

COMMITTEE ON THE HISTORY OF THE FEDERAL RESERVE SYSTEM

Minutes of Committee Meeting
Saturday, February 4, 1956
Princeton, New Jersey

Distributed
2/17/56

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

The Committee convened at 10:15 a.m. in the Seminar Room at the Institute for Advanced Study at Princeton, New Jersey. Members present were Chairman Sproul, Messrs. Burgess, Calkins, James, Riefler (for Mr. Martin), Stewart, Willits and Woodward. Miss Adams was present as executive director.

Reading of the Minutes of the previous meeting (May 24, 1955) was foregone as they had been distributed to members.

Purpose

The Chairman declared the purpose of the meeting to be a review of the progress of the project to date, a discussion of its future course and a decision as to which of several suggested courses should be adopted. He declared the Committee to have been "fertile in ideas and paper plans" but lacking in the executive means of obtaining the needed historian of the Federal Reserve System or writers of monographs concerning particular episodes in its history. (A copy of the Chairman's review will be placed in the Minute Book.)

Reports

Three reports, previously circulated to members, were then summarized. (These will be placed in the Minute Book.) Dr. Calkins presented the report of the Subcommittee on Monographs which held two sessions during the summer of 1955. He added an oral extension of that report to include an expanded account of a conversation with Dr. R. J. Saulnier who is interested in the general field of committee interest but not now available, and of a conversation with Dr. Howard Ellis; the latter would like to do a study of the Federal Reserve's foreign relations in the 1920's but might be persuaded to undertake the writing of a history of the System if the field were broadly defined.

Mr. Woodward presented a memorandum on proposals to put into effect the monograph approach to the preparation of historical studies of the Federal Reserve System which included seminars at Brookings; he also reported on topics for monographs which could be collected into several proposed volumes.

Mr. Burgess presented a compromise plan, previously discussed in meetings of the Executive Committee, which would include commissioning a single volume sequential history, a volume of readings, and other volumes which would be in substance collections of monographs. He suggested the commissioning of Dr. Ellis to write either the history or a monograph.

The memorandum on proposed monographs was discussed at length, and with suggested emendations.

Discussion of Alternative Courses

On the basis of these reports the Chairman called for consideration of four alternative courses of action:

- (1) As originally planned,
- (2) Monograph approach immediately, while continuing search for author or editor of definitive history,
- (3) Sequential or text book history, with one or more volumes of supplementary readings, monographs and, possibly, volume of previously unpublished material uncovered by this project,
- (4) Wind up project at end of fiscal year June 30, 1956.

Two further suggestions emerged during the discussion:

- (1) First, that the logical place to focus the continuance of the Committee's plans is the Brookings Institution;
- (2) Second, that in view of the executive problem created by the "frailties attendant on distinction" the Committee revise its constitution so as to divide the operations of trustee and of expert. Executive functions would be shifted to Brookings and the Committee functions clarified as advisory.

In further discussion of the various proposals facing the Committee, it was emphasized that the changes proposed involved no lessening of Committee responsibility but were designed to speed the plans of the Committee by improving their functioning mechanisms.

Clause of Enactment

During the luncheon period Mr. Woodward and Miss Adams put into skeleton form the consensus arrived at during the morning's discussion. After Committee revision it was accepted as follows:

"Provided that the Brookings Institution should decide to appoint a full-time staff member in the field of central banking who would devote his entire time to this responsibility, this Committee, considering in the light of two years' experience what its future course should be, proposes:

"I. To affirm its responsibilities toward the general development of the project as follows -

1. The Committee will continue to
 - (a) review general policy and individual projects,
 - (b) authorize expenditures jointly with Brookings,
 - (c) counsel and advise those commissioned to work in the project,
 - (d) read and criticize manuscripts.

"II. To modify its administrative arrangements whereby -

1. The Committee would invite the Brookings Institution to be responsible for the executive initiative concerning:
 - (a) the formulation of programs and the finding and employing of properly qualified persons to activate programs, these to be submitted to the Committee for review, criticism and authorization. Such programs will include the stimulation of interest in the field of central banking, the commissioning of monographs, the continuing hunt for an historian and all other activities necessary to carry the project to successful fruition.

It was also decided that it is the sense of the Committee that it would be desirable to employ Dr. Howard Ellis for a major writing assignment in this project and to authorize Dr. Calkins to execute this consensus if and when the revised course of the project has been approved."

The report of the Executive Director, distributed to members at this meeting (a copy has been placed in the Minute Book), included an Executive Committee report of discussions held with the authorities at Columbia University regarding the establishing of a center for collections of bankers' papers. The sum of \$35,000 would be needed to set up and maintain such a center. It was agreed that if Columbia chose to request such funds from one of the foundations, this Committee would lend its aid by endorsement and support of such a request.

The report also included a suggestion approved by the Executive Committee that data collected on the whereabouts of 104 collections of pertinent papers be circulated to interested institutions such as university libraries. Mechanics and timing remain to be worked out.

The Executive Director recommended that a well-planned effort be made to get the Parker Willis papers and the Leffingwell-Treasury papers to a scholarly depository, and that consideration be given to the publication of

the Strong-Norman correspondence. It was agreed that Columbia be asked to take the two collections, and that the Chairman would support requests for the papers when their consent was obtained.

Next Steps

It was agreed that Dr. Calkins should present the Committee's proposal to the Board of the Brookings Institution at their next meeting (in early March) and that if accepted by that Board, he and Mr. Woodward should then discuss the Committee's proposal with the Rockefeller Foundation and seek a renewal of its approval of the revised program.

The meeting was adjourned at 3:30 p.m. The meeting of the Executive Committee which had been planned to follow was postponed until a later date.

Donald B. Woodward
Secretary

minutes

COMMITTEE ON THE HISTORY OF THE FEDERAL RESERVE SYSTEM

Alternate Text - Clause of Enactment

February 17, 1956

In the light of the Committee's experience during the past two years, and after considering various alternative plans and procedures, the Committee recognizes that in order to carry out its responsibilities for the general development of the project, it is desirable to assign to the Brookings Institution a larger administrative responsibility for studies and personnel. To this end the Committee suggests:

I. That the Brookings Institution appoint a full-time staff member in the field of central banking who could devote his entire time to the development and direction of projects on the History of the Federal Reserve System.

II. That the Brookings Institution assume responsibility for initiating programs, finding and employing properly qualified personnel, and the submission of these proposals to the Committee for review, criticism, and authorization; it being understood that such programs will include the stimulation of interest in the field of central banking, the commissioning of monographs, the continuing hunt for an historian, and all other activities necessary to carry the project to successful fruition.

III. Under these arrangements the Committee will continue to:

- (a) review general policy and individual projects;
- (b) authorize expenditures jointly with the Brookings Institution;
- (c) counsel and advise those commissioned to work on projects, and
- (d) read and criticize manuscripts.

IV. That, if the Brookings Institution will work out the foregoing arrangements in a manner acceptable to itself, the Committee will be prepared to give the proposal immediate consideration.

V. It is the consensus of the Committee that it would be desirable to employ Dr. Howard Ellis for a major writing assignment on this project.

COMMITTEE ON THE HISTORY OF THE FEDERAL RESERVE SYSTEM

Proposed Supplementary Statement on Administrative Procedures,
with Particular Reference to the Authorization of
Administrative Expenditures from Committee Funds.

Approved May 4, 1955
by Executive Committee

Following paragraph 3 of the agreement on the
"Relation between the Committee on the History of the
Federal Reserve System and the Brookings Institution," it
is understood that that member of the Executive Committee
who is empowered to act for the Committee shall have the
power and the duty to authorize the payment of Committee
funds for administrative purposes or to delegate such power
as he sees fit. In accordance with that understanding, the
power to authorize expenditures for ordinary office and
travel expenses coming within the budget is hereby dele-
gated to the Committee's Executive Director. Any extra-
ordinary expenditures not previously authorized by the
Executive Committee shall be submitted to the said member
for his authorization before being incurred.

COMMITTEE ON THE HISTORY OF THE FEDERAL RESERVE SYSTEM

February 10, 1956

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

Winfield W. Riefler

In view of the discussion last Saturday of the terms on which the Rockefeller grants were made, and the relative responsibility as between this Committee and Brookings, members may be interested in three sets of quotations, two of them from the Rockefeller letters of grants, the third a copy of the document defining the relationship between the Committee and Brookings.

On January 21, 1954, when the pilot project was starting, Miss Flora Rhind, Secretary of the Rockefeller Foundation, wrote to Dr. Calkins as follows:

"I have the honor to inform you that action has been taken by the officers of The Rockefeller Foundation making available the sum of \$10,000, or as much thereof as may be necessary, to The Brookings Institution for an exploratory study of historical materials relating to the Federal Reserve System. This grant is for use during the period ending April 30, 1954, and it is our understanding that it will be administered by the Brookings Institution in collaboration with the Committee on the History of the Federal Reserve System of which Mr. Allan Sproul is President.

.....

"May we request that when communicating with the Foundation concerning this grant, you quote the reference number 'GA SS 5404.'"

On May 24, 1954, Miss Rhind wrote Dr. Calkins concerning the major grant as follows:

"I have the honor to inform you that at a meeting of the Executive Committee of the Rockefeller Foundation on May 21, 1954, action was taken providing up to \$310,000 to The Brookings Institution for the preparation of a history of the Federal Reserve System. This grant is in addition to the Foundation's grant No. GA 55 5404, and the combined sums are available for the period ending May 31, 1959."

These paragraphs are so general as to include a wide range of possibilities. The letters make no reference to any plan or description governing or inspiring the grant. All that the Foundation asks is attention to the code number, an annual budget and an annual statement of expenditures.

On May 21, 1954 the Committee approved a statement of the proposed relation between the Committee and Brookings. A week earlier (May 14, 1954) this had been approved by the Brookings Board of Trustees. It reads as follows:

**"PROPOSED RELATION BETWEEN THE COMMITTEE ON THE HISTORY OF THE
FEDERAL RESERVE SYSTEM AND THE BROOKINGS INSTITUTION**

1. The Committee on the History of the Federal Reserve System and the Brookings Institution will assume joint responsibility for the administration of the proposed project on the History of the Federal Reserve System and the expenditure of funds that may be granted by the Rockefeller Foundation for this activity. The proposed grant will be made to the Brookings Institution for administration jointly by the Committee and the Institution.
2. The Committee will enlarge its present membership and provide for the replacement of members as agreed upon by the Committee and the Brookings Institution.
3. To facilitate the administration of the project, the Committee will designate an Executive Committee with power to make administrative decisions jointly with the Brookings Institution on matters that may require action, and a member of this Executive Committee will be designated and empowered to act for the Committee in accordance with general policies established jointly by the Committee and the Brookings Institution.

4. The Committee, directly or through its designated representatives, and the Brookings Institution, through the President, will jointly determine the research and related activities to be undertaken, the allocation of funds, the manner in which these activities shall be pursued, the personnel to be engaged, the contracts, grants, or other commitments that may be made.
5. The administrative arrangements and the payment of funds will be handled by the Institution on the authorization of the President in accordance with procedures approved by the Committee and the Institution.
6. Employees engaged for work on the project shall be appointed by the President of the Institution in consultation with a designated representative of the Committee, and they shall be joint employees of the Committee and the Institution for specified periods, and not regular employees of the Brookings Institution.
7. Contracts or grants for writing, research, or other services shall be arranged by the President of the Institution in consultation with a designated representative of the Committee. These contracts or grants, as the circumstances may require, shall specify the obligations of the parties, the amount and manner of payment, the responsibility for supervision, and the responsibilities respecting reading and criticism of manuscript, editorial work, approval for publication, and publication arrangements. Such contracts or grants may be entered into with the Brookings Institution itself for portions of the work on terms that comply with the Institution's usual operating practices.
8. The Institution will keep a record of its overhead and other expenses incurred in administering the project, and render an accounting to the Committee annually. Such expenditures up to \$3,000 per year (as provided in the request) shall be charged against the funds for the project. Any expenditures beyond \$3,000 per year shall be subject to reimbursement with the approval of the Committee.

9. These arrangements shall apply for the duration of the project over the next five years, unless altered with the approval of the Committee and the Brookings Institution."

The third paragraph was expanded on May 4, 1955 in regard to authorizing payments.

Presumably it is this third document which would be amended by the "enactment clause" approved by the Committee at their meeting on Saturday, February 4, 1956.

These three items have now been taken from the files and placed in the Minute Book. Their substantive paragraphs are sent you with apologies for their absence at Princeton.

Mildred Adams