

February 24, 1955

Internal Memorandum

Subject: Frank Neely of Atlanta

This memorandum is a combination of information from Mr. Malcolm Bryan and an interview with Mr. Neely.

Frank Neely came in as Deputy Chairman of the Atlanta Federal Reserve Bank in 1937. He became Chairman in 1938. He found the place "a rats' nest." Type-writers and adding machines were old and worn out. The cafeteria was in the charge of an aged Negro cook who "slopped grits and gravy around." The employees would not eat there, neither would very many of the officers. There was no library of technical economic material on hand. The directors had, in the southern banking fashion, cut themselves empires in the branches where they could dispense jobs to their relatives.

Apparently southern banking has been contestuous and given to failures throughout all its history. It would be very interesting to know what the cause of this is. The effect has been a kind of feudal disregard of solid banking principles and a tendency to use the business as a dispenser of privilege.

Mr. Neely was a member of a good old southern family which had been greatly impoverished by the Civil War. He worked his way through Georgia Tech and became a consulting engineer working with Gantt and Taylor in management techniques and analysis. He married a Jewess, to the horror of her family. Since 1924, he has run the big department store in Atlanta named Rich's and run it so well that when Macy came down to invade the southern area, they found themselves under competition so heavy and experienced that they have never been able to get the top place in the town.

When Mr. Neely came to the Bank, he went at once to its physical conditions and put into effect reforms which rescued it from obsolescence and politics. He reformed the directors' attitudes or got rid of the directors. A man thoroughly

imbued with the research spirit, he brought Malcolm Bryan down from the Federal Reserve Board in Washington and backed him to head the Research Department and reform the Monthly Review and other publications. Up to that time, the only research man in the Atlanta Bank had been Mr. Moncreif and a part-time clerk.

Mr. Bryan went at length into the research situation. He said that the reforms which Mr. Neely had instituted were infectious. At the time he came to Atlanta, only the New York Bank and the Board had economists on an equal level. The men from other banks simply sat around and listened when there were conferences. By now, most of the other banks have picked up so that an economists' conference is a very lively affair conducted on a basis of equivalent knowledge. Mr. Bryan therefore regards Mr. Neely as having reformed not only the whole Atlanta Bank but the whole research attitude in other regional banks throughout the System. Mr. Neely is now 72, still Chairman at Rich's. He retired from the Board of the Atlanta Bank either this year or at the end of 1954. Bryan said he is greatly missed on the Board. Bryan calls him one of the best and most distinguished chairmen in the Federal Reserve System. "He fell in love with the Fed," and has been tireless in its behalf ever since. He was brought in by Roland Ransom, one of the Governors of the Federal Reserve Board. (Ransom's stature is greater, and his image clearer in Atlanta than in Washington. It may be related that Ransom married the elder daughter of Hoke Smith and therefore that the line of descent to Malcolm Bryan is clear.) Mr. Neely has had the longest service of any chairman in the System since the 1935 re-organization.

One further phrase about the research - Mr. Bryan said that before 1938 the habit of the other banks was to "put bad statistics into worse prose." Mr. Neely's first job was to persuade his own Board and then Ransom and Eccles in Washington that improvement was essential.

In addition, he re-organized the whole personnel policy, put in job analyses, job process descriptions, related pay to responsibilities and performance

and so forth. C. Canby Balderston made a study of official compensation, and the Board set up a Division of Personnel - both these activities being due in part to Neely's insistent representations in the Chairmen's Conferences. Here again, not only did Atlanta cease to be proud that its wages were the lowest paid in the System, but the whole System benefited.

Neely is an administrative genius. In the tribute which Bryan paid him when he retired, a series of five questions were cited as being the substance of the line of action which he always recommended. These were as follows: "What's to be done?" "How is it to be done?" "When is it to be done?" "Who is to do it?" "Who is to check up and see that it is done?" Mr. Bryan said that this has become the guiding line of his life.

That same afternoon, I went to Rich's with Mr. Bryan to be presented to Mr. Neely. The latter is a tall, bulky man, 72 years old, making even Malcolm Bryan look small. His office is wood-paneled and very busy. It was difficult to get very much time without apologetic interruptions from his secretary. His wife came to pick him up at 3:00 o'clock, and the conversation was very much less valuable than it would have been, had we had a longer time. Mr. Bryan says that he will see to it that on another visit to Atlanta, I have an invitation to the Neely farm where we can talk at length.

In spite of these difficulties, Mr. Neely was extremely interesting. He said that from an administrative point of view, the System is one of the best governmental entities which he has ever met, very much better than the Army, for which he is now doing some administrative analysis at the request of Mr. Charles Wilson.

He repeated some of the things which Mr. Bryan had said about conditions of the Bank when he came in. He also said that when he had convinced Eccles that there had to be a reform in the Bank's Research Department, Eccles told him to take

whomever he chose. He picked Bryan and brought him down under Eccles' strenuous protest, Bryan being a man who could not then be spared from Washington in Eccles' view.

He said that, like Bryan, he was very much worried over what Senator Patman might accomplish with the long series of attacks which he has made on the System. He is now trying to put it under the General Accounting Office, a move which would bring it square into the middle of politics in their opinion. Mr. Neely said that for the first twenty years of ~~his~~^{its} life Senator Glass protected the System against attack and was its constant champion but that now no one in Congress stood in that position. Senator Douglas used to champion it, but "something happened to Douglas when he went out onto that platform at the convention," and he can no longer be relied on. Neely regards Patman as a not very bright man but a very shrewd one who knows his own political needs better than he understands the Federal Reserve System. "Patman hasn't got brains enough to see why the government can't simply print money when and as it is needed. He's a mean cuss, and when he latches onto something he can worry, he keeps on worrying it." Chairman Martin can not stand up to him any more than Stevens could to McCarthy.

Mr. Neely told two stories of Harry Hopkins, the second of which bore on the System. In the thirties, when Hopkins was still influential in Washington, he tried to persuade him that the President needed deeper understanding of the Federal Reserve System than he had and that the then-Chairman, Marriner Eccles, should be given more chance to talk with him. Hopkins, who was an awkward man, stood on one foot, scratched his head, and then burst out, "Well, the trouble, Neely, is that the real truth is that Eccles bores the hell out of the boss."

Asked about papers, Mr. Neely said that he tried to keep the Federal Reserve material in the Federal Reserve Bank, but on asking his office secretary, she said that they had some of it in the store. This includes memos from him to

Chairman McCabe.

Bryan's admiration of Neely is apparently a mutual thing. Neely professes to be a great admirer of Bryan, whom he considers not only a very "swell fellow," but also very able in understanding monetary difficulties. He has been very successful in Atlanta, despite the fact that he was a northerner by birth.

Neely regards the regional aspects of the Federal Reserve System as intangible but highly important.

It is to be hoped that a second interview will be possible, as Mr. Neely has much knowledge that could not be probed in so short a time.

MA:ib