

*Jan. 1952  
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DEC 13 1945

CONFIDENTIAL

November 28, 1945.

Mr. Allan Sproul, President,  
Federal Reserve Bank of New York,  
New York 7, New York.

Dear Allan:

Your letter of November 16 in regard to Mr. Thomas' proposal, approved by the Board, that he be relieved as chairman of the staff group on foreign affairs and that Burke Knapp replace him leaves me somewhat puzzled. The only inference I can draw from it is because Mr. Knapp is temporarily assigned to my office in connection with the very heavy burden of work relating to the National Advisory Council, you fear that the staff group under his chairmanship would no longer offer "a means of free discussion and exchange of information", or that it might be "allowed to die of disuse" or "become a forum for the propagation of some particular approach to or program of foreign relations."

I would not be as frank with you as I have always tried to be if I did not say that I do not like that implication and feel that it is hardly justified by my record as Chairman of this Board. Possibly it would have been better procedure had the matter been discussed informally with you before the letter of November 8 went out. In any case, there is no reason why you should lack information about Mr. Knapp, who had previously been on the staff and who has an excellent record and reputation. The fact of the matter is that the suggestion that Mr. Knapp be chairman of the committee did not come from me at all and I knew nothing whatever about it until I received your letter. As I have since learned, Mr. Thomas thought that aside from relieving him, it would be advantageous to the committee to have Mr. Knapp serve as chairman because he has access to information that is not available to anyone else either on the Board or on the staff.

As I think it over and since you have raised the question, there is some doubt in my mind as to whether it is advisable to have Mr. Knapp serve on the committee, for reasons entirely apart from those you seem to have in mind. He is devoting his entire time to helping me to discharge my responsibilities as a member of the Top Committee on the British loan and as a member of the National Advisory Council, entailing as that does very broad responsibilities both in connection with Bretton Woods and in coordinating all of the

FOR FILES  
Louise F. Thom

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lending activities of the Government in the foreign field. He attends all meetings with me as well as others at staff level and has access to information and background data covering a wide range of current vital and confidential information with respect to all of the foreign financial and trade activities and policies of this Government. Inasmuch as the Federal Reserve System, as such, has none of these responsibilities, I question whether Mr. Knapp should take on this task at all with the System committee. In fact, it seems to me that this Board can discharge whatever responsibilities it has in the field of foreign affairs without the consultative committee of which you, Matt Szymczak and I are members and without any staff committee at all, if what seem to me needless difficulties and suspicions are going to surround these committees.

In any case, I cannot follow your reasoning. The fact that Mr. Knapp temporarily has the title of Special Assistant to me does not strike me as threatening to break down "system lines of organization" or to impair "staff morale", except on the assumption that any association with my office implies some curious kind of contamination. When the burden of his present assignment slackens sufficiently, it is the intention to have him made an Assistant Director of the Division of Research and Statistics.

As I recall it, the staff committee was not set up because the Board felt any particular need for it. I certainly do not like the innuendo that I might try to use this committee for special pleading. When it comes to special pleading, it seems to me that that is an easy charge to bandy about and one I might raise with some justification, I think, in connection with Bretton Woods and the position which you and John Williams took publicly contrary to that of the Government in power and having responsibility.

Sincerely yours,

M. S. Eccles,  
Chairman.

P.S. Now that I have gotten this off my chest, I feel somewhat relieved. I expect to be at the meeting Thursday at the Bank and wanted you to have this letter in advance in case we have an opportunity to discuss the matter further at that time.

M.S.E.

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