

May 24, 1956

Dear Mr. Sproul:

Here is a draft agenda for the meeting of this Committee on May 28th. Dr. Calkins, whom I am seeing tomorrow, may have additions, but so far as I know, this is the main body of topics for discussion.

If you could look it over and make what changes you think suitable, I will incorporate them with whatever last minute ideas Dr. Calkins may have.

Faithfully yours,

Mildred Adams

Mr. Allan Sproul
33 Liberty Street
New York 45, N. Y.

Enc.

May 16, 1956

Dear Mr. Sproul:

Dr. Calkins phoned this morning before starting on a Western trip to ask that I send you information about a new prospect for this project, Dr. Redvers Opie, who was a senior member of the Brookings staff from 1947 to 1953, and is now on a U. S. Government Mission to Turkey, having to do with private foreign investment.

Dr. Opie is 56 years old, was born in England, educated at the University of Durham and at Oxford, took his Ph.D. at Harvard; married Taussig's daughter Catharine in 1929 (and has since been divorced), became an American citizen in 1948.

His career data is as follows:

Lecturer in economics, Univ. of Durham, 1919-23.
Lecturer in economics, Wellesley College (U.S.A.), 1923-24, Harvard Univ., 1924-30.
Fellow of Magdalen College, Oxford, 1931-45, Home Bursar, 1935-40 (on leave of absence for National Service from Sept. 1939).
University lecturer in economic science, 1936-39 (lectured on the Federal Reserve System).
Counsellor and economic adviser to British Embassy, Washington, D. C. (resigned 1946).
Adviser, U.K. Delegation, International Food Conference, 1943.
U.K. Delegate, International Monetary and Financial Conference, 1944 (Bretton Woods).
Member, U. S. Govt. Mission, on Private Foreign Investment, to Turkey, 1953.
Senior staff member, Brookings Institution, Washington D. C., 1947-53.
Director: Business International (New York), since 1954; City Centre Properties Ltd. (London) since 1954.
President, American Ligurian Company Inc., New York, 1947-54.

The British Who's Who lists his publications as follows:

"Major Problems of U. S. Foreign Policy." (Joint), annually, 1947-52.
"Anglo American Economic Relations." 1950.
"Current Issue in Foreign Economic Assistance." 1951.
"The Search for Peace Settlements." 1951.
"American Foreign Assistance." 1953.

Opie's name has been mentioned before by Dr. Stewart, who spoke well of him. Dr. Calkins says he is able, writes well, and is completely familiar with the subject. Also he is interested. He has been in Washington recently where Dr. Calkins talked with him. He must go back to Turkey for the summer, but could start work on this project in October.

I checked on Dr. Opie with British friends who describe him as lively, attractive and intelligent, likely perhaps to scatter his efforts among many interests rather than plugging steadily in one job, but sure to finish what he undertakes. His academic record was excellent, and some of his friends would like to have seen him stay in the academic world, where he seemed headed for real distinction, but the war and the chance of government service took him out of that. His reputation at Brookings was such that Dr. Calkins is recommending him to your interest. He will want to bring Dr. Opie's name up at the meeting on the 28th.

Faithfully yours,

Mildred Adams

Mr. Allan Sproul
33 Liberty Street
New York 45, N. Y.

c.c. - Dr. Walter Stewart
Mr. Donald Woodward

COMMITTEE ON THE HISTORY OF THE FEDERAL RESERVE SYSTEM

33 LIBERTY STREET, NEW YORK 45, NEW YORK

TELEPHONE: RECTOR 2-5700, EXTENSION 286

ALLAN SPROUL, *Chairman*

W. RANDOLPH BURGESS

ROBERT D. CALKINS

F. CYRIL JAMES

WILLIAM McC. MARTIN, JR.

WALTER W. STEWART

JOSEPH H. WILLITS

DONALD B. WOODWARD, *Secretary*

MILDRED ADAMS, *Executive Director*

With cooperation of

THE BROOKINGS INSTITUTION

722 JACKSON PLACE, N. W.

WASHINGTON 6, D. C.

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MAY 15 1956

COMMITTEE ON THE HISTORY
OF THE
FEDERAL RESERVE SYSTEM

May 15, 1956.

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

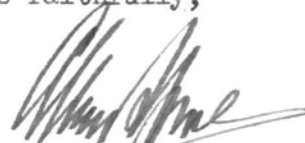
Dear Miss Adams:

Answering your three letters of May 14 in one:

1. I suspect that my suggestion about separating the files from the archives of the Federal Reserve Bank of New York was imperfectly conceived and is, as you say, an impractical dream.
2. I agree that the Snyder papers which have come into your possession should be placed with the Strong papers, and I wish you would take this up with Miss Dillistin.
3. I am planning to take some of my papers with me, hoping to make some use of them and ultimately to place them where they may be useful to others.

Thank you for following up on these matters which tend to be forgotten.

Yours faithfully,



Allan Sproul,
Chairman.

May 14, 1956

Dear Mr. Sproul:

In the third of these letters I am writing you on files, may I venture to express the earnest hope that you are following tradition and taking a sizeable collection of your own papers with you when you leave the Bank. Having done scattered reading in both the Strong and the Harrison papers, and knowing something of the problems presented by the enormous pool of general Bank files, I am convinced that the only practical way for a student to gain any adequate sense of the scope and direction of a President's work is by reading through the President's own papers.

You will, I hope, make use of these papers in your own writings. You may want to edit some of them for publication, or to have them edited. Their final disposition is a matter you may not now be ready to decide. But the important thing now is that you decide to take out with you the black books and the papers which you and generations of students after you will be wanting to consult.

You will, I know, understand why I am saying all this. You have probably made the necessary decisions months ago. But I could not, in fairness to the project in which we have worked so hard, forego making this plea. Having hunted pertinent papers across the length and breadth of the country, I feel myself under a real obligation to remind you of these most important papers on this most vital doorstep.

Faithfully yours,

Mildred Adams

Mr. Allan Sproul
33 Liberty Street
New York 45, N. Y.

May 14, 1956

Dear Mr. Sproul:

This is the second of these letters which touch on files. It concerns papers left by the late Mr. Carl Snyder.

Before Christmas, 1955, Miss Marguerite Burnett gave me, for the use of the Committee, a carton of papers which was turned over to her personally by Mr. Snyder's secretary after Mr. Snyder's death. They had been stored in the Library, but Miss Bogardus had no use for them. At one time there was talk of coordinating them with the Bank files, but as most of them were carbons, of which the originals were presumably in place, Miss Dillistin decided against this.

We made the papers available to Dr. Chandler, who took his own notes from them. I have skimmed through them, and found them very interesting for any study of the early process of policy formation in this Bank. Most of them are carbon copies of memoranda written by Mr. Snyder for Mr. Strong, or exchanged between the two men.

The question now is what to do with them. The place they would seem to belong is the file cabinet of Benjamin Strong papers. Here they would form an integral part of the Strong record, along with other correspondence with other people of the time. This disposition of them would call for no great effort, and would be a distinct addition to the already rich Strong collection.

If this suggestion meets with your approval, I will take the matter up with Miss Dillistin. Otherwise, I would put the papers into manuscript boxes and send them to Brookings with other Committee materials.

Faithfully yours,

Mildred Adams

Mr. Allan Sproul
33 Liberty Street
New York 45, N. Y.

May 14, 1956

Dear Mr. Sproul:

Three matters which have to do with files should be reported to you before June 1st. The first concerns a request you made when the project was first started, the second concerns some files belonging to Carl Snyder, the third has to do with your own files. For your convenience I am writing separate letters about these.

First, when I came to work on this project you said you hoped that among our achievements would be a suggested method by which the files of the Federal Reserve Bank of New York could be separated from the archives. I have not forgotten that hope, but neither have I arrived at a suggestion that seems to me particularly helpful. There is, as I think I reported when I found it, an archives room in the Bank which contains certain basic reports, bound, and a collection of copied letters which were prepared and boxed in 1926 under the aegis of a Committee of officers on which Mr. Burgess served. I have seen the memo from Mr. Strong which inspired it. The selecting was done by Miss Mary Parker, then librarian, as a preliminary to winnowing by the officers' committee, but apparently they never got around to the second step.

Aside from that effort, the protective instincts and traditions of the file division are one's main hope in the preservation of older material. Thus far Miss Dillistin has managed to hold onto a surprising amount of key material. If one knows what one wants, can describe it in terms that make sense to the file division, it will probably be turned up, no matter what its age. The active and inactive files seem to be so linked functionally that age of material presents no particular problem.

But this is all based on a subject index. There is little or no chance of tracing the work of any individual through the files unless you know specifically what subjects engaged his attention. The Federal Reserve Bank of Richmond has, as I think I reported, a card index of persons which acts as a key to the work of the various officers, but New York has no such device. It is this lack which makes the segregated files of Mr. Strong and Mr. Harrison so very important in any attempt to assess their work. Mr. Harrison's files, which I have only scanned, contain mostly copies of papers, reports, cables, memoranda of which other copies are incorporated in the Bank's files. But for the very reason that Mr. Harrison kept and took away his own copies,

the work he did, as mirrored there, is far more easily visible than though one had to search in the massive pool of Bank files.

Exactly what you meant by separating files from archives, or turning files into archives, has not been defined in detail. If, for example, you meant that files before 1935 might well be separated from the regular filing division and set up in such a way that they could be consulted by students while at the same time being out from under the daily responsibility of the active file department, this would be an operation calling for perhaps the creation of a cross-index system more easily approached from the outside than is the Bank's filing system. It could be so arranged that new material (newer than 1935) would be fed into it at 5-year intervals. Such an undertaking would call for expert archival aid, ample funds and plenty of time. It would be highly valuable to students.

Faithfully yours,

Mildred Adams

Mr. Allan Sproul
33 Liberty Street
New York 45, N. Y.

May 11, 1956

Dear Mr. Sproul:

Your decision to attend the Committee meeting makes me feel very much better about a lot of things. Somehow I couldn't bear to have this project go out "not with a bang, but a whimper," and now I know it won't.

I am sending out invitations to luncheon today, and will get a draft agenda to you next week.

Faithfully and gratefully,

Mildred Adams

Mr. Allan Sproul
33 Liberty Street
New York 45, N. Y.

FEDERAL RESERVE BANK OF NEW YORK

NEW YORK 45, N.Y.

RECTOR 2-5700

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MAY 11 1956

COMMITTEE ON THE HISTORY
OF THE
FEDERAL RESERVE SYSTEM

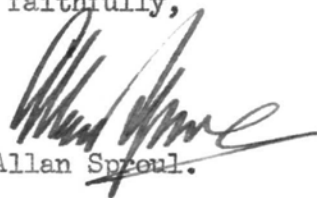
May 10, 1956.

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

Dear Miss Adams:

I was in Washington when your letter of May 8 was received in my office. I am sure that it has taken prodigious effort on your part to arrange a meeting of the Committee here on May 28, and I feel that I can do no less than attend. Please invite the members to lunch at one o'clock on that day. We can then meet in the lounge adjoining my dining room following lunch.

Yours faithfully,



Allan Spraul.

May 8, 1956

Dear Mr. Sproul:

After even more than the usual difficulty, with the aid of Dr. Calkins and at the special request of Mr. Burgess, we have finally set the May meeting of this Committee for Monday afternoon, May 28th, here in New York. We understand that you will attend if you possibly can, and everyone is hoping most earnestly that that will be possible. Otherwise, the only dubious ones are Mr. Riefler, Dr. James and Mr. Woodward who may be out of town.

The exact place of the meeting is still to be set. We could get in extra chairs and have it in this office, but not very comfortably. Would you want to name another place? And do you plan to schedule luncheon here for them before the meeting?

We will send out a detailed notice as soon as you can give us word on this.

Faithfully yours,

Mildred Adams

Mr. Allan Sproul
33 Liberty Street
New York 45, N. Y.

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Author(s): Leif H. Olsen

Article Title: Shift at the 'Fed' Surprises Banks

Journal Title: *New York Times*

Volume Number:

Issue Number:

Date: May 6, 1956

Page Numbers: 1, 8

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Author(s): Leif H. Olsen

Article Title: Sproul Will Quit at Reserve Bank; Hayes Successor

Journal Title: *New York Times*

Volume Number:

Issue Number:

Date: May 1, 1956

Page Numbers: 1, 51

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

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

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MAY 3 1956

COMMITTEE ON THE HISTORY
OF THE
FEDERAL RESERVE SYSTEM

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

May 2, 1956

Dear Miss Adams:

I have been working at the puzzle presented in your letter of April 30 and I haven't the answer. This month, which will be my last month at the bank, is going to be a hectic one and I cannot be sure when I could attend a meeting of either the executive committee or the full committee, particularly if it is to be held away from New York. On the other hand, if we are going to terminate the history project, as I think we probably must, it would be most appropriate to have it done by the full committee, and I should not like to avoid my part of the responsibility for doing it. In this instance, however, I shall have to leave it to you, Dr. Calkins and Don Woodward to arrange things as best you can with the hope that I may be able to fit in.

Yours sincerely,



Allan Sproul

Miss Mildred Adams,
33 Liberty Street,
New York 45, N.Y.

April 30, 1956

Dear Mr. Sproul:

I was sorry to hear that you were ill last week, and I do hope you are feeling better. I hate to add one more straw to the load you are carrying, but I am puzzled about the next move in this Committee.

We have been making plans whereby the research material would be moved to Brookings at the end of the month. A letter from Dr. Calkins this morning says that in view of the disappointing decision of Messrs. Ball and Powell, he has consulted members of the Executive Committee and finds them feeling "that we are probably at the end of the rope and should consider closing out the project." He is still exploring certain possibilities.

In view of this situation and the decisions to be made, my question is whether you would like a full Committee meeting scheduled for some time in mid-May or whether the decision for obsequies, if that is what it comes to, can be made by the Executive Committee.

If you can give me a couple of dates in mid-May, I will start to set up a full Committee meeting or an Executive Committee meeting, as you prefer.

Faithfully yours,

Mildred Adams

Mr. Allan Sproul
33 Liberty Street
New York 45, N. Y.

c.s. Dr. Robert Calkins

FEDERAL RESERVE BANK OF NEW YORK

ROUTE SLIP

Date 4/30

To Miss Adams

Of _____

From ALLAN SPROUL

- | | |
|--|---|
| <input type="checkbox"/> For your information | <input type="checkbox"/> Attend to |
| <input type="checkbox"/> Note and return | <input type="checkbox"/> Prepare reply for my signature |
| <input type="checkbox"/> Note and forward to Files | <input type="checkbox"/> For signature, if you approve |
| <input type="checkbox"/> As requested | <input type="checkbox"/> See (phone) me re. attached |
| <input type="checkbox"/> For your comments and suggestions | <input type="checkbox"/> Does attached meet with your approval? |

Other remarks:

*I understand our Accountants
people will send you a bill
for this amount, in due
course.*

Mary Logan

OFFICE CORRESPONDENCE

DATE April 27, 1956TO Miss Adams

SUBJECT: _____

FROM Mary C. Regan

As I told you, Mr. Sproul thinks he should charge to the Committee on the History of the Federal Reserve System, in connection with the meeting on April 16, one night at the hotel in Washington \$11.00, and one meal, breakfast Monday, April 16 - \$2.17, totaling \$13.17.

m.c.r.

D O P Y

"Copy sent to other members of Com. on History of
FRS (except Mr. Martin) and to Miss Adams."

COMMITTEE ON THE HISTORY OF THE FEDERAL RESERVE SYSTEM

33 Liberty Street, New York 45, New York

April 27, 1956

Personal and Confidential

Mr. Donald B. Woodward,
122 E. 42nd Street,
New York 17, N. Y.

Dear Don:

I have forgotten just how I came to be Chairman of the Committee on the History of the Federal Reserve System, but I think it was done by Randy Burgess and you. In any case I assume that you are the one I should write to in order to relinquish that office. As will be announced Monday afternoon, April 30, for release Tuesday morning, May 1, I am resigning as President of the Federal Reserve Bank of New York effective June 30, 1956 and will be on leave beginning June 1, 1956.

Mrs. Sproul and I plan to return to California, which will take me out of the practical orbit of participation in the work of the Committee. This is my resignation, therefore, which can become effective whenever the Committee determines to accept it between now and June 1. If we are soon to have another meeting, and particularly if we are going to find it necessary to wind up the affairs of the Committee, of course, I shall be glad to go through the process with the other members.

Regardless of whether or not further work can be undertaken, I think we have already accomplished some things that were worthwhile and the association has been for me a most pleasant and stimulating one.

Sincerely,

Allan Sproul

P.S. Please treat this as entirely confidential until Tuesday, May 1.

A.S.

April 26, 1956

Dear Miss Regan:

I called Dr. Calkins this morning to ask about those two luncheon dates, Monday and Tuesday, which Mr. Sproul is holding for next week. Dr. Calkins tells me that both are out, as the two young men who were expected have other plans. He said he was going to call Mr. Sproul himself, but I am sending you this word lest Mr. Sproul not be reachable today, and you are left wondering about those noons.

Hurriedly,

Mildred Adams

Miss Mary G. Regan
33 Liberty Street
New York 45, N. Y.

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

ALLAN SPROUL, *Chairman*
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JOSEPH H. WILLITS
DONALD B. WOODWARD, *Secretary*
MILDRED ADAMS, *Executive Director*

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APR 23 1956

COMMITTEE ON THE HISTORY
OF THE
FEDERAL RESERVE SYSTEM

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

April 20, 1956

Dear Miss Adams:

I am answering your letter of April 17 and your memorandum of April 18 in this one note.

1. I think the letter of notification officially advising Columbia University of our grant in connection with the Vanderlip papers can best be signed by Mr. Woodward.
2. I have given Hugh Leach, President of the Federal Reserve Bank of Richmond, the invitation which you received to attend the Woodrow Wilson Centennial celebration at Staunton, Virginia, and I understand that he is going to respond saying that he has been asked by the Committee on the History of the Federal Reserve System to attend in its behalf. Since the original invitation was addressed to you, will you please write to the sponsoring organization to that effect.
3. The list of repositories which you suggest for copies of the inventory of the Carter Glass papers seems to me to be appropriate. I would add the University of North Carolina and the University of Washington. ✓

Yours faithfully,


Allan Sproul

P.S. Thank you for the information on Philip Bell. The latest word on him from Dr. Calkins is not too encouraging, but this is the sort of thing we have come to expect.


A.S.

April 17, 1956

Dear Mr. Sproul:

May I have word from you on a few of the items which were discussed at the Committee meeting in Washington on Monday.

First, the grant to Columbia will of course need a letter. I called Dr. Logsdon this morning informally to tell him the good news, and found him greatly cheered. The official announcement should be made to the Trustees of Columbia University, with a covering note to Dr. Logsdon. We seem to have no precedent for this, and I'm not sure whether you will want to do it or would prefer that the letters go from Mr. Woodward. If you want drafts prepared for either, I'll be glad to do it.

Second, I have found further career data on Philip Bell which answers some of the questions raised by the Committee. I am sending this on to Dr. Calkins, and enclosing a copy for you.

Third, I think you took the invitation to the Woodrow Wilson Centennial celebration, to be held at Staunton, Virginia on April 28th, and were going to suggest that Mr. Hugh Leach, President of the Richmond Federal Reserve Bank, represent this Committee on that occasion. Will you be writing the sponsoring organization to that effect, or do you want me to? The latter clause arises solely from the fact that the original envelope was sent to me as Executive Director.

Faithfully yours,

Mildred Adams

Mr. Allan Sproul
33 Liberty Street
New York 45, N. Y.

Enc.

March 16, 1956

Dear Mr. Sproul:

We have had a death in the family, after long illness, which has drained away most of my reserve energy, and I am being taken South tomorrow night (Saturday) for a week's rest. I expect to be back in the office on Monday, the 26th.

If you want to reach me between the 17th and the 26th, Miss Burstein will have an address. I have told Dr. Calkins of this necessary leave.

Faithfully yours,

Mildred Adams

P.S. Reports from Mrs. Woodward sound as though Don was still pretty sick.

Mr. Allan Sproul
33 Liberty Street
New York 45, N. Y.

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

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DONALD B. WOODWARD, *Secretary*
MILDRED ADAMS, *Executive Director*

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MAR 12 1956

COMMITTEE ON THE HISTORY
OF THE
FEDERAL RESERVE SYSTEM

March 9, 1956

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

Dear Miss Adams:

The agenda for our meeting March 17, which you sent me under cover of your letter of March 8, looks all right to me. My suggested changes are picayune.

Yours faithfully,



Allan Sproul

Enc.

Miss Mildred Adams,
33 Liberty Street,
New York 45, N.Y.

COMMITTEE ON THE HISTORY OF THE FEDERAL RESERVE SYSTEM

AGENDA

Executive Committee Meeting
Washington, March 17, 1956

Convene at 2 p.m.

I. Report on Columbia Library project. (Mr. Woodward)

Pilot experience with Vanderlip papers

Welcome extended to Leffingwell and Willis papers if available

II. Resolution to appropriate \$1,500 as a pilot grant for handling costs of Vanderlip papers (out of \$11,000 set aside for this purpose in 1955).

III. Transfer of projects, if approved in morning meeting - decisions involved

Chandler life of Strong - no problems

Kincaid-Glass Inventory to be finished ~~out~~ - distributed?

List of papers located - to be distributed?

IV. Housekeeping details connected with transfer of executive responsibility to Brookings, if approved in ~~earlier~~ ^{morning meeting of full} Committee ~~meeting~~

Date of transfer

What arrangements for servicing Committee?

Staff terminations

Miss Adams

Miss Burstein

Miss McKinstry (part-time)

Moving of files and materials

Card files

Books

Correspondence files

Supplies and equipment

Minute books

V. Any word to go to liaison officers in banks ^{FR} about shift to Brookings? ^{or to others}

Adjourn at 3 p.m.



COMMITTEE ON THE HISTORY OF THE FEDERAL RESERVE SYSTEM

AGENDA

Committee Meeting
Washington, March 17, 1956

Convene at 10:30 a.m.

- I. Minutes of Committee meeting held February 4, 1956, copies of which were distributed to Committee members February 17, 1956. (Secretary has copy.)
- II. Resolution to amend the Minutes in accordance with the revision of the "clause of enactment" which was proposed by Dr. Calkins after the meeting, circulated to members and approved by them.
- III. Report on conference held February 21st with Dr. Norman Buchanan of the Rockefeller Foundation. (Dr. Calkins)
- IV. Reply of the ^{Brookings} Brookings Institution to the Proposal of this Committee that they assume further administrative responsibilities for this project. (Dr. Calkins)

V. Report ^{by Dr Calkins and discussion by Committee of:} on details -

A. Appointment of a full-time staff member to take charge of this project

B. Plans for continuing project program

- 1. Monographs to be commissioned *as soon as possible*
- 4. Historian ~~to be found~~
- 2. Seminar program
- 3. Employment of Dr. Howard Ellis for a major assignment

VI Committee action on the Brookings reply,

VII Report of this action to the ^{Rockefeller} Foundation

VIII Other business

Luncheon at 12:45

March 8, 1956

Dear Mr. Sproul:

Dr. Calkins just phoned that the Brookings governing entity which met yesterday (I'm not sure whether it was Board or Executive Committee) has agreed that Dr. Calkins may take on the added responsibility of administration for this Committee provided that he finds the right man to handle it.

I have been holding agenda for the meeting of March 17th until we heard from him. You will find enclosed two draft agenda, one for the full Committee meeting and one for the Executive Committee, both of them highly tentative. Dr. Calkins may want changes made at the last moment, so I am going down on Friday, the 16th, to help with those. I would, however, be most grateful if you would look these over in their present state, question marks and all. Your suggestions are always so constructive that it would help to have them at this point even though I may have to make last minute shifts or additions from the Brookings point of view.

Faithfully yours,

Mildred Adams

Mr. Allan Sproul
33 Liberty Street
New York 45, N. Y.

Enc. 2

AGENDA

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Report on details -

A. Appointment of a full-time staff member to take charge of this project

B. Plans for continuing project program

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3. Seminar program

4. Employment of Dr. Howard Ellis for a major assignment

V. Committee action on the Brookings reply

VI. Report of this action to the Foundation?

VII. Other business

Luncheon at 12:45

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Washington, March 17, 1956

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Chandler life of Strong - no problems

Kincaid-Glass Inventory to be finished out - distributed?

List of papers located - to be distributed?

IV. Housekeeping details connected with transfer of executive responsibility to Brookings, if approved in earlier Committee meeting

Date of transfer

What arrangements for servicing Committee?

Staff terminations

Miss Adams

Miss Burstein

Miss McKinstry (part-time)

Moving of files and materials

Card files

Books

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V. Any word to go to liaison officers in banks about shift to Brookings?

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March 8, 1956

Dear Mr. Sproul:

If I read Mr. Willis correctly, what he says in two pages is "No." In your letter of February 23rd, at the bottom of Page 1, you stated very clearly what we asked of him. In reply, he follows the line he took two years ago, a line from which I had hoped that your good letter would divert him.

There must be some reason why Mr. Willis finds it so hard to comprehend that what we really want for Columbia is the whole collection of Willis papers as such, bad as well as good, trivial as well as important; the body of the man's work, not a carefully sorted section of it which has been approved by the family. No two scholars would value the various items from exactly the same point of view. What we need is not some artificial measure of what might interest any one student at any one time, but everything that has been left.

The problem is how to say all this to Mr. Willis in a way that will persuade him to let the whole mass of stuff go. Do you think that a request from Columbia itself might disarm him? I can't believe he really wants to go through all those boxes that have stayed in the basement for so long. Or is this situation hopelessly bound in a web of old fear, suspicion and resentment?

Perhaps if we shifted ground, stopped talking about the Federal Reserve System and had the request put on the ground that Columbia wanted the whole collection of papers of one of its active and important economists, so as to show the range of the man's work and interests, we might get action.

Miss McKinstry suggests that if one of Dr. Willis' old students, Margaret Myers of Vassar for instance, who is Mrs. Haggot Beckhart, could be inspired to show an interest in the papers, they might be recovered through good offices of that sort.

Or would Arthur Willis, who has, I understand, recently left this Bank, intercede with his brother for us?

The situation puzzles me. I hate to give up hope of getting the papers out, but my experience has been that collections sorted by a family have little but what one might call souvenir value. Columbia would hardly want such sterile vestiges, nor would we want to recommend them.

If any of the above suggestions sounds possibly fruitful, I will be glad to follow them up. What I need is your judgment as to tactics.

Faithfully yours,

Mildred Adams

Mr. Allan Sproul
33 Liberty Street
New York 45, N. Y.

Committee on the History of the
Federal Reserve System

DATE

Mar 12th

TO

Mr. S. Board

FROM

Wendell Adams

REMARKS

Would you look at the
last paragraph of this
notice of meeting? I
think this is right, but
I'd like to be sure before
sending it out.

Thanks much

Wendell Adams

D R A F T

COMMITTEE ON THE HISTORY OF THE FEDERAL RESERVE SYSTEM

March 1, 1956

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

Winfield W. Riefler

Arrangements for the meeting of this Committee on March 17th have been made as follows:

in Washington
A

The Committee will convene in the lounge at the Brookings Institution at 10:30 a.m. on Saturday, the 17th.

Luncheon will be served at Brookings at 12:45.

The Chairman hopes it will be possible to complete the business of the full Committee by 2 p.m., and to hold a meeting of the Executive Committee between 2 and 3.

Mildred Adams

February 24, 1956

Dear Mr. Sproul:

Thanks so much for sending us copies of your letters to Messrs. Leffingwell and Willis. I do hope those two gentlemen yield, and that we can get the papers safely to Columbia in the near future.

Faithfully yours,

Mildred Adams

Mr. Allan Sproul
33 Liberty Street
New York 45, N. Y.

Special

Memorandum on Leffingwell Papers

TO: Mr. Allan Sproul
FROM: Mildred Adams
DATE: February 20, 1956

Now that Columbia has assured us that the Leffingwell papers are welcome there (reported to you in my letter of February 20th), you may want what information we have on those papers to serve as background for a letter to Mr. Leffingwell. The situation is as follows:

Mr. Leffingwell was one of the first "elder statesmen" visited. I saw him in January 1954, found him very hospitable, was assured that he "never kept diaries or black books of memoranda and that the papers with which he was concerned while he was in the Treasury have stayed with the Treasury." He offered to have a volume of speeches, articles, etc. bound for us, and kindly did so.

Two months later (March 22, 1954) I went to the Treasury, and in talking with one of the officials (Mr. William Heffelfinger), asked where the Leffingwell papers were. Mr. Heffelfinger replied that Mr. Leffingwell had taken with him 20 boxes (volumes?) of "press-copy ^{books} boxes" when he left the Treasury. When I got back to New York I phoned Mr. Leffingwell to ask where this material was, and after a considerable silence Mr. Leffingwell replied, "Oh - I had forgotten about that. I guess they must be in the basement of my house."

In 1955 Mr. Woodward wrote Mr. Leffingwell along with a long list of "elder statesmen" asking about papers and got back a reply which, after referring to my earlier visit and his gift of the

Leffingwell
2/20/56

- 2 -

bound volume, went on to say, "I gave the best account I could of what happened and why in my published essays and addresses some of which were written in the earlier days after the events and while my memory was fresh. However, if there is anything I can do to help you or Miss Adams further I shall be glad to do so."

Against that background, I would hope that a request for a search which would turn up the boxes of "press-copy books" brought from the Treasury, and the deposit of them in Columbia where students can use them might be fruitful.

Mildred Adams

Sproul

Memorandum on Parker Willis Papers

TO: Mr. Allan Sproul
FROM: Mildred Adams
DATE: February 29, 1956

As I think you know, the papers of H. Parker Willis were left by will to his son, Parker B. Willis, who is in the Federal Reserve Bank of Boston.

In March of 1954 Mr. Parker B. Willis told me that his father's papers are in the Willis house in Staten Island, and are in two lots. Those papers concerning the period up to 1920 came out of the Willis house in Washington, were put into four or five boxes, and stored in the cellar of the Staten Island house. Papers since 1920 (drafts, hearings, correspondence, etc.) are in the attic.

Mr. Willis offered at that conference to go over the papers and see if they included material of value to us, provided that you would ask for a two weeks' leave of absence for him on that ground.

My own preference, as you know, would be for the papers to go intact to Columbia, to be sorted, classified and catalogued there by people who have no family stake in any of the old controversies in which he was concerned. The University itself has an interest in the papers, stemming from Dr. Willis' position as a member of the faculty, and I would hope that the family was about ready to let go of them. After all, Dr. Willis died in 1937, which is nearly twenty years ago.

Mildred Adams

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

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

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

February 17, 1956

Dear Miss Adams:

The Calkins' alternate to the enactment clause of the decision taken at our meeting on February 4th, which you sent me with your letter of today, enclosing a copy of the minutes of the meeting, is satisfactory to me.

As of now, Saturday, March 17th, at Washington looks all right to me as the date for the next meeting of the Committee.

Yours faithfully,



Allan Sproul

Miss Mildred Adams,
33 Liberty Street,
New York 45, N. Y.

RECEIVED

FEB 20 1956

COMMITTEE ON THE HISTORY
OF THE
FEDERAL RESERVE SYSTEM

February 17, 1956

Dear Mr. Sproul:

Two details need your attention, a change which Dr. Calkins would like to make in the "clause of enactment," and a confirmation of the suggested date for the next meeting.

You will find enclosed the Minutes of the meeting of this Committee at Princeton on February 4th (my thanks for your editing), and also a revised version of the "clause of enactment" which was passed at that meeting.

This revision was undertaken in conference with Dr. Calkins and at his request. In substance it does not differ from the version adopted at Princeton, but Dr. Calkins would prefer to present the Committee's proposal to the Brookings Board of Trustees in this new wording if the Committee approves. It can then be added to the Minutes as an amended text.

Would you let me know if you approve of the revision and of the procedure?

As for the date of the next meeting, Saturday, March 17th, at Brookings in Washington was the one most discussed in Princeton. Members were asked at that time to put this date down tentatively. If this is not possible for you, may we have your suggestions.

Very sincerely yours,

Mildred Adams

Mr. Allan Sproul
33 Liberty Street
New York 45, N. Y.

Enc. 2

February 16, 1956

Dear Mr. Sproul:

Donald Woodward, who talked with Mrs. Willits, tells me that Dr. Joseph Willits is in the Harkness Pavillion at the Presbyterian Hospital. He underwent an operation yesterday which is said to have been slight, but he will be there some days longer. This news may already have reached you, but if not, I am sure you would want to know it.

Faithfully yours,

Mildred Adams

Mr. Allan Sproul
33 Liberty Street
New York 45, N. Y.

January 9, 1956

Dear Mr. Sproul:

We promised to send you details of the schedule for the meeting of this Committee at Princeton on Saturday, February 4th, when arrangements were completed. Those arrangements are now fixed as follows:

Place - Institute for Advanced Study,
Princeton, New Jersey

Time - 10 a.m. to 4 p.m., February 4, 1956

Luncheon - at the Institute

Members are asked to meet at 10 a.m. in the Common Room of the main building, where Dr. Stewart will act as guide to the conference space which is kindly being provided for us.

Memoranda bearing on certain of the problems to be discussed should reach you about a week in advance of the meeting. We hope to mail them on January 26th.

Sincerely yours,

Mildred Adams

Mr. Allan Sproul
33 Liberty Street
New York 45, N. Y.

January 6, 1956

Dear Miss Regan:

Here is the complete list of people who, from Mr. Woodward's point of view, should receive a copy of Mr. Sproul's speech.

W. Randolph Burgess, Treasury

Robert D. Calkins, Brookings

William McC. Martin, Jr., Board

Donald B. Woodward, Vick Chemical Company

F. Cyril James, Principal and Vice Chancellor,
McGill University, Montreal 2, Canada

Joseph H. Willits, University of Pennsylvania,
The Educational Survey, Philadelphia 4

Walter W. Stewart, c/o Council of Economic Advisers,
Executive Office Building, Washington 25

Winfield W. Riefler, Board

Lester V. Chandler, Economics Department, Princeton

Karl Bopp, Philadelphia Federal Reserve Bank

Elmer Wood, School of Business Administration,
Univ. of Missouri, Columbia, Missouri

Thanks ever so much.

Mildred Adams

Miss Mary C. Regan
33 Liberty Street
New York 45, N. Y.

January 6, 1956

Dear Mr. Sproul:

From time to time someone has murmured about the excellence of certain British writing on central banking, and the name of R. S. Sayers, economic historian, has been mentioned specifically. Dr. Chandler thinks highly of his small book, "The American Banking System," (Oxford Press, 1948); from the point of view of style and interest of writing, it certainly has marked advantages over anything I have seen by Professor Ellis.

I suppose there is no point in carrying a torch for an off-shore author, but I keep remembering that the best book on the American Constitution was done by a Britisher, and hoping that someone like Sayers might follow in Lord Bryce's footsteps so far as American central banking is concerned. Unless you feel we must settle on Ellis or lose the Rockefeller grant, I'd like to suggest him seriously.

Sayers is a lean, sandy-haired man with a quick mind and a quick wit, 48 years old, Cassel Professor of Economics at the University of London, a member of the Council of the Royal Economic Society and with a good background. He was educated at Cambridge, has taught at Oxford and the London School of Economics. He has four books to his credit: Bank of England Operations, 1890-1914; Modern Banking (which went into a third edition in 1951); American Banking System; and Papers in English Monetary History of which he was co-editor. He also has written papers on "The Development of Central Banking after Bagehot" (Economic History

Review, 1951) and "Central Banking in the Light of Recent British and American Experience" (Quarterly Journal of Economics, 1949). He seems qualified to do the definitive history or at least a monograph.

In the second place, I think that Chandler himself has a wistful feeling about the history which might be turned to account if it could wait until after the Strong book is finished. There has been a feeling that it would be a mistake to put all eggs in one basket, and I'm sure nobody wants to wait until 1957 to start the history. On the other hand, Chandler's reputation grows with the months, he is deeply interested, well informed. It might be possible to set up a joint authorship with Philip Bell of Haverford, a former pupil of whom he thinks highly.

If you think either of these worth exploring, I will gladly do scouting behind the scenes.

Faithfully yours,

Mildred Adams

Mr. Allan Sproul
33 Liberty Street
New York 45, N. Y.

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Author(s): Edward H. Collins

Article Title: Allan Sproul: He Speaks His Mind

Journal Title: *New York Times*

Volume Number:

Issue Number:

Date: January 9, 1956

Page Numbers: 32, 34

Not to be released before 12:00 o'clock noon, December 29, 1955

REMARKS OF ALLAN SPROUL, PRESIDENT,
FEDERAL RESERVE BANK OF NEW YORK,
BEFORE THE JOINT LUNCHEON OF THE AMERICAN ECONOMIC
ASSOCIATION AND THE AMERICAN FINANCE ASSOCIATION,
COMMODORE HOTEL, NEW YORK CITY,
DECEMBER 29, 1955

REFLECTIONS OF A CENTRAL BANKER

When you invite someone who is not a professional economist to speak on an occasion of this sort, there is always the danger that he will try to talk like a professional economist, and thus make a fool of himself while failing to fool his audience. I am not a professional economist. I hate to make a fool of myself. And I know I could not fool you.

I may have to skate pretty close to what is, for me, the thin ice of theoretical economics, however, because although I am not a professional economist I am a practitioner of an art which must draw inspiration from the work of professional economists. Central banking is largely practical economics, a sort of laggard son of theoretical economics, and I have been practicing central banking for the past thirty-five years. My long apprenticeship in the field is the excuse for the title which has been given to my talk, "Reflections of a Central Banker". Maybe that sounds as if I were going to give you some rocking chair stories of my experience, but that is not my intention. I think it would be pretty dull. What I would like to do is to discuss a few of the things I have observed and thought about, while I have been an officer of the Federal Reserve System, and which I think might merit a larger measure of interest and attention from you.

Monetary policy was in the doldrums for a number of years prior to and during World War II. It had been running fast before a brisk breeze for quite a while prior to that time, and then the wind died down and its sails went slack. Big claims had been made for it as a solvent of our economic ills, and when it couldn't support these claims there was a tendency to discard it in favor of more direct and what might seem to be more powerful economic controls. I suspect that somewhat the same pattern could be traced in the interest of economists, and particularly the younger economists, in the problems of central banking. For a time, preceding and following the passage of the Federal Reserve Act in 1913, such problems attracted a lot of men. Then it began to appear that more important work could be done, or more hay could be made, in other branches of economics, while interest in central banking suffered a relative decline. Now there has been something of a renaissance in the use of monetary policy as one of the means of achieving greater economic stability, without sacrificing too much economic freedom. If we are careful not to claim too much for it, it may hold its place. And I am hoping that central banking problems will similarly recapture the interest of a new generation of economists.

Let me speak first and most particularly about the Federal Reserve System, its organization, its policies, and its techniques. You all know the general organization of the System, but you may not all be aware of the evolutionary changes which have been taking place within the general organization. The main outlines of the System are much as they were when the System was established forty-one years ago;

a regional system, federal in character, with a national coordinating and supervisory body at Washington and twelve regional Federal Reserve Banks which are the operating arms of the System in their respective districts.

Within this framework, however, there has been a definite tendency for power and influence to gravitate toward the center, a corollary of developments in other areas of social, political, and economic organization, as well as a result of growing familiarity at the center with the means of accomplishing things at the periphery. Fortunately, I think, for the development of the System and the good of the country, this tendency has not gone so far as to destroy either the federal character of the System in terms of policy formation, or its regional character in terms of policy execution.

That this is so, is largely due to the development of the Federal Open Market Committee, and its evolution as a body in which the various parts of the System are represented not by blocs, not by opposing groups of members of the Board of Governors on one side and Presidents of Federal Reserve Banks on the other, but by individuals having equal statutory authority and equal statutory responsibilities with respect to one of the most important functions of the System, namely, open market operations.

It is true that the means of credit control, other than open market operations, are scattered about the System in what seems to be an illogical manner. Discount rates are fixed by the Boards of Directors of the individual Federal Reserve Banks, but are reviewed and determined by the Board of Governors, and the setting of reserve and margin requirements is wholly a charge of the Board of Governors. But all of these measures of credit control must be integrated and used as a common kit of tools. The Federal Open Market Committee provides the forum where discussion of their coordinated use can take place without unnecessarily infringing upon the rights and duties of other parts of the System. The illogical in terms of organization charts and precisely drawn lines of authority, becomes logical in terms of the evolution of a body which appropriately and effectively represents all parts of the System.

It may be useful to recall how this unique arm of the System developed, not from some sudden inspirational attack on the problem of bringing national unity to a regional central banking system, but by trial and error during a shake-down cruise of about twenty years duration. In the beginning, adjustments of the reserve positions of member banks were made entirely through the discount window. Early open market operations emerged in the form of an attempt by individual Federal Reserve Banks to supplement their earnings. It soon became apparent that the effect of these purchases and sales of Government securities (and bankers bills) was to put reserves into the banking system or to take them out without regard for what might be credit policy at the time. The first informal attempt to correct the situation was the adoption by the Conference of Governors (Presidents now) of Federal Reserve Banks, in 1922, of a policy of buying and selling Government obligations in an orderly and systematic manner, and the appointment of a committee of five Governors to see that this was done. This loose arrangement was tightened up somewhat by the Federal Reserve Board in 1923, and the rule was adopted, which has since become a statutory principle of open market operations, that the time, character and volume of such operations must be governed with primary regard to the accommodation of commerce and business and to

their effect on the general credit situation. In 1930 an open market policy conference was created which included a representative of each of the twelve Federal Reserve Banks. Statutory recognition of and restraint upon this particular method of conducting open market operations was legislated in 1933, when the banking act of that year created a Federal Open Market Committee and prohibited open market operations of Federal Reserve Banks except in accordance with the regulations of the Federal Reserve Board. The Federal Open Market Committee in its present form came into being with the passage of the Banking Act of 1935, which also made it mandatory for Federal Reserve Banks to engage in open market operations in accordance with the directions and regulations of the Committee.

So far so good. Evolution has proceeded by a process of natural selection toward a higher form of organism, which retains some of the desirable characteristics of regional organization within a federal system, while acquiring the powers necessary to a coordination of national policy under present day conditions. This organism has survived for twenty years and given evidence of being able to adapt itself to environmental change.

There are those, however, who see in the persistence of present regional representation on the Federal Open Market Committee, a serious flaw in our credit control machinery. They appear to believe that this has enabled the poachers to remain on the Committee along with the game wardens, in the person of the five Presidents of Federal Reserve Banks who are members of the Committee along with the seven members of the Board of Governors. The Presidents of the Federal Reserve Banks, they say, are selected by the directors of the Banks--to be sure, with the approval of the Board of Governors. The nine men who serve as directors of Federal Reserve Banks include six men elected by the member banks of their district, and three of these men are bankers. Ergo, the Presidents of Federal Reserve Banks are the representatives of the member banks and, in political terms, must be responsive to the wishes of their constituents or they won't be Presidents very long. And so, it is claimed, the group which is supposed to be regulated and controlled has at least one hand on the controls, or at least five fingers in the pie.

This line of chain reasoning has its appeal if you believe that the Presidents of Federal Reserve Banks are so beholden to commercial bankers for their jobs, and so lacking in awareness of their statutory responsibilities, that they cannot honestly serve the public interest as members of the Federal Open Market Committee. The fact is, however, that the relation between a President of a Federal Reserve Bank and the bankers of his district is not that of an elected representative and his constituents or an employee and his employer. The present somewhat complicated arrangements for the election and appointment of directors of Federal Reserve Banks, and for the appointment of Presidents of Federal Reserve Banks by these directors, have instead a double virtue. First, they inject into the System's conduct of its every-day affairs the standards of efficiency and practical judgment that well-chosen business executives can provide from their own experience--and that includes everything from judging the fitness of a man to administer the complex operations of a Federal Reserve Bank to the maintenance of its plant and equipment. This has contributed to an operating performance which has protected Federal Reserve Banks from much of the criticism which is levelled against other institutions not prodded toward efficiency by the profit motive. Second, these electoral arrangements keep the Presidents of Federal Reserve Banks directly in touch with men who are aware of banking and credit

conditions and economic developments in their districts, and who can help to interpret credit policy to the banking, business, and agricultural community, without making the Presidents subservient to whatever may be the selfish interests of any group in the community.

On the even more important level of policy formation, the problem is not comparable to that faced by a Government regulatory body fixing rates and conditions of service under monopoly or semi-monopoly conditions, nor to the problem of an administrative tribunal watching over observance of the law. The main problem of the central banking system is the appraisal of major developments affecting the whole economy and the formulation of a policy which will influence the money and credit sector of that economy so as to contribute to the stability of the economy as a whole. This is a public service which requires of its practitioners continuous contact with economic processes, and with people in the market places of the country as well as with the representatives of Government at its political center. It requires practitioners with an awareness of the problems of an economy which is neither wholly private nor wholly public in character. It requires practitioners who are insulated against narrow partisan political influence on the one hand, and against narrow selfish private influence on the other, but who are responsive both to broad Government policies and to the importance of private initiative and private enterprise in giving support to those policies. In my view there has been developed in the Federal Reserve System in general, and in the Federal Open Market Committee in particular, a unique contribution to the democratic administration of such a task. There is no conflict of interest in this administration.

I have spoken of this matter of organization at some length because I think it is vital to the preservation of a Federal Reserve System which retains regional vigor in a national setting, and because attempts to destroy the Federal Open Market Committee, as presently constituted, have been made from time to time. In fact, a bill has been resting in a Congressional committee for the past year, which would abolish the Federal Open Market Committee and transfer its functions to an enlarged Board of Governors of the Federal Reserve System. That way lies a revolution in the organization of our credit control machinery. I believe that this is a question which goes well beyond the mere mechanics of organization, and which needs and deserves your closest scrutiny as citizens, as well as economists and men of finance.

So much for organization. Now for a reference to policies. The preamble to the Federal Reserve Act says that the Federal Reserve System is to be concerned with the provision of an elastic currency, affording a means of rediscounting commercial paper, and establishing a more effective supervision of banking in the United States, and for other purposes. Well, the "other purposes" have long since stolen the show, as must be the case when the manifold objects of an economic experiment are compressed into a few words, no matter how well chosen. We are all now engaged in an attempt to prevent the occurrence of wide and deep economic fluctuations and to mitigate the hardships of the smaller cyclical fluctuations and the necessary internal adjustments of a dynamic, growing, relatively free-choice economy.

The role of the central banking system in this attempt to achieve better balance in our economy has never been spelled out specifically, and probably cannot be. We were not specifically mentioned in the Employment Act of 1946, which gave

expression to the present general concept of the economic role of Government, but our share of the general responsibility derives largely from that expression of national policy. I have always felt, however, that if we are to be true to the explicit requirements of our own charter, we must emphasize the implicit requirements of this broader charter, by combining stability of the purchasing power of the dollar with the promotion of the most effective possible utilization of our resources. We must be alert to oppose both inflationary and deflationary pressures, either one of which can upset the precarious balance of a high employment, high production, high income economy.

We are pretty much all of one mind, I take it, when it comes to opposing deflationary forces which threaten a waste of human and material resources. But there is no such unanimity when inflation--usually trotted out as mild inflation--is in prospect or in being. Here is a central banking problem with respect to which we should, perhaps, have had more help from you than you have so far given us. Are we right in the belief that stability of the dollar and a growing high level economy are compatible? Or, at least, are we right in our belief that there are so many forces in the economy which now exert inflationary pressures, as to make it likely that our role will generally be to resist those pressures in the interest of sustained economic growth? The siren song of gradual modest inflation, if it be that and not the music of the spheres, appeals to many groups, political and economic. There is a tendency to relax and enjoy the sound of more money in the cash register, and the appearance of more dollars in the balance sheet and in the pay envelope. The problem has become a fundamental one in the administration of monetary policy, and your advice and counsel and, indeed, your leadership are needed.

There are those, of course, who think the answer has already been given, and that our powers have been reduced to exerting a gentle tug on the reins from time to time, which is really administered by the horse. With that I cannot agree; I cannot bear witness to the impotence of our central banking system. It still has considerable power, even though we recognize, as I think we must, that general monetary controls can no longer be used so drastically as to bring about a severe restriction of the money supply with restriction of income, production, and employment in its wake. In this we would only find support if we were faced with a runaway inflation due solely or primarily to monetary causes. That is an emergency we have not had to face, and certainly do not have any desire to face, even though the actual experience of such a catastrophe might subsequently make for broader public understanding of the anti-inflationary steps we must take from time to time. In developed countries which have experienced hyper-inflation the central bank has only to mention the word inflation to bring a large measure of public support to a restrictive credit policy. When we mention inflation as a reason for trying to restrain a boom, which shows signs of temporarily exhausting physical capacity to increase the supply of goods and services, and in circumstances when further injections of bank credit are likely to show up largely if not entirely in increased prices, we are apt to be charged with crying wolf when there is no wolf, to be denounced as apostles of deflation. And if actual inflation does not develop, perhaps because we have done our job of helping to curb its development, the accusation against us seems to gain increased validity. You can see why I would like to have aid and comfort in resolving doubts about our ability to combine a stable dollar with a growing, expanding, high level, peacetime economy.

Another aspect of policy formation which concerns me is whether or not undue reliance is now being placed upon the judgments of men, and whether we should seek some automatic or mechanical guides to policy action. I do not think that we have been led too far astray by reading our press clippings. When it is said of the Federal Open Market Committee that "these twelve men have more financial power than any other official body in United States history", we may think it will impress our children and grandchildren, but we are also humble enough to recognize that the power we wield is a circumscribed one which cannot be wielded arbitrarily or capriciously. In the first place, it is a power exercised by a group of individuals of differing backgrounds and talents, and with differing approaches to the policy actions upon which they must finally agree. There are checks and balances such as are characteristic of our whole concept of Government, which give assurance that decisions will be reached by a deliberative process, and that power will not be wielded by an individual who might acquire the habits of a despot. In the second place, it is power exercised in the white light of full disclosure: weekly, monthly, and annually our actions are publicly reported for all to examine and to judge. Finally, it is power exercised within the limits of national objectives and public tolerance, which would not permit the Committee to indulge a sense of power or to experiment rashly with it, even if it were so inclined.

But to recognize the limitations of our powers is not to deny their importance. We must and do take them very seriously. We realize that we are trying to measure and adjust the flow of credit in a money economy, and we are steeped in the belief that whether the economy works well or poorly depends in part on our success or failure in discharging our responsibilities. And therein, I think, lies a danger. The oppressive character of such a heavy responsibility leads men to seek some automatic or mechanical device as a guide to policy action, in order to remove the risk of exercising fallible human judgment. The gold standard, as it existed during the latter part of the nineteenth century and the early years of the present century, largely performed this role in those countries which had central banks and which looked first and almost entirely to the state of their balance of payments and the size of their gold reserves in formulating central bank policy. Those "good old days" began to pass into history, however, when central bankers began consciously to interfere with the effects of inflows and outflows of gold upon the domestic credit situation and, through it, upon the domestic economy. They receded further into limbo as national policy became more and more oriented toward the maintenance of high levels of production and employment at home, and tried to fit together the international and the domestic situation without subordinating one to the other.

And yet there have been and no doubt are serious students of central banking who believe that it cannot function properly without a "norm" of behavior, or a mathematical equation, which will tell its human guides what to do and when to do it. In the present state of our knowledge of the functioning of the economic world, and despite the flood of available statistics which never seems to be out of spate, I do not believe that we can now devise a "norm" or an equation, which will relieve us in any substantial and consistent way of the necessity of exercising human judgment in discharging our responsibilities. What we need is not just a catalogue and synthesis of symptoms, but an appraisal of a whole situation, including the complex reactions of human beings--businessmen, labor leaders, consumers, politicians. Early in my career in the Federal Reserve System I read a statement by Allyn Young which impressed me then and impresses me now:

"In fact, we can be certain that reliance upon any simple rule or set of rules would be dangerous. Economic situations are never twice alike. They are compounded of different elements--foreign and domestic, agricultural and industrial, monetary and non-monetary, psychological and physical--and these various elements are combined in constantly shifting proportions.

"'Scientific' analysis, unaided, can never carry the inquirer to the heart of an economic situation. Judgment and wisdom--the power to take a complex set of considerations into account and come to a balanced view of them--are quite as much needed as facts and theories. The Federal Reserve System needs to operate in the light of all the information it can get, and it needs to have this information organized and analyzed in such a way as to give the maximum amount of illumination. But it also needs the guidance of that practical wisdom which is born only of experience."

If in our time, however, with increasing knowledge of how credit policy works, we can discover a "norm" of action, or a mathematical guide to policy, our task would be greatly simplified. To do that, we shall have to know more than we yet know about how monetary and credit policy actually affect the economy, as a whole, and in its various parts, and with what leads and lags. This will mean deep probing into the operations of our money and banking system as it is now constituted, and into the effects of changes of monetary and credit policy upon the whole economy working through the banking system. Until this job is further along, a good motto for central banks may continue to be the lines of the poet

"Our stability is but balance
And wisdom lies in masterful
administration of the unforeseen."

I am now going to turn to one of the techniques of execution of central bank policy, partly because it has importance from a general economic standpoint which transcends its purely technical trappings, and partly because it has been the subject of some public comment and discussion during the past year or two. I refer to the range of open market operations; whether such operations should be rigidly confined to short term Government securities, except under the most unusual circumstances, or whether a willingness at times to operate over the whole range of maturities of Government obligations would provide a better means of making credit policy effective. I am not going to reiterate all of my own views, which are already in the record and which are distinctly minority views within the Federal Open Market Committee. There are as yet no absolutes in this business, however. Those who advocate, and I who oppose, the present techniques of the Federal Open Market Committee are merely climbing the hill on opposite sides, trying to reach the same summit of knowledge and effectiveness.

But I do think that the question is one worthy of the attention of at least some of you who are here today, not merely as a matter of casual comment in panel discussions, or writings on other subjects, but as something which has real economic significance and deserves serious study. And I am encouraged in this opinion by the articles which have appeared in the journals during the past year. If the present technique derives from a too rigid application of supposed classical economics to problems of money and credit, we need enlightenment from you.

I had supposed that the classical economists, the men of private property and free markets, didn't think that free markets could provide everything necessary to the public good, and that if they were our contemporaries they might have thought of the market for money and credit as something separate and apart from other markets, and as an appropriate area of intervention by Government or agencies of Government--intervention at that cross-section of the economy where the public need for some overall economic guidance toward stability could be provided with a minimum of direct intrusion into the details of production and distribution. And I had supposed that this would mean central bank action to help the market in determining the significant characteristics of the maturity structure of interest rates implied by the kind of credit policy being pursued--not to try to set decimal points on daily quotations, nor to peg a curve, but to nudge the market in the direction sought by credit policy. And finally I had supposed that the effects of increases or decreases in capital values, arising from changes in long term rates of interest, were becoming more and more important in an economy in which public as well as private debts have become so large a part of our so-called assets, and that some direct intervention in this area might at times be appropriate. Whether or not these or contrary suppositions are true, it seems to me that this matter of open market techniques involves problems of economic significance beyond its immediate technical application, and that it deserves your study and your published findings.

There is another area of credit administration which can be brought under the loose heading of techniques. That is the problem of selective credit controls, and particularly the control of consumer instalment credit. I suppose that all of us who have a bias against detailed planning "from above" would prefer that credit policy accomplish its major aims by general quantitative controls which work impersonally but pervasively, and without interfering directly with individual transactions. But if there has grown up a form of credit extension which, no matter how prodigious its contribution to mass production and mass consumption, is also introducing a dangerous element of instability in our economy, and if it is difficult to reach this credit area by general credit measures without adversely affecting all of the less avid users of credit, is there not a case for a selective credit control? Thackeray says in Vanity Fair:

"Everybody must have observed how well those live who are comfortably and thoroughly in debt; how they deny themselves nothing; how jolly and easy they are in their minds."

Well, I am not jolly and easy in my mind. I am disturbed by the present situation in consumer instalment credit, just as I was concerned, under different conditions and for different reasons, about stock market credit until the Board of Governors was given power to establish, and to vary, margin requirements. I am disturbed not by the total amount of consumer credit, but by the fact or the indication that successive relaxation of terms has been largely responsible for keeping the ball in the air. This is a process which cannot go on indefinitely, and when it ceases there will come a time when repayment of old debt will catch up with new extensions of credit. The special stimulus of a rapidly increasing net supply of consumer credit, which has contributed so much to the record production and distribution of consumer durable goods during the past year will then be gone, at least temporarily. Will it then become clear that we drove our productive capacity to unsustainable limits--for the present-- by borrowing consumer demand from the future?

This is a subject on which many voices have expressed many views, but usually they have not been views which seemed objective enough to help resolve the question in the best interests of society as a whole. I know that there are those who believe that selective credit controls are a dangerous step on the road to general overall planning, and I have no desire to become a fellow traveler on that road. But I do believe that there is a temptation to abuse consumer credit in boom times, that it can thus become a serious source of instability in our economy, and that we would not jeopardize our general freedom from direct controls by giving the Federal Reserve System permanent authority to regulate consumer credit. I freely admit, however, that this view would be better held if it were based more firmly on objective study and research into the place of consumer credit in our economy and less on observation and opinion. That is the sort of basis for consideration and action which you could provide.

The same or something similar might be said of mortgage financing, but I shall not try to go into that. Economics and social objectives become intermingled so fiercely when housing is discussed as to make calmness and objectivity a handicap, if not a badge of moral delinquency.

The basic question involved in both cases is whether an attempt should be made through regulation of these specific types of credit to exert a stabilizing influence on areas of the economy which, in the past, appear to have been major sources of instability of employment and production, or whether we should be content with efforts to regulate the overall availability and cost of credit, hoping that fluctuations in the major areas of the economy will balance out. Our experience, thus far, suggests to me that general credit controls can exert an effective influence on these particular types of credit only with a considerable lag, and that we cannot rely upon countervailing forces in the economy to maintain overall stability.

Perhaps you can see where I have been heading in these somewhat random remarks, which have touched on a few aspects of central banking organization, policies, and techniques, while not mentioning others of equal or, perhaps, even greater importance. In general my purpose has been to frame a plea for help. A plea that theoretical economics come more steadily and effectively to the aid of practical economics in such fields as central banking.

I recognize that theoretical economics is the basis of practical economics. And I recognize that theoretical economists, in our time, seem mostly to have preferred to work on general principles, or on building models of economic performance, rather than on economic policies and their effects. I have not the competence to challenge the value of their work, but I question whether it is enough. I question whether economists individually and as a group can fulfill their obligations as citizens, as well as students and scholars, if they do not try to bring these interests together. I would say we need a revival of political economy, and I would invite you to look on central banking as a good place to start. The economists of an earlier day did not hesitate to jump into the thick of battle over current issues, and it did not seem to lower their academic standing then nor should it now. They were pamphleteers, they organized and participated in public meetings and discussion groups, they brought their influence to bear in any way they could on public officials and private citizens. They were pungent and provocative in debate. Macaulay said of James Mill and his followers,

on one occasion, "These smatterers whose attainments just suffice to elevate them from the insignificance of dunces to the dignity of bores." Perhaps that sort of thing is a little too violent for our present mood and condition. But it might be better than withdrawing completely into a realm of esoteric jargon, or indulging in an excess of politeness in dealing with your peers and your public, so that issues are seldom drawn clearly enough to attract public attention and promote public understanding. By your studies and your research and your application to the problems of economic theory, you have earned the right to be heard, and to give some sense of continuing direction to official action and to public opinion. I would like to see that right more vigorously exercised.

I feel that it could be exercised more vigorously and to advantage in the field of central banking. We have excellent research staffs in the Federal Reserve System; able economists and statisticians and devoted students of money and banking problems. But their work needs more cross fertilization and critical analysis by thoughtful and disciplined minds outside the System, who can apply their talents to this special field without the bias of an organizational viewpoint. Not enough work has been done, I would say, on the monetary problems of a mixed Government-private economy, on the functioning and form of a fractional reserve banking system in such an economy, on the growing importance of other financial institutions, which criss-cross both the fields of commercial banking and investment banking, and on the performance and characteristics of our money and capital markets. These are subjects which are becoming critical in the development of central banking.

You have tended, I venture to say, to occupy yourselves too much with the refinement of old ideas which are no longer wholly relevant, with the cataloguing of new economic processes, with the application of mathematical equations to situations too dependent on human behavior to be amenable to such treatment, or with building utopian models of the dream world of the future, while neglecting the hard but rewarding task of studying the present in a way which would contribute effectively to public policy and private well-being. If you will not use it against me, I would say that you have left the latter task to the improvised judgments of practitioners who have lacked the time or the equipment needed to work out a coherent and consistent basis for the actions which they must take.

It is said that there has been a renaissance of monetary and credit policy in recent years. In fact, some extravagant claims are again beginning to appear concerning the power and influence of monetary measures in curing or ameliorating our economic ills. Governments may be tempted to commit or condone economic errors, in the hope that monetary policy can redress the balance, and in the hope that the central banking system will stand as a buffer between the Government and an electorate which chafes at restraint. We shall have to guard against asking too much of monetary policy. But it is a fact that monetary measures have re-established themselves, and rightly so, as one of the principal means used by governments to try to keep national economies in order without the stifling restrictions of more direct physical controls.

What I would now like to see is a renaissance in the study of money and banking in general and of central banking in particular. I would like to see a fresh and thorough examination of our existing banking and credit machinery and our money and capital markets. I would hope that out of such study and examination would come new ideas and new proposals which would give shape and direction to future public policies and private actions. It would be a task worthy of the best talent you can bring to bear on it.