

THE WHITE HOUSE
WASHINGTON

Warm Springs, Ga.,
April 23, 1940.

MEMORANDUM FOR

HON. MARRINER S. ECCLES

Thank you for yours of April
fifteenth. I think that Allan
Sproul sounds all right --
certainly better than some
others. It seems a very diffi-
cult thing to get away from
accepting advice from that little
group in New York.

F. D. R.

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

Office Correspondence

Date April 16, 1940To Mr. Thurston

Subject: _____

From Mr. Davis

I like very much the way the Sproul matter is handled in this letter. My only questions arise in connection with the second page.

- 1). Why does the Chairman single out the Undersecretaries for special attention? I'm not sure he really wants to take this crack at Danny Bell even though it may be justified. Unless there is especial reason for referring to the Undersecretaries, the effect might be had by substituting for the words following "viewpoint" the following:
"generally held in the Treasury and that of New York".
- 2). In order to make the point a little clearer than the general statement "we are prone to", why not spell it out thus following the word "situation",: "it seems to me that to question Mr. Sproul's appointment if it is made by the board of the New York Bank, while ignoring this much more important situation nearer home, would be to strain at a gnat and to swallow a camel".



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BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

OFFICE OF THE CHAIRMAN

April 16, 1940.

PERSONAL AND CONFIDENTIAL

Dear Mr. President:

As I have been battling an influenza germ evidently closely related to the one that afflicted you, I have not had an opportunity until now to reply to your note of April 2 enclosing an anonymous memorandum from New York with reference to George Harrison and the possibility of Allan Sproul's succeeding him as President of the Federal Reserve Bank of New York.

I imagine that the directors of the New York Federal Reserve Bank will select Sproul, who has been the First Vice President of the bank and in line to succeed. He is a Californian of outstanding ability and far less reactionary than the usual run of bankers in New York. I do not know where the directors would turn to get a man of sufficient ability, training and experience, and who would be less conservative than he is.

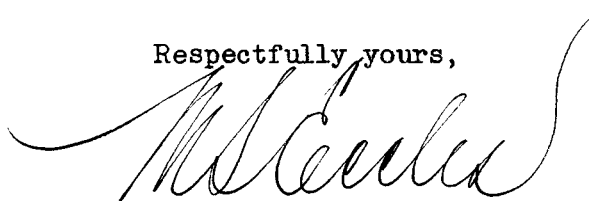
We do not make the appointment. The law puts that responsibility upon the Reserve bank directors, six of whom are elected by member banks and only three of whom are appointed by this Board. While the Board has the approval, there would have to be some strong reason, such as incompetence, to justify our turning down the selection of the directors, and, of course, I know you will agree that political differences would not be a sufficient ground for rejection.

I am quite certain that Mr. Sproul would be much more liberal in his approach and far less tied in with the "corner" than some of those who have been called down here as special advisers from time to time -- not, however, by this Board. Since the Banking Act of 1935 the New York Bank has been comparatively impotent. The real powers over the money markets are largely with the Treasury, and such influence as the bank has had has been principally in its relations with the Treasury. It has been my experience that the Treasury far more often agrees with New York advice than with mine, as was the case last fall when two Wall Street advisers were brought down in connection with the bond

market. In fact, ever since I have been in Washington, the Treasury has usually been in closer agreement with the New York viewpoint on monetary, fiscal, budget and tax matters than with mine. Certainly this has been true in the case of the various Under Secretaries.

In other words, Mr. President, as I look over the situation, it seems to me that to question Mr. Sproul's appointment, if it is made by the board of the New York Bank, while ignoring this much more important situation nearer home would be to strain at a gnat and to swallow a camel.

Respectfully yours,



The Honorable
The President of the United States,
The White House.