

Internal MemorandumDiary of Ernest Draper

Conference with Miss Katharine Brand of the Library of Congress and Miss Rauber, the secretary of the late Ernest Draper, reveals the fact that Mr. Draper's diary, of which we have heard previous rumors, will cover some 300 pages of typed script. It is in the process of being typed. It is an occasional diary kept between May 12, 1941 and the year 1949. It was not written for publication. The papers of Mr. Draper contain not only this diary, but two volumes of speeches. The Library of Congress has asked for the original diary and one typed-script copy. Mrs. Draper desires to keep the original as long as she lives, but it is probable that a typed-script copy will be deposited before long with the Library of Congress.

I ran through the diary hastily, or rather, through that part of it which has been typed and found relatively few references to the Federal Reserve System. Most of it is concerned with the war and its events on the one hand, and on the other, with political events in the post-war era. So far as I am aware, there is nothing in it concerning the Board which could be considered as highly private information.

Nevertheless, it is sufficiently interesting so that I have asked Miss Rauber if she would copy those entries which concern the Federal Reserve Board and Mr. Draper's service there. In anticipation of that, I made certain notes at the time which it seemed wise to set down. The first of these is a comment on a book by F. Cyril James called, "The Economics of Money, Credit and Banking." Concerning this book, Mr. Draper says, "Few authors writing on financial subjects, have a genius like James for lucidity and for compelling attention to a line of thought that, to the average person, is anything but easy to grasp. The truth is that James has the master touch."

June, 1941, an entry on page 14 of the typed script reads, "Yesterday the Federal Reserve Board raised required reserve requirements to the full limit of its statutory powers." A discussion follows.

January, 1942, an entry reads, "I had a good talk with Judge Patterson after dinner, and he seemed pleased with the assistance the Federal Reserve System was giving in furnishing a large amount of credit information in connection with war contracts. That work is under my supervision, and we hope greatly to expand it." This matter is expanded in the text.

May 23, 1944, an entry concerns Regulation V, passed after a long struggle with Jesse Jones. This regulation concerned federal supervision of loans to small business. Small business was a preoccupation which interested Mr. Draper for years.

Walter Gardner and Goldenweiser worked on the preliminary explorations which resulted in the Bretton Woods Conference.

Entry of June 9, 1944 - "The Board spent most of yesterday conferring with the board of the Cleveland Federal Reserve Bank on a successor to their president." The Cleveland group was sent home to do more work on proposed successors. Their vice-president was thought to be "too young" to succeed the resigned president.

A comment on a Congressional case reads as follows: "Congress grunts like an elephant and only too often brings forth a mouse."

An entry of June 19, 1944 - "Our Board spent the entire morning discussing the International Monetary Fund and whether or not we shall, by vote, support the plan." The action of the Board was a unanimous vote to support the plan with the exception of one member, who was absent.

An entry of September 26, 1944 reads, "Last week we had an uninterrupted session of five days of all-day meetings - the longest stretch in the six years I have been on the Board."

February 2, 1945, there was a hectic session of the Board to discuss the raising of margin requirements for stock purchases from 40% to 50%. No change had been made in these margin requirements since 1937, and there was some hesitation to undertake it after so long a lapse. It was predicted by insiders that the "Washington

Monument would topple," but all that happened was that the market slowed a bit.

March 29, 1945, the Board spent all afternoon debating as to whether or not to raise stock market margins higher, took no action.

January 15, 1946, Board raised the margin requirements to 100% (p. 108 of typed script). On February 21st, stocks dropped 12 points.

April 24, 1946, the Federal Reserve Banks dropped the war-time preferential discount rate of 1/2 of 1 per cent on advances to member banks.

August 23, 1946, Draper's first day as President Pro Tem of the Board. This he modestly regarded as no honor but due solely to the fact that senior members of the Board were out of the city.

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