

March 8, 1954

Interview with Mr. John Sinclair

President of the National Industrial Conference Board

Mr. Sinclair filled in his dates for us. From 1922 to 1934 he was practicing law in Philadelphia. He was first asked to be Deputy Governor of the Philadelphia Federal Reserve Bank and then Governor. In January 1934 he went in as Deputy, and in the Spring of 1936 he became Governor. He was Governor of the Federal Reserve Bank of Philadelphia until July 1, 1941. He then came to New York as Vice President of the New York Life Insurance Company and its General Counsel. He was Executive Vice President of the New York Life from 1942 to 1948. His period of service in the Federal Reserve System thus lasted from 1934 until 1941.

Mr. Sinclair's knowledge of the System was much longer than that, as the firm with which he practiced law from 1922 to 1934 served as Counsel for the Philadelphia Federal Reserve Bank.

Mr. Sinclair told his own story of the banking holiday. Early in 1933 he had a call from Mr. Wyatt in Washington asking if he could come down to see Mr. Awalt, then in the Comptroller's office. Mr. Sinclair flew down (this was his first airplane flight) and found that Mr. Awalt wanted his advice concerning legislation which would effect the national banks. He offered Mr. Sinclair a post in the Comptroller's office.

Mr. Sinclair then returned to Philadelphia and talked to the then President of the Philadelphia Federal Reserve Bank, Mr. George Norris, who told him that there was trouble ahead and that his services would be needed in Philadelphia.

Just before the inauguration of Mr. Roosevelt in March of 1933, Mr. Sinclair got a 7 P.M. call from Mr. Wyatt. The latter had been talking with Mr. Ogden Mills and Mr. Eugene Meyer. The banks in Detroit were going

to close and the certainty was that the panic would spread to Philadelphia and New York. The problem was how to reach Governor Pinchot in order to ask him to declare a banking holiday. No one knew where he was. Mr. Sinclair went to work on the telephone and finally got word that Governor Pinchot was in Washington, but not to be disturbed as he was giving a preinaugural party.

Meanwhile, as time was of the essence in this operation, they got Governor Norris of the Philadelphia Bank and the Clearing House people to set a meeting. In this, Mr. Sinclair's associate was Bill Snayder (check name, Snayder was probably in the Philadelphia State Government). The meeting was set for six in the morning in the Board room of the First National Bank of Philadelphia. The assembled bankers were extremely unwilling to accept the fact that their banks must close because of what was going on in the rest of the country. Governor Norris told them "what you don't realize is the effect of wire transfers on this; the Philadelphia Banks could be gutted in a few moments".

While this was going on, and thanks to work in Washington (see Wyatt memoir for what was happening at that end), Mr. Snayder got Mrs. Pinchot on the telephone. She said that the Governor had promised in his inaugural address, only a few months ago, that the Pennsylvania banks would not be closed for any reason or any other circumstance. He told her about the 6 A.M. meeting. It was finally arranged that Governor Pinchot should be called at 6 A.M. The Governor said that he would close the banks only if it were on formal request of the Governor of the Federal Reserve Bank. Mr. Sinclair consulted Governor Norris and told him that under the circumstances he had no choice. They drafted a proclamation for Governor Pinchot to sign and drafted wires to be sent to all the banks in the District. Resolutions were passed for the Clearing House Banks. Everything was ready for 9 o'clock in the morning when the banks instead of opening were to stay closed according to proclamation.

Walking down Chestnut Street at 9 A.M., the men found a small savings society opened and the Federal Reserve Bank opened in defiance of the proclamation. They convinced both banks that they must close in accordance with the national proclamation.

The President of the Philadelphia Federal Reserve Bank is Dr. Alfred Williams. Mr. John Davis was the Chief Operating Officer at the time of the banking holiday. Mr. Sinclair as Counsel during this period, was occupied with the business of getting out licenses for Pennsylvania banks. It was agreed that everywhere in the Comptroller's office in Washington would initial every wire which went out permitting banks to open. Two years later the Comptroller sued several of the Federal Reserve Bank on the ground that certain exceptions to the regulations which were made by the Reserve Banks were not legal.

Mr. Sinclair stayed in the bank night and day and ran it with John Davis, the Operating Officer. Mr. Sinclair made a practice of writing no legal memos and much of the business of clearing up the bank situations was done by telephone with Walter Wyatt in Washington.

The technique was that the Treasury, the Federal Reserve, and the Comptroller of the Currency gave permission to closed banks to open under Treasury license. This was provided (a) that they were solvent, or (b) that they were in sufficiently good condition, so that the RFC would lend money to them.

Many stories ran around in the banking world of the difficulties and the absurd incidents which happened. There was a story of the Dallas Bank where it was said that the bank men took out all the movable collateral, including the toilet tissue.

The situation was unprecedented and lawyers who were dealing with it, therefore, in many small things made their own rules as they went along. The phrase "short in form, long in practice" was one which was frequently used.

Ted Hammond wrote a short pamphlet of the history of commercial banking under this title (we should get this pamphlet).

Mr. Sinclair described Governor Norris of the Philadelphia Bank as a very able older man, but one who was young in mind and liberal. Mr. Eccles hated him as he hated Governor Seay of Richmond and Governor Calkins of San Francisco. The three men, Norris, Seay and Calkins, were all over seventy and close to resignation and retirement, but refused to be forced out. Mr. Sinclair wrote a brief in favor of Governor Norris which greatly annoyed Mr. Eccles.

Governor Bill Hutt was a bachelor and a poor administrator who ruled by fear.

The Board appointed Mr. Sinclair as President of the Federal Reserve Bank of Philadelphia, but did not tell him about the appointment until after the newspaper men got it and pressed Sinclair for further news. Mr. Eccles called him from Washington asking him to come down and after a long talk assured him that he could be confirmed.

Mr. Harrison and Mr. Sinclair between them were said by Mr. Eccles to make him feel that he was "ground between two stones".

Mr. Sinclair thinks that what Mr. Eccles did to the morale of this System was bad. He kept salaries down to \$25,000 a year and discouraged the young from seeking a lifetime career within this System, when Mr. Sinclair left to come to New York at twice that salary. This was only typical of what was happening.

A fine study was made of personnel problems in the Federal Reserve System under Mr. Thomas McCabe. This was done by two Harvard men. Mr. Eccles received it, but never let it come out of the files. (Can we find it?)

During the period when Mr. Sinclair was in Philadelphia, Mr. Casimir Sinkewicz, now in the Penn Central Bank of Philadelphia as President, was Research Director in Philadelphia.

Mr. John Davis grew up in the Philadelphia Bank. He was an operating man of limited prospective, but a very good operator.

Dr. Karl Bopp came in later. It is Mr. Sinclair's belief that there are not many of the old records in the Philadelphia Bank.

Mr. McCreedy, now a Vice President, has been in the bank for years.

Mr. Ernest Hill, an Examiner, went through the entire banking holiday experience. All these men are worth seeing when on a visit to Philadelphia.

Mr. Sinclair said that the Philadelphia problem was that Governor Hutt had read a book on central banking and desired to be a purist in the English fashion. He would not yield to the facts and he refused to see that the English situation and the American situation were very different.

Meanwhile, Mr. Richard Austin was an old puritan and not truly a central banker. He had been brought up in the Credit Department of a commercial bank and his practice was to lend on formula and on formula only. There was considerable trouble in 13b lending. Meanwhile, Mr. John Davis was a practical banker. There were continual fights within the Board in which Mr. Hutt and Mr. Austin regularly outvoted Mr. Norris. Matters then had to be taken to the entire Board. This slowed down operations and made unbasic conditions very difficult.

The Philadelphia Bank has a proud record of financing various types of obligations. They once loaned \$75 to a couple of old ladies to make uniforms for Catholic school children. They also loaned the Budd Company \$500,000 to finance the first lightweight trains. This was done without collateral but on a letter of intention from the Ford Motor Company concerning the jigs and dies in the control of Budd. The Bank also took the Baldwin Locomotive Company out of bankruptcy, financed the Redding railroad, and did other pieces of financing of which Mr. Sinclair is still proud.

Mr. Sinclair will be in New York until March 21. He then goes away until April 7. He will be glad to talk again.