

Committee on the History of the
Federal Reserve System

DATE 12/1/54

TO Donald Woodward

FROM Walter Adams

REMARKS

This is the letter being
typed for you when you
phoned this morning -
I'm sending it along
to serve as a memo.

W.

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

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

November 30, 1954

Dear Don:

I talked this morning with Karl Bopp, and I think I have a little more light on the Chandler suggestion that perhaps the experts had done all they could do, and another meeting with the Committee might not be useful.

Bopp was completely surprised at the idea. It is true that the Chandlers were guests of Dr. and Mrs. Bopp at Thanksgiving dinner, but apparently no business was talked. Karl suggests two possible bases for the suggestion - first, a feeling on the part of the three experts that they had not been of much use on Sunday and had failed to make their points with the Committee (this was very sharply expressed when they met that Monday morning), second, a desire not to hamstring the historian by appearing to make a hard and fast outline which he might think he was expected to follow.

I recalled to Dr. Bopp the original agreed order of procedure; namely, the three-day meeting, then the distribution of the stenotype record and the draft document which was produced on Monday, then a period of weeks during which the experts could presumably confer and consider the draft document in the light of suggestions contained in the stenotype record, and fourthly, the January meeting at which they would present the fruit of their consideration for further argument on the part of the Committee.

He agreed that whereas Dr. Chandler is a person of quick decisions, Dr. Wood comes to them slowly, and that it would be very wasteful to stop now before the stenotype itself has been distributed or any further thought been put on the document which the experts intend to present.

After a good deal of discussion, I reduced the somewhat hazy problem to three questions. In the first place, did Dr. Bopp think he and his colleagues would want to recommend junking the second meeting? Second, would they like to postpone the second meeting until the author is chosen when the Committee and the experts could usefully meet with him? Third, would they like to go ahead with the program as planned?

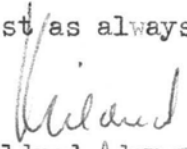
Dr. Bopp rejected the first idea but favored the second proposal, provided that choice of the historian may be made very shortly. I could give no such assurance. Otherwise, he would prefer to go ahead with the January meeting as planned. He feels that any proposal for a change in the agreed program should come from the Committee rather than from the experts who are serving the Committee. He will see Chandler on Thursday and try to probe further.

If I may, against this background, make a recommendation, it would be that, unless signs of dissatisfaction come from the Committee, we let matters stand as they are, at least until the Executive Committee meeting on the 14th of December. By that time, the stenotype record will have been received and distributed to the experts, I will have had a chance to make suggestions as to the expansion of the draft document, and Dr. Wood will have had a chance to evoke new ideas from his former students.

If the actual choosing of the eventual historian seems on December 14 to be close, The Committee might then like to consider the other suggestion of postponing the meeting until perhaps the end of January when it might be held with the chosen author.

I hope this makes sense in your terms.

Best as always,


Mildred Adams

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

Committee on the History of the
Federal Reserve System

DATE 11/30/54

TO Mr. Woodward

FROM Miss Adams

REMARKS

Two letters similar to this one to Mr. Beattie were sent to Mr. Kenneth Taylor and Dr. W. A. Mackintosh.

*Sorry to get at these so late - I should have done this the moment I returned from vacation -
Yours in each cloth
Villard*

COMMITTEE ON THE HISTORY OF THE FEDERAL RESERVE SYSTEM

November 30, 1954

Dear Mr. Beattie:

Some weeks ago, Mr. Donald Woodward, Secretary of this Committee and Chairman of the Finance Committee of Vick Chemical, asked me to tell you more about the project in which we are engaged than he had taken time to recount when he saw you in Montreal. A delayed vacation intervened, and I am ruefully conscious that this letter reaches you later than was intended. I can only hope that it will remind you of a conversation and a subject which was deeply interesting to Mr. Woodward and which attracted your own attention.

Mr. Woodward probably told you that we started in January with Rockefeller funds on a quick and intensive search for unpublished papers which bore on early phases of the history of the Federal Reserve System and that we had considerable good fortune in locating several collections which hold high promise. For example, the papers of Senator Carter Glass had been "rough-sorted" into 423 boxes and deposited in the library of the University of Virginia. These we have had examined in detail and an inventory made, so that students may now judge from the catalogue whether or not they need to go to Virginia to read the correspondence from a specific man or on a specific subject. The papers of Mr. Charles Hamlin, an early member of the Federal Reserve Board and one who served for many years, are in the Library of Congress, have recently been freed of seal and are open to research. The papers of Ogden Mills, Secretary of the Treasury and Chairman of the Federal Reserve Board in 1932-33, we found in a garage on Long Island and were at least partly responsible for the fact that they have now been taken to the Library of Congress. And to move to a later period, the papers of Dr. Emmanuel Goldenweiser, long Director of Research for the Federal Reserve Board, have been gathered together, catalogued and are now awaiting decision as to a final place of deposit.

These are a few of our most rewarding finds. Altogether, we have located a surprising number of collections. At the same time, we have been reaching for the memories of men who were early in positions of responsibility within the System, and by means of interviews, we have caught at least the flavor and some of the incidental color and bias of early days.

As this research process continues, and with it a hunt for the men equipped to engage in writing the comprehensive history which is the purpose of this project, we find our scope of inquiry broadening to include the international field which has been so important in various aspects of American central

banking. Mr. Woodward has indicated that we might have word from you as to Canadian points of view about the Federal Reserve System. We would treasure suggestions as to where to find such data, or references to discussions on this subject, or any comment which will set us further along this difficult and fascinating path. We hope for word from you on this.

I know that Mr. Woodward would want me to send you his warm greetings and his appreciation of your interest. He will be most grateful for any suggestions you may give us, and so will we.

Very sincerely yours



Mildred Adams

Mr. J. R. Beattie
Director of Research
Bank of Canada
Ottawa, Canada

c.c. - Mr. Donald B. Woodward ✓

COMMITTEE ON THE HISTORY OF THE FEDERAL RESERVE SYSTEM

November 30, 1954

Dear Mr. Walton:

Mr. Donald Woodward, who is Secretary of this Committee, has suggested that I send you a short description of the work we are doing in the hope first, that it might hold interest for you, and second, that it might evoke from you suggestions as to Canadian research deposits which might prove fruitful for us.

May I therefore say that the Committee's purpose is implied in its title - it aims to encourage the writing of a comprehensive history of the Federal Reserve System; to that end, it has for almost a year been searching for papers and probing memories concerned with the early days of the System. In some areas, we have had amazing luck, in others the "pay dirt" was very small. We found, for instance, that the papers of Senator Carter Glass, commonly called in some quarters the father of the System, were deposited in the University of Virginia. We have had them surveyed and inventoried for the use of students. The papers of Ogden Mills, Secretary of the Treasury and Chairman of the Federal Reserve Board in 1932-33, were in a garage and are now in the Library of Congress. And so on through a surprising number.

Our sources in the international field, on the other hand, are most inadequate, and it is here that I am, at Mr. Woodward's suggestion, appealing for aid from you and the Bank of Montreal. As fiscal agent for Canada in the United States throughout many decades, the Bank must have amassed correspondence and memoranda from many sources which bear on various phases of Federal Reserve history. Could you give any clue as to where such materials might be and how we might approach them? Does anything in the way of an index or an inventory of such papers exist which could be made available to us?

I write this in general terms because the specific question seems always to come later than the general feeling of need

for aid. Any suggestions you can give us which bear on this problem will be received most gratefully.

Very sincerely yours



Mildred Adams

Mr. Edward A. Walton
Economic Adviser
Bank of Montreal
Montreal, Canada

c.c. - Mr. Donald B. Woodward ✓

November 29, 1954

Miss Mildred Adams
Committee On The History Of The Federal Reserve System
33 Liberty Street
New York 45, New York

Dear Mildred:

Enclosed is my expense account for the Princeton meeting. Of course the meals at the Inn and my room charge have already been taken care of. I found all arrangements so excellent that I want to go to more meetings that you arrange!

Cordially yours,

Donald B. Woodward

ks
enclosure

Submitted By Miss Adams

The Brookings Institution

Washington 6, D. C.

November 24, 1954

Miss Beatrice Bulla
Committee on the History of
the Federal Reserve System
33 Liberty Street
New York 45, New York

Dear Miss Bulla:

This letter is to acknowledge formally the contract arrangement which Miss Adams has worked out with you for undertaking an assignment doing bibliographic work under the general direction of Miss Adams. This arrangement is made effective as of November 12, 1954, and will continue for a period of three months, but may be extended by mutual agreement. It is understood that you will report the time expended under this contract, and will be compensated at a rate of [REDACTED] an hour.

Sincerely yours,



President

cc: Miss Adams
Mr. Woodward ✓
Mr. Akers
Miss Maroney
Mrs. Wilson

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722 JACKSON PLACE, N. W.
WASHINGTON 6, D. C.

November 24, 1954

Dear Don:

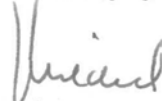
Minutes of the Princeton meeting will be sent you shortly, but meanwhile this is to serve as a small reminder on two counts:

First, that you put on your calendar the date January 8th for a return engagement at Princeton - an all day meeting to consider the document which the experts will produce, and to move forward with a decision on the choice of a man (or men) to write the comprehensive history.

Second, if you have a sudden inspiration, either for *The Historian* or for writers of monographs, we would be delighted to have them by December 10th so that we can circulate them to the Committee.

It was good to see you Sunday.... *it always is!*

Most sincerely yours,



Mildred Adams

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

Committee on the History of the Federal Reserve System

Conference with Three Experts

Princeton Inn
Sunday, November 21, 1954

Agenda

- 10:00 a.m. Meeting convenes, Mr. Sproul, Chairman
Introduction of Dr. Bopp and his two colleagues
Meeting to be turned over to Dr. Bopp as Chairman pro tem.
- 11:45 a.m. Progress report (at hand)
Report on Kincaid project (at hand)
Presentation of Inventory of Carter Glass Papers, First Copy
Questions -
 Will the Committee authorize the making of an index?
 (estimates at hand)
 How many copies of the completed report are to be made?
 How are they to be bound?
 Pressboard or permanent?
 Where are they to be placed?
- 12:15 p.m. Adjourn for lunch
- 2:00 p.m. Reconvene for afternoon session
- 4:30 p.m. Summary statement from the Committee Chairman
Choice of date for 2nd conference some six weeks hence -
 Saturday, January 8th, and Monday, January 10th, for working group?
 Sunday, January 9th, for Committee and group?
- 5:00 p.m. Adjournment

REPORT ON KINCAID PROJECT

The inventory of the Carter Glass Papers at the University of Virginia, which was undertaken early in the summer by Dr. Elbert Kincaid and three graduate students working under his supervision, has been completed, but questions of indexing, binding, and distribution remain. It fills 614 mimeographed pages and describes the Glass material contained in 423 boxes on the shelves of the Alderman Library at the University. The contents of each box are given at least a page, and in some instances, two or three pages. This system makes it possible to place in each box the page (or pages) which constitute the inventory of that box, as well as to bind the whole inventory into a volume useable by students.

The value of the inventory as an aid to locating items depends, of course, on the inviolability of the present arrangement of papers within the boxes where they are now catalogued. It might have been safer had each item been given an item number and a box number. It also would have seemed that some rearrangement might have been advantageous. Neither idea was welcomed by the library authorities. For the sake of the inventory's usefulness, one can only hope that their optimism as to the orderliness of future users of the collection is not misplaced.

No index to the inventory was provided by Dr. Kincaid, and the funds provided him were not sufficient to cover this extra work. (In fairness to him, it should be noted that the estimate of boxes provided by the librarian in the beginning was 216, whereas the number actually found was 423, so that the work done was almost twice as much as anticipated). An index of names and subjects would be a primary need of any student using this inventory. Dr. Kincaid would like to make such an index himself, but there are reasons why the

staff thought it better to get independent estimates in New York, A decision by the Committee, on the basis of these estimates, would be gratefully received.

Dr. Kincaid is writing a foreword for the inventory which will be included. The inventory will be registered in the copyright office as an unpublished work so as to protect it against plagiarism.

Committee decision is also needed on the number of copies to be produced, and the places to which they are destined. The first run was 20 copies, of which 12 were destined for the Committee, 6 to the University of Virginia library, and 2 to Dr. Kincaid as author. The mimeograph stencils have been preserved and more copies can be run if desired.

Also, we need to know how the Committee would like the inventory bound. ^{here} It is presented in a cloth-covered post-binder (costing \$2.50), but the library of the New York Federal Reserve Bank recommends a less expensive press-board cover, of which a sample is at hand.

Provided with an index, and distributed to appropriate places, this inventory will have great value for students of these papers and the events on which they bear. A great deal has been learned in the process which will be valuable for the next undertaking of this sort - (perhaps the Parker Willis Papers?)

Mildred Adams
Research Director

COMMITTEE ON THE HISTORY OF THE FEDERAL RESERVE SYSTEM

Conference with Three Experts

Princeton Inn
Sunday, November 21, 1954

Agenda

- 10:00 a.m. Meeting convenes, Mr. Sproul, Chairman
- Progress report (at hand - needs mention only)
- Report on Kincaid project (at hand - needs mention only)
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- Meeting to be turned over to Dr. Bopp as Chairman pro tem.
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I. GENERAL DESIGN

A. Comprehensive history

B. Source material

1. Annotated bibliography

2. Selected unpublished documents

✓ C. History for the general reader

D. Monographs

1. Bank Supervision

2. Check Clearing and Collection

3. Fiscal Agency

4. Research and Intelligence

✓ 5. Constitutional History

6. Personnel

✓ 7. Role in International Finance

✓ 8. Benjamin Strong Biography

9. Other?

II. ALTERNATIVE APPROACHES OF THE COMPREHENSIVE HISTORY

A. Topical

How integrate?

B. Chronological

What time periods?

III. COVERAGE

A. What aspects should be covered in all periods?

B. What aspects are limited as to time?

IV. ALTERNATIVE ORGANIZATIONS FOR COMPREHENSIVE HISTORY

A. Single writer

B. Several writers

- how achieve integration, continuity,
and consistency of approach?

(Remarks at close of morning session, Sunday, November 21, 1954)

DR. WOOD: I am slightly hazy as to just how the thing has crystallized.

DR. SPROUL: I'll try to summarize it, and everyone else may have a somewhat different view.

It seems to me that so far as it has crystallized, it has crystallized first around the idea that Dr. James and Win Riefler have suggested, that there would be one man full-time who would be working on the comprehensive history with assistants, research people, working for him, and with another group of part-time, one or two-year men, who would be working on various monographs and associated with him in the whole general project. That so far as the outline here is concerned, instead of having C, a history for the general reader, and D, monographs, we would have two groups, however we list them, one of which would be in the broad stream of the comprehensive history that has been mentioned here: economic study, constitutional study, international study, personality study, and a general study, which would include the climate, the pressures which have been mentioned; and then there would be, second, the subsidiary, the peripheral monographs on these other aspects of Federal Reserve operation and relations with the Treasury and with the banking system which have been listed, in addition to others that might be suggested.

Going down to 4, that, so far as we have gone, suggests a single writer for the work on the comprehensive history and several writers for both the broad stream books and the tributary stream monographs.

DR. BOPP: And that on the monographs, several -- probably particularly those dealing with the broad stream -- would involve the full

time of a person for a year or two. Others, technical monographs, could be done part time.

MR. RIEFLER: Could we put it this way, that there are two ways of trying to squeeze what is relevant out of historical data. One is a very careful approach geared primarily to time, the chronological approach. The other is the problem approach, which tries to take a problem from a topic and explore it. And we plan to use both on a equal basis.

DR. JAMES: There is the other point, that if the monographs are well done within the first two or three years, they are going to be invaluable to whomever is writing the comprehensive history, because he will know where he wants to ask questions and what original documents he wants to examine.

- - -

COMMITTEE ON THE HISTORY OF THE FEDERAL RESERVE SYSTEM

November 19, 1954

Dear Dr. Willits:

Donald Woodward phoned yesterday that you had accepted the Committee's invitation to become a member. I know I speak for all of them in saying that your decision will be greeted with very genuine pleasure, not only because they have so vast a regard for your wisdom and judgement, but also because, if I may borrow a term from the radio world, your "popularity rating" is so very high with them.

Hope has been expressed on all sides that you might be at Princeton to meet with them on Sunday, the 21st, but I understand that may not be possible. I am therefore sending you with this a file of the Progress Reports which have been made from time to time in order to keep the Committee in touch with what the staff has been doing.

May I add to this a note of personal pleasure that you have found it possible to let us add your name to those we can consult on Committee problems.

Very sincerely yours



Mildred Adams

Dr. Joseph Willits
University of Pennsylvania
Philadelphia, Pennsylvania

✓ c.c. - Mr. Donald Woodward

Enc.

COMMITTEE ON THE HISTORY OF THE FEDERAL RESERVE SYSTEM

November 18, 1954

Dear Dr. Calkins:

In the matter of Miss Bulla and the basis on which I have asked her to do a specific piece of research for us, I think perhaps I did not make clear the factors that made me feel she should be considered not as an employee but as an independent contractor. May I set down for your consideration these elements in the situation:

1st - Miss Bulla is working not only for us but for other people on similar tasks. She has set herself up as an informal research service, though not to the extent of hiring an office, and she would prefer to function in that category.

2nd - She is rendering us a specific service, looking up specific references and copying a specified number of cards. This is done at the Federal Reserve Board, at hours which she sets to suit her own convenience, and on a borrowed typewriter. None of the conditions under which she works are prescribed by us.

3rd - This is a very short task for which we have sought her services, so short that if you take her on as an employee you will hardly get her there before it is time to check her out. I cannot be specific about time, but I wouldn't think that more than a few weeks would elapse before the job is done.

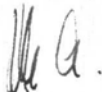
4th - Miss Bulla is retired, and of an age to receive Social Security benefits rather than to pay tax. Her civil service rating was higher than the base price on which she is figuring the cost of the service she is selling us. As a retired civil servant she prefers to consider herself as operating a small business, so to speak, rather than as being hired at a lower rate than she earned, and hence reduced in rank.

In fact I am not at all sure that she would have undertaken the job had she, or I, thought there was any question of her being taken

onto the Brookings rolls as an employee. I promised her a lump sum, based on time spent, and assured her that she would be paid as an independent contractor; when you review the circumstances I hope you will agree that this is the proper ground on which to purchase her services.

I have gone into this so carefully for the very reason that we are working out matters of procedure and I do want to get the difference between buying a service and taking on an employee quite clear so that I may be sure in the future which it is that I am proposing.

Cordially yours,



Mildred Adams

Dr. Robert Calkins
The Brookings Institution
722 Jackson Place N.W.
Washington 6, D.C.

Copy to: ✓ Mr. Woodward
Mr. Akers
Miss Maroney

Committee on the History of the
Federal Reserve System

DATE 11/16/54

TO Donald Woodward

FROM Walter Adams

REMARKS

Here are the letters
to Brooklyn concerning
administrative details
about which I told
you over the phone.
Walter

November 12, 1954

Dear Dr. Calkins:

We are taking on Miss Beatrice Bulla, formerly a member of the staff of the Federal Reserve Board, to do a short and specific job of research for us. This will include some bibliographic work at the Board library.

Miss Bulla was employed by the Board at a salary of [REDACTED] a year (this is an average of her salary rates in the years 1950-53). She is retired and does not want full time work. She has agreed to do this at a base rate of [REDACTED] an hour and will keep strict account of her time.

This is a different procedure from any we have yet undertaken. I understand that it is entirely possible to get such work done on a contract basis and that in that event, the usual tax deductions are not made. Miss Bulla would seem to me to come within that classification. Unless you have some objection therefore, I would prefer to hire her as an independent contractor rather than as a short time employee. I hope that this will simplify this particular kind of operation. If Miss Bulla is satisfactory, as I expect, we will want to hire her again from time to time on this same basis.

I would be grateful for word from you on the validity of the above assumptions.

Very sincerely yours,

Mildred Adams

Dr. Robert D. Calkins
President
The Brookings Institution
722 Jackson Place, N. W.
Washington 6, D. C.

c.c. - Mr. Akers
Miss Maroney

November 12, 1954

Dear Miss Bullis:

This is to confirm the arrangements which you and I made in Washington on Wednesday, November 10.

You are going to make library cards for us which will give us a complete list of the Congressional hearings concerned with Federal Reserve matters. For this purpose, you will purchase regular library cards of a type approved by Miss Sutherland. You will make us 3 copies of each card which we will then file under date, subject, and name of the committee. Each card will bear the letters F.R.B.L. (meaning Federal Reserve Board Library) if a copy of the hearing to which it refers is in that library.

This work is to be done in the library of the Federal Reserve Board, either on your own typewriter or on one loaned by the Board. I have written Mr. Carpenter about this project and told him that if Miss Sutherland requests permission, he would know that this was something which was initiated for the Committee.

The project is to be finished as quickly as possible without overtime or in moderate haste. Dr. Lester Chandler, who is engaged in research for the Committee, has already asked for hearing references, and we would like them available as quickly as possible.

Your letter of September 8 names an hourly rate of \$2.50. In that letter you suggested a weekly salary for a 30 hour week based on this rate. As no estimate has been made as to the length of time this project will take, we suggest that you keep count of hours, and we will pay you on that basis rather than on a weekly rate.

My assistant, Mrs. Singer, will let you know in what form statements of time spent should be submitted. As this does not sound like a long project, perhaps you would be content to be paid in full when it is finished rather than to be sent checks for a shorter period. The Brookings Institution acts as our disbursing agent, so that forms will bear their name.

I want you to know that we are delighted that you will undertake this and have every confidence in the quality of the work you are going to do for us.

Most sincerely yours

Mildred Adams

Miss Beatrice Bulla
3129 N Street, North West
Washington 7, D. C.

November 8, 1954

Dear Dr. Calkins:

I shall be in Washington on Tuesday the 9th, as soon as you get this letter, but I wanted to set down details so that you could have them on record.

In the first place, we have taken on a new secretary-stenographer, Miss Irma Burstein, who began work Monday, November 1 at a salary of [REDACTED] a week. At the same time, Miss Lois Krebs, who had been loaned to us by the bank for several months, returned to the bank. Miss Burstein will make out the necessary forms, and Mrs. Singer will send them to you, but I wanted to give you this preliminary information.

In the second place, in regard to the 3 day conference, which is to be held November 20, 21, and 22 in Princeton, it has been agreed by Mr. Woodward and Mr. Sproul that the 3 experts, Dr. Bopp, Dr. Chandler, and Dr. Wood should be paid honoraria of \$100.00 each. Incidentally, at the present moment, all the members of the committee have signified their intention of being present. I talked with Miss Maroney the other day about the provision of funds in advance to cover out-of-pocket costs at the conference. I will provide her with some kind of an estimate before the 20th.

In regard to the exemption of New York City Retail Sales Taxes, I am informed that that will be retroactive. We have been asked to furnish the New York City Refund Office with a list of items and amounts which have been paid out, and the bank disbursing office is now getting this together. Amounts which have been collected but not yet turned over to the city will either be refunded or credited to us by the bank in the near future.

On Tuesday morning, we are to be moved to more ample offices on the 11th floor of this building. The telephone exchange remains the same, but charges for telephone equipment and the rental of furniture may be slightly increased. This new space will give me a private office and make it possible to set aside a research room in which Mr. Chandler, Miss Burnett, and any others working there can have access to necessary files. It corrects a situation in which we were crowded and the bank was having to loan one of its own offices to Professor Chandler.

As for Dr. Kincaid, I am planning to go to Charlottesville on Thursday, the 11th, and should be able to come back with complete information about that project.

This rounds out a bundle of small detail which had been mounting for you. I hope the inclusion of everything in one letter is not too hard on the filing system.

Cordially yours,

Mildred Adams

Dr. Robert D. Calkins
President
The Brookings Institution
722 Jackson Place, N. W.
Washington 6, D. C.

c.c. - Mr. Akers
Miss Maroney

November 3, 1954

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

Dear Mildred:

The expenses for my trip to Philadelphia to see Mr. Bopp on Thursday, October fourteenth, were \$12.73: railroad fare \$6.73, lunch \$2.75, and taxis and miscellaneous \$3.25.

Could the Committee, in due course, compensate me?

Cordially yours,

Donald B. Woodward

ks

*Submitted by Miss Adams
Reed*

COMMITTEE ON THE HISTORY OF THE FEDERAL RESERVE SYSTEM

33 LIBERTY STREET, NEW YORK 45, NEW YORK

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With cooperation of

THE BROOKINGS INSTITUTION

722 JACKSON PLACE, N. W.

WASHINGTON 6, D. C.

November 3, 1954

Dear Mr. Woodward:

We have kept a copy of the enclosed letter for our files. We have already engaged a single room with bath for him for the night of Saturday, November 20. Miss Adams wrote Dr. James on Monday that she had made this reservation for him.

Sincerely,

Ellen C. Singer
Secretary

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

PRINCIPAL AND VICE-CHANCELLOR
F. CYRIL JAMES



MCGILL UNIVERSITY
MONTREAL, 2

November 1st
1954

Dear Don,

In response to the copy of your letter of October 20th, I agree wholeheartedly with the suggestion that Joseph Willits and Shepard Clough should be invited to join the Committee. I might also repeat my previous statement that the Bopp-Chandler-Wood team seems to me an excellent one.

Cordially yours,

*P.S. I shall arrive at Pennington
Saturday afternoon. Could
you ask Mrs. A. to reserve
a room for me? Thanks*

Donald Woodward, Esq.,
Committee on the History of the Federal Reserve System,
33 Liberty Street,
NEW YORK, N.Y.

C.

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

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

November 1, 1954

Dear Mr. Woodward:

Enclosed is a letter from Dr. James to you. We have
copied it for our files here.

Sincerely yours,

Allen C. Singer
Secretary

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

PRINCIPAL AND VICE-CHANCELLOR
F. CYRIL JAMES



October 28, 1954

MCGILL UNIVERSITY
MONTREAL, 2

Dear Mr. Woodward,

Dr. James asks me to say in reply to your telegram that he is arranging to arrive at Princeton Inn on Saturday November 20th, but may have to fly to Montreal Sunday evening.

Yours sincerely,

A handwritten signature in cursive script, appearing to read "D. Murray".

Principal's Secretary

Donald Woodward, Esq.
Committee on the History of
the Federal Reserve System
Care Miss Adams, 33 Liberty Street
NEW YORK. N.Y.

The Brookings Institution
Washington 6, D. C.

722 Jackson Place, N. W.

October 27, 1954

Dear Don:

Thank you for your telegram. I will be
at Princeton on the 21st.

Sincerely yours,



President

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

The Brookings Institution

Washington 6, D. C.

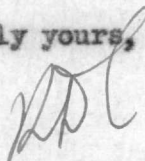
October 25, 1954

Miss Marguerite Burnett
Committee on the History of
the Federal Reserve System
33 Liberty Street
New York 45, New York

Dear Miss Burnett:

This letter is to advise you formally of your appointment as Research Associate for the period from October 13, 1954 to April 13, 1955. This appointment will be for half-time service, for which the compensation will be [REDACTED] per month. This assignment will be to explore archival material in the 12 regional banks, and to develop a procedure for the cataloging of such materials, and to act as bibliographic consultant to the Committee as needed. This work will be carried on under the general direction of Miss Mildred Adams.

Sincerely yours,



President

cc: Miss Adams ✓
Mr. Woodward ✓
Mr. Akers
Miss Harney
Mrs. Wilson

FEDERAL RESERVE BANK OF NEW YORK

ROUTE SLIP

DATE _____

TO Donald WoodwardOF _____
FROM Wendell Adams

REMARKS

Carbon of the
 enclosed letter here with
 "for your file". If you
 change the wording may
 we have copies of the
 letter as sent?!

Sincerely yours W.

October '29, 1954

Dear Dr. Willits:

It is with great pleasure that I invite you formally to become a member of the Committee on the History of the Federal Reserve System. The genesis and purpose of this Committee you know with no further explanation from me. Your inspiration and your help in thinking through its problems have been of inestimable value, and as we move along we keep reaping the rewards of various rich trains of thought which you have set in motion in various places.

We would like very much to have your continuing counsel, and to be able to draw on your very valuable insights. You will want to know that the project work is moving ahead along the lines set for it, with Dr. Elbert Kincaid having almost finished his survey of the Carter Glass papers, and Dr. Lester Chandler at work on the biography of "Benjamin Strong - Central Banker". Our first approach to the history itself is shortly to be made by a three-man group composed of Dr. Karl Bopp, Dr. Elmer Wood and Dr. Chandler who are meeting in November, first as a group and then in conference with the Committee, to define the limits of a task which has grown in depth and extent with every day's work on it.

We would like very much to be able to include you as a member of the Committee at the time of that meeting (November 21st in Princeton), though we recognize that this is pressing for an early "yes". The Committee is unanimous in inviting you to join its ranks, and will be very warm in its welcome if you feel you can consent. We miss you, and we need you in this project which you did so much to spark.

With warmest regards,

Cordially,

Donald B. Woodward

Dr. Joseph Willits
c/o Dr. Malcolm Preston
University of Pennsylvania
3441 Woodland Road
Philadelphia, Pennsylvania

October 29, 1954

Dear Dr. Bopp:

As I think you know, Sunday, November 21st, proved to be the most generally possible date for the meeting with you and your confreres Dr. Chandler and Dr. Wood. Details of the plan are as follows:

Date - Sunday, November 21, 1954.

Time - 10 A.M. to 5 P.M. including luncheon.

Place - Princeton Inn, Princeton, New Jersey. (We understand you may prefer to arrive Saturday night and/or stay through Sunday night; you are invited to do so at Committee expense. A small number of single rooms with bath has been reserved and will be held for us until November 13th; if you would like one of these, or any other type of accommodation, we will be glad to take care of it on word from you. If it is easier to make your own arrangements, do feel entirely free to do so.)

Participants - We have had word that most of the Committee expect to attend and will take part in the conference with you three.

Conference arrangements - The meeting itself will be held in a private conference room at the Inn. The Committee has been told that you expect to have for Committee members "a rough resume of points which arose in the 3-man discussion the day before - this to serve as a springboard for questions, answers, opinions. Because Dr. Bopp is very eager that no bit of the Committee's counsel shall be lost, he has asked us to have a stenotypist on hand to record the discussion. This technique obviates the taking of notes with the accompanying dangers of misunderstanding. The stenotype record is solely for the guidance of Dr. Bopp and his group and its use will be limited to that purpose. It should not limit discussion in the slightest."

Costs - Believing this conference to be a vital step in our plans, the Committee will charge itself with all costs, including transportation, lodging when requested, meals, etc. Bills at the Princeton Inn will be rendered direct to me. If you will hand me a statement of your transportation costs, I will see that they are refunded to you.

I hope these arrangements meet with your approval. I am sending you two carbon copies of this letter in case you want to forward them to Dr. Wood and Dr. Chandler.

With high hopes for the 21st,

Cordially yours,

Mildred Adams

Dr. Karl R. Bopp
Vice President
Federal Reserve Bank of Philadelphia
Philadelphia 1, Pennsylvania

October 29, 1954

Messrs. Allan Sproul
W. Randolph Burgess
Robert D. Calkins
F. Cyril James
William McC. Martin, Jr.
Walter W. Stewart

In our recent wire telling you that Sunday, November 21st, proved to be the most generally possible date for the meeting with Dr. Bopp and his confreres Dr. Chandler and Dr. Wood, we promised that details would follow. This is the plan:

Date - Sunday, November 21, 1954.

Time - 10 A.M. to 5 P.M. including luncheon.

Place - Princeton Inn, Princeton, New Jersey. (Committee members preferring to arrive Saturday night and/or stay through Sunday night are invited to do so at Committee expense. A small number of single rooms with bath has been reserved and will be held for us until November 13th; if you would like one of these, or any other type of accommodation, Miss Adams will be glad to take care of it on word from you.)

Participants - We have had word that most of the Committee expect to attend and will take part in the conference with Messrs. Bopp, Chandler and Wood.

Conference arrangements - The meeting itself will be held in a private conference room at the Inn. Dr. Bopp expects to have for Committee members a rough resume of points which arose in the 3-man discussion the day before - this to serve as a springboard for questions, answers, opinions. Because he is very eager that no bit of the Committee's counsel shall be lost, he has asked us to have a stenotypist on hand to record the discussion. This technique obviates

the taking of notes with the accompanying dangers of misunderstanding. The stenotype record is solely for the guidance of Dr. Bopp and his group and its use will be limited to that purpose. It should not limit discussion in the slightest.

Costs - Believing this conference to be a vital step in our plans, the Committee will charge itself with all costs, including transportation, lodging when requested, meals, etc. Bills at the Princeton Inn will be rendered direct to Miss Adams. If you will hand Miss Adams a statement of your transportation costs, she will see that they are refunded to you.

Yours with high hopes for the 21st,

Donald B. Woodward

October 21, 1954

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

Gentlemen:

You will be glad to hear that Dr. Karl Bopp reports success in getting Professors Lester Chandler and Elmer Wood to join him in a group move to give clearer definition to the job of preparing the history and outlining its scope and dimensions. (See recent Executive Committee report.) He now needs to know what date would be convenient for the full Committee to meet with him and his colleagues for a day-long discussion of this most important matter.

The plan of work which was sketched in a conference with Dr. Bopp includes two week-end conferences, to be held a month or six weeks apart. For the first of these, Dr. Bopp suggests a three-day meeting at Princeton (probably in the Princeton Inn) of which the first day would be devoted to preliminary discussions within his three-man group, the second would invite all Committee members for a general discussion and airing of all ideas, the third would again be a working session of the three-man group.

Depending on the preference of Committee members, Dr. Bopp and his group suggest meeting either Saturday, Sunday and Monday, or Sunday, Monday and Tuesday. Of these days, only the middle one would concern the Committee; the first decision is whether Committee members would prefer to devote a Sunday or a Monday to this vital meeting. The second decision needed is the date; the week-ends suggested are the second or the third in November (13th, 14th, 15th, 16th or 20th, 21st, 22nd, 23rd).

Further details of these meetings will be cleared later. The day and the date are the first things to be decided. May we know your preference on both of these?

The time is so short that I am asking my assistant, Mrs. Singer, to phone your secretary on Monday morning in order to get your choices in this matter.

Very sincerely yours,

Mildred Adams
Mildred Adams

c.c. - Dr. Karl Bopp

October 21, 1954

Dear Dr. Calkins:

Your letter of October 19th with its questions about Dr. Kincaid, together with a copy of a letter sent to Mr. Woodward on the same subject, was followed the same day by a letter from Dr. Kincaid. In reply to my letter asking further information about costs, he says, "I shall make some cost studies a little further along. Until then I cannot say whether insufficient funds have been provided."

Under those circumstances, and in view of your agreement that some adjustment may have to be made, I would suggest that the matter be left in abeyance until Dr. Kincaid sends us some kind of an accounting on which we can base a request for a supplementary grant. As I wrote you October 18th, the Committee agreed that a small run-over would be approved, but wanted to be sure about the figures.

We may eventually have to ask Miss Maroney's good aid to get Dr. Kincaid's figures in order. It sounds as though the keeping of accounts were a real difficulty. When adequate information arrives, we can work out a procedure of request to Brookings for the providing of supplementary aid from Committee funds. I only hope we won't have to use such a procedure frequently.

Cordially yours,



Mildred Adams

Dr. Robert D. Calkins
President
The Brookings Institution
722 Jackson Place, N.W.
Washington 6, D. C.

c.c. - Mr. Woodward ✓
Mr. Akers
Miss Maroney

October 21, 1954

Dear Dr. Calkins:

I have your letter of October 19th about procedures, and the copy of yours of the same date to Mr. Woodward on the same subject. May I say in the first place how glad I will be if we can arrive at a routine to be regularly used in making appointments, committing funds, and constructing contracts. I feel as you do that we can avoid headaches by clearing matters in the beginning, and I am all too aware that there have been lapses from this ideal.

In the matter of Miss Marguerite Burnett, may I review details which were presented earlier and may have slipped your mind. You will find a specific allowance for Miss Burnett's work in the budget which you submitted to the Rockefeller Foundation on June 15th and which was accepted by them. The idea that Miss Burnett might be useful to us in a part-time capacity when she retired from her post as librarian to the New York Federal Reserve Bank was mentioned at least as early as May. It originated with Mr. Sproul and Mr. Burgess; was mentioned in the Committee meeting of May 11th and approved as an idea to be elaborated later; was included in a letter of June 9th addressed to you, Mr. Burgess and Mr. Woodward. That letter of June 9th presented to you three the proposed budget, and it was on the basis of that letter that you submitted the budget to the Rockefeller Foundation.

In my letter of June 9th, the second paragraph on page 5, you will find the following sentences; "As for Miss Marguerite Burnett, who retires this summer as librarian of the New York Federal Reserve Bank, we would like her to work part time on a master bibliography of archival material in the twelve regional banks. Mr. Sproul is interested in the idea, and discussions to that end are under way. The figure assigned for her is based on her present salary."

The acceptance by the Committee of a budget which specifically included provision for Miss Burnett's services would, I should think, constitute acceptance of the project. Certainly I took it so,

and in the summer when Miss Burnett retired I made arrangements to have her start work in October. Mr. Sproul and Mr. Woodward were kept in close touch with these arrangements.

You ask for details of Miss Burnett's employment so that a letter of appointment can be sent her. I would suggest the following:

- (a) Title - research associate
- (b) Duties - to explore archival material in the 12 regional banks, and to set a pattern whereby such material can be catalogued and made available for the use of students; also to act as bibliographic consultant to the Committee as needed.
- (c) Terms of employment - to run 1/2 time for 6 months from October 13th, 1954 to April 13th, 1955.
- (d) Compensation - [REDACTED] for the entire project, to be paid at a rate of [REDACTED] per month.

I hope this clears up the matter. If there are other questions, I will be glad to search out the answers. I am sending a copy of this letter to Miss Maroney and Mr. Akers, who will also need some of the information therein.

Your questions concerning Dr. Kincaid I am holding for separate reply.

Cordially yours,



Mildred Adams

Dr. Robert D. Calkins
President
The Brookings Institution
722 Jackson Place, N.W.
Washington 6, D. C.

c.c. - Mr. Woodward ✓
Mr. Akers
Miss Maroney

October 20, 1954

Messrs. William McC. Martin
Walter Stewart
Cyril James

Gentlemen:

The Executive Committee ask me to report to you, for your interest and, they hope, your approval, the decisions which were taken at their meeting in New York on Friday, October 15th. (Present were Messrs. Burgess, Sproul and Woodward. Dr. Calkins acquiesced by telephone).

1. Dr. Karl Bopp has been asked and has consented to form a Committee consisting of himself, Professor Chandler, and Professor Elmer Wood to define the job of preparation of the history, and its scope and dimensions. All these men are experts in the field of central banking, all three know and respect each other, and all are intensely interested in the project. It is hoped that with the aid of one or two weekend conferences and with such participation as is possible by members of this Committee, they may produce a preliminary document which will serve both as a definition of what we mean when we talk about wanting a history of the Federal Reserve System and as an outline for its writing. We would also hope that in the process of discussion the historian himself might emerge. (Dr. Bopp has concluded that he himself cannot undertake the writing job.)
2. The Executive Committee recommends that Dr. Joseph Willits, now associated with the University of Pennsylvania, and Dr. Shepard Clough of Columbia, a historian, be invited to join the Committee. They hope for your approval of such invitations. Upon receipt of word from you, I will take the indicated action.
3. Three developments were reported: the Kincaid project is nearing completion; Dr. Lester Chandler began work September 27th on the Benjamin Strong files in the New York Bank; Miss Marguerite Burnett, former librarian of the bank, started work Wednesday, October 13th, on her task of collecting and collating material on regional bank archives.

Very sincerely yours,

Donald Woodward
Secretary



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

M. S. SZYMCAK
MEMBER OF THE BOARD

October 14, 1954

Dear Mr. Woodward:

Thank you very much for your letter of October 12th. You were very thoughtful to write me, and I am most appreciative of your kind remarks.

In accordance with your request, I am enclosing herewith two copies of my remarks before the National Mortgage Bankers Association convention in Chicago last month - September 27th.

Kindest personal regards and all good wishes.

Cordially yours,


M. S. Szymczak.

Mr. Donald B. Woodward,
122 East 42nd Street,
New York 17, New York.

Enclosures.

FEDERAL RESERVE POLICY SINCE 1953

by

M. S. SZYMCZAK,
Member, Board of Governors
of the
Federal Reserve System,
Washington, D. C.

Before the
FORTY-FIRST ANNUAL CONVENTION
of the
NATIONAL MORTGAGE BANKERS ASSOCIATION

Conrad-Hilton Hotel,
Chicago, Illinois.

11:00 A.M. CST
September 27, 1954.

For Release at time of Delivery

FEDERAL RESERVE POLICY SINCE 1953

I saw many of you at the Texas Mortgage Bankers convention in Dallas on May 7, 1953. Let me, please, take advantage of this opportunity to talk about developments since that time.

At that time it appeared and I said that, on the basis of first quarter results, "the total number of new houses built in 1953 may not be far different from either 1951 or 1952, which despite many restrictions were both excellent construction years."

As it turned out, the number was 1,104,000, or 13,000 more houses than in 1951 and 23,000 less than in 1952. It now appears that the number of new houses built in 1954 will surpass the 1952 mark, if the pace of the first eight months is maintained.

The record-making performance of the economic area in which you have a particular interest, real estate and building, has done much to change the course of the economy from decline to over-all stability in the last six months or so. Without in any way minimizing the earlier decline, or suggesting that stability at the present level is good enough, it is possible to say that the ability which our economy has shown in recent months to adjust to and moderate forces of change should give us great hope for the economic future of our nation.

In a cyclical economy like ours, however, the need to adjust to changing situations is a continuing one, and our ability to make the necessary adjustments is always being tested. One of the important instruments for achieving sustainable economic growth over the years with a minimum of fluctuation, and one which has been significant in the recent short-term re-adjustment, is monetary and credit policy. I am sure you are all aware of

the influence such policy has had and will probably continue to have on mortgage markets. In my remarks today I should like to review with you, if you don't mind, recent Federal Reserve policy in the monetary and credit area and attempt a tentative evaluation of its influence and effectiveness, as dispassionately and as objectively as I know how. I hope my effort won't bore you too much. Please try to stay with me. If you can't, I'll not hold it against you. It has none of the warm oratorical appeal, to say the least.

Part of the effectiveness of Federal Reserve policy is the facility with which it can be adapted to changing circumstances, as is evidenced by the events of the past couple of years. During late 1952 and early 1953, inventories were rising, capital outlays were being made on a large scale, and rising speculative interest was being manifested in many markets. These developments constituted a threat to our objectives of long-term stability and growth. Accordingly, Federal Reserve policy was directed toward exercising restraint upon inflationary developments as well as keeping the supply of credit and money adjusted to the needs of a growing economy. In practice, this meant permitting some expansion in bank credit and the money supply, but limiting the degree of expansion in view of the large excess of demand for credit over the available supply of savings. The credit machine was neither stopped nor thrown into reverse. It was simply held within a speed limit determined by considerations of safety, including the crowded condition of the highway at the time.

In so far as savings provided banks with the necessary reserves, they could expand loans freely. In so far as the banks had to sell securities to the Federal Reserve or borrow from it to obtain the necessary additional

reserves, the story was different. To prevent unlimited expansion of bank credit, the Federal Reserve refrained from open market purchases that would have supplied the necessary reserves. Member banks still had the privilege of borrowing from their Reserve Banks, of course. But as the monthly average of their borrowing mounted in late 1952 and early 1953 to a range of one to one-and-a-half billion dollars, the discount rate was increased from 1-3/4 to 2 per cent. The traditional reluctance of banks to borrow was fortified by the higher rate. Their resort to this method of temporary acquisition of additional reserves consequently was lessened. So was their extension of credit.

These developments on the side of credit supply seemed to do no more to diminish credit demand than storm warnings did to diminish the force of the hurricane that recently struck New England. The rise of interest rates under this pressure seemed in itself to impel borrowers to rush into the market seeking to cover future financing requirements before the cost rose further.

You will recall, I am sure, some of the incidents of that period: the breaking under par by the new 3-1/4 per cent long-term Treasury bond, and the sharp reaction that followed in the price of seasoned issues of corporate and municipal securities; the increasing difficulty of getting new mortgage commitments, the increasing availability of outstanding mortgages at rather large discounts, and the issuance of regulations raising the rates on FHA and VA mortgages.

It was at about this time that it became apparent that the Federal cash deficit would be larger than had earlier been expected and that the Treasury would be a heavy borrower during the remainder of the year. An

assurance that this additional Treasury borrowing would not be allowed to reduce the supply of credit available for other borrowers was quickly provided by the Federal Reserve's embarking upon substantial open market purchases of U. S. Government securities. From May 7--the Dallas convention date I mentioned earlier--through July 8 the Federal Reserve supplied about 1.2 billion dollars of reserves to banks by these operations. These funds enabled member banks to pay off a substantial portion of their borrowing at Reserve Banks, and for the month of June excess reserves of member banks exceeded their borrowing at the Reserve Banks by nearly 400 million dollars. Thus credit conditions began to be eased at a time that was later to be proved strategic from an economic standpoint, though those who chose to criticize the Federal Reserve's action as being inflationary could, and did, back up their arguments with data showing production, employment, and incomes were still at or close to record levels.

Those data did not control Federal Reserve actions, but I must admit, in justice to our critics at that time, that the data carried enough weight with us to induce more caution than we would show now if we were going through the period again but aided this time by hindsight.

For instance, the data obviously had an effect upon the decision of the Federal Open Market Committee at its meeting on June 11, 1953. Despite developing doubts in the Committee about the strength of underlying business conditions, the directions it gave its Executive Committee for operations aimed at "avoiding deflationary tendencies" were tempered by a caution against "encouraging a renewal of inflationary tendencies."

That action, with the various other steps in the transition to a policy of active credit ease, is set out frankly in the official policy record

of the Open Market Committee as published in the Federal Reserve Board's Annual Report for 1953.

As the record further shows, on the following September 24, the Open Market Committee, influenced by softening tendencies in various sectors of the economy, revised its instructions to the Executive Committee. The reference to avoiding a renewal of inflationary developments was deleted, leaving an unqualified instruction to operate with a view "to avoiding deflationary tendencies." This implied that a more active policy of supplying reserves was to be followed.

During the last quarter of 1953, the decline in economic conditions, though moderate, became unmistakable. The December 15 directive of the Open Market Committee to the Executive Committee, therefore, was to operate with a view "to promoting growth and stability in the economy by actively maintaining a condition of ease in the money market."

In accordance with those general policy objectives, the Board of Governors of the Federal Reserve System and the Open Market Committee took several specific actions to contribute to active ease in financial markets. I feel compelled to recite them even at the risk of boring you.

(1) A reduction in reserve requirements, effective in July 1953, to prevent an undue tightening of credit from developing out of a convergence of seasonally expanding private demands for credit, and substantial financing by the Treasury to meet immediate needs. This freed an estimated 1.2 billion dollars of reserve funds.

(2) Open market operations. This sphere provided a graphic demonstration of flexible operations in execution of a policy of keeping reserves at a high but stable level under varying conditions. Open market purchases

supplied, between mid-August 1953 and the end of the year, 1.5 billion of reserves. However, part of these purchases were temporary, to meet the usual year-end tightness in the money market. For instance, 600 million dollars of securities were acquired near the close of the year from dealers, with agreements by the dealers to repurchase the securities after the turn of the year. In contrast, during the early months of 1954 the System sold another 700 million dollars of Government securities in the market in order to absorb reserves which usually accumulate during that season of the year. Back on the other side, open market purchases were resumed in May and June this year in order to maintain a condition of ease in credit and capital markets. Still later, sales were again made following a further reduction in reserve requirements this past summer, providing an example of close coordination of the Federal Reserve's reserve requirement and open market powers, first, to release a large amount of reserves and assure availability of ample credit, and, second, to insure against "sloppiness" in financial markets during the course of the release of these funds. More recently yet, purchases were again undertaken in early September, as we approached the beginning of the fall demands for credit, to keep the volume of excess reserves stable at a high level. To be very frank with you, I expressed apprehension within the Board and the Open Market Committee about releasing reserves by a reduction of reserve requirements and later absorbing some of these excess reserves by sales of Government securities in the open market, but this flexible policy in the use of our monetary and credit instruments has, up to now at least, on the whole, it seems to me, worked well -- in the interest of a high level stable economy.

(3) Reduction in discount rates. Discount rates remained at 2 per

cent throughout the last half of 1953, but were reduced to 1-3/4 per cent in January and again to 1-1/2 per cent in April and May of this year. Both these changes followed a general lowering of interest rates in the money markets and had the effect of restoring the discount rate to a more customary relationship to market interest rates. After these reductions, discount rates were at the level prevailing prior to the Korean outbreak.

(4) Reduction in reserve requirements, July-August 1954. This further reduction in reserve requirements, to which I referred earlier in connection with open market operations, was carefully timed to take effect over a period of several weeks. It released a total of about 1.5 billion dollars in reserves. The reduction involved 2 percentage points on demand deposits at central reserve city banks; one percentage point on such deposits at reserve city and country banks; and one percentage point on time deposits at all member banks. These reductions brought requirements to levels at or below those prevailing in late 1949 and 1950.

The reduction in reserve requirements at this time was made in anticipation of demands on bank reserves during the summer and fall, taking into account Treasury financing needs as well as probable private financing requirements, including the marketing of crops and the replenishment of retail stocks in advance of the fall and Christmas sale seasons. Coordinating operations in the open market followed, as I sketched them for you above.

Reflecting the foregoing credit actions, bank reserve positions have changed markedly since the spring of 1953. In April of last year, member bank borrowing from the Reserve Banks averaged about 1-1/4 billion dollars or about 3/4 billion more than excess reserves. In July of this year, however, member bank borrowing averaged less than 100 million dollars

and excess reserves more than 800 million. Free reserves--excess reserves less borrowing at Reserve Banks--expanded progressively during this period from a negative 3/4 billion dollars to more than a positive 3/4 billion dollars.

Having reviewed with you what has been done by the Federal Reserve in the field of credit and monetary policy in the recent past in order to cope with conditions of sharp economic change, I should like to turn now to a more difficult task; namely, that of attempting to appraise the results of such policies. Bankers, businessmen, and economists are generally familiar with the way credit and monetary policies contribute to dampening booms and inflationary developments, but they are much less familiar with how they contribute to stability when depression and deflation threatens.

The matter can be clarified, I think, if it is kept in mind that credit and monetary policy exerts an influence on economic conditions on both the up and down sides, mainly through its effect on five factors: the volume of money, the cost of borrowing, the availability of credit, capital values, and the general liquidity of the economy. These factors are closely inter-related but may be discussed separately for purposes of convenience and clarity. The following examination of financial developments over the past year with respect to each of these factors will help clarify judgments as to the contribution of recent Federal Reserve policy to economic stability.

The money supply. Instead of contracting, the volume of money held by the public has expanded over the past eighteen months, though the growth since the second quarter of last year has been a modest one. Considering the extent of the decline in over-all business activity since mid-1953, firmness in the money supply has been a positive stabilizing force in the

economy. This contrasts with the early stages of a number of previous business declines, when the money supply contracted, reflecting significant credit liquidation as a factor of economic recession. At those times, consumers and businesses wanting to maintain their liquidity had to reduce their expenditures from time to time, cumulatively inducing additional reductions in employment and incomes.

Cost of borrowing. The cost of borrowing has declined sharply over the past year and a half, reflecting, besides the actions we have been discussing, a reduction in demands for funds and a continuing high rate of money saving. The decline in rates has pervaded the entire credit market, affecting all types of paper and securities, although, of course, in varying degrees. You have all been aware of the changes in nominal rates, in discounts, and in other terms of mortgage loans. These declines in interest rates have given a strong incentive for marginal borrowers in all credit areas to raise funds through financial markets.

The declines in interest rates have been as sharp and as widespread as in the comparable phase of any recession since World War I. As is usual during a period of rapid movement in interest rates, yields on short-term securities have experienced the sharpest relative changes. The average yield on Treasury bills, for example, dropped almost 70 per cent from mid-1953 through July of this year, and the rates on commercial paper declined nearly 50 per cent. These drops in yields on short-term paper are close to the average for the corresponding phases of other recessions since the First World War. Rates charged by banks on short-term business loans reacted more slowly than other short-term rates, but they also declined during the first half of 1954.

Yields on long-term securities, those used for financing capital investments, have declined somewhat more over the past year than in corresponding phases of past recessions. For example, at the end of July yields on long-term U. S. Government securities were down 20 per cent from mid-1953, those on high-grade corporate bonds 15 per cent, and those on high-grade municipal securities 23 per cent.

In the mortgage field, where your principal interest lies, the discounts that prevailed a year ago on 4-1/2 per cent Federally insured and guaranteed home mortgages also have largely disappeared. In addition, rates on conventional home mortgages seem to be down approximately 1/2 per cent from levels prevailing a year ago.

Availability of credit. Changes in the availability of credit and capital funds, as you can well imagine, are exceedingly difficult, if not impossible, to measure objectively. Suffice it to say that in the spring of last year there were wide-spread reports about the shortage of many types of financing, with the stringency of funds in the mortgage market particularly subject to complaint. Few such reports are heard today. Loan commitments are easy to arrange. Mortgage lending on small non-farm properties totaled over 12 billion dollars in the first 7 months of this year as compared with a little over 11 billion in the first 7 months of last year; and new securities issued by State and local governments for new capital amounted to about 4 billion in the more recent period compared with a little over 3 billion earlier. The volume of corporate security issues for new capital, however, has dropped from about 5 billion to 4-1/2 billion over this period, due to reduced demand for outside funds by certain types of manufacturing corporations.

Capital values. These values, in general, have risen since June of last year. Falling interest rates, in addition to meaning lower costs for borrowers, affect economic activity in the nation through raising the dollar value of existing assets, particularly long-lived assets. This comes about because the expected future returns from such assets are recapitalized at the lower rates of interest.

One example is in the stock market where, for instance, rising prices for outstanding investment-type securities have registered the influence of falling interest rates as well as other factors. On the other hand, capital values have apparently not risen recently in the real estate area. Even here, however, the effect of lower interest rates may have been to cushion a decline in values of existing property due to the sharply increased supply growing out of the recent high level of construction activity.

General liquidity. Higher values of existing assets, as well as the maintenance of the money supply and other highly liquid assets, have tended to maintain the liquidity of business and individuals and make them more willing to spend and invest. They have also made financial institutions more liquid and willing to lend. Commercial banks, for example, have been able to increase greatly their holdings of short-term highly liquid securities as well as to repay a large part of their indebtedness.

Any attempt at over-all appraisal must take into consideration the following factors:

(1) The first, and foremost, difficulty in arriving at any over-all appraisal of the stabilizing effect of recent Federal Reserve action is that such action is only one of many factors, although an important one, influencing the general level of economic activity. Its success, moreover, is conditioned by various other policies, programs, and activities of Government. To cite only a couple of illustrations, such built-in stabilizers as unemployment compensation and farm price supports, for example, have provided important cushions in the current readjustment. Tax reductions and public debt operations have also helped to stabilize the economy.

The success of Federal Reserve credit and monetary policy is also affected by a wide range of private activities and by the changing moods and impulses of businesses and the public generally with respect to spending, borrowing, and saving. The manifold elements affecting economic stability will each be influenced in some measure by credit and monetary policy, but the degree of influence will vary considerably under different circumstances and the effects from any one element can never be completely isolated and measured.

(2) A second difficulty in appraising recent credit and monetary actions is that their full impact cannot be determined for a considerable period of time. Accordingly, it is too early to appraise adequately the actions of the past year and a half.

(3) Finally, difficult questions of judgment are involved in assessing any given current economic situation. At any given time, the

economy generally exhibits a mixture of tendencies toward expansion and contraction. An over-all appraisal of the effectiveness of a specific factor affecting general economic and business conditions, therefore, hinges to a large degree on one's judgment as to where we stand currently in so far as business conditions are concerned.

Basically, of course, the question that one would have to answer in order to appraise the effects of Federal Reserve action with full assurance is this: What would have happened to the general business and economic situation over the past eighteen months if such actions had been different? And that question, of course, is impossible to resolve.

All in all, however, I think it is fair to say that recent Federal Reserve actions have been of significant benefit, first, in contributing to restraint of what threatened to be an unstable speculative boom, and, subsequently, in contributing to the moderation of the business downturn. In the past few years, we have had almost a classical business cycle situation to deal with as we moved through a period of record high activity under a constant threat of inflation and went from that into a period of a business contraction. In the earliest phase, credit restraints helped to discourage speculative excesses, restrain inventory accumulation, damp down undue expansion in capital goods expenditures, and encourage saving. Subsequently, Federal Reserve credit actions have helped to encourage business capital outlays, home construction, and State and local expenditures for construction and other improvements, as is indicated by the sustained if not growing volume of activity in these areas. The pace of these activities is considerably affected by ready availability of low-cost long-term financing, a condition which recent System policy has had an important part in establishing.

Inventory liquidation, moreover, has thus far been orderly, with no material pressure arising from financing problems.

Emerging economic developments will need to be scrutinized carefully and continuously in the period ahead, and Federal Reserve policies promptly adjusted as required to contribute to the fullest to the promotion of sustainable economic growth. One of the major virtues of credit and monetary policy in a period of readjustment like the present is its great flexibility, permitting quick adjustment to changing trends and the prompt adoption of counterbalancing action to any unstabilizing developments that may arise.



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BOX 10
MONTREAL, CANADA

13th October, 1954.

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

Dear Mr. Woodward,

Your friendly suggestion that we continue our conversation in New York appeals very much to me and the next time that I am down I shall pay you a call.

The Conference of Business Economists in Ottawa was a very interesting experience for me, not only in listening to the discussions but in meeting and talking with you and your colleagues at the Conference.

Yours very truly,

A handwritten signature in dark ink, appearing to read 'W. T. D. Ross', written in a cursive style.

W. T. D. Ross
Vice-President

October 11, 1954

Dear Al:

Don Woodward has sent me a copy of his letter to you of October 9th, and the purpose of this note is just to express the hope that you will not close your mind firmly until you have a chance to talk to Don Woodward, Allan Sproul and Bill Martin.

As I think I indicated, I shall be in Philadelphia on October 28th and should like to join in that discussion with you. I am addressing a luncheon meeting of the Pennsylvania Society of Sons of the Revolution at the Union League Club, and I have signed up with George Kneass to have dinner with the Municipal Bond Club that evening.

With best regards,

Sincerely yours,

Randy
W. Randolph Burgess

Mr. Alfred H. Williams
President
Federal Reserve Bank of Philadelphia
Philadelphia, Pennsylvania

CC: Mr. Donald Woodward ✓

COMMITTEE ON THE HISTORY OF THE FEDERAL RESERVE SYSTEM
33 Liberty Street, New York 45, New York

October 11, 1954

Dear Don:

Various items on my desk testify to the large amount of work which you did for the Committee while I was on vacation. May I make the following comments in series:

First, thanks so much for sending us a copy of your letter of October 9th to Mr. Alfred Williams regarding Mr. Bopp. My hopes for this project coincide with yours.

Second, I have a note from Mr. Lewis Galantiere dated September 9th in which he says that he is about to go to Europe for two months and that he is committed "not only to a full-time job, but also to a succession of writing tasks that will take my time for many months ahead". He suggests we talk to Elliott Bell, John Jessup of Life, and Marquis Childs. I judge from the general tenor of his note that he jumped to the impression that we would want him to write the history. I thought I was careful to avoid any such implication, but I think no harm is done and possibly this preliminary note may work for us in case the Thomas-Galantiere idea comes off.

Third, in regard to your letter of September 28th on the matter of Dr. Chandler and the contract he signed, the apparent contradiction between my statement that he would want things corrected and Dr. Calkins' statement that the contract was signed and satisfactory lies in timing. Dr. Chandler talked with Dr. Calkins after talking with me and before the Calkins contract was sent him, so matters are entirely in the clear excepting for the detail mentioned to you earlier that Calkins signed both for the Brookings Institution and for the Committee.

I will have an agenda for your meeting with Mr. Sproul and Mr. Burgess on Friday the 15th, but I will hope to talk to you about details by phone on Wednesday. There are several things which should be discussed, but you may prefer to keep this meeting on the one topic for which it was called.

Best as always,


Mildred Adams

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

Copy sent to all ~~xxx~~ on Committee

October 9, 1954

Mr. Alfred H. Williams, President
Federal Reserve Bank
Philadelphia, Pa.

Dear Mr. Williams:

This Committee has been seeking diligently for the person most able and suitable to write the history of the Federal Reserve System. Inquiries and discussions have been proceeding through the four months since the Rockefeller Foundation gave us the generous grant. The man that has been most strongly and most frequently recommended is Earl R. Bopp; and the members of this Committee share this view.

The Committee by unanimous action wishes to ask you to consider whether arrangements could be made for Mr. Bopp to do this work, if he were interested. This is a matter of great importance to the System, since a fully competent and definitive history would benefit it in every respect; and the present availability of money, facilities, papers, memories and desires to cooperate present an opportunity unlikely to be repeated. And it is a great opportunity for the man.

Rather than to try to present all the phases of the matter to you by letter, it might be more fruitful and informative if I could come to see you at your convenience. Would it be possible for me to do so on Wednesday morning, October 13 (though I would have to be back in New York by 12:30 P.M.), or Friday afternoon, October 15, or Saturday morning, October 16? Or if you plan to be in New York soon, might I see you here?

Thank you most sincerely for your consideration.

Very truly yours,

Donald E. Woodward
Secretary

P.S. My office address is 122 E. 42nd St. and the telephone number is Oxford 7-3800. I shall be out of town on Monday but in the office on Tuesday.

October 4, 1954

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

Dear Mildred:

My friend Douglas Gibson, Economist at the Bank of
Nova Scotia in Toronto writes as follows:

"With regard to your questions about Canadian views as to
the development of the Federal Reserve system, I have asked
someone here to look at the old Bank Act Revision hearings
and see if they can find anything worthwhile. I would
further suggest that you write to A.F.W. Plumptre in the
Department of Finance at Ottawa and ask him for his sugges-
tions. Plumptre was Secretary to the Macmillan Commission on
Banking of 1935 and he also wrote a very comprehensive book
on Central Banking in the British Dominions. If you do not
know him already just write to him and tell him that you are
a friend of mine and I know that he will be glad to help in
any way that he can."

Will you please follow this along if it seems wise to
you to do so?

I seem to have heard Plumptre referred to in favorable terms
before. It makes me wonder a little whether he should have considera-
tion as a writer. Does this evoke any feeling in you?

Cordially,

DEW:lw

This is
MONDAY

WESTERN UNION
FOR A FLYING START-
AND TO CLEAR UP
WEEK-END CORRESPON-
DENCE - *FAST...*

WESTERN UNION

W. P. MARSHALL, PRESIDENT

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(29)

SYMBOLS	
DL=	Day Letter
NL=	Night Letter
LT=	Int'l Letter Telegram
VLT=	Int'l Victory Ltr.

TELEGRAPH

The time shown in the date line on telegrams and day letters is STANDARD TIME at point of origin. Time of receipt is STANDARD TIME at point of destination

NA119 PD=WASHINGTON DC 4 1206PME=

DONALD B WOODWARD=

1954 OCT 4 PM 12 33

:122 EAST 42 ST=

WILL BE DELIGHTED TO SEE YOU WHILE YOU ARE HERE=

CHARLEY=

Rice

September 30, 1954

Dr. Walter W. Stewart
Council of Economic Advisers
Washington, D. C.

Dear Walter:

I shall be in Washington Wednesday, October 6 for a Finance Committee meeting luncheon at Brookings. Would it be possible for me to get a little of your time and advice? Or would this be a time in which you would want to try the meeting with Mr. Burgess that you and Miss Adams suggested? She is away on vacation but we could proceed without her if this should be a suitable time.

I could arrive so as to have an hour or so before lunch; the lunch will be over by something like 2:30 and I will devote any part of the time for the rest of the afternoon and evening to you that you could think appropriate for me.

Cordially,

*Mr. Burgess
3:00 PM Wed. Oct 6*

DEW:lw

Call Charles Rice -

The Brookings Institution
Washington 6, D. C.
—
722 Jackson Place, N. W.

October 4, 1954

Dear Don:

Thank you for your letter of October 1. I am sorry that Lane has reached the decision not to become a representative of our group. I think the matter should be considered further by the Executive Committee at an early date.

I have been intending to call you but, frankly, was waiting to have a session with Walter Stewart first. I have talked with him over the phone. He wanted to think the matter over further before discussing the question of your calling Randy. I hope to have some word for you this week.

With very best wishes,

Sincerely yours,



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

October 1, 1954

Dr. Frederick C. Lane
Johns Hopkins University
Baltimore 18, Maryland

Dear Dr. Lane:

I am very sorry for your decision which I shall report to the Committee with regret. I do hope that we may call on you for help nevertheless.

Very truly yours,

Donald B. Woodward
Secretary

DBW:lw