

January 14, 1955

Internal Memorandum

Federal Reserve Bank of Cleveland

I. Arrangements and Procedure of Visit

This being the seventh bank ~~which I have~~ visited, I tried to take advantage of errors in arrangements or lack of arrangements at the other six in order to be more specific about what I asked for. The Cleveland Bank had already made a considerable effort to send us their materials. We had the file of persons connected with the officer or director corps in fairly good order, although a great many biographical sketches were lacking. I had corresponded with the president, Mr. Wilbur D. Fulton, and with the Assistant Secretary, Mr. Harmen Flinkers, assigned by Mr. Fulton as the person to look after my needs.

These preliminary efforts bore fruit insofar as I got the things I had asked for, and ~~XX~~ saw some of the older retired men of the Cleveland Bank. I did not, however, meet the men who might have been most useful in defining the particular characteristics of the Cleveland Bank and the development and change which it has undergone in these forty years. This lack was not the fault of Mr. Flinkers, nor was it anything which I could have corrected on the knowledge which I had. Apparently, it is something which one can only learn from actual experience on the ground. It is for this reason that this plan of a three-day first visit has values beyond what appear on the surface. The visit seemed superficial. Actually, I am fairly sure that it is better to do it this way than to go for a longer time, to try for more intensive interviews, and to get a more complete state of mental indigestion. I think that a second interview to pick up the lapses of the first would have great value.

For the sake of future visits, it is well to remember that the Bank in the town to be visited can make the best suggestion as to hotels. That suggestion should be followed, but the local bank will not change any arrangement made from New York. It seems to be a matter of understood courtesy.

The Hotel Cleveland, where I made reservations after learning that it was the one recommended by Cleveland, is about 4 or 5 blocks away from the Bank. That made easy walking back and forth and very much simplified one's movements.

I was met by the secretary, Miss King, to the president, Mr. Fulton, and introduced by her to Mr. Harmen Flinkers who thereupon took me in charge. Mr. Flinkers and I talked over the things I most wanted to do and arranged a schedule for a three-day visit. This included a luncheon on the first day with members of the staff who were concerned in library, archives and files as well as some of the officers in charge of those departments. There was also a luncheon on the second day for officers whose work touched on history projects. In the first luncheon, I asked questions and then told of the project. At the second luncheon, I was again asked to tell of the project. At both, I emphasized the need for not destroying things of historical value and placed before them the difficulty of defining what were things of historical value. In both instances, they seemed to be interested and to be willing to cooperate. How far this would go, I should hesitate to say.

Thanks to the efficiency of Mr. Flinkers and to the general air of competence he carried with him, I did not have very much of what has happened on other visits, namely the endless interviewing of people in minor positions who could contribute very little except anecdotes. Plenty of anecdotes were tossed around, but in the main, the men of Cleveland were perhaps less talkative than the men of some other places. At any rate, I emerged with the feeling that I had done all that I could in that short space of time.

II. Fourth District Characteristics

The Cleveland district contains the entire state of Ohio, the Western portion of Pennsylvania, the panhandle of West Virginia and a Northern portion of Kentucky. Mr. Arthur Frederick Blaser, a graduate student at Columbia University, who wrote a book about the Cleveland Bank in 1948, affirmed that the fourth district was not a self-contained district, nor could it be considered as having anything which might

be described as unity. I tried this statement on various people and received various answers. Mr. Merle Hostetler, Director of Research for the Cleveland Bank, agreed with it. He said that if the fourth district included Detroit and swept through the whole heavy manufacturing district which begins at Detroit and swings south and east through Cleveland to Pittsburgh, the district would have an integrity which it now lacks. He pictured it as leaking at both ends. In addition, it has, of course, an agricultural district to the south as well as coal mining in West Virginia. Neither of these are tied, except by ^{the} accident, ^{of district lines,} to Cleveland.

When I tried the same statement on Mr. Fulton, he did not agree with it, and it is apparent that at least for purposes of conversation, he considers Cleveland a self-contained district and believes that it could live within itself if it had to.

Certainly it does have at least an Ohio integration. One of the men said to me that Cleveland, Cincinnati and Columbus were thought of as one place and that if a man did not live in one, he could certainly be found living in another. This left out Dayton but was a figure of speech which seemed to be important to the speaker.

III. Building

The Federal Reserve Bank of Cleveland was built in 1923 in what must have been a very lush era. It is a twelve-story, very substantial building with a foundation which can hardly be penetrated by drills for the purpose of putting in the new air-conditioning. Its executive floor is the eighth, and its layout is more reminiscent of a great house or a fine hotel than of a business organization. ^{The 8th floor} ~~It~~ is entirely carpeted. The elevator lets one out at the center of the building, ^{is a crossroads which} and the central chamber [^] opens four ways and holds the reception clerk. It is high and handsome, panelled with carved mahogany and decorated with two very handsome portraits, one probably of Alexander Hamilton, the other perhaps of Benjamin Franklin, though I did not stop long enough to make sure. The whole impression is of rich and

heavy grandeur. The young secretary of the Bank, Mr. Roger Clouse, told me that the Bank is now on the defensive against public comment on this eighth floor. Times, ideas of decoration and evidences of democracy have changed since this was built, and apparently it is the subject of critical if not caustic comment.

A good deal of effort has been made in this Bank to redecorate in conformance with times. The reception chamber on the eighth floor remains the same, but the offices which all have outside light and are very pleasant have been lightened with paint, hung with bright chintz, and had much of their furniture rubbed down and bleached. They have tended to keep to the fine, heavy old desks which were put in in 1923, but this refinishing has brought them in better accord with the times. Also the lighting has been improved, and fluorescent lighting put in wherever possible.

On other floors, there has been remodeling to some degree. This Bank, like St. Louis and Chicago, has been very conscious of the value of color on walls and the general lightening and cheerfulness for the advantage of employees. The most spectacular change has been in the Personnel and Payroll Department, where one of the large offices has been painted petal pink. This has apparently been a step even greater than some of the employees liked, but while fun is poked at it, people recognize it as cheerful.

The officers' floor, the cafeteria, and at least one other floor have been air-conditioned. Requests have gone in to the Board of Governors in Washington for permission to air-condition the whole building, and that permission reached Mr. Fulton while I was in Cleveland. The work will be done this summer at a cost of two million dollars.

IV. Officers and Directors

The Cleveland Bank has not been one of those which kept its president or governor for a long period of time. Of the two men who started the Bank, Mr. Fancher, the governor, died in 1935, and Mr. Wills, the chairman, in 1925.

Mr. Fancher was followed by Mr. Fleming, then by Mr. Gidney, and now by Mr. Fulton.

The continuity which in some banks was supplied by the governor, was in this Bank supplied by some of the directors who have been in office for an exceedingly long period. There is also another factor here, and that is the old employee, of whom this Bank like some of the others seems to have its fair share. Nevertheless, the active officers now consider themselves of the third generation and look forward rather than backward. Mr. Laning, Mr. Ehninger go back to the Bank's very early years. Otherwise, the officers seem younger in point of service in this Bank, if not in point of years. At the same time, I'm told by Mr. Flinkers that they have reached the stage where many of their old and valued employees are about to retire, and this will mean considerable change in the Bank.

V. Library

The library was established by Miss Alta Claflin in October, 1918. Miss Claflin was sent to New York to talk with Miss Mary Parker of the New York Federal Reserve Bank, who had set up the filing system and the library in New York. (Check Miss Parker's influence on the library. I am not certain about this). Miss Claflin had been a year at Pratt Institute and then had had service at the New York Public Library and the Western Reserve Historical Library. She was with the Bank from 1918 to 1944. I interviewed Miss Claflin and was told that the top command of the Bank had varied considerably in its interest in library affairs. The three founders, Mr. Fancher, Mr. Wills, and Mr. Nevin were all three interested in the library and gave Miss Claflin whatever she needed for it. It was she who originated the idea of offering library service to the member banks. She did this in the form of a four-page digest of periodical articles for which they could ask. She said that Mr. L. B. Williams and Mr. Decamp, who followed, were not so interested, nor did she find Mr. Gidney very much interested in the library.

Miss Claflin was, by training and preference, a library cataloguer. She conceived of a library as a place where historical research could go on, and for that reason, she held on to material much more than has been done in the New York library, for example. The result is that the present library in Cleveland has a great deal of valuable, older material.

The library is now in the charge of Miss Ethel Klahre who came in 1944 when Miss Claflin went back to the Western Reserve Historical Library with retired status. Miss Klahre is a younger woman who graduated from the University of Columbus (Ohio). She is a trained librarian and very active and intelligent, both in handling of materials and in outside relationships. She now has done away with the periodical summary, and in its place she circulates a regular book list of new acquisitions. This goes to the officers. It also goes to the member banks. Miss Klahre gets 35 copies of the New York Newspaper Review, and that also is circulated among the officers and the branches. (35 copies would not be enough to serve all their member banks).

VI. Files

In addition to books and magazines, Miss Klahre has a clipping file which might be of value for older materials. The files of this Bank seem to be in the same ~~XXXXXXXX~~ state that we have found elsewhere. Theoretically, there is central filing. Actually, the officers, the executives keep their own files, and the real question is whether they are moved on to general files or whether, as in the case of the changing presidents, files then ^{go} ~~went~~ to archives. That is a question which I will pursue with correspondence. (1/22/55 Mr. Flinkers writes that bank matter correspondence in Fleming and Gidney files is now in archives, held for micro-filming)

The files are in the charge of Mrs. Bettcher, an energetic, white-haired person who is probably a good file clerk, but not much else. The best test of the difficulties which one might have with those files was my request for biographic data of officers and directors. Wherever I went, to the Secretary's office, to the files, or to individual secretaries who might be concerned, we had

trouble. They could not put their hands on the material concerning some of the men without a good deal of searching. I did not come to any conclusion as to the place in which employees' files, officers' files and directors' files were probably kept, but there was a good deal of running around which resulted in very little grist. Nevertheless, the fact remains that for almost everybody concerned, I finally got some data. The list of material we did not have was large, and the fact that so much was turned up is a credit to the Bank. (1/22/55 Missing material on directors mailed us in photostat by Mr. Flinkers)

VII. Archives

Archives is a grand word which seems to be used by this Bank to mean dead files. They have a system of moving things from files to archives after a certain period of time which may vary from three to five years. The vice-president in charge used to be Mr. Bolthouse, but this responsibility has now been shifted to Mr. Laning.

The so-called archivist is Mr. Jim Nielsen who used to be a guard at the county reformatory. In his own words, he has been a soldier all his life, and this is the best job he has ever had. He is, however, more intelligent than this record might suggest. When he took the job, he went to Washington to see the archives end of the Board, and he also went to the National Archives to look into their ways of handling things. I judge from what he had to say that the dead files, or archives as they are now called, were in a state of confusion when he took hold. He has been in that job about a year and has spent most of that time arranging the files in proper order. Apparently, they were previously merely sent up there and put in the nearest clear space.

He has a certain amount of old material going back to 1914 and 1915, and I think that he will now hold onto this with real care. The system has been that the Bank correspondence has been filmed from 1914 to 1950. The correspondence itself has been kept for 1914 and 1915. Whether the actual pieces of paper between 1915 and 1950 have been thrown out, or whether this is an ideal which they hope

sometime to get to is a question. The motivating factor seems to be both space and the safety of the floor. They were apparently afraid there might be a collapse, if the weight continued to grow.

The general attitude seemed to be that there was in the Bank almost anything an historian would want. If it was not in the library or in the files, it would be in the archives. How much this would prove out in use remains to be seen.

The Archives Division is that charged with the destruction of records. We had some discussion of what destruction of records meant and of how it might be injurious to the work of this Committee, but it was mostly talk and nothing much came of it.

The Archives has the original minutes of the Organization Committee which set up the Cleveland Bank.

VIII. Research

Research in the Cleveland Bank is under L. M. Hostetler, who is on the chart as Director of Research having dominion over both the Research Division and the library. The chart also indicates that this function comes directly under Mr. Fulton, and I can not see that a vice-president in charge is designated. It is not impossible that Mr. Hostetler himself ranks with the vice-presidents although I do not know this.

Mr. Hostetler is a nervous, energetic, and rather acid gentleman who, for some reason, seemed to be on the defensive. He came to the Bank in 1943 from Western Reserve University. He has, for the last ten years, been running the Monthly Business Review which was originally started on February 1, 1919. The Bank also puts out research material which is very popular with the newspapers. They have a regular release called Business Trends, which is not only given to the newspapers, but also made the subject of radio broadcasts. The newspaper releases seem to be Mr. Hostetler's particular pets. They serve local needs and act rather as bits of public

relations material rather than as research in the more esoteric meaning of the term.

Mr. Hostetler says that research in the regional banks was greatly enlarged in 1942, perhaps under Goldenweiser and Thomas who started it. He is not sure whether this was a matter of policy or whether it was merely that by that time, the Boards could afford it. (This is part of that memorandum on research activities which Dr. Stewart hopes we will do). Mr. Hostetler says that since 1929 the research departments of the banks have become much more sophisticated than they were in the earlier period. He thoroughly believes in the distribution of spot statistical news by means of newspaper releases. It may be that his slight air of being on the defensive comes from the fact that the Cleveland division is not a center of original studies, but a public relations operation. He says that the business economists of the district meet at the Bank every three months for discussion. He regards the fact that agricultural low prices have not been blamed on the Federal Reserve System this time, whereas they were so blamed in 1920, as being in part due to this release to local newspapers of local statistical information.

The Bank also holds a conference with money and banking experts in the districts at regular intervals. Their duties are to discuss with the business men, to confer with the teachers of money and banking, to send out every three months a private letter to these teachers, and to send out newspaper releases. In addition to the Business Trends, the Monthly Business Review, the daily newspaper releases, there is also an Agricultural Bulletin which is popular in the agricultural regions of this particular district.

IX. Bank Relations

Bank relations are technically in the charge of Mr. Lawrence Landis, who is on the chart as editor of the employees' publications. He also has a box indicating that he has charge of press and publications. Mr. Landis is a former newspaper man who seems a good working journalist on the job.

Perhaps it is because this Bank is in the center of so heavy an industrial district, where great corporations are able to handle their finances outside of a bank (if they are) that there seemed to be a clearer emphasis on public relations than I have found in other banks. It may, on the other hand, have been only because I have not gone into this particular aspect of Federal Reserve work. At any rate, there was a great deal of talk about bank relations and industrial relations, none of which was specific enough to constitute material for notes.

X. Next Visit

In retrospect, this visit seems more satisfactory than some of the earlier ones, partly because more planning went into it and partly because Mr. Flinkers, who was in charge of my comings and goings, was a better traffic manager than some of the other men. However, like all the rest, it left me with a feeling of things undone and things which must be picked up next time. Too much time was spent on the matter of getting information about directors and early officers. However, this seemed unavoidable. It might be possible yet to figure some way by which this could be done by correspondence, but up to the present moment, it has seemed necessary to be quite specific with people who could hunt this material out and to infect them with enthusiasm and a certain fox-terrier ability on the job. The result was that there was too much emphasis on personalities and too little on the affairs of banking.

Also, this program, like all others, was subject to the fact that the wrong people were interviewed, or to put it another way, several of the right people escaped interview. There should have been more talk with Mr. A. H. Laning, for example and much more talk with Mr. Donald Thompson. The first of these was an early officer, and I do not quite understand why Mr. Flinkers did not allow more time for talking with him. The second came in later from San Francisco, and Donald Woodward tells me he is a highly intelligent person with an historical sense. There was no more than passing conversation with him. This probably could not have been

avoided, had it not chanced that Mr. Woodward might have spoken of him earlier. There would be nothing in his record which would indicate what kind of a person he was.

How one is to avoid these lapses and at the same time have three full days is still the problem.

It may be that with more complete information ahead of time and a more thorough survey of officers' records, we may be able to get at this and prevent this waste, but it has been a dragging factor of this entire operation since the beginning.

The other thing which was very much lacking in this visit was any talk with anybody about the whole process of banking. One could not get deeper into the subject because a) the president is new, b) Cleveland people are close-mouthed and not sure that they could trust someone coming in, even with the kind of introductions which this job carries. It may be that on a second visit these barriers of distrust will be broken down. One can only hope.

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