

March 31, 1955

Internal Memorandum

Federal Reserve Bank of Dallas - Interview with Mr. Morgan Rice, Vice President in charge of Research

Mr. Rice is a round, amiable man with a twinkling eye, who was an assistant to Dr. Irons when the latter was Vice President in charge of Research, and succeeded to that post when Dr. Irons became the President.

For the purposes of this project, Mr. Rice was perhaps more informative on matters of the Board than on matters of the Dallas Bank. This may simply have been because the Dallas Bank devotes itself chiefly to day-to-day operations only, whereas his memories of the Board stand out as concerned with more important affairs. At any rate, he came into the System under H. Parker Willis and always liked him. Rice met him while studying for a master's degree at Columbia University, and joined the staff of the Federal Reserve Board in the period when Willis had the research office of the Board in New York City (at 27 Liberty Street) and was teaching at Columbia University. He calls Willis "a massive mind." Willis was a hard task-master, but at the same time a delightful person to work with. He was extremely fond of his work and called holidays "a dreadful waste of time." His office at Columbia was in Philosophy Hall, so that Rice commuted between 37 Liberty Street and Philosophy Hall, as did Willis. Rice worked with Frederick Jones, William Steiner (who followed Stewart as head of research at the Board, and in turn was followed by Goldenweiser). He also worked with Arynness Joy Wickens and Faith Williams (now doing cost-of-living studies at the BLS). He left the Division of Research and Statistics to go to Dallas.

At the first System conference on research, which took place in February of 1921, Willis suggested that Rice come back to Dallas as they needed a research man. It was at that conference that Mr. Adolph Miller said he was looking forward to the day when he could sit on the seashore and run the Federal Reserve Board from the charts and the statistics which the Research Department would provide.

Willis had done a good piece of work, starting with almost nothing. He had developed the Department Store Series, the series which was for weekly reporting of member banks (this latter was started about 1916 or 1917). His desire was to develop statistical information of a kind that could be set in tables and regularly reported; this was a period in which very little basis for such work was found existing. The work which he started in those early days of the Board made possible the Index of Industrial Production which Woodlief Thomas worked on. As early as 1921, when Rice left the Board, the staff was talking about that Index. Thomas was the master mind, though Steiner had worked on it, and so had Mann.

The comments which Rice has made on people within and without the System throughout these Dallas interviews are interesting enough to note. He said that Woodlief Thomas was a practical statistician of a very high order. He regarded Thomas as a better statistician than economist, also as a better statistician than Winfield Riefler.

Goldenweiser he obviously neither liked nor trusted. Rice's term with the Board ended before Goldenweiser came in as research assistant, but he dealt with him in the 1930's and had some experience with him in the 1920's.

The Dallas Bank was one of the first Federal Reserve Banks to look into the operating ratios of member banks. Goldenweiser did not like the information they brought forth or the techniques they used. Rice was at that time trying to set up a standard performance of a high order which should act as a guide for banks. Goldenweiser did not like that idea or the way it was done.

The second brush with Goldenweiser came following a series of articles which the Federal Reserve Bank of Dallas did on the cottonseed oil industry in 1920. This material got caught up in a Federal investigation, and again Goldenweiser did not like that idea. He did, however, finally admit that the operating ratio technique had its points.

In 1937, the Reserve Banks were asked to report on conditions in their districts. The report which Rice made in Dallas was of such a calibre that the then-Governor McKinney asked him to take it up and give it direct to Governor Ransom (Ransom was a

southerner and perhaps represented the southern banks). All the districts were unanimous in agreeing that the downturn had come. Goldenweiser said they were wrong and refused to either accept their evidence or their conclusions. Not until months later was he forced by events to recognize that they had been right.

Rice commented on two other men, Carl Parry and Ed Smead. He called Parry a very arbitrary person, but also said he was very nervous when he faced the need to stand responsibility. He said that the Department Store Series was started in the early days. Research men in the System knew that they had only a sampling of stores, but they were sure it was a good sampling. The Department of Commerce embarked on a separate Business Study of its own. Parry became frightened lest it throw the Department Store Series into doubt. He wrote the Reserve Bank that there was need for them to justify the Department Store Series in their own district. The competitive study turned out well, and the Business Study merely proved the Department Store Series was a good one, but Mr. Parry was very frightened.

Ed Smead also was an arbitrary man, extremely hard to please.

One further note on Willis. He was an extraordinarily hard-working man. At the time that Rice was working with him, he was a full professor of Money and Banking at Columbia University, head of research for the Board of Governors of the Federal Reserve System, editorial writer for the Journal of Commerce, and he had a book or two in process on which he was working.

There is reason to believe that it must have been difficult for the Board to have its research center in New York, but Rice glossed that over and felt that the insistence that the department be returned to Washington was merely an excuse to get Willis out.

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