

Internal Memo

Washington, February 17, 1954.

Conversation No. 2 with Mr. Carl Parry

Mr. Parry lives alone in the Westchester Apartments surrounded by his books and papers in a wide room overlooking tree tops. He was gayer and seemed more at home than in the restaurant of the Board where I saw him earlier. He has been out of the Board since 1948 which may explain his apparent adaptation to a certain amount of leisure.

He had obviously been thinking of the project and of possible ideas and events which he wanted to call to our attention. He spoke first of three hearings which might contain material we could use. First was the Pecora hearing out of which came the legislation creating the ^{and} Securities Exchange Commission. The second and third were the Douglas and Patman hearings. In addition to these there was a so-called Wagner questionnaire prepared along about 1939 or 1940 if Mr. Parry's memory holds. It was at that time Senator Wagner's intention to hold a full dress investigation of the Federal Reserve System. Material was prepared for it both in Washington and New York and should be in the files. Woodlief Thomas made a study for it which Mr. Parry regards as valuable and suggests that we find ^{it} ~~we~~.

In 1935 Mr. Thomas and Mr. Burgess worked together on a revision of the Federal Reserve Act. Mr. Parry regards Mr. Thomas as "the indispensable man" in this project, whereas Mr. Burgess and Mr. Sproul came into the system in 1920, Mr. Thomas went to the Philadelphia Federal Reserve Bank even earlier and from

there to the Board. He has been steadily with the Board since that time.

Another useful person is Mr. Karl Bopp of Philadelphia. Mr. Bopp when a college student at the University of Washington wrote his thesis on the Federal Reserve policy and managed although he had never met anyone within the System to penetrate remarkably well into the mind of the system.

Mr. Parry suggested in addition to the ideas he had proposed in an earlier conversation that it might be worth while to examine into one of Mr. Bopp's ideas, namely the suggestion that the change in handling the discount rate which has taken place in both England and France is due to nothing more precise than the passing of the generations.

Mr. Parry himself has written following items:

In 1921 he wrote on Crises and Depressions. In 1948, March 15 he wrote a Memorandum History of Regulation W (Mr. Parry says that additional chapters since 1948 have been written by other people). He also suggests a book by O. W. M. Sprague which he thinks would be useful called Crises in the National Banking System.

Mr. Parry talked ^{of} ~~to~~ the Bank ^{and} ~~on~~ the place of Mr. ^{Benjamin} Strong within the system. He said that in his period Mr. Strong was undoubtedly the most vigorous influence. The only person who could perhaps rival him ^{then} and/not completely was Mr. Adolph Miller when the latter was in his prime. Mr. Miller and Mr. Stewart together wrote what is known within the system as "the historic report" written in 1923.

Mr. Parry talked at length about Mr. Stewart whom he greatly admires. He says that Mr. Stewart was recommended to Dr. Adolph Miller by Mr. Wesley Mitchell who ^(in the System from 1921 to 1925) ~~was~~ student he had been. About three years ago Mr. Stewart talked to Mr. Parry about the Strong papers and the need for doing something about them.

Mr. Parry believes that it was Mr. Stewart who first interested Mr. Robert Warren in the Strong papers and that he has steadily pursued an attempt to get something

adequate done with them. If this is true we owe Mr. Stewart perhaps the beginning of this project, or at least the continuing idea that some such thing would be done.

Mr. Parry and Mr. Stewart were at one time on the faculty at the University of Michigan. Mr. Riefler was a student of Mr. Stewart's at Amherst. Mr. Stewart came to the Board as a fresh mind, a trained economist, a person able to inspire other men and at the same time possessed of good judgment. He has a capacity for useful generalization. He has written very little outside of papers which had gone into reports and bulletins of the Federal Reserve Board. He wrote a tribute to Robert Warren which we should get. He used to collaborate with Goldenwiser in putting out the Reviews of the Month. In the American Scholar about 1948 he wrote what Mr. Parry regards as an answer to Toynbee. He also wrote a paper for the American Economic Association in 1921 discussing an index of production.

Mr. Stewart is a man who likes what are known as valued judgments. He has been heard to say "We went into the Federal Reserve with a moral purpose."

Mr. Stewart was head of research for the Board in 1922-25. He then was threatening to resign in order to devote himself to more research. He went abroad with Mr. Strong and there met Montagu Norman and was asked to become Economic Advisor to the Bank of England (this may not be his correct title but it was his function).

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In the Patman report Mr. Stewart rewrote that answer to the questionnaire which is concerned with the independence of the Federal Reserve System.

He also testified ^mthat a famous English investigation ^(Macmillan) into English banking of which Mr. Parry has forgotten the name. (Macmillan)

Mr. Parry inquired as to whether we could have access to the minutes of the Board of Governors and to the minutes of the Federal Open Market Committee. He seemed to think that this should be possible for the earlier years.

He said that reading the records showed ^{that} the Treasury was just as slow to let the Reserve Board tighten up the economy after World War I as it was after World War II.

He said that the function of the Board used to be called "preserving and orderly market." It is now called "preventing a disorderly market." There is also talk of "a protective market." A phrase which he does not understand.

Mr. Parry stated that Mr. Roelse would be very valuable in work which dealt with the history of the New York Bank. He thinks that he and Mr. Roosa together could probably produce the solution to the question posed by Mr. Warren, namely, how can files be turned ⁱⁿ to archives in the New York Bank?

Mr. Parry spoke of Mr. Walter Stark now with Loomis Sayles in Boston as a person who was with the Board in earlier days and might have valuable recollections.

He also suggested that in seeing Mr. Karl Bopp of Philadelphia it would be well to ~~give~~ write Mr. Bopp and give him some idea about the project before seeing him. This will enable Mr. Bopp, who has a philosophic mind with an historical sense, to do some thinking about the project before he ^{is} asked to talk about it.

Mr. Parry has been working on a book which he has called Selectivity

deal of work and on which he ranks as an expert. He says that selectivity which went out of fashion has come back into fashion twice since 1948 but for the wrong reasons. It came back concerning first consumer credit and second real estate credit. He regards the real use of selectivity as counter cyclical.

I urged him to go ahead with the book which has been marking time for some months. He leaves next week, Wednesday or Thursday for the Middle East and expects to return April 15 or earlier. He will be glad to talk again for further questioning after he comes back.

Wendell Adams