



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

September 30, 1936.

Chairman M. S. Eccles,
Board of Governors,
Federal Reserve System,
Washington, D. C.

Dear Governor:

This is just to acquaint you with the present status of negotiations for additions to the staff, so far as I know them. In accordance with your suggestion I have taken no open part in them:

1. Agricultural economist. As you may remember, Governor Davis suggested a Harvard man, by the name of Galbraith, as an agricultural economist. I saw some of my Harvard friends this summer and they said that Galbraith was a good fellow, with interests much wider than agriculture. I got in touch with him after Dr. Goldenweiser had written him and tried to persuade him to consider the job. He was here a short time ago and was interviewed by Dr. Goldenweiser and Governor Davis. He was to make up his mind in a couple of weeks. If Galbraith is not available I know another name that could be suggested. It is Dr. Jensen, in the Bureau of Agricultural Economics. I have recently looked over his book on Danish agriculture, where he develops very convincingly the thesis that agricultural depressions are simply general depressions and that the fortunes of agriculture are closely tied up with the general course of business.

2. Taxation. Dr. Goldenweiser, without previous consulting me, wrote to two Harvard men. One was a former student of mine who had been in the Treasury. He would, I think, have been quite unsuitable. At least one of the people with whom he worked at the Treasury did not like his work at all. Mr. Thurston interviewed him and suggested he was a bit young and advised him to return to Harvard for more seasoning.

The other man was a Harvard instructor, Dan Smith, who has written a book on Deficits and Depressions. Dr. Goldenweiser said he was "warmly endorsed" by Mr. Williams. I read the book and thought it a very mediocre piece of work and gave Mr. Thurston some comments on it. I tackled Williams the other day for recommending someone to work with you who believed that the spending program had been nullified by a decline in private spending, that taxation should be confined purely to fiscal purposes, and divorced from social considerations, etc. Incidentally, Smith took a crack at you in the book. Williams said that he had not endorsed him "warmly"; that he had merely suggested him as a good man to work in the Division, and had not understood that you wanted a man. He thought that while he would be quite all right for the Division he would be unsuitable to work for you, which I thought was rather revealing. Both Thomas and Dr. Goldenweiser thought the book was good and not conservative, and if I hadn't been here he probably would have got the job. Now, I understand, his name has been dropped.

Governor Ransom suggested Professor Malcolm Bryan, of the University of Georgia, to Dr. Goldenweiser. I know Bryan (he was one of the Viner group of taxation experts in 1934), and wrote him in confidence asking if Dr. Goldenweiser had written him. He had not. Bryan is a liberal and has a most likeable personality. I have asked Viner for a candid estimate of his ability. If his reply is favorable I think he might be given consideration.

3. Social Security. Dr. Goldenweiser has in mind a junior in the Division, Mr. Hersey. He has a good deal of native ability but he is young and has never done any work in this field. I raised no objections, but I think it might be better to get a more mature person, if possible.

4. I have sounded out Dr. Gayer, of Columbia, about whom I spoke to you before. I have given his whole record to Mr. Thurston. He had read one of his books and was very favorably impressed by his lucidity. He might be available in January and would be an excellent man either to work in fiscal policy (he has written the standard book on public works), social security, or as a general research man in the field of business forecasting. ✓

I have been working on the closed bank study, on a couple of articles arising out of the large deposit study, and on a simple exposition of Keynes' last book, which I thought you and the other members of the Board might like to read. The book itself is pretty

tough reading. Terborgh returns the middle of October and we plan then to work out a detailed program of research.

Thomas, by the way, has just written a long article for the Bulletin on the growth and distribution of deposits, in order, I think, to steal my thunder and to be able to meet the accusation that the Division has never been interested in deposits. So I feel that I haven't lived in vain. A brief description of the Large Deposit Study, published in the September Bulletin, received favorable comment on the whole, although the significance of the study was not grasped.

I trust your vacation was enjoyable and restful.

Very sincerely,

