August 5, 1954

Internal Memorandum

Interview with Mr. William McChesney Martin, Sr.

Federal Reserve Bank of St. Louis

Mr. Clarence M. Stewart, who was assigned to shepherd me around the St. Louis Bank, was for many years assistant to Mr. William Martin, Sr. When I remarked that I was eager to see his former chief, he telephoned to invite him to lunch at the bank and then went in person to fetch him.

Early photographs of Mr. Martin, Sr. show him looking a good deal as his son does today. He is now a slim old gentleman, (80 years old July 2nd) quick in his movements, but walking with a cane. He was hit by an automobile in 1947 and his friends say that not only was his leg broken and internal injuries inflicted, but that the shock caused the beginning of a decline in mental vigor. He now shows some of the childish traits that go with senility, (a high bright childish cackle and sudden forgetting) but his mind is still quick and interesting.

The luncheon included President Johns and Vice President Wotawa, as well as Mr. Martin, Mr. Stewart and myself. The conversation tended to be general, although there was a tacit understanding that Mr. Martin was the one to do most of the talking.

Mr. Martin graduated from Washington and Lee. He must have been an active student. He says he got interested in old books on Salem witchcraft which were in the Washington and Lee library. He wrote a novel about it which was published though he was not able to remember the name of the publisher. (An old bibliographic index, or the card catalogue of the New York Public Library, might reveal this.) MacMillan gave the book three readings, then told him as he was a new writer they would have to sell his book for more than $1.50 a copy and 75,000 words was not enough to charge that much for it. Mr. Martin had just cut his novel down from 150,000 words and he would not put the other 75,000 back. Apparently he has done more or less general writing on his life. His "Ballad of the Bank", of which we were given a copy, testifies to his skill with quick verse.

Mr. Martin was editor of the college paper at Washington and Lee. Among his schoolmates and contemporaries were John W. Davis and Newton Baker. In his work as editor he says that he turned down manuscripts from both these eminent gentlemen. He and Mr. Davis are both trustees of Washington and Lee. Both have tried repeatedly to resign and by this time both are now "honorary trustees".

Mr. Martin said that if the Aldrich plan had gone through and a central bank been established, the New York banks had decided that Benjamin Strong should be its head. When the Glass Bill set up a system instead of a single central bank (Martin gives full credit to Carter Glass) Mr. Strong, spurred by this arrangement and his own ambition, tried to make the New York Federal Reserve Bank the dominating force in the system. For a while he succeeded. He worked hand in glove with Paul Warburg while the latter was on the Board.

Mr. Martin had no high opinion of Mr. Charles Hamlin. The latter had been Deputy Comptroller under McAdoo when the latter was Secretary of the Treasury and he "jumped the fence to the other side when McAdoo told him to".

W. P. G. Harding, who following Hamlin as governor, was much more skilled in banking, but political conditions were such that "he had a terrible time of it" in the post.

Asked about Crissinger, Mr. Martin said that the best that could be said about him, in fact the only good thing, was that "he was a good natured man".

Mr. Martin has a day by day journal of events in the time of the Louisville flood, which seems to have been one of the great catastrophes in those days and one about which all sorts of legends have gathered. His own luncheon contribution was a story that when the floods subsided the manager of the Federal Reserve Branch in Louisville found at the bottom of the vault one catfish and one minnow. The branch manager sent in a notation to St. Louis charging "ten cents for feed for fish".

Mr. Martin was, in the first years, Federal Reserve Agent as well as Chairman of the St. Louis Bank. He says that the records of the Federal Reserve Agent's Conferences were first taken down in shorthand and a verbatim record distributed. The minutes now are written in summary and are much easier to handle. A complete set is in the St. Louis bank, and available for our use.

Mr. Martin said that the lack of clear definition as between the jobs of Governor and Chairman of the bank delayed and perhaps really injured the development of the System. (Mr. Martin was one of the few of the earliest officers who made the chairmanship the dominating position. The then governor was Mr. Rolla Wells, a man of wealth and good family who had a hand in many St. Louis ventures. He was a political force and active in getting St. Louis made a Federal Reserve city. He had reached an age when he wanted to be free to travel, and there are indications that he accepted the post more as an honor than as a job to be worked at. He chose Martin, then working for the Mississippi Valley Trust Company, as his second in command. Mr. Martin was the youngest man to be appointed a Federal Reserve Chairman. He wrote an article on the new Federal Reserve Act early in 1914 which attracted Mr. Wells attention. Mr. Wells' record shows him in and out of the bank, and it is probably that these circumstances helped to explain the reversal in St. Louis of the more customary balance as between the chairman and the governor. When the job of chairman was cut down in size by the Banking Act of 1935, Mr. Martin became president (he had become governor in 1929). See interview with Johns for further details on this.)

Mr. Martin dictated the first annual report of the St. Louis Bank to Mr. Clarence Stewart and for years thereafter Stewart helped with the bank's annual reports.

Mr. Martin said that par collections have always caused trouble in that district. At first they were taken in stride as part of the new law, but then the banks, which had made money from exchange charges, began to resist. Finally Richmond went to the Supreme Court which said that the Federal Reserve Banks "did not have a mandate from heaven" to enforce par collection. The banks then relaxed, and the credit men are now the ones who bring most pressure to bear on them to persuade the few die-hards to accept par collection.

The St. Louis Bank also had trouble with early requests for discounting. Banks which wanted their loans discounted had to present with such a request a statement of the financial condition of the borrower. When this was not included the banks had to go back and get such statements. This was not then a customary part of doing business. Farmers did not habitually keep accounts and even merchants and manufacturers were less aware of the need of cost accounting than they are now.

Mr. Martin told a story of a stove manufacturer in the early days worth $75,000 who came to him when the income tax bill was first passed (1913?) and asked for help in making out the forms. Mr. Martin found that despite his wealth and success he had kept no account of either income or out-go. His attitude was that he knew he had enough to pay his bills, and other than that, why should he be bothered? The banks had a long, hard educational job, urged on by the Federal Reserve Banks, of persuading customers to adapt better methods of keeping accounts. Income tax demands have now made accounting almost compulsory and statements easy to get, but in the early days of the Federal Reserve very little accounting was found outside of big firms. Mr. Stewart used to make speeches about how the demand for statements was good for customers in that it persuaded them not to leave their farm machinery out in the fields, but to put it under cover and take care of it. This was achieved when the farmer saw the value of his machinery put down as an item on his statements.

In much of Mr. Martin's conversation it was clear that his idea of history includes a history of the regional banks as against the demands of the system.

Mr. Martin says that the problems which now come before the President's conferences are the same ones which he used to hear many years ago. The figures are larger, but the substance is the same.