

April 19, 1955

Internal Memorandum

Conversation with Mr. George L. Harrison

This interview began with a telephone conversation with Miss McCarrick, secretary to Mr. George Harrison at the New York Life Insurance Company, saying that they had found papers belonging to Mr. Paul Warburg which were sent to Mr. Harrison by his son James after the elder Mr. Warburg's death. In them Miss McCarrick had found material which she thought might be of interest to us. An appointment was made for me to go to the office and see the papers. Miss McCarrick felt that she would like to have Mr. Harrison there when I came, partly perhaps as a safeguard for her in any negotiation which seemed to be needed.

Mr. Harrison looks very much better than he did when I saw him a year ago. He is still giving the impression of a man whose mind has slowed, but his color is better, and his pace is not quite as slow as it was last year. He tells me that <sup>he</sup> has had a slight stroke between then and now and that at present he is having trouble with the middle ear which makes him slightly dizzy. He moves around in a wheel-chair but once in a room walks about.

I had a chance to look casually at the Warburg papers before Mr. Harrison arrived. There are three bundles of them, each bundle perhaps twelve inches in thickness. The bundles contain papers in folders, sorted as they would be sorted in an office. On a quick survey, they all seemed to be papers which concern the early days of the Federal Reserve System. One of the bundles contains a thick, stapled memorandum on the history of bankers' acceptances by Paul Warburg. It was written in 1915, and in addition to the chronological commentary, it contains all the supporting evidence in terms of letters, legislative drafts, and so forth. Mr. Warburg was the person who introduced the idea of bankers' acceptances into the new Federal Reserve System, and he had almost an evangelical attitude toward it. His analysis of the attitude of Board members toward the idea is highly important in this particular phase of the history.

There was not time to look at the other papers, but they all give the impression of having importance for the work of this Committee in that early period. Mr. Harrison will check with Mr. James Warburg on their disposition, but as Mr. Warburg gave them to him in the first place, he assumes that he can hand them on to this Committee with no objection.

Mr. Harrison went to the Board as Assistant General Counsel (can we find the exact date?) in 1914. He was working with Mr. M. C. Elliott, then Counsel. Mr. Elliott, he said, was a fine lawyer but a rather lazy man who passed on work to Mr. Harrison. This meant that the latter, who had taken his Bachelor of Laws degree from Harvard only a year previous, was the bright young hard-working man of the legal staff. Mr. Elliott and Mr. Warburg, being men of vastly different temperaments, found great difficulty working together, and Mr. Elliott assigned to Mr. Harrison the questions which Mr. Warburg wanted answered. Hence, Mr. Harrison claims that he got his education in central banking from Mr. Paul Warburg at the Board and from Mr. Benjamin Strong at the New York Bank.

Mr. Harrison made various comments about personalities which should be recorded. He said that Dr. Adolph Miller found it extremely hard to admit that he was ever wrong and equally hard to be persuaded that any idea he himself did not first think up could be any good. Hence, it was very difficult to persuade him of an idea not of his own creation.

He was stubborn, and he was authoritarian. Mr. Harrison liked him but would have difficulty remembering why.

These characteristics made for a series of conflicts between Dr. Miller and Mr. Warburg. The latter knew so much more than Dr. Miller did about banking and how it worked, having been a practicing banker with a wide European experience, that it must have been very galling to Dr. Miller to have to listen to him. Undoubtedly, Mr. Warburg too had his difficulties in listening to Dr. Miller who must have seemed a

theoretical economist with no real knowledge of banking of any kind, from the practical point of view.

Mr. Hamlin seemed not to have made much impression on Mr. Harrison, or perhaps that was only the contrast with Mr. Warburg, who made so great an impression on him.

Mr. Roy Young, who was at the Board, was described by Mr. Harrison as being an extremely stubborn man, who was best approached by asking a question on which he could tell a story. Mr. Young is, according to him, a very vocal man who stops in to see him whenever Mr. Young comes to New York and talks interminably. As a solution for my own difficulty in getting anything of any value out of Mr. Young, he suggested first talking with Mr. Sam Carpenter at the Board, who knew Mr. Young well and liked him. Second, he said that he himself would write a note to Young if it could be done in such a way as to be helpful. He is quite sure that Mr. Young knows a great deal and that there is every reason why he should contribute his knowledge to the work of this Committee.

Mr. Harrison will talk further at a later date and would prefer to talk on the basis of a skeletonized outline of questions which we would like him to discuss. I will arrange with Dr. Chandler to make it possible for him to question Mr. Harrison about certain things common to Mr. Strong and Mr. Harrison. I will also try to see him on the early days of the Board and on his later phase as President of the Federal Reserve Bank of New York from 1928 to 1941. He is not a well man but is entirely willing to do as much as he can before the end of May.

Post Script - I asked Mr. Harrison why bankers' acceptances, which were a new device in the United States and one accepted with some enthusiasm by American banking when Mr. Warburg first introduced them, had lost their value. He said that all went well in the beginning, but that when interest rates began to fall, bankers' acceptances lost their appeal, and bankers began to wonder why they should bother with this particular device. This would have to be enlarged to be understandable.

MA:JB