February 29, 1956

Internal Memorandum

Interview with Mr. Robert Roosa on a Possible Book of Edited Papers from Mr. Sproul

This interview was preliminary and unofficial. It stems from the fact that a book from Mr. Sproul was suggested about a year ago, or perhaps earlier, but I pushed it too fast, and Mr. Sproul backed off.

This time I am eager to see that proper planning is done ahead of time so that there will be something to suggest which is constructive and possible. It would be better to think all around the project and present something more solid, rather than to put up an idea and again have it batted down. For this purpose I saw Mr. Roosa and found him very enthusiastic about the possibility of a book. I told him that I had been working mostly on periods before Mr. Sproul became President of this Bank (he came to the Bank in 1930 and was made President in 1941), and that therefore I did not actually know what his contributions to central bank theory or practice were, nor whether it would be possible to contrast them with those of Mr. Strong's period on which Dr. Chandler is now working.

Mr. Roosa responded immediately with a list of categories which he said was only partial, but which were outstanding subjects which had interested Mr. Sproul. Those are as follows:

1) The role of central banking in our peculiar economy

2) The principles that should govern relations between central banks. Mr. Roosa said that Mr. Sproul's main work on this was done before he became President, when he was in the Foreign Department. This included the period of British devaluation of the pound, and marked differences arose between Mr. Sproul and the Bank of England, Mr. Burgess and Mr. Harrison over details or principles important at that time. It is obvious that the place of the central bank and the relationships between them are very different now from what they were when Mr. Strong and Mr. Norman were carrying on their negotiations in the 1920's.

3) How does the central bank exercise its aims?

4) How does a central bank in our democratic country and our peculiarly mixed economy organize itself? This Federal Reserve System and the New York Bank (which is the central bank is still a matter of debate) is a unique institution for a unique situation. It is Mr. Sproul's conviction that regionalism is absolutely essential in this country, but that by the same token the central bank must have the ability to act fast. The problem then is to ~~XXXX~~ take full advantage of regionalism but not be slowed down by it, and that takes considerable skill in administration.

5) Aim to increase the quality of the regional banks. This is a problem in intra-System relationship, and Mr. Sproul has done more than anyone else to bring the regional banks into an awareness of the other banks and of the System. It is all too easy for the President of a Federal Reserve Bank in an isolated region to become so absorbed in the work of that Bank that he forgets the System and the whole national picture. Mr. Sproul has constantly tried to raise the level of Presidents in the other Federal Reserve Banks, and this not, as is sometimes thought, in an effort to counter the influence of the Federal Reserve Board, but because he is so aware of the importance of regional strength and strength within the regions. He has also made a continuous effort to fit New York into the whole picture and to improve the relationship of New York with the Board and of New York with the other Banks. Against him are all the forces of strong tradition and prejudice. Mr. Roosa said that it would sometimes be far more convenient if Wall Street were the coordinated and integrated money force which the country believes it. Mr. Sproul's effort has been to get a sense of proportion and of relative strength clear and working.

Mr. Roosa said that while the published Sproul papers were valuable, the unpublished ones were much more valuable. He does a small essay, for instance, for every single Open Market Committee meeting on what conditions are at the moment, and these would make a wonderful record showing the continuity of change. He also does a great many internal memoranda which are valuable.

We agreed that whoever edited this would have to be either somebody within the Bank who knew all these possibilities or that the editor would have to be working with someone in the Bank. Mr. Roosa made two suggestions: first, that Mr. Roelse, who retires after three years, would be the perfect person to edit such a volume. He also said that he himself hoped to return to the Research Division, and if allowed, would set aside time and, if necessary, take leave for such a job.

I asked about having an academic man of equivalent stature do it, and he agreed that Dr. Chandler might do it after having finished the Strong book, but that even Dr. Chandler would need someone like Mr. Roosa, who was within the Bank and who knew the value of the internal and unpublished material.

I left the interview sure that something of this kind would have value, but I told Mr. Roosa that I would rather have it as a matter to be offered a commercial publisher and therefore stand on its own feet than have it subsidized by the Committee. This took into account Dr. Stewart's rather hesitant feeling that a book of published papers would not be a valuable thing.

Mr. Roosa also said that it might be possible that Mr. Sproul himself would write such a book, but both of us doubted that it would be forthcoming while he was still at the Bank, and I am personally doubtful that he would do it afterwards. This, however, may not be a warranted doubt. At any rate, the next thing is to talk confidentially perhaps with Ordway Tead at Happer's, and if that sounds possible, then with Mr. Sproul.

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