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Internal Memorandum

Owen D. Young Papers

EC-#24

Box 264 - Memo 2

A long letter of February 17, 1927 from Owen D. Young to Edmund Platt goes into the matter of the power of the Board to fix compensation and regulate it. "If the Federal Reserve ^{Board} ~~Bank~~ is to fix compensation as distinguished from regulating it, then you have in effect a central bank with headquarters in Washington

(EC)

regulated from Washington

so that they function in the unified system. It is this latter that I always supposed was the intent and purpose of the act."

then go on to detailed suggestions as to what the Federal Reserve Board might well be interested in with regard to the New York Bank. This whole letter of February 17, 1927 from Mr. Young to Mr. Platt reflects the tension between the Board and the Bank and goes into some detail as to what it is in operating tensions that they are trying to cure. It constitutes a valuable commentary on the situation as it then existed. The closing paragraph is as follows. "I am speaking of this quite frankly and at length because I think it goes to the root of the functioning of the System. I believe in the New York Bank we are on our way, under the wise leadership of your Board, to get the very ablest men in the community to serve both as officers and directors of the Bank. We can do that and keep that policy going provided we make it clear that they have real responsibilities to perform but that in executing them they must always act in cooperation with and in harmony with the Federal Reserve Board which has the larger duties and responsibilities of seeing that the System as a whole functions properly in the interests of the country as a whole."

unable to
make out
omission

Owen D. Young, Box 264, Memo 2

It may be that one of Mr. Young's most valuable abilities so far as the New York Board was concerned was his sense of proportion and his skill in analysis which reached to the heart of any situation. If the relations between the Bank and the Board are better now than they were in the early 1920's, it is partly because of efforts such as those which he exercised.

A letter of February 19, 1927 from Mr. Platt to Mr. Young, marked personal, sheds further light on the situation. He says, "I cannot resist the temptation of saying to you personally that I agree with everything you have said. I think it is 'inconsistent both with the dignity of the Federal Reserve Board and the dignity of the local board' to go into detail in individual cases with a reference to such matters as sick leave and the smaller salaries.

In my earlier years of service on the Federal Reserve Board I don't recall that we ever questioned these matters in detail, and I am sure we did not spend any time in discussing them. Of late years the Board has shown an increasing tendency, unfortunate in my opinion, to discuss such details and even in some cases to fix compensation at a different figure from that fixed by the boards of directors of the Federal Reserve Banks. I don't believe that it has been intended by these efforts to imply any distrust of the directors of the Federal Reserve Banks. Rather the tendency has been due to what seems to me an exaggerated literal interpretation of the Board's duties in relation to the provision of law which requires us to approve salaries. I have thought at times there was some real danger that we might be placed in the position of seeking to operate the Reserve Banks from Washington, something certainly not intended by the law. I am glad you have written so frankly on the matter, and I feel sure the Board will appreciate the spirit in which you have written and the fairness and reasonableness of your views."

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