

FEDERAL RESERVE BANK  
OF MINNEAPOLIS

OFFICE OF  
THE PRESIDENT

December 2, 1949

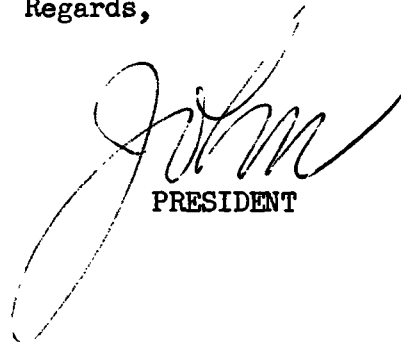
Governor M. S. Eccles  
Board of Governors of the  
Federal Reserve System  
Washington 25, D. C.

Dear Marriner:

You may remember that the possibility of sending professors and instructors of monetary economics to Minneapolis, New York, and Washington, for the purpose of studying central banking, was discussed at a meeting of the Board of Governors and the Presidents of the Federal Reserve Banks in Washington some time ago. At that time I was requested, if we tried the experiment, to prevail upon a disinterested third party to obtain from those men who made the trip unbiased opinions of its value.

We interested Dr. C. A. Phillips, Dean of the College of Commerce of the State University of Iowa, to make such an investigation. He prepared a questionnaire, without consulting us, and forwarded it to each of those who made up our Central Banking Seminar, implying that it was merely for his own edification, and we have just received his condensation of the replies, a copy of which I attach.

Regards,



PRESIDENT

JNP:B  
ENCL.

THE STATE UNIVERSITY OF IOWA  
Iowa City, Iowa  
College of Commerce

November 16, 1949

Office of the Dean

Dr. J. Marvin Peterson  
Director of Research  
Federal Reserve Bank  
Minneapolis, Minnesota

Dear Dr. Peterson:

I am enclosing a copy of report promised.  
The one page statement is sent along for persons  
interested who would not have time or inclination  
to peruse or digest the longer statement.

With kind personal regards, always, I am

Yours cordially,

C. A. Phillips  
D e a n

CAP;js  
Enclosure

## SOME CONCLUSIONS AND SUGGESTIONS BEARING UPON

### THE CENTRAL BANKING SEMINAR

1. No substantial alteration of arrangements would seem in place.
2. It is recommended that a somewhat longer period of time be given for review and study in anticipation of the Seminar.
3. There should probably be no extension or expansion of the tour; should be kept within the practicable limits of time and energies of the cooperating officials and staff members.
4. One of the principal values of the Seminar would seem to be its stimulus to productive scholarship along realistic and constructive lines together with an enhanced ability on the part of the participant to present in classroom and elsewhere the various aspects of the Federal Reserve activity in colorful, truthful, and effective fashion.
5. The participants in the Seminar seem definitely to have gained a much clearer and broader perspective.
6. In the appointment of Seminar members, it seems clearly desirable to make the awards to comparatively young men who have or seem destined to have relatively large student constituencies.
7. The division of time as among the outlying regional bank and the Federal Reserve Bank of New York and the offices of the Board of Governors should be governed in no small part by the degree of enthusiasm and ardor with which the plan is accepted by the various agencies mentioned.
8. The Seminar seems to represent, in large measure, a new and almost daringly different and exceedingly effective method of instruction in an area of unquestioned importance. In my judgment, a vital force for economic and financial understanding will have been left in disuse if the Seminar were to be discontinued.
9. While the territorial expansion of the Seminar form of instruction seems highly in order, spread of the idea should not go into confines where taste and enthusiasm for it are lukewarm or lacking.
10. It is conceivable that the Seminar would afford one means of draining off cause for criticism of the Federal Reserve System and aid in purging the system of weaknesses and faults that might otherwise prove cumulative.

The members of the Seminar accorded the highest praise to Dr. Marvin Peterson because of the adequate and efficient way in which he played his important role.

CONDENSATION OF REPLIES TO QUESTIONNAIRE ADDRESSED  
TO PARTICIPANTS IN CENTRAL BANKING SEMINAR

1. Were opportunities for note-taking adequate?

Folkerts: Suggests that all presentations be mimeographed and copies given to each in the group. He states that he received a copy of the notes used by Mr. Treiber in New York and "they certainly are helpful".

2. What features of the trip would you most like to have amplified?

Folkerts: Would desire amplification of study of foreign operations.

Iversen: Would stress more heavily the power of the Federal Reserve System to curtail and expand credit.

Janssen: Would have the group more fully initiated into the general principles and aims at the starting point of the journey "so that the load of the New York and Washington staff would be lightened and the participants of the Seminar could ask better questions and absorb the material more quickly."

Simpson: "A little more time in New York and Washington. . ."

Smythe: Expansion of foreign operations feature.

Taylor: Most worthwhile, a little more time at the District Federal Reserve Bank.

Van Winkle: Would desire greater stress on fiscal policy, War Loans account, and the security market,

Wallin: Recommends greater emphasis upon New York money market as related to open-market operations and foreign trade.

3. Did your own training and background in the field of Money and Banking seem appropriate and adequate in connection with the trip?

Erlon: Urges longer time for review and study prior to taking part in tour.

Smythe: Was glad to have just completed a consecutive reading of all available annual reports of the Federal Reserve System.

4. Was the group of 11 or 12, or were the groups of five or six of most advantageous size for the purposes involved?

Erlon: "The groups of five or six were better."

Folkerts: Thinks division of group serves no useful purpose.

Janssen: "The division of the group worked out well for inspection."

Smythe: "The larger group was never too big."

Van Winkle: Strongly recommends that 1949 grouping be followed in future.

Young: The breaking of the group into two sections was fine, but not necessary.

5. Can you suggest any way in which the arrangements covering the trip could be readily improved?

Erlon: Experience was rather compact; one more day desirable.

Iversen: A short mimeographed explanation of the workings of the various departments prior to the meetings would have been useful.

Janssen: "The hospitality and the courtesy shown cemented goodwill beyond measure."

Simpson: "Little more breather time for the group."

Smythe: Hotel like Statler "would have been ideally situated."

Van Winkle: An elimination of part of tour of New York bank might improve.

Wallin: Recommends at least two weeks for the full trip.

6. What feature or features of the internal operation of the Federal Reserve Bank of Minneapolis proved most illuminating to you? In what way?

Erlon: Research department of FRB Minneapolis.

Folkerts: Operation of the currency division.

Iversen: The grain drafts as emphasizing the regional adaptation of a decentralized central bank.

Janssen: The personnel policy of Minneapolis FRB. "Before my visit the FRB was merely a cold abstraction; now it has become, for me, a very human and humane social agency of utmost usefulness to our North-West regions."

Simpson: "The Fiscal Agency work and the aspects of the Accounting work in securing and transmitting banking information. It supplied the 'meat and flesh' to a mere skeleton of knowledge I had had before on those functions."

Smythe: Fiscal agency, the bank examination.

Taylor: Clearing house operations and fiscal agency functions.

Van Winkle: Fiscal agency, War Loans account, safe-keeping departments.

Wallin: Safe-keeping function, grain bills, research department, publications.

7. What feature of your study of bank examinations as conducted under the auspices of the Federal Reserve Bank of Minneapolis impressed you as most significant?

Burrows: Emphasis on common sense, business judgment, etc.

Erlon: "The examiner's appraisal of the bankers' loan and investment portfolios and the cyclical implications of such appraisal."

Folkerts: Degree of cooperation among supervising agencies; inadequacy of examination in some states.

Simpson: "Methods used in actually conducting an examination. Saw the difference more clearly between an examination and an audit."

Smythe: Cooperation between examining agencies; the discussion "of the possibility of coordinating examination policy with system credit policy."

Taylor: Coordination and cooperation in supervision.

Van Winkle: Impressed with the "possibilities of the bank examiner being an instrument in relieving a depression period of the bank."

Wallin: Elimination of unnecessary duplication as among the supervising agencies.

8. What critical comments, favorable and unfavorable, can you make as to (a) the work of each department of the Federal Reserve Bank of New York, and (b) the nature of the work as presented to your group.

Janssen: Closer study of the United Nations financial relations, the Fund, and the Bank for International Settlements.

Simpson: Time in the domestic research division was entirely too short.

Smythe: "The New York people made a fine effort, but the habit of meeting and selling themselves to an outside public is not as ingrained as it is with the Minneapolis people."

Taylor: Our observations on the work of the departments of the FRB of New York were too superficial "to allow us to comment."

9. Comment freely upon the possible desirability and prudence of giving publicity, through publication, to the relationships between the Federal Reserve Bank of New York and the government security market.

Erlon: "This I think is a must. I have found very few bankers that really understand it."

Iversen: "Bankers, key businessmen, and economists already recognize the relationship that exists."

Simpson: Some benefits could be gained.

Smythe: Either a full account should be given, or none at all.

10. Comment upon the significance of the after-dinner informal discussion at the Hotel Westbury dealing with subjects covered during the day.

Burrows: "A bit weak."

Erlon: Very interesting. Discussed practice in light of theory.

Folkerts: Served two purposes. "(1) To become better acquainted with the officers of the bank, and (2) to have the opportunity to ask questions."

Janssen: "I sat next to Dr. G. Garvy, Head of the Domestic Research Division. The exchange of ideas between a Russo-French-American scholar and a German-American immigrant brought about a glow of good fellowship."

Simpson: Could have been made even more informal advantageously.

11. What were the most significant questions raised during question-and-answer periods?

Burrows: Relationship of Board of Governors to the administration, e.g., '46, '47, '48.

Erlon: The Federal Reserve influence on the factors affecting the money supply, both foreign and domestic.

Iversen: The integration of Federal Reserve policy into the general economic policy of the government.

Janssen: Statistical analysis methods and forecasting devices; social significance and long-range effects of specific policies.

Simpson: "I found that 90 percent of the questions were significant."

Taylor: The whys and wherefores of Federal Reserve policy during the post-war period.

Van Winkle: The security market, possible deflation, and present and future implications of the national debt.

Wallin: "Would a totally centralized bank examining agency be preferable to the present system? Will the devaluation of foreign currencies result in relieving, significantly, the dollar shortage? Is the Board of Governors undesirably influenced in its actions by political considerations? By the interests of member banks?"

Young: "There is more mystery about the work of the foreign department of the New York bank than about any other department. Contact with the people who make it function was an enriching experience. I do not hesitate to say that that four billion dollars of earmarked gold impressed me. It's a lot easier to study the intricacies of the gold standard after such an experience."

12. In what ways did your study of the work of the foreign department of the Federal Reserve Bank of New York enrich your knowledge and reinforce your ability as a teacher?

Folkerts: "Enriched my knowledge as to (a) how the other Federal Reserve Banks may participate in the New York transactions, and (b) the services performed for foreign banks."

Janssen: "I can convey to my students a more hopeful and more accurate evaluation of tomorrow's money and banking system."

Simpson: "When I get to this material in class this year, I will be able to make it much more real and connected for my students."

Smythe: "I teach International Trade, as well as Banking. . . . Most useful so far has been the material on the relations between the New York Federal and foreign governments. (How the pound sterling was maintained at 4.03 before devaluation, for example.)"

Van Winkle: "The foreign department of the New York bank will enable me as a teacher to explain the values and purposes of ear-marked gold, exchange rates, and the implications of foreign trade."

Wallin: ". . . This experience helped me to visualize the place of the New York Federal Reserve Bank in world finance and I can explain this position to classes and others much better than formerly."

13. What were your impressions of the adequacy of organization of the division of research and statistics of the Board of Governors and the corresponding division of the Federal Reserve Bank of Minneapolis and of the Federal Reserve Bank of New York?

Burrows: "Excellent -- except Minneapolis staff too small."

Iversen: "I feel that the member banks and the citizens of the various districts will benefit greatly by the regional analysis made by the various research staffs."

Janssen: "The statistical staff of the three banks visited impressed me as to their capacity to produce under severe pressure promptly accurate data which even laymen can understand. . . ."

Simpson: "Possibly the Minneapolis bank. . . could extend its research activities somewhat."

Smythe: "At all levels I found the work much better than I had anticipated. I was particularly impressed with the intimate connection apparent between research and policy. The high quality of the clerical personnel at Minneapolis was particularly striking."

Van Winkle: "As a whole, we all were very much impressed with all these departments."



14. Did your experience as a guest of the Federal Reserve Bank of Minneapolis serve in any instance or instances greatly to illuminate a previously ill-conceived or poorly understood phase of Federal Reserve operation?

Erlon: "Yes, the part played by the regional banks in the government security market."

Folkerts: "Yes, I did not know that the Federal Reserve Bank of Minneapolis performed so many services for banks in the district."

Janssen: "Yes, decidedly. I had no idea of the scope of their social attitude benefiting the general public. . ."

Simpson: "Yes. For example such things as the difference in settlements on clearings vs settlement on reserves behind deposits. The work on non-cash collections filled in a very lean spot in my knowledge."

Smythe: "Main shafts of illumination: direct clearing arrangements with nearby banks in the seventh district; tax savings notes; repatriation of 'foreign' Federal Reserve notes; operation of War Loan Accounts."

Van Winkle: "I was very much uninformed and even misinformed as to the purposes of some of its actual policies."

Wallin: "Yes. It gave better understanding of the place of the Federal Reserve bank in government financing. . . My understanding of the research function of the Minneapolis Federal Reserve system was widened greatly."

15. What features of your experience in the Federal Reserve Bank of Minneapolis will tend most to lend reality and actuality to your writing and your classroom instruction? Of your experience in the Federal Reserve Bank of New York? Of your experience in Washington?

Burrows: "It is all real now."

Erlon: "I would say that my teaching of the entire subject will be more accurate and closer to reality."

Iversen: "As a result of my observations at the Federal Reserve Bank of Minneapolis, I have become more sympathetic to a revision of the reserve requirements, and I shall be ready to make a closer examination of any reported studies on the subject. . ."

Janssen: "The helpful material furnished by Dr. M. Peterson explaining the nation's money flow through the use of T-accounts was the best teaching device yet discovered. Now I know that even weak students understand fully the step-by-step transactions involved. . . I am now strongly reassured in my faith that the democratic process at work in the Federal Reserve Board method arriving at policy decisions is equitable and most efficient."

Simpson: "Some of the advantage flows out of the overall perspective which it gives, as much as to any given item. . ."

Smythe: "The most vivid experience at New York was the visit to the gold room. . .anything which fires student interest. . .is highly important.

"Most useful in Washington was the visit to the publications section. Most significant were the contacts with the members of the Board of Governors -- particularly Mr. Eccles, Mr. Szymczak, and Mr. McCabe. . .

". . . policy making at the Board level is not the aimless sort of thing so often represented, but a smooth working partnership of research and policy."

Taylor: "It would seem to me that practically all features of operation of the system were brought into closer focus and reality. . ."

Van Winkle: "Part No. 1, with reference to the Minneapolis bank, will help me teach banking as a regional project and as a source of capital formation and capital formation policies, as well as fundamental banking principles and policies. With reference to New York, the information which I gained on the market operations, both foreign and domestic, is of untold value to me. With reference to Washington, I was amazed to learn the extent to which the bank policies affect government policies."

Young: ". . . the entire experience will lend reality to my writing and instruction. I am glad none of it was omitted."

16. What qualities or personal characteristics seemed present in the officers of the Federal Reserve banks and of the Board of Governors of the Federal Reserve System as explaining the elevation of the persons in question to the levels of service occupied? Please do not hesitate to be specific and detailed in your answer.

Burrows: Social sensitivity, national and world outlook, objectivity, ability,

Erlon: Rather unusual individuals of broad perspective, who think analytically.

Janssen: Superior qualifications for leadership, self-sacrificing devotion to public duty.

Simpson: Technical knowledge, sincerity, interest in work, desire to be of service, eagerness for improvement.

Smythe: One common characteristic, willingness to make spot decisions where spot decisions are called for, friendliness, enthusiasm, ability, and spirit of cooperation.

Taylor: High intellectual and moral training; great capacity for getting things done.

Van Winkle: Ability, strong social consciousness.

Wallin: Democratic friendliness, modesty, absence of false pride; high sense of duty and responsibility to the public; ambition to succeed through superior work, maturity of judgment, flexibility of mind.

Young: Efficiency combined with likeable human qualities.

17. Ought a similar experiment be tried with another group or other groups? Attempt to set forth reasons for your answer.

Burrows: Yes, emphatically.

Erlon: Yes, with each of the regional banks.

Folkerts: "There are some things that we cannot learn satisfactorily from the written or spoken word. We will, through our classes and speaking engagements, have better opportunity and ability of orienting the public on the operations and policies of the Federal Reserve System."

Iversen: Strongly advocates continuation and spread of the seminar tour.

Janssen: "Our Seminar could be the pinch of yeast needed to make the lazy dough ferment."

Simpson: "In colleges and universities where several teach money and banking, one man in attendance can at least bring back some of the benefits to pass along to the others."

Taylor: Should be continued if at all possible.

Van Winkle: "I would not trade this three weeks for any single year of academic training which I have had. It causes me to be of the firm belief that fully 70 per cent of the average texts in Money and Banking are of little use to the classroom teacher. While I have not changed my method of the teaching of Money and Banking, I have very definitely changed my approach to it."

Wallin: ". . .It should lead the participants to feel that their work as teachers of money and banking has a very significant relationship to the better functioning of our whole economic order. . ."

18. What general or detail changes would you suggest if the experiment were repeated?

Erlon: "More adequate preparation of participants before the seminar. . . Appoint a seminar director in New York and Washington. . . Have the seminar director do the explaining in each section visited."

Janssen: "In case of repetition of our experiment I should like to suggest that we might organize an informal "Fellowship of Seminarists of the Fed" who keep in touch by round-robin letters to inform each other of the ways and means in educational techniques how we made use of our knowledge gained."

Simpson: "Although I have been teaching money and banking for over eleven years, I have never spent a more profitable ten days than the period from September 7th to 16th."

Smythe: "If we must gild the lily by offering suggestions for improvement, I would suggest more advance orientation and preparation."

Van Winkle: "Not only was the organization good, but the men in charge of its execution did a wonderful job. We also found this to be true all along the line. Any suggestions which I have to offer as to its improvement are of minor detail, such as the elimination of part of the tour at the New York bank. Also it might be advisable to have the stay at the home bank be a few days longer in order to better prepare us for the New York and Washington meetings."