

To: Chairman Eccles

October 6, 1938

From: J. P. Dreibelbis

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It is exceedingly difficult to picture the untenable situation in which I find myself without at the same time reciting incidents which, considered separately, may appear trifling and inconsequential. In answer I will say that in relating the same I have tried not to be petty; that while the specific incidents which I shall mention may appear disconnected, they represent only parts of the whole, which I have drawn from memory, are cumulative in effect, and should be considered as a whole rather than as isolated cases; and that they illustrate and support the broader conclusions which I shall state.

In the outset, I feel that it is proper to say that in the 14 years I practiced law prior to becoming associated with the Board, including employment by the City Attorney's office of Dallas, the Federal Reserve Bank of Dallas, the Reconstruction Finance Corporation, the Comptroller of the Currency and by a firm in the general practice, first as an associate and then as a partner, I have never previously, in so far as I know, failed to enjoy and retain the confidence and friendship of my superiors and associates. Nor have I ever previously worked in an atmosphere where there was any jealousy of prerogative or position; where there was any disposition to dramatize such position or unduly to emphasize the comparative importance or urgency of one's own work; where every associate was not treated as an equal; or where I was watched with suspicion and catechized concerning the minute details of my activities. Furthermore, I can say that while my previous associations have been entirely normal and therefore subject to the usual disagreements and differences of opinion, such disagreements or differences were never per se received as matters of personal affront and mutual cooperation and mutual exchange of ideas were matters of course.

Twice, before I finally came with the Board, in 1930 and again in 1934 I was approached by Mr. Wyatt and discussed seriously with him the matter of coming with the Board, but upon both occasions, upon advice of my associates and for other reasons, I declined. From these various discussions I was lead to believe that any special value I might be to his office lay in the fact that I had had six or seven years of experience in connection with the practical operation of a Federal Reserve bank, as well as outside experience of a general nature. Then again during the course of the discussions leading up to my present appointment these so-called qualifications were stressed and it was repeated to me that he wanted someone of "executive and organizing ability" and that you and Judge Thomas were "both anxious to strengthen the staff of this office by the addition of a man who

has had practical experience on the firing line and is thoroughly familiar with the practical problems of a Federal Reserve bank". All of this I took at face value and naturally assumed that it was with respect to these qualities, to the extent that I might have any of them that he desired me as his assistant to supplement his activities along the lines discussed.

In this connection, I would not be fair if I did not state that during the first year I was here I found him usually receptive to such ideas and suggestions as I advanced. To illustrate, within a short time after my arrival I observed that the atmosphere of the office to be more that of a school room than of a law office (a condition which still exists) and I observed that the other men in the office were afraid of him as were the secretaries, stenographers and file clerks. I observed that night after night the office was doing night work when I felt reasonably sure that there was no necessity for such action and I finally concluded that it was really for the purpose of creating an appearance and because they were fearful of getting demerits if they did not do it. I made that point and, following an office conference with the entire staff of lawyers, it ceased to all intents and purposes and except on special occasions has been abandoned since that time.

It was only after the Board had promoted me at the end of 1936 and after Mr. Wyatt had returned from Florida that the reverse situation commenced to evidence itself. I had interpreted the promotion as meaning that I should work at least as close, if not more closely with him than I had been doing, particularly with respect to the administrative affairs of the office.

However, the net result has been so directly to the contrary that I can say with assurance that, in recent months, my participation in the affairs of this office is solely in connection with matters initiated entirely outside of the office and comes about only when such matters are referred to me by the Board, some member of the Board, or some member of the Board's staff outside of the legal department.

For instance, I have observed that in recent months whatever phone calls are received in this office when Mr. Wyatt for any reason is not available are, whatever the subject matter of such calls, referred to Mr. Vest. This, in itself, is perhaps a small matter but I am sure that Mr. Wyatt's secretary would not take such action in the absence of instructions from him. There may be no reason why a phone call should be referred to me any more than to any other member of the office, but the point is that there has been

a conscious effort to separate me from the affairs of the office. Mr. Williams, at the time of his employment, was instructed not to report to me and that in Mr. Wyatt's absence he should contact Mr. Vest or Mr. Wingfield with respect to his work. Even now it is with embarrassment and under close scrutiny that he comes in my office. I am watched and observed by Mr. Wyatt's secretary, who, I am confident, reports to him every call that I have from any member of the Board or its staff. I know this particularly from the fact that in his absence she catechizes other men in this office who happen to come in my office to ascertain the subject matter of any discussion. Without ever having mentioned the matter to them or discussed the situation with them in any manner I have observed that they have been embarrassed by such cross-questioning.

I do not know how to account for the change in his manner towards me except for the fact that on a number of occasions I have disagreed with him, such differences being invariably treated as if each was a personal attack upon him, and the further fact that I have had more opportunity to assert my views to the Board than have some of the other members of the legal staff.

Chronologically, the trouble started almost immediately after his return from Florida in March of 1937. Several things happened in his absence which displeased him.

You will recall that about the time he left and when I was placed in charge of the office you discussed the situation in the office rather generally. At that time you expressed the opinion that the office indulged in too much "paper" work and asked me if the office was not overmanned. I agreed that we did do too much "paper" work and expressed the opinion that the office was overmanned, which opinion I still hold. As I predicted to you at the time Mr. Wyatt, subsequently by asking questions which I felt compelled to answer, ascertained that fact and has resented it ever since.

Secondly, in the light of our discussion at that time and when it became necessary to arrange office space before his return, I arranged for a stenographic pool rather than ante rooms with individual stenographers for all assistant counsel. I did this because I felt that it conserved space and also gave more flexibility to our set-up by making it unnecessary to replace any of the stenographers who might for any cause leave the Board, but even so I did it only after consulting with you and Mr. Morrill. This action too he resented.

Also, during his absence I was partly instrumental in one

of the file clerks, who had been designated as a law clerk, severing her connection with the Board. In the first place she was inefficient and in addition her husband was an attorney in the office of the Comptroller of the Currency and at that time enjoyed a substantial salary from that office. Furthermore, I was uneasy at the time lest information concerning confidential work that we were then engaged in might improperly find its way into other hands. For all of these reasons and because the office could get along as well if not better without her, I took advantage of a request of a Congressional committee for information looking into the matter of husbands and wives both receiving salaries from the Government, and, after discussing the matter with you and Mr. Morrill, I initiated action which subsequently resulted in her resignation. It never occurred to me that there was any impropriety in doing this in the absence of Mr. Wyatt but this also caused resentment and in subsequent discussions all of them have been referred to by him as improprieties upon my part with the inference and, upon one occasion, the specific charge that it represented insubordination upon my part.

The rift caused by the foregoing had hardly subsided when the matter of procedure to be followed under Section 30 came to a head.

I, as well as the men working with me, had become convinced that it was not necessary to burden the Board with the procedure followed in the first case. Because the language of the Act speaks of an appearance before the Board, Mr. Wyatt could not be persuaded that it was proper for the Board to appoint a trial examiner and on numerous occasions we had argued the point. I had worked out tentative procedure but had not shown it to him, hoping that eventually we could agree, and knowing from experience that submission of the procedure already worked out would more than likely irritate rather than persuade him. I confess that I had not forced the issue and hoped that we would eventually agree, and because I felt that it would not be good for the office if he continued to be unyielding in his view and if the Board should adopt the recommendation which I felt it would. In any event, as a pure coincidence, the day before Mr. Wyatt went to the hospital to have his tonsils removed I received a call from Mr. Kelly of the Comptroller's office announcing the second Section 30 case and it occurred to me that if Mr. Wyatt was not in the office it would be my full responsibility to make the recommendation and he would be relieved of any responsibility incident thereto. Accordingly, I made excuses to Mr. Kelly, stating that I was unable to talk to him until the next day. The following day the certificate came over and at the next

Board meeting, at which time I advised the Board that Mr. Wyatt entertained a different view, the Board adopted the suggested procedure, with no resulting ill effects as far as I know, except his displeasure with me.

You are familiar with some of the circumstances leading up to his final opinion that the Open Market Committee had authority to direct reallocation of the System Open Market account, but I am not sure you are aware of all of them. I have always felt that the difficulty started when Mr. Wyatt, in an off-hand response to a question put by Mr. Harrison, expressed the opinion that the Committee could not lawfully direct reallocation. This, I believe, caused him to hesitate to reverse himself after more mature deliberation for fear that such reverse would reflect upon him. At the time I was not convinced of the correctness of his informal statement but making the observation that I was not certain seemed only to irritate him. Thereafter, from time to time, we discussed the question and upon such occasions, hoping that by admitting the validity of his arguments he would in turn admit the validity of mine I leaned backwards to some extent in admitting the soundness of the arguments on both sides of the question, but on each occasion he seemed to become more unyielding. Finally, he stated with some feeling that I did not seem to be able to present my arguments so that he could understand them and requested that I reduce them to writing. This I did, and in so doing I tried not only to present the affirmative of the case but to answer also the points which he had raised from time to time. All of this occurred over a period of several months and when it became evident that the Committee would require an opinion I handed him my written argument, which, as stated, was addressed to the debate which had been occurring between us. This was at least three weeks before the meeting of the Open Market Committee. After reading it he called me into his office and stated that he could not agree with it and that he got the idea it was impudent. He then stated that you had requested that we get together and that if we could not we were to call you. Thereupon he asked me if I felt that I could recede from my position and when I told him that I did not see how I could he said that neither could he and assumed that there was nothing more to do but to call you. You will recall the two or three hours session with you, at which time he stated that there was not even room for disagreement among reasonable minds and that therefore he could not even go so far as to say that the case could be argued from my viewpoint. This was the stage at which the matter was left when we left your office and on the way down I was accused of being unfair. He was very angry, as was I. Seeing that he was in a rage and not feeling that

I wanted to be responsible for what might happen as a result of a violent discussion, I first refused to talk with him further on the excuse that I had an appointment, but at his insistence I was persuaded and we remained in his office for a couple of hours longer. I cannot adequately describe this session because it started in a rage and was accompanied with a display of temper worthy of good histrionics. I would start to leave and he would renew the discussion when finally, to my amazement, with a complete change of demeanor he asked me to state my position once more, which, after all, was simply that Congress had taken control from the boards of directors of the various banks and put it in the Open Market Committee. Thereupon, he stated that he thought that he finally saw it and the next morning he advised you that he had concluded that the Committee could direct reallocation and requested Mr. Owens to write the opinion, which he subsequently signed.

Furthermore, since that time he has noticeably increased his efforts to avoid any participation upon my part in any matter under his control. This was evidenced by his conduct when the question of the eligibility of Reconstruction Finance Corporation obligations for purchase in the open market arose. I first knew of this matter when Mr. Logan called me from New York because Mr. Wyatt had refused to talk to him and I immediately got in touch with Mr. Wyatt and Mr. Morrill. Mr. Morrill called you and Mr. Wyatt's first remark was that he was too busy to talk to me. As I turned to start out of the office he asked me if it was important and I told him that I didn't know and that it had to do with a call from Walter Logan in New York about the eligibility of Reconstruction Finance Corporation obligations for purchase in the open market. Thereupon, he said he would handle it and that was the end of it until Governor McKee called Mr. Wyatt and me to his office, during the course of which he asked me about the opinion and I told him that I had not seen it. Mr. Wyatt then stated that he guessed that it was an Open Market matter and that he should have sent it to me but that it did not occur to him at the time and that he had asked one of the other men to look at it. Turning to me he said that he would like for me to look it over when we returned to his office and tell him what I thought of it. I do not mean to imply that I disagreed with the opinion because I do not disagree with the conclusion, but I do unhesitatingly say that the appearance he tried to create before Governor McKee with respect to my participation in the affairs of the office was wholly inconsistent with his real attitude. I may add also that I have observed considerable difference in his demeanor towards me in the presence of the Board or members of the Board and under other circumstances.

At one time I was hopeful that we would finally arrive at a satisfactory working basis. Upon at least three occasions we have had frank discussions. However, each of such occasions was the result of some incident which had provoked him, such as, the incident in connection with the reallocation opinion. Another such incident occurred when you asked me in Board meeting one day following Christmas of 1937 if I had talked to Mr. Hitt of the St. Louis Bank regarding taking someone in our office in their legal department upon Mr. McConkey's retirement. Upon each of these occasions, before reaching any sort of an accord, it was necessary for me to let personal discourtesies pass unnoticed, such as accusations that I was "unfair", "insubordinate" or "conceited" or was trying to "undermine" him. On these occasions I have tried to be fair with him without capitulating, I have tried to impress him with the fact that I wanted to assist him, in so far as it was within my power to do so, I have tried to convince him that I was perfectly aware of his superior position and that I had no designs upon his job and, when upon one occasion he more or less broke down and stated that he did not believe that he had the confidence of the Board and felt that, except for his family responsibilities, he should resign, I tried as best I knew how to reason with him concerning his temperament as related to the office. He said that he knew that he was subject to what he termed "brain storms" which often got him in trouble and we ended the discussion upon a note of accord which really made me feel that something had been accomplished. This was true to a lesser extent on each of the other occasions but experience proved that two or three days or even the next morning would find him reverting to the same attitude of suspicion and the same desire to isolate me from the affairs of the office.

Moreover, I sometimes have the feeling that he is deliberately trying to maneuver me into an embarrassing position. For instance, he knew that in response to questions from you that I had stated that the office was over-staffed. He knew that I thought that the office wrote unnecessarily long memoranda on relatively unimportant matters. He knew that I did not feel that it was necessary for each assistant counsel to have one stenographer. He knew that everyone else in the office had become accustomed to the present technique of the work and for the most part had never known any other method. Consequently, when at the end of 1937 the Board requested a survey of the work in each division, he requested separate written comments from each assistant general counsel. I felt that more could be accomplished by informal discussion before opinions had become fixed by reducing them to writing and protested twice upon the basis that I thought it would be more desirable to

handle it upon the basis of an informal discussion. But at his insistence I addressed a memorandum to him, a copy of which is attached and which sets out my views then and now. None of these suggestions were ever discussed further with me or so far as I know with any of the other assistant general counsel.

While I am on the subject of memorandums, I would like to say that in connection with each day's work in this office all correspondence and memoranda is passed among all of the attorneys. This is known as the "current". It is not unusual for Mr. Wyatt to include remarks in the "current" criticizing the work of a particular lawyer. Upon occasion they are very abrupt and dictatorial in their tone, if not outright discourteous. I have saved and attach one or two of these which have been directed to me and which are mild in comparison to some directed to some of the assistant counsel,

Also, I have observed that many times written and detailed instructions to members of this office, supposedly relayed from the Board or a member of the Board are wholly different from the instructions originally given. I call your attention to a memorandum attempting to convey an instruction from Governor Ransom to me with special reference to the extraordinary time limit for completion of the job and the extraordinary limitation upon with whom I should work, in comparison with the memorandum from Governor Ransom, which as a coincidence he sent to me the same day, together with the subsequent memorandum from Mr. Wyatt. The difficulty of working intelligently under such circumstances is apparent.

I have referred to the fact of Mr. Wyatt's discourtesies, to his resentment at any suggestions I may make, to his inability to interpret the Board's requests unless made literal, and to his obvious effort to eliminate me from any office activities. I recall one incident which illustrates all of these characteristics. You will recall that when the Board was working upon a statement to be filed in connection with the Patman Bill Mr. Wyatt was requested to prepare a statement. I was not asked by Mr. Wyatt to turn a hand in connection with the same and in fact, by every means except express direction, I was eliminated from the matter. I observed that he was preparing a section by section analysis, which in the light of the real purposes of the Bill seemed to me to be wholly inadequate and to mean nothing. I intruded myself into the work enough to tell him that in my view of the matter the analysis should be directed at the underlying philosophy rather than at a section by section analysis. I was rebuked in this effort and subsequently when Governor Ransom

had received a copy of Mr. Wyatt's 16 page analysis he called me and I made the same observation, which I gathered accorded with his view. I then wrote an analysis of 5 pages, which I gave to Governor Ransom and at his suggestion to Dr. Goldenweiser. You will recall that at the Board meeting the following morning Mr. Wyatt's tentative draft at Governor Davis's suggestion was discarded completely and Dr. Goldenweiser was directed to prepare the statement, which subsequently was made the basis of the statement you read at the hearing. Following this Board meeting Mr. Wyatt called Messrs. Vest, Wingfield and Williams. Later, he instructed his secretary to call me and when I entered his office he turned to me and stated that he had first thought he would call me in to discuss further work upon the analysis but that my presence "would only confuse the matter and further muddy the water", whereupon I, of course, retired from the meeting. The final touch was a request to prepare another memorandum showing Patman's philosophy, which I did, only to receive still another request by formal memorandum. This memorandum is both typical and interesting and I have therefore attached it. As I stated, Dr. Goldenweiser prepared the statement which subsequently you used, but in addition Mr. Wyatt had Mr. Solomon prepare still another section by section analysis of 31 pages, which was also circulated among the members of the Board.

The story on the Smathers Bill (the Banking Agencies Bill) has been pretty much the same. First, there was a section by section analysis by Mr. Hackley, they Governor Ransom asked me to independently summarize the Bill, which I did to the best of my ability. I now discover that, in addition, an 86 page analysis has been prepared by several men in the office and has been circulated among the Board members.

Laying aside the personal aspect of the matter, I would like to make a few comments concerning some of the office practices affecting the work in general, as well as the attitude assumed towards the other men in the office. We still engage in what I consider to be too much paper work. For instance, we make four copies of practically everything written in this office. We still write lengthy memoranda unnecessarily. Naturally there are occasions where the very nature of the question requires lengthy treatment but we seem to treat every question as if it was in that category. We engage in the exchange of formal memoranda between the men in the office concerning trivial and unimportant matters, when several words of conversation would accomplish the desired end. It is, of course, necessary for us to maintain files and particularly is this true in connection with legal opinions and actions

constituting precedents by which the lawyers may be guided. However, we maintain such an elaborate system of filing as, in my opinion, to create unnecessary confusion and to require unnecessary labor.

Concerning the attitude assumed towards the other men in the office I can only repeat that the atmosphere of the office is very much that of a school room class. None of the men are permitted to do any work which he feels is of any importance to the Board except under his personal supervision. None are permitted to assume any responsibility, with the result that more and more they are less inclined to assume any responsibility. While perhaps he may not intend to be, he is dictatorial and the other men in the office are not treated as equals. I may add that this extends to the treatment accorded to the men by his secretary, who I have heard speak to various of the men as though they were children and to say the least, in a manner not consistent with the respective positions they are supposed to occupy. It is not unusual to receive what is termed a "stand by" order for more "urgent" jobs, which sometimes lead either to nothing or to a great deal of confused work done in an uproar, with the result that, almost invariably it is ultimately discarded. Very seldom has the aftermath of a "stand by" order proved the wisdom of the bedlam it has caused.

Although the situation has become unendurable from my standpoint I cannot help but say that I sympathize to some extent with Mr. Wyatt's situation. He probably considers himself to be very benevolent and he might be the last to think that he does any man in this office an injustice. Nevertheless, he is given to fits of temper, is dictatorial and, largely because he likes to appear important, forces others in the office into positions of virtual obscurity. Moreover, the assumption of any responsibility by anyone else creates jealousy.

As I have already stated, I have never worked in such an atmosphere and I am not so constituted that I can receive the very generous salary paid to me by the Board without at least trying to give value received. In my present position I am having less and less opportunity in which even to try. I like the work, admire the members of the Board individually, and am grateful for the opportunities which the Board has given me. Indeed, the fact that such is the case makes the problem more difficult because it makes explanation of the trouble more difficult. It is for that reason that I have perhaps unduly extended this statement but I hope, in the light of what I have said, that you will appreciate the impossibility of my trying to continue indefinitely under existing conditions.