

Internal MemorandumInterview with Mr. Samuel Reyburn

Mr. Reyburn was a director of the Federal Reserve Bank of New York for three terms, serving in all from January 1, 1927 to December 31, 1933. He came in at the instance of Benjamin Strong, served through the rest of Strong's life and for five years under George Harrison who succeeded Strong after the latter's death. He must also have served under Gates McGarrah, although this was not mentioned.

This interview, which was not strictly an interview but rather the listening to a virtual monologue, took place in the President's private dining room of the Federal Reserve Bank of New York, where Mr. Reyburn was the guest of Mr. Sproul. The fourth person at the table was Dr. John Williams who looked very much better than he did last year.

The man had been talking when I came in, and Mr. Sproul said that Mr. Reyburn was telling them how Mr. Strong and Mr. McAdoo first met in connection with the financing of the Hudson and Manhattan Railroad. This was the tunnel under the Hudson of which someone (Mr. Rhoads ?) spoke just recently. The incident should be looked up, for there seems to be an overtone of distrust with everyone who mentions it. Mr. Reyburn said that it was not that Mr. Strong thought that McAdoo was right but that he was an able man. He did not explain further what he might have been right about. It may be that the Bankers' Trust participated in the financing of the railroad and that Mr. Strong was of service in that capacity. At any rate, the story is that when the Federal Reserve System was being set up, McAdoo remembered Strong as an able banker and persuaded him to come in. Or it may run the other way, that when the System was set up and Mr. McAdoo, then Secretary of the Treasury, asked Strong to come to Washington, the latter remembered the promoter of the Hudson and Manhattan as an able man and decided to go.

Mr. Reyburn jumped from that incident to 1932 when he told George

Harrison that the continuing depression called for some such thing as the country did in 1907, when the bankers got together and persuaded the President to declare a moratorium (?). He also told William Potter, a fellow director of the Federal Reserve Bank of New York. Governor Roosevelt invited him to Albany to a meeting which represented the first time that presidents of commercial banks had been invited there, but Reyburn did not go.

Mr. Harrison went to Washington with a group of Chicago men at the invitation of President Hoover. They held conferences and organized a "company of banks" to take care of the weak banks. Reyburn's comment was that the bankers had forgotten their knowledge of psychology, for no bank would admit it was a weak bank, and therefore no bank would borrow from this company of banks which was meant to save the day.

The eventual outcome was that Congress organized the RFC. Mr. Reyburn believed that if Benjamin Strong had lived, something would have been done in the late '20's which would have saved the situation, presumably before the crash of 1929.

From this incident, Mr. Reyburn was reminded of the German Moratorium which was declared the previous year. Early in that year he asked Mr. Harrison when the first instalment was due on the Young Plan and was told, "Next July." His reply was, "Germany can't pay. Let's have a moratorium on these debts."

He was quite sure that the way to have this done was to have France to announce the moratorium. He tried to interest Eugene Meyer in the plan, but Meyer, who was not a German Jew but a French Jew, said he thought the Germans had plenty of money, and would have none of it. Mr. Reyburn then tried to interest Clarence Woolley, a guest and friend of Herbert Hoover, but Hoover was relying on Meyer and refused to listen to Woolley. He was, according to Mr. Reyburn, extremely intolerant of any criticism of his opinions or his plans (Hoover, that is). In this opinion Mr. Sproul heartily concurred.

Apparently, the concern continued all spring, and Mr. Reyburn tried various ways of getting to Hoover with some kind of a messenger who could persuade him a) that there must be a moratorium and b) that it must be declared by the French. Mr. Harrison's next suggestion was, "Why not get Theodore Whitmarsh? Ted could get away with it." Mr. Whitmarsh was an expert on food who had been with Hoover at the time of the feeding of Belgium and who carried on, or so they thought, the same worship of Hoover that had characterized that operation.

As a minor detail in the situation, Mr. Reyburn said that Mr. Whitmarsh had bought Celanese at the time under the influence of Mr. Woolley. He told Mr. Reyburn of this, and Reyburn, who had sold his Celanese, told Whitmarsh to sell at once. He did sell and made \$15,000. Of this he took \$10,000 to buy a Cadillac and called it "our automobile." Apparently, he and Mr. Reyburn had gay times with that car.

However, even this did not have the desired effect. Mr. Reyburn told Whitmarsh that he wanted him to go to see Hoover. To Mr. Reyburn's astonishment, Whitmarsh answered, "I can't. I don't speak to that damned rascal any more." The reason for this decision and this anger on the part of a former disciple of Mr. Hoover was not told.

About this time, Mr. Eugene Meyer went to Mt. Kisco to rest and cut off his telephone. That very night Mr. Hoover called Mr. Harrison to come down and confer on the subject of the German debts. He had been convinced by one of these messengers (perhaps Mr. Woolley ?) that there must be a moratorium and moreover that France must declare it. He wanted Mr. Harrison to go and talk to him<sup>(?)</sup> on the subject. Mr. Harrison said, quite understandably, that he could not go without permission of his board of directors.

At that time the Federal Reserve Bank of New York had a series of committees which were appointed when Mr. Strong became ill and which had survived. Mr.

Reyburn was on the Committee on Relations with the Board of Governors. He recalled incidentally that the Board was so angry at Carl Snyder that they refused to approve his pay.

Mr. Harrison and Mr. Reyburn decided that, while this must be kept a deep secret, they could tell Mr. Owen Young and Mr. Woolley about it and the board could decide that Mr. Harrison was entitled to go on a European vacation. That plan was set when the Credit Anstalt went to the wall and the whole of European public finance was upset. Mr. Thomas Lamont went straight to Hoover, and without more ado, Hoover declared the moratorium himself.

This upset the carefully made diplomatic plan to have the French call for a moratorium and came as a shock and a deadly insult to France.

Meanwhile, Senator Joe Robertson was on a camping party in the wilds. Word was got to him in such fashion that he agreed not to make the business of the moratorium a political party matter. Thomas Lamont of Morgan and Company was in daily telephonic conversation with Europe. Word was spread through the newspapers, and the whole press both in England and the United States was set to spread the news that the French were going to declare a moratorium. The Hoover action, without any consulting of France, therefore came as a shock both to Morgan and to the English.

Asked why Mr. Hoover failed to call the French, whether this was obtuseness or intention or a mistake, Mr. Reyburn and Mr. Sproul both thought that it was obtuseness. Mr. Reyburn said that Hoover did not know his international politics, and most men agree that he was singularly blind at certain moments.

Smaller incidents followed. During World War I William Woodin was Fuel Commissioner of New York and, in that capacity, told Mr. Reyburn that department stores were not essential and that he was going to close them up to save fuel. Mr. Reyburn argued with Mr. Baruch that department stores ~~were~~ had an educational function and moreover that they acted as a cheerful element in popular life and should

be continued. They were not closed.

From there Mr. Reyburn jumped to the Pecora (?) Committee and the examination of Mr. Morgan. He said that Pecora had 9 or 10 men working on the Morgan files for six weeks. They were not able to turn up more than a single dubious letter. In this letter a member of the Morgan firm had written to Mr. William Woodin in regard to the allocation to him of stock of the Allegheny Corporation. The point at issue was the way in which the Morgan concern worked with a list of key men to whom new underwriting of stock was allocated. George Whitney was on the stand from Tuesday through Friday, and every morning the newspapers had a new list of men who had taken part in underwritings, as though this were a proof of bribery. Thanks to the letter, Woodin's name was on one of these lists. Reyburn was repeatedly mentioned.

Reyburn asked the press for half a column to reply. He said that he could not handle the matter in a "yes" or "no" fashion. Finally William Dewart of the Sun said, "Write me a letter about it." Reyburn did so and came forth with a defense of the underwriting system for the promotion of risky and possibly important ventures. The letter was published and greatly cheered the Morgan firm. Mr. Woodin, who felt that his reputation had been tarnished, was suitably grateful at this attempt to restore it.

Mr. Reyburn said that Mr. Woodin was not only a musician (a concert of his music was given at the then-new Waldorf Astoria Hotel when it was opened), but he was also an expert on jewels, and on them made \$50,000 to \$100,000 a year. The manner of this was that he acted in wealthy circles somewhat as a pawnbroker would act in less imposing sectors of the population. The jewelers like Tiffany and Cartier would not loan on jewels they had sold nor would they re-purchase them when bankers, financiers and important business men found themselves pressed for cash. However, if the pressure was great enough, some clerk would say, "Why don't you see William Woodin?" Woodin would thereupon advance the money either as a loan or as a re-purchase, and his knowledge of jewels was such that he would always manage to re-sell them at more than he had bought them for or loaned on them.

Mr. Woodin was, if I understood Mr. Reyburn correctly, also an expert on Cruikshank and the second best collector of Cruikshank items in the world. An important collection came on the market, and he thought that he had not enough money to bid on it. However, Reyburn encouraged him to bid, and he got the collection for almost nothing. Thereupon he turned it over for a great deal more than it had cost him.

Woodin had always been a Republican, but he got interested in Al Smith, and through Smith in Roosevelt. "Thus," said Mr. Reyburn, "like Farley, he changed masters."

Mr. Reyburn said that he came to New York in July 3, 1914. He got a wire from Thomas Cochran, then of the Astor Trust, saying, "Morgan and Co. wants to use you for the next six months to save Lord and Taylor," and would he come for a week-end conference.

Mr. Cochran's house on Long Island had at that time burned, and he was living on a couple of barges off the shore. He took Reyburn up to Norfolk, Connecticut to a two-day conference at which George Case, H. P. Davison and Cochran, then of the Astor Trust, were present. This was July of 1914. The men played golf, tennis and bridge. They talked about the New Haven Railroad which had gone into a receivership. They also talked about the Federal Reserve Act which had been passed but not yet put into effect. They agreed it was a poor act and that bankers everywhere were being schooled against it. In spite of the fact that Davison was a representative of Morgan and Company, England's closest friend among American bankers, not a word was said about the looming war except that Germany was selling securities. This did not in the least frighten anybody. Mr. Reyburn, looking back, is convinced that Morgan did not know that a war was looming, and that England herself did not know at the time.

He said incidentally that J. P. Morgan finished his education in Germany, and he guessed that it might have been because at that time the condition in British public schools was so closely held that strangers such as this American banker would not have had power to get his son into the best of them.

The last incident which Mr. Reyburn recounted had to do with Russian funds after the Bolshevik Revolution of 1917. Mr. Reyburn was asked by Mr. Thomas Lamont to go on the board of the Guarantee Trust. He was put on the Examining Committee. His job was to look over all the credits outstanding. He found that there was \$5 1/2 million of American money in Russia when the Bolsheviks came in, and this was siezed. At the same time, there was \$5,600,000 worth of Russian money in the United States. The Bolsheviks demanded their \$5 1/2 million, and the Guzrantee (which must have been holding it if the story stands up) refused. When this was examined, Mr. Reyburn, "having been a jack-legged lawyer once," ssid that the American refusal to pay had started the Statute of Limitations to work, and that the banks need no longer keep reserves against a loan which was outlawed by that statute. However, this idea was generally refused by the Guarantee Board, and the reserves continued to be held.

Everything lay quiet until Franklin Roosevelt came to power and recognized the Communist government of Russia. As a consequence of that recognition, he accepted the Russian plea for payment, and the Russians sued the Guarantee. It was suggested that the officers in charge see Mr. Reyburn who earlier had a good deal to do with this. Search revealed the Reyburn memorandum, but the case was taken to the Supreme Court, and the opinion of that court upheld the Guarantee's position. The \$5,600,000 of Russian money did not have to be paid back.

Mr. Reyburn has promised to write more of his memoirs for his grandson, a flier, who hopes to go into banking, and for us. He will write on yellow paper and send material to us to be typed.

No commitment was made about regularly extending this courtesy, but it was clear that Mr. Sproul was pleased to have this particular offer made at this particular time. One might have reservations about going very much further with this or making it a precedent. It may not, of course, have any effect, and we may get no further memoirs.

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