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Internal Memorandum

Interview with Professor Jacob Viner

Professor of Economics at Princeton University

Professor Viner represents the Treasury interest and would be handling perhaps Treasury relationships with the Federal Reserve Board. That is, if he would, if he wanted to do any of this project. He says that it is quite impossible. He has not the kind of material which would make this valuable and his own contact with the Treasury has been by no means, steady or regular. He acted at liaison officer between the Federal Reserve Board and the Treasury in 1934. He is by no means convinced that the Treasury was always right or that the Federal Reserve Board was always right. He kept no records or diaries that would be of any use in this matter. He recommended that a book by Henry Murphy might be valuable in this (check this). He also said that Mr. Landau, who he thinks is now with the New York Federal Reserve Bank, worked with Mr. Murphy on the bond program. His summary of Federal Reserve Board-Treasury relationships was that the Federal Reserve Board went along with the Treasury's requests much too easily.

Mr. Viner said that any study of Federal Reserve relationships, that is of relationships between the New York Bank and the Board (that is, of course, only one phase) should also take into account the frequent fights between the Chicago and the New York Banks. He said that the Dawes papers and the papers of Mr. Forgan would be illuminating on this subject. He suggested that we ask Mr. Lichtenstein or Mr. Park Ellis at the Newberry Library in Chicago. The Newberry Library is particularly active in gathering collections of contemporary papers. He also said that Mr. E. E. Brown (I am not sure of Mr. Brown's position, he may be head of the First National Bank of Chicago, but this should be checked). He said that the Federal Reserve Bank of Chicago may have archives which would give the picture in this. He also said that Mr. Simeon Leland, Chairman of the Federal Reserve Board of Chicago, would have records or would know where they might be (check this).

His criticism, implied as well as spoken, of the Federal Reserve Board was that, by and large, very few of them had the central banking concept. They were interested in all sorts of detail and it was possible to lead them off into side issues. He indicated although he did not say so, that forty years of central banking on the part of the Federal Reserve Board, had not been enough to instill the concept behind that into very many people.

Mr. Viner said very strongly that Karl Bopp of the Philadelphia Federal Reserve Bank, was the man, who of all possible people, should do the definitive history. Mr. Bopp is interested in central banking as such, and has a very clear concept of what he means by the term. He also has a philosophic and historical point of view on the subject of Federal Reserve Banking.

Mr. Viner was very interesting on the subject of the interplay between the staff and the Board members in the Federal Reserve. He said that frequently the staff had to take responsibility for what was not done, as well as to take credit for some of the things that were done. In a Board appointed from the outside and not always composed of men of the highest ability, the interplay between Board and staff is highly important. The staff are technicians. They are supposed to know and to recommend. When things do not happen, when the central banking concept is not kept, when the Board goes off on side tantrums, it may possibly be the fault of the staff which has misdirected them. On the other hand, the staff in its turn responds to leadership and when men of determination and breadth of vision sit on the Board, they demand from a staff work which may get buried otherwise. (This suggests that a monograph on the relationship between staff and Board might be highly useful). ¶ Mr. Viner regards the Morgenthau papers as highly important in any study of the period during which he sat in the Treasury. He said it was extremely difficult to discuss further policy discussions between the head of the Treasury, Mr. Morgenthau, and the head of the Federal Reserve Bank, Mr. Eccles. Mr. Eccles was a very voluble talker. He talked to his listener and he talked to himself and he talked for hours at a time. Sometimes he talked as a process of thinking. Mr. Morgenthau, on the other hand, had no patience with Mr. Eccles. The two men grated on each other. It was, therefore, not possible for Mr. Morgenthau to sit patiently and wait until Mr. Eccles had unreeled his thought. The moment the two men got together the sparks began.

Very often the effective spokesman in a situation of this kind, was the New York Bank and it sounds from what Mr. Viner said as though Mr. Sproul was frequently the peacemaker.

Mr. Bell was not forceful though he was more often right than the others. He could not make his point of view hold against very heavy opposition.

By the 1940's, Mr. Harry White was a factor in the relationship between the Board and the Treasury, though perhaps not an important one - he may have been occupied mostly in international affairs.

Mr. Viner said that he was called in for Treasury consultation mostly on the bond program. He helped to design the "E" Bonds.

In the 1930's, the problem between the Treasury and the Federal Reserve Board was that each wanted the other to take the onus of an uncomfortable task. Eccles was frequently on the right side, but he did not want to take the responsibility. Again and again he wanted somebody else to do the dirty work.

Mr. Viner said that Mr. John Williams was for many years listened to with great respect by the Treasury. In the 1930's he and Professor Viner got along very well together. Professor Williams was a great writer of memoranda and these should be valuable source material.

Mr. Viner said that Mr. Eccles was, in 1934, advised by Mr. Lauchlin Currie who came into this position through Mr. Viner. Mr. Currie made a study of monetary policy for Mr. Viner which was very valuable. These memoranda are in the Treasury (see them when next in Washington and check). Miss Isabella Diamond of the Treasury knows where things are and can find these memoranda.

At that time, Mr. Morgenthau asked Mr. Viner to get two sets of studies and for that purpose Mr. Viner assembled a staff which included Mr. White and Mr. Currie. Mr. Currie became the personal advisor to Mr. Eccles, as Mr. Riefler is now to Mr. Martin. This was before Mr. Currie became the personal advisor to President Roosevelt.

Asked about possible papers belonging to Professor Warren, Mr. Viner said that Mr. Warren wrote many memoranda and some of them might be relevant. Mr. Stewart might have a set of them which could be consulted. Mr. Warren sat in as consultant to the Treasury for one period (ask Mr. Stewart about Mr. Warren's memos).

Mr. Viner said that Mr. Wayne C. Taylor might have records. He too, was working on this.

He said that Mr. Ransom (whose papers were recently destroyed by a secretary because nobody wanted them) was a peacemaker and a gentleman. He tried to get personalities out of the way of business and to persuade Messrs. Eccles and Morgenthau to put their minds on the same problem at the same time. He said that the battle between the two men used to be very strange indeed. Mr. Morgenthau was not an expert on monetary affairs and did not move easily in the field. His search was for people whom he could trust. He was basically a suspicious man. He trusted Mr. Viner and perhaps put himself too much into Mr. Viner's hands during the period when the latter acted as consultant.

He thinks Mr. Viner thinks that the Morgenthau record stands up well until 1942. Mr. Morgenthau was the tower of strength in the early Board days and in many things was more decisive than Mr. Roosevelt himself. On the other hand, when he got interested in the plan to put Germany back on an agricultural basis, he became not only useless but also almost dangerous.

Mr. Viner told one incident of relations between Mr. Eccles and Mr. Sproul. Mr. Eccles wanted the New York Bank to support the Bill Market. Mr. Sproul did not want to do it. Mr. Viner worked out a compromise between the two by asking Mr. Eccles if he would take responsibility for asking the New York Bank to do this as the Treasury's fiscal agent. Mr. Eccles said he would. Mr. Sproul then said he had no choice but to do as the Treasury said, being the Treasury's fiscal agent.

Mr. Viner said that in 1931 or 1932 a conference of the Harris Foundation at the University of Chicago, at which Mr. John Williams, Mr. Harvey Rogers and others were present, listened to a speech by Carl Snyder, who brought a message that the New York Bank was running low on gold. The Harris Foundation had a study made which had some such title as Gold and Unemployment. This might be valuable. At the same time Mr. Henry Dawes wrote a long letter of attack on the memorandum. This might be found at the Chicago Bank, but it would be valuable if only for the misunderstanding which is implied in the paper.

Mr. Viner is a person of wide contacts and long experience. He is not, however, primarily interested in banking. His field is rather that of international trade and the wider implication of economic activities. His value is as a consultant rather than as a writer in this field. He will be glad to see us at another time if we wish to consult him.

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