

Monday, May 23, 1955  
New York

Internal Memorandum

Interview with Mr. Shepard Morgan

On questioning Mr. Morgan closely as to the history of the Research Division in the Federal Reserve Bank of New York, I find that he came in at the request of Pierre Jay and probably at the suggestion of Arthur Anderson. Mr. Jay told him that the Research Division of the Bank was inadequate. The Board in Washington wanted certain regular reports, and the staff was not equipped to give them. Mr. Morgan had been on the New York Sun as an editorial writer, and Mr. Jay asked if he would like to take charge of this work.

At that time it was thought of purely as a reporting function. The Research Division consisted of two girls and a messenger boy, one girl fat and young, the other girl thin and older. The Bank was sending the Board a daily account of what the Stock Market did and what the Bank's credit position was. Other banks at that time had started a monthly report to their stockholders or a monthly letter, and it was thought to be a good idea to have the New York Bank follow that. In the beginning it was a mimeographed sheet which went only to the Federal Reserve Board. Mr. Morgan's first effort was to make it into a four-page rather than a single-page sheet.

He tried in the first place to write it himself but found that the other work which had to be done in the department was too much to make this feasible. He then tried a Mr. Clay who was the stock analyst at Moody's, but Mr. Clay, who had been trained to put in opinion, found himself unable to write the Bank review without opinion, and Mr. Morgan found it quite as much work to take out Mr. Clay's opinion as to write it in the first place.

Searching for someone to help him out of this difficulty, he met George Mallon of the Sun on the street and asked if he knew anybody with some economic knowledge who could also write the English language. Mallon suggested Carl Snyder

who had just finished a book on the history of World War I, only to find that somebody else had simultaneously been writing a history which had publisher preference. Mr. Snyder came to work for the Bank. He was a man of wide economic reading and great fertility of mind, so much fertility that the assignments which Mr. Morgan gave him immediately suggested something else, and he was very likely to run off at side angles.

The thing which attracted Mr. Morgan to him, aside from the recommendation of Mr. Mallon, was that he applied economic theory to the problem of foreign exchange. Mr. Morgan had canvassed the various banks to try to find what their opinion was as to why the pound had fallen off. One opinion was that it was supply and demand, another that speculation was the cause of it. Mr. Snyder came forth with the statement that Ricardo had explained this a hundred years ago on the basis of the price theory. This carrying of a phenomenon back to its economic origins caught Mr. Morgan's attention, and he decided that a man who could think things out that thoroughly would be the man that the Bank wanted.

He then went down to Washington to sell the idea to the Board. Mr. Snyder wanted \$10,000 a year, and this sum as salary was great enough so that the Board had to approve the appointment. Mr. Morgan went first to Dr. Miller, himself an economist who might have been expected to greet the appointment with approval. On the contrary, Mr. Miller said that all the New York Bank needed was someone like Mr. Jacobson of the Board who was a reporter of economic statistics.

Mr. Morgan then went to Albert Strauss who had taken Paul Warburg's place and found Mr. Strauss warmly approving. Mr. Strauss said he would ask the Board to invite Mr. Morgan into the meeting that day to present the proposal.

When the Board met, Mr. Miller was against the proposal, Mr. Strauss for it, and Mr. Hamlin "watching to see which way the cat jumped." In describing the man he had in mind, Mr. Morgan said that he was in Who's Who. Mr. John Skelton Williams, who had paid no attention up to that time, was impressed by the mention of Who's Who

and asked a copy be sent for. As Mr. Morgan read down the list of Mr. Snyder's achievements, he came to a book written in German. This greatly impressed Mr. John Skelton Williams who did not stop to translate the German phrase. The book had something to do with the language of flowers. Mr. Skelton Williams said with a wave of the hand that this was clearly just the man the Bank needed, and the appointment was thereupon approved.

Mr. Morgan's difficulty in persuading Mr. Snyder to follow assignments as given led him finally to get someone else to do the writing of the review. The someone else was Mr. W. Randolph Burgess, who had been working for the Sage Foundation. He had a degree of Doctor of Education from Columbia University. It was Snyder who brought him to Mr. Morgan (check this), and the two men got along very well.

Mr. Morgan gives Mr. Snyder credit for having built up the Research Department into a real Division of Economic Research. It was Mr. Burgess, however, who brought the Monthly Review into full flower as a competent production of this Bank. They greatly increased their circulation. They sent the Review to the member banks, and then the member banks wanted to distribute it to their customers, so that editions were published which bore the name of the member bank at the bottom.

The only thing which Mr. Morgan reserved to himself was the writing of a back page which had to do with the duties of a central bank. This was meant as an educational process both for member banks and for the customers of member banks. It proved so popular that they wrote a booklet which was called, "Better Banking" and which had a distribution of some three million copies.

Mr. Morgan said that Mr. Gidney was the Assistant Federal Reserve Agent at the time that he came in, and there was an implication that Mr. Gidney himself had been running the Research Division up to that time. This would have to be verified. In any event, Mr. Gidney said that Mr. Morgan started with two people and finished with sixty. Mr. Morgan himself thought that he had a department of a hundred when he left, but he was not certain of this.

In the process of building up his department, he got Jack Riddle and George Roberts in as young writers on the Review. Both men went on in banking to private banks. Mr. Roberts was thought of at one time as a possible writer of the history of the Federal Reserve Bank but preferred to stay where he is.

Mr. Morgan and Mr. Snyder built the Research Department into something much larger than it had been to start with. Mr. Morgan said, however, that they did not have a Department of Foreign Research, but most of their work was on domestic research. He himself stayed until 1923, then went away for a year and came back in 1924 for another short time. He did not continue into the later years of the 1920's and, I think, does not know when the Foreign Division was started or whether it furnished Strong with the material which he needed in his foreign dealings with European central banks. This, of course, can be discovered.

During this period that Mr. Morgan and Mr. Snyder were building up the research functions in the New York Bank, the research situation in the Board was changing. Dr. Stewart came in in 1923, but even before that, Mr. Morgan had found that there was a certain tension between the Board and the Bank which induced him to use the Federal Reserve Board's statements as to the national condition in complete form within the Monthly Review. Thus at that time the New York Bank and the other Federal Reserve Banks were feeding the Board statistics which were cast into national form and then sent back to the New York Bank for appearance in the monthly bulletin, rather the Monthly Review.

Mr. Morgan said that in the first place Mr. Parker Willis had started the research functions of the Board. He was followed by Mr. Jacobson who was simply a gatherer and reporter of statistics. Apparently, it was when Mr. Jacobson died that Dr. Stewart was brought in, but this would have to be checked.

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