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## Committee on the History of the Federal Reserve System

### Progress and Plans

In the spring of 1954 the Rockefeller Foundation, taking notice of the results of a pilot project carried on by this Committee under a limited grant, accepted the Committee's proposal that a study be made of the history of the Federal Reserve System and for that purpose provided funds to carry the project for five years. The first of those years having passed, the Committee now wishes to ask the Foundation's consideration of progress to date and plans for the future.

#### I. Progress to Date

The Proposal which elicited the grant included a plan for work in three fields. The Committee planned to engage in Archival and Research activities which were described at some length, to undertake the commissioning of Major Works in two categories, the definitive history and a pattern of related monographs, and to engage in the Editing and Publishing of Pertinent Documents. This third enterprise was seen as arising out of the other two and therefore was not ranked as probably active until the later stages of the project.

##### A. Archival and Research Activities

As will be seen in a report to the Committee enclosed with this review, achievements of the Committee staff in the field of archival and research activities are considerable. Not only has a sound basis been laid in collecting and arranging essential material which will be useful in various aspects of this study, but the continuing discovery of private papers and the collecting of memories by interview is greatly enriching the whole field of documents available for research purposes in this area. The staff has discovered the whereabouts of 73 pertinent collections of papers, and

has records of some 90 interviews with Board and Bank officers, directors and related officials, with special attention to those who have had long service. Already four sets of private archives (the papers of Ogden Mills, Fred I. Kent, Emmanuel Goldenweiser and Frank Vanderlip) have been saved from pending destruction or slow disintegration and moved, or are being moved, to responsible libraries. A major university has been inspired to plan the establishing of a new library for monetary research.

At one time the Committee thought it might be necessary to handle and catalogue some of these private collections on its own account. Its first commission in this field was for a Selective Inventory of the Papers of Carter Glass, which was made by Dr. Elbert Kincaid and a group of graduate students at the University of Virginia in the summer of 1954. This inventory, a valuable research aid, is now in mimeograph form awaiting inclusion in the Committee's publishing program.

At the same time, the ground has been laid for research into the early records of Banks and Board by personal visits of the director and by questionnaires which will make it possible to coordinate information as to what historical material is kept in libraries and files, how it is kept, and how long it may be available. It seems probable that no outside committee, lacking what might be called official status, has ever been given such valuable cooperation by these financial institutions.

Meanwhile extensive card catalogues have been developed for the recording and filing of essential data, and easy reference to it. These include first, career data for all Board members, senior officers and directors of the twelve Federal Reserve Banks from 1914 to 1954; we also have a sub-file for economists and monetary experts who are important in Federal Reserve history and for those who might be participants in this project. Second, we have a chronological card file for the forty years of System history which

includes not only pertinent government officials, but also the legislation affecting the System, the litigation (this is in process), the chief Congressional hearings, the policy actions taken; an "Influential Events" category is still in process. Third comes a bibliographic file paying particular attention to periodical contributions and special studies elsewhere unlisted. This may form the basis for a publishable bibliography of wide usefulness.

These archival and research activities are by no means finished. By definition, such labors expand in depth as a project of this type grows. They are, however, so well in hand that in the second year they need no longer occupy a major part of the staff director's attention.

#### B. Commissioned Works

Work in the archival and research sector was planned to lead into and feed the second category of Committee activity, the commissioning of the history itself and of monographs dealing with special aspects of that history.

The monographic phase had a happy start last spring when Dr. Lester Chandler of Princeton University was commissioned to begin work on the biography of Benjamin Strong, Central Banker - a task for which three years was the time allotted. Dr. Chandler, to whom Bank, Board and family files have been freely opened, spent from January through May reading through files made available in the Committee offices by the Federal Reserve Bank of New York. He has done considerable correlative interviewing and reports that he expects to begin the writing process in September.

Other monographs and monograph writers have been discussed but have, by common consent, been set aside until the historian was appointed. A panel of possible authors and a list of some thirty possible subjects were noted and circulated for consideration, but decisions were postponed on the

ground that the author of the major history, his needs and his wishes, were of the first order of importance, and that until he should be at work, no arrangements which might later seem in conflict should be made.

The definitive history, and the man to write it, have been, in the minds of Committee members, the core of the whole project, and the objects of their primary interest. When the Proposal was made a year ago, we said that, "The major project will be put in charge of a scholar of wide experience and attainments who will have general supervision over its various parts and who will himself undertake some of the writing assignments which the Committee contemplates."

We were then assured, and we so informed the Foundation, that Mr. W. Randolph Burgess, then Deputy to the Secretary of the Treasury and now Under Secretary in charge of Monetary Affairs, would occupy this post when his work at the Treasury was completed. The intervening year has made it clear that while Mr. Burgess' interest in the project has not flagged, his work at the Treasury has grown more, rather than less, demanding and intensive; in any foreseeable future we cannot expect him to assume the responsibility for the major historical study, but we have every reason for expecting his aid and counsel in regular Committee activities.

When it became clear that the original plan could not be carried out, Committee members began at once to seek an alternate for Mr. Burgess who should bring to the project talents and reputation of an equivalent order. They canvassed the field at the top academic level, and examined into the credentials and the abilities of forty-two men who seemed possibly fitted by reputation and experience to undertake the task. Out of these, ten were selected as possibilities.

Then began a most diligent process of consideration and interview. Almost without exception the first reaction was one of enthusiastic interest,

followed by the handicap of individual difficulties. Either the potential candidate felt himself too old to undertake so long and arduous a new task, or he was too deeply committed to his present occupation to be ready to change it for another which at best would be of relatively short duration. Added to those difficulties was the fact that men of the desired caliber make their commitments far in advance. The Committee was forced to conclude that the process of enlisting scholars of the first rank in a project of this importance involved a longer time interval than had been estimated. We are continuing the search.

### C. Publishing

The third division of the Proposal concerned the editing and publishing of pertinent documents. This was outlined as a late phase of the project, but two accomplishments should be listed. The first is the Selective Inventory of the Papers of Carter Glass, described on page 2, which awaits inclusion in a future publishing program. The second is a report looking toward that program which the staff director made after interviewing key publishing houses of the commercial, the university and the institutional types. This report constitutes a preliminary survey which lays the base for later planning.

## II. Plans for the Future

Having in mind the considerable progress which has been made, the Committee has ended its first year's work with steadfast faith in the importance of its project, with preparatory work in the Archival and Research field well under way, with the most amicable relations established among the people whose cooperation is essential to the project's ultimate success. They have one research volume (the Glass inventory) approaching readiness for publication, and one monograph (the Chandler-Strong study) satisfactorily in process.

Balanced against these points of progress are the considerable disappointments resulting from the Treasury's continued need for the full-time services of Mr. Burgess, and the Committee's inability to find an alternate for him between the time that need was made apparent and the end of the project's first year.

When the Committee members realized that, despite every effort, they were approaching the end of the first year with no historian in hand, they reconsidered the monographic approach. A new list of potential authors and subjects was prepared and submitted which might have proved itself had time not been so pressing. But here too the time factor was a stumbling block. In spite of a most careful combing of the field, it has not been possible during the first year to plan and commission a pattern of monographs.

Plans for the history are therefore in abeyance until a scholar of the required caliber can be secured. Plans for relevant monographs are still in the exploratory stage, with two competent writers (in addition to Dr. Chandler) known to be available and a complete design for a monograph pattern in the discussion stage.

The nature of this experience is such as to persuade the Committee that one of the governing reasons for the Foundation's approval of this project - namely, the need for restudying the history of the System - carries with it certain obligations for which this project has made no adequate provision. Ours is not the first group to find the first rate economic historians in the United States to be in short supply. We knew this to be the case when we entered on the project. Indeed, this condition, and the corresponding lack in adequate historical treatment of monetary affairs, was a governing factor in our original request.

What we had not anticipated was that this barrenness seems to prevail not only among the middle group but also among the young. In an economy so dependent upon monetary factors, we find this lack of a scholarly focus on monetary history and its lessons to be acutely disturbing. We feel that there is great need for a major effort directed toward awakening in younger economists a sense of the importance of monetary history in the affairs of the nation, with particular emphasis on the changes wrought since the creation of the Federal Reserve System, and we would like to add plans for such an effort to our list for the coming year.

However, we recognize that before accepting the responsibilities imposed by new plans, we must arrange for those laid on us by old ones. In view of the Proposal made a year ago, the considerable progress achieved and the disappointments experienced, we find ourselves facing two alternatives, on which we would like to consult the Foundation from whom our funds are derived. On the one hand, we can proceed energetically along the course described above, continuing to stress the monographic approach, looking particularly for younger talent and at the same time continuing to search for the desired author competent and able to undertake the definitive history. On the other, recognizing that the pace of commissioning authors has been slower than we hoped and that this slower pace may imperil the completion of the project in the time allowed, we can, if the Foundation so advises, proceed at once to liquidate our present commitments with the understanding that no new activities shall be started. *We would do this with great regret.*

A. The first alternative implies a continuation of the course which the Committee has been following, with some changes and some additions.

1. In view of the difficulty of securing an economic historian of the required stature, the Committee proposes to devote its immediate



attention to the monographic approach to the field of Federal Reserve history. This calls for a carefully planned series of monographs, coherent and related, which will cover not only the more obvious problems but also include sufficient penetration in depth to examine certain phases for which new material exists and new interpretations are desirable. It demands a panel of writers which will include men experienced in Federal Reserve practice, academic observers of monetary affairs, and younger students able to bring new disciplines and new insights into play.

The success or failure of the undertaking will be determined by the availability within a reasonable time of competent students wishing and able to do the studies. As part of the search for them we propose to call in the autumn a conference focussed on the problem and enlisting the outstanding students and authorities in the field for the nomination of names and discussion of subjects. We have also under consideration the planning of a seminar course at the Brookings Institution for the longer term stimulation of interest among younger men in the history of the Federal Reserve System. Invitations would be issued to the most promising of the younger monetary economists with particular emphasis on their proven interest in writing on monetary subjects.

2. This emphasis on the monographic approach would by no means be considered a substitute for the hunt for an historian of the first caliber who could undertake the definitive history which has been the core of this project. It is contemplated as a shift in balance which, if men can be enlisted as in Paragraph 1 above, would allow us to get more studies under way sooner. We would at the same time continue a diligent search for a scholar able to carry the core of this project.

3. Archival and Research activities would continue, with some changes of emphasis, toward the completion of certain phases and the addition of others. Plans include an intent

- a. To continue the visits to the Board, to the end of improving our research record of material available there.
- b. To carry on by means of correspondence the good relations already established with the twelve banks. Visits may be necessary on occasion, but these should be minor until the point of intensive research into individual Bank history has been reached.
- c. To continue the hunt for papers, the recording of their whereabouts, and the recommendations for deposit of important collections in appropriate libraries.
- d. To complete the biographic, bibliographic and chronological master files. Of these the first and third are nearly finished; the second, planned for ultimate publication, continues to grow.
- e. To revise the interview process so as to lay less stress on collecting of general memories and more on
  - (i) Interviews in depth with men known to have participated in important decisions at important moments. The number of interviews will be smaller, but the research value should be greater.
  - (ii) Well planned group or conference interviews on the highest level like the two at Princeton which proved so valuable in November 1954 and January 1955.

4. We would continue to keep in mind what was originally the third section of the Proposal, namely the editing and publishing of

pertinent documents, but we anticipate no final decisions in this sector until 1956-57.

B. The second alternative should, if adopted, allow time for the completion of work under way. This includes archival and research activities which could be wound up by June 1956, and the completion of Dr. Chandler's study of Benjamin Strong which ~~has~~ two years to run (until 1957). It would preclude the completion of a definitive bibliography or the undertaking of a publishing program. Staff work should, with the adoption of this alternative, cease June 30, 1956 except for bookkeeping operations connected with the Chandler-Strong book, a task which the Brookings Institution probably could assume. Funds remaining when existing commitments are fulfilled would be returned to the Foundation. The decision to liquidate would be painful, *and the Committee would be very regretful* but the Committee realizes that the slower pace may make it seem reasonable.

The Committee would prefer to proceed with the first and more positive of these programs. However, it feels the need of Foundation advice and therefore seeks it. Whatever the decision, the Committee wishes to record its gratitude for the privilege of having been able to carry forward the work herein presented.

#### Acknowledgments

Before concluding this review of the first year's Progress and Plans, the Committee wishes to point with pride and pleasure to the quality and extent of cooperation which the System itself is according this study by an outside staff. This cooperation has taken many forms, from the open doors and the thoughtful assistance rendered in Washington to the welcome accorded the Committee's director in all twelve regional banks. Officers have ~~been~~ granted interviews, employees have searched out information with unfailing courtesy and interest. The staff's daily work in the comfortable and efficient offices

provided free of rent by the Federal Reserve Bank of New York is made easier by courtesies on the part of the Bank staff who mend our typewriters, buy supplies for us, lend us library facilities, allow us cafeteria privileges, furnish emergency typing aid, permit us to examine old files and, in general, combine for us the best features of treatment as honored guests and as members of the Bank family.

That this type of assistance has greatly facilitated the work of inquiry into the research material which might be available to properly qualified students goes without saying. It also constitutes a substantial contribution to the project.

At the same time, ~~the Secretary would like to pay~~ <sup>should be paid</sup> tribute to the quality and extent of interest shown in the project by the very busy men who make up the membership of this Committee. This is in the best sense of the word a working group, responsive to every request made by officers or staff members, willing to make room in crowded schedules for meetings, alert to requests for consultation by telephone or personal conference. In addition to attending business meetings, these men have given up two Saturdays and one Sunday for full-day group conferences at Princeton, and they show every desire to contribute to the project whatever is asked in terms of time or thought. As they are themselves men of wide experience in the theory or practice of Federal Reserve operation, the ability to draw on this reservoir of knowledge gives the project a rare distinction.

Another notable feature is the hearty cooperation given this project by men of many types in many fields who have served terms as bank officers or bank directors, and who now respond to requests for information with an alacrity which is as gratifying as it is valuable. Some of them contribute written memoirs, some agree to open their files for research, others submit to long interviews of the kind that recreate their past in the System. It

has been our repeated experience that a mere mention of the project serves to evoke a wide interest in the subject and a statement of its aims brings an immediate recognition of its broad import.

Of primary importance in the Committee's work is the participation of the Brookings Institution with its long and varied experience in the nursing of scholarly inquiries and the accumulated wisdom which its President brings to bear on Committee problems. We count ourselves fortunate to have the Institution's counsel and encouragement; also we are grateful for its hospitality, and for the high quality of its aid and advice in some of the more puzzling daily tasks.

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