

March 4, 1955

Internal Memorandum

Interview with Joseph Dreibelbis concerning people to see at the Federal Reserve Bank of Dallas

W. D. Gentry (known as Dow Gentry) is the first vice president of the Dallas Bank. His experience there goes back to the 1920's, and he will be very useful in regard to the agricultural difficulties and the failed banks in the southwest during that period.

Mr. Randall Gilbert (I am not sure about that first name, but the initials are R. R. Gilbert) was second in command in the 1920's. He is now president of the Republic Bank of Dallas. Tell him that Mr. Dreibelbis referred us to him.

Governor Talley, then head of the Dallas Bank, is now dead. It is possible that there were papers, but this is not ~~at~~ all certain.

Mr. Tinkle, then in the Insolvent Bank Division, may still be around. The office of the State Banking Examiner should be full of information about this period.

(If he's still alive) R. L. Van Zandt, of whom we have had no biographic information, came from Fort Worth. *(deceased)*

W. F. Ramsey was the Federal Reserve Agent while Van Zandt was Governor. He had much more authority, was a man of force and ability. At one time he ran for ~~over~~ Governor of Texas on the Prohibition Ticket. Tom Clark, presently United States Supreme Court Justice, married his daughter (?)

Mr. Foust was then head of the Insolvent Bank Division of the Comptroller's Office. He is retired and lives in Indiana. His address can be got from the U. S. Comptroller's Office. (His remark on the evening of March 12 with the Banks due to be open after the Banking Holiday on March 13 was, "2500 of the world's worst banks are to be opened in the hands of 2500 of the world's worst bankers." These were the conservators that had to be appointed.)

Reed Dolan, now Chief National Bank Examiner, was examiner during the Banking Holiday, but not chief. He might have valuable information.

Gibbs Lyons was Deputy Comptroller during those days. He is now president of the First Stamford National Bank and Trust Company of Stamford, Connecticut.

Robert Milford, until recently head of the Baltimore branch, has been retired within the last few months. He is president of a small bank down on the peninsula below Baltimore, but he has an office in Baltimore. Mr. Dreibelbis says that he is getting older and should be seen as soon as conveniently possible. He was Examiner in Charge when the Dawes Loan was made and will be informative as to what instructions they got.

Apparently, the Southwestern banking experience in the 1920's was important not only for itself but as a commentary on the credit policies and the attitude toward central banking philosophy which then prevailed. There were something like 800 failed banks in Texas, starting with about 1920. At one time, there was only one bank solvent in the whole state of New Mexico. Mr. Dreibelbis cited as example the National Bank of Cleveland, Texas, which had \$150,000 capital and had borrowed \$1,275,000 from the Federal Reserve of Dallas. The Federal Reserve got its own money back, but the depositors only got 5% of their accounts.

In 1926 there was a great drought in Texas which again meant a heavy drain on the banks. Talley was Governor of the Federal Reserve Bank of Dallas, and he tried very hard to be selective in his loans. In the early days, the Federal Reserve of Dallas tended to regard a banker's request for a loan as sufficient in itself. If a bank requested a loan, they considered themselves bound to give it to them. Talley tried to be selective and to examine loans more closely. This made the local bankers angry. Finally, Congressman Quinn Williams, who had a brother running a bank at Mineral Wells, introduced legislation in Washington which would have thrown Talley out. (This resulted in the Congressional hearing in 1928 - see Hearings Index). The directors were not behind Talley, and the first hearing was very rough. Dreibelbis,

who was working on the case, then got a second hearing in Executive Session at which Dow Gentry was the chief witness. Information in this hearing reversed the opinions of people after the first hearing. The directors reelected Talley governor and appointed Gentry first vice president.

McKinney, a member of the Organization Committee of the Federal Reserve Bank of Texas, who preceded Talley and came in again after Talley left (Talley left in the middle of the case against the National Bank of Kentucky), was a much smoother man. Talley was rough and abrupt. McKinney had the reputation of being able to say no and make a banker like it better than hearing Talley say yes. (Mr. Dreibelbis told in more detail the story of Huey Long and the Banking Holiday which is in earlier notes of an earlier conversation. The story as now told is that Eugene Black was in New Orleans in February of 1933 (?) when the Louisiana Bank Holiday was threatened. O.K. Allen was then the Governor, but he was not in New Orleans. Huey told Black, then a governor of the Federal Reserve Board, that they didn't need the state Governor. What they needed was an excuse for a Holiday. He sent a girl over to the state library to find out what famous people had had birthdays around the 14th or 15th of February. The girl came back and found no one but Jean Laffitte, the pirate of the Gulf. When she reported this, Huey swung around to his secretary and said, "Take a proclamation. Whereas Louisiana has never honored the profession of piracy which played so large a part in its founding"*) (It would be very interesting to see whether this was a pocyphal or whether there was a real proclmation).

Asked about hotels in Dallas, Mr. Dreibelbis said that the Statler people were building one, but there was not a very good one in town. He always stays at the Baker and recommends it.

P.S. Mr. Dreibelbis says that Dr. Irons, at present head of the Federal Reserve Bank of Dallas, is a man recently come there who knows none of the old storeis.

The hearing on the Dallas bank on the matter of Governor Talley, of which Mr. Dreiblebis spoke, was held March 16, 1928 before the Committee on Rules of the House of Representatives. A House Concurrent Resolution 24 had been brought in by Mr. Quinn Williams, representative from Texas. The complaint of Mr. Williams was that Governor Talley would not loan money to small banks at Federal Reserve rates but loaned to the large banks which in turn charged 6% when they loaned to small correspondent banks. A copy of that hearing is in the Federal Reserve Board library in Washington. Witnesses included not only Congressman Williams, who had a brother with a small bank at Mineral Wells, Texas, but also Mr. Eugene Black, then a Congressman from Texas, Mr. John Garner, Congressman from Texas who later became Vice-President of the United States, and the honorable Luther Johnson of Texas. Most of the testimony that day was to the effect that Mr. Talley has lost his usefulness, and the Federal Reserve System was losing its popularity in the Dallas district.

The second hearing of which Mr. Dreibelbis spoke, which was in Executive Session, is something we will ask for and try to locate later. The Board in Washington should have it, but it was not sent down at the same time I had written for it.

The Committee on Rules of the 70th Congress in the House of Representatives was headed by Bertrand H. Snell of New York. It included Theodore E. Burton of Ohio and William B. Bankhead of Alabama. The men most concerned in this hearing were Earl C. Michener of Michigan who kept defending the System in trying to ward off Mr. Williams and Mr. Ramseyer from Iowa.

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