

C O P Y

October 30, 1935.

Dear Senator Glass:

Further answering your inquiries as to the appointment of Mr. Stern as Class C Director of the Federal Reserve Bank of Philadelphia, I would say that the question of the appointment to fill the vacancy occurring by the death of Mr. Alba B. Johnson, has been before the Board since early in January. Governor Norris first submitted a list of 24 names of men whom he thought would be fitted for this position. 14 were at once eliminated because of the fact that they are now holding offices as directors of banks, and he was sure they would not be willing to resign. You will remember that the Federal Reserve Act prescribes that a Class C director shall not be a director, officer, or stockholder of any bank. I then went over the remaining 10 names carefully with the assistance of our Division of Examinations. I finally fixed upon one name as probably the best qualified for this position. He, however, was a director of a national bank (as I remember his bank had not been in good condition, but he was not responsible as he became a director after the trouble in the bank). He was approached indirectly, but absolutely refused to commit himself, saying that if offered to him he would merely take it under consideration.

We were busily engaged in running down this list when the name was suggested of the President of one of the large universities in Pennsylvania. He seemed to me to be a very good man for the place. I looked up his record, and found that he had been in the banking business as a partner in the firm of Drexel & Company, which was allied with J. P. Morgan & Company. I had some doubt whether, in view of his position,

he would be able to give much attention to the duties of this office, but held his name under consideration.

Subsequently Mr. Stern's name was brought to the attention of the committee designated to consider such recommendations. His name was originally suggested, I believe, by the State Superintendent of Banking of Pennsylvania and was given the same careful consideration accorded to all recommendations.

I enclose a copy of a confidential report, from which, as you will note, it is evident that Mr. Stern is a man of prominence and probity, a university graduate, a student of economics at the University of Berlin, and a writer on financial and economic subjects. He is a man who states his views vigorously, and doubtless they are not in accord with the views entertained by many. The Committee felt, however, that it would not be a bad thing to infuse some new blood into the directorate and that the clash of opposing views would on the whole be both stimulating and beneficial from the standpoint of the directorate itself.

I reached the conclusion that Mr. Stern would prove to be a valuable director, nor was any contrary opinion expressed or suggested. Moreover, in trying to find a man for a Class C directorship who would be representative of the broad public interest, it appeared that Mr. Stern was eminently well qualified, however his views on economic questions may conflict with those of other schools of thought.

I am, of course, deeply disturbed by your direct charges against Mr. Stern, and I would simply say that I never heard of such charges against

him from any other source, although the appointment has been editorially criticized from two hostile quarters on the basis either of his economic opinions or the even more untenable ground of politics.

I have never considered the question of politics in any appointment to a directorship of a Federal reserve bank. The question of Mr. Stern's politics at no time entered into the consideration of his name. His selection was based exclusively on the consideration of whether he was qualified by education and experience and whether he would be representative of the public interest, and I had not heretofore heard any challenge upon these grounds. Until the matter of politics was subsequently, and I think entirely unjustifiably, raised, I did not even know the political complexion of the directors of this bank. Looking back now, I find, - what I did not know then - that of the 9 directors of the Federal Reserve Bank every one was Republican, and in the new set-up there are 8 Republicans and Mr. Stern, whom I would classify as an independent Progressive. He has supported the administration in many matters, but has vigorously criticized it in others, as the memorandum enclosed will show.

If there is any other information I can give you in this matter, do not hesitate to call upon me.

Sincerely yours,

(Signed) C. S. Hamlin.

Hon. Carter Glass,
United States Senate,
Washington, D. C.