

January 25, 1954

MR. ROBERT V. ROOSA

Interview, 1/25/54

I talked with Mr. Roosa about the process of developing files which would be generally useful. I described to him the classifications already contemplated, that is, the persons file, the bibliography of unpublished material, chronology of events, and eventually a bibliography of published material, along with a subject file as yet unspecified.

He said that he did not think that a chronological file of events only would be adequate as the early years, and even the later development, contained a great deal of thinking which showed on the surface only at a later stage. He suggested that a loose subject file could usefully be set up with perhaps some fifteen headings which would attract material which later on could be classified systematically.

Asked what headings he would suggest, he said that in the early years it was important to differentiate as between objectives and techniques, as much thought went in both directions. The men who thought in terms of objectives were of two kinds: there were, on the one hand, those who were trained in traditional banking ways and thought mostly in terms of establishing good credit; and, on the other hand, those who consciously or unconsciously were groping towards new mechanisms of control.

Of the men interested in techniques, some of them thought in terms of qualitative controls, such as tests of credit or economic indicators as yet to be established. A large body of thought on the

on the other hand, went into quantitative aspects and concerned itself with definitions of good credit, etc.

A third step was concerned with the development of selective techniques as criteria for judging, for instance, consumer credit, stock market credit, real estate credit. Under this heading would come emphasis on instruments of control, standards of eligibility for discount.

This latter field of thought is for the moment quiescent but it occupied a great deal of time at one period.

Discount rate would be another heading and with it discount mechanisms.

Open market operations would have to be divided between commercial paper which was important in earlier years and government securities which occupy the field at the moment. There has been much thought on two distinct purposes of these operations. Should they be directed solely to affect bank reserves, or, second, should they be directed to affect the credit structure?

In the early years, most of the men working in this field came out of banking and were imbued with traditional banking training. They were familiar with a series of panics in which money became tight and hard to get. They thought that once a central reserve was set up and ways arranged for it to move through the country, there should not be a recurrence of the familiar panic financial stringency pattern. For them inflation that followed World War I and the consequent depression came as a considerable shock; for some reason they saw that the central

reserve plan was not working as they expected it would; and the problem, as they saw it, was to find the reason for this.

It was during this period that the concept of controls as a purpose of the Federal Reserve System was forced on them and, in part, by their academic critics. This concept was not popular among the group of men who had already been attacked by people who thought the entire Federal Reserve idea "socialistic." The whole early period was one of the development of central banking theory during the process of practice in the field and against deep-seated prejudices of the men who were in charge.

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