



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

October 26, 1936.

Dear Governor:

I am writing you with reference to an episode which has in different ways, I think, considerable significance. You may recall that I sent you a note last week giving my reasons for writing a possible alternative explanation of recent foreign exchange developments. I understood at that time that alternative drafts were being sent you. On Saturday afternoon, however, Mr. Goldenweiser called me into his office and asked me if I couldn't approve either one of two new drafts Mr. Gardner had written. He said he objected to sending you two different drafts as that got us back to the "competitive essay" business. (He always referred to the different first drafts of your speeches and statements in that manner). I didn't want to make an issue of it with him so I agreed and approved the draft which seemed least objectionable from my point of view. In case you are interested, (of course you could not use either of them now), I am enclosing the original Goldenweiser-Gardner draft and my alternative.

The matter is not very important in itself but I think it is of significance as an illustration of something that is of great importance. This mode of procedure means that you do not get the benefit of different points of view. If you don't specifically ask that different people approve a draft you only get the draft that Mr. Goldenweiser approves. In other words, one man's view. If, on the other hand, you require approval of different people you are likely to get a compromised statement that nobody really likes.

In order, therefore, that you and other Board Members may get the benefit of the possible differences of opinion that prevail in the technical staff I am wondering whether it might not be a good idea in my recommendations relating to the Division to suggest that in matters on which differences of opinion may exist Board Members ask for separate signed memoranda from the two or three members of the senior staff directly concerned with the matter. It is true that this would mean more reading, but I cannot think of

any other sure way in which the Board can really get the full benefit of a technical staff. In a non-controversial field it would not matter. Monetary policy, however, is a highly controversial field and care should be taken to avoid either having only one man's opinion on all matters -- a "bottle-neck"-- or a compromised view that represents nobody's opinion.

In this particular matter I think there is danger that unconsciously you will be pushed in the direction of the reestablishment of a full working gold standard. That, I am convinced, is the course that both Goldenweiser and Gardner really desire. You may, of course, wish that yourself, but I think the matter is of such great importance for future monetary control that you should be fully informed as to the alternative courses of action and as to the full significance and implication of each step as it is taken. I kept out of this field up to date for fear of endangering my good relations with Gardner. When I became convinced, however, that an attempt was being made by your technical staff to guide you in one direction I decided I had better interest myself in the matter.

In connection with the type of monetary standard we should work toward, I wonder if you would care to have me arrange for a luncheon with White of the Treasury. He has written extensively on this subject, and I find myself in more general agreement with his views than with those held here.

There is one other matter of a confidential nature. Bryan dropped me a note saying that he had been interviewed by Mr. Ransom and Mr. Goldenweiser at Atlanta in connection either with a job here or at the Federal Reserve Bank of Atlanta. If the matter should come to your attention I suggest you point out that we need a tax man here and what Atlanta needs is a person versed in monetary theory and problems. I suspect Mr. Goldenweiser does not desire a tax man here, as Miss Burr tells me she is working on a tax program and I know she would like to preempt that field.

Sincerely,

