

May 3, 1955

Internal Memorandum

Origin of Research Division in the Board

The 1918 Report of the Board of Governors has on page 63 an account of a shift in the Research Division. The summary of it reads as follows: In 1914 (?) the Board created a Division of Reports and Statistics. This division became "more and more occupied with compiling figures relating to Federal operations than to general banking questions." It was decided that the Statistical Division should be supplementary and that the Board needed "some agency to assist it in the work of scientific research." Hence, the Division of Analysis and Research was created September 1st, 1918. Much of its ordinary work is now being handled by the research body of the Division of Foreign Exchange. "The active operation of that division will cease when peace has been actively proclaimed." H. Parker Willis, formerly the Board's Secretary, was ^{to} be director of the new bureau. He was running it with the aid of underpaid graduate students in economics and finance. It cost less than \$1,300 a month. The working office was in New York City, although the office of the Board was in Washington. (See Annual Report for further details.)

The 1922 Report of the Board of Governors says that the Division of Analysis and Research was transferred back from New York to Washington in 1922. H. Parker Willis resigned as director. Walter W. Stewart was appointed in his place. Stewart, aged 37, either brought with him or invented while there an Index of Production which greatly improved statistics. (Check on this in the 1923 Report. Did he introduce index numbers?) Winfield Riefler, aged 25, was in the department that year. He had been a student of Walter Stewart's at Amherst.

The Report of the Board in 1923 is the famous "classic" report written by Walter Stewart, who came to the Board as director of the Division of Analysis and Research in 1922. On July 1, 1923 he was made director of the Consolidated Division of Analysis and Research, that is, there was a consolidation with the Office of Statistician.

Mr. Stewart stated in private conversation that much as Dr. Miller was held in disregard by the staff, the fact remained that he (Mr. Stewart) would not have been able to write and have accepted what was, to all intents and purposes, a revolutionary report without the support of Dr. Miller. The report is remarkable for its analysis of what the Federal Reserve Board was doing - an analysis which might be corrected in the light of modern theory but which then made more sense than much that had been previously put out.

MA:IB