

Friday  
April 8, 1955

Internal Memorandum

Talley Case of 1927

(Dictated from notes made at Dallas, Texas, March 31, 1955)

(These notes are taken from clippings in the possession of Miss Henderson, secretary to President Irons of the Federal Reserve Bank of Dallas. The date at the beginning of the paragraph is the date of the clipping)

October 12, 1927 - Associated Press Dispatch in the Dallas Morning News from Lubbock, Texas: Thirty-seven South Plains bank executives had passed a resolution saying that the Federal Reserve Bank was responsible for the large cotton loss in marketing the 1926 crop. The complainant was Mr. J. P. Williams, President of the First National Bank of Mineral Wells, Texas. The bankers met from 10 in the morning until 5 in the afternoon. The summary of their complaint was that, had the member banks in the Federal Reserve District headed by Dallas been given the kind of cooperation they should have had, the cotton planters would have been carried for 8 months and been able to sell cotton at 20¢ a pound. Instead, the Federal Reserve Bank of Dallas retired the loans from its member banks. The planters were forced to liquidate, and cotton was sold for 6¢ a pound. The loss amounted to \$400,000,000. (This is probably the time at which Governor Talley is supposed to have said that "this would be a 5¢ a pound crop. The thing to do was to wipe the losses off and get rid of the whole business").

October 18, 1927: Bankers of central west Texas, in the vicinity of Abilene, called a meeting there. They resolved to ask that Talley be removed, as his policies are "destroying the usefulness of the bank" and that he be replaced by a capable member banker. The meeting was led by Mr. J. P. Williams.

November 1, 1927: In the matter of charges against Governor Talley, a new plan was launched, headed by Myron A. Pease, Vice President of the City National Bank of Corpus Christi. Mr. Pease and his friends have a slate of new directors whom they would like to elect to the Federal Reserve Bank of Dallas, and presumably those directors would then replace Mr. Talley with someone else.

November 2, 1927: A stockholders' committee of the Dallas Federal Reserve Bank was appointed to hear the Talley Case. No date was set, but it was understood that Governor Talley had been called to Washington for the regular Governors' meeting on November 7th.

November 18, 1927: The Fort Worth Star Telegram says that 350 member banks may quit the Dallas Federal Reserve Bank.

November 22, 1927: Directors of the Federal Reserve Bank of Dallas met. It was understood that the Federal Reserve Board would take no part in the controversy concerning Governor Talley. The complaint of groups led by Mr. Williams would be presented on December 7th (the date was postponed to December 12th). In the election for directors, the anti-Talley candidates were beaten.

December 12, 1927: A hearing was held on the Talley matter (presumably this is the date of the hearing in Dallas before the Congressional Committee, but the matter was so taken for granted in the newspaper that not much detail was printed). Complainants alleged that the Dallas Federal Reserve Bank had lost heavily before Mr. Talley took office. A \$500,000 loss was mentioned at Hugo, Oklahoma, and a \$100,000 loss at Celburn, Texas due to bank failures among member banks. It was also stated that small banks found it very profitable to borrow from the Federal Reserve Bank of Dallas at 3 1/2% and re-loan that money at 10%.

This hearing seems to have been not before the Congressional Committee, but before the Board of Directors of the Dallas Bank. (Check this date). The clipping stated that the directors heard testimony for 3 days and that they would reconvene on January 6th.

January 12, 1928: On January 13th a meeting was held at which Mr. Talley testified.

These clippings ended without any finality in the story. The assumption was that Mr. Talley was winning, but either the clipping service ended or the newspaper

lost interest.

It has been suggested that on this whole matter we see Earl Schwulst, President of the Bowery Savings Bank. Mr. Schwulst was manager of the Loan and Credit Department at the Dallas Federal Reserve Bank from 1922 to 1926.

It also is possible that the brief in this matter, prepared by the firm with which Mr. Dreibelbis was then working, is still in the office of that firm, but thus far it has not been located in the Federal Reserve Bank of Texas.

MA:IB