Internal Memorandum

February 16, 1954

Introductory Interview with Mr. Eugene Meyer

This interview was held in the new modern building of the Washington Post of which Mr. Meyer is publisher. With this new building the Post has been moved out of the ordinary business center of Washington and put directly behind the Statler Hotel. It is a curious move, for it means that the newspaper is at a greater distance away from both the Capital and the White House than it was before. Mr. Meyer undoubtedly had his reasons, he has for most things, but like many of his reasons these are not clear on the surface.

The building is entirely modern, even the elevators are self-service or at least they were in the morning. Mr. Meyer's own office is not large. It is furnished in modern taste except for the ~~a~~ huge desk which is a ~~of~~ carved and heavy piece that might have delighted Theodore Roosevelt. Behind Mr. Meyer is a book shelf and above that a shelf which holds somethings of his chief interests, a painted head of a horse, a small statuette of Prime Minister Churchill, and in glass cases a huge ear of corn and a model of an aircraft carrier. Interspersed with these are medals which I could not look at closely but which appeared to be tokens given him in recognition of this or that.

Mr. Meyer came in twenty minutes late. He had been at the doctors as he has been having a bad cold for about a week. He was cordial, articulate and disjointed in his talk. His attention jumped from one subject to another very rapidly. Also he is an elliptical talker and frequently the connecting links slip away from anyone who has not had all the experience that he has. One must guess at what it was in one sentence that reminds him of another. For that reason the interview will be more than usually sketchy. This, combined with an obvious liking for the s~~c~~hock technique made ~~may~~ the interview interesting if not as productive as one might have liked.

Mr. Meyer began by saying that in his opinion the Federal Reserve Board had for much of its life been weakly administered, inadequate to its task, unaware of the possibilities which as a Board it might have developed.

When Woodrow Wilson was nominated Henry Morgenthau, Sr. came to Mr. Meyer, then a private banker, to ask who would be the best person to recommend for the Board.

(His father had been a partner in Lazard Freres. Mr. Meyer admires that firm as it was in his father's day but regards the second generation as tending toward the mediocre.) He suggested Paul Warburg, and acting on that suggestion Mr. Warburg was put onto the Board as vice governor. He was a man of European upbringing, born in Germany, educated in Europe and much more at home in European ways than in those of the United States. It will be remembered that the First World War started in the summer of 1914 and the Federal Reserve Regional banks were opened in November of that year. United States had not yet taken sides in that war. Public opinion was widely divided and people of German nationality were outspoken in their partisanship. Early in Mr. Warburg's tenure as vice governor it began to be rumored that he was a German sympathizer. As public opinion moved more and more toward the allied side this roused questions, and in spite of his talents as a banker and his obvious usefulness to the Board he did not last very long.

Warburg's theme, and one which is echoed in the discussions of that day, was that the United States needed an elastic currency. It was this ideal toward which he worked. Mr. Meyer complains that the Board never went west of the Mississippi to see what was needed in the United States. Besides elastic currency the member banks were making a great deal of money, but nobody was interested in agriculture (two continuing threads in this talk were Mr. Meyer's interest in the West--he came from California--and his interest in agriculture) had anything to say about what the Board was doing.

When Mr. Meyer came to the Board the members were split three to three in the famous discount row.

He seems not to have admired Mr. Strong whom he called an ignoramus in international banking. Other people confirm the possibility that the two men were headstrong and energetic; that a conflict was inevitable. More about this will probably develop.

The net result of the eligibility policy as described by Mr. Meyer was that a vast amount of industry was not helped but injured. He had in ~~particular~~ mind particularly animal husbandry which again has been one of his interests. The banks could accept commercial paper but no matter how good the paper for cattle loans it was not eligible for them. This in his opinion was an injustice which played a part in the crisis of 1920 (see Mr. Meyer's testimony in the banking and currency committee on the agricultural hearings).

In 1921 Mr. Meyer(check this date and find out what he was with at the time) took over three million dollars worth of slow loans of the country banks. Papers were passed along with the endorsement of the wealthy ~~because the bank's word meant nothing~~.

In 1922 Mr. Meyer headed the War Finance Administration (check this title) and it is his firm belief that the War Finance Administration saved the Federal Reserve Board. Mr. Meyer had at his command a billion and a half dollars and the necessary machinery for closing what was then equivalent of the dollar gap. He went all over the country educating people. David Houston was then ex officio head of the War Finance Corporation as he was of the Federal Reserve (Was he then secretary of the Treasury?). He went around cutting down, tightening up in the period when the only thing that would save the country was expansion. His chief desire was to get the money out of places where he thought it weak. He called loans too fast. It was a period when cotton dropped from 20 to 8 (presumably this is 20 cents) and cattle dropped from 120 to 20.

Mr. Meyer here interpolated a story that Dr. Adolph Miller came East with Franklin Lane acting as his secretary. Miller had been an economics professor at the University of California. Lane grew tired of him and passed him on as an economist to head the Board. (This story would need to be clarified. It also might be worth finding out what were the relations between Miller and Meyer in California)

Mr. Meyer claims to have written the law which created the Reconstruction Finance Corporation in his office at the Federal Reserve. He says that Hoover never even saw it before he signed it. He claims also to have written the farm loan act.

In his period of service at the Board the latter was constantly torn by strife. There was ill feeling between the Board and New York and Chicago. Everyone knew that the New York Bank had built up its power entirely out of proportion with the intent of the Act. The Board should be in public business what the president of a bank is in private banking but at that time each governor had two districts under him which meant that a devisive influence was written into the act. Each governor became the champion of his two districts and competition was automatically created ~~between~~ among the members of the Board.

Mr. Meyer ended this, had the act corrected in this detail and worked to make the Board a unit with the districts assigned to ~~the~~ members of the technical staff. He made it a rule that he would bring Board business before the Board and not handle it within his private office.

The First National Bank in New York was then in trouble because it had an affiliate which owned and handled stock. The situation seemed not to have been as bad as that in ~~the Bank of~~ at least one other bank in which the affiliate traded in the Bank stock and borrowed from the bank to keep up the stock market price. Nevertheless there was difficulty. Mr. Meyer wrote the law abolishing affiliates. (Did Mr. George F. Baker leave papers?)

The Board was at that time scattered all over Washington. Mr. Meyer hired space in the ~~Shorum~~ Shoreham building to gather it together and bring its various departments in touch with ~~each other~~ one another. He made it a live organization and gave it a sense of unity. Up to that time the secretary of the Board had not amounted to much. Mr. Meyer brought in Mr. Chester Morrill who had been with him in Farm Loan days and made him the Board secretary.

Dr. Miller wanted Mr. Meyer to fire Mr. Goldenwiser who had come on to the research staff. Mr. Meyer, who claims to have had the first statistician in Wall Street and to have hired him as early as 1904, had a very firm belief in the value of research and a high estimate of Mr. Goldenwiser's ability. He did not fire him.

In those days the major problem was one of division. Mr. Meyer brought in Mr. Floyd Harrison who had been his assistant in war finance days and made him his assistant on the Board. He describes Mr. Harrison as a fine detail man. The job of Board head he regards as largely one of human relations. He says that the Board and the System had been kept weak by the member banks who found it convenient to pass along their older directors when they ceased to be of value within the working banks and get them appointed to the Board. Mr. Meyer who was himself a young man in those days phoned Robert Hutchins in Chicago asking for five young able young men who could be educated in the ways of the Board. Mr. Hutchins found him the five including Ed Ryerson who has since become very powerful in Chicago banking. But then came the panic and Hoover would not make these changes.

Mr. Meyer's characterization of the then governors is not flattering. The Chicago man (who was this?) he describes as a mere bookkeeper. George Reynolds knew nothing about monetary affairs. George James was all right but had no financial ability.

Mr. Meyer organized the National Credit Corporation. Himself a Republican, he was popular with the Democrats because he did so much for cotton, sugar and rice. Times were so bad that Mr. Leffingwell was having trouble selling 90 day Treasury notes bearing 6% interest. Mr. Meyer saw that 60 million was loaned to small banks in the northwest and has since been hailed as the saviour of the northwest. They loaned 20 million to 700 banks in North Dakota and out of it lost only 200,000. The System was to carry the banks until they got a good crop and then Mr. Meyer "collected like hell".

In Kansas City they took over slow loans to the extent of 44 1/2 million. Mr. Meyer says that the RFC saved the Federal Reserve. The northwest had only 40 per cent of a normal crop. There were runs in Sioux City.

(Mr. Clarence Wooley was an old family friend of Mr. Meyer. Mr. Meyer calls Mr. Leffingwell no wizard on finance but a good lawyer.) In Mr. Meyer's view the Federal Reserve did not save the situation but it was saved for them by other activities.

The Federal Reserve paid little attention to the non-member banks although at that time non-members made up two-thirds of the banking community and held one-third of the banking resources. Mr. Meyer says that timing in economics has been ignored whereas it is as important in economics as in war in football.

He also says that credit is like a drug, in good hands it is a healing drug in bad hands it may be habit forming and devastating.