

Report on a Pilot Project  
and  
Proposal for a Further Grant  
to Study and Write  
The History of the Federal Reserve System

Submitted by the BROOKINGS INSTITUTION  
in co-operation with the COMMITTEE ON THE HISTORY OF THE FEDERAL RESERVE SYSTEM

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Proposal

for a

Grant to Study and Write

The History of the Federal Reserve System

## PROPOSAL

### Introduction

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

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

### I The Task

In calling itself the Committee on the History of the Federal Reserve System, the group presenting this proposal defined its primary purpose. But the discoveries and contacts made and the discussions held during the pilot project have deepened the content and widened the scope of that purpose. The Committee now knows that what needs to be done is much more than a single history of the Reserve System -- it is an appraisal of

one of the most extraordinary inventions in this democracy, a review of experience in its functioning, an analysis of its performance illumined by the papers and the memories of men who helped develop it and who took part in its operation. The episodes around which conflicts swarmed, and out of which change came, the process by which decisions were made, the importance of personalities, the interplay between public policy and private needs -- these various angles of approach and many more which have been suggested from time to time by Committee members testify to the vitality of the subject and to the lessons which can be learned for other democratic institutions by a detailed study of the experience of the Federal Reserve System.

## II Why Important?

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

(a) Among the innovations in government mechanisms which Americans have brought about during the twentieth century, the Federal Reserve System occupies a unique position, and not only because of the exceedingly important functions which it is called upon to perform. It operates with a high degree of autonomy linked with a fine sense of public purpose. To an extraordinary extent it has managed to preserve its freedom from both temporary Congressional and narrow Executive pressures, as well as pressures from private finance, while maintaining its responsiveness to the general economic purposes of the Government. In periods when it has

been forced to yield to such pressures the public protests against such yielding have been continuous until the pressures have softened and the balance has been restored.

(b) Writing in 1946 about twentieth century monetary controls, Professor Robert Warren of the Institute for Advanced Study observed that in the nineteenth century there developed a new type of society, the money economy, which made new demands on those who administer Government control over the supply of money. "High and low, rich and poor, bond and free there had always been, but never before had there been an economy that expected the majority of its people to be totally dependent upon the continuity of a stream of money income." Along with other observers Professor Warren interpreted the primary task of the Federal Reserve System as one of seeing that this continuity of the stream is not interrupted by monetary failures. To do this, it bridges a gap between public and private efforts to influence the economy. The goal toward which it has been directed in these later stages is the stability of the economy for the public good; in that pursuit it has developed, tried and discarded one method after another, only to reach for a new one which promised better results. Analysis of these experiences would form important chapters in both monetary and economic history, and in our striving to develop an economic system in which increased public participation will not stifle private initiative.

(c) In the practice of the functions laid upon it, the System has enlisted and trained staffs whose skill and devotion to the System's work stands in notable contrast to that of some governmental institutions

or agencies. Not only has this institution weathered forty years of political storms; the System as a whole, by some curious magic, has withstood political attack from both parties. Tensions which in theory should have split it apart seem somehow to have been important factors in holding it together.

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

### III Issues to Be Treated

The questions which this study would illumine fall into two categories. There are in the first place what might be called the technical issues, some theoretical and some matters of operating policy, which have absorbed the System's attention at one time or another in its life. These appear in private papers and in annual reports, they are high-lighted in Congressional hearings; but the questions which an informed and impartial student might ask are usually diverted by the exigencies of the moment. Enough time has elapsed, for instance, since control of the discount rate was first used by the System as a tool of monetary policy so that its importance under varying conditions can be weighed and studied. The same thing is true of changes in reserve requirements, and of open-market operations. Yet there is little knowledge of them even among an informed public, and controversy still surrounds them within the banking world. Some of this ignorance could be

dispelled and some of these controversies might be resolved by competent studies.

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

#### IV Scope and Method of Inquiry

The study which we propose would cover the entire Federal Reserve System, including the Board and the twelve regional Banks, from their inception. Much has been written on the events, crises, and personalities which

led up to the founding of the System, but even this needs restudying in the light of newly discovered material, and then it needs to be carried forward into decades of operation.

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

The Committee considers that an important part of the whole study is this effort to encourage those who took part in the System's development to tell the story as they saw it. Complete objectivity is not an easy ideal for any historian, and it becomes even more difficult when the history being dealt with is recent. The recording of contemporary memories is an important contribution toward that ideal.

The method to be used is that which has successfully been developed during the pilot phase of this study. It includes visiting Board and Banks, both to search out men who remember early days, and to ascertain how records are kept and what local records are available; the



establishing of the names of the *dramatis personae*, the recording of brief biographic data concerning them, the request for interviews if they are still alive, the search for their papers if they are deceased.

Experience in the pilot project, and consultation with those engaged in other attempts to chart and record the course of living institutions, have taught us that the comprehensive study of the Federal Reserve System, which is the core of our endeavor, divides itself into three steps; these for convenience may be called the archival process, the interview process, and the writing process. Logically, these three appear to be separate, just as in the pilot project the process of discovery of papers, gathering of memories, and building of card files appeared to be separate. Actually, each process in the pilot project fed and profited from each other. The success of that project was in no small part due to what seemed at times a handicap -- namely, that all three processes were necessarily going on at once.

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

Not only must the master files be completed, but the papers which have been uncovered during the pilot project, and the collections still to be found, must be analyzed for pertinent material. The Hamlin diaries, recently released from a ten-year seal, stand alone in terms of the preparation and indexing lavished on them, but even the Hamlin diaries are new ground for the student. Someone must read those 28 volumes and evaluate them for the purposes of any comprehensive history of the System.

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

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

Proposal

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

1. Archival and Research

- (1) To continue and complete the visits to Board and Reserve Banks, the search for records, the interviewing, the hunt for papers and the recording of discovered material which was started during the pilot phase. These archival activities lead to, and should be considered an integral part of, the research activities. Their purpose is to contribute speed and accuracy in the research process.
- (2) to continue and complete the biographic, bibliographic, and chronological master files which were started during the pilot phase.
- (3) to make available to qualified students that part of the Committee's research material which is pertinent to their inquiries.
- (4) to work out problems of handling related collections of papers and putting them in usable shape for students. This may include financial aid in certain instances. (For example, the Hamlin papers must be read and evaluated; the Carter Glass papers at the University of Virginia, the Willis and Goldenweiser papers all need work as described in the report on the first phase. Their classification and study is essential, but funds would have to be provided.)

## 2. Interviews

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

## 3. Writing

The writing and editing fall into three parts:-

- (1) Monographs. In a study as extensive and important as this the monograph plays a key part. In some instances it stands by itself, as a definitive study of one part of a related whole. In others it acts as an introductory study and may later be incorporated into the whole. The pilot phase uncovered certain monograph ideas, some of them already started, others only in the planning

stage. For example, Carl E. Parry, now retired from the Board staff, should be encouraged to complete his half-done monograph on "Selective Credit Controls," a subject in which he has had active as well as theoretical interest. Gardner Patterson of the International Finance Section at Princeton University would like aid to write a study on "Reserve International Financial Operations in the 1920's"; Lester V. Chandler, also of Princeton, would like aid to write a long monograph or a short book on "Ben Strong, Central Banker"; either of two able men, Dr. Karl R. Bopp of the Philadelphia Reserve Bank and Professor Edward S. Shaw of Stanford University would be qualified to write a study which might be called "The Art and Politics of Central Banking." No commitments have been made in regard to such work. These examples are, however, listed as showing the kind of work and the caliber of men which this Committee would like to encourage with access to materials and use of funds.

(2) Major Works.

Of these the definitive history is the core of the project and the one toward which we continue to point our endeavors. We believe that its writing will take a good three years on the part of a distinguished

scholar who has already shown the skill and judgment which the creation of such a history demands. The task of exploration and recording of materials will be carried further and the field of possible scholars will continue to be canvassed.

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

(3) Editing and Publishing of Documents

The Committee's staff has noted with interest the British example whereby documents basic to central banking in England, including key speeches and memoranda as well as legislation, were edited and published under the title, Select Statutes, Documents and Reports Relating to British Banking, 1832-1928, by T. E. Gregory. Comparable material basic to central banking practice in the United States is scattered, and might well be gathered in some such volume. It has also been suggested that a comprehensive annotated bibliography covering both published and unpublished works bearing on the Federal Reserve System would be a most useful contribution to research activities. In addition, it is not improbable that selected papers from the various collections under survey may prove so valuable as to deserve publication. No decisions have been made in this field, but it is a phase of the overall study which the Committee may wish to encourage.

Use of Materials

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

The existence of this problem must be recognized, but the Committee is confident that a solution will be found which will neither hamper the project nor strain either the willingness or the ability of individuals or institutions to continue their co-operation. It should be made clear, however, that neither the Federal Reserve Board nor any of the Reserve Banks are committed to make available any material which in their judgment should not be published.

## VI Organization, Personnel, and Budget

### (a) Organization

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

The Committee's supervisory functions were exercised in two ways: first, specific problems were decided either in Committee meeting or in special conferences with members particularly expert in those areas; second, general supervision was assigned by the Committee to its Secretary, Donald B. Woodward, at one time on the Board's staff, now Chairman of the Finance Committee of Vick Chemical Company. The other members of the Committee have also shown steady and vigorous interest in the pilot project and have been generous with time and advice when called on for consultation.

The daily work was carried on by a small staff headed by Mildred Adams as research director, assisted by Katherine McKinstry (who



shared her skill as research assistant and her time between the work of this Committee and that of Dr. John H. Williams, consultant to the Federal Reserve Bank of New York) and two young typists. All these assistants were assigned by the Bank from its own staff, their salaries paid by the Committee. The Bank also supplied working space and furniture.

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

The Committee's function, and its relation to the small staff, would continue along established lines. The Committee is composed of men experienced in the monetary field, and strongly interested in the development of economic studies. The Chairman, Mr. Allan Sproul, has spent his working life within the Federal Reserve System. Starting in 1920 in the Federal Reserve Bank of San Francisco, he served there for ten years and then moved to the Federal Reserve Bank of New York. He has been President of the New York Bank since 1941.

Mr. William McChesney Martin, Jr. comes from St. Louis, where his father was for a considerable period head of the Federal Reserve Bank of St. Louis. To a brief experience in the Federal Reserve Bank of St. Louis, he added ten years of activity in the investment business. He was President of the New York Stock Exchange from 1938 to 1941; Chairman

and President of the Export-Import Bank in 1946; U. S. Executive Director of the International Bank for Reconstruction and Development; and Assistant Secretary of the Treasury in 1949. Since 1951, he has been Chairman of the Board of Governors of the Federal Reserve System.

Mr. W. Randolph Burgess has had a lifetime of experience in central and commercial banking. He is now Deputy to the Secretary of the Treasury. (For more complete details, please see page 17 under "Personnel".)

Dr. Robert D. Calkins is now President of the Brookings Institution. Banking was an early interest and the subject of his thesis submitted for a master's degree. He got his doctorate in 1933 and went at once into academic work, lecturing on economics both at Stanford and at the University of California (Berkeley), where he became Chairman of the Department of Economics and then Dean of the College of Commerce. Between 1941 and 1947 he was Dean of the School of Business at Columbia University, and from 1947 on he was Vice President and Director of the General Education Board. Dr. Calkins served for seven years as Director of the Federal Reserve Bank of New York.

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

of the Rockefeller Foundation, Chairman of the General Education Board, Professor at the Institute for Advanced Study, he was in 1953 called to Washington to become a member of the Council of Economic Advisers.

Mr. Donald B. Woodward, Secretary of the Committee, has had a varied experience in monetary affairs, including work on the Board staff and writing about System affairs for the Wall Street Journal, Business Week, and The Economist (of London). He developed the research division of the Mutual Life Insurance Company and became First Vice President of that institution. He is now Chairman of the Finance Committee of the Vick Chemical Company.

Thus far the Committee has been kept informed of work accomplished through progress reports put out by the research director, through personal consultation, and by discussion in meetings. Meetings will be held when needed, they will be called by the Secretary with the consent of the Chairman. The identification of interests between the Committee members and the work being done will make for continuing surveillance on the part of members.

(b) Personnel

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

combination of practical experience in monetary affairs and scholarly accomplishment. A graduate of Brown University, he earned his doctorate at Columbia in 1920 and went at once to the Federal Reserve Bank of New York. He became Deputy Governor of that Bank in 1930. To this experience in central banking he added fourteen years' experience in commercial banking as Vice Chairman of the National City Bank and then Chairman of its Executive Committee. In January 1953 he retired from the Bank to go to the Treasury as Deputy to the Secretary. The breadth of his scholarly interests is indicated by the fact that he has served as President of the American Statistical Association and the Academy of Political Science, as well as of the American Bankers Association. Mr. Burgess is editor of a volume of papers by Benjamin Strong, Interpretations of Federal Reserve Policy, and author of The Reserve Banks and the Money System, which has for years held an outstanding position as a textbook and reference book in this field. He is a Fellow of Brown University, a Trustee of Teachers College (Columbia), and of The Carnegie Corporation.

For obvious reasons this choice cannot yet be publicly announced. Mr. Burgess has from the beginning of the pilot phase been an active participant in Committee discussions and will so continue during the remainder of his service at the Treasury. During that interim he will continue to be assisted in Committee matters by Mr. Donald B. Woodward, Secretary of the Committee, who has acted in a supervisory capacity during the pilot phase (for other details see page 17).

As research director, Mildred Adams who initiated and carried through the work of the pilot phase, will continue during at least the early period of the main study. Miss Adams (in private life Mrs. W. Houston Kenyon, wife of a New York attorney) is an economist by education

and a journalist by training. To experience in feature writing for the New York Sunday Times, Barron's Weekly and various other magazines she added editorial writing for Business Week and for The Economist (of London). She has recently been United Nations correspondent for the latter publication.

In order to do the amount of visiting of Reserve Banks which the study needs, Miss Adams must have an assistant capable of accepting more responsibility for administrative detail than can be delegated to Miss McKinstry if the part-time arrangement for the latter's services prevailing under the pilot project is to continue. The Committee's aim is to find a well-equipped and exceptionally able research assistant, with the necessary academic training in monetary matters and some experience in administration, who has the capacity to play a major role in the project. Such a person would, after a year or so as administrative assistant, take charge and carry forward. Miss Adams would then be in a unique position to embark upon a major writing part of the project.

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

(c) Quarters

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

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

(d) Budget

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

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

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

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

Based on experience in the pilot project, we have made estimates in two groups, one for an early period when research expenses and travel costs will be relatively high, the other for a period when the heavy costs will take the form of subventions and other aids to writing and publishing which are the goals of this study. These budgets should be taken as estimates only, and we would ask that a high degree of flexibility be allowed the Committee in allocating the funds for which it asks. There may be instances in which provision for salaries will be transferred to grants-in-aid, and vice versa, depending on the situation. No allowance was made by Brookings for the costs of handling the short-term pilot project; they must, however, be reimbursed for their costs in handling the longer operation, and due allowance is made in budget estimates.

Budget Estimates, June 1, 1954 to May 31, 1959

<u>Earlier Period (Two Years)</u>		<u>Later Period (Three Years)</u>	
Annual Salaries and Research		Annual Salaries and Research	
Contracts	\$46,000.	Contracts	\$61,000.
Annual Travel Costs	3,000.	Annual Travel Costs	2,000.
Annual Brookings Handling		Annual Brookings Handling	
and Overhead	3,000.	and Overhead	3,000.
Annual Other Expenses	2,500.	Annual Other Expenses	1,000.
	<u>\$54,500.</u>		<u>\$67,000.</u>
Total for earlier period (2 years) .....	\$109,000.		
Total for later period (3 years) .....		<u>201,000.</u>	
Total for 5 years .....		\$310,000.	

The arithmetic in this table is worked out for two phases. Actually we cannot tell at this moment exactly how fast the work will proceed, how much overlap there will be, and when competent people will be available to undertake writing assignments. Therefore, we would ask that the expenditure curve be left flexible.

#### VII Request

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

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

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

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

April 20, 1954.



REPORT

on a

PILOT PROJECT

to explore materials and memories

for a

Study of the History of the Federal Reserve System

## REPORT ON PILOT PROJECT

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

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

The exploratory process, superficial though it has had to be, and incomplete, has yielded a gratifying harvest. More collections of papers have been located and surveyed than we thought possible.

The characters in the drama are more numerous and possessed of better memories than we dared to hope. Even from the earliest years, a few hardy operating men survive in each bank. To some of these men, work in the Federal Reserve System has been a lifetime occupation. Their memories will, of course, be checked with the records, but the sense of struggle and accomplishment which talks with them convey should be a valuable factor in any history of any institution. Their interest has been enlisted and their co-operation is generous.

As a method of recording people, papers and events pertinent to this inquiry we have started four types of card files, one a Who's Who file of persons;

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

#### Papers.

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

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

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

We have in preparation a master list of basic material which we hope to send for their checking. If this device works, it will furnish the data for a bibliography of basic historical material for the entire System which will be of primary use in the studies in prospect.

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

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

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

The papers of Colonel E. M. House, containing material about the early creation of the System, are in the Yale University Library.

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

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

before these papers, so important in the early history of the Federal Reserve System, would be generally useful to students. (See main project proposal.)

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

Of the first Board of Governors, we have found the following papers:

The papers of Charles Hamlin, first Governor of the Federal Reserve System, are in the Library of Congress. These consist of 245 volumes of which 28 are bound volumes of manuscript diaries covering the twenty-one years during which Mr. Hamlin was a member of the Board, and almost as many are bound volumes of newspaper clippings covering the years 1871 to 1938. Both sets of volumes have been amply indexed and cross-indexed by Mr. Hamlin. The whole collection constitutes a mine of information and comment which has neither been studied nor evaluated. (See main project proposals.)

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

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

The papers of James Warburg, covering a later period, are in the same building. These include a six-volume diary covering the months of 1933-34 which covered the banking holiday and the London Economic Conference to which Mr. Warburg was a delegate.

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

The papers of John Skelton Williams are in the hands of his widow, now Mrs. William Allen Willingham of Richmond, Virginia.

The papers of Dr. Adolph C. Miller were thought to be embodied in the files of the Federal Reserve Board, but a small collection has recently been found in the home of his widow, and has been made available to this Committee for sorting and evaluating.

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

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

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

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

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

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

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

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

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

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

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

The papers of Oliver W. M. Sprague, at various times consultant to the Treasury and to the Board, are in the hands of his son in the Sprague residence. Stimulated by inquiries from this Committee, Mr. Sprague is now sorting and classifying the material his father left.

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

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

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

Obviously this list of 30 pertinent collections which we have located is by no means exhaustive. It does, however, show what riches can be uncovered by persistent search. All this, and much more, must be studied by anyone now aiming to review the System's work and its place in the American economy.

Meanwhile, men still active in the System are known to have been accumulating papers which, if they can be preserved, will add greatly to the desirable material. The student of Federal Reserve banking may with reason long for the time when the speeches, correspondence and memoranda of modern leaders in Federal Reserve theory and practice are made available. It is to

be hoped that this Committee may be active in persuading these men to leave their papers to a responsible depository where future students may consult them.

Persons

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

The process of interviewing has been throughout this pilot study one of the major occupations of the research director. Starting from a list on which Committee members indicated their own first choice, the interview process has widened to include some sixty-odd persons, most of them officers or staff members of the Board or banks. The long list includes:

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

and many others.

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



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

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

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

#### Card Files

As visible evidence of work done during this pilot project and as preparation for the larger project, we undertook to build a "biographic index of personalities", a "bibliography of basic materials" and a "map of some papers". We now have in hand the early stages of what will be master card files, prepared in such fashion that they could be photostatted and made available to students working on various phases of the main project. These include:

A bibliographic file of unpublished material, put together in a form

suggested by the Manuscript Division of the Library of Congress, where collections are described roughly on cards, and more exactly on larger "registers" of the material in the collection.

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

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

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

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

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

#### Operation

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

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

tee project and inviting their interest. Since then, material bearing on the local histories of the individual banks has been arriving in response to specific requests. Meanwhile the New York Bank, like the Board, had opened all doors and created for the Committee's staff an atmosphere of cooperation which has both facilitated the work process and constituted an important financial contribution to the project. It is already apparent that regional divergences and developments form a rich field for research in any comprehensive study of the System.

### Conclusions

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

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

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

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✓ Dr. Robert W. Calkins

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

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

Mildred Adams *MA*