member of the Committee, work was done under Committee supervision, and Brookings acted as disbursing and bookkeeping agent. That institution also furnished office space in Washington for the Research Director, as did the Federal Reserve Board.

Because the Committee was composed of busy men, the supervisory function fell most frequently to its secretary, Donald Woodward, formerly on the Board's staff, now Chairman of the Finance Committee of Vick Chemical. The other members of the Committee have also shown steady and vigorous interest in the pilot project and have been generous with time and advice when called on for consultation.

The daily work was carried on by a small staff headed by Mildred Adams as Research Director, assisted by Katherine McKinstry (who shared her skill as research assistant and her time between the work of this Committee and that of Dr. John Williams, consultant to the Federal Reserve Bank of New York) and two young typists. All these assistants were assigned by the Bank from its own staff, their salaries paid by the Committee. The Bank also supplied working space and furniture.

This same plan of organization, with some modifications, is the one we would recommend for the comprehensive study. The association between an ad hoc committee and Brookings Institution is unusual, it has values for both groups and we recommend that it continue. Certain problems in that relationship will arise when the publishing stage is reached; it must for example, be decided whether Brookings is to exert the same critical function in regard to publications prepared under the terms of this Committee as is cus-

tomary in regard to those it sponsors directly. These problems do not, however, call for immediate solution and their resolving will not disturb the work of this Committee

The Committee's functioning, and its relation to the small staff, would continue along established lines. Thus far the Committee has been kept informed of work accomplished through progress reports put out by the research director, through personal consultation; and by discussion in meetings. It is assumed that meetings will be held when needed but no oftener, that they will be called by the Secretary with the consent of the Chairman, and that the identification of interests between the Committee members and the work being done will make for continuing oversight on the part of members.

(b) Personnel

It is proposed that the major study be put in charge of a scholar of wide experience and attainments who will have general supervision over its various parts and who wishes himself to undertake some one of the writing assignments which the Committee contemplates. We take pleasure in suggesting for this post the name of Mr. W. Randolph Burgess, presently under-Secretary of the Treasury, with the Federal Reserve Bank of New York from 1920 to 1938 during which time he served six years as Deputy Governor and two as Vice President, author of two books on phases of the Federal Reserve which are classics. Mr. Burgess has shown himself deeply interested in the work of this Committee has been an active participant in discussion, and he has every intention of writing on Federal Reserve Subjects when his work at the Treasury is over.

Until Mr. Burgess is free the present arrangement by which matters requiring Committee supervision are customarily referred to Mr. Donald Woodward will continue. Mr. Woodward is worked on Reserve Board papers in earlier days, is in close touch with all the members of the Committee, and has an informed and enthusiastic interest in this project.

For research director we recommend that Mildred Adams who initiated and carried through the work of the pilot phase be continued in the work of the main study. She will need an assistant able to give full time and capable

of accepting more responsibility for administrative detail than could be delegated to Miss McKinstry under the part-time arrangement prevailing during the pilot project. Her aim is to find a young, well-equipped and able research assistant with the proper academic training and some experience in administrative work of a related nature, who would after a year or so be capable to take entire charge of the project and carrying it forward, leaving Miss Adams then free to undertake the writing of one of its parts.

In addition we would need a secretary with research experience, (Miss McKinstry is so exceptional that we would like to keep her, even with the handicap of part-time service and a typist. It may be necessary to add secretarial help in Washington, and provision for this contingency will be made in the budget.

(c) Quarters

There is reason to believe that offices and equipment assigned for the pilot project by the Federal Reserve Board in Washington, the Brookings Institution and the Federal Reserve Bank in New York will continue to be available. Work can be expected to center mostly in the latter because staff is provided there and the research director will be resident in New York.

This provision of rent free quarters and equipment (the Federal Reserve Bank imposes a very nominal fee for furniture rental which is more than counter balanced by its many operating services) is a concrete instance of the interest which the System is taking in the entire project. Board and Banks are also making important contributions in the form of material and of research assistance which cut down the cost of the entire project. Their continued cooperation is of course a vital factor in the process.

(d) Budget

It is assumed that the general director of the study will work without salary, but that secretarial help should be provided for him as needed. The item of rent is also furnished without charge. This means that the costs which can be estimated go for staff salaries, travel expenses of the director and the research director, supplies (limited mostly to stationery and archival materials) and subventions to be used in three ways - to be paid for the study and evaluation of collections of papers, to assist the writers of monographs, to subsidize or assist in the writing of major

Based on experience in the pilot project, we have made estimates in two groups, one for the first two years when research expenses and travel costs will be relatively high, the other for the remaining three years when the heavy costs will take the form of subventions and other aids to writing and publishing which are the goals of this study. These budgets should be taken as estimates only, and we would ask that a high degree of flexibility be allowed the Committee in allocating the funds it hopes may be granted.

Budget Estimates June 1, 1954 to May 30, 1959

<u>YEARS I &amp; II</u>		<u>YEARS III, IV, V</u>	
Salaries		Salaries	
Research Director	\$10,000	Research Director	\$10,000
Administrative Secretary	7,500	- - - - -	
Research Secretary	6,000	Research Secretary	6,000
Secretary for Project Head	3,500	Secretary for Project Head	3,500
Typist	<u>3,000</u>	Typist	<u>3,000</u>
Salary Total . . . .	\$30,000	Salary Total . . . . .	\$33,500
Travel costs	3,000	Travel costs	2,500
Other expenses	1,500	Other expenses	1,000
Subventions	<u>15,000</u>	Subventions	<u>40,000</u>
Annual Total	\$ 49,500	Annual Total	\$ 67,000

YEARS I & II      Total for 2 years      \$ 99,000

YEARS III, IV, V,      Total for 3 years      211,000

                                 Total for 5 years      \$310,000

VII Request In view of these estimates the Committee respectfully requests that for the purpose described in this proposal the Rockefeller Foundation grant \$310,000 to be expended in the five years between June 1st, 1954 and May 30, 1959

The grant should go to the Brookings Institution with the understanding that its responsibilities and those of the Committee toward the project are mutual, and that an informal relationship between the two bodies comparable to that which proved so satisfactory during the pilot phase is to continue.

Memo from MILDRED ADAMS

To Doris's suggestions 4/13/54

How did System get established?

How has it endured + thrived?

Development of tools + techniques  
of operation

How is <sup>unusually high</sup> quality + competence  
of staff assessed + maintained?

Role <sup>of system</sup> in governmental + economic  
world -

Process of decision - making -

~~Foreign~~ Operations of  
monetary system at moments of  
crisis -

Relations between Board, Reserve

Memo from MILDRED ADAMS

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To

Evolution of relationships -

Do controversy by inadequate bank.

Perhaps better understanding of the  
role of the monetary system in  
the economy will emerge -

---

Mention other problems - out-of-  
date + relations -

Form -

Why it has to be reviewed - of an competition.

✓ I The Task

More than a history - a review & analysis of experience to include mistakes made & still alive

✓ II Why important?

- a - Most important ingredients in good freedom, high degree of autonomy only linked with public purpose
- b - Related to combination of public & private effort to manage economy for stability (quote Warren)
- c - Analysis of the experience in design & operation of this unique mechanism in govt & learn for benefit of all govt - learn for future performance

III Search for + ~~type~~ identification & appraisal of materials



IV (should be 3?)

The type of issue which this study would illuminate - almost endless possibility on monetary policy or <sup>Reserve or</sup> Govt. personnel -  
Spell out what want to get out of this material

✓  
V Method + size of scope and inquiry

- 1 - complete search for material + people
- 2 - (p. 109) early draft.

✓  
VI <sup>Question</sup> More about how going at it & what hope to find

VII Organization, personnel & budget -

(a) set up under Brodwin & Com.

(b) functions of committee

(c) personnel -

general change under committee

(d) budget -

tentative budget with some fig.

set up & be a breakdown -

(e) time - when begin

XII Series or sets of series of publications —  
VIII end —

1. What to accomplish
2. Be run through for
3. Person in charge

If possible to know person with entire content  
by Com., ask for whole thing.

If not possible, then "know what our aim is,  
we don't ask for whole. We set this out  
for you so you can see where headed —"

Evidential thing, is through for + set to go,  
headed by Admin. & Board —

If Burgess would be "in charge" when leaves Treasury  
joints should be more clearly set out —  
While he continues on to continue —

Play up part Don has played + will play -  
Collins will sign -

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Cut-off date - Don

May be question of some device re recent material -

Relation between committee & Brooking still to  
be spelled out -

(Relation between Brooking + author as usual)

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Determination of agreement on principle between  
Com. & Bob on person -

\* Chandler?

Burgess "by a named time" -

joins & arguments before then -

Master copy 4/12/54

Submitted but  
incorporated in whole (except for corrections  
and insertions) to Committee meeting

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Federal Reserve Bank of St. Louis

Washington Apr. 7, 1954

## REPORT ON PILOT PROJECT

When the Committee to Study the History of the Federal Reserve System first proposed to the Rockefeller Foundation a pilot project, its objective was preparatory work leading to a comprehensive study of the System. "Papers which form the source material should be located, classified and roughly analyzed" said the proposal. "Important characters in the drama should be sorted out, their co-operation asked and their interest enlisted. The dimensions and proportions of this comprehensive study should be sketched and its possibilities bulked out. The exploratory study would at least hope to answer the basic questions, 'what?' 'where?' and 'whom?'"

Toward the end thus described, the Foundation generously granted \$10,000 to the Brookings Institution and work started January 15, to end May 1. Four weeks of that period remain, but enough has been done so that we can report on the result of the mapping and survey of papers and people.

~~This has been in the best sense of the word a pilot project.~~ The exploratory process, superficial though it <sup>has</sup> had to be, and incomplete, has yielded a gratifying <sup>har</sup>vest. More collections of papers have been located and surveyed than we thought possible.

The characters in the drama are more ~~numerous~~ and possessed of better memories than we dared to hope. Even from the earliest years a few hardy operating men survive in each bank. To some of these men, work in the Federal Reserve System has been a lifetime occupation. Their memories will, of course, be checked with the records, but the sense of struggle and accomplishment which talks with them convey <sup>sh</sup>would be a valuable factor in any history of any institution. Their interest has been enlisted and their co-operation is generous. ~~#~~ As a method of recording people, papers and events pertinent to this inquiry we have started four types of card files, one a Who's Who file

of persons; one a time file which co-ordinates persons, pertinent events, legislation; one a bibliographic file of published and unpublished material; one a subject file. These master files are arranged so that they could be photostated for the benefit of students working on a later phase of the project. They are by no means completed<sup>te</sup>, but their pattern is set.

Papers.

When we set forth the terms of the pilot project we said that "the papers which would be needed as source material in writing an adequate history are scattered among Government, banking and private files. It is not even known what exists, nor where some of what exists could be found." To remedy this situation has been a first endeavor. We have not yet located everything we set out to find, but we can now answer the question "Where?" in some detail. More remains to be done, but at least we have made a fruitful start.

Thanks to the co-operation of librarians at the Library of Congress, in the Board and in the <sup>Reserve</sup> banks, we have made progress in the search for pertinent bibliographies of basic material which is printed, and in the more difficult hunt for related material which is not printed. We know, for example, that material covering the Liberty Loans of World War I was sent from the Treasury to the National Archives, and that the records of the Capital Issues Committee are deposited in the same place. We have a listing of the indispensable material which must underlie any study of the Board's work--the legislation, the hearings, the minutes, the policy decisions, the reports and so on--and we have a similar list for the New York Bank.

Of the other District Banks, the research director has visited Boston and Philadelphia, and hopes to get to several of the other nine before this pilot phase is finished. Meanwhile, we have been in correspondence with all of them, and are receiving information as to their own stores of local historical material. We have in preparation a master list of basic material which we hope to send for

their checking. If this device works, it will furnish the data for a bibliography of basic historical material for the entire System which will be of primary use in the studies in prospect.

As for the papers of individuals concerned with the System's history, we have located enough collections so that we are now facing problems of handling, indexing and permanent deposit. This search is by no means complete, but it has already uncovered riches which will be of great use to scholars if they can be made available and usable. The size of the collections makes it necessary to postpone classification to a later date, but we have found an organization which might handle such papers, and at our suggestion they propose to start a sample study to determine time and costs of the necessary process. Problems of a place of deposit, and of permission to use, still remain but the fact that these have arisen and must be left for a second phase is, in an oblique way, an earnest of the accomplishments of this operation.

The following list of papers uncovered during this pilot phase includes those of Board members, high officials of the executive branch, Members of Congress, Governors of Reserve Banks, men in academic life whose writings have been influential in the development of the System:

The papers of Woodrow Wilson, in whose administration the Federal Reserve System was first organized, are in the Library of Congress. Permission to consult them has been granted to this Committee.

The papers of William G. McAdoo, first Secretary of the Treasury to sit on the Board, are in the Library of Congress. Permission to consult them has been granted to this Committee.

The papers of Senator Carter Glass are in the University of Virginia in 216 boxes (perhaps 10 x 15 x 3 inches in size). They have been rough-sorted as to date; letters from outstanding personalities were isolated by an early biographer. A quick sampling shows that classifying and indexing will be need-

the late

The papers of Professor James L. Laughlin of the University of Chicago, who was a widely recognized teacher of banking during the formative years of the Reserve System, are contained in 15 boxes of material, covering the period 1910-32, are now on deposit with the Library of Congress.

are bound volumes of manuscript diaries covering the twenty-one years during which Mr. Hamlin was a member of the Board, and almost as many are bound volumes of newspaper clippings covering the years 1871 to 1938. Both sets of volumes have been amply indexed and cross-indexed by Mr. Hamlin. The whole collection constitutes a mine of information and comment which has neither been studied nor evaluated. (See main project proposals.)

The papers of H. Parker Willis, member of the Organization Committee and the Board's first Secretary, are in the home of his widow on Staten Island. They were willed to his son, Parker Willis, now in the Federal Reserve Bank of Boston. How much of value remains in them which was not used by Mr. Willis in his own books is a question which can only be answered by sorting and classifying. (See main project proposals.)

The papers of Paul M. Warburg were mostly destroyed after 1930 when he wrote his own two volumes on the Federal Reserve System. The residue includes a skeleton diary covering the years 1907 to 1914 inclusive and dealing mostly with events leading up to his taking of the oath of office as a first Board member; there is also a diary dated 1915 and covering "daily happenings bearing on the work and policy of the Board" from October 4 to 24, 1915. There are in all five volumes of miscellaneous material dating 1912 to 1918, some of it highly interesting. This material is in the hands of Mr. James Warburg at North Greenwich, Connecticut, and permission for its use must be sought from him. The collection is not so extensive as to need further work for its use.

The papers of James Warburg, covering a later period, are in the same building. These include a six-volume diary covering the months of 1933-34 which

A collection of the private papers of Mr. A. Barton Hepburn, a prominent New York banker who served as Comptroller of the Currency (1892-93) and later (1918) as a member of the Federal Advisory Council of the Federal Reserve Board is on deposit with the School of Business Library, Columbia University.

Committee for sorting and evaluating.

*has been made*

The papers of Benjamin Strong, first Governor of the Federal Reserve Bank of New York and in that post until his death in 1928, are divided among the Bank, the Firestone Library at Princeton University, and a New York storage warehouse. The Bank's collection occupies six file drawers and consists of addresses, memos and correspondence with leading personalities in the United States and Europe. In addition that portion of the filing system which was set up during his lifetime is permeated with Strong material incorporated in the subject files. Permission for study of this material must, of course, be sought from the Bank.

The Princeton material which forms the nucleus of what is there called the Strong Collection includes 196 volumes of newspaper clippings of World War I from July 27, 1914 to March 20, 1920, well-mounted and preserved. War posters, war currency, and a folder of correspondence between Strong and Kemmerer are also there. The material in the Lincoln Warehouse, under the control of Mr. Benjamin Strong, is believed to consist mostly of personal papers and correspondence; it should be made available to a qualified biographer.



The papers of George Harrison, second Governor of the Federal Reserve Bank of New York, are also incorporated in the files of the New York Bank. In addition, there are seven file drawers of reports, memoranda and correspondence which Mr. Harrison took with him when he left the Bank to become President of the New York Life Insurance Company. These, like the Strong Collection, have the great merit of presenting material culled from the mass of daily work; they are therefore easily handled as well as very valuable to the student. This Committee has permission to consult them.

The papers of Charles Dawes, of the Dawes Plan, are in the Deering Library at Northwestern University. They include diaries, journals, scrapbooks and memoranda, rough-sorted and put in chronological order; these include material relating to the currency question from 1900 to 1902, and to the Aldrich-Vreeland Act of 1908, as well as later material on the German debt question.

In addition to the papers of Woodrow Wilson, the Library of Congress also has the papers of Calvin Coolidge, Charles Evans Hughes, Newton D. Baker who was Wilson's biographer, Senator George Norris, all of whom dealt in their various ways with Federal Reserve matters. Permission to consult these has been granted this Committee. *Ray Stannard*

The papers of Dr. Edwin Kemmerer are mostly in the Firestone Library at Princeton University. Some memoranda are believed to be in the hands of Mrs. Kemmerer.

The papers of Ogden Mills, Secretary of the Treasury and Chairman of the Federal Reserve Board in 1933, are in twenty-five boxes in a garage on Long Island. A small attempt at sorting was made by Mrs. Mills, who got through some five boxes and then decided the job called for expert advice; otherwise they are intact, and just as they came from the Treasury. Word has just come that after having consulted with this Committee as to the disposition of the papers Mrs. Mills has decided to turn the boxes over to the Library of Congress. These papers must be sorted, classified and indexed before they are useful for students.

The papers of Eugene Meyer are still in Mr. Meyer's hands. A biographer, Sidney Hyman, is at work on them.

The papers of Norman H. Davis were given to the Council on Foreign Relations, which recently sent them to the Library of Congress as a final place of deposit. They include some five file drawers and a huge box of unsorted material. The Library of Congress has promised to have it ready for students in two years.

The papers of Dwight Morrow, who played an important part in the international negotiations of the 1920's, are being prepared for deposit in the library of Amherst College, where they are expected to be available for use after June, 1954.

A small collection of the papers of Leon Fraser has been handed to this Committee, but little of value has been found in them.

The papers of Oliver W. M. Sprague, at various times consultant to the Treasury and to the Board, are in the hands of his son in the Sprague

The papers of Henry Morganthau including the famous stenographic records of conversations, are said to be in the Roosevelt Library at Hyde Park.

residence. Stimulated by inquiries from this Committee, Mr. Sprague is now sorting and classifying the material his father left.

The papers of Walter Lichtenstein, for two decades (1926-1948) secretary of the Federal Advisory Council, Federal Reserve System, have been given to Harvard University, where they are divided between the Baker and the Widener Libraries.

The papers of Emanuel Goldenweiser, research officer of the Board from 1922 to 1945 and author of various studies, are at present in a storage warehouse in Princeton, New Jersey. Conversations with Mrs. Goldenweiser indicate that they may be made available for study this summer. (See main project proposals.)

Obviously this list of 26 pertinent collections which we have located is by no means exhaustive. It does, however, show what riches can be uncovered by persistent search. All this, and much more, must be studied by anyone now aiming to review the System's work and its place in the American economy.

Meanwhile, men still active in the System are known to have been accumulating papers which, if they can be preserved, will add greatly to the desirable material. The student of Federal Reserve banking may with reason long for the time when the speeches, correspondence and memoranda of modern leaders in Federal Reserve theory and practice are made available. It is to be hoped that this Committee may be active in persuading these men to leave their papers to a responsible depository where future students may consult them.

### Persons

The other chief object of inquiry in the pilot project was persons; "The men who have acted as architects and builders of the present Federal Reserve System are already beginning to disappear", we said in our first presentation. "Those living, whose memories form a most valuable supplement to any papers which they may have, should be approached and asked to contribute personal knowledge and access to papers before it is too late."

The process of interviewing has been throughout this pilot study one of the major occupations of the research director. Starting from a list

on which Committee members indicated their own first choices, the interview process has widened to include some sixty-odd persons, most of them officers or staff members of the Board or banks. <sup>long</sup> The list includes no pros - - A

In general these interviews served a purpose somewhat different from that which was contemplated when they were started. In the first place, they struck sparks of interest and good will which are very valuable for the success of this project. Benefits continue to flow from them, and further opportunities to interview the same individuals at later dates have been promised.

These meetings were of great help in establishing the human atmosphere of whatever period was under discussion. In some instances they also brought forth valuable memories of key moments, and information which was unique in itself. But it quickly became clear that in order to evoke the most vital detail in any disputed area it would be necessary to ask the carefully pointed question. This can be done well only in later interviews, with full confidence established and much more study accomplished than has been possible in three months' time.

The interview technique has proved full of surprises. Far from being less valuable than was anticipated it has been more so, but the values have been of a different order. The most important of the memories, which is to say those that lie at the deeper layers, are still to be gathered. But certain inquiries have been set in motion which will yield results after this report has been written. The continuing interest which has been secured will accrue to the benefit of the main phase of the proposal.

~~2~~ - The comment of a former Reserve <sup>Board</sup> Governor was "you're asking me to open doors long ago shut. They open hard". Any historian going under the auspices of this Committee to discuss a vital point with such a man will find his way much easier because the preliminary door-opening has been done.

Card Files

As visible evidence of work done during this pilot project and as preparation for the larger project, we undertook to build "a biographic index of personalities", a "bibliography of basic materials" and a "map of some papers".

on which Committee members indicated their own first choice, the interview  
p  
process has widened to include some sixty-odd persons, most of them officers  
or staff members of the Board or banks. The long list includes:

Daniel W. Bell	Carl E. Parry
Dr. Karl Bopp	Leslie Rounds
J. Herbert Case	John Sinclair
Jay E. Crane	Walter W. Stewart
Robert W. Fleming	Benjamin Strong, Jr.
George M. Harrison	Woodlief Thomas
E. A. Kinkaid	John H. Williams
R. C. Leffingwell	Walter Wyatt
Walter S. Logan	Roy Young
Eugene Meyer	

and many others.

In general these interviews served a purpose somewhat different

We now have in hand the early stages of what will be master card files, prepared in such fashion that they could be photostated and made available to students working on various phases of the main project. These include:

A bibliographic file of unpublished material, put together in a form suggested by the Manuscript Division of the Library of Congress, where collections are described roughly on cards, and more exactly on larger "registers" of the material in the collection.

A bibliography of printed materials basic to any study of the Federal Reserve System.

A bibliography of the works of the earlier Board members, Senior Bank Officers and Directors.

A biographic file of persons active in the System, with data as to their careers both in and out of the Federal Reserve.

A chronological file keying together persons, legislation, hearings, policy changes and events affecting the operation of the System.

A list of scholars whose records indicate the type of interest in the subject which suggests that they might be enlisted in the main project.

Operation - This work has been done under the Committee's research director, Mildred Adams, in three offices - one assigned in Washington by the Federal Reserve Board, one provided by the Federal Reserve Bank of New York with a staff of three assigned to this work by the Bank from among its own personnel (their salary costs, of course, paid by the Committee), one in the Brookings Institution. The latter organization has been kind with expert advice, as well as with the technical assistance needed for administering the Fund.

The cooperation of the Board has from the start been prompt and generous. All doors have been open, including library and files, and the research staff has made a large and valuable contribution to the bibliography. Cooperation with the Banks was established when the Chairman of this Committee, President Allan Sproul of the Federal Reserve Bank of New York, sent to the Presidents of the other eleven Banks a personal letter explaining the Committee project and inviting their interest. Since then, material bearing on the local histories

requests. Meanwhile while the New York Bank, like the Board, had opened all doors and created for the Committee's staff an atmosphere of co-operation which has both facilitated the work process and constituted an important financial contribution to the project. It is already apparent that regional <sup>divergences</sup> discussions and developments form a rich and ~~substantive~~ neglected field for research in any comprehensive study of the System.

Conclusions

All this work has been pointed toward the larger design which constitutes the reason for the pilot project and the grant making it possible. The size and importance of that larger design has loomed larger and more complex with every day's work.

We said in January that any attempt to draw the limits of the comprehensive design would have to be revised six months from then. At this writing half that time has gone; the design still changes every time a new corner is rounded and a new set of ideas uncovered. There are as many ways to formulate the <sup>major project</sup> comprehensive design as there are people equipped to think about it. This Committee has developed within itself a lively and stimulating set of opinions on the subject, all different and all valuable.

Under these circumstances the ~~main project~~ proposal as herein submitted represents a consensus of the ideas of six men learned in the theory of central banking and experienced in the practices of the System. The members of this Committee see the System from many different angles. The proposal as submitted represents those aspects of the grand design on which the Committee is agreed.