

February 24, 1954

Pages Not
identified in
file July 1955 -

Internal Memorandum

Interviews with Mr. J. Herbert Case

See interviews with Owen D. Young, July & Sept. 1955

Interviews with Mr. J. Herbert Case, now retired after a long career both in commercial banking and in the Federal Reserve System. These interviews took place on four days, during each of which Mr. Case talked for about an hour beginning at 11 a.m. In spite of his considerable age (he is over 80) his memory is sharp and precise. He has enough of the pedagogic quality which distinguishes his two sons, both of whom are presidents of colleges, so that it was possible to stop him and ask him to go back to explain things not clearly understood at first hearing. Mr. Case was an operating man in his day. He seems to have had the reputation (this comes not only from Mr. Leslie Rounds but also from one or two other people) of being more or less passive until an emergency arose then he was able to summon the extra force needed to cope with it.

Mr. Case said that he was one of five children in a family with very little money where the father fell ill and died. He himself went into banking in 1887 at the age of 15. His banking education is obviously one in which experience has played the largest part. He became skilled as a man who knew all about commercial paper. In February 1917 the Federal Reserve Bank of New York had taken in millions of dollars worth of commercial paper as collateral for war bonds and no one in the System at that time knew what to do about it. He was then receiving ^{as v-p, a salary of} \$15,000 a year from the ^{City's} Farmers Trust Company and was asked to go at a salary of \$25,000 to the Federal Reserve. (Obviously in those days that represented much more money than the same figure does now.)

* Best making at least as much again in the market
- which his post with the Fed would not do.
of course
STC

Mr. Case met Mr. Warburg at Saranac and long discussions of the then young Federal Reserve System were carried on. The major problem was that of how the war would be financed and, said Mr. Case, "We then established the pattern for the government financing of the war." (This does not necessarily mean that Messrs. Case and Warburg by themselves established the pattern.)

The system was that the Federal Reserve of New York sold to member banks and other banks short-term Treasury paper (certificates and/or notes) worth four to five billion dollars/ ~~and~~ ^{was} on the patriotic plea that the banks were financing the government in its war venture. Then when the banks were loaded with short-term paper the Federal Reserve set out to sell to the public four liberty loans and one victory loan which would "bail out the banks". This was the process which it was repeated of the four liberty loans. The fifth, the victory loan, was issued late in 1918 or early in 1919. It was a much larger loan than any of the others and carried 4 3/4 per cent interest.

At that time England used to issue Treasury bills which were 90 day paper. The United States had nothing like this. In 1929 Mr. Case was asked by Mr. Mellon (Ogden Mills was then Mellon's assistant) to go to the Bank of England and study the procedure on these Treasury bills. They had features which Mellon thought might be adoptable to the United States. Arrangements had been made with the Bank of England for this visit and the bank officers gave Mr. Case what is now known as the VIP treatment. They were met at the pier by deputy gov^r Cecil Lubbock in a car with a chauffeur and that car and chauffeur were turned over to Mr. and Mrs. Case for the duration of their visit. The Bank of England set aside a room

** but I suspect they came pretty close to doing just that.
But Leffingwell's voice was also important -*

Mr. Leffingwell took part in the discussion. There were late night conferences.

The Manufacturers Trust then began to have runs and then the Public National Bank. Mr. Harrison was in Europe. Mr. Case worked out a proposal that the three ^{banks in trouble} ~~of them~~ should combine, with the Clearing House to provide \$20 million in new capital, ^{and} an advisory committee ^{to} should be formed including Mr. Frew, Mr. Davison and Mr. Buckner. They asked Mr. Case to take the chairmanship of this consolidated bank. Mr. Case was loath to do it. Mr. Leffingwell persuaded him that the whole thing hung on his willingness to take the chairmanship and that he could not refuse. Coming down in a cab late at night with Mr. Burgess he asked Mr. Burgess to cable to Mr. Harrison and then he himself returned to the bank where he was then spending his nights. A bed had been set up for him in the clinic. At 4 a.m., having gone to bed very late after the conference, the telephone rang and Mr. Harrison was calling from Germany. He agreed that Mr. Case should take the chairmanship of the new consolidation, and ^{Mr. Case} ~~he~~ thereupon agreed to do so. (SFC)

There was however a hitch. The Public National Bank withdrew from the proposed consolidation. Mr. Roosevelt, then governor of New York State, sent Mr. Lehman down to plead that the consolidation should go through. One of the then distinguished bankers shook his head and said "let it fail, draw a ring around it so that the infection will not spread". Obviously, any such idea was impossible.

In May of 1931 Mr. Case, his health very much injured by overwork, went to the hospital for an appendicitis operation and did not return to business until the end of 1931.

Meanwhile banks went on folding up all over the country. Mr. Hoover, as President, suggested that Mr. Roosevelt cooperate in making national the bank holiday which then seemed to be spreading from state to state. Mr. Roosevelt refused.

Mr. Case says that the last few days before Roosevelt's inauguration were "pure hell". Not only was the epidemic of bank closings spreading to an alarming extent, but big corporations such as Sears-Roebuck, Woolworth and Company and others which normally kept their money in Detroit, Cleveland and Buffalo began pulling ^{cash} it out of the local banks in those cities and siphoning it to New York. This made a bad situation just that much worse. People began thinking they would never get their savings. They wanted gold and they stood in line to get it. (Get the record from Mr. Roelse on how much gold Federal Reserve Bank of New York lost on Thursday, Friday and Saturday before the ^{national} bank holiday was declared.) People took their gold and put it into the safety deposit vaults, leaving the banks just that much weaker.

The fourth interview with Mr. Case was on Monday, February 15. He picked up where he had left off the previous time.

The federal bank holiday lasted for an entire week. During that time the program in the New York Federal Reserve Bank was (as had been said earlier) to review all conditions in all member banks and certify to the Secretary of the Treasury those that were in a condition to open. It was arranged in New York to have the Federal Reserve ^{Bank} Board of nine members go into session at 10 a.m. every day and work until 6. A program was ^{laid} laid out

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