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Internal Memorandum

Owen D. Young Papers

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Letter of February 19, 1927 to Pierre Jay, then in Germany with the Transfer Committee on the reparations matter, continues going into the business of Mr. McGarrah taking the place of Mr. Jay. Mr. Young indicates that they have been having a strenuous time in the New York Board, but "I think all the members of our board and of the Reserve Board are happy too. The only reservation I have on that statement is that our board has a little feeling that the governor is not wholly happy (the governor being Mr. Strong). I do not mean by that that he is unhappy, but he is remote from us, and it is difficult for us to keep as intimately in contact with him as would have been desirable, although we kept Harrison on the train most of the time going back and forth. Then too he is alone in a somewhat lonely cottage in the woods with nothing to do but think because he can exercise very little, and when he was in New York, he was in action, at times rapidly in action. Also one or two of the newspapers, especially the Evening Post broke the release of the announcement of McGarrah's appointment, and instead of using our release wrote their own story which did not have the color that we wanted and caused them a little additional disturbance. I do not mean that this is at all serious. Otherwise we could not be happy at all. I merely mean that it is a slight cloud on what seems to be otherwise for the moment an unusually clear sky.

'It is true that my resignation as a Class B director and acceptance as a Class C director with the deputy chairmanship caused a great turn around psychologically in the attitude of the Federal Reserve Board. When they suggested McGarrah for chairman our entire board accepted that suggestion, and everybody took their coats off and tried to secure McGarrah's acceptance. But for the unified effort of us all working as hard as possible, I think it would have been

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impossible to have developed a situation where McGarrah finally felt he could not conscientiously refuse. I have great admiration for his decision. He comes at great personal financial sacrifice in response to the call of duty. I admire that trait. We ^{have} ~~are~~ altogether too few such men. We must have more, and every example of this kind means that we will have more. It might even become more fashionable than to make money ..."

The next paragraph goes on to say that the situation is much clearer from every point of view. "Our board is functioning wonderfully. Everyone is devoted and interested, and I think that the officers of the Bank including yourself among them should feel proud that you succeeded in developing a ? in that institution from the directors down which enables it to work so well at present and promises so much for the future. I understand that the Reserve Board with these precedents before it is now going to try to move in on certain other Federal Reserve Banks and endeavor to straighten the personnel of their set-up."

A personal letter dated March 3, 1927 from Mr. Strong to Mr. Young has to do with the Polish loan and very importantly. On page 2 Mr. Strong says, "I explained (to Mr. Weddell representing Mr. Dillon) that it was the invariable rule of the Reserve Bank never to make suggestions or recommendations to foreign governments or to banks of issue as to whether bankers in this country should be, that after a foreign government had decided upon what banks should represent it, if the concern was responsible ~~was~~ and reliable, we would be glad to collaborate in these matters by dealing with the foreign bank of issue if we were requested to do so; that I would therefore not undertake to make any recommendations to the Poles, but if I found that the American banking houses could among themselves agree upon a merger of their interests upon some basis, I felt that we might go so far as to endeavor to reconcile the Polish government through the National

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Bank of Poland to such an arrangement. Mr. Weddell suggested without hesitation that he was absolutely of the opinion that Mr. Dillon would be willing to do so."

This paragraph sets policy clear. The rest of the letter goes on to detail the difficulties which arose in the Polish situation. A carbon of this letter should be in the New York Bank. This letter is of such importance that Dr. Chandler should be queried as to whether he has seen it.

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