

Thursday  
April 21, 1955

Internal Memorandum

Interview with Mr. Ray Gidney

Thanks to the records of the Personnel Division of the Federal Reserve Board, we were able to date Mr. Gidney's service in the System more thoroughly than is sometimes possible. The record given in Who's Who is correct, but it is only when one examines into the various posts listed that one realizes the size and structure of his record.

Mr. Gidney was born in Santa Barbara, California in January of 1887. The first job he mentioned was that of clerking in a grocery store, which he must have done at a very early age. In 1903, being then 16, he left the job at the grocery and took a job as clerk at the Commercial Bank of Santa Barbara. There he worked for five years. He had had no education in high school, but he was bright and hard-working. At that time, the University of California in Berkeley had a rule that <sup>the</sup> young aged 21 who had had no high school training but who were serious and could prove their ability as students might enter the University. Thanks to Mr. Henry Hatfield, then Dean of the College of Commerce, Mr. Gidney entered the University at the age of 21. He graduated four years later in 1912 with a degree of Bachelor of Science.

Most of his work was in economics, and he had one course with Dr. Adolph Miller, then a professor at California. After graduation, he worked in the National Bank of Bakersfield for two years. Then, reading in the newspaper that Dr. Miller had been appointed to the new Federal Reserve Board, he wrote and solicited a job. Even in those days the University was large and so were classes, but either because he wrote a good letter or because Dr. Miller chanced to remember him or because he had Dean Hatfield's recommendation, he was accepted and went to Washington August 17, 1914 as secretary to Adolph Miller. (He had been married in 1913 which was the previous year). <sup>Files show that</sup> his first appointment as secretary to Mr. Miller must have been under the Reserve Bank Organization Committee, although Mr. Gidney has forgotten this detail.

His employment with the Federal Reserve Board began November 2, 1914, and again he was assigned to being secretary to Dr. Miller. On January 1, 1916 he was appointed Deputy Settling Agent of the Board. February 1, 1917 to April 16, 1917 he was in the Department of Audit and Examination, and he resigned at that time to go to the New York Bank.

Mr. Gidney's first stretch of service in the New York Bank lasted from April 17, 1917 to January 21, 1923. In that period he was Assistant Federal Reserve Agent, Manager at the Buffalo branch from May 2, 1919 to September 15, 1921, and Comptroller at large from 1921 to January 21, 1923.

He resigned from the System when Mr. Crissinger was appointed, and there was more than a suggestion in his tone that he resigned because he was outraged at the appointment of a political figure in a System which he helped to start. However, he only stayed out of the System a year and a half. He went to Buffalo as Vice President and Director of the Citizens Trust Company. Then that bank merged with the Marine Trust of Buffalo, and he was kept on as Vice President. However, he did not like private banking in a merged bank, and on July 10, 1924 he came back to the New York Bank as Comptroller at large. For the next 20 years he was with the New York Bank in a variety of posts. Most of that time he had the rank of a Federal Reserve Examiner, but this was a matter of form so that he could read bank examination reports. Besides having the rank of Federal Reserve Examiner, he was successively Comptroller of Loans, Assistant Deputy Governor, Assistant Federal Reserve Agent, and Vice President. He left the New York Bank September 16, 1944 to go to Cleveland, where on November 1st, he was made President of the Cleveland Federal Reserve Bank. He resigned that post April 16, 1953, being then 66 years old and able to profit by the retirement plan of the Federal Reserve System. He was taken to Washington by George Humphrey to be Comptroller of the Currency and sworn into the Treasury the day when he officially resigned from the System.

Thus he had 38 years of service within the Federal Reserve System, of which 3 were at the Board, 9 in Cleveland, and all the rest in New York, although the New York

service was split in two by a year in Buffalo.

Mr. Gidney is a tall, white-haired man, very popular with his staff, quick-minded and quick thinking, exceedingly busy. From phrases dropped now and then I suspect that he has always ranked himself as a practical operating banker, rather than a theory man.

He recognizes that he is one of the few people now living who went into the Federal Reserve Board when it was first set up. The original members are, of course, dead, but the group of secretaries who were younger men are some of them still alive. Delamater, now living in Patterson, New Jersey, and Mr. <sup>Sidney B.</sup> Congden, secretary to the Comptroller or his assistant, also Mr. Burklin, who was a stenographer in the first year of the Board, are alive. Mr. Walter Eddy, who was a stenographer to Mr. Harding, is still alive. Mr. George Harrison in those days was assistant to Judge Elliott, then Counsel.

Mr. Gidney was full of the names of men dating from that early period. He went on to say that there was very shortly a split which developed in the Board. Mr. McAdoo, Mr. Hamlin, and Mr. Williams went to New York at an important meeting to the Sub-Treasury, while the rest of them stayed with the Federal Reserve Board. W. P. G. Harding ranged himself with Dr. Miller. So did Mr. Warburg, although he and Dr. Miller did by no means always see eye to eye.

Mr. Warburg wanted only five Federal Reserve Banks in the country and pursued that plan with a single-minded enthusiasm which was characteristic of him. At one time, he got three members for it and three against, with Dr. Miller holding the balance. Dr. Miller persuaded Mr. Lane to go to see Mr. Wilson about the plan, and Mr. Wilson viewed it with alarm as politically very bad. He felt so strongly about it that he killed the plan.

In Mr. Gidney's memory, Mr. Warburg worked days, nights and Sundays. He was indefatigable. At that time, Mr. John Skelton Williams sat in the office now held by Mr. Burgess in the Treasury. Mr. Warburg was a few offices down the corridor, but he would come charging up and burst into Mr. Williams room at any time. Finally, Mr. Williams, who was a temperish person, had a lock put on the door, and so arranged that his secretary

could push a button and have it go on. After this was finished, Mr. Warburg came charging up the corridor as usual, and Mr. Williams' secretary locked the door against his entrance. It cured him of that particular habit very quickly.

Dr. Miller is regarded very highly by Mr. Gidney. He calls him a man with a fine mind who had no patience with the dumb. He recognizes that he was not popular with Benjamin Strong or the New York group, but this does not in the least change Mr. Gidney's opinion.

Mr. Hamlin he regards as a sweet and patient fellow, a kind man who knew no more about banking than "a little girl playing paper dolls." He used to write in his diary and cut out clippings and paste them, and Mr. Gidney regarded it all as of very dubious importance.

Mr. John Skelton Williams was a pompous, self-righteous, bitter man, who had been defeated at one time in his career by bankers in Wall Street who took a railroad away from him. In his attack on the Riggs Bank (see interview with Mr. Fleming of the Riggs Bank), Mr. Williams displayed a degree of malignity that did not show otherwise.

Mr. Frederick Delano he regarded as "a straight thinker."

In the beginning, the Treasury expected to dominate the Federal Reserve Board, and men allied with the Treasury point of view held that opinion. On the other side were the men who expected the Federal Reserve Board to be a supreme court of finance. In Mr. Gidney's opinion, it did pretty well even in the early days. There were almost no political appointments on the first Board, and they set to work quickly and easily to do what had been laid out for them by the Organization Committee.

Parker Willis he had great admiration for, although here also he recognizes that Mr. Willis is not generally remembered with much pleasure, particularly in New York. It is his own opinion that Mr. Willis turned sour because of lack of recognition. He was a very hard worker and not a very tactful man. The New York Bank turned against him for reasons of its own, and he in turn became bitter at the New York Bank. Mr. Gidney used to lunch

with him daily.

Mr. Gidney regards the Federal Reserve Bill as "a pretty good bill," and gives Parker Willis the credit for having written it. He regards this as the big contribution of a hard-working, very nervous man to the banking reform which was so badly needed at the time.

It was Mr. Gidney who began the Monthly Review of the New York Bank. He wrote it himself and was free to admit that he did not think that he did a very good job at it. Shepard Morgan followed him in that particular post and very shortly had 60 people writing the Review which Gidney had done by himself. He does not know to what Mr. Morgan referred when he spoke of this as a rather sad time. He thinks that Mr. Morgan may have over-extended his department, and the brakes may have been put on against his will. However, he was sure that Mr. Morgan did a good job and was a very able man.

He called Carl Snyder, who came into research about the time that Mr. Morgan did (see Morgan memoranda for details), a very brilliant man with a wonderful gift of understanding and presenting material. However, Mr. Snyder thought that "you could do everything by spending government money," and Mr. Gidney did not agree with him in that opinion.

It was Pierre Jay who, in 1917, took Mr. Gidney to New York. Mr. Jay he regards as a very fine man, not so great a man as Benjamin Strong, but a man of tact, understanding, and ability.

Speaking of Mr. Strong, he said that the Bankers Trust was set up by the other banks and that Strong was put in as its president. To a certain extent, he regarded Strong in those days as the trusted lieutenant of Mr. James Stillman, Mr. George Baker and Mr. J. P. Morgan.

Mr. Gidney himself thought that when the Board was set up the chairman and federal agent would be the head of the Federal Reserve Bank. It is his belief that the governor as such was not mentioned in the law and that the shift in weight from chairman to governor was the direct result of Mr. Strong's amazing ability as a central banker. He regards Mr.

Strong's naming to the post of Governor of the New York Bank as probably the doing of Paul Warburg.

I asked him a question which I have asked several people, namely, who taught Strong central banking. It was Mr. Gidney's belief that Strong may have learned a good deal about the European end of it from Mr. Kent.

Jay Crane was assistant to Mr. Pierre Jay and learned his banking from that point of view.

In spite of the fact that Mr. Gidney came to New York at about the time that the Liberty Bond drives were going over, he himself had nothing to do with those bonds, but his job was to get the banks into the System. He got Bill Dillistin to take over the matter of bank examinations, and he suggests we see Mr. Dillistin.

Mr. J. Herbert Case came from the Farmers Loan in 1918.

*(or perhaps they began to be taken down for printed)*

After Mr. Strong died, operating techniques ceased to be so valuable in the eyes of the top staff of the Federal Reserve Bank of New York, and foreign and research activities moved into new prominence. This for Mr. Gidney was a minor irritation. The only thing which compensated for the change in status was that the top command let the operating men alone to run the matter of loans and discounts and did not interfere with them.

Mr. Gidney did not regard Mr. Harrison as a very good practical banker. He said he came <sup>out</sup> ~~off~~ at one point with the idea that there should be no margin on loans but that Mr. Gidney paid no attention to that misconception of the Bank's proper role.

Mr. Gidney had so long a service with the System and is so busy a man that he will grant further interviews at a later time. I told him that we would want at least two more, one concerned with the 1920's and one with the bank holiday of the 1930's. This should be followed up very quickly.

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Post Script

Mr. Gidney said, concerning his college career, that he took Economics II with Dr. Miller and that Herman Phleger, who is presently counsel to the State Department, was in that class. He also spoke of a seminar in which two people, one named Harry Stocker, and the other, Edith Pense, were fellow students. It is Mr. Gidney's impression that Horace Albright was with Dr. Miller when he went to New York.

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