

**A
History
Of**

**The Federal Reserve Bank
Of Atlanta**

Sixth District

By

Franklin M. Garrett

-PREFACE-

This account of the founding, development and progress of the Federal Reserve Bank of Atlanta and its Branches was undertaken in 1962 at the request of its late President, Malcolm H. Bryan, and of his successor, then First Vice President, now recently retired President, Harold T. Patterson.

Superimposed upon full-time employment its preparation took much longer than concentration upon it alone would ordinarily have required. Since, however, a variety of activities are essential to the well being of man, it often proved to be a welcome and by no means unpleasant diversion.

It is hoped that the history will prove useful to the Bank and to anyone having occasion to examine the background of what is, indeed, one of Atlanta's most significant business, financial and economic institutions.

Atlanta, Georgia
December 31, 1968

Franklin M. Garrett

CONTENTS

SECTION	Page
I. Background and Organization	<u>1</u>
Chapter 1. Events Leading to the Concept of a Federal Reserve Banking System	<u>1</u>
Chapter 2. Organization of the Federal Reserve System.	<u>8</u>
Chapter 3. Organization of the Atlanta Bank, 1914	<u>19</u>
SECTION	
II The World War I Period	<u>69</u>
Chapter 4. 1915	<u>69</u>
Chapter 5. 1916	<u>95</u>
Chapter 6. 1917	<u>104</u>
Chapter 7. 1918	<u>120</u>
Chapter 8. 1919	<u>138</u>
SECTION	
III The Prosperous Twenties	<u>158</u>
Chapter 9. 1920	<u>158</u>
Chapter 10. 1921	<u>180</u>
Chapter 11. 1922	<u>197</u>
Chapter 12. 1923	<u>214</u>
Chapter 13. 1924	<u>239</u>
Chapter 14. 1925	<u>258</u>
Chapter 15. 1926	<u>279</u>
Chapter 16. 1927	<u>313</u>
Chapter 17. 1928	<u>340</u>

Chapter 18.	1929	<u>357</u>
SECTION		
IV	The Troubled Thirties	<u>381</u>
Chapter 19.	1930	<u>381</u>
Chapter 20.	1931	<u>397</u>
Chapter 21.	1932	<u>409</u>
Chapter 22.	1933	<u>425</u>
Chapter 23.	1934	<u>448</u>
Chapter 24.	1935	<u>463</u>
Chapter 25.	1936	<u>497</u>
Chapter 26.	1937	<u>534</u>
Chapter 27.	1938	<u>547</u>
Chapter 28.	1939	<u>567</u>
SECTION		
V	The Forties, War and the Aftermath of War	<u>586</u>
Chapter 29.	1940	<u>586</u>
Chapter 30.	1941	<u>624</u>
Chapter 31.	1942	<u>650</u>
Chapter 32.	1943	<u>694</u>
Chapter 33.	1944	<u>727</u>
Chapter 34.	1945	<u>752</u>
Chapter 35.	1946	<u>779</u>
Chapter 36.	1947	<u>810</u>
Chapter 37.	1948	<u>841</u>
Chapter 38.	1949	<u>864</u>

SECTION

VI	Mid-Century	<u>886</u>
Chapter 39.	1950	<u>886</u>
Chapter 40.	1951	<u>907</u>
Chapter 41.	1952	<u>928</u>
Chapter 42.	1953	<u>953</u>
Chapter 43.	1954	<u>1010</u>
Chapter 44.	1955	<u>1027</u>
Chapter 45.	1956	<u>1042</u>
Chapter 46.	1957	<u>1065</u>
Chapter 47.	1958	<u>1097</u>
Chapter 48.	1959	<u>1116</u>

SECTION

VII	The Bank Turns Fifty in New Quarters	<u>1136</u>
Chapter 49.	1960	<u>1136</u>
Chapter 50.	1961	<u>1154</u>
Chapter 51.	1962	<u>1178</u>
Chapter 52.	1963	<u>1251</u>
Chapter 53.	1964	<u>1267</u>
Chapter 54.	Epilogue, 1965-1968	<u>1283</u>

SECTION I

Background and Organization

Chapter 1

Events Leading to the Concept of a Federal Reserve Banking System

Abraham Lincoln's first political speech, delivered at New Salem, Illinois in 1832, was admirable for its brevity. He said:

"Friends and Fellow-Citizens:

I am plain Abe Lincoln. I have consented to become a candidate for the legislature. My political principles are like the old woman's dance - -short and sweet. I believe in a United States Bank; I believe in a protective tariff; I believe in a system of internal improvements, and I am against human slavery. If on that platform you can give me your suffrages, I shall be much obliged. If not, no harm done, and I remain respectfully yours,

Abe Lincoln."^{1/}

Candidate Lincoln's belief in a United States Bank was not concurrently shared by the man in the White House. Indeed, President Andrew Jackson was soon to be instrumental in the demise of the Second Bank of the United States. Of the four planks in Lincoln's simply stated platform, the first was the last to become a permanent reality and that long after the future president had served his day and generation.

Of the founding fathers, Alexander Hamilton realized more keenly than the

others the necessity of a strong central bank to restore American credit following the Revolution.

Such a bank was needed to provide commerce and industry with working capital, to direct banking policy, to lend to the governments and to serve as a fiscal agent to the Federal government. The First Bank of the United States was intended as both a commercial and a central bank. When it began operations in Philadelphia in 1791, under a Federal charter good for 20 years, there was less than half a dozen banks in the United States--all located in Boston, New York, and Philadelphia.

From the start the Bank was feared and criticized as undemocratic. Since the Constitution gave Congress no specific authority to found a bank, the action of Congress in doing so was regarded as loose interpretation of the founding document to benefit special interests. Hamilton himself was known for his distrust of the masses and association with men of wealth. The Bank, with its eight branches, was a corporation and in an era when a company worth \$200,000 was looked upon as big business, the \$70,003,000 Bank seemed overpoweringly large. It held a third to half of all the specie in the country and was assured a favored position in dealing with the government. It soon began to dominate the rapidly growing state banks. This was perhaps its greatest service to the nation and, ironically, the cause of its downfall.^{2/}

As fiscal agent, the Bank was custodian of import duties and other tax funds. It accumulated state bank notes, regularly presented them for redemption, and refused to accept notes of non-specie-paying banks. This policy, inevitably, lessened the state banks' opportunities for profit, for they had to limit loans commensurate with the retention of a safe supply of specie. The Bank thus kept them from over lending and

inflating the currency. All merits aside, however, and the fact that the Bank was a complete financial success, availed not. Congress, by the slight margin of one vote in each house, refused to renew its charter and the Bank ceased to exist in 1811.3/

Congress soon had cause to regret its action. The Bank was sadly missed during the War of 1812. The war stimulated currency inflation. When the British captured Washington in 1814, all but the New England banks suspended specie payments. By 1816, the country was ready for a Second Bank of the United States. The new Bank, chartered that year for 20 years, was modeled after the First Bank, but with a capital of \$35, 000, 000 and 20 branches.4/

The Second Bank, through its Southern and Western branches over loaned and helped to precipitate the Panic of 1819. Its vigorous collecting policy ruined both individuals and state banks and created some implacable enemies. During the 1820's, the Bank kept state banks from over lending and was criticized as a great monopoly. During the presidency of Andrew Jackson, some of his political associates claimed that the Bank discriminated against them in its lending policy.5/

The President was no friend of the Bank. Nicholas Biddle, its head, knew this and feared Jackson could not be trusted to renew the Bank's charter. Biddle, therefore, agreed with Henry Clay to make this question a major issue in the presidential campaign of 1832. Clay lost and the Bank was doomed. So also did young Abraham Lincoln, running for the Illinois legislature that year, though his loss had no direct bearing upon the future of the Bank.6/

After 1833, the Treasury deposited its tax moneys in favored state banks that came to be known as "pet banks." From then on the regulatory powers of the Second

Bank were practically nil. Indeed, the Banks, which had meanwhile taken out a Pennsylvania charter, failed during the Panic of 1837. Congress did not renew its charter.7/

From 1837 to 1862 the country got along with state banks, some of which were good and some not. The state banks broke down during the Civil War and in 1863 Congress, largely at the urging of Treasury Secretary Salmon P. Chase, passed a National Currency Act, which provided for a national banking system. Under this arrangement local banks took national charters, issued notes secured by national bonds, and carried on business under Federal supervision. 8/

This system, however, had four major defects. First, the supply of bank notes was not elastic and was not susceptible to increase or decrease with the needs of business. Bank notes had to be backed almost 100 percent by government bonds and thus the supply of notes was keyed to the supply and price of bonds. Second, national banks could lend little to farmers because the chief collateral of farmers was real estate. Third, the method of collecting checks drawn on distant banks was costly and time consuming. 9/

Fourth, and most serious, in time of panic or depression, banks in distress had no recourse for help. Practically no bank, large or small, could pay off all its depositors when faced with "a run." Small banks kept some of their reserves in large banks so as to draw interest. The latter, especially those in New York, loaned some of these "on call" finds to stockbrokers, taking securities as collateral. Consequently, when

a financial crisis developed, and all too many did, small banks demanded their reserves, large banks called their loans, call money rates rose sharply, speculators were forced to dump their securities and panic followed.10/

After panics of varying severity in 1873, 1884, 1893, and 1907 had closed hundred of banks and ruined countless individuals, Congress passed the Aldrich-Vreeland Act of May 30, 1908, by which a National Monetary Commission was set up to study foreign banking systems, American banking history, and to recommend necessary bank reforms. A Federal Reserve Banking System was not many years away.11/

NOTES

Chapter 1

- 1/ Quoted, Paul M. Warburg, The Federal Reserve System. Its Origin and Growth. (2 Vols. New York, 1930) II, 160-16 1. Hereafter cited as Warburg, Federal Reserve System.
- 2/ John S. Bassett, A Short History of the United States 1492-1920, (New York, 1923), 858;
Collier's Encyclopedia, (20 vols., New York, 1257), 3, p. 76.
- 3/ Bassett, A Short History of the United States, 858; Collier's Encyclopedia, 3, pp. 76-77.
- 4/ Ibid, Bassett and Colliers.
- 5/ Ibid.
- 6/ Ibid.
- 7/ Ibid.
- 8/ Ibid.
- 9/ Ibid.
- 10/ Ibid.
- 11/ Ibid.

Chapter 2

Organization of the Federal Reserve System

From the studies conducted by the National Monetary Commission came, in 1911, the Republican-sponsored Aldrich 1/ plan, recommending the creation of a central reserve bank by national charter with fifteen branches in as many districts. The stock of the bank was to be owned by the banks themselves, and direction was left in the hands of the directors chosen by the corporation.2/

The plan was not acceptable to the people at large. As Paul M. Warburg, the noted banker, expressed it: "The view was generally held that centralization of banking would inevitably result in one of two alternatives: either complete government control, which meant politics in banking, or control by 'Wall Street', which meant banking in politics. Abhorrence of both extremes had led to an almost fanatic conviction that the only hope of keeping the country's credit system independent was to be sought in complete decentralization of banking."3/

While the Aldrich bill failed to become law, it would nevertheless be a great injustice to deny its author credit for the invaluable service he rendered by boldly cutting loose from the antiquated principles on which American banking legislation had until then been resting and in proposing a plan which was recognized as constituting so great an advance that even its defeat made it inevitable that any substitute plan would have to adopt many of its principles and essential features.4/

The Monetary Commission amended its plan in 1912 but its main features remained the same. The amended plan was rejected by public opinion because it was believed to be as monopolistic as the old central bank. But the work of the Commission

was important; for it showed the people what the problem was that confronted them.^{5/}

Then came the presidential election of 1912. Both Republican candidate Taft and Democratic candidate Wilson promised to reform the currency. Wilson won the election and took office with definite ideas on the currency question. In fact, the committee on banking and currency had made much progress in formulating a plan. As soon as the Underwood tariff bill was out of the way, the House turned to this subject.^{6/}

On June 23, 1913, President Wilson addressed the two houses of Congress on currency reform and declared that there must be an adequate and elastic currency under government control. He had previously had many conferences with Senator Robert L. Owen ^{7/} and Representative Carter Glass, ^{8/} chairmen, respectively, of the Senate and House Committees on Banking and Currency. A bill had been prepared, known as the Owen-Glass Bill. It was introduced in each house on June 26.^{9/}

The currency debate proved longer than the contest over the Underwood tariff, but in the end the administration obtained most of what it asked for. It was in the Senate that strongest objection was made. Debate produced two groups of opinion. One represented those who distrusted large capitalists and wished to limit the power of the banks to control the proposed reserve bank. The other was composed of men who felt that the banks alone knew what kind of banking facilities the country should have. This group wished to limit the power of the government in the matter. President Wilson stood between these extremes.^{10/}

The bill was carried through the House without material change but struck stormy weather in the Senate. Indeed, it was not passed by that body until it was made a subject of action by the democratic caucus, thus becoming a strictly party matter. It was

finally signed by the President on December 23, 1913, after the Congress had passed into the regular session. On the final vote it received the support of 34 Republicans and 11 Progressives in the House and three Republicans and one Progressive in the Senate, thus showing that it had lost something of its partisan character.^{11/}

Shortly after signing the Federal Reserve Act on the afternoon of December 23, President Wilson said: "We have slowly been coming to this time which has now, happily, arrived when there is a common recognition of the things that it is undesirable should be done in business, and the things it is desirable should be done." He added that the time had come to cease struggling over the limitations under which business was conducted and adopt measures that would be just in themselves and establish what he called "the constitution of peace" in industry.^{12/}

On the same day, David F. Houston, ^{13/} Secretary of Agriculture, recorded in his diary: "The impossible has happened. Today, Tuesday, December 23d, the currency measure became a law. The President approved it a few minutes after six o'clock in the afternoon. It was passed by a Congress dominated by the Democrats, two-thirds of whom had been unsound on currency questions and a majority of whom can scarcely be said to have understood what the measure meant and would accomplish. The majority of the Republicans had also had an unenviable record on the currency. Bryan ^{14/} and several other members of the Cabinet had supported free silver, as had Vice President Marshall, the Speaker, Champ Clark, and many Democratic senators. The measure itself was the result of the labors of many men, extending over a long period, but its passage at this time in its present form was due to Woodrow Wilson, ably supported by McAdoo ^{15/} Glass, and a few others."^{16/}

In commenting on the Houston diary entry just quoted, Banker Paul M. Warburg wrote:

“This refreshingly unbiased account by a loyal Democrat gives us a just description of the origin of the Federal Reserve Act: it was, in truth, ‘the result of the labors of many men, extending over a long period.’ Individuals and associations in all parts of the country, businessmen and economists, stirred up by the disaster of 1907, had struggled with the problem and, step by step, had worked their way towards a better understanding of the great principles that would have to underlie monetary reform. Had it not been for this pioneer work, the Democrats, when they came into power, would never have been able to bring about the banking legislation which some of them now claim as the exclusive achievement of their party...”^{17/}

Certainly the text and substance of the Aldrich Bill was of invaluable aid to the “framers” of the Federal Reserve Act.

The Federal Reserve System did not replace the National Banking System, it was superimposed on it and sought to correct the older system’s chief faults. All national banks had to join the Federal Reserve System; state banks might join if they conformed to Federal Reserve requirements, though few joined at first. Member banks provided the capital for the twelve Federal Reserve Banks by buying stock equal to 3 percent of their capital and surplus. The Federal Reserve Banks were thus privately owned, although control and supervision at the top rested in government hands. The whole system was headed by a Federal Reserve Board of seven, appointed by the President.^{18/}

Prior to the opening of the Federal Reserve Banks on November 16, 1914, the

“Organization Committee, “ provided for in the Federal Reserve Act, underwent a period of much travail and soul searching before completing its work. The “Committee”, composed of the Secretary of the Treasury, the Secretary of Agriculture, and the Comptroller of the Currency had, among other responsibilities, the controversial chore of determining the number of Federal Reserve Districts (the Act specified 8 to 12), their geographical extent and the site of the home banks in each district.19/

Some of the basic problems confronting the Committee with respect to geography and location were set forth by Paul M. Warburg in “Testimony before the Reserve Bank Organization Committee in January, 1914.20/

“In trying to divide the United States into eight Federal Reserve Districts, we were meeting a peculiar problem. The little corner on the map embracing New York, New England, and Pennsylvania would contain \$800, 000,000 of national bank capital and surplus, as compared to a total of the United States of \$1, 700, 000, and if we draw a line from north to south, ending in Kansas City, and a line from there to St. Louis to the east, we find that this sector, which is less than a sixth of the area of the whole United States, would contain \$1,250,000, 000 as against the total of \$1, 700,000.

“This shows clearly the difficulty we meet in organizing the remaining territory outside of this sector, for in order to cover five-sixths of the entire territory of the United States, there are left only \$450, 000, 000 of national banking power. Of these, \$80, 000, 000 would belong to California and about \$30,000, 000 to Washington and Oregon, so that for the whole remaining territory, namely twenty-six of the geographically largest states, there remains only a national banking power of \$340,000,000.

“Six percent of these \$340, 000, 000 would produce \$20, 000, 000 of Federal

Reserve capital, if fully paid, and these \$20, 000, 000, out of \$102, 000, 000 would have to cover the two Virginias, the two Carolinas, Kentucky, Tennessee, Alabama, Georgia, Florida, Mississippi, Louisiana, Arkansas, Oklahoma, part of Kansas, Texas, New Mexico, Arizona, Colorado, Utah, Nevada, Idaho, Montana, Wyoming, Nebraska, and North and South Dakota.

“This admits of several conclusions: First, that the financial preponderance of the northeastern angle of the United States is such that no matter how the country will be divided, it will have to rely for its financing largely upon the banking power of this section of the country.

“Second, this being so, that the fluidity of credit which will follow the development of discount markets and which this law is destined to bring about, must depend upon the strength and efficient organization of this section, and that, consequently, any attempt artificially to reduce this strength would of necessity weaken the entire structure.

“Third, that in constructing the Federal Reserve Banks, care should be taken that the centers of each district are situated towards the eastern border of the western districts, and rather toward the northern border of the southern districts, because financially and commercially the direction must of necessity be towards the financial center; and from an administrative point of view, it is important that these branches be within the nearest possible reach of Washington. The distance to be covered by each head of a Federal Reserve Bank or by the members of the Federal Reserve Board should be reduced to a minimum as far as feasible, whereas members of the branches lying further to the west or south would have to carry the burden of traveling a little further east or north to the meetings of the Federal Reserve Banks. For clearings and

transfers it will be equally important that the letter travel in the right direction which, in the majority of cases, will be to the east and north.”

Faced with these general questions and the even more urgent appeals of numerous specific cities to be chosen as headquarters for a bank, the Organization Committee had no easy time. In due course, however, the Committee divided the country into twelve Federal Reserve District and designated in each a Federal Reserve city.

Boston was designated as the Federal Reserve city for district No. 1; New York for district No. 2; Philadelphia for district No. 3; Cleveland for district No. 4; Richmond for district No. 5; Atlanta for district No. 6; Chicago for district No. 7; St. Louis for district No. 8; Minneapolis for district No. 9; Kansas City for district No. 10; Dallas for district No. 11; San Francisco for district No. 12.^{21/}

A Federal Reserve Bank was duly organized at each of these cities. On May 18-20, 1914, all filed their certificates of organization and thereby became bodies corporate with the rights and powers enumerated in section 4 of the Act. Their organization was officially announced by the Secretary of the Treasury and on November 14, 1914, they were authorized by the Comptroller of the Currency to commence business. Two days later all did so.^{22/}

The Act creating the Federal Reserve System provided that the System should be headed by a Federal Reserve Board of seven, of whom the Secretary of the Treasury and Comptroller of the Currency should be ex officio members. The other members were subject to appointment by the President, with the approval of the Senate.

President Woodrow Wilson gave much thought to the composition of this Board. Several individuals approached by him declined, for various reasons, to serve. Finally, however, the first Reserve Board was constituted as follows:

William G. McAdoo, Secretary of the Treasury, Chairman, ex officio.

John Skelton Williams. Comptroller of the Currency, ex officio.

Charles S. Hamlin,^{23/} Governor (2 years).

Frederick A. Delano,^{24/} Vice Governor (6 years).

Paul. M. Warburg ^{25/} (4 years).

W.P.G. Harding ^{26/} (8 years).

A.C. Miller ^{27/} (10 years).

And so the Federal Reserve System, one of the great accomplishments of the Wilson administration, was launched. It gave the country the liquidity it needed—perhaps in retrospect too much liquidity- -and was a vast improvement over the ad hoc credit pools of the senior J. P. Morgan and others of the New York banking fraternity. It is notable, however, that private bankers played a large role in the Fed's formation. First proposed in embryo by Paul M. Warburg of Kohn Loeb, it received powerful support from Morgan's partner, Henry P. Davison, as well as Frank A. Vanderlip of Stillman's National City Bank. And Morgan himself, who died just nine months before the creation of the new structure, would have hardly contested its desirability.^{28/} He would have applauded the way in which it met the extraordinary demands so soon to be made upon it by the cataclysm of Works War I.

NOTES

Chapter 2

- 1/ Named for Senator Nelson W. Aldrich (1841-19 15) of Rhode Island, appointed by President Theodore Roosevelt in 1908 to the chairmanship of the National Monetary Commission.
- 2/ Bassett, Short History of the United States, 859.
- 3/ Warburg, Federal Reserve System, I, 12.
- 4/ Ibid.,79-80
- 5/ Bassett, Short History of the United States, 859.
- 6/Ibid.
- 7/ Robert Lathem Owen (1856-1947) U.S. Senator from Oklahoma, 1907-1925.
- 8/ Carter Glass (1858-1946). Representative from Virginia, 1902-1918; Secretary of the Treasury under President Woodrow Wilson, 1918- 1920; Senator from Virginia, 1920-1946. It is interesting to note that both Owen and Glass were born in Lynchburg, Virginia and that both lived to an advanced age, 89 and 88, respectively.
- 9/ Bassett, Short History of the United States, 859.
- 10/ Ibid.,860.
- 11/ Ibid.
- 12/ Ibid., 860-61.
- 13/ David F. Houston (1866-1940). Served as President Wilson's Agriculture Secretary, 19 13-20; Treasury Secretary, 1920-21, and subsequently as chairman of both the Federal Reserve and Farm Loan Boards.
- 14/ Win. J. Bryan (1860-1925), perennial "free silver" candidate for president and Wilson's Secretary of ~7të, 19 13-1915.
- 15/ Win. Gibbs McAdoo (1863-1941), Secretary of the Treasury and President Wilson's soon to be son-in-law.

- 16/ Quoted, Warburg, Federal Reserve System, I, 129.
- 17/ Federal Reserve System, I, 130.
- 18/ Collier's Encyclopedia, 3, p. 78.
- 19 / Warburg, Federal Reserve System, I, 781.
- 20/ Quoted, Ibid., 759-60
- 21/ Warburg, Federal Reserve System, I, 783-84.
- 22/ Ibid., 784. The capital, deposits, and total resources of the 12 banks, after one year of business, on November 12, 1915, stood as follows:

<u>Federal Reserve Bank of</u>	<u>Capital</u>	<u>Deposits</u>	<u>Resources</u>
Boston	\$ 5, 171,000	\$22,218,000	\$28,615,000
New York	11,059,000	181,710,000	196,544,000
Philadelphia	5,273,000	19,933,000	25,206,000
Cleveland	5,945,000	18,556,000	24,501,000
Richmond	3,352,000	*13,160,000	21,669,000
Atlanta	2,417,000	*11,268,000	16,629,000
Chicago	6,635,000	49,993,000	56,628,000
St. Louis	2,778,000	11,204,000	13,982,000
Minneapolis	2,495,000	10,425,000	12,920,000
Kansas City	3,027,000	9,826,000	14,080,000
Dallas	2,753,000	*11,992,000	18,671,000
San Francisco	3,941,000	14,032,000	17,973,000
Total	\$54,846,000	\$374,317,000	\$446,192,000

*Includes government deposit of \$5, 000, 000.

- 23/ Charles Summer Hamlin (186 1-1938). Born in Boston, Massachusetts; practiced law in Boston, 1886-1893 and 1898- 1913; Assistant Secretary of the Treasury, U.S., 1893-97 and 1913-14; Governor Federal Reserve Board, Washington, 19 14-1936; Special Counsel to Board of Governors 1936-1938.
- 24/ Frederick A. Delano (1863-1953). Born in Hong Kong of Massachusetts parentage. Railway official, 1885-1914; Vice President C.B. & Q; President Wheeling and Lake Erie; Wabash and Monon. Member Federal Reserve Board for 6-year term and designated as Vice-Governor far 2 years. Resigned 1918 to enter Army Transportation Corps.
- 25/ Paul M. Warburg (1868- 1932); banker; born in Hamburg, Germany. member

Kohn Loeb & Co. Member Federal Reserve Board, 1914-19 18.

- 26/ William P. Gould Harding (1864- 1930); banker, born Greene County, Alabama. Graduated University of Alabama in 1880 at age 16--youngest full graduate in the history of the University. Served as president First National Bank of Birmingham, Alabama, 1902-19 14; member of Federal Reserve Board, Washington, D.C., 19 14-1922 and Governor Aug. 10, 1916. Governor Federal Reserve Bank of Boston, beginning January 1, 1923.
- 27/ Adolph Caspar Miller (1866-1953), economist; born San Francisco, California. College professor and author of papers on finance, banking, etc. Assistant to the Secretary of the Interior, Washington, 19 13-14; member Federal Reserve Board, Washington, 19 14-1936.
- 28/ John Chamberlain, "A History of American Business," Part IX -"The Rise of the Money Power," Fortune Magazine, Jan. 1962, p. 122.

Chapter 3

Organization of the Atlanta Bank, 1914

Atlanta did not, merely as a matter of course, achieve the distinction of headquarters city for the Sixth Federal Reserve District. That honor was secured after a vigorous and effective effort by the Atlanta Chamber of Commerce, local bankers and newspapers and representatives in Washington, notably Senator Hoke Smith.

The Federal Commission, as a matter of fact, rather leaned to a plan which would have located all the banks north of the Ohio and Potomac Rivers. Indeed, with Commissioner John Skelton Williams¹ opposed, such a recommendation was made to President Wilson. Largely through the intervention of Senators Smith, of Georgia, and Culberson, of Texas, the recommendation did not prevail. Even so, Atlanta faced a hard fight.

The fight was launched in the city of Washington on the night of June 23, 1913. That was the day President Wilson delivered to Congress his address on the currency question.

James R. Gray, editor of The Atlanta Journal, John K. Ottley, Vice President of the Fourth National Bank of Atlanta, and Senator Hoke Smith were parties to a conference which was held at the Senator ~s home on the night of the day the President delivered his message.

At this conference a campaign was outlined, and before the night was over steps had been taken to boost Atlanta's chances for a regional bank.

The campaign was based on the belief of Senator Smith, Mr. Gray, and Mr.

Ottley that the southeastern section of the United States should constitute a Federal Reserve district and that Atlanta, as the center of this section, should be selected as headquarters for the Reserve Bank. No departure was ever made from this basic idea, and throughout the struggle it furnished the ground work for all arguments that were advanced in Atlanta's interest.

Messrs. Gray and Ottley went to Washington on the morning of June 23. They occupied seats in the gallery of the House of Representatives when the President delivered his memorable address on the currency question. As the two Atlantans left the gallery of the ball, with Woodrow Wilson's concluding remarks ringing in their ears, they felt assured that currency legislation would be enacted by Congress before the snow flew.

"We must have a regional bank in Atlanta," remarked Mr. Ottley. The sentiment was indorsed by Mr. Gray.

That night the editor and banker called at the home of Senator Hoke Smith for a conference. They learned to their great satisfaction that the Senator was in entire sympathy with the President's desire for currency legislation, and that he felt as keenly as they did about locating a regional bank in Atlanta.

As a result of the conference at the Senator's home, Mr. Gray wired Major John S. Cohen, Managing Editor of the Journal, and suggested the wisdom of favorable action by the Atlanta bankers with reference to the President's currency program. This was the second move.

The next morning, June 24, a meeting of the Clearing House Association of Atlanta was held, and the members of the Association were informed of the conclusions

reached by Mr. Gray, Mr. Ottley, and Senator Smith.

Two hours later a telegram came to Mr. Gray in Washington informing him that the Clearing House bankers of Atlanta had adopted resolutions commending the President's message and his demand for currency legislation.

This was the first affirmative action taken by a bankers' association in America. The telegram and resolutions were presented to President Wilson by Mr. Gray, and the President was so much pleased that he asked to keep the telegram.^{2/}

Later in the summer of 1913, things began to hum in Atlanta. In early August, Chamber of Commerce President Wilmer L. Moore^{3/} wrote to each of the banks and trust companies of the city calling attention to the fact that when the new currency bill was enacted by Congress several cities would compete for regional banks and urged the importance of prompt action.

Early in September, Mr. Moore received a call from Dr. W. J. Blalock, President of the Fulton National Bank, who agreed with him as to the importance of early efforts upon behalf of Atlanta.

Mr. Moore called Dr. Blalock's attention to the fact that Senator Smith and Congressman William Schley Howard were then in the city and suggested the advisability of a meeting of the Clearing House with these gentlemen present. Dr. Blalock at once took the matter up with the officers of the Clearing House and a meeting was arranged. Senator Smith explained the status of the currency bill and gave his idea as to what would be necessary to secure one of the banks for Atlanta.

As a result of this conference, it was decided to appoint a joint committee, consisting of three from the Clearing House and three from the Chamber of Commerce,

to take charge of the work. The committee, not formally organized until Christmas week, was composed of J. K. Orr,^{4/} Chairman; W. G. Cooper, Secretary; R. F. Maddox,^{5/} J. K. Ottley, W. J. Blalock, John W. Grant^{6/} and Joseph A. McCord.^{7/}

Meanwhile, a great deal of statistical work was done by the Chamber of Commerce and considerable information was collected by J. K. Ottley and Dr. Blalock. The secretary of the Chamber of Commerce, W. G. Cooper, prepared in the fall an elaborate brief, including a statistical statement worked out by the American Audit Company, showing the population, cotton production, and the banking power of the territory within 300 miles of Atlanta and New Orleans. This, and other information was transmitted to Senator Smith, who presented it to the members of the organization committee in December, which gave Atlanta the first presentation.^{8/}

The pot was kept boiling. More facts were compiled. They showed that Atlanta's population increased from 89, 832 to 154, 839 in the decade from 1900 to 1910; that 152 passenger trains arrived and departed the city daily; and that more than half the merchants in the southeastern states traded in Atlanta.^{9/}

In early December, 1931, Atlanta banker Robert F. Maddox was sent to Washington to look over the situation. While there he talked to Georgia Senator Hoke Smith and Augustus Octavius Bacon.^{10/} He was assured that Treasury Secretary W. G. McAdoo, a native Georgian,^{11/} favored establishing a Reserve Bank at Atlanta, but he was also warned that the selection of the site would be made on the basis of merit and that the bank would be located where it would be most convenient to the area it served.^{12/}

Mr. Maddox revealed these facts publicly when interviewed by a reporter in New

York. During the interview, Mr. Maddox stressed many of the points in Atlanta's bid for the bank. He set out that Atlanta bank clearings had increased 400 percent in the previous ten years and called attention to Atlanta's favorable geographic situation with respect to the proposed Reserve Bank region.^{13/}

While Mr. Maddox was in New York, William Randolph Hearst's Atlanta Georgian ^{14/} joined the fight for a bank in Atlanta with an editorial on December 4. Said The Georgian:

"Atlanta, reliable reports from Washington say, stands an excellent chance of being made the site for one of the regional banks which will be created under the new currency system.

"Robert F. Maddox says that if there are twelve central banks, there is no doubt that Atlanta will have one of them, and if the Senate decides to cut the number to eight, still he is confident.

"The regional banks, crudely described, will be the great reservoirs of credit. The banker in Augusta or Jacksonville who has supplied the solid merchants and factory owners of the city with the funds they need to carry on business and can bring the notes these gentlemen sign to Atlanta and sell them at the regional bank. The funds he gets in this way, he can lend, of course, to more merchants and manufacturers--and the very limited amount of currency circulating in the nation by this means will be sufficiently elastic to supply all the needs of business, it is hoped.

"The cities which possess the regional banks will become the financial centers of their entire sections. It is history that when a city holds the purse strings, soon it dominates in all other lines. One of the things which has built New York is the fact that

New York always has held all the money- -and one of the principal objects of the currency bill is to take some of this power away from New York.

“There is no doubt, then, that the regional bank will be a good thing for Atlanta, and there should be no doubt that Atlanta deserves it.

“From Virginia south to the extreme tip of Florida, from the Atlantic coast west to the Mississippi River, Atlanta’s influence is felt. Already it is the trade center of this rich area, and in large degree that financial center, though New York always has and always will dominate money until the currency bill operates.

“Geographically and economically, Atlanta deserves the bank.

“There is another reason.

“Joseph A. McCord and Robert F. Maddox are among the most able students of the currency question. Mr. McCord long has been a member of the currency commission. Mr. Maddox participated in the famous conference of bankers at Chicago and was the Southern member chosen to present the bankers’ views to the Senate.

“The Senate was so keenly interested that the two hours’ time it allotted to hear the bankers’ case was extended to several days.

“Whatever improvement is seen in the bill as compared to its original draft will be due more to Mr. McCord and Mr. Maddox than to any other men in the South.

“Having assisted so materially in formulating the plan which is to revolutionize the nation’s banking system, Atlanta should have all possible benefits from it.”^{15/}

Later in the month, on December 26, The Atlanta Georgian reported that Senator Hake Smith proposed to the Secretary of the Treasury that Atlanta should be the regional reserve bank in the South. The recommendation was placed on file for

further consideration.

“Atlanta’s claim as a reserve city,” said Senator Smith, “should meet with instant approval. It dominates the entire country along the eastern seaboard up to North Carolina; west into Tennessee; and along the gulf to the West Alabama boundary line. Its growing ocean trade with New England and with the South American countries makes it a desirable locality for a regional reserve city.”^{16/}

The following day, December 27, the Organization Committee announced that hearings relative to the designation of Federal Reserve cities and districts would be conducted during the period between January 10 and March 1, 1914, and that a hearing would be held in Atlanta. Also came word that New Orleans was an important rival in the battle for the Reserve Bank of the South. Whereupon the local Joint Committee of the Chamber of Commerce and Clearing House Association stepped up its campaign to get the bank for Atlanta.^{17/}

Valuable aid was forthcoming from Haynes McFadden, Secretary of the Georgia Bankers Association, who did yeoman service in securing from several hundred banks in the Southeast an endorsement of Atlanta’s application. Publisher William Randolph Hearst again rose to the occasion. The following editorial, entitled “The Metropolis of the South Should Be A Federal Bank Center,” appeared in all of the Hearst newspapers from coast to coast:

“The struggle of the cities for selection as sites for the new regional banks grows strenuous. New York, Chicago and San Francisco, being obviously and necessarily assured that they will be made regional centers, can look judicially upon the hot rivalry of cities which most earnestly compete for recognition.

“As the entire country is to be divided into not less than eight, nor more than twelve, financial districts, with one Federal Reserve Bank in each district, Atlanta can hardly fail of recognition among the first eight cities chosen. It is not only the metropolis of the rapidly growing South, but in banking and industrial importance, it has no rival between the Potomac River and the Gulf. It is the political and commercial capital of a state which raises more cotton than any state east of Texas, only the prodigious area of the latter state giving it first place. It is the commercial center of that part of the South lying east of the Mississippi and north to the Ohio and Potomac Rivers. The population tributary to it, the population which a regional bank located there must serve, may reasonably be estimated at more than 14, 000, 000. It includes all the people of Georgia, Florida, Alabama, North and South Carolina, and a great number of the communities of Kentucky, Tennessee, and Mississippi.

“The city and the section which it serves are alike advancing rapidly in material conditions, commercial and industrial prosperity. In 10 years the population of Atlanta increased from 89, 832 to 154,839, the figure fixed by the national census of 1910. Its present population is estimated 200, 000.

“The region tributary to Atlanta has increased in population no less rapidly than the city. The census gives the percentage of increase for the decade in Georgia as 42. 4--a greater ratio of increase than shown by any Southern area, unless Oklahoma may be regarded as being Southern,

“The bank clearings of Atlanta, which in 1893 were \$60, 753, 911, rose, in 1913 to \$725, 604, 192. Over the year 1912, they showed a gain of \$33,662, 937,

“There is no better index to the state of a city’s business than its records of bank

clearings. It measures with exactitude and furnishes an accurate index to the volume of the city's business.

“According to the census of 1910, the four cities immediately preceding Atlanta in population were Toledo, Columbus, Portland, and Denver.. The Atlanta bank clearings last year were almost three times those of Toledo, marc, than twice those of Columbus, and exceeded those of Portland by \$720,000, 000, and of Denver by \$250, 000, 000.

“Figures of that sort express to the mind accustomed to reading the significance of bank clearings the real reason for the preeminence of Atlanta as a regional bank city.

“Geographically; Atlanta occupies a commanding position in the center of a rich agricultural and industrial region, with no city of equal size or character to contest its primacy. Commercially, it is pushing and progressive. Its people used to call it the ‘Chicago of the South’, but abandoned the comparison as quite inadequate. That showed the Atlanta spirit of self-confidence and self-assertion, two very essential qualities in city building.

“No other Southern city is so largely an agency headquarters for great manufacturing firms of the North. That fact, in itself, justifies Atlanta's claim to be given the banking facilities offered under the new law.

“We have no doubt that the Atlantans themselves will press their cause vigorously before the officials having the settlement of the matter in charge. The Hearst newspapers can add nothing to the array of facts and figures they will have to present, though they give them a degree of publicity worthy of them. But there can be no argument to gainsay them.

“The whole plan of the regional banks presupposes that one should be placed in the territory of which Atlanta is the center. There is no other city in that region even remotely qualified to compete with Atlanta for the distinction or be able to offer anything like similar advantages as a financial center.

“For these reasons, Atlanta is entitled to a regional bank and doubtless will get one.”^{18/}

The prophecy was destined to be fulfilled!

On January 19, 1914, which Atlanta observed as the 107th anniversary of the birth of General Robert E. Lee, more than 450 Georgia bankers gathered at the Capital City Club as guests of the Atlanta Clearing House Association. They met to let it be known that the bankers of the Empire State of the South stood united in their resolve to secure the regional Reserve bank for Atlanta.

Meanwhile, the Organization Committee was holding meetings and hearings around the country. On February 13, it held its Atlanta meeting and set up for hearings in the Circuit Court room of the then new, and still handsome, Post Office and Federal Building at Forsyth and Walton Streets. Treasury Secretary William G. McAdoo called the meeting to order, stated the objectives of the meeting, and invited hearings.^{19/}

J. K. Orr, President of the Red Seal Shoe Company, Chairman of the Joint Committee, representing the Clearing House Association and the Chamber of Commerce, conducted Atlanta’s case at the hearing.^{20/} Reported the Atlanta Journal after the hearing:

“J. K. Ottley, Vice President of the Fourth National Bank,^{21/} spoke on the trend of banking, following Chairman Orr’s introduction. Robert F. Maddox, Vice President of the

American National Bank, 22/ came next, discussing banking in the Southeast. Joseph A. McCord, Vice President of the Third National Bank, 23/ hammered further argument home under his subject - 'The Financing of the Crops'.

"Wilmer L. Moore submitted a brief by the Chamber of Commerce, compiled under the direction of Secretary Walter O. Cooper, that was one of the most comprehensive documents of its character that had ever been drawn up about Atlanta.

"Other briefs on distinct phases of the subject in hand were prepared and filed by A. P. Coles, Vice President of the Central Bank and Trust Corporation, 24/ whose subject was foreign exchange; Mell R. Wilkinson, President of the Chamber of Commerce, on cotton seed products and commercial fertilizer; Clyde L. King, President of the Atlanta Agricultural Works, on the manufacture of agricultural implements; Oscar Elsas, Vice President of the Fulton Bag and Cotton Mills, on the manufacture of cotton goods; R. S. Wessels, Manager of the Pittsburgh Plate Glass Company, on the manufacturers' agents located in Atlanta; Milton Dargan, Manager of the Southern Department of the Royal Insurance Company, on fire insurance; Major R. J. Guinn, general agent of the New England Life Insurance Company, on life insurance; and Jacob W. Patterson, President of the Patterson Commission Company, on livestock.

"These are the men whose formal arguments in behalf of Atlanta constituted the major portion of this city's case. But there was much work to be done after they had finished.

"Senator Hoke Smith began it by addressing the Organization Committee at the very end of its hearing, Saturday afternoon, February 14. Columbia, Savannah, Chattanooga, and Birmingham- -all claimants for the same distinction Atlanta sought- -

had been heard. The hearing was over--except for Senator Smith's summary.

"Those who heard the Senator that afternoon, or who read his speech afterward, remember the argument as one of the most powerful presentations of any subject they ever gave attention to. All of the Senator's training as a lawyer, as a debater, as a thinker upon broad governmental questions was brought into play in that address."

The meeting ended about four o'clock, after which a banquet was held at the Capital City Club in honor of the members of the Organization Committee. That evening the Committee left the city for Washington. Then came a period of several weeks anxious waiting.^{25/}

The decision of the Organization Committee finally came on April 3, 1914. It brought jubilation to some cities; disappointment to others. Wrote Ralph Smith in the Atlanta Journal that afternoon:

"The decision of the Federal Reserve Organization Committee selecting Atlanta and eleven other cities as banking centers of Federal Reserve districts as announced last night seems to have met with general satisfaction. Secretary McAdoo and the other members of the committee were flooded today with telegrams from all sections of the country commending their work. The only outcroppings of soreness and disappointment came from the cities of Washington, Baltimore, Cincinnati, and New Orleans. The first two of those were common rivals against Richmond and the Washington papers today in their news stories profess surprise that the capital of the nation must in future transact its banking business through the former capital of the Confederacy.

"Cincinnati, Louisville, and Pittsburgh were the common rivals of Cleveland, which was named as the center of the fourth district. New Orleans was the rival of both

Atlanta and Dallas, but the committee felt that the facts did not justify the establishment of a bank in the Crescent City. Atlanta made a much stronger case, as did also Dallas ...

“The official announcement by the Organization Committee describes the Atlanta district as follows:

‘District No. 6 - - The states of Alabama, Georgia and Florida, and all that part of Tennessee located east of the western boundary of the following counties: Stewart, Houston, Wayne, Hurnphreys and Perry; all that part of Mississippi located south of the northern boundary of the following counties: Isaguena, Sharkey, Yazoo, Kemper, Madison, Leake and Neshoba; and all of the southeastern part of Louisiana located east of the western boundary of the following counties: Pointe Coupe, Iberville, Assumption and Terrebonne, with the city of Atlanta, Georgia, as the location of the Federal Reserve Bank.

“The district contains thirty-seven national banks which have accepted the provisions of the Federal Reserve Act. The capital stock of the Federal Reserve Bank of Atlanta, on the basis of 6 percent of the total capital stock and surplus of the assenting national banks in the district, will amount to \$4, 641, 415; and if there be added 6 percent of the capital stock and surplus of the state banks and trusts companies which have applied for membership up to April 1, 1914, the total capital stock will be \$4, 702, 780. The area in square miles of the 6th district is 233, 860; the population 6, 695,541....”

Under the heading, “A Victory for Georgia and the Southeast,” The Atlanta Journal editorialized on April 3:

“The selection of Atlanta as the location for a regional bank in the Southeast is a matter of supreme significance to the city, the state and the section.

“It means that this part of the Union will receive the best possible service under the new banking and currency system, that its agricultural and business interests will no longer be dependent on remote quarters of finance but will have at their very center, accessible at all times, the monetary resources they require.

“It means that Georgia will, attain financial importance equal to that she already enjoys in industry and farm production, and that opportunities for enterprise and development throughout the commonwealth will be greater than ever before.

“It means, moreover, that Atlanta is recognized by the national government as the business center of the Southeast and the point from which all parts of the region can be most conveniently reached. The prestige and influence that naturally accompany such recognition are immeasurable. Atlanta looms out as one of twelve cities, chosen after months of expert investigation, to administer the country’s currency and banking affairs. In this important sphere of the nation’s economic life, it takes rank with Boston, New York, and Philadelphia in the east, with Chicago, St. Louis, Kansas City, Cleveland, and Minneapolis in the west, with San Francisco on the Pacific coast; and it extends peculiarly cordial greeting to Richmond and Dallas in the South.

“If it be true that trade follows the flag, it is certainly true that interest and confidence will follow the paths marked out by the Government selection of regional banks. The fact that Atlanta has been chosen as one of these centers will appeal to investors and homeseekers the country over, and will tell incalculably for the city’s growth and development through years to come.

“Atlanta has won on the broad merits of its case, has won because it is the commercial and financial center of a great territory which is plainly entitled to a Federal Reserve district, it was presumed from the outset that this city would be selected as the site of a regional bank. But so eager was the contest throughout the Union that the most persistent and skillful efforts on the part of Atlanta’s and Georgia’s friends were necessary.

“Our sister cities in Georgia and neighboring states who supported us in this great cause--the common cause of the Southeast--are due hearty thanks. The Atlanta Clearing House Association, the Atlanta Chamber of Commerce, and the Georgia Chamber of Commerce are likewise to be congratulated for the excellent work they did. The local committee that presented Atlanta’s claims is due particular praise. But, .there is one influence, one man to whom the city and the state are, peculiarly indebted- - Senator Hoke Smith.

“From the day the currency bill was introduced to the final stages to the organization committee’s work, Senator Smith has striven unceasingly in behalf of the State. It was his resolution, introduced in the Democratic caucus of the Senate, that fixed the number of regional banks at a maximum of twelve instead of the smaller number originally proposed; the establishment of a bank in the Southeast was thus made possible. It was his speech before the committee at its meeting in Atlanta and his brief submitted subsequently at Washington that swept away such difficulties and doubts as endangered Atlanta’s chance. Senator Smith has stood by the state on this vital question issue, loyally and ably. For the splendid service he has rendered, he merits and, we are sure, is accorded the cordial appreciation of every Georgian.”

The contemporary reaction and comment of a number of prominent Atlanta businessmen and bankers is interesting.

“I think it is one of the grandest victories ever won for Atlanta, and one of the most important events in the history of the Southeast,” said Colonel Robert J. Lowry, President of the Lowry National Bank and of the Clearing House Association. “It is a great thing- -a great thing.”26/

Said W. J. Blalock, President of the Fulton National:

“This bank will enable us of the southeast’ to finance our own needs. We can make ourselves independent of New York for the first time in history. It is the biggest thing for this section that has happened in a long time.”27/

“It is the first thing in fifty years that gives the banks the assurance they can do business on an even keel and not be brought into jeopardy at certain times of the year-- especially at those times when money is needed for the crop movement. It makes Atlanta the financial center of the southeast,” said Joseph A. McCord, Vice President of the Third National Bank. 28/

“The wisdom of the Organization Committee in selecting Atlanta will be justified by the promptness with which this city can serve the territory allotted to it,” said Robert F. Maddox, Vice President of the American National Bank. “It is another evidence of Atlanta’s growth and prosperity and rapid advancement among the important commercial cities of the United States. None has advanced more in the past 20 years than Atlanta. I believe the Reserve System will work out to the great satisfaction of the people all over the country and to the great credit of Mr. Wilson’s administration.”29/

“I’m mighty glad we won it,” said Captain J. W. English, President of the Fourth

National Bank. “And, I am ready to acknowledge our debt to Senator Smith. He was the man behind the guns. All we could do was furnish him a little ammunition and let him use it. He was on the job. This victory is worth a great deal to Atlanta. It will fix our position as the financial center of this territory. Atlanta wanted it. Atlanta got it. 30/

“The designation of Atlanta is a matter of which all our citizens and friends should feel proud indeed, “ said J. K. Ottley, Vice President of the Fourth National Bank. “That puts us among the twelve financial centers of the United States from this time on, and distinguishes us beyond further question as the commercial center of the southeast ...”32/

“I think it is the greatest in Atlanta’s whole list of successes,” said Charles E. Currier, President of the Atlanta National Bank. “It establishes our position among the financial centers of the nation. The announcement will have an immediate effect. It will increase our fame for one thing. General conditions are improving, irresistibly, even without the regional bank. With it, they will grow better even more rapidly. It’s a great thing for the country and for us.”

“We are to be congratulated not only on winning the regional bank but that we have in this region a man as big as Hoke Smith to take care of our big interests as he has taken care of them in this fight,” said Asa G. Candler, president of the Central Bank & Trust Corporation and of The Coca-Cola Company. “We may expect this good fortune to have a wonderful and early effect on our business affairs. This will come as soon as the reserve board is named ... we work together, here in Atlanta. As long as we do that we need not be surprised at any big thing that comes our way. For us to stand at the head of such a city as New Orleans, which is a city of 2 tremendous commercial interests is to occupy a position in which we should take much pride.”33/

Forrest Adair, of Forrest & George Adair (real estate), said that the winning of the regional bank was a great thing for real estate and everything else. “The biggest advertisement the city could have,” said Mr. Adair. “Two things got it for us -- our own commanding advantages, and the intelligent cooperation of Senator Smith. When you consider that Atlanta won over so many other cities larger than it, you realize what a wonderful advantage of location and enterprise this city has.”^{34/}

“Like Captain English said in his interview this morning, I consider the regional bank the very best thing that Atlanta has ever gotten,” said M. Rich, of M. Rich & Bros. Company, “The benefits will be unlimited. It gives us the prominence we sought and deserved and I hope it will bring us nearer a new post office building, which we need. I have lived in Atlanta 49 years and I am very proud that we should have forged ahead, during that time, of the oldest cities surrounding us...”^{35/}

Beaumont Davison, of Davison-Paxon-Stokes Company said: “I consider the regional bank the most valuable thing that Atlanta could have possibly secured. It establishes us as the financial and business center of the southeast, and one of the big centers of the entire country...”^{36/}

Each of the twelve Federal Reserve Banks was organized as a corporation operated for public service. They differ essentially from privately managed banks in that profits are not the object of their operations and in that their shareholders, the member banks of the Federal Reserve System, do not have the proprietorship rights, powers, and privileges that customarily belong to stockholders of privately managed corporations.^{37/}

Each Federal Reserve Bank has nine directors. Three of them are known as Class A directors, three as Class B directors, and three as Class C directors. Class A

and Class B directors are elected by member banks, one director of each class being elected by small banks, one of each class by banks of medium size, and one of each class by large banks.38/

The three Class A directors may be bankers. The three Class B directors must be actively engaged in the district in commerce, agriculture, or some other industrial pursuit, and must not be officers, directors or employees of any bank. The three Class C directors are designated by the Board of Governors of the Federal Reserve System. They must not be officers, directors, or employees or stockholders of any banks. One of them is designated by the Board of Governors as Chairman of the Reserve Bank's board of directors and one as Deputy Chairman. The Chairman, by statute, also serves as Federal Reserve Agent.39/

Under this arrangement businessmen and others who are not bankers constitute a majority of the directors of each Federal Reserve Bank. The directors are responsible for the conduct of the affairs of the Reserve Bank in the public interest, subject to the supervision of the Board of Governors. 40/

During the summer of 1914 the member banks of the embryonic Federal Reserve Bank of Atlanta elected the original Class A and Class B directors of the institution. In the Class A category were Llewellyn P. Hillyer, of Macon, Georgia; Francis W. Foote, of Hattiesburg, Mississippi. and Warren H. Toole. of Winder, Georgia. Those named as Class B directors were Dr. P. H. Saunders, of New Orleans; J. A. McCrary, of Decatur, Georgia, and W. H. Hartford, of Nashville, Tennessee.41/

These six men represented a varied business experience. Mr. Hillyer was vice-president of the American National Bank at Macon, which he and associates had organized in 1891. He was born near Rome, Georgia, during the Civil War, son of a noted Baptist minister, S. C. Hullyer. He was active as an officer of both the State and American Bankers Associations and was a director of the Central of Georgia Power

Company and Southern States Life Insurance Company. Francis W. Foote, a life-long small-town banker, was born in Macon, Mississippi, in 1875 and began his career as a runner for the Merchants and Farmers Bank of that place. In 1895 he moved to Hattiesburg and for the past 18 years had been executive officer of the First National Bank of Commerce. Warren H. Toole began his career as bookkeeper for a Macon, Georgia, bank in the city of his birth. In 1896, the year William McKinley was elected President on a "gold standard and protective tariff" platform, Toole went to Winder, Georgia, as cashier of the Bank of Winder. Much later he became President of The North Georgia Trust Company at Winder. He also had substantial mercantile and real estate interests there.^{42/}

Dr. P. H. Saunders originated in Hernando, Mississippi, graduated from the State University near Oxford and became professor of Greek at his alma mater -- hence his title "Doctor", which clung to him through life. -Dr. Saunders remained on the faculty until age 32 at which time he entered commercial life as President of the Commercial Bank and Trust Company in Laurel, Mississippi. While retaining this office he went to New Orleans about 1911 to head the Mortgage Securities Company. He was also vice president of the Louisiana Abstract and Title Company and a director of the New Orleans Casualty Company. Director J. A. McCrary organized the First National Bank of Barnesville, Georgia, in 1902 and for 12 years acted as cashier and vice-president. He was also interested in farming and stock raising. At the time of his election to the Federal Reserve Board he was treasurer and bond manager of the J. B. McCrary Company, and engineering and construction firm specializing in municipal public utilities construction.^{43/}

William H. Hartford, representing Tennessee on the Board, was born in Noble County, Ohio, in 1860 and worked on his father's farm until he was 20. Moving to Tennessee he was appointed postmaster of Estill Springs by President Cleveland. Later

his varied career included the general sales managership of the Tennessee Milling Company; warden at the new State Prison and Prison Commissioner for two years. Still later he went to Chattanooga to take charge of several mining properties-. About 1909 he organized the Hartford Hosiery Mills. He was a director of the Tennessee Bank and Trust Company of Nashville, and of the Farmer's National Bank of Winchester.^{44/}

During August 1914, as the lights of Europe went out for four years of war, the Federal Reserve Board in Washington addressed itself to the appointment of Class C directors for the 12 Reserve Banks. For Atlanta the Board chose Maximilian B. Weltborn, president of the First National Bank of Anniston, Alabama; Edward T. Brown, a noted Atlanta barrister, and W. H. Kettig, banker and industrialist, of Birmingham, Alabama.^{45/}

It was largely due to the efforts of W. P. C. Harding of the Federal Reserve Board and formerly president of the First National Bank of Birmingham, that his friend Max Wellborn was induced to cast his lot with the Federal Reserve Bank of Atlanta -- an institution which, for 15 years, benefited greatly from his sound financial mind and energetic services.

Wellborn was then 52 ^{46/} and had already made a distinguished record in finance and industry in his adopted state of Alabama. In May 1914, the Anniston Chamber of Commerce gave a luncheon at the Alabama Hotel honoring Mr. Harding and Fairfax Harrison, president of the Southern Railway System. Max Wellborn was a guest upon this occasion and was down for a speech. It was a good one -- the best he had ever made, according to his friends.^{47/}

A mutual friend, John LaGarde, took the two bankers, Wellborn and Harding, home that evening. He dropped Wellborn at his home and took Harding home to spend the night with him. Next day, after his guest had left, he called on Wellborn.

“Look here,” he said excitedly, “Harding wants you to succeed him at his bank. He asked me to sound you out.”

Wellborn thought it over, and said he wasn't interested. LaGarde was surprised. “Don't want to head the First National of Birmingham? The salary is \$18,000 a year!”

But Wellborn was sure he didn't want it. He knew all the people in Anniston and Calhoun County, and about the credits and standing of the people. If he went to Birmingham he'd have to start over.^{48/}

In August Wellborn got a cryptic telegram from a friend in Washington, saying, “Come to Washington at once.” It was awfully hot. He wired back, “What for?”

A long letter then arrived, explaining that W. P. C. Harding wanted him to head the new Federal Reserve Bank in Atlanta as chairman of the board and Federal Reserve Agent.

“It was like a clap of thunder out of a clear sky,” said Mr. Wellborn. “I was stunned. I had never dreamed of such a thing; but this non-political offer, coming without any solicitation from myself or any of my friends, was too flattering to set aside.”^{49/}

Thus began M. B. Wellborn's association with the Federal Reserve Bank of Atlanta.

The other two original Class C directors were widely known in their respective fields. Edward Thomas Brown, also first counsel for the bank, was born at Gainesville, Georgia, in 1859. After attending Davidson College he studied law under Judge H. R. McCay of the Georgia Supreme Court. He was admitted to the bar in 1878 and practiced in Athens until the turn of the century. During this period he served Solicitor General of the Western Judicial Circuit and Mayor of Athens. After moving to Atlanta his practice was for the most part corporate and included such clients as the

Western & Atlantic Railroad^{50/} and American Telephone & Telegraph Company. As of 1914 Mr. Brown was senior member of the firm of Brown, Randolph, Parker & Scott.^{51/}

William H. Kettig (1863-1939) was born in Louisville, Kentucky, and started his business career as office boy for a mill supply house there. In 1886 he went to Birmingham, Alabama, where he and Major Willis Milner organized the mill supply house of Miller and Kettig. The firm was successful and in 1906, was purchased by Chicago's Crane Company. Mr. Kettig served as manager of the Birmingham Branch of Crane for the next 15 years. He was active also in civic and military matters, serving as a member of the Birmingham Board of Aldermen, president of the Birmingham Chamber of Commerce, and of the Southern Club. During World War I he was active in Liberty Loan campaigns. For four years Mr. Kettig served as Colonel of Engineers on the staff of Governor B. B. Comer. Camp William H. Kettig was named in his honor.^{52/}

The brand new Board of Directors of the Federal Reserve Bank of Atlanta held its first official meeting on Monday, October 19, 1914. And since the group had no home as yet, it assembled in the office of Colonel Edward T. Brown in the Brown-Randolph Building, 56 Marietta Street.^{53/} Directors present were the Messrs. Wellborn, Brown, Kettig, Saunders, Hartford, McCrary, Hillyer, Toole and Foote. Being first, the minutes of the meeting, as recorded by Temporary Secretary Warren H. Toole, are herewith quoted in full:

“Chairman Wellborn called the meeting to order.

“Upon motion, W. H. Toole was elected Temporary Secretary.

“Motion made that the Governor's salary be fixed at the sum of \$9,000 per annum.

“Upon motion,. Mr. J. A. McCord was elected Governor of the Bank.

“Upon motion, Mr. Charles A. Lyerly^{54/} was elected a member of the

Advisory Council for one year.

“Upon motion, Messrs. Toole, Kettig, and Saunders were appointed a committee to wait on Mr. McCord and see if he would accept the appointment of Governor of the Bank at the salary specified. The committee reports Mr. McCord did accept.

“Motion made and carried that the Board give Mr. McCord a reasonable time to dispose of his holdings in the several banks with which he is connected.

“Motion made and carried that Captain Lyerly be notified by wire of his election as a member of the Advisory Council.

“The Federal Reserve Board at Washington were wired that Directors Brown, Hartford, Saunders, McCrary, Foote, Wellborn, Toole and Governor McCord would attend the Conference of Directors in Washington.

“Motion made and carried that the Chairman of the Board and the Governor of the Bank be authorized to go over the applications now in the hands of the Directors, and determine the number of people that we will probably need, and to recommend to the Board such applications as they believe meritorious for our further consideration.

“Motion made and carried that the Chairman appoint a Director to represent Mr. Foote in selecting term of office of Class A Directors. The Chairman appointed Dr. Saunders to represent Mr. Foote.

“The following are the terms of office of Directors of Class A, B, and C respectively:

“A”	W. H. Toole	3 years
	F. W. Foote	2 years
	L. P. Hi].lyer	1 year
“B”	P. H. Saunders	3 years
	W. H. Hartford	2 years

	J. A. McCrary	1 year
“C”	M. B. Wellborn	3 years
	W. H. Kettig	2 years
	E. T. Brown	1 year

“Motion made and carried that Colonel E. T. Brown be elected Counsel for the Bank, compensation to be determined later.

“Upon motion the Board adjourned to look at the several locations offered to the Bank.”

W. H. Toole,
Secretary.

N. B. Wellborn,
Chairman

The newly elected Governor of the Bank, Joseph Alexander McCord, was qualified by long banking experience and a varied business career for high position. Yet, like so many men, born in the South during the years just before the Civil War his early life was marked by poverty and limited opportunity. But young McCord made the most of what was available. After jobs as a tin shop tinker and butcher’s understudy at \$5 per month, he began clerking in various retail stores in Conyers. Next followed a stint as deputy clerk of the Rockdale County Superior Court. At 26 he moved to Carrollton, Georgia, and from 1883 to 1889 operated a general merchandise and farmer’s supply business. Two years of corporate experience followed as chief claim and voucher clerk in the traffic manager’s office of the N. C. & St. L. Railroad in Atlanta. Then, just prior to the hard financial times known as the “Panic of 1893” Mr. McCord entered the business in which he was to gain lasting distinction -- banking. This began by his election, in November 1892, to the position of assistant cashier, Atlanta Trust & Banking Company.^{55/} The following year he advanced to cashier. ^{56/}

In January 1896 Joseph A. McCord helped to organize and became first cashier of a new Atlanta bank, the Third National.^{57/} Since 1907 he had been vice-president of this institution. His activity in Connection with getting the Sixth District Federal Reserve

Bank for Atlanta has been touched upon. In addition he had long been a leader in bankers' association affairs. In 1905 he was appointed by the president of the American Bankers Association to the Federal Legislative Committee of the Association. From the Committee evolved the Currency Commission of the American Bankers Association. Mr. McCord was a member until his election as Governor of the Federal Reserve Bank of Atlanta. He was also a member of the Executive Council of ABA until his election as Governor.^{58/}

During the interval of nearly a month between the first meeting on October 19 and the opening of the Atlanta Bank on November 16, the newly constituted Board of Directors held three meetings, one in Washington, D. C., and two in Colonel E. T. Brown's office. Business transacted was fundamental to the organization of the Bank.^{59/}

At the Washington meeting Chairman Wellborn and Governor McCord were appointed a committee to secure information as to quarters and to report to the Directors on October 30. On the occasion of the latter meeting and before consideration of the quarters question, the Board approved what was probably the first "expense account" item in the Bank's history: "Motion made and carried that the Bank reimburse Mr. Brown for the two luncheons which he tendered the Board, and which were so much enjoyed and appreciated."^{60/}

The Board, having made two trips to inspect quarters offered in various buildings, then began its deliberation upon that subject. A proposition from John W. Grant for the third or fourth floor of the Third National Bank Building, at \$400.00 per month, was turned down.^{61/} Next to be eliminated from consideration was an offer of space in the Temple Court Building^{62/} which included three month's free rent in lieu of the Bank fixing up the office. Space in the brand new Healey Building was offered but the fact that no vault was available disqualified it. Two other buildings were under consideration, the recently opened Hurt Building and the somewhat older Atlanta

National Bank Building.^{63/} The following motions concerning these buildings are quoted directly from the Minutes:^{64/}

“Motion made by Mr. McCrary that we offer for the Hurt Quarters \$6,500.00 for the first year, with option for the second year at \$8,000.00 per annum, and the third year at \$9,000.00 per annum.

“Motion was amended by Mr. Brown that we offer for the Atlanta National Bank Building \$4,000.00 for the first year, with the privilege of two additional years at \$5,000.00 per annum. The vote was taken upon the amendment and same was lost. Vote was taken upon original motion which prevailed.

“Motion made by W. H. Toole that we rent the space in the Hurt Building, as indicated to us by Mr. Hurt, for one year at \$6,500.00 per annum, said rental to be paid monthly. Motion prevailed.

“Motion made and carried that the motion of W. H. Toole be made unanimous.

Two weeks later the Bank opened, with properly restrained fanfare, on the ground floor of the Hurt Building.

Meanwhile other organizational matters demanded attention. The Board meeting of October 31, held in Colonel E. T. Brown’s office, was largely devoted to personnel and by-laws.

A committee appointed to suggest a staff of officers and employees submitted the following report, which was adopted:

“The offices of Chairman of the Board of Directors and Vice-Chairman, are filled by appointment by the Federal Reserve Board, and their compensation is so fixed.

“We suggest the following officers and other employees, and compensation:

Governor,

Office previously filled.

Deputy Governor,	Honorary, to be paid only when on duty, then the same salary as is paid the Governor; no allowance for expenses.
Secretary-Cashier,	\$3,000.00 to \$4,000.00
Asst. Secretary-Treasurer,	Previously filled. <u>65/</u>
Auditor,	\$2,000.00 to \$2,400.00
Credit Man,	\$2,000.00
Chief Clerk,	Do not fill.
Discount Clerk,	\$1,800.00
Tellers,	Do not fill.
One General Bookkeeper,	Not to exceed \$1,800.00
One Ordinary Bookkeeper	“ “ “ \$1,200.00
One Statement Clerk	“ “ “ \$1,200.00
General Utility Man,	Do not fill.
Secretary to Governor, and	
Chairman of the Board,	Not to exceed \$1,800.00
One Stenographer,	Not to exceed \$1,000.00
One Messenger,	“ “ “ \$600.00
One Porter,	“ “ “ \$600.00
One Mail Clerk,	Do not fill.

“Chief Clerk: We recommend leaving the place open for the present, as we think for a while the Auditor or some officer can direct this work.

“Tellers: We think for a while the Asst. Secretary-Treasurer, who will be custodian of the cash and securities, can act as paying teller, and some other employee

can do the work of receiving teller, if the custodian of the cash cannot, so act.

“General Utility Man: Such a person will be needed in time, but the expense can be deferred for the present, we think.

“Mail Clerk: Such an employee will be necessary in time, but we think for the present this work can be done by other officers or employees.

Respectfully submitted,

F. W. Foote

M. B. Wellborn

Jos. A. McCord.”66/

Having ascertained the approximate need, personnelwise, of the new Bank, the Board then got down to specifics on certain positions. The Chairman was authorized to negotiate with Giles L. Wilson, of Jacksonville, Florida, relative to his acceptance of the Deputy Governorship as an honorary position. The employment of Frank S. Patton, of Jonesboro, Tennessee, was. authorized as General Bookkeeper at \$1,800.00 per year, others authorized for employment were R. H. Hiemphill, of Hattiesburg, Mississippi, as Credit Man, at \$2,000.00; P. H. Kitties, of Sylvania, Georgia, as Auditor, at \$2,400.00; W. S. Graves, of Rome, as Discount Clerk at \$1,800.00, and Joseph M. Slattery, of Washington, D. C., Deputy Secretary, at \$1,800.00. The Chairman and Governor were authorized to employ a stenographer at not exceeding \$1,000.00; the officers a messenger at not exceeding \$600.00 and such other small help as may be needed. Following which Dr. Saunders moved “that the Governor notify those elected to fill positions in the Bank, that they are elected with the understanding that their services must be satisfactory, and in case their services are not satisfactory, or we feel that we do not need their services, that they can be disposed of without notice.” A personnel policy, less cavalier in nature, was to develop later.67/

A precedent, however, which could easily have gotten out of hand, was stopped short before the meeting was 'over. A Mr. Carter, who was an applicant for a position in the Bank, was permitted by the Board to come before it and make a statement regarding his qualifications. A motion by Dr. Saunders was quickly passed that no more applicants be permitted to appear in person before the Board.^{68/}

Other matters basic to proper organization were taken up at the same meeting. Compensation of Directors was placed at \$25.00 per day for attendance at meetings and \$10.00 per day while in transit to and from meetings. Directors W. H. Toole and Dr. Saunders were elected members of the Executive Committee for three months; temporary bonds were authorized for officers and employees, and use of the American Bankers' Association Telegraph Code was decided upon until the Federal Reserve Board should furnish one to be used by all the Banks. The Governor was authorized to arrange with the Third National Bank^{69/} for temporary vaults for the reception of money now being paid in on the capital stock of the Bank and the reserve that would come in later. A set of by-laws was adopted and the meeting closed after a motion by Mr. Kettig "that we extend Mr. Brown our thanks for the use of his office, and the pleasant entertainment he has furnished us throughout our session." Motion was carried by unanimous rising vote.^{70/}

At 9 o'clock a.m. on Wednesday, November 16, 1914, the Board of Directors assembled officially for the first time in the Bank's new quarters in the Hurt Building. Prior to the opening ceremonies, the Board, all of whom were present, transacted some necessary business.

W. H. Toole was elected Secretary of the Bank with the sole duty of keeping the minutes of the Board; Cites L. Wilson was elected Deputy Governor and was personally presented to the Board, and J. B. Pike, of New Orleans, was appointed Cashier at \$3,600.00 per year. It was voted that the entire force of the Bank be bonded

by the United States Fidelity & Guaranty Company of Baltimore; Directors Toole and McCrary were appointed to receive the combination in the vault, and Mr. McCord was authorized to employ a man for two or three weeks to assist Mr. Bell in the “counting and handling of money until the present rush is over.”^{71/}

It was moved by Director Foote that telegrams be sent, announcing the opening of the Bank, to the Federal Reserve Board, the other eleven Reserve Banks, to the President of the United States, to the Secretary of the Treasury and to the Comptroller of the Currency. Director Foote and Governor McCord were thereupon asked to retire from the meeting and formulate proper telegrams.^{72/}

The telegrams, all signed by “Joseph A. McCord, Governor,” reflected a happy and auspicious occasion. To the Reserve Banks in Boston, New York, Philadelphia, Cleveland, Richmond, Chicago, St. Louis, Minneapolis, Kansas City, Dallas and San Francisco, which opened simultaneously went the following brief message: “Federal Reserve Bank Atlanta extends its greetings.” To the Federal Reserve Board, Charles S. Hamlin, Governor: “Federal Reserve Bank Atlanta opened auspiciously and places itself at the services of your Honorable Body.”^{73/}

To President Woodrow Wilson at the White House went the following:

“The Atlanta Federal Reserve Bank opened this morning for business. The Board and officers of this your former home, especially desire you to know that they are in sympathetic accord with the purposes of the new Currency Act, and will do everything within their power to make it a success. The Country is to be congratulated upon having a President who had the courage and foresight to give the people this wonderful financial reform.”^{74/}

To Treasury Secretary William C. McAdoo:

“Acting upon your authority the Federal Reserve Bank of Atlanta opened for business at 9 a.m. today with great promise. Governor, Chairman of Board

and Directors of Bank desire to express hearty appreciation of your diligence and the unusual ability which has marked your course in bringing this great reserve system into a satisfactory form of existence. All pledge their loyal support and await your further commands.”^{75/}

To John Skelton Williams, Comptroller of the Currency:

“Federal Reserve Bank of Atlanta opened for business with confidence. Officers and Directors earnestly look to you for guidance and help. Place themselves at your command.”

And to Honorable W.F.G. Harding, member Federal Reserve Board and warm friend of Chairman 14. B. Wellborn, the following:

“Federal Reserve Bank Atlanta opened for business. Officers and Directors present their compliments and congratulations to you, our neighbor,^{76/} friend and associate, and wish you continued benedictions of success and public confidence.”^{77/}

Secretary McAdoo responded with two messages. First, as a matter of business, the following, addressed to the Bank:

“The Comptroller of the Currency at the close of business of November fourteenth having executed the certificate authorizing the Federal Reserve Bank of Atlanta to commence business, I have this morning signed the announcement to be mailed to all member banks of the establishment of your Bank, and this will be your authority to place in the mail copies of the announcement sent you for this purpose.

Then, in less formal vein and addressed to Governor McCord:

“Please accept my cordial congratulations upon the opening of the Federal Reserve Bank of your District and my sincere commendation upon the effective work you have done in preparing the Bank for business in the short time allowed for the opening. I am sure that the Federal Reserve Bank will serve a great and beneficent

purpose in the future of our Country, and I am sure that this Department and the Federal Reserve Board may count upon your loyal cooperation in the important work and duties which have been confided to you.. My hearty good wishes for your success.”78/

Other messages of good cheer were received from John Shelton Williams, C. S. Hamlin, W.P.G. Harding and the Governors of all the other Reserve Banks.79/

In reporting the opening of the new bank the Atlanta Journal said:80/

“The Federal Reserve Bank of Atlanta opened its doors for regular business at 9 o’clock Monday morning in its quarters in the Hurt Building. A telegram from Secretary of the Treasury McAdoo authorized the opening ...

“The bank began operations with \$4,000,000 in gold, representing the first installment of the reduction of the reserves of the member banks, 318 in all, of the six states in the Sixth District.

“The Third National Bank of Atlanta was the first bank of the system to make its reserve. Other reserve deposits were received all during the morning.

“No paper was rediscounted Monday morning, although the bank was ready for this work.

“At 2 o’clock the directors were guests of the Atlanta Clearing House Association at a luncheon at the Capital City Club, and on Tuesday evening at 6:30 o’clock they will be guests of the Atlanta Credit Men’s Association at the Chamber of Commerce Café...

“The Atlanta banks alone released \$2,200,000.00 of reserves, which, through the new system, will be used in rediscounting commercial, industrial and agricultural paper.

“The capital of \$780,000.00 in gold and gold certificates was transferred Monday from the vault of the Third National Bank to the vault of the Federal Reserve

Bank in the Hurt Building

“The official and working force of the bank when it began business was as follows:

“Governor, Joseph A. McCord, of Atlanta.

“Assistant Cashier, Milton W. Bell, of New Orleans.

“Discount Clerk, W. S. Graves, of Rome, Georgia.

“Auditor, P. R. Kittle, of Sylvania.

“Manager of credit bureau, R. H. Hemphill, of Hattiesburg, Miss.

“General bookkeeper, H. E. Dunlap, of Gadsden, Ala.

“Bookkeeper, .J. B. Tutwiler, of Atlanta.

“Secretary to Chairman N. B. Wellborn, Joseph N. Flattery, of Anniston, Ala.

“Stenographer, Mill L. V. Davidson, of Atlanta.

“It is expected that other bookkeepers and clerks will be elected as soon as they are needed.

“Many telegrams of congratulation were sent to and from the bank Monday morning...”

A contemporary article described the Bank’s quarters in glowing style:^{81/}

“The room was originally equipped for the Continental Trust Company, organized by Joel Hurt and associates. Owing, however, to the adaptability of the room to the needs of the Reserve Bank, the officers of Continental Trust patriotically agreed to relinquish their home and seek quarters elsewhere.

“The quarters were designed by Thomas Bruce Boyd, bank specialist, of New York, who also designed the new homes of Banker’s Trust Company, Guaranty Trust Company and J. P. Morgan & Company, of that city.

“The architecture is based on the Italian style, modified to conform to present day requirements of utility and to harmonize in beauty with the rest of the Hurt

Building. The columns, pilasters, counter screen, balustrade and wainscoting of the banking room are of the finest Tavemelle Claire mable, a product imported from Italy and noted for its restful color, beauty and great durability.

“The main banking room is 25 feet high, panelled off by well-designed and chastely decorated beams, and then sub-divided into smaller panels with very slight projections ... Three sides of the room are perforated with large decorative windows and in this respect it became one of the best lighted and ventilated banking rooms in the country.

“The vaults, which are among the best constructed in the United States, form another desirable feature of the regional bank’s home. They are large and conveniently arranged and were installed by C. W. Freeman, Southern Manager of the Mosler Safe Company.

“M. B. Wellborn, Chairman of the Board of Directors of the Atlanta Federal Reserve Bank, gave out an interview while in Atlanta recently in which he stated that the quarters of the Atlanta bank are the handsomest of any of the twelve banks in the system.”

Just prior to the official opening of the Bank, on November 16, a matter of vital importance to the conduct of its business was given attention. Chairman Wellborn discussed with Governor McCord the matter of a discount rate, and wired the Federal Reserve Board at Washington, naming a rate of 5%. This was based on the idea that the Atlanta Bank would receive a deposit from the Secretary of the Treasury of \$75,000,000.00 in gold. The Board at Washington named a rate of 6% for paper maturing in 30 days and less, and 6½% for maturities beyond 30 days.^{82/}

This rate did not attract much business to the new Bank. Indeed, in early December 1914 Senator Hoke Smith, a prime mover in securing the Bank for Atlanta, wrote a letter in which he expressed disappointment at the rate and the amount of

business done by the Bank. Whereupon, after appropriate Board action Chairman N. B. Wellborn wired the Federal Reserve Board in Washington:

“I am requested to send you this message:

“Board of Directors after conferring with a number of member banks and after full discussion, has fixed discount rate four and one-half for thirty days and five per cent other maturities. We request that you confirm same and advise by wire. Good banks this district offered money New York at less than five per cent and we have practically no demand for funds at present rates. Practically no thirty day paper offered and in our judgment four and one-half rate would be little used. Imperative in our judgment that we be placed in position to do some business. No danger could befall reasonable action of this kind as district has abundant resources and rate can be raised if necessary to protect reserves. Member banks want to do business here and we think it important that they commence. They need the training badly to prepare them for proper future relations with this bank and their customers.”^{83/}

Business headed upward and the Executive Committee, which held its first meeting on November 17, 1914, soon found itself busy passing upon notes offered for discount.^{84/}

Cotton mill paper was recognized early as an important factor in the Sixth Federal Reserve District. Washington Board member W.P.G. Harding wrote desiring an expression from the Atlanta Bank relative to this class of paper. The matter was discussed by the Board at some length, and while no definite action was taken, it was the concensus of opinion that these papers should be handled on their merits when presented to the Executive Committee.^{85/}

Another matter of import calling for action was the adoption of a schedule of allowances for collecting checks. In that connection the following Board resolution was adopted on December 11.

“Resolved that the Directors of the Federal Reserve Bank of Atlanta, believing that the cost to the interior banks of remittances for checks drawn on them, is considerable, recommend that to cover this cost, there be paid to member banks in all towns of five thousand inhabitants and under, the sum of one dollar and twenty five cents per thousand for remittances, and that there be paid to member banks in all towns and cities of more than five thousand and not more than thirty thousand inhabitants, the sum of one dollar per thousand for remittances, and that these charges for collection be paid by the bank or banks forwarding the checks for credit and collection. The Directors likewise recommend that member banks in cities above thirty thousand inhabitants, remit for checks drawn on them at par.”86/

Other matters involving procedure were resolved in late 1914. An “order of business” for Board meetings was set up as follows:

Reading of minutes of previous meeting.

Report of the Governor.

Report of the Executive Committee.

Reports of other committees.

Unfinished business.

New business.

Adjournment.87/

At the same meeting, on December 11, it was decided that the Governor would furnish the Directors, at each monthly meeting, a classified statement of the expenses of the Bank. Also that a weekly statement of the condition of the Bank ~e sent each one of the Directors weekly.88/

Coincidentally Colonel E. T. Brown explained to the Directors that while he

was in Washington awhile back, the question of attorneyship and directorship was discussed with him by the Federal Reserve Board. It was decided that there might be some conflict in the dual service to the Bank. Therefore Colonel Brown; desiring to relieve the situation, resigned as attorney. The resignation was accepted and, on motion of Dr. Saunders, seconded by Mr. Toole, Mollins N. Randolph was elected Attorney for the Bank.^{89/}

Before the year was out several security measures were adopted by the Bank. A one million dollar burglary policy was taken out with the Fidelity & Deposit Company of Maryland; and A.D.T. alarm system was installed; a night watchman was employed, and the placement of revolvers in teller's cages was authorized.^{90/}

An invitation to join the Atlanta Clearing House was accepted on November 17, and overtures from the national banks in New Orleans and the Chamber of Commerce of Birmingham for branch banks in those two cities were discussed at some length on December 11.^{91/}

It was more by coincidence than design that the Atlanta Federal Reserve Bank had its inception in an interesting and significant year in the city's history. The population was approaching 200,000. James G. Woodward, a political landmark in Atlanta for a generation, occupied the Mayor's office in the City Hall, which then stood on the present site of the Fulton National Bank Building at Marietta and Forsyth Streets. Nathaniel E. Harris of Macon, the last Confederate veteran to hold the job, was elected Governor of Georgia. Asa G. Candler, founder of The Coca-Cola Company, gave an initial gift of one million dollars, which enabled Emory College of Oxford, Georgia, to become Emory University in Atlanta.

The Druid Hills Baptist Church, one of Atlanta's largest, was organized. The present Fulton County Court House on Pryor Street was opened and the Y.M.C.A. Building on Luckie Street was erected. The Ford Motor Company built an assembly

plant on Ponce de Leon Avenue; Walker and Nelson Streets, two of Atlanta's oldest residential avenues were rapidly giving over to business, and Paces Ferry Road was becoming a byword for elegant homes.

On the "cloak-and-dagger" front, the Leo Frank case was at midpoint between the murder of Mary Phagan and the lynching of Leo M. Frank. And the Nelms sisters of a prominent West End family disappeared in the direction of the West Coast and were never seen in Atlanta again. Atlanta gained stature as a convention city during the year by playing host to a National Shriner's Convention, one of the most colorful events in the city's history.^{92/}

When the Federal Reserve opened in Atlanta, the city was already the financial capital of the Southeast. And while branch banking was years in the future, Atlantans had a choice of seventeen banks, some large, some small, with which to do business.^{93/} As Sixth District Federal Reserve headquarters the financial status of "The Gate City of the South" was substantially enhanced.

NOTES

Chapter 3

1. John Skelton Williams (1865 - 1926), born in Powhatan County, Virginia. An organizer and president Seaboard Air Line Ry. System, 1899 - 1904; organizer and officer of various banks, trust companies and industrial institutions. Became first assistant Secretary of the Treasury, March, 1913; Comptroller of the Currency, 1914.
2. Ralph Smith, "Fight Launched Last June in Washington", Atlanta Journal, April 3, 1914, p. 10.
3. Also President Southern States Life Insurance Co.
4. President J. K. Orr Shoe Co.
5. Vice-President American National Bank.
6. Vice-President Third National Bank.
7. Vice-President Third National Bank.
8. Atlanta Journal, Apr. 3, 1914, p. 8.
9. Dianna Goforth, "How the Fed Came to be in Atlanta". The 6-F Messenger, March, 1962.
10. Who died Feb. 14, 1914 before final victory for Atlanta was assured.
11. Born in Cobb County near Marietta.
12. Goforth, "How the Fed Came to be in Atlanta.!"
13. Ibid.
14. Discontinued in 1939.
15. Quoted, Goforth, "How the Fed Came to be in Atlanta."
16. Quoted, Ibid.
17. Goforth, "How the Fed Came to be in Atlanta."
18. Atlanta Georgian, Jan. 14, 1914. Quoted, Goforth, "How the Fed Came to be in

Atlanta.”

19. Goforth, “How the Fed Came to be in Atlanta.”
20. Atlanta Journal, Apr. 3, 1914
21. Since 1929, a component of the First National Bank of Atlanta.
22. Merged with Atlanta National Bank, 1916.
23. Consolidated with Citizens and Southern, 1919.
24. Merged with Citizens and Southern, 1922.
25. Goforth, “How the Fed Came to be in Atlanta.”
26. Atlanta Journal, Apr. 3, 1914.
27. Ibid.
28. Ibid.
29. Ibid.
30. Ibid.
31. Ibid.
32. Ibid.
33. Ibid.
34. Ibid.
35. Ibid.
36. Ibid.
37. The Federal Reserve System. Purposes and Functions, 69.
38. Ibid.
39. Ibid., 70; The office of Chairman and Federal Reserve Agent was specifically stated in the original Federal Reserve Act. The title “Governor” was not mentioned in the law. The framers of the Federal Reserve Act apparently intended that the Chairmen appointed by the Federal Reserve Board would be the principal executive officer as well as the official representative of the Federal Reserve Board. The directors

appointed the Governor who, in practice, became the active head of the Bank.

40. The Federal Reserve System. Purposes and Functions, 70.
41. Southern Banker, Sept. 1914, p. 11.
42. *Ibid.*, 24 — 32.
43. *Ibid.*
44. *Ibid.*
45. *Ibid.*, Oct. 1914, pp. 22, 23.
46. Born in Lewisville, Ark., Jan. 22, 1962, son of Maximilian and Ema Julia Dent Wellborn.
47. Linton C. Hopkins, Biography of Maximilian Bethune Wellborn, Atlanta, 1960, p. 73.
48. *Ibid.*
49. *Ibid.*, 74.
50. Owned by the State of Georgia and now operated by the L.&N.R.R.
51. Composed of Mr. Brown, Rollins N. Randolph, a direct descendent of Thomas Jefferson and now buried in the Jefferson family cemetery at Monticello; Robert S. Parker, subsequently General Counsel and President of the Bank and Hugh M. Scott.
52. Biographical Records of the Bank.
53. Present site of Western Union Building, erected in 1919 and originally called Transportation Building.
54. Charles A. Lyerly (1847 - 1925), member Federal Advisory Council, Federal Reserve Bank of Atlanta, 1914 - 1919, was born at Enterprise, Miss. His early business career was devoted to general merchandising and wholesale dry goods. Later, during the 1880's he organized the First National Bank of Jackson (Miss.) and the Chattanooga National Bank. Served as president

of the latter for many years both before and after the bank was absorbed by the First National Bank of Chattanooga. Was a director of numerous companies and owner of one of the largest peach orchards in the area.

55. Then located at 34 East Alabama Street. W. A. Remphill, president; Hugh J. Inman, vice-president; Alonzo Richardson, cashier.
56. Southern Banker, Nov. 1914, p. 33; Biographical records of the Bank.
57. Consolidated with the Citizens & Southern in 1919.
58. Biographical records of the Bank.
59. Minutes. Board of Directors, No. 1, pp. 2 - 9. Hereafter cited as Minutes. Directors.
60. Ibid., 3.
61. Then one of Atlanta's newest and finest buildings. Erected 1911 and now known as Atlanta Federal Savings and Loan Building.
62. Now the site of the Jefferson Hotel, 'southwest corner Alabama and Pryor Streets. The Temple Court, one of Atlanta's older office buildings, was erected in 1883 and was long a focal point for law offices. During its first decade the building housed the ill-fated Gate City National Bank.
63. The Atlanta National, originally Century Building, at Whitehall and Alabama streets, was built in 1903.
64. Minutes. Directors, Oct. 30, 1914.
65. Filled at same meeting by election of M. W. Bell, of New Orleans, at \$2500.00 per annum.
66. Minutes. Directors, 1, p. 7.
67. Minutes, Directors, 1, pp. 6, 8, 9.
68. Ibid., 4.
69. The Third National Bank was then located at 26 Marietta Street, present site of

the Atlanta Federal Savings and Loan Association.

70. Minutes. Directors, 1, pp. 6, 7, 9. The original By-Laws of the Bank follow as a matter of historical record:

“ARTICLE I - DIRECTORS.

SECTION 1, Quorum - A majority of the Directors shall constitute a quorum for the transaction of business, but less than a quorum may adjourn from time to time until a quorum is in attendance. SECTION 2, Vacancies - As soon as practicable after the occurrence of any vacancy in the membership of the Board, the Chairman of the Board shall take such steps as may be necessary to cause such vacancy to be filled in the manner provided by law.

SECTION 3, Meetings — There shall be a regular meeting of the Board every 2nd Thursday at one o'clock P.M., or if that day be a holiday, on the first preceding business day. The Chairman of the Board may call a special meeting of any time, and shall do so upon the written request of any three directors or of the Governor. Notice of regular and special meetings may be given by mail or telegraph. If given by mail, such notice shall be mailed at least three days before the date of the meeting. If given by telegraph, such notice shall be dispatched at least one day before the date of the meeting. Notice of any meeting may be dispensed with, if each of the Directors shall in writing waive such notice.

SECTION 4, Powers - The business of this Bank shall be conducted under the supervision and control of its Board of Directors, subject to the supervision vested by law in the Federal Reserve Board. The Board of Directors shall appoint the officers and fix their compensation.

The Board may appoint legal counsel for the Bank, define his duties and fix his compensation.

SECTION 5, Special Committees - Special business of the Bank *may* be referred from time to time to special committees, which shall exercise such powers as the Board may delegate to them.

SECTION 6, Order of Business - The Board may from time to time make such regulations as to order of business as may seem to it desirable.

ARTICLE II. - EXECUTIVE COMMITTEE.

SECTION I, How Constituted. - There shall be an executive committee of the Governor, the Federal Reserve Agent, and one or more Directors chosen from Classes A, B or C; the member or members of the committee chosen by the Board shall serve during the pleasure of the Board, or for terms fixed by it. Not less than three members of the committee shall constitute a quorum for the transaction of business, and action by the committee shall be upon the vote of a majority of those present at any meeting of the committee.

The committee shall have the power to fix the time and place of holding regular or special meetings and the method of giving notice thereof.

The Executive Committee shall be four in number and the term of service for Executive

Committee members shall be three months with rotation.

Minutes of all meetings of the Executive Committee shall be kept by the Secretary, and such minutes or digests thereof shall be submitted to the members of the Board of Directors at its next succeeding meeting. Such minutes shall be read at the meeting if required by any member of the Board.

SECTION 2, Powers. - Subject to the supervision of the Board of Directors, as set forth

in Article I, Section 4, the Executive Committee shall have the following powers:

- (a) To pass upon all commercial paper submitted for discount.
- (b) To initiate and conduct open market transactions.
- (c) To recommend to the Board of Directors from time to time changes in the discount rate.
- (d) To buy and sell securities.
- (e) To apply for and provide for the security of such Federal Reserve notes as may, in the judgment of the Committee or of the Board be necessary for the general requirements of the Bank.
- (f) To employ or to delegate to officers of the Bank authority to employ clerks and other subordinates and to define their duties and fix their compensations.
- (g) To approve bonds furnished by the officers and employees of the bank and to provide for their custody.
- (h) In general, to conduct the business of the Bank, subject to the supervision and control of the Board of Directors.

ARTICLE III. - OFFICERS.

SECTION 1. - The Board of Directors shall appoint a Governor, a Deputy Governor, a Secretary, and a Cashier, and shall have power to appoint such other officers as the Board may from time to time determine to be necessary and appropriate for the conduct of the business of the Bank. The offices of Deputy Governor, Secretary and Cashier, or any two of them, may be held by one person, in the discretion of the Board. The officers chosen by the Board shall hold office during the pleasure of the Board.

SECTION 2. — Federal Reserve Agent. The Federal Reserve Agent, as Chairman of

the Board, shall preside at meetings thereof. Copies of all reports and statements made to the Federal Reserve Board, shall be filed with the Federal Reserve Agent.

SECTION 3. - Deputy Federal Reserve Agent. In the absence or disability of the Federal Reserve Agent, his powers shall be exercised and his duties performed by the Deputy Federal Reserve Agent, who may perform such other services as shall be prescribed by the Board of Directors not inconsistent with his duties as provided by law.

SECTION 4. . ' The Governor. Subject to the supervision of the Board of Directors, the Governor shall have general charge and control of the business and affairs of the Bank, and he shall be the Chairman of the Executive Committee. He shall have power to make any and all transfers of securities or other property of the Bank which may be authorized to be sold or transferred by the Executive Committee or by the Board. The Governor shall have power to prescribe the duties of all subordinate officers and agents of the Bank, where such duties are not specifically prescribed by law or by the Board of Directors or by the By-Laws. The Governor may suspend or remove any employee of the Bank.

SECTION 5. - The Deputy Governor. - In case of the absence or disability of the Governor, his powers shall be exercised and his duties discharged by the Deputy Governor, and in case of the absence or disability~ of the Deputy Governor, the Board shall appoint one of the other Directors Governor pro tern. The duties of the Deputy Governor shall otherwise be such as may be prescribed by the Board of Directors or by the Governor. In case the Board shall deem that the business of the Bank requires the appointment of one or more Assistant Deputy Governors, it shall have authority to appoint such Assistant Deputy Governor or Governors and shall prescribe and define his or their duties.

SECTION 6. The Secretary.- The Secretary shall keep the minutes of all meetings of the Board and of all committees thereof. He shall have custody of the seal of the Bank,

with power to affix same to certificates of stock of the Bank, and by authority of the Board or the Executive Committee to such other instruments **as** may from time to time be required. The Board of Directors may, in the absence or disability of the Secretary, or upon other occasion where in the discretion of the Board greater convenience can be attained, appoint a Secretary pro tern or empower one or more officers to affix the seal of the Bank to certificates of stock or other instruments. The Secretary shall perform such other duties as may from time to time be prescribed by the Board of Directors, the Executive Committee or the Governor.

SECTION 7. The Cashier. - The Cashier and at least one other officer designated by the Board of Directors, shall have the joint custody of all moneys, investments, and securities of the Bank, subject to such rules as the Board may adopt for their safety. He shall perform such other duties as may be assigned to him from time to time by the Executive Committee, the Board of Directors, or the Governor.

ARTICLE IV. - CERTIFICATE OF STOCK.

SECTION 1, Signature. - All certificates of stock, or of payment of or on account of stock subscriptions, shall be signed by the Governor or a Deputy Governor and the Secretary or Cashier, or such other officers as may be prescribed by the Board, and such certificates shall bear the corporate seal.

ARTICLE V.

SECTION 1, Business Hours - The Bank shall open for business from nine o'clock to two o'clock on each day except Sundays or days or parts of days established as legal holidays.

ARTICLE VI. - Amendments.

These By-Laws may be amended at any regular meeting of the Board by a majority vote

of the entire Board: Provided, That a copy of such amendment shall have been delivered to each member at least ten days prior to such meeting.

71. Minutes. Directors, 1, pp. 10 — 14.
72. Ibid., 10.
73. Ibid.
74. Ibid.
75. Ibid.
76. Until lately President, The First National Bank of Birmingham.
77. Minutes., Directors, 1, p. 11.
78. Ibid , 11.
79. Ibid., 11 — 13.
80. Nov. 16, 1914.
81. Southern Banker, Nov. 1914, pp. 35 — 36.
82. Minutes. Directors, 1, p. 16.
83. Ibid., 17.
84. Executive Committee Minutes, Nov. 17, 1914, et. seq. Hereafter cited as Ex. Coin. Mm.
85. Minutes., Directors, 1, p. 17.
86. Ibid., 19.
87. Ibid., 18.
88. Ibid.
89. Ibid., 19. Rollins N. Randolph (1872 - 1938), a law partner of Ccl. Brown, was born in Albemarle County, Virginia, a direct descendent of Thomas Jefferson. Re was admitted to the Georgia bar in 1896 and throughout his career enjoyed an extensive corporate practice. Rendered much civic and public service. Served as President for life of

the Stone Mountain Memorial Association and was author of the Congressional act directing five million Stone Mountain 'memorial coins. Received Distinguished Service certificate from Atlanta Chamber of Commerce for services rendered City of Atlanta. Is buried in Jefferson family cemetery at Monticello..

90. Ex. Corn. Mm., Dec. 19, 29, 1914.
91. Minutes. Directors, 1, pp. 15, 19.
92. Franklin M. Garrett, *Atlanta and Environs*, 3 vole., New York, 1954, II, 631 — 655.
93. According to the Atlanta City Directory for 1915, issued Dec. 15, 1914, the seventeen banks were: American National Bank, W. L. Peel, President. Atlanta Banking & Savings Co., George Winship, President. Atlanta National Bank, Charles E. Currier, President. Atlanta State Saving Bank (Negro), J. O. Ross, President. Atlanta Trust Co., W. J. Morrison, President. Central *Bank* & Trust Corp., Asa G. Candler, President. Colonial Trust Co., 3. S. Slicer, President. East Atlanta Bank, E. A. Minor, P;esident. Farmers & Traders Bank, W. D. Manley, President. Fourth National Bank, James W. English, President. Pulton National Bank, W. 3. Blalock, President. Germania Savings Bank, 3. G. St. Aznatid, President. Lowry National Bank, Robert 3. Lowry, President. Merchants & Mechanics Banking & Loan Co., B. M. Grant, President. Security State Bank, 3. S. Slicer, President. Third National Bank, Frank Hawkins,)President. Trust Company of Georgia, Ernest Woodruff, President. West End Bank, 3. S. Sewell, President.

SECTION II
THE WORLD WAR I PERIOD

Chapter 4

1915

The first full year of operations for the Federal Reserve Bank of Atlanta coincided with the first full year of World War I and with all of the business and economic dislocations occasioned by the latter. Chairman N. B. Wellborn pointed out many of these problems and traced the progress of the bank to the end of 1915 in his "First Annual Report to the Federal Reserve Board." As a contemporary document of historical significance it is herewith quoted in full:

"OFFICE OF FEDERAL RESERVE AGENT.

"As Chairman of the Board of Directors and Federal Reserve Agent since the opening of the bank, on November 16, 1914, my entire time has been devoted to the duties of my office. I have been assisted in the general routine work of the office by Mr. Joe M. Slattery, Assistant to the Federal Reserve Agent.

"In addition to receiving collateral incident to the issuance of Federal Reserve notes, work is occasioned by deposits of gold to reduce liability for outstanding circulation; and on account of the large amount of agricultural paper handled, with cotton receipts attached, there is a daily transaction in substitution of collateral, necessitated by the sales of cotton and withdrawal of cotton receipts pledged.

"The total note issue of our bank up to this date, December 31, 1915, amounts to \$18,950,000.00, and by comparison with the issue of other Federal Reserve Banks, it is second in amount, and stands first in amount, taking into consideration the proportion of our capital stock to that of other Federal Reserve Banks. This proportionately large issue of our bank is due to the fact that a great deal of currency is

required for use in moving the cotton crop, which currency prior to the establishment of the Federal Reserve Bank was obtained by the member banks from reserve cities. Our bank being within a short distance of each member bank, the difference in the cost of shipping, either by mail or express, constitutes quite a saving in expense and also a great convenience, since the banks are able to get the currency in much less time.

“Against the issue of Federal Reserve notes I am holding \$4,751,245.69 in collateral, being commercial paper rediscounted by the member banks with the Federal Reserve Bank of Atlanta. In addition to this collateral the Federal Reserve Board holds to the credit of the Federal Reserve Agent at Atlanta \$14,200,000.00 in gold transferred from the Gold Settlement fund.

“EARLY ORGANIZATION OF THE BANK.

“At the organization of the bank, owing to the depression throughout the United States due to the European War, business within the Sixth Federal Reserve District was almost paralyzed; the cotton crop was in process of marketing,^{1/} and Europe, no longer a purchaser, had previously absorbed more than one-half of this product. The banks and merchants were, of course, unable to make their usual collections, and business was in a chaotic state. The decision of the Federal Reserve Board to have the Federal Reserve Banks open for business on November 16, 1914, greatly restored confidence, so that by the time the Federal Reserve Bank of Atlanta opened, the member banks did not find it necessary to offer us rediscounts to any great extent. In addition thereto, the member banks in our district had obtained Aldrich-Vreeland emergency currency to the extent of \$22,000,000.00, and had taken advantage of the lower rates offered by the banks in the large financial centers, as the result of the establishment of the Federal Reserve System.

“The physical organization of the Federal Reserve Bank was similar to that

of any other pioneer movement, and consisted simply in working out the details as they presented themselves. The \$22,000,000.00 of Aldrich-Vreeland currency obtained by the member banks of this district had served to tide over the credit necessities of the district for several months prior to the opening of our bank. The difficulties experienced in the early operation of the Federal Reserve Bank were due largely to lack of a thorough knowledge of the intent and meaning of the Federal Reserve Act and of the class of paper eligible for rediscount. The solution of these problems involved much correspondence with the member banks. Another question involved was the difficulty in obtaining uniform warehouse receipts and insurance sufficiently specific to identify the product pledged. This problem has been practically solved.

“At points of concentration where the movement of cotton is too rapid to permit of the deposit of receipts with this bank, custodians have been appointed, under adequate bond, to hold and exchange the securities supporting paper rediscounted with this bank. The prevailing system of loans to cotton merchants on demand paper gave rise to the necessity of rebating on paper withdrawn before maturity, in order to allow the unhampered sale of the commodity previously pledged.

“The effect of the work of the Federal Reserve Bank has been to reduce the rates of rediscount; to give the member banks the assurance of a place of rediscount at reasonable rates, and the knowledge that they could obtain currency when needed. It has stabilized the value of the commodities of the district; the quality of loans by member banks is much improved; bankers are requiring better paper -- paper that will be liquidated at maturity -- with a view to eligibility at the Federal Reserve Bank.

“Of the member banks in the district 49 are borrowing from their correspondents and have not applied for rediscount with this bank. To those banks I addressed the following letter:

‘In analyzing the credit needs and condition of member banks in

this district we notice from your last report of condition to the Comptroller that you are using outside funds.

‘Inasmuch as you have never availed yourselves of the rediscount facilities of the Federal Reserve Bank of Atlanta, we are anxious to ascertain if there be any specific reason for your not allowing this institution to serve you in this capacity.

‘We are desirous of having the thorough cooperation of the member banks, and would be glad to have a frank expression from you along this line.’

“With one exception, nearly all of the banks to whom the above letter was addressed express no dissatisfaction with the Federal Reserve Bank. Some state they prefer to borrow money in New York, as heretofore, believing it involves less trouble, while others say they can obtain a lower rate in New York than they can with us, the one exception stating that the Federal Reserve Bank should, in their opinion, accept paper of any character when offered by a member bank.

“INTERNAL ORGANIZATION OF THE BANK

“A complete set of by-laws was adopted by our Board of Directors at its first meeting.2By referring to the powers and duties of the Executive Committee, it will be noted that the management or administration of the bank is largely left with this committee. The said committee is composed of the Governor, who is chairman of the committee, the Federal Reserve Agent, and one director. The directors serve in monthly rotation, being selected by the Board of directors at its regular monthly meetings. Thus the Governor of the bank and the Federal Reserve Agent are in continuous service on this committee. This plan works admirably, and the whole committee is in thorough touch with the workings of the bank. The Executive Committee meets daily for the consideration of all discounts offered by member banks. When the director serving on the committee lives some distance out of town and is unable to attend the daily meetings of the Executive Committee, he usually selects a director who lives in Atlanta, or very close by, to act in his stead.

“The official staff of the bank is composed of the following:

	Salary
Governor	\$9,000
Secretary (acts only at Board meetings)	25 per month

Deputy secretary	Receives a salary of \$2,400 per annum as Assistant to the Federal Reserve Agent.
Cashier	3,600
Assistant cashier	2,500
Manager credit bureau	2,400
Auditor	2,400
Discount clerk	1,800

“The discount clerk has a staff of clerks with salaries ranging from \$480 to \$1,200 per annum.

“Including this staff of clerks and officers, the total number of employees is 27. Our bank having to handle so large a number of rediscounts, the force is constantly at work, frequently into the night, during the autumn and winter seasons.

“DEPUTY FEDERAL RESERVE AGENT

“When it is necessary for the Federal Reserve Agent in Atlanta to be absent from the city a week or more, he so advises the deputy Federal Reserve Agent, in writing, requesting him to serve in the interim as Federal Reserve Agent. For such service he is allowed the same compensation, per diem, as that received by the Federal Reserve Agent.

“Other than this, the deputy Federal Reserve Agent in Atlanta has no specific duties, and receives no compensation, except the duties and compensation of a regular director, serving as a member of the Board of Directors and as a member of the Executive Committee.

“DEPUTY GOVERNOR

“At the time of the organization of this bank a deputy governor was elected to serve without compensation, but in view of the ruling of the Federal Reserve Board as to the ineligibility of member bank officials serving as deputy governor of this bank, our Board of Directors, at their meeting on June 11, 1915, in accepting the resignation of the deputy governor (Cues L. Wilson), voted not to select a deputy governor (an active deputy governor being unnecessary); and further voted that the director serving on the Executive Committee, each month, be designated governor pro tempore and to act as governor during the absence of the governor of the bank. For such services, as governor, he receives the same compensation allowed the governor.

“BOARD OF DIRECTORS

“The Board of Directors meet once a month, and during the first year of the board’s existence it was found necessary to remain in session two consecutive days at each meeting; but beginning with the second year a session of one day’s duration has been found sufficient. While the Class A and Class B directors are in closer touch with the viewpoint and affairs of the member banks, the Class C directors are no less attentive to the welfare of the banking interests of the district,’ and, their positions being appointive, probably act with a little more independence than the other directors.

“EXECUTIVE COMMITTEE LOANS AND DISCOUNTS

“In the early days of the operation of our bank it was feared that some difficulty would be experienced in handling the rediscounts offered by member banks -- a fear relieved by experience. The Executive Committee, in handling the offerings

of constantly borrowing banks, are as considerate of them as is consistent with safety and prudence; but notes are frequently returned for various reasons, the most prominent of which are:

- I. Ineligibility.
- II. A too distant maturity.
- III. Continued renewal.
- IV. Poor mercantile ratings, or other unfavorable information.
- V. A too liberal line of credit extended to customer.

“The Federal Reserve Bank of Atlanta has, since its opening, discounted 22,252 pieces of paper amounting to \$35,013,287.67.. This large volume of discounts necessarily requires close and steady work, as our Executive Committee examines carefully each day the condition of the borrowing banks, and each piece of paper offered for rediscount; also the volume of the member bank’s transactions with the Federal Reserve Bank of Atlanta, including the average balance maintained, date of the first offering, maximum accommodation extended, date of liquidation, if any, maximum accommodation subsequently extended, amount outstanding, proportion of paper secured by collateral, and pending maturities.

“This bank has not deemed it wise, except at its New Orleans Branch, to engage in open market operations to any great extent, as we have had, at all times, a fairly full line of discounts, this being, in our opinion, the primary object of the law - - to first accommodate the member banks in extending to them rediscounting privileges. It is our intention, however, to go into the open market for business whenever our loanable funds are idle, in order to take care of current expenses and make our own rates effective when it becomes necessary.

“DIVISION OF WORK -- GOVERNOR AND FEDERAL

RESERVE AGENT

“The division of work in this bank between the Governor and the Federal Reserve Agent is rather evenly balanced, both giving their entire time to the business of the institution. While it is generally understood that the operation of the bank is under the management of the Governor, still, in practice, this is not exclusively true. The by-laws of the bank provide, under article 2, section 2, paragraph H, that to the Executive Committee is delegated the power ‘in general to conduct the business of the bank, subject to supervision and control of the board of directors.’ As chairman of the board of directors, I am necessarily a regular member of the executive committee and am, therefore, called upon to participate in the joint management of the bank. These duties, in addition to the correspondence with the Federal Reserve Board, and having custody of the Federal Reserve notes and collateral deposited with me to secure the issuance thereof, add largely to the contemplated duties of the Federal Reserve Agent. The duties of the Federal Reserve Agent at Atlanta have been further increased by the establishment of the branch in New Orleans. Relations existing between the Governor and Federal Reserve Agent are most pleasant and agreeable.

“POWERS OF TRUSTEE, EXECUTOR, ADMINISTRATOR, AND REGISTRAR OF STOCKS AND BONDS

“In recommending that permission be granted to applying member banks to act as trustee, executor, administrator, and registrar of stocks and bonds, we have adopted the plan of presenting such applications to the Board of Directors at its regular monthly meetings. As Chairman of the Board of Directors, I obtain as a preliminary all the information available from the chief bank examiner for the district and other sources and present same to the Board of Directors with the application. If acted upon favorably, the application is forwarded to your Board, accompanied by such information as we

have obtained with the recommendation that it be granted.^{3/}

“CLEARING SYSTEM

“Our bank has earnestly endeavored to cooperate with the Federal Reserve Board in putting into effect the voluntary clearing system proposed by your Board, but the result has not been satisfactory.

“The system was inaugurated on April 10, 1915, membership was voluntary, and items were received only from those banks which agreed to permit their accounts to be charged with checks on themselves, subject to final payment. The system began operation with 67 members, 15 joining later, and 9 withdrawing, leaving a present membership of 73, of which 21 are located in reserve cities.

“The number of items handled daily has averaged 440, of which 207 have been on banks in the district outside of Atlanta, 204 on banks in Atlanta, and 29 on banks in other Federal Reserve districts. The principal objections raised by the member banks are: (1) They cannot anticipate the drawings, hence the difficulty of maintaining their reserves when checks are charged to their accounts; (2) They object to giving up exchange charges, which it has been their custom to make; (3) Owing to the limited number of points covered, none being outside the district other than Federal Reserve cities, the volume of items they send in for credit must, of necessity, be small; (4) Since the Federal Reserve Banks will not accept their checks on nonmember banks, which are in the majority in this district, balances must be maintained with reserve correspondents, in order to have such items collected.

“The effect of the system has not been to reduce exchange charges, either by the banks themselves or by the two country clearing houses in the district, Atlanta and Nashville. The charges in this district run from \$1.50 to \$2.00 per \$1,000, the average being \$1.63 per \$1,000 for the entire district.

“The Federal Reserve Bank of Atlanta receives from its members, at par, subject to deferred credit, exchange on points outside of the district. It also makes transfers, by mail, outside of the district without cost, and pays checks on itself coming from other districts, without charge, provided the volume of exchange deposited by any member bank during the current month equals the amount of the transfers made for that bank and incoming checks from other Federal Reserve Banks. The charge on the difference, if any, is based on the cost of shipping currency to the gold fund to cover, provided such shipments have to be made. We have not endeavored to make a profit on our exchange transactions, believing we should give this service to our members without cost, provided we can do so without loss to ourselves.

“ATTITUDE OF STATE BANKS

“A canvass of the attitude of the State bankers toward the Federal Reserve System develops the fact that while every thoughtful State banker fully realizes that the system to which he has in no way contributed has been indirectly of great benefit to his institution, he is hesitant about joining a system of which his ideas are more or less vague. He is familiar with the limitations of the State laws under which he operates, but unfamiliar with the National bank and Federal Reserve Acts and in many cases exaggerates the extent of their requirements. The State banks are accustomed to transact business at fixed rates of interest and are not in sympathy with any movement which may tend to decrease their profits through changes in interest rates, and, further, it will no doubt be difficult to engage the attention of the majority of State bankers so long as the period of easy money continues.

“BUSINESS CONDITIONS OF THE SIXTH FEDERAL RESERVE DISTRICT

“At the time of the inauguration of the Federal Reserve System the general

business conditions of the district were undergoing a most demoralizing depression, and especially was this true in agricultural lines. The South had produced the largest cotton crop in its history and a correspondingly small grain crop, the cotton exchanges were closed, exports cut off, causing a depreciation in value until the market price was below the cost of production and trade in our main staple almost at a standstill.

“The establishment of the Federal Reserve Bank and its public announcement that it intended to lend all the assistance within its power to aid the producers was the strongest factor in dispelling the gloom and doubt. In this work the Federal Reserve Bank had the hearty cooperation of the member banks of the district.

“The unusual conditions caused a holding back of the 1914 crop and the marketing of it in the late winter and spring of 1914-15, thereby necessitating the most rigid economy, especially among the agricultural element of our population. Such conditions brought most forcefully to the mind of the Southern farmer the imperative need of crop diversification, with the result that the 1915 crops showed an increase of approximately 70,000,000 bushels in corn, wheat and oats, with an increase in the rice crop of approximately 5,000,000 bushels, with more cattle and hogs than any previous season, and for the first time the cotton crop of the South may be classed to some extent as a ‘surplus-money crop.’ The decrease of approximately 5,000,000 bales in the 1915 crop and the establishment of a 3 per cent commodity rate to member banks for money loaned to the farmers at 6 per cent were the strong elements in causing and maintaining the favorable prices of cotton, and the commodity rate has been especially, effective in the holding and marketing of the crop.

“The tobacco growers of both Tennessee and Florida were compelled to carry over a greater proportion of their 1914 crop on account of difficulty in delivery and high ocean rates, and to the producers of this commodity the Federal Reserve Bank has rendered valuable aid in assisting them to hold their crop for a more favorable market.

“The iron industry has received a strong impetus within the past few months and the movement in this and kindred industries is stronger than for several years past. Activity is general throughout the district, covering a multiplicity of lines, and business conditions appear exceedingly bright.

“ESTABLISHMENT OF A BRANCH OF THE FEDERAL
RESERVE BANK OF ATLANTA AT NEW ORLEANS, LA.

The policy of the board of directors of this bank was not favorable to the establishment of branch banks until we had thoroughly developed the business of the parent bank. In view of the commercial importance of New Orleans and its distance from Atlanta (approximately 500 miles) the board of directors decided to recommend to the Federal Reserve Board the establishment of a branch at New Orleans, to be known as the New Orleans Branch of the Federal Reserve Bank of Atlanta.

“The branch bank was opened for business on September 10, 1915. Its territory comprises that part of the Sixth District in the states of Louisiana and Mississippi, and the banks in the Counties of Mobile and Baldwin, Alabama. The expenses of the branch bank at New Orleans for the first year’s operation are guaranteed by the member banks in the City of New Orleans.

“A duplicate of the accounting system of the Atlanta bank is used in the New Orleans branch, and the auditor of the Federal Reserve Bank of Atlanta and the examiners for the Federal Reserve Board make periodical examinations of its accounts. Daily reports are made to the Federal Reserve Bank of Atlanta, with copies to the Federal Reserve Board. On Friday of each week the statements of the branch are telegraphed to Atlanta and incorporated in the weekly statement of the Federal Reserve Bank of Atlanta.

“As Federal Reserve Agent, I appointed a ‘representative of the Federal Reserve Agent at New Orleans,’ to represent me in transactions involving the issuance

of Federal Reserve notes, which action was approved by the Board of Directors of the New Orleans branch and the Federal Reserve Board.

“Upon my request to the Board, the Comptroller of the Currency deposits Federal Reserve notes with the Assistant United States Treasurer at New Orleans, subject to the order of the Comptroller of the Currency. Upon notice from my representative at New Orleans that collateral has been deposited, an order for Federal Reserve notes is forwarded to the Federal Reserve Board and transmitted to the Assistant United States Treasurer at New Orleans, who delivers the Federal Reserve notes to the manager of the New Orleans branch. My representative handles only the collateral and records incident to the transactions.^{4/}

“CREDIT NEEDS OF THE DISTRICT

“The ability of the Federal Reserve Bank and of the southern banking organizations to move the cotton crop and to properly finance the preparation of cattle for the market has demonstrated that the long anticipated relief from seasonal financial pressure has been realized. The great progress in diversification of crops for the past two seasons clearly indicates the willing response to broadening effort, this response being limited only by the great need of an adequate supply of capital to prepare for and finance the improvements necessary to profitably grow and market crops which have heretofore been grown to a limited extent only.

“Iron and steel industries have no lack of funds for current needs, including the movement of their products and to finance reasonable extensions and improvements. The navel-stores industry has suffered severely for the whole season for lack of necessary funds. This is a peculiar industry in that the greater part of operating capital is expended in labor; therefore, while the result can be accurately forecast, this expenditure is not represented by tangible assets which can be made the basis for

financial negotiations. The industry is' sadly in need of some kind of coalition and organization that would tend to stabilize prices and promote confidence in financial circles. The rapidly diminishing area adaptable to the production of these articles and the increasing foreign and domestic normal demand indicate that this industry should be conserved if this country is to receive the returns to which it is entitled from what has been and is still a natural and valuable asset.

“The lumber industry is in better financial position, and for the immediate future appears to be in a fair condition so far as the sale of the product is concerned, but has suffered severely for a period running back to the depression of 1907, during which time billions of feet of valuable timber have been manufactured and sold without profit. Any comprehensive plan of conserving the wealth of our national resources should by all means include some feasible plan of finance which would enable manufacturers to keep their timber supply inactive during periods of slack demand and low prices, rather than to follow the present system of exhausting this valuable asset to cover carrying charges. The prominent distinction between such industries and agriculture and mining is that agricultural products are produced seasonally, and new mineral deposits are constantly discovered, adding to the already tremendous known quantity of that known source of wealth, with the fair assurance that yet undiscovered mines will place the probability of exhaustion far remote; while on the other hand the timber area is known, the amount fairly accurately determined, and the end of an important industry foreseen.^{5/} All of which clearly points to the necessity of careful study of the wasting of this resource through press of necessity occasioned by lack of capital and credit.

“The immediate and crying need of the district is financial encouragement for new enterprises. Money is plentiful for established demand, but any attempt to promote new activity or even to re-establish lines of effort which have been idle through the past depressions meets with little or no encouragement. Although everywhere are

seen the essentials of prosperity, there appears to be a strong undercurrent of uneasiness and disbelief in its solidity or permanency. Under these conditions substantial progress, is, of course, impossible. What stimulus is necessary to a resumption of normal and progressive enterprise is not apparent unless it be the allaying of uncertainty regarding the outcome of the European war and of an unanalyzed yet ever present fear of the remote possibility that our own Nation may become involved therein.

“EARNINGS OF NATIONAL BANKS OF SIXTH DISTRICT.

“A resume of the earnings of the national banks of this district presents a most interesting subject which the general public has had little opportunity to examine and about which an almost universal mistaken idea exists. That the net earnings of the banks of the district fall short of the returns accruing to other lines employing a similar capital and energy has of course, been well known to those whose life work has been along this line of activity. But in the mind of the general public there exists an impression so greatly of variance with the facts that a wide publicity and a clearer understanding of the comparatively meager profits realized would no doubt do much to create a closer and more sympathetic relation between the banks of the district and their customers. Moreover, in view of the fundamental and sweeping changes in our financial structure contemplated and effected by the Federal Reserve Act, a clearer and more appreciative general understanding of the difficulties attendant upon the operations of the banking business is highly desirable, if not almost essential, to the purpose of securing the full measure of cooperation necessary to effect the broad and salutary reforms for which this system was designed.

“The following tabulated analysis of earnings is arranged in groups according to invested capital (i.e., capital, surplus and undivided profits):

Invested Capital

Net Earnings

Less, than \$50,000	per cent	6.13
\$50,000 to \$100,000	“	7.6
\$100,000 to \$200,000	“	8.5
\$200,000 to \$300,000	“	7.9
\$300,000 to \$500,000	“	6.3
\$500,000 to \$1,000,000	“	6.36
Over \$1,000,000	“	7.63

“I might add, in conclusion, that the policy of the bank has been to issue as many Federal Reserve notes as possible - and to put up gold with the Federal Reserve Agent to reduce outstanding liability. In this manner the Federal Reserve Bank has been able to accumulate gold, which the officers of the bank believe is the correct policy to pursue. It is thought highly desirable that ultimately our bank have on hand only gold and gold certificates and put Federal Reserve notes out for circulation into the channels of commerce.

Respectfully submitted,

M. B. WELLBORN,

Chairman of the Board and Federal Reserve Agent.

Atlanta, Ga Dec ember 31, 1915.”

A number of matters came up during the Banks first full year of business not specifically touched upon by Chairman Wellborn in his formal report. Some illustrate the growing pains of a new organization; others the birth and development of policy.

The expense accounts of directors, most of whom lived at a distance from Atlanta became, almost immediately, a bone of some contention with the Federal Reserve Board in Washington. On January 15, 1915 the Atlanta Board adopted the

following schedule:

“3¢ per mile for railroad fare
\$1.00 for each meal,
\$2.50 hotel room per day,
Actual Pullman car fare,
\$2.00 each day for incidental expenses”6/

This conservative schedule apparently inspired some criticism from Washington, for on April 29 it was amended to include, in addition to regular directors’ fees, actual expenses only, viz:

“Railroad fare,
Pullman car fare,
Hotel bills,
Actual expenses only.”7/

The following day the Board, on motion of Director Ketting, passed the following rather caustic motion on the subject:

“That the Chairman of the Board reply to the criticism of the Federal Reserve Board regarding the expense of the director; and that in his reply he should include a copy of the resolution passed by the directors at our meeting in January, which provided a schedule of expense in detail, which schedule has been used by the directors since the passage of the. resolution. The Chairman is also requested to furnish the Federal Reserve Board with a schedule of the various directors and their residences It is further desired that the Chairman make it very plain to the Federal Reserve Board that it is the purpose of our directors to have their approval of our charges, and we are anxious that the same be consistent and satisfactory, and if these expense charges are not satisfactory to the Federal Reserve Board, that they

advise us and we will make them in accordance with their wishes.8/

A couple of weeks later, on May 14, a final appeal on the subject was made:
"To the Honorable Federal Reserve Board, Washington, D. C. Sirs:

WHEREAS: The Board of Directors of this Bank desire to conform their expenses to the judgment and pleasure of your honorable body; and,

WHEREAS: It is our feeling that you will approve charges that do not exceed the actual outlay of Directors in attending meetings; and

WHEREAS: The Directors know by experience that their expenses average one dollar per meal or more, and that their incidentals in various ways are at least two dollars per day, and hotel room two dollars and fifty cents per day; the Directors necessarily by virtue of their positions and the exposure in connection therewith being at more than mere ordinary expense; and,

WHEREAS: The Board desires to avoid, if possible, the inconvenience and difficulty of keeping itemized expense accounts;

THEREFORE: Be it Resolved, that we respectfully request your honorable body to approve the following schedule of expenses:

Actual railroad fare paid.

Actual Pullman fare paid.

Hotel room when necessary, \$2.50 per day.

Meals \$1.00 each.

Incidentals \$2.00 per day.

RESOLVED: Further, that we respectfully request you to take into consideration the fact that the several Directors occupy more than ordinary positions in their communities, and that by virtue of their relations with member banks, that they are more or less in the continuous service

of the System to a substantial degree; thereby having some consequent continuing expense in connection therewith, all of which makes it a matter of moment that the expenses of attending board meetings be at least paid in full."^{9/}

The logic and reasonableness of this appeal was not lost upon the Board in Washington. It was approved by letter dated June 1.^{10/}

During its first year the Atlanta Federal Reserve was faced with various problems concerning member banks. In February, the First National Bank and Clarksville National Bank of Clarksville, Tennessee and the Peoples National Bank and Springfield National Bank of Springfield, Tennessee, filed a petition with the Federal Reserve Board at Washington seeking to be removed from the Sixth District to the Eighth District at St. Louis.

Governor McCord and Director Hartford were authorized to go to Nashville and to meet with officials of the banks concerned in an effort to adjust any differences or objections the Tennessee banks had to remaining in the Sixth District. The diplomatic efforts of the Atlanta officials were successful and the petition to transfer was withdrawn.^{11/}

During the summer of 1915 the Atlanta Federal Reserve Bank experienced the first bank failure in its district when the Third National Bank of Fitzgerald (Ga.) became insolvent, was liquidated and reorganized. The Federal Reserve Bank agreed to discount the paper of the re-organized bank to the extent of \$50,000 to \$55,000, in addition to the paper already discounted and held by the Reserve Bank. It was understood and agreed that as these capital loans were paid in, the demand for discounts in the Atlanta Reserve Bank should be correspondingly decreased.^{12/}

As Chairman Wellborn pointed out in his first annual report to Washington, State banks continued to be very slow in joining the Federal Reserve System. In a

gesture of encouragement to these banks, the Directors of the Atlanta Bank passed the following resolution on September 10, 1915:

“WHEREAS: The time now seems to be opportune for a large number of state banks in this District to join the Federal Reserve System; and,

“WHEREAS: Many inquiries are being received through the mails, and many of the officers of state banks are from time to time calling at this Bank, and asking various questions regarding the System and their entering the same;

“THEREFORE BE IT RESOLVED: That the Chairman of this Board appoint a Director, or Directors, to visit state banks in this District where such visitation may have been requested by said banks, that they might be informed fully in regard to being admitted into the System, and the operations and functions of this Bank; and,

“BE IT FURTHER RESOLVED: That the Chairman be authorized to appoint some one to draft a suitable letter to send selected state banks in the District, which would in effect state that this Bank would be glad to send some representative to meet with such Bank’s boards of directors by special invitation and appointment; it being the purpose of this letter to convey all necessary information to the state banks of our willingness to inform them, yet at the same time preserving the dignity of this institution.”^{13/}

But, as the Chairman pointed out, “it remained difficult to engage the attention of the majority of state bankers so long as the period of easy money continues.”

During July 1915 certain banking interests in Atlanta, spearheaded by John K. Ottley^{14/} and A. P. Coles^{15/} proposed to organize a district clearing house independent of the Federal Reserve Bank.

The directors of the latter rebutted the proposal in the following policy

defining language:

“...We think it would be unwise for this Bank to lend itself to outside undertakings, and if we embark in the proposition with them, we fear it would not only displease many of the shareholders of this institution, but might also injure the bank otherwise.

“We therefore suggest the following reply to (Messrs. Ottley and Coles):

“The Directors of the Federal Reserve Bank after carefully considering the proposed plan, have decided that it would be injudicious for this institution to lend itself to same. It is doubtful if the law allows sufficient latitude for such an undertaking on the part of this institution, and we also doubt the wisdom of associating ourselves with it on account of the great division of sentiment existing among the member banks on the question of clearing. Clearing is a function provided for in the Federal Reserve Act, and in our opinion; if the best interests of the System at any time demands clearing, the Federal Reserve Board will take action to that end, and provide all needed facilities of that character within the system itself.

“Our Board appreciates the interest you gentlemen have manifested in this subject, and we are glad to have had the privilege of talking the matter over with you; and we will appreciate your approaches at any time on all subjects looking to the betterment of banking conditions in this District.

“We suggest further that the Chairman of this Board send a copy of his communication to Hon. W. P. G. Harding, Member of the Federal Reserve Board, in view of the fact that this subject has been discussed with him, and in view of the further fact that Messrs Ottley and Coles brought the-matter to our attention through the suggestion of Mr. Harding.

(Signed)

W. H. Toole
J. A. McCrary
F. W. Foote.”^{16/}

As the 1915 harvest season approached the Secretary of the Treasury had the Treasurer of the United States deposit five million dollars in gold in the Atlanta Reserve Bank to aid in financing the crops. At the same time a commodity rate of three percent was approved. It was based on staple agricultural products, properly warehoused and insured, with an interest rate to borrowers not to exceed six percent, including interest, discount and commissions.17/

The subject of “discounts” formed the inspiration for the following Board action on October 15, 1915:

“WHEREAS:- It is the sense of this Board, that in order to have conservative banking within our District, we deem it necessary that each member bank ‘clean-up’ with this Bank occasionally, and to this end it is;

RESOLVED: -That it is the desire of this Board that the member banks be requested to pay off their discounts at least once a year. This requirement, however, is not intended to apply to rediscounts known as ‘Commodity Paper, or ‘Trade

The resolution was passed with the understanding that the giving of such notice to member banks, to “clean-up,” should be left to the discretion of the Governor and Chairman.18/

On August 13, 1915 the Georgia Legislature passed “An Act to provide for the prompt payment of the public school teachers of the State by authorizing the issuance of the Governor’s warrants and sale of the same; and for other purposes.”

Bank Governor Joseph A. McCord reported to his Board on October 14, that the day before he and Colonel E. T. Brown visited Governor Nathaniel E. Harris at the Capitol and discussed the probability of the Reserve Bank purchasing such warrants up to \$1,000,000 at the rate of 3% per annum. The Chairman and Deputy Chairman of the Board of Directors acquiesced in the proposal with the understanding that the Federal Reserve Bank of Atlanta. could only invest to the amount of 5% of the amount of

deposits of its member banks, the balance to be placed with other Federal Reserve Banks, through the Federal Reserve Bank of Atlanta.^{19/}

Shades of Jesse James! In mid-July 1915 a Louisville & Nashville train was held up between Montgomery and New Orleans on which occasion the Sixth District Federal Reserve Bank suffered a loss of \$25,000. An insurance wrangle followed.

When the Bank first opened, the mail insurance of currency was sought by nearly all of the agents in Atlanta. Haas & McIntyre, representing the St. Paul Fire & Marine Insurance Company submitted the lowest rates in a general way, though on some points other companies offered a lower rate. On the voluntary suggestion of Leopold Haas, of Haas & McIntyre, the Bank agreed to give that firm the coverage because its general policy was lower and Mr. Haas' agreement to give the Bank the benefit of lower rates it might have from other sources.

The agreement worked satisfactorily until the train robbery. The insurance carrier paid the loss promptly but immediately submitted a new rate schedule, which, in some instances represented an increase to the Bank of over 100%. St. Paul Fire & Marine claimed that it had an annual contract with the bank. The bank protested and brought forth what it regarded as a very insulting letter to Assistant Cashier H. W. Bell from the president of the insurance company.

In early November a conference was held in the Bank between Mr. Moore, of the insurance company and Governor McCord and Messrs. Pike and Bell of the Bank. The language used by Mr. Moore on that occasion was derogatory to the character of the Governor and his associates to such an extent that all relations between the Bank and St. Paul Fire & Marine were broken off. The insurance was subsequently placed with Lloyds of London.^{20/}

During February 1915 P. R. Kitties, original Auditor of the Bank, resigned. W. S. Graves was elected to the position. At the same time Ward Albertson was elected

Discount Clerk on a temporary basis.^{21/} Born in 1872, Mr. Albertson was destined to spend the remainder of his life with the Bank. At his death, on May 16, 1933, he held the position of Assistant Federal Reserve Agent.^{22/}

On April 30, a policy relative to salary increases was established by the following motion, which prevailed: "That no salaries be increased of any of the employees of this Bank, by the officers, without first submitting the proposed increase to the directors for their approval; such submissal to be made by the Governor of the Bank."^{23/}

Even before its first year of business had passed into history the Bank began to feel the pinch of inadequate space. The matter was discussed in March 1915 but during the following month was deferred.^{24/} However, in July, the Governor reported that additional safes and lock boxes, owned by the Mosler Safe Company and formerly in the Third National Bank, had been purchased.^{25/}

At its meeting on December 9, 1915, the Board of Directors was addressed by Captain Charles A. Lyerly, a member of the Bank's Advisory extended his congratulations, expressed pleasure relative to the present condition and management of the Bank, and stated, that in his judgment, "it was about all that could be desired or expected."^{26/}

The statement of the Bank's operations, including the New Orleans branch, issued by Governor Joseph A. McCord on January 3, 1916, supported Captain Lyerly's optimism. It revealed that to December 31, 1915, the Bank earned \$236,460.37; had expenses of \$153,927.98, and produced a net profit of \$82,532.39.^{27/}

NOTES

Chapter 4.

1. For an account of .measures taken locally to ease the cotton situation see Garrett,

Atlanta and Environs, II, 638-641.

2. See footnote 70, Chapter 3.
3. At its meeting on April 29, 1915, the Board of the Atlanta bank passed the following motion by Mr. Kettig: "That we cooperate with the national banks in this district in removing any restrictions regarding national banks acting as trustee, administrator, registrar, etc."
4. The City of New Orleans, it will be recalled, had been a serious contender for the Sixth District bank itself and almost as soon as Atlanta was designated as the Site, began agitating for a branch. At its first 1915 meeting, Jan. 14, the Atlanta Board passed the following resolution:

"That for the purpose of facilitating and developing the export and import business of this District, that this Board recommend to the Federal Reserve Board the establishment of a Branch of this Bank in the city of New Orleans, La., at the earliest time practicable, accepting the New Orleans Bankers' offer of the expense of the Branch for a period of twelve months." On March 12 a suggested outline for a New Orleans Branch was spread upon the Minutes of the Atlanta Bank. On July 9 Messrs. Sol Wexler and J. H. Fulton, of New Orleans were elected Class "A" Directors and W. J. Davis, of Jackson, Miss., as a Class "B" Director of the branch bank to be opened in New Orleans. On Aug. 16 Marcus Walker was elected Class "B" Director of the New Orleans Branch and was designated Manager, at a salary of \$400 per month. The Branch was opened on Sept. 10 and a month later, reporting to the Atlanta Board on Oct. 14, Director F. N. Foote, after a visit to New Orleans, reported: "that the quarters are very much improved and now present a very good appearance; that the officers and force seem to be well organized and to have the business of the Branch Bank well in hand."
5. Modern methods of forestry conservation had yet to be developed.

6. Minutes, Directors, 1, p. 2
7. Ibid., 34
8. Ibid., 36
9. Ibid., 40
10. Ibid., 45
11. Ibid., 25, 28.
12. Ibid., 46
13. Ibid., 56-57.
14. Vice-President Fourth National Bank.
15. Vice-President Central Bank & Trust Corpn.
16. Minutes, Directors, 1, p. 49.
17. Ibid., 54
18. Ibid., 61
19. Ibid., 59
20. Ibid., 63-64
21. Ibid., 26
22. Biographical records of the Bank.
23. Minutes, Directors, 1, p. 26.
24. Ibid., 32, 34
25. Ibid., 49
26. Ibid., 67
27. First Annual Report, Federal Reserve Bank of Atlanta, 1915.

Chapter 5.

1916

President Woodrow Wilson, champion of the Federal Reserve System, stood for re-election in 1916 against Charles Evans Hughes and won by a slim margin. The popular vote stood 9,128,837 to 8,536,380 and the electoral vote 277 to 254. During the year, on the national financial front Congress passed the Anti-Trust Interlocking Directorates Act, a Federal Farm Loan Act and a New Revenue Act which doubled the normal rate of income tax for both individuals and corporations. On September 25 the New York Stock Exchange set a record with sales of shares representing \$2,192,300. A-month later the commodity market soared with wheat at \$1.68 3/4 against \$1.03 1/8 the previous year; corn, \$.82¼ against \$.58 and cotton in New York at \$.17 a pound.¹

In Atlanta, on November 2, the Atlanta National Bank, the city's oldest, became also its largest. This was brought about by a merger of the Atlanta National and the American National Bank, the latter a successor to the old Maddox-Rucker Banking Company. Total deposits of the merged bank, which retained the Atlanta National title, came to \$15,000,000. In commenting on the merger Colonel William L. Peel, president of the American National, said:

“...The new financial conditions which have developed in the United States during the past few years have demonstrated the importance of handling business on a large scale...”²

The Atlanta Federal Reserve Bank was out for business too in 1916. On March 9 Director McCrary offered a resolution which authorized the Executive Committee “to designate any official (of the Bank) to Visit different sections of the District, with a view to increasing the business and efficiency of the Bank, at such times

as they may deem advisable.”³

As the Bank’s personnel gained experience certain procedures were simplified so as to make for a smoother operation. In January the attention of the Executive Committee was called to the amount of work necessitated by the crediting of rebates on loans. It appeared that from 15 to 20 entries were necessary to put the rebates on the books.

After some discussion a resolution was adopted making the minimum rebate on loans up to \$200., 50¢ on each transaction, were payment was made before maturity. If the amount of interest to be returned was less than 50~, no rebate shall be given. On loans over \$200, the minimum amount of rebate shall be \$1.00. If the interest due does not amount to \$1.00, no rebate shall be made.⁴

Another situation which required a clear-cut policy in early 1916 was that of paying earnings to withdrawing banks. The matter was settled by the following motion put by Director Foote on February 10:

“That member banks withdrawing from the System be paid the value of their stock, as shown by the books of this bank, less the unearned discount, and less such losses as the Executive Committee may estimate the bank has sustained at such time of withdrawal.”⁵

During the summer of 1916 a crisis arose in Jacksonville, Florida in connection with the Heard National Bank. Chairman M. B. Wellborn was called to Washington in July to confer with Comptroller Williams, the chief examiner of the Sixth District; W. P. C. Harding, of the Federal Reserve Board; President Heard, of the bank, and several of his directors.

The upshot of the matter was that the Heard National Bank was in a very deplorable condition,” with losses on bad loans alone amounting to \$700,000 or \$800,000. A change in management was recommended. To this end Mr. Heard was

retained as President on a temporary basis and J. B. Pike, cashier of the Atlanta Federal, was placed in charge as Vice—President. The conditional resignation of Mr. Pike was accepted by the Board. He went to Jacksonville and Assistant Cashier M. W. Bell was named cashier until January 1, 1917.⁶

Later in the year the Directors of the Atlanta Federal received a light slap on the wrist from the astute W. P. C. Harding. He called their attention to certain transactions with the Central Bank and Trust Corporation⁷ involving the purchase of trade acceptances and banker's acceptances carrying with them certain liens or bills of sale or chattel mortgages on certain cotton oil mills, products, etc., which latter class of paper, Governor Harding stated, did not come within the ruling of the Board. Governor McCord assured Governor Harding that this class of paper would not be bought from the Central Bank in the future.⁸

The first of the Sixth District's branch banks, New Orleans, was) by the spring of 1916, after seven months of operation, doing well. Director F W. Foote had reported in October 1915 that "the business of the Bank is well in hand." Director Saunders, following on inspection in April 1916, made a cheerful prophecy, "The outlook for the New Orleans Branch," said Dr. Saunders, "is much brighter than at any prior time."⁹

A couple of deaths in the official family at New Orleans occurred in the summer of 1916 in the persons of Director W. J. Davis and Cashier Dunn. The latter position was filled in July by the election of Sterling Armstrong. The directorship was left vacant until August, at which time H. B. Lightcap, of Jackson, Mississippi, was elected as a Class "B" Director.¹⁰ Earlier in the year Director Sol Wexler, of the New Orleans Branch resigned and had been replaced by J. E. Bouden, Jr.¹¹

A number of matters concerning personnel, some of which set precedent, were acted upon in 1916. In January a motion was adopted that salary increases would

henceforth be considered only at the January meeting. Governor Joseph A. McCord was re-elected at \$9,000 per year and effective October 1, Chairman Wellborn's salary was increased from \$7,500 to \$9,000 by the Federal Reserve Board in Washington.12

Effective July 1 Auditor W. S. Graves was made Assistant Cashier and Manager Transit Department; Ward Albertson was moved up from Discount Clerk to Auditor, and W. Patterson was made Discount Clerk. No salary increases were involved.13 Credit Bureau Manager Robert H. Hemphill resigned in November. J. A. Cranberry was named to the post in January 1917.14

While the United States did not become a fighting participant in World War I until April 1917, trouble was afoot south of the border in Mexico. Reserves were ordered into service in 1916. In August the case of former employee Leon Savell, then in the U. S. Army, came before the Board. After some discussion it was decided to grant Savell a leave of absence on account of military duties and that his salary be continued until January 1, 1917 less the \$16 per month he received as a soldier.15

In March Watchman David Davidson registered a request with the Executive Committee that his hours be rearranged so as to allow him to attend church on Sunday. He complained that his present hours precluded either morning or evening attendance. The Committee agreed that if Mr. Davidson would ring in at 10:30 on Sunday mornings he could then have until 2 PM to attend services. Even so, the Committee thought the action unwise as it would, in the Committee's words, "give six hours time without any watchman in the bank, and if this became known to yeggmen, they would so arrange to work in the six hours."16

Throughout its second full year of operations the business of the Federal Reserve Bank of Atlanta remained good and earnings satisfactory. On December 30 a dividend of \$70,941.30 was declared.17

A commendable Christmas spirit prevailed that month also, when, on the

14th the Board of Directors adopted a motion that “we give each of the employees \$10.00 as additional compensation except the Governor, the Chairman, the Attorney, and the Secretary, subject to the approval of the Federal Reserve Board, to be paid on Christmas eve.”¹⁸

Nineteen sixteen was especially significant in the history of the Federal Reserve Bank of Atlanta in that a choice site for a permanent home was secured. Almost from the day the Bank opened in the Hurt Building, space became a problem and, while the Bank’s lease was extended in October 1916 for one year after November 1, 1917,¹⁹ steps had already been taken to purchase a building lot.

In April a committee of two, composed of Directors Hillyer and McCrary was appointed for the purpose of investigating locations.²⁰ Fortunately the Bank’s need coincided in point of time with the availability of a prime location.

The First Presbyterian Church of Atlanta had occupied a site on the northwest side of Marietta Street near Spring and almost opposite Cone Street since 1852. The original frame sanctuary had been replaced in 1878 by a much more imposing Gothic brick structure. It, in turn, was outgrown by 1915, in which year construction of the present house of worship at Peachtree and Sixteenth Streets was begun. The building and lot on Marietta Street were for sale. As of 1916 the property was flanked on the South by the old Austell Mansion, originally built by Reuben Cone and still occupied by the widow of General Alfred Austell. To the North was the relatively tall building, still standing and then occupied by John Silvey & Company, wholesale dry goods.²¹

Director J. A. McCrary, one of the two committeemen appointed earlier to find a building site, was authorized to negotiate for the purchase of the church property. His correspondence with Judge William T. Newman,²² Chairman of the church committee and with Paul S. Vose, a member of that committee, sums up the

negotiations.

October 13, 1916

“Mr. Paul S. Vose,
City

Dear Sir: I am authorized by the Federal Reserve Bank Board of Directors, to offer through you \$100,000 when you deliver an approved deed to the Church and lot located on the South side of Marietta St., known as the First Presbyterian Church.

Yours very truly

(Signed) J. A. McCrary, Committeeman”

“Mr. J. A. McCrary, Federal Reserve Bank Atlanta, Ga.

Dear Sir: I am authorized by the Board of Trustees of the First Presbyterian Church to state to you, in response to your offer above, that we will sell the property named for one hundred and two thousand five hundred dollars (\$102,500.00) cash, and will give you 24 hours within which to notify us of your acceptance or rejection of this offer.

Very truly yours

(Signed) Win. T. Newman, Chairman”

Since the Bank was actually willing to go as high as \$110,000, Judge Newman got a quick reply.

Oct. 14, 1916,
11:25 A.M.

“Judge Win. T. Newman, Chairman, Board of Trustees, First Presbyterian Church,
Atlanta, Ga.

Dear Sir: -

The written offer of the Board of Trustees of the First Presbyterian Church of Atlanta, Ga., submitted through you, as Chairman of the Board of Trustees, to Messrs. J. A. McCrary and L. P. Hillyer, directors of the Federal Reserve Bank of Atlanta, being a committee appointed to negotiate with your Board of Trustees; to sell the property on Marietta Street -known as the First Presbyterian Church property - for the sum of one hundred and two thousand and five hundred dollars (\$102,500); is

hereby accepted, subject to our approval of the title to the property, and we hereby pay you as Chairman of said Board of Trustees, the sum Of one hundred (\$100.00) dollars to bind this sale.

Respect fully (L. P. Hillyer, by J. A. McCrary,
(Director Federal Reserve Bank of
Atlanta

(Signed)

Committee (J. A. McCrary
(Director Federal Reserve Bank of Atlanta.

Approved:

M. B. Wellborn,
Chairman -Board of Directors

Jos. A. McCord,
Governor and Chairman Executive Committee

E. T. Brown
Member Executive Committee

Received One hundred (\$100.00) dollars in part payment in acceptance of
the within sale.

(Signed) Win. T. Newman,
Chairman - Board of Trustees;
First Presbyterian Church of Atlanta

Attest:

Paul L. Fleming, Secy."23

The Federal Reserve Bank of Atlanta had a building site.

NOTES

Chapter 5.

1. Helen Rex Keller, The Dictionary of Dates, 2 vols., New York, 1934, II, 292-294.
2. Garrett, Atlanta and Environs, II, 686.
3. Minutes, Directors, I, 74.
4. Minutes, Executive Committee, Jan. 25, 1916.
5. Minutes, Directors, I, 71.
6. Ibid., 89-90.
7. The Candler bank.
8. Minutes, Directors, I, 97.
9. Ibid., 78
10. Ibid., 87, 91.
11. Ibid., 69.
12. Ibid., 69, 93.
13. Ibid., 85.
14. Ibid., 97, 102.
15. Ibid., 90.
16. Minutes, Executive Committee, March 31, 1916.
17. Ibid., Dec. 30, 1916. The Second Annual Report, covering the year 1916, is missing from the Bank's files.
18. Minutes, Directors, I, 100
19. Ibid., 96.
20. Ibid., 78.

21. Garrett, Atlanta and Environs, I, 347, 948; II, 759.

22. Judge Win. T. Newman, was a colorful and useful Atlanta citizen. He was born in Knoxville, Tennessee, lost his right arm as a Confederate soldier at the Battle of Jonesboro in 1864 and settled in Atlanta in 1866. After a practicing law for 20 years he was appointed by President Cleveland in 1886, United States Judge for the Northern District of Georgia and served the office for 34 years. He died in 1920.

23. Minutes, Executive Committee, Oct. 14, 1916.

CHAPTER 6

1917

Nineteen seventeen was one of those crucial years in history, the events of which profoundly and permanently affected the lives of individuals and the operations of business and government.

On April 6 the United States became a fighting participant in World War I by declaration of war against Germany. On the 24th Congress passed the Liberty Bonds Act which authorized issuance of bonds for national defense - \$5 billion at 3½%. and an issue of short term notes of \$2 billion, of which \$3 billion were to be invested in bonds for the Allies. The first loan under this Act was made the following day - \$200,000,000 to Great Britain. It was followed during the remainder of the year by substantial loans to Italy, France, Russia, and Serbia.1

In May the Chicago Board of Trade suspended trading in May wheat, that commodity having reached an all-time high of \$3.25 per bushel. Other exchanges followed Suit. During the same month Secretary of the Treasury. McAdoo announced the First Liberty Loan of \$2 billion in 3½% convertible gold bonds.2

Mid June saw cotton reach 27 cents per pound on the New York Cotton Exchange, highest since 1871. At the same time Congress passed the War Appropriation Act which carried \$3,281,904,541.60 for Army and Navy war expenses. A week later, on June 21, the Federal Reserve Act was amended, establishment of branches authorized and regulations set up for admissions of state banks and trust companies, accounts, etc.3

In late September the Second Liberty Loan Act authorized the Secretary of the Treasury to borrow by certificates of indebtedness from \$2 billion to \$4 billion, and War Saving Certificates were authorized under this Act, on October 1, the second

Liberty Loan was offered, \$3 billion at 4% to run for 25 years. Two days later Congress passed a New War Revenue Act which provided for an increased income tax individual incomes, graduated excess on sale December 3, and on the 31st U. S. railroads were placed under government control.4

On the local front the wealthy founder of the Coca-Cola Company, Asa G. Candler, took office as Mayor. On May 21, clear and windy, Atlanta experienced its greatest conflagration since General Sherman left the city on his “march to the sea.” Two thousand homes and buildings were destroyed in the northeast section along Jackson Street and North Boulevard. Fortunately there were no casualties. The Peachtree Arcade was erected and production of the “Hanson Six” Atlanta’s only “native” automobile was begun. Following the declaration of war on April 6, local army, navy and marine recruiting offices were jammed with eager applicants anxious to get into uniforms. Ft. McPherson began to take on new life, and September 5 Camp Gordon out Peachtree Road of Chamblee opened its gates to the first of thousands of citizen soldiers.5

The Federal Reserve Bank of Atlanta began the year on January 11, by re-electing the following slate of executive officers:

Joseph A. McCord, Governor

M. W. Bell, Cahier

W. S. Graves, Assistant Cashier

W. H. Toole, Secretary

J. M. Slattery, Deputy, Secretary.

Hollins N. Randolph continued as General Counsel and M. W. Wellborn as Board Chairman and Federal Reserve Agent. A general schedule of salary increases was put into effect and, subject to approval of the Federal Reserve Board, that of the Governor was increased to \$10,000.6

Captain Charles A. Lyerly was unanimously elected as member of the

Advisory Council of the Bank for 1917, and the following Directors were named for the New Orleans Branch:

J. E. Bouden, Jr., Class "A" Director

H. B. Lightcap, "B"

Frank Roberts, "A"

Marcus Walker, "B"

Mr. Walker was designated as Manager at a salary of \$450 per month.7

As the year progressed number of key personnel changes took place and several actions affecting personnel were taken by the Board.

Assistant Cashier W. S. Graves resigned in April as did Director Dr. P. H. Saunders. Mr. Graves left to accept a position with the Pioneer Bank at West Palm Beach, Florida. His position was not filled pending the return of James B. Pike, who, it will be remembered, had been "loaned" to assist in the reorganization of the Heard National Bank in Jacksonville, Florida. Dr. Saunders' resignation as director of the Atlanta Bank was accepted with regret. He continued to serve the New Orleans Branch as a director for another month.8

At the June Board meeting Chairman Wellborn reported the election of Edgar B. Stern to fill Director Saunders unexpired term.9 Mr. Stern, a prominent young New Orleans business man, was born in that city in 1886. He had served as president of the New Orleans Association of Commerce during 1915. At the time of his election to the Atlanta Federal Reserve Board he was Treasurer, Lehman, Stern and Company, Ltd., of New Orleans.10

In Mid-September, at the suggestion of Chairman Wellborn, G. A. Hagan, of Anniston, Alabama, was employed as Assistant Auditor. October brought several changes. Warren H. Toole, an original Class "A" Director, who served also as Secretary

to the Board, resigned both positions on the 11th. Joseph M. Slattery, since August, Assistant Federal Reserve Agent assumed the additional responsibility of Secretary to the Board. manager of the Transit Department and the employment of an assistant manager for the New Orleans Branch, at \$3,600 per annum, was authorized.11

The Board vacancy created by Mr. Toole's resignation was filled, on December 14, by the election of Peter R. Kitties, of Sylvania, Georgia. Mr. Kitties was born in 1879, attended Screven County schools, Orangeburg Collegiate Institute and Mercer University. He had a varied business career as auditor, merchant and banker and was President of the National Bank of Sylvania at the time of his election to the Atlanta Federal Reserve Board. He had previously served the Bank as Auditor from Nov. 16, 1914 to February 12, 1915. Mr. Kitties continued to serve as a Class "A" Director until his death on January 18, 1926.12

In addition to personnel changes, the subject of salaries and compensation continued throughout 1917 to be a live topic of Board discussion and action. Certainly Chairman Wellborn must have been gratified by receipt of a letter dated March 12 from W. P. G. Harding informing him that the Federal Reserve Board had increased his salary to \$10,000 per annum.13 The increase, however, still left the Chairman shy the \$8,000 more he could have been making had he accepted the presidency of the First National Bank of Birmingham rather than the Federal Reserve appointment in 1914.14 In December the salary or retainer of General Counsel H. N. Randolph was increased from \$600 to \$900 per year.15

Meanwhile the salary situation as it affected employees earning less than \$100 per month was receiving attention. At the July meeting it was voted to recommend to the Federal Reserve Board that salaries of all employees receiving less than \$100

per month be given a 10 percent increase as a bonus and not a permanent increase, to be effective July 1, 1917. A total of 39 employees, earning from \$35 to \$90 per month were affected.¹⁶

It was felt, however, that a better defined salary policy for the Salaries, was appointed, composed of Directors Hillyer, Hartford and Foote.¹⁷

The Committee's report, dated December 14, 1917, forms and interesting commentary on the Bank's early compensation policy and is herewith quoted in full:

December 14, 1917

"Board of Directors of the
Federal Reserve Bank of Atlanta:

"Your Committee, appointed to investigate and make recommendations relative to the salaries of employees of this bank, (not officers) beg leave to report as follows:

"We talked with some of the officers, heads of departments and employees of the bank, and after this investigation and a full discussion of the matter, your committee find it impossible to make satisfactory detailed recommendations.

"We find some instances where some clerks deserve more consideration than other clerks doing the same class of work. We find that some are indifferent, and the opinion is expressed that it is immaterial whether they remain with the bank or not. Some have been with the institution a greater length of time than others and deserve a difference in consideration for loyalty and tenure of employment.

"The force is large, numbering 132, and there are many conflicting elements in fixing salaries.

"The work is divided in divisions, and in our judgment the conforming of salaries of one division to another should be left to the officers of the bank.

One tantalizing question encountered is that of the bonus being paid to certain employees. It appears that the bank is operating under a rule whereby certain

employees are paid a 10 percent additional compensation, increase seems to be merited, whereas in other cases no increase in compensation is warranted. The rule is applied without reference to merit or tenure of employment. It has caused considerable agitation and some dissatisfaction in the institution and it seems to us that this bonus system is wholly undesirable and should be abolished as of January 1, 1918.

“We think it is thoroughly in line for the bank to pay its employees a bonus, based upon equitable division, when the prosperity of the bank justifies it, but only under such conditions.

“Our recommendation, therefore, regarding the paying of a bonus would be that if a bonus is warranted, the officers of the bank make recommendations to the Board of Directors at the December meeting of each year; and that the Board take such action as the earnings of the institution shall justify. The bank should not obligate itself to pay any employee a bonus.

“Our recommendations regarding the establishment and adjustment of salaries, is as follows:

“We think it too cumbersome and unscientific to refer such matters to the Board of Directors. We further think it would be detrimental to the welfare of the institution for these matters to be handled in such a manner. We think the force should at all times be employed according to merit, and that employees should be impressed with the fact that their compensation will be based on the character of their services, and that the heads of their division and the officers of the bank are the proper judges of services rendered. We feel that any other system would prove prejudicial to that enterprise, initiative and courtesy which is necessary for the well being of the institution and the development of employees.

“Your Committee, therefore, begs to recommend that salaries of employees for the present and in the future be left to the Executive Committee for final adjustment.

(Signed)

Respectfully submitted"
L. P. Hillyer, Chairman
F. W. Foote
W. H. Hartford.¹⁸

At the same meeting, and following the submission of the above report the Board voted to present each employee of the Federal Reserve Bank of Atlanta at Christmas with the sum of \$10, as an honorarium.

The Bank's construction project went forward during 1917 and on the site of Atlanta's first store²⁰ a classic building began to rise. It started with a resolution by Colonel E. T. Brown at the January Board meeting, "that we erect a building on the lot-purchased by the Bank on Marietta Street, Atlanta, at a total cost not to exceed \$200,000, upon and with the approval of the Federal Reserve Board."²¹ Approval came, almost by return mail, though a ceiling of \$175,000 was placed on cost. Reserve Board Governor W. P. G. Harding's interesting letter on the subject follows:²²

FEDERAL RESERVE BANK
OF ATLANTA

FOOT-NOTE TO MINUTES OF DIRECTORS' MEETING FEBRUARY 8, 1917; being copy of letter from the FEDERAL RESERVE BOARD, WASHINGTON, dated January 22, 1917

"Mr. M. B. Wellborn, Chairman of the Boards
Federal Reserve Bank, Atlanta, Ga.

Dear Sir:

Your Deputy Chairman, Colonel E. T. Brown, called on the members of the Board a few days ago and presented plans for your proposed building and vault, and stated that the directors of the Federal Reserve Bank of Atlanta would appreciate a prompt ratification of the action taken and proposed to be taken by your Board.

The subject was referred to the Board's committee on operation of the Federal Reserve Bank of Atlanta and at the meeting of the Board this morning the report of the committee was adopted. I accordingly wired you as follows, which I now confirm:

Board will interpose no objection to expenditure not exceeding one hundred seventy-five thousand dollars for bank building, vault and equipment, provided five percent of cost of improvements be charged off as amortization annually for ten years. Letter follows.

It is proper to state that, while the Board probably would not have favored the purchase of the lot if it has been consulted in advance, it is willing, in view of the fact that the lot has been purchased, to take the position that it will interpose no objection to the expenditure of a certain sum by the Federal Reserve Bank of Atlanta for a bank building and vault substantially along the lines indicated from which we understand the improvements, including the vault, would cost:

with glazed terra cotta face	..\$155,000
with Indiana Limestone face.....	\$165,000
with marble face.....	\$180,000

The Board believes that this cost might be reduced without modifying the lines of the building by cutting out florid decorations, while fully maintaining the dignity, proportions and general style of the building, and suggested that it might be well for your architect to inspect the quarters recently fitted up for the Federal Reserve Bank of New York in the Equitable Building, in which space has been economized to a marked degree. The lobby as proposed in your plans is larger than that of the New York Bank and it seems to the Board that it is really larger than need be and valuable space wasted thereby. The sound-proof features of the typewriting rooms in the New York

bank are well worth considering, as they seem to add to the comfort and efficiency of those employed therein.

Therefore, after a careful consideration of the plans submitted, the committee on operations has recommended to the Board, and the Board has agreed, that no objection be made to the expenditure by the Federal Reserve Bank of Atlanta of not more than \$175,000. for building, vault and equipment complete, with the understanding that the Federal Reserve Bank of Atlanta shall amortize at least 5% per annum for a period of ten years of the total cost of the improvements.

It will be apparent to the officers and directors of the Federal Reserve Bank of Atlanta that the interest on the cost of the building, taxes and the amortization charge as suggested, will amount to more than the rent hitherto paid. The committee has therefore suggested, and the Board agrees, that every effort should be made before final contracts are let, to secure the applications for membership of some of your more important state banks. In the brief presented by Atlanta before the organization committee it was argued that many of the large state banks in Georgia would at once come into the system, but so far not one of them has. The argument has been made more recently that if the Federal Reserve Bank of Atlanta occupied its own dignified bank building, state banks would thereby be attracted and apply for membership.

The Board is of the opinion that now is the time, before it is made known publicly that the directors and officers of the Federal Reserve Bank of Atlanta have committed themselves to this large expenditure, to put every pressure upon prominent state banks to apply for membership rather than to take chances of their making such application after it becomes definitely known that the building is to be erected.

Yours very truly,
(Signed) W.P.G. HARDING,

Governor.”

On March 8, the Building Committee was authorized to employ an architect, a local man, if possible, to prepare plans for the bank building, vaults and equipment and, that the architect “be instructed to furnish plan of building to cost not to exceed \$170,000 on basis of material and labor in normal times, preceeding war.”23

At its July meeting the Board authorized Chairman Wellborn to employ Atlanta Architect A. Ten Eych Brown²⁴ as supervising architect in connection with construction of the bank vault on a basis of 5 percent commission on total cost - 3 percent to be paid on beginning of work and the balance on completion and acceptance.25

It will be remembered that in April and September, 1917, the First and Second Liberty Loan Acts were passe by Congress in order to meet expenditure for national defense.

At its May meeting the Directors of the Federal Reserve Bank of Atlanta took note in the form of a resolution:

“Resolved that the Executive Committee of the Federal Reserve Bank of Atlanta and the New Orleans Branch . . . in their respective territories be authorized in conformity and in compliance with the regulations of the Secretary of the Treasury, to arrange for deposits of public moneys arising from the sale of bonds, in such banks as are authorized by law; and to receive as security for said deposits the same class of securities as those received by the Treasury Department for the security of deposit of public moneys.”26

A month later the Directors voted that the Bank purchase \$25,000 Liberty Loan Bonds for purpose of resale to employees and others, such resales to be subject to the approval of the Executive Committee.27

Further action on the subject was taken in August when a Liberty Loan

Committee was set up composed of Mr. Wellborn as Chairman and Directors McCord and Toole as members. This committee was charged with full responsibility for the Liberty Loan bond department.28

During its early years of operation it was necessary for the Bank to take a firm stand on certain matters and thus establish policy. One such matter was that of deficient reserves on the part of certain member banks. After a report on the subject by Governor McCord at the April meeting, Director McCrary moved that “we refund all penalties charged up to March 1st, and that the Governor be authorized to make it plain to the offending banks that these amounts were rebated because it was the first offense, but that it would in no wise be observed in the future.”29

The organization of the Bank was streamlined in December by the organization of a Fiscal Agent Department embracing the Bond Issue Division, the Securities Division, the Conversion Division and the War Savings and Thrift Stamp Division. Assistant Cashier M. W. Bell was named Manager of the new Department.30

The By-Laws were changed in some respects during 1917. A November amendment provided for changing the title of the office of “Governor” to that of “President” and that of “Deputy-Governor” to “Vice President.”31

At the same time Section 3, of Article 3, relative to the duties of the Assistant Federal Reserve Agent, was amended to provide that he should function in the absence of the Federal Reserve Agent and perform such other duties as may be prescribed by the Board of Directors.32

The other 1917 By-Law change was made in December and changed that part of Section .3 pertaining to “Meetings,” to read: “There shall be a regular meeting of the Board every second Friday of each month, at 1 P.M., or if that day be a holiday, on the first preceding full business day.”33

As the Board of Directors finished its routine business on December 14,

1917, Governor W. P. G. Harding, of the Federal Reserve Board in Washington appeared and joined in a discussion concerning a report by Federal Reserve Board Examiners.

“He called especial attention to the necessity of a thorough and competent organization, and stated that while he appreciated the fact that the Federal Reserve Bank of Atlanta, in its early stages, on account of smaller revenues, had practiced very rigid economy, he now felt that this feature could be figured secondarily, and that service to our member banks, and not economy should be the current slogan.

“He called the Board’s attention to the new By-Laws governing branch banks,³⁴ and the advantages to be had by their adoption .

“Governor Harding also impressed upon the Board the necessity of adopting some remedy to reduce the ‘float’ of the Federal Reserve Bank of Atlanta, and stated that it might be well to extend the deferred credit to three or more days. He also called the attention of the Board to the report of the examiners, wherein it stated that the Credit Department was not in a satisfactory condition . . . Governor Harding said the law was plain, especially in regard to securing proper credit statements from member banks, and that the regulations must be enforced, and that the Federal Reserve Bank of Atlanta should not endeavor to popularize the institution by waiving the rules or regulations in this or other respects.”³⁵

Governor McCord’s narrative report covering 1917 operations of the Bank qualifies as an interesting chapter of its early history.

“Atlanta, Ga., January 10th,
1918

To the Board of Directors and Member Banks,

Sixth Federal Reserve Bank

Dear Sirs:

We herewith submit to you the Third Annual Report of the Federal Reserve Bank of Atlanta, covering the operations of the Bank from January 1, 1917 to December 31, 1917 . .

“On June 30, 1917, we paid a dividend for six months due to the shareholders from July 1, 1916 to December 31, 1916. On December 31, 1917, we paid a dividend for twelve months on all stock in this bank up to and inclusive of that date, thus paying to our shareholders or member banks, the dividends due them up to date. The profits arising in the bank during its operation for the year justified the payment of these cumulative dividends. In addition thereto we wrote off the depreciation of furniture and fixtures, paid all the expenses of operations, cost of printing and issuing Federal Reserve notes, and set aside a reserve for depreciation in addition thereto of \$24,909.00. After paying these dividends and setting aside these funds, there remained \$80,000 of net profits for the year’s operations, and under the law under which we operate one-half of this is set aside to our surplus account, being \$40,000, and the other half is paid into the Treasury of the United States as franchise tax to the United States Government.

“We are glad to be able to make this statement, considering the fact that our government has been at war with the Imperial Government of Germany since April of last year. During this time there has been floated two issues of government bonds, and this bank, both at the home office in Atlanta and the branch at New Orleans are highly pleased with the results obtained in this district in the way of subscriptions to said loans; and believe that the prosperous conditions that surround us at the present time and the immediate outlook for the future will justify a larger subscription to the anticipated loan that is near at hand.

“During the present year we have been of service to nearly all classes of banks. We have handled the farmer’s loans, loans of the stock raiser, we have taken

care of the agricultural interests and the manufacturers' interests, and then as these .crops float to the center, it has been our pleasure to take care of the commercial interests coming to us from the larger banks in the centers. We have also been of service of currency to handle the needs of the trade for the marketing of the crops and the handling of business conditions.

“The reserve position of the bank has been kept sufficiently strong to meet any reasonable emergency, and in addition thereto we have issued sufficient Reserve notes and possibly one of the largest issues of any of the twelve Federal Reserve Banks. These notes are largely secured by gold; in fact three-fourths of the issue is covered by actual gold in the hands of the Government, and the sale of the products from this section of the country brings to us exchange which is converted into gold reserve in the financial centers, relieving us of the outstanding liability on reserve notes, and creates a bulwark of strength in case there should come an immediate demand for credit in this district.

“We desire to express to our member banks our appreciation of their cooperation, and extend our best wishes for the coming year.

Respectfully submitted,
JOS. A. MC CORD,
Governor”

The Federal Reserve Bank of Atlanta thus entered the second year of American involvement in World War I in a prosperous condition and with bright hopes for the future.

NOTES

Chapter 6.

1. Keller, The Dictionary of Dates, II, 294-302.
2. Ibid.
3. Ibid.
4. Ibid.
5. Garrett, Atlanta and Environs, II, 697-720.
6. Minutes, Directors, I, 101-102.
7. Ibid., 102
8. Minutes. Directors, I, 109, 114; biographical records of the Bank.
9. Minutes. Directors, I, 113.
10. Who's Who in America, Vol. 31, 1960-61
11. Minutes, Directors, I, 122, 124, 128, 129, 140.
12. Ibid., 140; biographical records of the Bank.
13. Minutes, Directors, I, 109.
14. Hopkins, M. B. Wellborn, 73.
15. Minutes, Directors, I, 140.
16. Ibid., 118.
17. Ibid., 133.
18. Ibid., 138-139.
19. Ibid., 140.
20. The small general store of Johnson & Thrasher, opened in 1839 to serve the railroad builders.
21. Minutes, Directors, I, 103.
22. Copy in Minutes Directors, I, between pages 104 and 105.
23. Minutes, Directors, I, 107.
24. Anthony Ten Eyck Brown, noted Atlanta architect, was born in Albany, N.Y., in 1878. Came to Atlanta in 1905. Designed many notable local buildings including the Fulton County Court House, Peachtree Arcade, the old Criterion Theater, and the new Post Office at Forsyth, Hunter and. Spring Streets.
25. Minutes. Directors, I, 114.
26. Ibid., 112.
27. Ibid., 115.
28. Ibid., 122.
29. Ibid., 109.
30. Ibid., 137.
31. Ibid., 135. Apparently this amendment did not take effect since the titles Governor and Deputy Governor prevailed until 1935.
32. Minutes, Directors, I, 135.
33. Ibid., 138
34. Referring to June 21, 1917 amendment to Federal Reserve Act.
35. Minutes, Directors, I, 140-141.

Chapter 7

1918

As World War I reached its crescendo and then its end in 1918, the Country shifted to a spartan economy. With tight restrictions on food and fuel there were “meatless days” and “lightless days.” Sugar was rationed. Auto riding east of the Mississippi River, except for necessity, was discontinued and embargoes were placed upon rail freight shipments.1

In late March the Secretary of the Treasury announced the Third Liberty Loan, \$3 billion at 47.. The Fourth Liberty Loan was announced in July, and the Fifth in September. Meanwhile, in April, Congress created the War Finance Corporation, with capital stock of \$500,000,000 and power to issue \$3 billion in bonds, authorized to lend to banks to cover loans made to assist war industries, and to persons and corporations engaged in business necessary to prosecution of war. W. P. G. Harding, of the Federal Reserve Board, was nominated manager of the newly created corporation.2

During the spring and early summer of 1918 airplane mail service between Washington and New York and between New York, Boston and Montreal, was commenced. The Director-General of the railroads authorized 182 lines to expend \$938,000,000 during the rest of the year for repairs, equipment and improvements.3

On November 9 Herbert Hoover was directed by President Wilson to go to Europe and represent the United States in food relief organization. Two days later the Armistice was signed ending the war. Two million American soldiers were then in France. In early December Carter Glass, of Virginia, was appointed Secretary of the Treasury.4

Here at home, in mid-February, the banks comprising the Atlanta Clearing House Association instituted a service charge of 50~ per month for handling checking

accounts of persons and firms with average monthly balances of less than \$50. The street cars skip-stopped in order to conserve power; horses ceased to be a factor in the fire department and a Georgia State Department of Archives and History was created.⁵

Building operations went forward with the completion of the Transportation (Western Union) Building, the Cecil (Atlantan) Hotel, and Southern Railway's Peachtree Station. In May Navy Secretary Josephus Daniels, introduced by Governor Hugh M. Dorsey, delivered a patriotic address, while in the Fall a severe epidemic of Spanish influenza caused many premature deaths, particularly among soldiers at Camp Gordon near the city. The signing of the Armistice on November 11 was greeted with unrestrained joy and the victory parade next day was one of Atlanta's most colorful.⁶

General business and banking conditions during 1918, as seen by Bank Governor Joseph A. McCord, were described in his Annual Report for the year in the following language:

"Except for the construction of a number of large shipbuilding plants, the year did not record any new industrial enterprises, although there has been a vast enlargement of operations in old industries, especially in the iron, steel and coal fields. The most marked activity has been in the Birmingham manufacturing district and in the shipbuilding plants at New Orleans, Mobile, Jacksonville, Savannah, Brunswick, and practically every seaport town. In plants at these places there appears to be no lessening of activity since the signing of the armistice. War demands enlivened the lumber market, and with the opening of the sea traffic this trade as well as that in naval stores, has been taken on new life.

"Owing to the great yields and high prices for nearly all crops the producer finds himself in a strong financial condition. The cotton yields were larger than in 1917, and during the early picking season the prevalence of satisfactory prices enabled the disposal of such an amount of the crop as sufficed to liquidate pressing obligations, the

producers, however, depending on their better financial condition and improved food situation to enable them to carry their surplus crop for better prices. The end of the year finds prices lower than in the early season and the cotton holding movement largely in force. Cotton buyers are experiencing some difficulty in purchasing the staple at the prevailing prices, which are deemed to be too close to the cost of production. The banks have shown a general willingness to assist the farmer in carrying his cotton, though the producer has not found it necessary to borrow in great volume.

“Generally speaking, almost every line of business was handicapped during the year by a shortage of labor. The wages paid and the rules practiced with reference to compensation and overtime have somewhat demoralized labor for normal conditions. With the increase in progress in army demobilization there will be some relief, but with little or no immigration expected for some years, labor conditions are viewed as extremely uncertain.

“Little or no engineering or construction work was carried on after the United States into the war, even minor repairs and additions being largely restricted to essentials.

“There has been great diversification of farming operations, and practically all industrial plants show increased capacity and output and are in better position to supply the foreign trade. Shipping has begun to open up and there will be a gradual movement of raw materials, especially cotton, with larger demand and better prices.

“Collections were reported unusually good during almost the entire year, with monthly increases in bank clearings, railroad and post-office receipts.

“Interest rates for loans prevailing in financial centers in this district have increased somewhat. Rates for several years past have ranged from 5 to 6 per cent, but during the latter half of 1918 were advanced to 6½ and 7 per cent. These rates have advanced notwithstanding the increase in bank deposits...”

On January 25, 1918 the following officers of the Federal Reserve Bank of Atlanta were elected for the year:

Joseph A. McCord,	Governor
J. B. Pike,	Cashier
M. W. Bell,	Assistant Cashier
W. B. Roper,	Assistant Cashier
W. R. Patterson,	Assistant Cashier
Ward Albertson,	Auditor
G. A. Hagan,	Assistant Auditor. <u>7</u>

At the same time a letter was read to the Board from H. Parker Willis, Secretary, Federal Reserve Board, informing M. B. Wellborn that he was elected a Director of the Atlanta Bank for three years from January 1, 1918 and redesignated Chairman and Federal Reserve Agent for one year from same date.8

Captain Charles A. Lyerly, of Chattanooga was re-elected a member of the Advisory Board to represent the Sixth Federal Reserve District.9

Other changes affecting officers and Board members of the Atlanta Bank took place during the year. In August Director Edgar B. Stern resigned to accept an appointment as a Captin in the Ordnance Department of the United States Army.10 Mr. Stern's seat was not officially filled until December 13, 1918, at which time the Messrs. John K. Ottley of Atlanta and James E. Zunts, of New Orleans, were elected. At the same time J. A. McCrary, of Decatur, was re-elected a Class B Director."

The Board meeting of December 13, 1918 was also the last attended by L. P. Hillyer as a Class A Director, his term having expired. Director W. H. Kettig rose to the occasion. In an eloquent and fitting speech, and upon behalf of the entire Board, he

presented Mr. Hillyer with a beautiful loving cup. among the many compliments paid Mr. Hillyer by the speaker was praise for constant attendance. Since his election as an original director at the time the Bank was organized he had never missed a Board meeting. Both Governor McCord and Chairman Wellborn paid feeling tribute to their retiring associate.12

The two new Directors, J. K. Ottley and J. E. Zunts, were noted in the fields of banking, business and the law. Mr. Ottley, vice-president, but soon to be elected president (1919) of Atlanta's Fourth National Bank, was born at Columbus, Mississippi in 1868. Following youthful banking experience in St. Louis and Greenwood, Mississippi, he came to Atlanta in 1890 as assistant cashier of the American Trust & Banking Company, a Fourth National predecessor. By 1896 he had become cashier of the Fourth and ten years later one of its two vice-presidents. Mr. Zunts was also a native Mississippian, having been born at Canton in 1860. He was a Yale and Tulane Law School graduate; had practiced his profession in both New Orleans and Birmingham and was an officer and director of several insurance and industrial companies.13

At the September Board meeting the chairman read a letter from Paul M. Warbury of New York, who recently resigned as a member of the Federal Reserve Board. Long a key figure in the movement leading to the establishment of the Federal Reserve System, Mr. Warbury had written to express to members of the local Board his feeling of appreciation for their friendship and loyal spirit during his tenure.14

In November J. B. Pike was elected Deputy Governor of the Atlanta Bank at a salary of \$7500. There was some opposition to his election by Board members, some of whom thought the position should go to a Group-2 or Group-3 banker. Indeed a tie vote was had. Chairman Wellborn broke the tie in favor of Mr. Pike.15

December produced a number of official changes. In addition to the election

of Messrs. Ottley and Zunts to the Board, previously noted, Milton W. Bell was promoted from Assistant Cashier to Cashier. Warren H. Toole, a former Director, was designated as Manager, Fiscal Agent Department. Then, only two months after his election as Deputy Governor, J. B. Pike resigned, effective December 31, to accept a position with the National City Bank of New York.16

The general situation as to personnel was somewhat chaotic during 1918. The war called 23 employees to the colors. With numerous Army camps in the 6th district and a large volume of Government work under way, many employees were lured away by higher pay, thus handicapping the Bank's operations seriously. After the Armistice was signed on November 11, however, a number of old clerks returned to their positions and clerical service began to improve rapidly.17

The war year of 1918 saw much activity insofar as branch banks were concerned. Two were put into operation, one was authorized, others were considered, and the already established New Orleans branch had a busy year.

In January the following were elected Directors of the New Orleans Branch:

Frank Roberts,	Lake Charles, La.
J. E. Bouden, Jr.,	New Orleans, La.
H. B. Lightcap,	Jackson, Miss.
John J. Gannon,	New Orleans, La.

Marcus Walker was re-elected Manager for the year. At the same time the Federal Reserve Board authorized the employment of an Assistant Manager for New Orleans at \$3600 per year. After some discussion among Board members and by a vote of three to two, Joseph L. Campbell, Cashier of the Tennessee Hermitage National Bank of Nashville, was elected to the position. In May William H. Black was appointed cashier at New Orleans, while in September the salary of Manager Walker was upped to \$7500. In November Assistant Manager J. L. Campbell resigned and was made

Assistant Cashier in Atlanta in charge of the Discount and Credit Departments. William H. Black succeeded to the New Orleans Assistant Managership and was succeeded as Cashier by Lewis Buckner.¹⁸

Serious discussions relative to the advantages of establishing branch banks at Birmingham, Nashville and Jacksonville got under way at the March 1918 Board meeting. Delegations of bankers from both Birmingham and Nashville appeared with Oscar Wells as the spokesman for Birmingham and T. D. Webb for Nashville. Jacksonville's application was in the form of a telegram signed by seven of that city's banks. At the April meeting a strong delegation from Jacksonville appeared by invitation and, through Spokesman Cues Wilson, made a strong case for their city.¹⁹

Action taken during 1918 relative to branch banks is set forth in the Annual Report for that year in the following language:²⁰

"In addition to the branch already in operation at New Orleans, a branch of the Federal Reserve Bank of Atlanta was established at Birmingham, Ala., on August 1, 1918. Mr. A. E. Walker, formerly State bank superintendent of Alabama, was elected manager, and Mr. J. B. Cobbs was appointed assistant Federal Reserve agent. The entire clerical force consists of 15 employees, including the officers. The following members compose the board of directors of the branch: Messrs. W. H. Kettig, chairman; Oscar Wells, T. O. Smith; W. W. Crawford and John H. Frye, all of Birmingham.

"As of the same date a branch was established at Jacksonville, Florida. Mr. Ceo. R. DeSaussure, prominent for many years in banking circles in that city, was elected manager, and Ceo. R. Martin was appointed assistant Federal Reserve Agent. The entire clerical force consists of 16 employees, including officers. The branch board of directors is composed of Messrs. John C. Cooper, chairman; Edward W. Lane, B. H. Barnett, Giles L. Wilson, Fulton Saussy, all of Jacksonville.

"These branches are operated under the limited form of by-laws in force at

Pittsburgh and Cincinnati, providing for a daily settlement plan for the parent bank. All accounts with member banks in the zone covered by the branches are kept by the parent bank, the branches reporting to it by private wire daily both their immediate and deferred entries and the parent bank carrying the 'float.' The plan in operation has proven generally satisfactory to both the member banks in the branch zone and to the parent bank."

Quarters for the Birmingham branch were leased in the Jefferson County Bank Building²¹ at \$4800 per annum. The Jacksonville branch found sanctuary in leased space in the Atlantic National Bank Building.²²

Early branch office operations are epitomized in the following recollections of Henry Fraser, a pioneer employee of the Birmingham branch:

Functions of the Branch

"...At the time the writer was first employed, the Branch's services were limited to the handling of currency and coin, clearings, check collections and noncash collections. There were no provisions for safekeeping or special custody of securities for member banks, nor was a stock of unissued U. S. Government securities maintained.

"Member bank reserve accounts and all accounting functions were kept at the Head Office, with entries being wired in during the day. A transcript of the day's work was mailed to the Head Office each night.

Vaults and Equipment

"Since the currency vault was small, frequently unassorted one dollar bills were simply stacked on the floor, just inside the door of that vault.

"There was no coin vault per se. The safe deposit box vault was used for this purpose and coin was stacked on the floor around the inside perimeter of the vault. If the bags were not stacked properly, or if they were stacked too high, they would sometime topple over, thus commingling bags of various denominations.

"Shipments of unfit currency to the Treasury were cancelled one strap at a

time. The cancelling was done by placing the one strap of currency in a rectangular pan with a long handle that had part of the bottom removed to allow the punching and cutting blades to go through the strap and pan. The power switch to the machine would be turned on, then the pan would be inserted and a trip lever would be pressed which caused the punches and blade to descend at the same time. On the ascent the pan would be withdrawn and the operation repeated with another strap. This meant that on a shipment of say \$196,000 in ones the pan had to be inserted in the machine 1960 times.

“As there was no armored car service at that time, incoming and outgoing currency and coin shipments were transported the distance of seven blocks to the Post Office in a two-door Ford sedan owned by the assistant teller; he was paid a monthly rental for the use of his car.

Security Measures

“Security measures for the protection of money and securities as we know them today were almost non-existent. Only two persons served as guards, and one of them was the night guard.

“During the day when currency shipments were received from or dispatched at the post office, the day guard always accompanied the assistant teller on those trips. During these periods and the time when the day guard was at lunch, there was no guard on the premises. The door opening into the aisle behind the cages was always unlocked and so was the cage door at the entrance to , the money department.

“Except for upper and lower combinations on the vault doors, dual controls on currency and coin were not in effect then. When an order for currency was received, the teller typed the shipping advice, withdrew the money from the vault, and placed it in a large cage shared by the assistant teller and two assorters. The assistant teller alone packaged the money for shipment. Also he opened the incoming shipments with no one else present, and had sole custody of the coin vault, where he verified incoming coin

shipments when not engaged in other duties.

The feasibility of an agency of the Federal Reserve Bank of Savannah was brought forcefully to the Board's attention at its November meeting by Mills B. Lane,²³ representing the Savannah Clearing House Association. He emphasized the sizeable export business at Georgia's leading seaport and the large and sudden demands for money at certain seasons of the year. Mr. Lane stated that they would be satisfied with moderate quarters and that local banks would furnish vault space for the two or three million dollars of Federal Reserve notes he suggested be kept in Savannah.

The Board resolved that an Agency be established at Savannah, provided that satisfactory facilities be obtained and that operating expenses not exceed \$5000 per year. ²⁴ The Agency was not actually established until 1919.

War engendered matters received their full share of attention on the part of the Atlanta Bank during 1918. Indeed, in mid-1917 at a dinner of the Presidents' Club at the Piedmont Hotel, plans were laid to make Atlanta a \$10,000,000 stockholder of the government through Liberty Bond subscriptions. The job of selling bonds throughout the six-state Atlanta Federal Reserve District was placed under the direction of Board Chairman Wellborn and a Liberty Loan central committee consisting of William C. Wardlaw, Chairman; Mell R. Wilkinson, J. Epps Brown, Frederick J. Paxon, Ivan Allen, St. Elmo Massengale and W. H. Toole, of Winder, Georgia.²⁵

Apparently the Messrs. Wardlaw and Massengale devoted most of their time to the effort, for on June 14, 1918 the Atlanta Reserve Board adopted the following resolution:

"WHEREAS, the flotation of the first, second and third Liberty loans, it has been necessary to appeal to certain citizens in the Sixth Federal Reserve District to devote their time and talents to this great patriotic work, and
WHEREAS, Mr. W. C. Wardlaw and Mr. St. Elmo Massengale accepted the

appointment conferred upon them by Mr. M. B. Wellborn, Chairman of the Liberty Loan Coimnittee for the Sixth Federal Reserve District, and have devoted almost their entire time to this work;

BE IT RESOLVED, that the Board of Directors of the Federal Reserve Bank of Atlanta express their hearty approval and sincere appreciation of their unselfish and patriotic service rendered this institution in conducting The Liberty Loan campaigns,

BE IT FURTHER RESOLVED, that a copy of these resolutions be forwarded to those gentlemen, who have so earnestly and faithfully served us.”26

Governor McCord, in reporting on the Bank’s activities in connection with Liberty Loans, War-Savings Certificates and the War Finance Corporation during 1918, wrote:

“The flotation of the Liberty loans met with large success in this district. Many of the best and most conservative bankers felt fearful of the result of the second loan, but when the time arrived to offer it a largely increased number of subscribers was found. The third Liberty loan was taken by a number of purchasers, probably 200 per cent larger than the second loan, and the fourth loan showed a corresponding increase...

“The sale of war-savings and thrift stamps has been the occasion of a campaign of education. In the future stamps will probably be purchased as a mode of general saving. A total of \$13,390,829.69 in stamps were sold in the sixth district during 1918...

“Necessary machinery was provided for the handling of business incident to the War Finance Corporation, and a considerable amount of correspondence and literature found its way from the Federal Reserve Bank to the banks of the district. The need for such loans was not, however, as great in the sixth district as anticipated, and only one loan was made to a bank during the year. This was promptly liquidated at

maturity.”27

Chairman M. B. Wellborn felt very strongly on the Liberty Bond question. Indeed, The Atlanta Journal quoted him as telling the Atlanta Rotary Club that “the citizen who fails to purchase bonds, according to his means, is as much a slacker as the young man who shirks his military duty.”28

Another matter about which Chairman Wellborn had strong feelings at this time was the failure of state banks to come into Reserve System in substantial numbers. Starting with only one state bank as a member in 1914, the Atlanta district listed two in 1915, four in 1916, 18 in 1917, 54 in 1918 and 64 in 1919. This apathy disturbed the Chairman, who believed that the state banks would virtually defeat the purpose of the Federal Reserve, destroying its power to act as a cushion in times of panic, unless they joined in great numbers. His speeches and statements during the 1917 - 1920 period are especially significant when viewed in the light of subsequent events like the depression of 1920 --21, which he foresaw and the failure of a Georgia chain of state banks in 1926 which he did not foresee.29

In June 1918 Chairman Wellborn discussed at length a proposed drive for state bank membership. He told his fellow Board members that the drive would commence about July 1. While results were modest, gain over previous years was significant.30

In summing up the state bank situation at the end of the year Governor McCord wrote:

“The 54 state banks now members of the Federal Reserve System in this district have had an opportunity to test the practical value of membership and are distinctly satisfied with the result.

“In proportion to their number they have as liberally availed themselves &f the privileges of membership as have the national banks. This is evidenced by the

volume of discounts offered by them...

“By materially reducing their reserves they have increased their loaning power and are able better and more satisfactorily to serve the business interests of their respective communities. This means more business and more earning power for them and their stockholders and they have not been slow to avail themselves of the full advantage of doing more business and doing it with perfect safety.”31

On September 26, 1918 Congress amended the Federal Reserve Act by giving the Board discretion in grouping of member banks; changed the manner of the election of directors, and authorized issue of Federal reserve notes in denominations of \$500, \$1000, \$5,000 and \$10,000, the largest heretofore having been \$100.32

As to the Atlanta Bank’s activity during 1918 in connection with Federal Reserve notes and Federal Reserve bank notes, Governor McCord reported:

“The issue of Federal Reserve notes has been an important feature of the year~5 operations, due in large measure to the increased pay rolls and high cost of commodities. The statement of December 31, 1918 shows \$196,240,000 ‘Federal Reserve notes received from the Comptroller of the Currency,~ with ‘Federal Reserve notes outstanding’ in amount, \$123,620,285, as compared with \$66,867,420 ‘Federal Reserve notes outstanding,’ on December 31, 1917, or an increase of \$56,752,865.

“The power of issuing bond-secured currency is conferred upon the Federal Reserve Banks by the act as originally drawn, but it was not found necessary or desirable to resort to any large exercise of this power until this year. Accordingly, Federal Reserve bank notes were, not issued by the majority of the Federal Reserve Banks until June. On the 10th day of that month the first bank notes of the Atlanta bank were issued.”33

Throughout the first nine months of 1918 work went forward on the bank’s new home on Marietta Street. In March the Board approved installation of a Lamson

Pneumatic Tube System at a cost not to exceed \$6500.³⁴

That autumn, as the leaves began to turn and the Senate rejected the Woman Suffrage Amendment to the Federal Constitution, the Federal Reserve Bank of Atlanta forsook the second floor of the Hurt Building in favor of 104 Marietta Street and the new edifice a building for more than a year under the supervision of Architect A. Ten Eyck Brown.

In citing the event Governor McCord wrote:

“On October 1 the Federal Reserve Bank of Atlanta moved into its permanent home on Marietta Street. The building is a two-story structure, with commodious basement, being of reinforced concrete, with granite exterior, fireproof, and of thoroughly modern construction. While the new quarters are adequate for the bank proper at present, additional space will have to be provided in the near future, as the business of the institution is rapidly increasing and it is now necessary to operate the fiscal agent department in a nearby building.³⁵ Plans for the new building were drawn and excavation began in the late spring of 1917, and the growth of the institution has been more rapid than was anticipated. The building cost approximately \$150,000 and the vaults \$33,000.³⁶

A few details remained. On November 8 the Secretary of the Board called the members attention to the fact that there was need of the employment of a maid to be in charge of the ladies room. He also stated that a number of the employees brought their lunch and offered the suggestion that the Bank purchase a large percolator and furnish coffee, sugar and milk in order that the employees might have hot coffee with their lunch.

This idea struck the Board members favorably and they voted to instruct the Secretary “to proceed to make such arrangements and purchase such equipment as would be necessary to equip such a lunch room and rest room for the employees. The

maid referred to, to have charge of the lunch room as well as the ladies' room."37

At the same meeting Chairman Wellborn called the Board's attention to the need of enlarging the garage and building a porte-cochere over the right side entrance to the Bank. Action on this matter was postponed to the following year.38

Rapid growth of a relatively new banking operation in a wartime economy naturally resulted in some loose routine and less than perfect situations as epitomized in the following paragraph from the Board Meeting Minutes of Dec. 13, 1918:

"Upon invitation of the Chairman, Mr. John A. Will, Chief of the Federal Reserve Bank examiners, now conducting an examination of this institution, appeared before the Board. Mr. Will stated that he was very much disappointed at the conditions prevailing in certain departments of the Bank, especially the Discount and Credit Departments, and certain matters in the Fiscal Agent's Department. He stated he wished to assure the Board that his remarks were in the way of 'constructive criticism' for the good of the bank and the service. He stated further that the bank had never had a thorough systematic organization. Mr. McCord was present at the meeting and stated that the bank had experienced a great many difficulties through the loss of men going to war, and again on account of the influenza epidemic, and a continual change of employees. The Board thanked Mr. Will for his report and assured him that the matters referred to would be promptly corrected. He was requested to confer with the secretary; they to work out a more systematic plan of organization for operation of the Bank.39

Systematic operation or not, 1918 earnings of the Federal Reserve Bank were fine. For the six-month period ending June 30 they stood at 34 7/10 per cent, or \$511,250.40 Net earnings for the Atlanta Bank and Branches for the full year came to \$1,652,787.98 as compared with \$315,104.00 for 1917.41

A full six per cent dividend was declared upon the capital stock of the Federal Reserve Bank of Atlanta as of December 31, 1918, while a year-end bonus of

10 per cent was voted to each employee.42

All in all. It was a good year. Governor McCord, in summing up, said:

“The year 1918 has been the most momentous in the financial history of this district. Sudden demands occasioned by war conditions brought about rapid changes in financial and commercial activities. The financing of Government requirements and the war-savings campaigns brought the Federal Reserve Bank of Atlanta to the front in such a way that even that portion of the general public not actively engaged in business now fully realizes the worth of the Federal Reserve System.43

NOTE S

Chapter 7

1. Keller, Dictionary of Dates, 303 - 310.
2. Ibid.
3. Ibid.
4. Ibid.
5. Garrett, Atlanta and Environs, II, 727 - 749.
6. Ibid.
7. Minutes, Directors, I, 142.
8. Ibid.
9. Ibid.
10. Ibid., 188.
11. Ibid., 189.
12. Biographical Records of the Bank; Atlanta City Directories, 1890 - 1919.
13. Minutes, Directors, I, 173.
14. Ibid., 183 - 184.
15. Ibid., 185; The 6-F Journal, Dec. 1921, p. 6.
16. Annual Report, 1918, p. 19.
17. Minutes, Directors, I, 142, 143, 156, 175, 179, 183.
18. Ibid., .148, .153.
19. Page18.
20. Now known as the Corner Building.
21. Minutes, Directors, I, 166, 168.
22. Father of Mills B. Lane, Jr., present (1964) President of the Citizens & Southern National Bank.
23. Minutes, Directors, I, 181.
24. Garrett, Atlanta and Environs, II, 716 - 717. As of 1918, Mr. Wardlaw was secretary-treasurer Robinson-Humphrey-Wardlaw Co.; Mr. Wilkinson, president, Ashcraft-Wilkinson Co.; Mr. Brown, first vice-president, Sou. Bell Tel. & Tel. Co.;

Mr. Paxon, secretarytreas. Davison-Paxon-Stokes Co.; Mr. Allen, sec. & treas. Fielder & Allen Co.; and Mr. Massengale, president, Massengale Advertising Agency.

25. Minutes. Directors, I, 159 — 160.
26. Annual Report, 1918, pp. 14 - 15.
27. Hopkins, M. B. Wellborn, 79.
28. Ibid.
29. Minutes, Directors, I, 160.
30. Annual Report, 1918, p. 12.
31. Keller, Dictionary of Dates, II, 310.
32. Annual Report, 1918, p. 16.
33. Minutes, Directors, I, 149.
34. Third floor, Rhodes Bldg., 78 Marietta St.
35. Annual Report, 1918, pp. 20 — 21.
36. Minutes. Directors, I, 183.
37. Ibid.
38. Ibid., 185.
39. Ibid., 166.
40. Annual Report, 1918 ,p. 25.
41. Minutes. Directors, I, 187, 188.
42. Annual Report, 1918, p. 5.

Chapter 8

1919

The war to end all wars and make the world safe for democracy had ended. President Woodrow Wilson began his losing fight for a League of Nations and suffered the stroke from which he never fully recovered.

In early January Herbert Hoover was appointed head of an international relief organization to minister to liberated and enemy countries. Three days later former president Theodore Roosevelt died at home in Oyster Bay, N. Y. The Grand Canyon National Park in Arizona was created in February and in mid-March the American Legion was informally organized in Paris, France.

During April the Fifth (victory) Loan was announced by the Secretary of the Treasury and Frank W. Woolworth, originator of the five and ten cent store died. July 1 saw the public debt at an all time high of \$25,482,034,418. On the glorious fourth Jack Dempsey won the heavyweight boxing crown from Jess Willard at Toledo, and on the last day of the month the telephone and telegraph systems were returned to private ownership. On the same day a committee was appointed by the Cabinet to investigate the high cost of living, which incidentally, had advanced more than 80% since 1914. It was to rise another 5.87. between July and December 1919.

The year saw the death of two builders of the country's steel industry-- Andrew Carnegie in August and Henry Clay Frick in December. High society was enlivened in November by a visit to this country of the then young and very eligible Prince of Wales.¹

During the last four months of 1919 the Federal Reserve Act was amended three times. On September 17 to allow banks to invest in stock of corporations engaged in financing exports; on October 2 to provide that national banks might lend to the extent of 25% of their capital and surplus instead of 10%. on shipping documents, warehouse

receipts, etc., based on cotton and livestock under certain specified conditions; and, on December 24, to allow organization of corporations to extend credit in Europe to stimulate export trade.2

On the local front James L. Key began his first term as mayor of Atlanta. A consummate politician, he was destined to serve several intermittent terms ably, including most of the depression years of the 30's. The Victory Loan exceeded its Local quota of \$11,000,000 by \$350,000 under the leadership of Forrest Adair and the untiring efforts of the Atlanta Chamber of Commerce.3

While national suffrage for women did not come to pass until 1920, Atlanta women received the franchise locally in 1919. On April 6 the new sanctuary of the First Presbyterian Church of Peachtree and Sixteenth streets was dedicated. Its historic and longtime Marietta Street, location had become the site of the Federal Reserve Bank of Atlanta. In the early fall one of the largest commercial transactions in Atlanta's history and one of the largest in the entire South, before or since, was consummated when the Coca-Cola Company was purchased from the Candler interests on September 12. The sale, representing a consideration of \$25,000,000 was spearheaded by the Trust Company of Georgia. The Company was reorganized under a Delaware charter and its stock was made available to the general public at an initial price of \$40 per share.4

That the Federal Reserve Bank of Atlanta had a lively post-war year during 1919 is indicated by the opening paragraphs of the Chairman's Fifth Annual Report:

"In many respects the year 1919 has been more remarkable than any preceding year. The operations of the Federal Reserve Bank of Atlanta during the period of readjustment since the Armistice and for the year 1919 have been more active than during the war period of 1918. The expansion in all lines has made heavy demands on the banking interests, which, in part, have been met by the increased deposits of banks,

while it has been left for the Federal Reserve Bank of Atlanta to make up the deficiency, resulting in increased loans to and rediscounts for member banks over the amounts held during the latter months of 1918 and the early months of 1919.

“The increase in government secured obligations ~s due partially to the flotation of the Victory Loan and partially to a general demand for commercial, industrial and agricultural purposes, the banks using their Government collateral for these purposes in order to secure the lower rate of discount. The demand from the member banks for other classes of discounts is attributed to business expansion and higher prices rather than to a speculative demand, which so far has been observed, is negligible throughout the district.

“During the month of December there was considerable liquidation by the members of this district, resulting in increased reserves for the Federal Reserve Bank of Atlanta, and placing it in a position to rediscount for other Federal Reserve Banks.

“The increase of nearly every item on the balance sheet for 1919 is an indication of the increasing use by member banks of the facilities offered by the Federal Reserve Bank of Atlanta...”⁵

During the Directors’ meeting of January 10, 1919, M. B. Wellborn was redesignated as Chairman and Federal Reserve Agent, J. M. S]Lattery as Assistant Federal Reserve Agent and Joseph A. McCord as Governor. At the same time 14. W. Bell was elected Cashier and W. B. Roper, J. L. Campbell, W. R. Patterson, R. A. Sims and Creed Taylor, Assistant Cashiers. Ward Albertson continued as General Auditor and Captain Charles A. Lyerly began his last year as a member of the Advisory Council for the Sixth Federal Reserve District.⁶

The year was soon to see some significant changes in the directorate and official family of the bank.

From the time the Bank opened in 1914, the official relationship between

Chairman Wellborn and Governor McCord had not been altogether smooth. It was characterized, in fact, by considerable maneuvering for position.

The office of Chairman and Federal Reserve Agent was specifically stated in the original Federal Reserve Act. The title "Governor" was not mentioned in the law. The framers of the Federal Reserve Act apparently intended that the Chairman, appointed by the Federal Reserve Board would be the principal executive officer as well as the official representative of the Federal Reserve Board. The directors appointed the Governor who, in practice, became the active head of the Bank.

The Chairman, under the original system, was (a) Federal Reserve Agent, and (b) Representative of the Federal Reserve Board. In order to carry out these duties, he had jurisdiction over the following departments: Note Issues, Reports, Member Bank Relations, Bank Examination and Auditing. He was also responsible for presenting a monthly report to the Federal Reserve Board on general business conditions in the District.⁷

The Governor, according to the Bank's By-Laws, had general charge and control of the business and affairs of the Bank, in addition to being Chairman of the Board's Executive Committee. He prescribed duties for all subordinate officers and could suspend or fire employees.

The Governor's salary at 10 of the 12 Reserve Banks was higher than the Chairman's. At Richmond and Kansas City they were equal. In Atlanta, in 1915, the Governor got \$9000 and the Chairman \$7500.⁸

M. B. Wellborn had served the Bank as Chairman since its opening. In addition to being an experienced and able banker he was ambitious and a man of strong character. As the years passed he realized that the chief office was going to be Governor rather than Chairman. In this realization he was influenced by Governor Benjamin Stron~ of the Federal Reserve Bank of New York. Paul N. Warbury

characterized Governor Strong as “the prototype of splendid men who, with utter disregard of self, give their lives and souls to the task of making our Federal Reserve System an efficiently and harmoniously functioning organization...”⁹

As a matter of fact the circumstances under which Mr. Wellborn agreed to come with the Bank in 1914 were such as to lead him to the conclusion that he was slated for the key post. It is not surprising, therefore, that he and Governor McCord were often sparring for position. There was no open enmity. Mr. McCord was a few years older and, having started life in a humble station and risen to high business position his ambition was not a fire. He was a mellow, friendly man and soft-hearted to the extent of being easily moved to tears.

In addition to his close friendship with the influential W. P. G. Harding of the Federal Reserve Board, Mr. Wellborn had more friends and allies on the Atlanta Board and thus more influence with the group.¹⁰

The upshot of the matter was that effective March 1, 1919 the Messrs. McCord and Wellborn swapped jobs. The machinery was set in motion at the Directors’ Meeting of February 14 at which time Mr. McCord tendered his resignation as Governor and Mr. Wellborn his as Chairman and Federal Reserve Agent. They were immediately designated Chairman and Governor respectively, effective March 1.”

W. P. G. Harding was present at the meeting and remarked, to quote the Minutes, “that he wished to emphatically state that the Governor is the recognized head of the Federal Reserve banks; for the reason that the Federal Reserve Board did not wish to assume any of the responsibilities of the operation and management of any Federal Reserve Bank, through their Federal Reserve Agent.”¹²

Following Mr. Harding’s remarks short talks were made by all of the Directors pledging their most loyal and hearty support of the incoming Governor and expressing their pleasure at Governor Harding’s presence.¹³

At the same meeting Louis C. Adelson was appointed Deputy. Governor of the Bank at \$7500 per annum. The appointment was strongly recommended by Mr. Wellborn. J. M. Slattery was elected secretary of the “ Bank at \$5000 per annum and was continued as secretary to the Board of Directors.14

The new Deputy Governor, Mr. Adelson, was born in New York City in 1888 and moved shortly afterward to Birmingham, Alabama, where he resided until August 1914. He was connected with the First National Bank of Birmingham from 1905 to 1914, at which time he went to Washington as Secretary to W. P. G. Harding, an original Federal Reserve Board member. He remained with Mr. Harding until July, 1915 when he was appointed Federal Reserve Examiner. This was followed in November, 1917 by an appointment as Assistant Director of the Division of Foreign Exchange of the Federal Reserve Board. In May, 1918 he was appointed Assistant Secretary and Assistant Chief of Division of Examination, Federal Reserve Board, in which capacity he served until elected Deputy-Governor, Atlanta.15

As the year progressed other official changes were made in the Atlanta Bank. H. P. Coniff, Assistant Auditor, was elected Assistant Cashier and assigned to the Fiscal Agency Department. At the same time, March 14, Creed Taylor was made General Auditor, at \$4000 per annum, and Ward Albertson, Assistant Federal Reserve Agent at the same salary.16

Director John K. Ottley was designated Governor pro tempin April, to serve in the absence of both the Governor and the Deputy Governor. James E. Zunts resigned from the New Orleans branch board in June and from the Atlanta board in November. He was succeeded by Leon C. Simon of New Orleans.17

Mr. Simon, a wholesale hat merchant, was born in 1876. He served as President of the New Orleans Progressive Union .and as first President of the New Orleans Association of Commerce which succeeded it. He was the organizer of a

movement to create a College of Commerce and Business Administration as part of Tulane University and director of the first board of guarantors of this college. As Director for the Gulf states, he served the Chamber of Commerce of the United States until 1917.

The Birmingham Branch Directorate for 1919. was comprised of T. O. Smith, W. W. Crawford, John H. Frye, W. H. Kettig and Oscar Wells. A. E. Walker was re-elected Manager.18

The Jacksonville Board comprised Edward W. Lane, Brian H. Barnett, Giles L. Wilson, John C. Cooper and Fulton Saussey. George R. DeSaussure was re-elected Manager.19

New Orleans began the year with Frank Roberts, of Lake Charles, La.; J. E. Bowden, Jr., New Orleans; H. B. Lightcap, Jackson, Mississippi; James P. Butler, Jr., vice J. J. Grannon, resigned; James E. Zunts, New Orleans; A. P. Bush, Mobile, and P. H. Saunders, New Orleans. Marcus Walker was re-elected Manager.20 During the year some changes took place on this Board. James E. Zunts, as previously noted, tendered his resignation in June. Mr. Butler resigned in August. They were succeeded by L. 14. Pool and R. S. Hecht, the latter, President of the Hibernia National Bank.21

The scope of operation of the Federal Reserve Bank of Atlanta was considerably enhanced during 1919 by the establishment of an Agency22 at Savannah, Georgia, and a Branch in Nashville, Tennessee.

The Savannah Agency, opened on February 5, was in large measure, a tribute to the importance of that city as a port for the export and import of goods. During January Chairman Wellborn, Governor McCord and Directors Kittles and McCrary: as a committee, made a trip to Savannah to consult with local bankers. The Savannah banks agreed to furnish offices in the Merchants National Bank Building rent free and to absorb any expense over \$5000 per annum in connection with the Agency. The latter

agreement was waived by action of the Atlanta Board in December.²³ R. J. Taylor, formerly connected with banks at Savannah and afterwards cashier of a bank in nearby Guyton, Georgia, was appointed manager of the new Agency, and R. N. Groover, also formerly of Savannah banks, was named assistant manager. As originally established the functions of the Agency were limited to the furnishing of currency to Savannah member banks, receipt of currency and deposit from Savannah member banks, and the holding of collateral pledged as security to bills offered to and under rediscount with the parent bank.²⁴

The opening of a Branch in the City of Nashville was a result of much study by the Atlanta Bank Board and long-standing pressure on the part of member banks in Nashville. The new facility opened on October 21 in the Fourth & First Bank Building under the direction of Bradley Curry,²⁵ manager, Joseph B. McNamara, Cashier, and W. T. Tyler, Assistant Federal Reserve Agent.²⁶

The original Board of Directors for Nashville was comprised of W. H. Hartford, Chairman; Paul 14.. Davis, James E. Caldwell and E. A. Lindsey, all of Nashville, and T. A. Embry, of Winchester, Tennessee. By the end of the year the Branch had 23 employees in addition to the officers. Its assigned territory comprised that part of the State of Tennessee located in the Sixth Federal Reserve District, with the exception of the City of Chattanooga. The plan of operation was identical to that of the Birmingham and Jacksonville Branches, the accounts of all member banks in its zone being carried on the books of the parent bank, and all entries relating to transactions consummated being handled promptly over private telegraph wires.²⁷

Incidentally there had been much discussion during the Fall of 1919 relative to the opening of an Agency in Chattanooga. The matter was urged largely by the Clearing House of that city. It was decided, however, not advisable to establish such an agency since the close proximity of Chattanooga to Atlanta made service from the

parent bank entirely feasible.28

A number of matters concerning policy and other important aspects of branch operations were resolved during the year. In February permanent quarters were secured for the Jacksonville Branch under a ten-year lease in the Heard National Bank Building.29

In June the New Orleans Branch purchased the Commercial National Bank Building in the square bounded by Carondelet, Common, Baronne and Canal Streets for ~236,250. The building was then leased to the Commercial National Bank for a period ending July 1, 1920 at a rental of 5% of the purchase price per annum. Meanwhile the Branch was authorized to move from the Hibernia Bank Building to the building occupied by the United States Trust and Savings Bank.30

Though the above transaction in New Orleans had the full approval of the Atlanta Bank Board, a contrary policy was adopted in December in connection with the Jacksonville Branch. The Directors of that Branch appointed a committee to investigate the purchase of a lot upon which to erect a building. This action inspired the following resolution, introduced by Colonel Edward T. Brown:

“RESOLVED, That the Directors of the Jacksonville Branch Bank be notified that it is not the policy of the Parent Bank to approve the purchase of lots or the erection of buildings for any of the Branch Banks or Agencies, and

“BE IT FURTHER RESOLVED, That the said Directors of the Jacksonville Branch Bank be requested not to consider the purchase of any lot or building, but to consider only the renting of proper quarters for said Branch Bank, and

BE IT FURTHER RESOLVED, That a copy of these resolutions be sent to all Branch Banks and Agencies.”31

The Directors themselves became the subject of several of their own actions during the year. In January an organization chart for operations of the Atlanta Bank was

adopted and copies sent to proper officers. In February the By-Laws were amended so as to provide for regular Board meetings the second Friday of each month at 10 o'clock, a.m. An expense account schedule for Directors was voted in April providing for hotel bill, \$3.50; meals, \$3.75, and incidentals, \$2.00 per day. At the same meeting the Atlanta Board members heartily approved a communication from Governor Harding, the gist of which was "that no Director of a Federal Reserve Bank or Branch shall permit a reference to his connection with the Bank to be used for the purpose of aiding or promoting his private business connections."32

Employee amenities were not overlooked in 1919. In March former Director W. H. Toole appeared before the Board as representative of the Federal Reserve Bank Club of Atlanta. He stated the aims and hopes of the organization and asked that the Board vote the Club \$1,000 and allow all protest fees and money from the sale of waste paper to go into the Club fund. The Board, upon motion of Mr. Ottley, voted to donate the cash requested but declined to allocate protest fees or funds from sale of waste paper. It was the opinion of the Board that all money so accruing should be a part of the Bank funds.33 In November the Board approved an expenditure of \$250 per month by the Club for the publication of a magazine, the same to be of an educational nature and for distribution to Club members and member banks.34

The matter of overtime work was settled by an enunciation of policy at the June meeting of the Board. In connection with proposed overtime of the Jacksonville Branch, the Board said: "The Federal Reserve Bank of Atlanta is opposed to the practice...it being preferable to employ a sufficient force to do the work within reasonable hours."35

As the year closed, however, the Board took cognizance of a steady increase in the cost of living during 1919 and voted a general salary increase for officers and employees of both the Atlanta Bank and all Branches.36

As already noted, the Bank had no sooner occupied its new home on Marriette Street in 1918 than growing pains were felt. The ambitious building plans of 1917 had proven less than adequate for even two years of growth.

Indeed, before 1918 was out discussions were had relative to the building of a porte cochere at the side entrance and enlargement of the garage. The matter was postponed to 1919 and came up at the January 10 Board meeting. It was decided that it would probably be only a short time before present quarters would be crowded and that a broader plan--an extension of the building would be feasible. A committee consisting of Directors McCrary, Ottley and Foote was appointed with instructions to study the matter and report at the next meeting.³⁷

It was not until June that the committee was able to make a comprehensive report. Plans, as drawn by Architect A. Ten Eych Brown, provided for an additional story on the present building, containing new directors' room, committee rooms, space for auditors, files, etc. Also a three-story and basement building in the rear with space for currency, transit, fiscal and discount departments, files, rest room, cafe, etc. Construction called for reinforced concrete frame and floors with fireproof windows. A new elevator and garage were provided. Cost, including Mr. Brown's fee came to slightly over \$200,000. A contract was let on June 27, 1919, though the "annex," as it was called, was not completed ³⁸ until the summer of 1920.³⁸

The operation of the Bank and its Branches during 1919 produced a splendid earnings record. Total resources at the close of business, December 31, 1919 stood at \$76,447,455.27, a 37% increase compared with 1918. Practically all items on the statement of condition showed an increase.³⁹

Gross earnings from the principal sources of revenue for 1919 were up 92%, or \$2,122,942.71 over 1918, while total expenses increased only 52%, or \$331,946. After deducting all expenses, dividend payments and amounts authorized by the

Federal Reserve Board to be reserved, \$3,185,000 was carried to surplus fund--an increase of \$1,715,000, or 116% over the previous year.40

Membership in the Federal Reserve Bank of Atlanta fluctuated somewhat during 1919. As the year began National bank membership was 372. During the year 13 new National banks came in and 22 withdrew by liquidation, resulting in a net loss of nine. Of the 13 additions, eight were new banks and five were state banks converted into National banks. The decrease of 22 National bank members was accounted for by one liquidation, one absorbed by another National bank, eight absorbed by State banks and 12 succeeded by State banks.41

During the year a special effort was made to increase state bank membership. Cashier N. W. Bell devoted considerable time making personal calls for that purpose throughout the District. Results were modest. Mr. Bell report cited two primary reasons why state banks did not come in with more alacrity--loss of interest on balances and on account of exchange.42

Even so, the year produced a net gain in state bank membership. As 1918 ended there were 54 State banks and Trust company members. During 1919 there were 16 additions to membership and six withdrawals for a net increase of 10. Fifteen of the State bank admissions were new members and one was the result of two State bank members consolidating. Besides the two banks reported as a consolidation, one was absorbed by a National bank and three withdrew from membership.

Chairman McCord, reporting further on the subject of membership said:

“Practically all of the largest State banks and Trust companies in the District are now members, there being only one bank in the District with a capital and surplus of \$1,000,000 or more that is not a member. There seems to be an increasing disposition on the part of other banks to apply, and it is expected that the membership will be considerably increased during the ensuing year. There were no failures among the

membership of the Federal Reserve Bank of Atlanta during 1919.⁴³

It was noted early in this chapter that the Federal Reserve Act was amended on October 2 so as to permit national banks more leeway in making loans- -from 10% to 25%. of their capital and surplus--under certain conditions.

The Atlanta Bank went on record in favor of this legislation by resolution dated June 13:

“Whereas National Banks frequently complain that the present statute fixing 10 per cent of capital and surplus as the maximum amount that can be loaned to one individual, firm or corporation causes them great inconvenience, and seriously militates against their best interests, and the: best interests of their communities, in the matter of handling the cotton crops, and

Whereas, it has been shown that State banks with which they are in competition enjoy much larger privileges in this regard, being permitted to loan 25 per cent of capital and surplus on cotton, and

Whereas, this question involves the public welfare, and

Whereas, the large increase in the value of agricultural products accentuates the importance of this question;

Therefore, Be it Resolved that we call attention of the Federal Reserve Board to these facts and conditions, and suggest that they in their discretion take steps to cause suitable legislation to be enacted that will enlarge the powers of National Banks to make loans on readily marketable staple .“⁴⁴

The various functions of the Bank moved along briskly during 1919. Discount operations were very active, with more than 200 out of 427 member banks in the District having paper under discount at all times. Trade Acceptances were generally used throughout the District, their use becoming broader as business interest recognized the advantage of securing acceptances in settlement of shipments, instead of opening bank

accounts and giving future dating.45

The close of the-year found the Bank's reserve position strong, enabling it to comfortably care for the essential needs of its own member banks, as well as to give aid to other sections of the country, if necessary.46

Fiscal Agency operations of the Bank, though reduced in total volume as compared with 1918, due primarily to the partial cessation of government financing by the flotation of bonds, coincident with the demobilization of the army and navy and conversion to peace were, nevertheless, large in total volume. They showed unmistakably that the banks and the people of the Sixth Federal Reserve District stood squarely behind the government in supporting its program for raising funds necessary to meet the obligations incurred in the prosecution of the war.47

The average circulation of Federal Reserve Notes during 1919 had been greatly in excess of any previous year, due primarily to business expansion, high prices, high wages, and larger amounts of till and pocket money.48

The subject of "par clearing" came up for warm discussion during the December 11 Board meeting. While the Federal Reserve Act provided for "par clearing and most Federal Reserve Banks had made rapid strides toward putting their districts upon a par basis, the Atlanta Bank had not kept pace. Some of the local Directors declared themselves in favor of par clearing, others not. Since, however, sentiment in favor had been strongly urged at a recent conference of Federal Reserve Agents and Governors, the following resolution was unanimously passed:

"BE IT RESOLVED: That the Board of Directors of the Federal Reserve Bank of Atlanta does hereby instruct the officers of the Bank to adopt such plans and incur any necessary expense in order to effectively arrange for the par clearance of checks and drafts drawn upon present non-par remitting banks payable upon presentation, received upon deposit by the Federal Reserve Bank of Atlanta."49

As the year ended Chairman McCord, in commenting generally on business and banking conditions, said:

“The month of December brings to a close a year of remarkable commercial activity and expansion in the District. The transition from a war footing to a peace basis, while it has been marked, has taken place with comparatively little disturbance. There was some uncertainty in the early months of the year occasioned by the cancellation of Government contracts and orders, but the attention of business was at once turned to the general trade, and for several months now manufacturing plants and jobbers have experienced difficulty in filling orders as rapidly as received...

“While peace has not been officially declared, there has been a good foreign demand for our raw and manufactured products, as well as foodstuffs, until more recently when the decline in foreign exchange has had the effect of somewhat curtailing this demand. Nevertheless, it has had the effect of reducing our supplies and correspondingly increased prices with the result that very few articles have escaped the general rise in prices...

“Bank clearings at the principal cities of the District have consistently shown increases from month to month over those for the same periods of 1918, and collection conditions have been reported as good throughout the year...

“It is undoubtedly true that the average individual has had more money this year than ever before, and while savings deposits have increased, the individual has spent money unrestrainedly, and for more expensive things, than ever before. The business in automobiles, jewelry, fine furs and expensive clothing exceeds that of any previous year...

“There has been a continuous and strong demand for money, both for investment and regular pursuits, with a slight easing off the latter part of the year. In some instances those banks in the District which have had a surplus of funds have kept

them employed by the purchase of open market paper. There has apparently been no tendency to increase rates of discount throughout the District, but, if anything, there is more of a disposition to reduce rates. As a whole, however, throughout the year they have remained practically normal.”50

In lighter vein are the recollectiOn of retired Vice President V. K. Bowman, who, writing in 1963, remembered 1919 as a young clerk in. the Bank:

“At the close of World War I clerical help was nearly impossible to obtain or retain. As a consequence we started work at 8:30 a.m., and rushed to finish the day’s work in. time to catch the last street car of the evening. P. L. T. Beavers was in charge of the Discount Department at that time and it was my responsibility to see that the rediscounts were properly typed on the ‘flimzies’ and on the large sheets making, up the permanent discount records. Normally the notes were not delivered to the typing unit until around 4 p.m., and it was rush, rush, rush to get the work completed, checked, balanced and filed.

“You had a wonderful feeling all during 1919 when you could pause, grab your hat and run down the street to a ‘hash joint,’ located on the original site of the Pulton National Bank building51 to get a big lunch for 25 or 30 cents around 4 p.m. A sandwich or apple around 8 or 9 o’clock was your last meal for the day.

“Reminded again and again by the bank management of the statement of Federal Reserve Board member, Col. James,52 of the state of the economy, particularly in the South, as more money was leaving the State of Arkansas each year for the purchase of automobiles than the total value of its cotton and rice crops...”

As the World War I decade ended the role played by the Federal Reserve System during the period can be briefly summarized.

When the Reserve banks opened their doors in 1914, in make-shift quarters, war had begun in Europe but had not yet become the World War with the United States

as a participant. During the intervening period, before the United States declared war, organization problems were dominant and the necessity for determination of national credit or monetary policies did not seem to be pressing. The reduction of statutory bank requirements had eased the credit situation. But with this Government's declaration of war in 1917 came the first great problem of Treasury financing confronted by the System. It was met by liberal discounting for member banks and preferential treatment of Government securities. Coercial banks were enabled not only to make substantial loans on Government securities, but also to accumulate large investments of their own. Senator Carter Glass expressed the opinion "that the World War could not have been financed but for the Federal Reserve Act."53

On the other hand, the resulting creation of a greatly increased supply of money together with consumer demands brought about inflationary developments. Credit expansion was rapid, prices doubled, and gold reserves decreased. Government expenditures did not decline immediately. The Treasury needed to float additional securities, and it was opposed for the time being to credit restraints by the Federal Reserve System. In 1919 the System warned member banks against the consequences of such developments and, in accordance with traditional central banking practice, discount rates were raised to exercise some restraint upon the increasing demands for credit which, however, continued until mid-1920 when prices collapsed, particularly for agricultural products. An investigation was launched by Congress, and the Commission created for this purpose decided as one of its conclusions that the Federal Reserve Board and the Reserve banks were not responsible for the deflation.54

NOTES

Chapter 8

1. Keller, Dictionary of Dates, II, 310 - 318.
2. Ibid., 317 .— 318.
3. Garrett, Atlanta and Environs, II, 755 - 774.
4. Ibid.
5. Fifth Annual Report of the Federal Reserve Bank of Atlanta, 8. Hereafter cited as Annual Report, 1919.
6. Ibid., 21; Minutes. Directors, I, 191, 194.
7. Circulated also to member banks, it was the seed that evolved into the present (Monthly Review).
8. Memorandum, May 21, 1963, Basil A Wapensky to Harold T. Patterson, defining duties, etc. of Chairman and Governor.
9. Warbur, The Federal Reserve System, I, viii.
10. Statement of a retired officer of the Bank to Franklin M. Garrett, March 31, 1964.
11. Minutes. Directors, I, 200.
12. Ibid.
13. Ibid.
14. Ibid., 201.
15. The 6-F Journal, March 1923, p. 6.
16. Minutes. Directors, I, 203, 205.
17. Ibid., 208, 220, 244; Annual Report, 1919, p. 21.
18. Minutes. Directors, 192.
19. Ibid.
20. Ibid.

21. Ibid., 198, 222, 227.
22. An Agency differs from a Branch in that it has no Board of Directors and is under the Immediate control of a manager and assistant manager.
23. Annual Report, 1919, p. 20; Minutes.Directors, I, 192, 252.
24. Annual Report, 1919, p. 20.
25. Mr. Curry, prior to army service in World War I, had been an officer of the Fourth and First National Bank of Nashville.
26. Annual Report, 1919, pp. 20 - 21; Minutes. Directors, I, 199, 210, 219, 237, 239.
27. Annual Report, 1919, p. 21.
28. Minutes. Directors, I, 233, 236, 240, ^{242j}, 247.
29. Ibid., 196.
30. Ibid., 206, 213, 217, 222, 234.
31. Ibid., 247.
32. 1., 191, 198, 208, 210.
33. Ibid., 204. 34. 244 Vol., of The 6-F Journal, bears date of Dec. 1921
35. Ibid., 220.
36. 249, 252.
37. Ibid., 191.
38. Ibid., 191, 202, 207, 216; The 6-F Journal, Dec. 1921, p. 7.
39. Annual Report, 1919, p. 9.
40. Ibid., 10.
41. Ibid., 13.
42. Minutes. Directors, I, 205, 208, 214, 217.
43. Annual Report, 1919, p. 13.
44. Minutes. Directors, I, 219.

45. Annual Report, 1919, pp. 10 - 11.
46. Ibid., 12.
47. Ibid., 13.
48. Ibid., 17 — 18.
49. Minutes. Directors, I, 245.
50. Annual Report, 1919, pp. 24 — 26.
51. In 1919 there were three restaurants, including a Chulds' on the south side of Marietta Street between Peachtree and Broad and between the then Fourth National and Third National Bank Buildings.
52. Referring to George Roosa James, merchant-and manufacturer of Memphis, Tenn.
53. "The Fed's First Half Century," Banking, Dec. 1963, pp. 43 — 44.
54. Ibid., , 44.

SECTION III

The Prosperous Twenties

Chapter 9

1920

The decade in American history usually associated with unbridled high finance, a volatile stock market, bootlegging and gangsterism began with a total U.S. population of 105,710,620. In 1920 New York, Chicago, Philadelphia, Detroit and Cleveland ranked in that order as the country's five largest cities.

During January return of the American Expeditionary Forces from Europe was completed to the plaintive sound of "Nobody Knows How Dry I am," the Volstead, or Prohibition Act, having become law on the sixteenth. In March the railroads were returned to private ownership, while the first transcontinental air mail flight, New York to San Francisco, took from July 29 to August 8. Later in August the Woman's Suffrage amendment to the Constitution of the United States was adopted.

On September 16, at the noon hour, a bomb exploded in Wall Street opposite the offices of J.P. Morgan and Company, killing 35 and injuring 130 persons. On November 2 Warren G. Harding and Calvin Coolidge were elected President and Vice President, defeating James M. Cox and Franklin D. Roosevelt by 404 to 127, electoral votes. Later that month a significant change in the living habits of Americans was presaged when the Westinghouse Electric Company broadcast the first regular evening radio program.1

In Washington Congress amended the Federal Reserve Act as to discount rates on April 13 and on May 26 amended the Farm Loan Act as to bonds.2

Atlanta began the decade with an official population of 200,616. James L. Key was re-elected mayor over two opponents. A City Planning Commission, long needed, was set up in October, 1920, and the site of the old Henry Banks home, just

north of the Grand Theater was adorned with the handsome Howard Theater, the city's most palatial motion picture house.³

The second post-war year was indeed a time of trial and tribulation for the nation and its Federal Reserve banking system. Sixth District Chairman Joseph A. McCord, prefatory to his Annual Report for 1920, explained some of the factors which made it so. He wrote:

“Probably never in the history of this country has its financial structure been so severely tried as during 1920, certainly the Federal Reserve System has received a most severe test, and successfully performed the functions for which it was inaugurated.

“During the early months of the year prices continued high and there was a growing disposition on the part of the buying public to purchase more conservatively. This together with the increasing production brought about a restraining influence on the advancing prices, with the result that prices began to show evidence of declining in the early summer, and at the end of the year there was a considerably lower level.

“It must be remembered that during 1919 the demobilization of those in the country's service was taking place, but the larger number were still consumers, and it was not until the early part of 1920 that a large majority became producers. With production increased and the export demand limited, the price of farm products declined rapidly. This was particularly noticeable in cotton, with a prevailing price of approximately 39-1/4 cents on the New York market December 31, 1919, as compared with 14-3/4 cents on December 31, 1920.

“Ordinarily the cotton crop throughout the district is largely marketed in the fall months. During the 1920 season only a small part of the cotton had been marketed up to the close of the year on a declining and very inactive market. One of the causes of the decline in the price of cotton was the carrying over of about four million bales of low grade cotton which could not be manufactured in this country. The early part of the year,

textile manufacturers were running on two and three shifts, and in this the seeming consumption of cotton was continuous and regular. However, when the price began to decline, commission merchants with large stocks of cotton goods began to throw them on the market; this, in turn, absorbed the orders that otherwise would naturally have been received by the mills. This condition of affairs placed the mills in the position of not having their quota of orders and forced a slowing up of production, hence, they were not in the market for the present crop of cotton. Stocks of cotton goods are now fast disappearing and the mills are opening up, and raw cotton is coming more in demand.

“This same condition was reflected to a more or less extent in commodities and products other than cotton.4

In describing the panic of 1920 and the events leading up to it Governor M. B. Wellborn was more succinct:

“During the war, a ban was placed on all business enterprises which were not involved, directly or indirectly, in the prosecution of the war. The public was admonished and to invest in Liberty Bonds . . . A short while after the armistice the public which had denied itself many luxuries during the war, turned around; and, as the reaction always exceeds extended effort in any direction, there commenced a period marked by the exercise of an imprudent and unusual extravagance. Money was easily made, and was therefore easily spent. Those who had prospered on war contracts felt no restraint, and bought to the fullest extent. A situation was thus brought about in which an abnormal demand ran ahead of the supply; and naturally prices rose to unprecedented figures.”5

Indeed the Governor was unusually articulate upon the subject of personal extravagance and directed heavy fire against what he called the “pleasure automobile.” On May 19 he declared that the resources of the bank should not be used to finance the purchase of strictly pleasure automobiles. He thus aroused the ire of auto dealers in all

parts of the country.

The New Orleans Item quoted city in May, 1920: "When it comes to pleasure automobile heads the list." him as saying in a speech in that non-essentials, I consider the list." The paper reacted with a two-column "answer" from one of the New Orleans auto men, who said: to take your family out for a recreation, take cars do not run to the scenery you would like Tell Mr. Wellborn where it is and he will ride and come back and tell you all about it."6

How the Bank itself fared during the crisis of 1920 will be described later in this chapter.

Meanwhile, as in every year, changes in the official family of the Bank occurred during 1920.

At the Directors' Meeting of December 12, 1919, Frank W. Foote, an original Board member declined to stand for re-election. The Board members, through Colonel Edward T. Brown, expressed regret at Mr. Foote's retirement and presented him with a beautiful loving cup to commemorate his service.7

Mr. Foote's successor as a Class A, Group 2 Director for a three-year term was Oscar Newton, then serving as president of the Jackson (Mississippi) State National Bank. The new Director and future Governor of the Bank was born at Crystal Springs, Mississippi in 1877 and, after attendance at Southwestern Presbyterian University at Clarksville, Tennessee, entered the banking business as clerk and assistant cashier of the Mutual Bank, Crystal Springs in 1895. Before moving to Jackson in 1910, he saw long service as cashier of the Brookhaven (Mississippi) Bank

& Trust Company. As a public spirited citizen of Jackson he functioned as Chairman of Liberty Loan campaigns during World War I; served as Chairman of the Jackson Board

of Education and President of the Chamber of Commerce.8

Captain Charles A. Lylerly, of Chattanooga, Tennessee, had served the Bank since its founding as a member of its Advisory Council. He retired at the end of 1919 and was succeeded by Oscar Wells, President of the First National Bank of Birmingham, Alabama.9

The following were elected as officers of the parent Bank and Branches for 1920:

Atlanta

M. B. Wellborn, Governor
L. C. Adelson, Deputy Governor
J. M. Slattery, Secretary
M. W. Bell, Cashier
R. A. Sims, Assistant Cashier
W. R. Patterson, Assistant Cashier
W. B. Roper, Assistant Cashier
J. L. Campbell, Assistant Cashier
H. F. Conniff, Assistant Cashier
Creed Taylor, General Auditor
Rollins H. Randolph, General Counsel
Joseph A. McCord continued as Chairman and Federal Reserve Agent

New Orleans

W. H. Black, Assistant Manager
M. F. Harlan, Cashier Jacksonville
G. R. DeSaussure, Manager
W. G. Wilson, Cashier Birmingham
A. E. Walker, Manager
W. C. Sterrett, Cashier Nashville
Bradley Currey, Manager
J. B. McNamara, Cashier

Savannah Agency

R. J. Taylor, Manager

R. N. Groover, Assistant Manager¹⁰

On January 6, 1920, Marcus Walker was re-elected Manager and a Director of the New Orleans Branch. Other Directors for the branch banks, elected at the same time, were:

P. H. Saunders, A. P. Bush and F. W. Foote for New Orleans; W. H. Kettig and Oscar Wells for Birmingham; John C. Cooper and Fulton Saussy for Jacksonville, and W. H. Hartford and Paul M. Davis for Nashville.¹¹

At mid-year Bradley Currey resigned as Manager, Nashville Branch to accept a position with a New York bank. On July 9 J.B. McNamara was elected to the Nashville post and Joel S. Fort was elevated to cashier.¹²

During the latter half of the year the Board of Directors authorized the Governor to appoint three officers as a Managing Committee, to be responsible for the planning and general conduct of the interior operation of the bank. Messrs. Creed Taylor, L. C. Adelson and J. M. Slattery were named as members of this committee. At the December meeting of the Board the office of a second Deputy Governor was created, and resulted in the election of J. L. Campbell. J. B. Tutwiler was elected Assistant Cashier to succeed Mr. Campbell.¹³

A number of developments took place within the Bank during 1920 which affected directors, officers and employees.

The Executive Committee became the subject of an Amendment to Section 1, Article 2 of the By-Laws by which it was provided that the Committee should consist of the Governor, Deputy-Governor, Federal Reserve Agent and two directors, to be elected at the monthly meeting of the Board of Directors and to

serve until the following meeting of the Board. It was also provided that not less than three members should constitute a quorum and that a majority vote of those present should prevail.14

A new schedule of allowable expenses for Directors and committee members traveling on Bank business was adopted in June and provided for:

Hotel Bill	\$5.00	per day
Meals	2.00	per meal
Incidentals	3.00	per
Actual railroad and Pullman fare	<u>15</u>	

At the same time an “added compensation” or “bonus” committee of the Board reported favorably on the payment of a bonus on June 30. Divided into three “classes,” the bonus was based on annual earnings: Annual salary \$1500 or less, 25 percent; \$1500 and not over \$3000, 20 percent; and \$3000 and not over \$6000, 15 percent.16

Earlier in the year the salary of Joseph A. McCord, Chairman and Federal Reserve Agent, was increased from \$10,000 to \$12,000 annually.17

During the summer of 1920 construction of the annex, for which a contract had been let in June 1919, was completed. The new space more than doubled the original floor area. Since the amount of business handled by the Bank increased markedly during the year it was found necessary to increase the number of employees from 386 to 446.18

The matters of fire insurance and retention of records occupied the stage briefly during 1920. Governor Wellborn expressed himself on the former subject on July 9:

“On several occasions the officers of the Bank have had up for discussion the question of fire insurance on the building, furniture and fixtures, and also the matter of liability insurance on account of machinery used by certain departments, and to cover

the elevator recently installed. The rate of fire insurance is 18 cents per hundred, which I understand is the lowest rate made in the city of Atlanta, with the exception of the Hurt Building, which was formerly occupied by us. In connection with the elevator, this will be used by the public as well as the employees. While I do not believe there is very great danger of the employees being seriously hurt in connection with the cutting and cancelling machine, I would like for the Board to take up for determination the matter of fire insurance and liability insurance in connection with the elevator.”¹⁹

In any growing business records get out of hand if not selectively destroyed at intervals. The Bank, confronted with the problem, in September 1920, sounded out the Federal Reserve Board and received the following from Governor W. P. G. Harding:

“The Board has considered your letter of the 11th, instant, asking what records of your bank might be destroyed and for what period they should be held. It is the Board’s view that all records should be preserved, even if it is necessary to provide additional space for their safekeeping for an indefinite length of time, except the carbons of remittance letters, to and from banks, statements to which have been reconciled. The Board sees no occasion for holding records of this kind and believes you could safely adopt the policy of destroying such documents after you have held them three months, provided there is no question that the statements have been reconciled.”²⁰

As Chairman McCord wrote, the country’s financial structure was indeed sorely tried during the post-war financial panic of 1920. The Federal Reserve System weathered the storm and insofar as the Atlanta Bank was concerned its resources were strained to the utmost.

In mid-May, on the threshold of the worst of the storm, the Board issued a press statement. It read:

“The Board did not authorize any increase in rates at this meeting, and its

deliberations were principally devoted to discussing plans for the future.

“There is a great deal of financial strain throughout the country. Fortunately, however, the public is beginning to recognize this fact, which is encouraging. It would be an error and an injustice to the public to fail to admit the seriousness of the situation. The condition is due to inflation, high prices, lack of production, extravagance and congestion of traffic.

“We are, not alone in our problems. This is a world condition, and it is therefore more serious as other nations are not in a position to invest in this country’. The remedy is deflation, personal economy, larger production and a public opinion sufficiently strong to relieve the crippled traffié conditions.

“The numerous strikes that have afflicted the country and tied up ports and railroads have contributed immensely to making present conditions. Deflation cannot be accomplished except through liquidation, and liquidation cannot be effected unless transportation facilities are adequate. Personal economy will hurry liquidation and it would provide much needed capital.

“The power of economy is shown by the fact that an average of 10 cents each day for one year saved by every citizen, and deposited in the banks, would increase our liquid capital \$4,000,000,000, which would liquidate all the rediscounts in the Federal Reserve System, and provide \$1,000,000,000 for financing Europe. Personal economy would revive our lost thriftfulness and increase production. Diligence of effort, almost a lost art, must return to life.

“We cannot point out too strongly the utter failure of the individual to assume personal responsibility. If every citizen would put his own house in order, good business will continue and the people would remain prosperous. Complete individual reform would achieve all things needed.”21

The situation was destined to deteriorate before it improved. Cotton dropped

from 40 cents a pound to nine cents in 60 days in the late summer of 1920.22

“It was plain, psychological panic,” said J.R. Morgan. Cashier of the bank of Union Springs, Alabama, when the panic struck. “All we country bankers could do was endorse notes and send them to the Federal Reserve. Governor Wellborn met every legitimate demand. He had taken the position before the panic hit that the banks were over-extended, but when it did strike he said the shock would have to be cushioned, and he let the banks have the money necessary to see them through. For two years he had been warning the country, but when the crash came he didn’t even stop to holler ‘I told you so;’ he just jumped in and put the fire out. It was his coverage and foresight that stopped that terrible panic. For its duration it was the worst we ever, had, though it only lasted six to eight months. Governor Wellborn broke it by throwing the whole resources of the Federal Reserve behind the banks of the south.”23

The Atlanta banks did indeed throw everything into the fight. Governor Wellborn not only tried to save the banks and the bankers, but the depositors. He knew how a bank failure could wreck a country town. Almost every member bank in the district was driven to the precipice, but not one went over. Figures tell part of the story: early in 1920 the Atlanta bank’s loans to its members aggregated \$88,052,000; by November 1, these loans had reached \$182,258,000, and all this was from a Federal Reserve Bank with a paid-in capital and surplus of only \$11,000,000.24

Governor Wellborn put it across by demanding and getting the full support of other Federal Reserve banks, often over the protests of these banks and even of the Reserve Board itself. He called his bank a financial hospital, and he believed in helping the cripples.25

The situation as a whole and particularly as it related to interbank rediscounting gave rise to a spirited and informative exchange of letters between Governor Harding, of the Reserve Board and Governor Wellborn of the Atlanta Bank

from December 3 to December 23, 1920.26

Harding to Wellborn, December 3, 1920:

“The Board, in reviewing the interbank rediscount situation, notices the increased restlessness of the Cleveland Federal Reserve Bank, to whom the bulk of your rediscounts are due. The Board agrees with the Cleveland bank that it ought not to be required to lend an amount over \$35,000,000 to a Federal Reserve Bank having a paid-in capital and surplus of only \$11,000,000. . .

Wellborn to Harding, at Washington, December 9:

“I... note that your board has reviewed the interbank rediscount situation, and has noted the increased restlessness of the Cleveland Bank...I also note that. the Board probably will not view with favor the continued borrowing of this Atlanta bank.

“I wish to advise that the Atlanta Bank is not a borrowing bank by choice, but from a necessity which has been created by almost unprecedented conditions in this section. In the winter and spring of 1920, the labor, supplies, fertilizer, farm implements, and every other element entering into agriculture and manufacture were at the highest peak; and every effort was made by Government propaganda to encourage and stimulate the largest production in every line; these repeated urgings by the government officials were followed by the farmers and manufacturers of our District. They may have not produced wisely, but perhaps too well.

’Through circumstances over which this section had no control, the money crops were produced at unprecedented high cost, and upon a basis which contemplated the making of prices commensurate with the cost of production. At the very time the crop began to move, the most disastrous and radical slump began; within 90 days the great money crop of this District dropped 65 percent, and other staple commodities declined in the same or greater proportion. No section or country could stand the full unmitigated shock of such a disaster without ruin. This Bank has conceived its plain

purpose and duty to stand between the country and financial disaster to the full extent of business prudence and legitimate banking. This section is fundamentally strong and sound enough to react from the present situation if temporarily aided financially, in order that the full force of the shock may be mitigated.

“I submit, if this bank had failed to stand as a buffer between the business of this section and disaster, it would not only have failed in its duty, but it would have permitted a situation to develop which would have seriously affected all other sections of the country and every other reserve bank. To carry the load under these emergency conditions, which may continue a short time longer, of course meant borrowing and rediscount.

“The commerce of all the states is too closely knit together to permit the confining of the results of financial upheaval to any one particular state or group of states. The Cleveland District itself counts this section one of its principal markets...

“In the present crisis, it seems to me it is not a time for individual reserve banks which are rediscounting for other reserve banks, to attempt to impose upon the borrowing bank onerous conditions. If the Cleveland Bank is ‘restless’ on account of the credit which it has in the past, and must almost of necessity in the near future (on account of its high reserve position) extend to Atlanta, the Cleveland Bank simply takes a rather narrow and personal view of the situation.

“If called upon to lend to other Federal Reserve Banks, upon occasions of impelling necessity and great emergency, the Federal Reserve Bank of Cleveland should not become restless under such a necessity. The responsibility of such inter-bank transactions resting upon the Board, the Federal Reserve Bank of Atlanta involves the cooperation of the Board in the efforts of this Bank to preserve and protect the business situation within this District. . . We feel we have protected the situation in the Sixth Federal Reserve District. We confidently believe that disaster will be averted by

what we have done. In the carrying out of the purpose of the Federal Reserve Act, we have been forced to draw on the resources of other Federal Reserve Banks, and rediscounts have been, in my opinion, in strict line with the Act .

“The Federal Reserve Banks are now like an army on the line of battle, and when the commanding general (The Federal Reserve Board) orders reinforcements from one end of the line to another, there should not be any hesitancy or unwillingness in obeying such orders.

“With regard to your statement that your Board has an inclination to allow the Atlanta Bank to show a depreciation, I do not question that your Board has a legal right to do this; but it is a responsibility that rests upon your Board, and in these perilous times I hardly think your Board would care to assume such a fearful risk. The mere publication of our actual reserve position might possibly have the effect of causing the failure of numerous banks - not only in this District, but in others as well - and bring on a panic of great magnitude.

“I have the honor to report that we have had a steady but small liquidation and a decline in our loans since the first of this month, and today our loans and discounts show a decline of over four million since the first of December. Instead of being on the increase, the tendency is the other way, which is very encouraging to us.

Harding to Wellborn, December 15:

“Receipt is acknowledged of your letter of the 9th instant, in which you give in detail the reasons for the present overloaned condition of the Federal Reserve Bank of Atlanta. In this letter, you do not express any opinion as to when your bank will be able to pay off its rediscounts without falling below its legal minimum reserve, and on the other hand you assume that it will be necessary for other Federal Reserve Banks to extend your bank accommodations for an indefinite period .

“This Board is of the opinion that your present experience should convince

you that your lending policy has been rather too lenient and that in some cases credit was granted in such large amounts to banks when no emergency existed as to impair your ability to make loans out of your own resources when a real emergency did arise. The Board would suggest that you refrain as a rule from issuing circular letters to be sent to banks generally throughout your district and that you adopt the policy of writing personal letters to those banks whose discount lines with you are too large . . . and that you might indicate the particular loans 'which you desire to have paid in full or in part .

"The Board notes the objections you raise against paying off your rediscounts entirely and operating at the present time on reserves below the legal requirement, and it is disposed, therefore, to use its influence with other Federal reserve banks having a larger reserve to continue to have them assist you in bearing your burdens, provided you will meet their reasonable requirements as to character of paper and security, and will make consistent efforts to improve your own position by inducing extended banks to reduce their lines with you in an orderly way.

Wellborn to Harding,, December 23:

"...You say we have been too lenient in granting credits. I feel sure if your board was on the ground and saw the daily workings of our bank, that you would not take this view, and I venture to make the statement that not in any other District has any Executive Committee been more careful and discriminating in the individual paper that has been accepted for rediscount. We have, since the early part of this year, firm control of credits, but in doing so we have not lost sight of the necessary demands that we had to take care of..."

"Your Board, it seems to me, is laboring under an error in thinking that it is our policy 'to carry loans indefinitely for member banks until cotton reaches a price that is satisfactory to the producers.'" You must remember that only about 60 days have elapsed since the bulk of the notes fell due, and our policy is merely to give them

reasonable time to find a market in these disturbed times, in order to keep them from 'dumping' their products on the market at one time. To do otherwise at this critical time would force a disaster upon our agricultural and business interests that might perhaps have the effect of bringing on a state of panic and bankruptcy."

And so Governor Wellborn took his stand. Fortunately conditions gradually eased. By April, 1921, the Atlanta Bank had paid in full all of its borrowings from the Cleveland and other Federal Reserve bank. This was accomplished without undue pressure on member banks, allowing liquidation to be done gradually.27

A view of the cotton crisis from the national standpoint is contained in a statement by Congressman Hatton W. Sumners, of Texas, showing that the effect of Governor Wellborn's work and the actions of the Atlanta Federal Reserve Bank were not limited to the south:28

"This situation In the United States in the late fall of 1920 was very different from what it appeared to be on the surface. Outwardly, this country seemed prosperous, but there were already upon the business horizon clouds which were to develop rapidly in the months to come...

"It soon became apparent to me that, unless something was done to save the situation, the purchasing power of the south would be absolutely paralyzed. If this happened, it was obvious that the effect would be nationwide.

"Congress agreed that the cotton situation had become a national problem, and appointed a Commission of Agricultural Inquiry. I was made chairman of the Committee on Cotton.

"My first move was to go to Atlanta; where I called upon Governor M. B. Wellborn of the Federal Reserve Bank, and discussed fully with him the situation. I shall never forget the pleasure I experienced in finding that here was another man who was awake to the peril of conditions, and was prepared to do everything in his power to avert

what we both believed would have been the greatest financial panic in the history of the United States.

“I want to emphasize here that the public was blissfully unaware of the threatened danger, and that there was a strong disposition to regard the warnings as/calamity howlings of agitators. The importance of having the support and influence of Governor Wellborn in the fight to awaken the national consciousness cannot be overstated. To get back to our conversation on that day, we agreed that the only way to save the situation was the rescue of the cotton farmer of the south. Governor Wellborn agreed with me that it was a time for the most drastic measures, and asserted that the Federal Reserve Bank of Atlanta would stand behind the cotton crop of 1921, that - without regard to money already owed the Reserve Bank - paper offered them for rediscount by a member bank which was secured by cotton would be accepted. It was further agreed that member banks ‘which held cotton-secured paper should not only not be pressed to collect this paper, but actually urged to hold it as long as possible.

“On returning to Washington, I laid my views before a special meeting which was attended by the governors of the Federal Reserve Banks of New York, Atlanta, Dallas, Richmond, Kansas City and St. Louis, as well as the members of the Federal Reserve Board and director of the War Finance Corporation .

“There were two opinions represented at this meeting, one to the effect that the time and conditions called for the exercise of conservatism, the other - of which I was the spokesman - maintaining that the situation was desperate and demanding that the doors be thrown wide open to the cotton producers in the way of the most liberal credits possible. Governor Wellborn backed up my position whole-heartedly, and stated in substance that he was willing to pledge the support of the Federal Reserve Bank of Atlanta to save the situation in the south. The Atlanta bank agreed to accept all cotton paper offered for rediscount without charging such loans against the ordinary credit

lines of member banks, and to join with the other Reserve Banks in making an appeal to the people to tell them that cotton was a good buy, and that for the cotton crop to be deliberately sacrificed at forced sales would be a monstrous thing for the nation to allow . . . After a long discussion, the conference agreed with these views and sanctioned the attitude of the Atlanta bank. This was the final act which reversed the psychological attitude of the world in regard to cotton.

“I regard Governor ,Wellborn’s attitude at this trying time as of tremendous importance in swaying the sense of the meeting toward the proper position. If the conference had come to any other conclusion, it is my sincere belief that no power on earth could have saved the United States from the greatest financial crash in its history.”

The branches, particularly New Orleans, Jacksonville and the Savannah Agency likewise had a relatively hectic year in 1920.

“At the July Board meeting, on motion of Director J. K. Ottley, it was voted that it was the consensus of opinion of the Atlanta Directors “that it is very important that the managers of the various branches be kept in close touch with the policy of the parent bank, especially the New Orleans Branch, and that it is deemed advisable that the Governor of the Bank invite the Managers of the Branches to attend the meetings of the Executive Committee as often as he deems proper.” Also that they be available for Board meetings in the event matters concerning their particular branches are discussed.29

The New Orleans Branch, only one delegated with the same powers as the Atlanta Bank, except for capital stock and open market transactions, was called upon to function to a higher degree than ever before. Indeed, Governor Wellborn, in a discussion at the May Board meeting, laid particular emphasis on the fact that the New Orleans Branch had used up more than the reserves of the entire district. He went on to say that while the New Orleans loans were confined largely to commodities, the lines

should be reduced in a way not to bring detriment to the section. He suggested that a way to do this was to cut out everything pertaining to non-essentials, and referred to the speech he had made the previous day relative to banks discouraging the financing of pleasure automobiles.30

Director Saunders, of that branch, pointed out that the burden had largely been on New Orleans because of the fact that it was a port; that other points shipped commodities there to be exported, which necessarily forced their financing at New Orleans.31

During the year the total of rediscounts made for and advances made to member banks located within the New Orleans zone was approximately \$709,400,000.32

“It was also during this busy year that steps were taken to improve and enlarge the physical quarters at New Orleans. In mid-summer an architect was engaged to submit plans and estimates on proposed changes, including larger vaults, in the bank building recently purchased for use of the branch.33

The problem at Jacksonville was faulty management and came to light as the result of a report by the General Auditor. The Manager plead lack of sufficient help, but was assured that he could employ such help as ‘was necessary. He was allowed a two months vacation beginning June 10 and Assistant Cashier W. B. Roper, of Atlanta was put in temporary charge. Apparently the weak point was in the cashier’s office. W. G. Wilson resigned the office and was replaced by F. M. Sheffield, Assistant Auditor of the Atlanta Bank on October 1.

The [REDACTED] at Savannah made an insistent plea for a reduction in the margin on cotton from 20 percent to 10 percent. The plea was denied by the Executive Committee, which voted that the Bank would continue to require 20 percent, but that insofar as Savannah banks were concerned 5 percent of the amount could be

covered by paper eligible for rediscounts.³⁵

In addition to large amounts of cotton paper, the Reserve Banks, in 1920 carried an abnormal amount of meat packers' paper. In commenting on that situation Governor Harding stated that "Federal Reserve Banks were carrying approximately \$32,000,000 of this class of paper and that the Federal Reserve Bank of Atlanta was carrying about the limit of its share." He said further "that the large borrowings of the packing concerns was probably due to the fact that they were making large sales abroad and that in view of the depreciation of foreign exchange, they were unable to convert their balances until a more favorable time."³⁶

While the Rural Electrification Administration was 15 years in the future and, in 1920, less than 200,000 farms were connected with electric power lines, the need for farm electric service was not lost upon Governor Wellborn. In a report to the Board on July 9, 1920, he wrote:

"High wages and better living conditions are attracting many farmers to the cities until the point has been reached that the situation is alarming to those who wish to see increased farm production. In view of this situation and in order to encourage better and more attractive living conditions on the farm, I have recently obtained a favorable ruling from the Federal Reserve Board with regard to the eligibility of paper given for Farm Electric Lighting Systems.³⁷

The short lived post-war panic by no means dulled the earning capacity of the Sixth District Federal Reserve Bank. True, total resources showed a decrease of approximately \$5,000,000 from 1919, due almost entirely to the decrease in reserve deposits of member banks. But net earnings almost doubled from \$3,443,784.62 to \$6,090,990.23. National bank membership increased from 363 to 375 and State Bank and Trust Company members increased from 64 to 87 over 1919.³⁸

Before leaving the first year of the so-called "roaring twenties" it might be

interesting to relate an incident, which while not looming large in the overall history of the Bank, did cause temporary consternation in the summer heat of late July. On the 29th \$5000 turned up missing.

That day the automobile truck assigned to the collection of balances from local member banks made its rounds in charge of [REDACTED], a clerk in the currency department, [REDACTED], a watchman and a Negro driver, hell were provided with side-arms. The sum of \$50,000 was collected from the [REDACTED] and \$10,000 from the [REDACTED], all in currency. The money was put into an unlocked pouch and, upon return to the Federal Reserve Bank building, was delivered to Teller [REDACTED]. He, in turn, delivered it to [REDACTED], a clerk in the money sorting room. Up to this point no one had verified the contents of the pouch. Neither did [REDACTED] just then. He closed his cage and went to lunch.

After lunch, upon checking, [REDACTED] discovered a shortage of \$5000. He did not immediately report it, thinking [REDACTED] had been in error in stating the amount to be \$60,000. Later, however, he did report the matter to Mr. Sims, who in turn reported it to Cashier M. W. Bell.

Thereupon matters began to hum. All currency in the money division was reverified and inquiry was made at the [REDACTED] banks. All to no avail. The bond company was notified; a Pinkerton detective questioned employees who might have had access to the funds. [REDACTED] were demoted to non-money handling jobs.

Governor Harding, of the Federal Reserve Board commented rather acidly that he was not particularly surprised when he read of the system used to collect clearing house balances. Indeed he couldn't understand why the Atlanta Bank should have to send around to collect money from member banks. The Governor was assured

3. Garrett, Atlanta and Environs, II, 775, 777-778
4. Annual Report, 1920, 7-8
5. Hopkins, M. B. Wellborn, 84-85
6. Ibid., 87
7. Minutes Directors, I, 253
8. Ibid., 251; Who Was Who in America, I, 895
9. Ibid., 255; Who Was Who in America, III, 903
10. Minutes Directors, I, 250-251
11. Ibid., 256-257
12. Ibid., 291
13. Annual Report, 1920, p. 23
14. Minutes Directors, I, 266
15. Ibid., 283
16. Ibid.
17. Ibid., 256
18. Ibid., 283; Annual Report, 1920, p. 24.; The G -F Journal, Dec. 1921, p. 7
19. Minutes Directors, I, 287
20. Ibid., 311
21. Ibid., 279
22. Hopkins, M. B. Wellborn, 87
23. Quoted, Ibid., 88
24. Hopkins, M. B. Wellborn, 88

CHAPTER 10

1921

Nineteen twenty one has not been recorded in the annals of American economic history as prosperous. However, before the horns and bells sounded on New Years eve, heralding the advent of 1922, the acute but relatively short lived post World War I depression had about it run its course.

Chairman Joseph A. McCord summed up the situation briefly when he wrote:

“A review of the activities of the Federal Reserve Bank of Atlanta for 1921 emphasizes more fully the stabilizing effect the Federal Reserve System has had on business conditions generally.. The severe strain. sustained by the financial. structure of the country during 1920 was continued to a considerable extent until the latter months of 1921, when credit conditions became somewhat easier.

“When the year was ushered in, there prevailed a feeling of anxiety and uncertainty as to what it would bring forth. Many economic adjustment necessary to normalcy were effected, and the year closed under more favorable conditions, with business generally in a stronger financial position. Stocks had been reduced, prices had declined, liquidations had been effected, and bank holdings of discounts reduced, particularly in commercial centers, although not so marked in agricultural districts. Profits were small and determined losses charged off, so that final figures for the year represented more nearly their true value.

“United States securities had advanced in price, and there was a tone of strength to stocks and other bonds. Many hard and tedious transition processes took place during the year, which contributed to the economic readjustment of the country.¹

The readjustment process did indeed have its trials and tribulations. During

the first half of 1921 wage cuts were announced by American Woolen, Bethlehem Steel, United States Steel, the Standard Oil Company and the meat packers. Labor strikes were numerous. President Wilson vetoed a Resolution of Congress. to revive the War Finance Corporation, but a joint Resolution, overrode the veto and revived the Corporation for the relief of depression in agricultural sections. At midyear a Budget Act provided for a national budget and an independent audit of government accounts. A Budget Bureau was established in the Treasury Department, with Charles Gates Dawes as first Director. Later in the year the Veteran's Bureau was created and a Revenue Act abolished war taxes on many items.2

Warren G. Harding and Calvin Coolidge were inaugurated President and Vice President. on March 4. Among cabinet members soon thereafter named were Charles Evans Hughes, Secretary of State; Andrew W. Mellon, Treasury, and Herbert Hoover, Commerce. Later in the year William Howard Taft was appointed Chief Justice, and General John J. Pershing, Chief of Staff. In early August the incomparable Italian tenor Enrico Caruso died in Naples and, on November 11, third anniversary of the signing of the Armistice, ending World War I, occurred the burial of the unknown soldier at Arlington National Cemetery in Virginia.3

Atlanta received visits during the year from both the Harding's and the Coolidge's. Vice President Elect Coolidge and his brunette wife were guests of the city at the Georgian Terrace Hotel in late January, while President and Mrs. Harding came in late October in response to an invitation extended by a committee headed by Chamber of Commerce President Lee Ashcraft.

The most successful municipal achievement of 1921 in Atlanta was the passage of a bond issue in the amount of \$8,850,000. During the next few years the proceeds were spent for new public schools, sewer improvements and extensions, additions to the waterworks and the erection of the Spring Street Viaduct. The bond

issue necessitated an increase in the tax rate from \$1.25 to \$1.50 per \$100. But the citizens got their money's worth.4

Changes in the official family of the Bank were not numerous during 1921. H. F. Conniff, Assistant Cashier in the Fiscal Agent Department, resigned on September 26 to accept the vice-presidency of the First National Bank of Sparta, Georgia. On September 1, W. C. McLarin, Jr., of the parent bank and later to loom large in its affairs, was elected Cashier of the Jacksonville Branch to succeed F. M. Sheffield, resigned.. Indeed, the affairs of the Jacksonville Branch had not been in the best of order for sometime due to loose supervision. Manager C. R. DeSaussure was granted a leave of absence from July to September to visit the grave of his son in France - a war casualty. J. M. Slattery, Secretary of the parent bank filled the Jacksonville managership during this interim.5

Colonel Edward T. Brown, formerly of Atlanta, then of Washington, announced his resignation as a Class C Director, to become effective January 1, 1922. Colonel Brown, a noted lawyer, was one of the original directors of the Bank and had rendered valuable and useful service. He was succeeded as a Class C Director for a three year term by Lindsey Hopkins,6 a prominent Atlanta financier. J. K. Ottley and J. A. McCrary, Class A and B DirectOrs respectively, met no opposition and were unanimously re-elected to three year terms, expiring in 1924. Edward W. Lane, President of the Atlantic National Bank, Jacksonville, Florida, served as a member of the Federal Advisory Council during the year.7

Colonel Brown, incidentally, was paid a feeling tribute at his last Board meeting on December 10. Governor Wellborn, on behalf of the Board, presented a handsome loving cup, to which Colonel Brown responded in a short but appropriate speech. The cup was inscribed:

“Presented to Colonel Edward T. Brown,
By the Board of Directors of the Federal Reserve Bank of Atlanta

1914 — 1921

In Recognition of his Faithful and Efficient Service,
In the Organization and Development of the Federal Reserve Bank
of Atlanta

As an Expression of the Affection and Esteem of his Associates,
the Members of the Board of Directors.”8

During the early part of 1921 an original, though retired Director died. He was Llewellyn P. Hillyer, a noted banker of Macon. Suitable resolutions upon his death and to his memory were adopted by the Board on April 8.9

A couple of other official appointments were made during the year. Joseph L. Campbell, formerly Assistant Manager of the New Orleans Branch and Assistant Cashier of the Atlanta Bank, was named Deputy Governor on January 1. He was a native of Nashville, Tennessee and secured his early banking experience in that city.10 On December 7 Director W. H. Kettig was named Deputy Chairman of the Board, to serve during the ensuing year.11

On February 18, 1921, the first conference of Governors and Chairmen of the Board of the Federal Reserve Banks of Cleveland, Richmond and Atlanta, was held in Atlanta. Those present were Caldwell Hardy and Governor Seay, of Richmond; J. B. Williams and Governor Fancher, of Cleveland, and D. C. Wills of the Federal Reserve Board. A general discussion relative to rates, the inter-district relation thereto and other matters of mutual interest was had.12

Hectic though the economy was in 1921, the business of the Federal Reserve Bank was brisk and earnings, though somewhat less, held firm. The gross for 1921 was \$7,406,652 against \$7,476,431 for 1920. Expenses for 1921 were approximately \$195,000 in excess of those for 1920. Net earnings available for dividends, surplus and franchise tax for 1921 stood at \$5,496,218 compared to \$6,010,324 for the preceding year. Of this sum \$245,862 was paid out as dividends.13

Activity in discount operations for 1921 were fully as marked as during 1920,

although liquidation was shown by many member banks. Out of a total of 515 member banks, 444 had paper under rediscount at sometime during the year, with a peak being reached in September and December.14

Rediscounting with other Federal Reserve Banks, a subject of much controversy during 1920, reached a peak in January 1921, in the amount of \$29,083,000, as against \$48,856,000 in October, 1920. During five months of 1921, no rediscounting was done with other Federal Reserve Banks.15

National bank membership increased in 1921 from 375 to 386, a fraction less than the gain for 1920. State bank and trust company membership, however, broke all previous records - 87 to 129. The total number of member banks at the close of the year stood at 515, representing a net increase in the capital stock during the year of \$136,300.16

A matter of considerable import to the Atlanta Federal Reserve Bank was the so-called "par clearance case." It occupied the attention of management and particularly of General Counsel throughout the year 1921 and both before and after.

The case, to which newspapers referred as an "insurrection" against the Federal Reserve Bank, had its inception in January 1920 and centered in Georgia and Alabama. Its gist was a protest against the Federal Reserve's insistence on "collections" of checks — that is, collection without the service fee which some banks customarily charged.

A Cordele, Georgia bank went to court to restrain the Federal Reserve from putting its par clearance order into effect. The Federal District Court threw the case out, this action being argued through the Circuit Court of Appeals and finally the United States Supreme Court. In the Supreme Court the banks charged that officials of the Federal Reserve Bank of Atlanta, "acting in concert with reserve banks in other districts," had joined in a conspiracy to force small banks throughout Georgia to become

members of the Federal Reserve System.

In May 1921 the Supreme Court sent the case back to the trial judge for retrial on its merits, though the high court did uphold the Federal Reserve's contention that United States District Courts have jurisdiction but denied the motion to dismiss the plaintiff's complaint.

The district judge's decision, two years later, was again in favor of the Federal Reserve and again the case went to the Supreme Court. The latter reversed the lower courts and decided against the Federal Reserve. Representing the Federal Reserve in this litigation were Rollins N. Randolph of Atlanta, General Counsel for the Bank, and John W. Davis, of New York, noted corporation lawyer and, in 1924, Democratic candidate for the presidency of the United States.

Even the Federal court decisions did not end the thorny case. In June 1923, the Federal Reserve Board took a final step of reprisal when it prohibited all Federal Reserve Banks from handling checks drawn on the banks which refused to cooperate. This action had the desired effect.¹⁷

The matter of how far the Federal Reserve should go as a custodian of securities came up for discussion and decision in the autumn of 1921. Governor Wellborn set forth his views at some length. Leaning toward a liberal custodial policy, he summed up:

"Inasmuch as the Federal Reserve Banks are quasi-public institutions, and should endeavor to render the best service possible, not only to member banks, but to the public in general, I believe that it should be done, if it can be accomplished without incurring any unusual expense. It is therefore my belief that the Federal Reserve Bank of Atlanta could accept for safe-keeping, Government obligations offered to it by its member banks, and could also accept from non-member state banks who are on our par list, such securities as we received from our member banks.

Upon motion of Director John K. Ottley it was unanimously voted that the Federal Reserve Bank of Atlanta and Branches, issue safe-keeping receipts only to member banks and non-member banks on the par list.¹⁸

Branch bank operations continued at a lively clip during 1921. The New Orleans Branch, with a maximum membership in its zone of 54 banks, extended a total amount of accommodation to them of \$531,847,403; Birmingham, with 76 member banks, extended \$75,421,320; Jacksonville, with 72, extended \$110,391,000, and Nashville, with 86, extended \$389,947,000.¹⁹

The Savannah Agency, though limited in the scope of its operations, continued to function in a manner that facilitated the transactions between the member banks located in Savannah and the parent bank in Atlanta. Its existence, and the knowledge that it had an ample stock of currency to care for emergency demands, was no doubt a source of relief to member banks when the closing of some small institutions might have been the predicate for serious disturbances.²⁰ The manager of the Savannah Agency since its organization, R. J. Taylor, was granted a leave of absence on November 19, 1921 to enable him to accept a position with the War Finance Corporation.

With the exception of Savannah, all of the Branches came up for new quarters' consideration during 1921, inspired, of course, by continued growth and expansion.

In New Orleans, where the branch employed 96 persons, it was decided to raze the building then owned, at Common and Carondelet Streets, and to erect, on the same site, an entirely new four-story and basement building. An offer by the Canal-Commercial Trust and Savings Bank was accepted, whereby the latter agreed to remove the present building down to the foundations and to purchase all materials, vaults, fixtures, etc., paying therefor the sum of \$37,500.²¹

Branch directors at Jacksonville recommended the purchase of a 60 x 105 foot lot on the north side of Adams Street between Laura and Hogan Streets for \$90,000. The recommendation was concurred in by the Atlanta Board but was not approved by the Federal Reserve Board in Washington. Reasons for the disapproval were significant. Governor Harding, in his letter to Chairman McCord, said: "It the Board does not feel certain by any means that all your branches will be continued permanently The Board also objected to the \$90,000 price for "a bare lot." While it was pointed out that the land was located in "the business center of Jacksonville," the Board rebutted by saying, "there is no necessity for locating your Branch in Jacksonville in the center of the best business district . . . a block or two away would answer all practical purposes."22

Later in the year approval was secured to pay \$45,000 for a lot at the southwest corner of Hogan and Church Streets in Jacksonville, measuring 53 x 90 feet. Even so, the Board did not commit itself to the immediate approval of a building on this site.23

Nashville posed less of a problem. Reported Governor Wellborn in July:

"The Federal Reserve Board has approved the purchase of the lot and building on Third Avenue, in Nashville, next to the Stahlman Building, known as the Keith' building for \$85,000, providing the vaults as already therein are in good shape and are of such construction as will serve the purposes of the Federal Reserve Bank. In this connection, I had the Mosler Safe Company send one of their representatives to Nashville on June 30th to inspect and submit a report as to whether these vaults were in such condition as would suit our needs. He reports that with the strengthening by means of iron beams and making the walls twelve inches thicker with concrete, they could be made entirely serviceable."24

A proposal for Birmingham, like that in Jacksonville, drew fire from the

Federal Reserve Board in Washington. Both the Atlanta and Birmingham Board voted to purchase a lot, 100 x 100 feet at the northwest corner of Eighteenth Street and Fifth Avenue for \$69,000. After which Governor Harding wrote to Governor McCord:

“...I will state that the Board has not yet approved the purchase of this lot. In view of the favorable lease which the branch bank has on the quarters in the Jefferson County Bank Building, and the long time the lease yet has to run, I doubt very much whether the Board will approve at any time in the future of an expenditure for the purchase of a lot in Birmingham.”25

Meanwhile the original building of 1918 and the annex thereto, completed in 1920, had become inadequate to accommodate the growth of the business and the increasing number of employees in Atlanta. Fortunately space was available immediately to the east.

The Austell mansion at 92 Marietta Street, wherein the Atlanta National Bank was organized in 1865, had only been intermittently occupied since the death of Mrs. Alfred Austell in 1917. The land on which it stood, three-fourth of an acre, was sold by Sidney Root and Edward W. Marshall, of the ante-bellum Atlanta firm of Beach & Root, to General Alfred Austell on March 17, 1864 for \$5000.00.

On February 28, 1921, the heirs of Alfred Austell sold to the Federal Reserve Bank of Atlanta a part of this property, fronting 90 feet on Marietta Street and running back 202.3 feet to the Seaboard Air Line Railroad for \$180,000.00. Soon thereafter, the Bank, at a contract price of \$977,417.49, plus excavation and extras, began the construction of a substantial addition. It consisted in the main of a three story and basement building, plus a partial sub-basement on the eastern side and at the rear of the new portion, the latter for dead files and for boiler and coal rooms. The entire addition was carried out on the same floor levels and in the same architectural style as the original building and annex.26

In reporting on the progress of the building program at the year's end, Chairman McCord wrote:

"Work on the new addition has progressed steadily since July 12th, under the direction of Architect A. Ten Eyck Brown, and the Building Committee headed by Director J. A. McCrary.²⁷ After careful consideration of the bids received, Gude and Company were awarded the contract as General Contractor.

"The structural part of the building has already been practically completed, but there are many details which must wait until the installation of the vaults, upon which work has just been begun. It is expected that the entire building will be finished easily before the date set in the contract, namely, October 1, 1922.

"As the completed building will have frontage of approximately 158 feet, it has been found possible to achieve a dignified elevation, with ample lighting facilities and entrances; furthermore, on account of the fact that the building sets back about 11 feet of the lot line on each side and that there is a street in the rear, the structure is assured of ample permanent light and ventilation throughout.

"The construction of the original building and the addition now under way is reinforced concrete throughout,, with enveloping walls of face brick and marble, backed up with hollow tile to give a warm building in winter and a cool building in summer, by means of the air spaces which this type of construction affords. Tile floors are used in the toilets; marble floors in the public lobbies and corridors, and wood floors in working spaces, with a finished cement floor in the sub-basement, garage and boiler room. Most of the doors are of metal, as are such items as balustrades, though some are of marble, having been so constructed with the idea of using durable materials in order to keep down the cost of maintenance. There are practically no painted surfaces, except the walls and ceilings of working spaces and officers quarters.

"The exterior of the building is to be handsome and dignified -practically a

continuation of the original, with certain changes which in the completed design will make a distinct improvement on the original, at the same time re-using all of the old materials, such as marble columns, cornices, bolts, ashler, etc.

“Owing to the fact of the work having been done in sections on the original building, the vault was first located at the rear of the structure in the center, and was enlarged at the time of building the annex, by the insertion of a vault of the same size below the first, and on the basement level, for coin storage.

“In laying out the vault system, with a view to the future development of the bank, it was decided to locate the new vault in the center of the entire basement, on the basement level, and with dimensions approximating 30 x 60 feet. This vault is being constructed in accordance with the improved methods demonstrated at recent tests last year at Washington, and this year at Sandy Hook, held by the Consulting Architect of the Federal Reserve Board. The construction of the main door and of the emergency door will involve the application of these improved principles.”²⁸

Matters relating to personnel and the general well-being thereof, had adequate attention during 1921. In reporting on the operation of the “Federal Reserve Bank Club,” Chairman McCord wrote:

“The Club had, on the whole, a very satisfactory year. Perhaps e outstanding accomplishment was the launching of a very creditable magazine, which has been called ‘The 6-F Journal.’ The first issue, under the editorship of Mr. Ward Albertson, Assistant Federal Reserve Agent, met with pronounced approval and popularity.

“Another noteworthy action was the giving of \$250 from the Club treasury, and a like amount from the Birmingham, Jacksonville and Nashville Branch Clubs, toward the support of the Employee’s Benefit Fund at the New Orleans Branch, which is unable on account of legal restrictions to maintain such a fund for itself. Besides this

initial gift, each of the other Branches as well as the parent bank is to contribute \$25 monthly toward the upkeep of the New Orleans Club.

“The Welfare Committee continued its good work throughout the year.

“Many social functions were held with something more than the usual attractiveness and success. There was an elaborate dinner dance for the new officers on March 17th; the annual picnic on June 3rd, and other feature dances at Halloween and Christmas, interspaced with the regular semi-monthly entertainments.”²⁹

The picnic, incidentally, was held at Marietta and featured a horseshoe pitching contest between Governor Wellborn and Chairman McCord. Wrote John R. Marsh in the Atlanta Georgian:³⁰

“Governor Wellborn was rather nervous when he arrived at Marietta because he was scheduled for a battle with his associate, Joseph A. McCord, for the banker’s championship in horseshoe pitching. The two contenders squared away just before noon with a big crowd at the ringside. Joe Slattery was accused by Mr. McCord’s seconds of using the hypnotic eye on their battler and he was ordered to stand a safe distance away. The first round was even and after several more the decision was still in doubt, both men standing punishment well. They finished the match all square and neither could win in the extra rounds, so they decided to pitch one horseshoe apiece for the championship. Governor Wellborn’s fell a fraction of an inch closer than Mr. McCord’s and he was given the decision.”

Additional compensation in the form of a bonus was paid to all employees, on the basis of annual earnings, June 30 and December 20, 1921.³¹ Employee morale was further enhanced in October when the Board of Directors voted unanimously to approve a Pension Plan.³² Another boon to the staff was the cafeteria. During 1921 the price of monthly meal tickets was reduced from \$6 to \$5 per person.³³

It was at this stage of the Bank’s history that the advisability of establishing

a library was first discussed. Governor Wellborn reported in May that he had received several letters on the subject from Miss Ella May Thornton, Assistant State Librarian. He pointed out that the Bank then had no room for a library but that the matter might be considered in connection with the new addition.³⁴

Economically, 1921 was a transition year between post-World War I depression and the prosperous mid-twenties which lay ahead.

The banking situation in the Sixth District, as it existed during the critical period of the transition was described by Governor Wellborn in a report to the Board of the Atlanta Bank on December 10, 1921:

“If it were possible for your Board to sit with our Executive Committee each day, witnessing its deliberations and workings in every detail, I venture to say that you would be astounded to learn of the very serious condition of a large number of our member banks.

“As you know, the decline in deposits has been general, but possibly as many as twenty five or thirty have shown that they are experiencing the most severe effect of the present depression, their deposits having declined more than fifty percent, and, in extreme cases, sixty to seventy five percent. Their decline in deposits has been in much larger proportion than their collection of bills receivable. This has been due I think almost entirely to the great and rapid fall in prices of agricultural products in this section; and to the added aggravation of the devastation wrought by the boll weevil. Those banks having deposit balances have checked upon them unceasingly, in order to continue carrying some of their two years’ production, and investments made during the era of prosperity; and as a response to the importunities of friends for personal loans of funds which they too, needed to supply them with the necessities of life, while endeavoring to hold on to their visible assets, until the time was reached when their disposal would cause the least sacrifice.

“Last year’s cotton and rice crops which were produced at a good deal higher cost than they can bring in the present market, still remain unsold to a large extent. The sugar section is confronted with the competition of very low-priced foreign sugars, and therefore their production cannot be marketed without loss.

“The daily problem which our Executive Committee must meet, is that of properly taking care of those of our member banks which are in straightened condition. Many of these banks have been very heavy borrowers through the year; and, while this season of the year would naturally demand that there be curtailment, deposit declines are in larger volume than collections. To preemptorily decline the increased accommodation, would perhaps so cripple the functioning of the applicant that it would have to close. Some of these extended banks will draw checks or send advices of credit for cash letters, without sufficient balances or provision to cover. Such cases must be very carefully handled, as the declination of checks, or advice to the endorsers of the non-receipt of their remittance for their items would soon percolate back to the community in which the bank is located, and perhaps be attended with serious consequences. The reports of examination of such banks are watched very closely, and the paper they offer for rediscount is scrutinized to the last degree.

“We are in almost daily touch with the officers of those institutions, laying particular stress in those cases where the officers and directors, by the concentration of their own lines, are impeding the proper functioning of their own institutions. I feel that it is the duty of our Committee to sustain and back up to the furthestest point possible, our member banks, by accepting their paper for rediscount where it is reasonable to do so, taking into consideration the declaims and demands of other member banks, and the general effect in the particular community, should we decline to go further.

“As so many non-member state banks have failed we feel that if a national bank or a state bank which is a member, should fail in an important section, it might

bring on very serious results for our agricultural member banks and their communities. The responsibility of our work can well be compared to the task of guiding a ship along a tortuous and perilous course, with submerged obstructions continually in the offing. On the one hand, we are confronted with the danger of extending so much aid to a member bank that, if it failed, we should incur a very considerable loss.

“On the other hand, if we go to a great length and save a member bank so that it can, in time, work out of its difficulties, I feel that we would be accomplishing what was intended in the establishment of the Federal Reserve System. It is our fundamental duty to take care of extremes and emergencies, and while the responsibilities are exceedingly heavy, still I believe that we should show the proper nerve and fortitude, and go as far as is possible in saving any member bank which is in difficulty.”³⁵

Governor Wellborn practiced what he preached. Many years later Paul M. Davis, President of the American National Bank of Nashville, in commenting upon this facet of Wellborn’s character, said:

“Governor Wellborn did a great job at a time when the Federal Reserve System was new and had no precedent by which to go, and he had the vision and guts to fill the job admirably... To my mind he had a fine understanding of what the Federal Reserve System was really intended to do and did his part. In other words, he read between the lines.”³⁶

NOTES

CHAPTER 10.

1. Annual Report, 1921, p.⁷.
2. Keller, Dictionary of Dates, II, 323-328.
3. Ibid.
4. Garrett, Atlanta and Environs, II, 779-782.
5. Annual Report, 1921, p.p. 22-23; Minutes, Directors, II, 375, 420, 441.
6. Lindsey Hopkins, the new Director, was born near Reidsville, N • C., in 1879. He was a pioneer in the sales development of motor cars in the Southeast and was an early flying enthusiast. He settled in Atlanta in 1910 and subsequently became a director of several corporations, including the Coca-Cola Company, American Hide & Leather Company, Sperry Corporation, and North American Aviation. He died in 1937.
7. Annual Report, 1921, p. 23; Minutes, Directors, II, 455.
8. Minutes, Directors, II, 461. In March, 1921, Col. Brown presented to the bank a table, long in his office, at which the first meeting and all preliminary meetings of the Board of Directors were held prior to the inauguration of the Federal Reserve System. The Board accepted the gift with thanks and appreciation.
9. Minutes, Directors, II, 361.
10. The 6-F Journal, March, 1923, p.⁷
11. Minutes. Directors, II, 456.
12. Ibid., 353
13. Annual Report, 1921, p.³
14. Ibid., 10
15. Ibid.
16. Ibid., 15-16.

17. Minutes, Directors, II, 376, 386: Hopkins, M. B. Wellborn, 83-84.
18. Minutes. Directors, II, 440, 442.
19. Annual Report, 1921, pp. 17-18.
20. Ibid., 18.
21. Minutes, Directors, II, 387, 396, 407, 431.
22. Ibid.~ 385-386, 408.
23. Ibid., 442, 449.
24. Ibid., 408.
25. Ibid., 416-17, 427.
26. Ibid., 342-43, 352-53, 363, 370, 374-75, 398, 404-5, 414; Correspondence between L. C. Adelson, Acting Governor and A. B. Trowbridge, Consulting Architect, Oct. 24, 1921; "The Romance of Atlanta Realty," Atlanta Chamber of Commerce, 1921.
27. Other members of the committee were Directoes J. K. Ottley, W. H. Kettig, Governor Wellborn, and Chairman McCord.
28. Annual Report, 1921, pp. 21-22
29. Ibid., 23.
30. Quoted in Hopkins, M. B. Wellborn, 102-103. Marsh was subsequently married to Margaret Mitchell, author of "Gone with the Winds"
31. Minutes, Directors, II, 408, 457.'
32. Ibid., 445.
33. Ibid., 390.
34. Ibid., 378.
35. Ibid., 454-455.
36. Hopkins, 14. B. Wellborn, 99-100.

CHAPTER 11

1922

During 1922 the country reached a degree of financial stabilization it had not known for several years. The last advance of money under the Liberty Loan Acts was made on May 29 - \$717,834 to Czechoslovakia. Twenty million dollars were appropriated by Congress for the relief of starvation in Russia, while at the end of the year the public debt stood at just under \$23,000,000. Meanwhile, in June, the Federal Reserve Act was amended to provide for agricultural representation on the Federal Reserve Board and the powers of the War Finance Corporation to make loans for agricultural purposes were extended to June 30, 1923.1

A notable bank consolidation took place in Atlanta in September, 1922, when Asa C. Candler's Central Bank and Trust Company was absorbed by the Citizens and Southern National Bank.2

The radio age, a new era of communication opened locally on March 16 when the Atlanta Journal's station WSB began operations. The adjoining County of DeKalb celebrated its centennial during the year and the Town of Decatur became officially the City of Decatur. Women came to the fore politically with the election, in September, of Miss Bessie Kempton, of Atlanta, to the State Legislature. Two months later Mrs. Rebecca Latimer Felton was appointed to the United States Senate to fill the unexpired term of Thomas E. Watson, deceased. Both the election of Miss Kempton and the appointment of Mrs. Felton represented firsts for their sex.3

Governor Wellborn's thoughts on the economic situation at the beginning of 1922 were expressed to the press as the year started:

"The business outlook for the coming year is a great deal brighter than it was at this time last year. In my opinion, we have passed through the severest part of a

depression, which has been not only section-wide or nation-wide, but which has profoundly affected the entire world.

“Business concerns generally have had opportunity to adjust themselves to changed conditions, as manifested chiefly in a lower level of prices. The textile industry, whose condition touches this district more vitally, in all probability, than that of any other industry, shows a considerable improvement. There are many mills now running on full time, whereas, a year ago most of these mills were shut down entirely and still others were being operated on a half time basis.

“The farming outlook, so far as the production of cotton is concerned, is in a very uncertain state, on account of the depredation of the boll weevil and the probable extension of that insects activities over a larger area during the next twelve months. It has, however, been demonstrated on many occasions that we receive about as many dollars for a small crop as for a larger one. Consequently, decreased production does not necessarily mean a financial loss for the farmer.

“The credit situation in this district is far sounder than it was last December. Commercial and industrial concerns will have little difficulty in securing funds at a reasonable rate of interest with which to finance their operations.

“The banking business, generally speaking, is on a sound basis throughout this District; and many banks which have been compelled to rediscount with the Federal Reserve Bank, in order to take care of their local situations, have entirely wiped out their indebtedness to us, and are now in a sufficiently strong position to meet in a satisfactory manner the requirements of their customers for the coming year.”⁴

Though the economic situation did indeed look better in early 1922, repercussions of the cotton panic of 1920-1921 were still being felt. Governor Wellborn’s work in helping to halt the panic was acclaimed by the banking fraternity. The public, however, began to hear rumors that the Federal Reserve, by curtailing

credits for luxury buying, had brought on the crisis.5

Governor Wellborn rose to the defense of the Federal Reserve System, and, in Washington, Senator Carter Glass was preparing one of the great speeches of his career in behalf of the financial system which he helped create. Yet the muttering continued and an investigation was demanded.6

Defending the operation of the Reserve System Glass cited salaries and other expenses in comparison with expenses of private banks:

“The governor of the Federal Reserve Bank of Atlanta gets \$18,000,” he said. The president of one member bank at Atlanta gets \$20,000; another \$17,500. The vice-president of one bank there gets \$18,000. The salary account of the Atlanta Federal Reserve Bank averages very much less than the salary account of the individual member banks.”7

In answering another charge, the Senator went on to say:

“...The Federal Reserve Board, it is charged, loaned its own members \$18,000,000, which vast sum it is suggested they used to gamble in cotton after deliberately using their official powers to depress the price for their own profit. Perhaps there are cotton pickers on plantations of the South who may be deceived by such trumpery, but surely there is no member of the Senate who does not understand how absolutely preposterous these accusations are.

“No Federal Reserve Bank in the system can loan any individual or corporation in the United States a penny... These banks are banks of banks and do business only with banks...”8

The Congressional Committee appointed to study the handling of agricultural credits by the Federal Reserve Banks was composed of three Representatives and two Senators, with Senator E. D. Smith of South Carolina as the Chairman. The Atlanta hearings were held January 26-27, 1922 in the Senate Chamber

of the State Capitol. Governor Wellborn was called to appear and was asked many questions about his policy during the panic, all of which he readily answered. The following account is by Robert E. Harvey,⁹ of Atlanta, who was present at the hearing:

“The Governor had finished his statement to the Committee, and, after a great many questions had been asked him by the members, he was excused. Senator Smith left his seat, followed the Governor into the outside corridor of the Senate Chamber, and said: ‘Governor Wellborn, I have listened with great interest to your testimony on the subject of Farm Credits; and, although I have never met you before, I have known you for a long time through your public utterances, and have wished -for this opportunity to meet you personally, and state to you, face to face, that in all of these trying times the country has been through, a clear note of sound common sense has rung through it all from the Governor of the Federal Reserve Bank of Atlanta. You have handled the agricultural situation with a sympathetic and understanding policy, and your direction of the Federal Reserve Bank of the Sixth District has been frequently discussed in Washington in the most favorable manner. If the other banks in the System had pursued your policies, there would have been no occasion for these hearings...’¹⁰

The official family of the parent bank and branches, elected in December, 1921 to serve during 1922, was composed as follows:”

Atlanta

M. B. Wellborn,	Governor
L. C. Adelson,	Deputy Governor
J. L. Campbell,	Deputy Governor
M. W. Bell,	Cashier
J. M. Slattery,	Secretary
Creed Taylor,	General Auditor
W. R. Patterson,	Assistant Cashier

W. B. Roper,	Assistant Cashier
R. A. Sims,	Assistant Cashier
J. B. Tutwiler,	Assistant Cashier

Savannah Agency

R. N. Groover,	Acting Manager
D. E. Avery,	Acting Assistant Manager

Birmingham

A. E. Walker,	Manager
W. C. Sterrett,	Cashier

Jacksonville

C. R. DeSaussure,	Manager
W. S. McLarin, Jr.,	Cashier

Nashville

J. B. McNamara,	Manager
J. B. Fort, Jr.,	Cashier

New Orleans

Marcus Walker,	Manager
W. H. Black,	Assistant Manager
James A. Walker,	Cashier
F. C. Vasterling,	Assistant Cashier
M. F. Harlan,	Assistant Cashier

Joseph A. McCord continued as Chairman and Federal Reserve Agent and

Hollins N. Randolph as General Counsel.

Not many changes occurred during the year. Julian B. Tutwiler, Assistant Cashier, in charge of the discount and credit departments of the parent bank, resigned in September to accept the vice-presidency of the Miami National Bank, Miami, Florida. W. B. Roper, Assistant Cashier, was assigned the immediate supervision of Mr. Tutwiler's two departments, in addition to the accounting department, already under his charge.¹²

C. R. Tidwell, Assistant Federal Reserve Agent in charge of the department of bank examinations, resigned effective December 31 to become vice-president of the Bank of Orange and Trust Company, Orlando, Florida. W. S. Johns, Assistant Federal Reserve Agent and Auditor of the New Orleans Branch, was transferred to Atlanta to succeed Mr. Tidwell. At the same time, Lawson Brown, Assistant Auditor, Atlanta, was appointed to Mr. John's position in New Orleans and P. J. Prosser, Jr., was elected Assistant Cashier of that branch.¹³

Edward W. Lane was re-elected as a member of the Federal Advisory Council for the year.¹⁴ In April it was voted to employ Counsel for the New Orleans Branch and in May Ralph J. Schwartz, of the firm of Morris and Schwartz was retained.¹⁵

The feasibility of creating the post of Assistant General Counsel of the Atlanta bank and the election of R. S. Parker thereto was discussed in November and December but the matter was postponed to 1923.¹⁶

In all probability no individual had a greater influence upon the operations and policies of the Federal Reserve System during its formative and early years than did William P. C. Harding, the Alabama banker who became an original member of the Federal Reserve Board in Washington and its governor in 1916. He frequently attended Directors meetings of the Alabama bank. His last, as a member of the Washington

Board, was on May 12, 1922, which meeting was held in Birmingham. On this occasion he was given the privilege of the floor. His remarks, as recorded in the Minutes, follow:

“He stated he had always taken not only an official, but a great personal interest in the affairs of the Federal Reserve Bank of Atlanta. He spoke of the possibilities of the Sixth District and paid high tribute to the directors and officers of the Federal Reserve Bank of Atlanta, stating that they had not only shown ability to make large loans, but further ability to get their money back. He stated that we had a smaller percentage of outstanding loans than any other of the Federal Reserve Banks in the agricultural section, and that in the matter of ‘lame duck’ banks in our District, the bank was in better shape than in any agricultural district and further that in two Federal Reserve Districts, over 80% of their loans were to over extended banks.

“He also spoke of the demands of member banks that they be paid interest on their reserves, but that this was ill-advised as it might put the Federal Reserve Banks in competition with Member Banks. He stated, however, that he understood Congressman Appleby of New Jersey had prepared a bill looking to a further return to member banks than that now provided by law. He was of the-opinion that there would always be lean years in the Federal Reserve System, and good years, and that there was no cause for undue alarm when earnings were not large. And that while banks might temporarily have too many employees that there should not be any necessity for large reductions of force, but that clerks resigning or dismissed should not be replaced until the necessity demanded.”¹⁷

Mr. Harding resigned from the Federal Reserve Board on August 9, 1922¹⁸ upon which occasion he sent the following telegram to Chairman McCord:

“McCord, Atlanta

My official connection with the Board terminates tonight. I shall always look

back with pride and pleasure upon my association with the System. Greatly appreciate the cordial cooperation I have always received from your officers and directors. Warm regards to all connected with your bank and best wishes for future welfare of the system, the bank and its personnel. President has redesignated Mr. Edmund Platt as Vice-Governor. As such he will act as Governor until a Governor is designated.”¹⁹

Chairman McCord, on behalf of the officers and directors of the Atlanta bank replied appropriately to Governor Harding’s message.²⁰

Among problems of the year was that of accommodation to country banks, touched upon by Mr. Harding in his references above to “lame duck” banks. In reporting to the Board in February, Governor Wellborn addressed himself to the same problem:

“I fully realize and appreciate the troubles of a great many of our country member banks, particularly those banks located in small towns which are supported mainly by agriculture. They are unable to take up their paper with us, and we find it necessary to continue to rediscount for them, not because they are making many loans at the present time, but because their deposits have materially declined without any consistent liquidation in the matter of their loans.

“The whole organization of our government, from the President down, is taking a lively and sympathetic interest in the welfare of the farmer, both in the South and in the West. There is not only a disposition to assist them with the financial machinery at hand, but there is a desire on the part of the President, the Federal Reserve Board, and Congress to afford the farmers, through the Federal Reserve Banks, every reasonable credit facility. The Executive Committee of our bank is fully cognizant of the situation, and we are doing all in our power to help matters in this district. We are extending credit very freely to the farmers and it seems to me that if we have erred at all, it has been rather on the side of liberality than of restriction.”²¹

Another current problem of 1922 was focused upon by Governor Wellborn

in a report to the Board of Directors in May:

“We are still confronted with a serious situation in handling a number of member banks which are already over extended, but which from time to time, are pressing us for additional accommodations. Their credit on the outside is evidently impaired, and they are necessarily depending upon our Bank entirely for their support. We scrutinize very carefully every paper offered by these banks and conduct an active correspondence with them. Also, we frequently have officers of these institutions come to confer with us regarding their situation; and we discuss in detail with these officers the lines of indebtedness which are due them, Of course we are averse to extending these banks additional accommodation, for we are well aware that in some cases their capital have been impaired, and that they have sustained other probable losses which have not yet been ascertained. It is a difficult situation, both for the banks and for ourselves, but we are doing our very best to tide them over;. and unless we grant the additional accommodation requested by them, they would be unable to maintain any reserve with us, and, in some cases,. failure might be brought about.”22

A difficult situation indeed. Of the banks described by Governor Wellborn, most were in small and medium sized towns. Five were in Alabama, one in Florida, sixteen in Georgia, and two each in Louisiana and Tennessee.23

It was probably inevitable that financial institutions of lesser magnitude should attempt to capitalize on the Federal Reserve name and connotation of strength. The first such instance to engage the attention of the Atlanta bank was “The Federal Reserve Loan Company,” of Gainesville, Florida. Chairman McCord, after considerable correspondence with this firm, secured just a modification to “Florida Reserve Loan Company” and finally to “Florida Loan Company.”24

On the building construction front 1922 was a busy year for the Sixth District Federal Reserve Bank - in Atlanta, New Orleans, Nashville and Jacksonville new

buildings or additions to buildings were the order of the day. Only in Birmingham, where leased quarters in the Jefferson County Bank Building were well suited to needs of the branch, was earth unturned.

It was expected that the addition to the Atlanta building, began during 1921. on the site of the former Austell home would be completed by the end of 1922. However delays in receiving shipments of materials due to railroad strikes, with a resultant reduction in the work force of the contractor slowed progress considerably. A January 1923 target date for completion was predicted.25

In New Orleans a contract was let on April 22 to George J. Glover in the amount of \$706,393.00 for the erection of a four story and basement building at the corner of Carondelet and Common Streets. Completion was contemplated in 365 days, with a penalty for delay and a premium for completion earlier, both on a per diem basis.26

A banking home for the Nashville Branch was completed on Third Avenue, North, in December 1922. A three-story structure with basement, it had an imposing front and was well suited to the requirements of the business. The branch moved to the new building on December 21 from its old quarters in the Fourth and First National Bank Building, which it had occupied since opening. Total investment in the new building was \$215,669.60.27

In December 1.922 a contract was let for the erection of a two-story banking house suited to the requirements of the Jacksonville Branch. Estimated cost to complete the building, located at Hogan and Church Streets, was \$191,690.08.28

Extra embellishment for the Atlanta bank, both Directors Room and new building, were provided for during 1922. In April the directors voted to invite Governor Wellborn and Chairman McCord to have suitable portraits of themselves prepared for placement in the Directors' Room.29 In October Governor Wellborn suggested to the

Board that some mural decoration might be in order for the new building. He observed that a painting of the signing of the Federal Reserve Act, showing those in attendance, including former Director E. T. Brown, would be an appropriate subject. Chairman McCord, in somewhat more epic vein, suggested a depiction of the agricultural and industrial activities of the Sixth District.³⁰

After considerable discussion of the latter project Atlanta Artist Wilbur G. Kurtz was commissioned to execute a painting eight feet long and five and a half feet wide for a fee of \$2,500. Its title: "President Wilson signing the Federal Reserve Act in December, 1913."³¹

Matters concerning personnel came up for consideration during 1922 as they had in preceding years. In January a general salary policy was nailed down. It provided that all salary matters whatsoever, including employments, transfers, resignations and dismissals both for the parent bank and branches, should be handled by the Managing Committee and brought to the attention of the Special Salary Committee, each month, for review and final action and to be reported monthly to the Board of Directors. The policy provided further that salary increases should be held in check so as not to be out of line with similar salaries paid by financial institutions in Atlanta and other parts of the District, keeping in mind that a just salary should be paid for work performed.

Conservatism was to be the order of the day in fixing salaries.³³

Conservatism, however, did not preclude recognition of merit. The Jacksonville Branch had been a perennial problem, management-wise. In 1.921W. S. McLarin, Jr. was sent from the parent bank on a trial basis to be Cashier at Jacksonville at a salary of \$2,400 per year. His salary was increased to \$3,000 on January 1, 1922. At the September Board meeting, following, Governor Wellborn, in commenting on McLarin, said: "I am glad to say he has made a success, and I feel that his salary

should now be increased commensurate with the duties and importance of his position. I therefore recommend that his salary be fixed at \$3,600 dating from July 1, 1922.”³⁴ It was. W. S. McLarin, Jr. was to go far with the bank.

A Christmas bonus was paid in 1922, though, like salary matters, it was marked by conservatism. At the December 8 meeting of the Board, upon the recommendation of Governor Wellborn, Director Ottley offered a motion that the Bank, as a Christmas remembrance, give to each employee receiving a salary of \$1,000 or less per annum, the sum of \$10.00, and the sum of \$5.00 be, given to all. employees receiving a salary of over \$1,000, not exceeding \$4,000. This gift to apply only to employees and not including officers. Directors Simon and Kettig were in favor of giving all employees \$10.00 but the motion as put by Director Ottley prevailed.³⁵

Throughout the year much discussion was had as to the feasibility, and particularly the desirability, of setting up a “Member Banks Relations Department.” In January a committee composed of Directors Newton, McCrary, Ottley, and Kettig was appointed to make a report on the subject. In December it was finally decided that such a department should be created, though the details of its organization were deferred until the following year.³⁶ At the same meeting it was voted to authorize the Branch banks to join the Chambers of Commerce in their respective cities.³⁷

The unsettled business climate which prevailed during the immediate post war period had largely given way to a more stable economy during 1922. Conditions generally were described by Chairman McCord in his Annual Report for the year. He wrote:

“Business conditions during 1922 have shown a steady improvement and although foreign trade has been at a low ebb, the close of the year found the Sixth Federal Reserve District in a more stabilized and in many respects, in a more satisfactory position than at any time since the outbreak of the World War. The

uneasiness on the part of the public, which commenced in 1920 and continued for the most part through 1921, has given way to a more settled and confident feeling and except for the railroad and a few unimportant strikes in the District, there have been few disturbing influences.

“The reserve city banks and those in financial centers have shown a healthy improvement, and a general improvement has been made by the banks located in agricultural sections, although it has not been so marked as in the larger city banks.

“There has been a reaction in the downward trend of prices, and the returns for agricultural products have been much more satisfactory than for the preceding year. The advanced price of cotton, with a larger yield than last year (although much below the ten year average) has aided the farmers materially, except in restricted areas where the boll weevil has practically destroyed the crop for three successive years.

“In most lines of the wholesale trade there has been a steady upward trend, and the increase is also apparent in comparing the same months’ business with that of the preceding year. Reports indicate that the retail trade generally is buying for immediate needs, and is not inclined to increase stocks. The reports of department stores do not show the same ratio of increase in sales as is shown by the several lines of wholesale trade. This, however, can be attributed to some extent to the late fall and winter, which if anything was milder than last year.

“The industrial plants, especially textile, iron and steel, have’ been more active than for many months past, and production has shown a steady increase.

“To sum up the situation, it is believed that with conditions at home and abroad still unsettled, recovery in the Sixth Federal Reserve District during 1922 has been on the whole satisfactory, if not remarkable.”³⁸

A more stabilized economy brought with it less activity for the Federal Reserve Bank and reduced earnings. Indeed, 1922 was what Governor Wellborn

referred to as a “lean year.”

Gross earnings for the year were \$2,352,736 which represented only 31.7% of the \$7,406,652 earned in 1921. The decrease was a reflection of the rapid decline in earning assets during the early months of the year to the low and fairly even level which prevailed for the remaining months. Expenses for the year were \$1,293,053, a reduction of \$287,532 from 1921. The principal items showing a decrease were officers’ and clerks’ salaries, printing and stationery, cost of Federal Reserve Currency, and tax on Federal Reserve Bank note circulation. Net earnings for 1922 came to \$1,059,683, a decrease of 82% from 1921’s \$5,826,069.³⁹

At year’s end membership stood at 543, an increase of 28 during the year. Of the new member banks, ten were National and 18 were State banks.⁴⁰

On the lighter side the Bank’s magazine, The 6-F Journal, under the heading “Personals,” offered the following comment relative to certain officers and employees:
“Whoever Heard Of:

Governor Wellborn pulling down the shades in the lunch-room?

Mr. McCord smiling at anybody?

Mr. Adelson smoking a black pipe?

Mr. Campbell War Financeing anything?

Mr. Bell saying ‘Doggoneit?’

Mr. Slattery pulling down his vest?

Mr. Roper opening a window to ‘let in a little fresh air?’

Mr. Patterson signing anything?

Mr. Sims kidding the girls?

Mr. Albertson saying ‘Ah-h-h?’

Mr. Taylor laughing very loudly at anything?

Mr. Tutwiier playing the ‘Song of India’ on the Victrola during lunch?

The Registered Mail Shipping Department being able to find Shep

when they wanted him?

Mr. Camp getting enough heat up to the Auditing Department?

John Bach not being too busy to wait on you, when you needed him?

Mr. Johns carrying the baby around - just for the exercise?

The Editorial Staff getting the Magazine Out on time?"41

NOTES

CHAPTER 11.

1. Keller, Dictionary of Dates, II, 329, 331-332.
2. Garrett, Atlanta and Environs, II, 495; Minutes. Directors, II, 561.
3. Garrett, Atlanta and Environs, II, 789-792.
4. Minutes, Directors, II, 465.
5. Hopkins, M. B. Wellborn, 103.
6. Ibid.
7. Quoted, Ibid, 105.
8. Quoted, Ibid, 107.
9. At the time Mr. Harvey was Secretary Agricultural Loan Agency of the War Finance Corporation, in Atlanta.
10. Quoted, Hopkins, M. B. Wellborn, 107-108.
11. Minutes, Directors, II, 459.
12. Annual Report, 1922, p. 27.
13. Ibid., 27-28.
14. Minutes. Directors, 11,484.
15. Ibid 500, 506.
16. Ibid., 569, 585.
17. Ibid 511-512. The Bank had a relatively lean year in 1922.
18. He became Governor of the Federal Reserve Bank of Boston on January 1 1923 and died April 7, 1930.
19. Minutes, Directors, II, 539-540.
20. Ibid., 540.
21. Ibid., 480-481.
22. Ibid., 507.
23. Ibid.
24. Ibid 511, 528, 541.

25. Ibid., 565; Annual Report, 1922, p.²⁸.
26. Minutes, Directors, II, 509-510; Annual Report, 1922, pp. 28-29.
27. Annual Report, 1922, p.
28. Ibid., 29
29. Minutes, Directors, II, 501
30. Ibid., 560
31. Ibid., 560, 567, 581
32. Ibid., 467
33. Ibid., 479-480
34. Ibid., 547
35. Ibid., 584
36. Ibid., 462, 464, 582
37. Ibid., 584
38. Annual Report, 1922, pp.
39. Ibid., 14
40. Ibid., 24
41. The 6-F Journal, March, 1922, p

CHAPTER 12

1923

The world became smaller in 1923. In mid-January the first transatlantic radio message was transmitted between New York and London. In March a world aeroplane speed record was set at 236.5 miles per hour. A few months later this was upped to 266.6 simultaneously. Robert A. Millikan was awarded the Nobel prize for physics as the man who first isolated and measured the electron.1

An exodus of Negroes from the South to Northern cities was also taking place. From Georgia alone 32,000 departed, representing 13% of its farm labor.2

On March 4 Congress enacted the Agricultural Credits Act which authorized the creation of 12 Intermediate Credit Banks, each with a capital of \$5,000,000, subscribed by the Government, and authorized to make loans, not only on land, but on farmers crops, live stock, personal notes and equipment.3

Headline of the year was, of course, the unexpected death of President Warren C. Harding in San Francisco. after an illness of a week. The day following, August 3, Vice President Calvin Coolidge took the oath of office as President, at Plymouth, Vermont.4

During its August meeting, on the 10th, the Board of Directors of the Federal Reserve Bank of Atlanta took note. Chairman McGord called attention to the great loss the country had sustained and stated that -the day had been proclaimed one of sorrow and mourning. Director McCrary moved that a recess of one hour be taken in memory of the departed President, which motion was seconded by Director Simon and unanimously carried.5

As the year was closing in December, President Coolidge delivered his first annual message. He declared- in favor of adherence to Permanent Court, the tax reduction plan of Treasury Secretary Andrew Mellon, coal control, and prohibition

endorsement. He opposed a soldier bonus and cancellation of Allied war debts.6

Eleven months before, Governor Wellborn, in his January report to the Board, summing up the economic situation as the year began, wrote:

“On the whole it may be said that there is growing confidence on the part of the business public. That conditions are being righted, although in some lines slowly; and the attitude of business men generally at the present time, lacks the element of doubt and uncertainty which was so widely prevalent at this time a year ago. Some apprehension is felt, of course, over unsettled conditions in Europe, particularly over the Allied disagreement on the reparations question and the French invasion of German towns to enforce their demands. But it is hoped that the conservative policy advocated by Premier Bonar Law of Great Britain and Secretary Hughes of the United States will, in the end, prevail. An amicable settlement of the reparations question would undoubtedly be reflected in a quickening of foreign trade and a consequent improvement in business conditions in this country.7

The official family of the Bank remained much the same during 1923 as in 1922. Though, inevitably, some changes took place.

The firm of Randolph and Parker, composed of H. N. Randolph and R. S. Parker, was named General Counsel succeeding H. N. Randolph, individually. Compensation was increased from \$2,500 to \$3,500 per annum.8 Mr. Parker was destined to play an increasingly important role in the affairs of the Bank as the years went by. J. B. Tutwiler was elected Assistant Cashier in December. He was placed in charge of the Failed Bank Division and special visitation to member banks in an extended condition.9 Captain W. H. Hartford, an original director of the Bank was forced to miss his first meeting on November 9, 1923. Illness prevented his attendance.10

Aside from some changes made as the result of the establishment of an agency in Cuba, which will be noted later, the branches came in for few official changes.

In January Bion H. Barnett resigned as a Jacksonville Branch Director and was succeeded by Courts P. Kendall, Vice President of the Barnett National Bank. H. B. Lightcap had resigned as a New Orleans director as of the first of the year. On January 12 the following Branch Directors were named:

New Orleans, P. H. Saunders, A. P. Bush and F. W. Foote; Jacksonville, John C. Cooper and Fulton Saussy; Birmingham, W. H. Kettig and Oscar Wells; Nashville, W. H. Hartford and Paul M. Davis.¹¹

M. F. Harlan was elected Assistant Cashier at New Orleans in January, and P. J. Prosser resigned as Assistant Cashier at the same branch in June.¹²

A number of policy matters concerning personnel were considered and acted upon during 1923. In March a letter from the newly organized Atlanta Junior Chamber of Commerce, soliciting ten members from the Bank was replied to in the negative, the "officers of the Bank being not in favor of the expenditure."¹³ In June, upon recommendation of Governor Wellborn, the maximum amount of coverage under the Bank's group insurance policy was increased from \$3,000 to \$5,000.¹⁴

A plan for uniform vacations was adopted in November which provided one month for senior officers - Governor, Deputy Governor and Cashier of parent bank - and three weeks for all other officers. For employees the plan provided "one day (exclusive of Sundays) for each month in the employ of the bank preceding the period designated for vacations; except that no vacation will be allowed until six months' service has been completed. Vacation periods not to be cumulative for more than twelve days (exclusive of Sundays) and not to be granted prior to April 1 nor later than September 15, without special authority from the Managing Committee."¹⁵

During the same month the Board took up for consideration a recommendation of the Governor regarding an appropriation for educational purposes in connection with the American Institute of Banking. It was voted that employees of the

Bank be allowed to enroll for courses in the local chapter of the A.I.B., at Bank expense provided that they attended regularly. Otherwise they would be required to refund the amount paid for them.16

Officers and employees who may have looked forward to the usual extra year-end compensation in 1923 were disappointed. On November 28 the following letter was received from the Federal Reserve Board in Washington:

“By direction of the Federal Reserve Board, I have to advise you of the following resolution adopted by the Board, and to request that you bring this letter to the attention of your directors and officers of your bank:

“BE IT RESOLVED, That all Federal Reserve Banks be notified that no bonus or extra compensation payments of any character will be approved by the Federal Reserve Board, and that the Federal Reserve Board is of the opinion that the proper method of compensating its own employees and the employees of the Federal Reserve Banks is by payment to them at regular intervals - weekly, semi-monthly, or monthly - of the full amount earned by them on the basis of their fixed annual compensation.”

Yours very truly,

(s) Walter L. Eddy, Secretary.”17

The feasibility of an agency of the Federal Reserve Bank in Havana, Cuba, had been carefully considered for some time. In 1923 such an agency became a reality.

Historically, banking in Cuba had been faced with many problems since the days of Spanish rule. Shortly before Cuba gained its independence in 1898, the Bank of Spain, which had operated in Cuba for years, repudiated its issue of peseta notes. After Cuba gained its independence the Banco Nacional de Cuba was organized and issued bank notes which were later also repudiated.18

As a result of this experience the people of Cuba were apprehensive and had very little faith or confidence in financial institutions. After branches of American banks were established and United States currency was made legal tender, an appreciable degree of confidence was restored. But again in 1920 and 1921 a disastrous depression hit Cuba resulting in the temporary closing of all and the permanent closing of some banks. This situation destroyed almost completely the confidence in banks which had been restored.19

At the time the agencies of the Federal Reserve Banks were established, confidence in banks in Cuba was still at low ebb. It was felt, however, by the Cuban government and Havana banks that announcement of establishment of the Havana agencies with adequate cash reserves to enable the banks to meet emergencies would have a salutary effect on public opinion toward banks. This assumption proved to be correct.20

The first Board action in connection with an agency in Havana took place on June 16, 1921. At that meeting Chairman McCord spoke of the advantages of an agency at Havana. Whereupon the Board voted to adopt the following resolution introduced by Director McCrary:

“RESOLVED, That the Governor and Federal Reserve Agent are appointed a Committee to investigate the feasibility and desirability of the establishment of an Agency of this Bank at Havana, Cuba; said Committee to take up the matter with the Federal Reserve Board and make a report at the next meeting.”21

From that point on investigations and studies were made in connection with the issue though the Board Minutes for 1922 indicate little action. In early 1923 Chairman McCord and Governor Wellborn made a trip to Washington in connection with the proposed agency. Then, at the Board meeting of May 8, 1923, Governor Wellborn let loose a bombshell when he reported:

“Under date of April 25, I received a letter from Acting Governor Platt of the Federal Reserve Board, advising that the Federal Reserve Bank of Boston had made application for permission to establish an agency in Cuba, and inviting participation of the New York, Philadelphia, and Atlanta Reserve Banks in the hearing scheduled to take place Monday, April 30. Chairman McCord and I attended this conference, and endeavored to place before the Board the attitude of the Atlanta Bank. We called attention to the resolution adopted by your Board in August, 1921, suggesting that, should such an agency be contemplated, the Board give due consideration to the claims and interests of the Atlanta Bank, whose facilities for handling Cuban business were, for geogtaphical reasons, superior to those of any other Reserve Bank. We also drew the attention of the Board to the fact that in 1920, this bank began furnishing, through the Jacksonville Branch, its notes in Cuba, and that the amount of our notes now in circulation there approximate forty million dollars.22

At the same meeting Governor Wellborn elaborated:

“Another hearing was called for May 7, at which Deputy Governor Adelson and Director Ottley were present. Also, at our suggestion, several of our leading member bankers attended and urged the claims of the Sixth Federal Reserve District to the proposed agency. Mr. Mills B. Lane, President of the Citizens and Southern Bank, Savannah; Mr. J. S. Reese, President of the Citizens and Peoples National Bank, Pensacola, Florida; Charles A. Faircloth, President of the National City Bank, Tampa, Florida; C. M. Kendall, Vice President of the Barnett National Bank of Jacksonville, Florida; J. T. Howell, Vice President of the American National Bank at Nashville, Tennessee; and C. M. Trammell, Comptroller of the same institution, were present with our delegation. President Mitchell of the National City Bank of New York attended and took a position favorable to our Bank. No definite decision was reached.23

At the conclusion of Governor Wellborn’s remarks the Board discussed the

proposed Havana Agency thoroughly, all members expressing themselves strongly to the effect that such an agency should by rights be under the supervision of the Federal Reserve Bank of Atlanta. A forceful and detailed resolution, introduced by Director Simon and seconded by Director McCrary, was adopted and forwarded to the Federal Reserve Board in Washington.24

The resolution set forth four principal reasons why the Atlanta Bank should be given the agency. Briefly, they were: (a) Geographically nearer. Jacksonville 602 miles from Havana vs. 1,875 from Boston, thus saving two days in the handling of currency. (b) Congress by special act, recently authorized the Atlanta bank to build a \$400,000 building for its Jacksonville Branch in order that adequate facilities might be close at hand to work with a Cuban agency. Otherwise a \$250,000 building, as originally planned, would have been adequate. (c) That from any logical standpoint an agency in Cuba ought to be established by and through the Federal Reserve Bank of Atlanta' rather than by and through any other of the Federal Reserve Banks. (d) That the organization committee in establishing boundaries for Federal Reserve Bank territories must have taken into account the proximity of Atlanta to Cuba and that to deny the 'Atlanta Bank the right to the Cuban agency would upset normal territorial boundaries and inject an undesirable element of competition into the Federal Reserve System.25

Meanwhile the press jumped into the fray. Wrote Linton C. Hopkins in his Biography of M. B. Wellborn:27

"Newspaper accounts of the contest, which came to a head in the spring of 1923, made it look like a minor Civil War between the southeast and the New England states. The Atlanta bank at that time was already furnishing Cuba with its currency - \$40,000,000 worth - and its application to establish an agency in Havana had been before the Federal Reserve Board for two years. When the Boston bank stepped into the picture by applying for the agency, loyal southern newspapers, clearing houses and

other financial and civic agencies jumped to the aid of the Atlanta bank and asserted that the north was trying to steal the south's thunder. The Atlanta Constitution developed the theme that 'certain astute financiers in New York are using Boston as a catspaw to prevent the Atlanta district from obtaining the consideration to which it is properly entitled.' Jealousy of the south's growing financial importance was seen as the motive: 'The growing commercial and industrial importance of Georgia and other states in that Federal Reserve region is such as to cause eastern magnates to fear for their future unquestioned supremacy.'

"At the hearings before the Federal Reserve Board said the Constitution's Washington correspondent, 'Governor Harding²⁶ tried to make it appear that Havana was financially nearer to Boston than to Atlanta.'

"Governor Crissinger, the Ohio man who had been appointed to Governor Harding's post on the Federal Reserve Board, opposed his predecessor in the Cuban contest. A 'compromise' that looked like a victory for Boston was finally reached, for a Constitution dispatch dated June 27 announced:

'The Federal Reserve Board late today granted the application of the Boston Federal Reserve Bank to establish an agency in Cuba. At the same time the Board allowed the Atlanta Reserve Bank the same privileges in order to compromise differences which had arisen as a result of protests from the Atlanta bank against the Boston application.'

The Constitution was right. On June 27, 1923 the Federal Reserve Board adopted a resolution authorizing each bank to establish an agency in Cuba and to perform the following primary functions:

1. To buy from, or sell to, the Republic of Cuba or any bank institution doing business in Havana, Cuba, cable transfers of funds to or from any banking institution located in any city in the United States where there is located a Federal Reserve Bank

or Branch of a Federal Reserve Bank, charging therefor a commission at the rate of \$1.00 per \$1,000;

2. To pay out Federal Reserve notes or other currency of the United States in such denominations as may be demanded in payment of cable transfers of funds to Havana, the kinds of currency paid out to be discretionary with the Agency;

3. To accept any and all kinds and denominations of United States currency, including Federal Reserve notes, in payment for cable transfers of funds to the United States.

While the two agencies were in operation, number 1 above was applicable exclusively to the Boston Agency and numbers 2 and 3 to the Atlanta Agency.²⁸

Although the agencies were authorized to deal with any banking institution doing business in Havana, transactions were actually confined almost exclusively to the nine clearing house banks which at the opening of business on September 1, 1923, were as follows:

The National City Bank of New York

The Chase National Bank of New York

The First National Bank of Boston

The Royal Bank of Canada

The Canadian Bank of Commerce

The Bank of Nova Scotia

Banco del Comercio

Banco Commercial de Cuba

N. Gelats and Company

The National City Bank of New York and the Royal Bank of Canada each had around 30 branches located in Havana and points throughout the island. The other

Canadian and American banks each had several branches located within the city limits of Havana. Currency payments and receipts in connection with cable transfers of funds were handled directly with the head office only of the banks having branches. Currency deliveries and receipts for the branch banks were carried out by the head office of the bank in Havana. The Agency had no direct dealings with any of the branches of the Havana banks.29

Prior to the opening of the agencies the Havana banks had maintained in their vaults unusually heavy cash reserves to be in position to meet emergencies. The establishment of the Federal Reserve Agencies greatly facilitated the transfer of funds to and from Havana, and as a result, during the first few weeks of operation the Havana banks materially reduced their cash reserves by transfer of large sums to the United States.30

For years there had been no means of disposing of unfit or mutilated currency except by shipment to the United States. Therefore, because of the expense involved the banks had refrained from making frequent shipments, and as a result the United States currency in circulation in Cuba was very dirty and in extremely unfit condition. Consequently, during the early months of operation of the Havana Agency currency received in payment of transfers was practically 100% unfit and mutilated. Many counterfeit notes had circulated in Cuba for years without being noticed, but after about a year of operation of the Agency a large number of the counterfeits were detected by the Agency personnel and removed from circulation. Since all payments to banks were made with new or fit Federal Reserve notes and practically all receipts from banks were in unfit or mutilated currency, the improvement of circulated notes was soon very noticeable. The improvement in the notes of circulation was not only beneficial to the banks but to the public at large and was the subject of many favorable comments.31

The Havana Agency of the Federal Reserve Bank of Atlanta was originally

housed in the National City Bank of New York Building on Cuba Street. The location was considered ideal as it was within four blocks of all the Havana banks and directly across the street from the Cuban Treasury Building. Working quarters for the Agency were provided on the second floor and vault space on the ground floor in the main vault of the National City Bank. The Agency operated at this location until May, 1925.³²

When the Agency was authorized by the Federal Reserve Board, the Board of Directors of the Atlanta Bank named Deputy Governor Louis C. Adelson and Secretary Joseph M. Slattery of the Atlanta Bank, as Co-Managers of the Agency. Mr. Slattery, as Manager, proceeded to Havana with L. L. Magruder of the Atlanta Money Department and Misses Mittie LaHatte and Stella Hamrick, currency sorters from the Atlanta Bank, to set up the initial operation. In December, 1923, H. C. Frazer, from the Atlanta Money Department was sent to Havana to join the Agency staff as clerk.³³

In his Annual Report for 1923 Chairman McCord, in commenting on the new Havana Agency, wrote:

“On September 1, 1923 an agency was opened in Havana, Cuba, by authority and under regulations and conditions of the Federal Reserve Board. The United States government, by virtue of the Plott Amendment, has entered into relations with the Cuban government which it does not have with any other country, especially in matters of finance and currency. The currency of the United States having been made legal tender in Cuba, the Federal Reserve Board deemed the establishment of an agency at Havana desirable as means of stabilizing banking conditions and furnishing an adequate supply of clean currency. Authority was therefore granted to the Federal Reserve Bank of Atlanta and the Federal Reserve Bank of Boston for the establishment of agencies in Havana, and the functions of these two agencies were prescribed by the Federal Reserve Board, and do not in any way conflict with each other or perform the

same operations.”34

During the four months the Havana Agency was open for business in 1923, receipts and shipments of currency amounted to \$32,732,000.35

The Atlanta of 1923, with Lawyer Walter A. Sims in the Mayor’s chair at Marietta and Forsyth Streets, echoed to the sound of saw, hammer, drill and steam shovel. It was a year of unprecedented building operations. Much of this activity centered around the Marietta and Spring Street intersection. The Spring Street viaduct, a long-range effort to ease the problem of cross-town traffic, was completed in December. The Glenn Building, the £01 Marietta Street Building and the Bona Allen Building, all nearby were under way. Further to the north Morningside and Brookwood Hills were being developed, while two blocks south of the Bank, Rich’s new department store was taking shape at Broad and Alabama.36

Meanwhile, the building program of the Atlanta Bank, though behind schedule, moved forward. In January 1923, Governor Wellborn reported:

“The new addition to our building is now completed to the extent that our officers are enabled to occupy quarters therein. The old building is being remodeled to conform to the plan of the new, which work will probably be completed within the next two or three months.”37

In May, the following action was taken:

“Chairman McCrary, of the Building Committee having reported the Atlanta building would be completely finished by the July meeting of the Board. Upon motion by Director McCrary, it was voted that at the regular July meeting, a formal opening should be had and that the members of the Federal Reserve Board, the Advisory Council, and all Directors of the Branch Banks be invited to attend the opening and the meeting of the Board.”38

During the course of the Board meeting on July 20, Director McCrary,

Chairman of the Building Committee, reported the completion of the building, with the exception of some minor details, and the final settlement of accounts. In that connection the Board voted to adopt the following resolution:

“WHEREAS, the Bank building of the Federal Reserve Bank of Atlanta was built under the direct supervision of the Building Committee, composed of Mr. J. A. McCrary, Chairman, Mr. M. B. Wellborn, Governor, Mr. Joseph A McCord, Chairman of the Board, and Messrs, J. K. Ottley and W. H. Kettig, Directors, and

WHEREAS, The said building has been completed and was yesterday opened to the general public and to the visiting bankers, and

WHEREAS, The building and its equipment have been highly complimented by the public and visiting bankers and members of the Federal Reserve Board, who were present at the opening.

BE IT RESOLVED, by the Board of Directors of the Federal Reserve Bank of Atlanta that the magnificent building was erected within the appropriation and at some saving due largely to the efforts and deep interest taken by each and every member of the Building Committee, and the Board of Directors does extend to the Building Committee their heartfelt congratulations upon the completion of the building, and upon the beautiful design and excellent workmanship.”³⁹

In his Annual Report, on the same subject, Chairman McCord wrote:

“On July 19 the banking house of the Federal Reserve Bank of Atlanta was opened with impressive ceremonies, on which occasion Messrs. E. B. Cunningham and George R. James, members of the Federal Reserve Board, were present, and a representative number of officers of member banks of the district. The original building was completed in 1918, but increase in volume of business since that time made it necessary to provide additional space, and accordingly, two additions have been made, the last being completed just prior to the opening on July 19. The building is

commodious and of substantial design, and will adequately provide for the future growth and development of the bank's business. The book value of the building, including land, at the close of the year was \$1,444,757.16, after the charge off for depreciation, which has been deducted yearly since the original building was completed."40

Forty years were to elapse before the Atlanta Bank became the subject of another major building program.

Space was provided in the new building for certain amenities and conveniences not feasible in more limited quarters. The Chief National Bank Examiner for the District was invited to occupy the building along with his staff⁴¹ and, after proper application to Atlanta Postmaster E. K. Large, a contract Post Office was set up on the premises. The latter, authorized on August 4, was a great time-saver in the handling of both ordinary and registered mail. Indeed, it provided for direct handling of mail from trains to the bank building.⁴²

In June portraits of Governor Wellborn and of Chairman McCord were completed, accepted and authorized to be hung in the Directors' Room. The Wellborn painting was done by Miss Kate Edwards,⁴³ of Atlanta and the McCord portrait by Charles F. Naegele, of Cobb County, both well-known and able artists. At its request, the paintings were paid for by the Federal Reserve Bank Club, composed of employees of the Bank.⁴⁴

In September the Governor reported modest progress in connection with a library. He wrote:

"We have begun to lay the foundation for a library in Our bank for the use of employees and, up to date, we have spent \$489.90. This we believe will be very beneficial to our employees, inculcating in them the profitable habit of reading and adding to their store of information. I cannot see the necessity of the bank maintaining the extra expense of employing a librarian, for a person occupying this position would

have but very little to do each day. I would therefore recommend that the books be kept in cases under lock and key, and we can designate either officers, chief clerks or secretaries to have charge of the library, and to dispense the books upon receipt from those who desire to take the books home to read and to specially look after our books and keep them in proper shape.45

Atlanta was not the only site for Sixth District building activities during 1923.

The banking house of the New Orleans Branch was completed during the summer and was formally opened on October 12, at which time the Board of Directors of the parent bank held its regular monthly meeting in that city. Among others present were George R. James, of the Federal Reserve Board and a number of officers of member banks located in the New Orleans zone. The building was built under the supervision of a Building Committee composed of R. S. Hecht, Chairman, Leon C. Simon and Marcus Walker. It was designed in the office of New Orleans Architect Rathborne DeBuys and was constructed by George J. Glover. It consisted of four stories and basement; was of classic design thoroughly equipped and suited to the needs of the branch and its future growth. Total cost was approximately \$1,090,000.0046

The Nashville Branch moved into its new building December 21, 1922, but the building was not formally opened until May 11, 1923. The regular monthly meeting of the Parent Bank Board was held in Nashville that month so that the members might be present at the opening ceremonies. The building was built under the supervision of Captain W. H. Hartford, of the Atlanta Board and Chairman of the Nashville Branch Board. It was a three-story structure of imposing appearance, admirably adapted to the requirements of the branch.47

Construction of a banking house for- Jacksonville was commenced in December, 1922 and continued throughout 1923. Branches at Birmingham, Savannah

and Havana continued in leased quarters.⁴⁸

Shortly before the new Atlanta building was completed, the matter of a fair tax assessment came up. Reported Governor Wellborn on June 7:

“The City assessors of Atlanta fixed the assessment on our bank property, that is, building, vaults and land, at one million dollars. I thought this too high, and, together with General Counsel Randolph and Deputy Governor Adelson, had a conference with the assessors on May 22. After considerable discussion and argument, the assessment was reduced to \$654,000.00. This amount, I believe, is a fair assessment, in view of the fact that our building is not adapted to mercantile or general office purposes; and, if placed on the market, would not bring an amount at all commensurate with its cost of construction. It is, in short, designed solely to fulfill the function of a Federal Reserve Bank.”⁴⁹

Two matters concerning operating policy came up for special consideration during 1923. They involved extended country member banks and non-cash collections. On November 7, in a report to the Board on the first subject, Governor Wellborn wrote:

“One of the most important problems confronting us at the present time is that of dealing with those of our country member banks which became seriously extended during the depression of 1920-1921, and have spent the time since then in trying to work out of their difficulties back into a normal state. As a rule, such institutions have been borrowing heavily and continuously from us in order to meet their current obligations and continue in business. From our point of view, it is difficult to refuse the additional accommodation to a bank, even though it is already borrowing far in excess of its capital and surplus, when we know that to do so means, in all probability, to force that bank into the hands of a receiver.

“I want particularly to call your attention to the fact that, in dealing with banks that are in bad condition, a Federal Reserve Bank occupies a different position from a

commercial bank dealing with debtor institutions, in that the Reserve Banks are not organized for the purpose of making profits. Their earnings up to 6 per cent go to their member banks, and above that amount, to the Government. Therefore, we feel that we are not called upon to press a weak bank too far and force collection as a commercial bank would undoubtedly do. Any losses that we may sustain by assisting these banks are fully provided for by our earnings without any detriment to the Federal Reserve Bank. Our aid has been instrumental in saving many of these banks, which are now in good healthy condition and serving their communities well. I believe that we all recognize that the relations between a Federal Reserve Bank and a member are closer, and that more mutual interests exist than between a city bank and its country customers, in that a Federal Reserve Bank feels a heavier obligation to do all it can for a member, not alone to protect it, but in a broader sense, to look out for the welfare of the community in which the bank is located.

“I am merely making these observations because some might be inclined to think that judged by the standards of ordinary commercial banking, we have been a little too liberal in extending credit in doubtful cases which may result in our sustaining certain losses. If we had been running our bank on a purely commercial basis, I am sure that our management would have cut off some of our member banks instead of going a step further, and trying to preserve them so that they could be useful to their communities. If it were not for the rights and privileges of member banks under the law, we would feel inclined to discount for certain of them only in small amounts, and for some others not at all. But we feel it our duty to care for them so long as hope for them exists. In this matter, we have uniformly shown a sympathetic spirit, and I am sure that

the public in the communities where these banks are situated, appreciate our helpfulness to their local banks.

“The policies, as outlined above, which the Federal Reserve Bank of Atlanta has been pursuing from the beginning should have the effect of arousing in the public mind a full realization that it is to their interest to discriminate between members and nonmembers, and give preference to a bank that is a member of the Federal Reserve System. 50

On the subject of noncash collections, the Governor, in a report to the Board on December 7, wrote:

“Your Board has been on record for the past five or six years as being opposed to our bank’s handling noncash collections. I believe that, in considering this question, we should be careful to bear in mind that the Federal Reserve System should be conducted as intended by its creators, and all unnecessary expenses eliminated. In this connection, I may say that, at the recent conference of Governors and Federal Reserve Agents with the Board at Washington, I took occasion to state my views on this whole subject. These are substantially reiterated in what follows:

“There are several reasons why I consider the handling of noncash items for collection through the Federal Reserve Banks undesirable. In the first place, such action puts the Reserve Bank in direct competition with its member banks. Secondly, it deprives member banks of a legitimate source of revenue, and it is a further discrimination against them in that it affects particularly, member banks which are located in Reserve cities and Federal Reserve Branch Bank cities. Thirdly, it involves a heavy expense upon the Federal Reserve Banks to take care of such business. The

Committee of Efficiency and Economy of the Federal Reserve Board has submitted figures showing that it now costs the Federal Reserve System annually over a million dollars to collect these noncash items; and the Committee further estimates, taking into consideration the rate at which this business is growing, that in a few years it will cost the Federal Reserve System in the neighborhood of eight million dollars annually.

“It was never contemplated that a Federal Reserve Bank should enter into relations with the general public, but should confine its activities to its member banks. Our experience has been that the public is inclined to resent the handling of such items by the Federal Reserve Banks, because we are compelled to require certified checks before we deliver the drafts, and this is very annoying to those upon whom the drafts are drawn. In short, I think it would be a very wise move to drop this practice as a function of the Federal Reserve Banks.” 51

The Atlanta Board had previously placed itself on record as opposed to the handling of noncash items and, following Governor Wellborn’s remarks, it voted again to recommend the discontinuance of handling such items.52

As the year 1923 drew to a close, Governor Wellborn, in a report to the Board in December, was quite optimistic. He wrote:

“The Bank’s operations, while making a slow start at the beginning of 1923, picked up momentum after mid-summer, and the last of the current year will see an increase, not only in the earning assets, but also in the volume of business handled in the course of our currency and transit operations. Notwithstanding this increase, the total operating expenses have been held down to slightly less than last year.

“We feel that we are in closer touch with our member banks than ever before, and hence best able to help them solve the problems with which they come to us. From time to time officers from the parent bank and branches are sent around to the various member banks; and I believe that so far as the promotion of good feeling and the development of a better understanding are concerned we have accomplished all that could be desired.

“I believe that we are justified in inferring the general satisfaction of our members with the administration which we have given them from the fact that none of our Directors have been defeated for re-election. In most cases, there has been no opposition whatever; and, in those instances where there has been another candidate, the serving Director has always been returned by a wide margin. Surely, if there had existed any material criticism of our management, it would have been brought out at election time; and I think we may safely conclude that our members generally are satisfied with your Board, and with the officials whom you have selected to administer the affairs of the bank.”⁵³

Throughout 1923, as earlier, much thought and discussion had been devoted to the feasibility of a Member Bank Relations Department. Indeed, by late 1923 the matter had progressed to the point of an offer to Thomas R. Bennett, Superintendent, Banking Department, State of Georgia, to become Manager at \$7500 per year. Mr. Bennett was amenable, but the Federal Reserve Board in Washington dragged its feet on approval and the matter carried over to 1924.⁵⁴

In setting forth earnings, expenses, profit and loss for 1923, as compared with 1922, Chairman McCord wrote:

“The gross earnings of \$2, 682, 314 for 1923 was an increase of \$329, 578 over the gross earnings for the previous year, amounting to \$2, 352, 736, while the total current expenses of \$1, 294, 232 for 1923 was only \$1179 more than the previous year, which amounted to \$1, 293, 053. The expenses for 1922, however, did not include any expense for the operation of the Havana Agency, amounting to \$11, 264.07 in 1923, and the expenses for 1923 included an Increase in ‘Taxes on Banking House’ of \$32,574.

“The current net earnings .for 1923 were \$1, 388, 082 as compared with \$1, 059, 683 for 1922. The deductions from current net earnings for furniture and equipment, for depreciation allowance on bank buildings and reserve for probable losses, etc., were \$1, 038, 692, as compared with \$391, 366 for the previous year. During the year, the buildings at Atlanta, New Orleans and Nashville were completed and a large part of the deductions for the year were for depreciation on bank buildings to bring the present book value to a replacement cost, also a considerable amount was reserved for probable losses. The net earnings, therefore, for dividends, surplus and franchise tax were \$352, 179 for 1923, as compared with \$672, 730 for the previous year.”55

The general business picture during the year as it affected the Bank, was painted by Chairman McCord in the following language:

“At the beginning of the year 1923, business conditions in the Sixth Federal Reserve District gave promise of continued improvement, which was realized during the early months followed by some recessions during the late spring and summer. In the early part of the year rediscount demand came from agricultural sections, and it was not

until the crop moving season that the city banks made demands for rediscount to any great extent. At the close of the year, all classes of banks in the district were rediscounting freely with the Federal Reserve Bank.

“Deposits of member banks followed the general trend of business, while the loans and discounts of all member banks showed an increase from the low point at the beginning of the year.

“Agricultural prospects were good until the latter part of July and during the month of August, when continued rains greatly damaged all crops, and in some parts of the district the wet weather increased the activities of the boll weevil and army worm to such an extent that the cotton crop was almost totally destroyed. The increased acreage planted in cotton was considerably reduced by abandonment, due to unfavorable weather conditions and shortage of labor as the result of the migration to the North of Negro farm hands. However, the increased price of cotton materially helped conditions that otherwise might have been irreparable.

The volume of retail trade was greater than for the previous year, and slightly larger than in 1921, while the volume of wholesale trade was greater than for any year since 1920. According to the United States Bureau of Labor Statistics, wholesale prices fluctuated during the year from 150 to 159, based on 100 for 1913 prices. The peak of prices was in March and April and the lower level was reached in August.

“Building throughout the district continued on a large scale. As reported by twenty cities, building operations were greater than any year since 1919, while in volume 1923 exceeded any previous year.

“Probably at the close of 1923, conditions could not be regarded as so favorable as at the close of the previous year, yet taken as a whole, the end of the year

found the Sixth District on a sound, economic basis.” 56

NOTES

Chapter 12.

1. Keller, Dictionary of Dates, II, 332-336.
2. Ibid
3. Ibid.

4. Ibid.
5. Minutes, Directors, III, 676.
6. Keller, Dictionary of Dates, II, 336.
7. Minutes, Directors, II, 592.
8. Ibid., 594.
9. Minutes, Directors, III, 745.
10. Ibid., 716.
11. Minutes, Directors, II, 587-589.
12. Ibid., 595; III, 667.
13. Ibid., III, 619.
14. Ibid., 649, 656.
15. Ibid., 720.
16. Ibid., 725.
17. Ibid., 743.
18. H. C. Frazer, "Brief History of the Havana Agency of the Federal Reserve Bank of Atlanta," 1963, p. 13. Hereafter cited as Frazer, "History, Havana Agency."
19. Ibid.,
20. Ibid., 14
21. Minutes, Directors, II, 387. Cf. 396, 422, 424, 428
22. Ibid., III, 641
23. Ibid
24. Ibid., 643-645
25. Ibid., 644-645
26. W. P. G. Harding of the Boston Bank
27. Pages 111-112
28. Frazer, "History, Havana Agency," 10-11
29. Ibid., 12
30. Ibid
31. Ibid., 12-13
32. Ibid., 7
33. Ibid., 8
34. Page 20
35. Page 22
36. Garrett, Atlanta and Environs, II, 794-798
37. Minutes, Directors, II, 593
38. Ibid., III, 643
39. Ibid., 658
40. Annual Report, 1923, p 22
41. Minutes, Directors, II, 592-596
42. Ibid., III, 678-680.
43. Still living in Atlanta, March, 1964.
44. Minutes, Directors, III, 692
45. Ibid., 697
46. Ibid., 684; Annual Report, 1923, pp. 22-23
47. Minutes, Directors, II, 594-595; Annual Report, 1923, p. 23
48. Annual Report, 1923, p. 23

49. Minutes, Directors, III, 655
50. Ibid., 718-719
51. Ibid., 739
52. Ibid., 744
53. Ibid., 739
54. Ibid., 737; Annual Report, 1923, p. 24
55. Annual Report, 1923, pp. 10-11
56. Ibid., 9-10

Chapter 13

1924

The year was young when the man who signed the Federal Reserve Act into law in 1913, died on February 3. For the four preceding years Woodrow Wilson had lived broken in health and in semi-seclusion, bitter over the defeat of his beloved concept of a League of Nations. During the same month Congress extended the life and power of the War Finance Corporation for nine months and J. Pierpont Morgan presented the \$8, 500, 000 library of his father, together with the building in which it was housed on 36th Street to the City of New York. 1

The presidential election of 1924 pitted Calvin Coolidge and Charles G. Dawes, Republicans, against John W. Davis, of West Virginia and Charles W. Bryan of Nebraska. Coolidge was re-elected. A political precedent was set in November when two states elected female governors, Mrs. Nellie O. Ross in Wyoming and Mrs. Miriam "Ma" Ferguson in Texas. 2

On the scientific and transportation front the Radio Corporation of America demonstrated the transmission of pictures by wireless telegraph between London and New York and transcontinental air mail service was inaugurated between New York and San Francisco.3

In May the controversial Soldier Bonus Bill was passed and, in September, John J. Pershing, General of the Armies, retired from active service at the statutory age of 64. 4

On the local scene Clifford H. Walker became the first State Governor to

occupy the now controversial stone mansion in Ansley Park; John A. White began his long tenure in city council and Fulton County abolished the much abused fee system as a method of compensating certain key officers. Joel Hurt doubled the size of his great office building by extending it back to Ivy Street; the Biltmore, Robert Fulton and Henry Grady Hotels opened; George F. Willis, the patent medicine manufacturer, developed Avondale Estates east of Decatur, and historic old Boy's High School at Courtland and Gilmer Streets was gutted by fire during the freezing cold early morning hours of January 6.⁵

Turn of the year general business conditions were described by Governor M. B. Wellborn during 1924's first Board meeting:

"The turn of the New Year finds business conditions in the Sixth District on a sound basis. The outlook for the immediate future is probably not quite so bright as it was at this time last year, but it will be remembered that the latter part of 1922 and the early months of 1923 were accompanied by a tendency to a rather rapid increase in business. Along with this increase in general business, there was a corresponding increase in prices, and there was fear in the minds of business men that if these tendencies continued, business would soon reach an unsound level. The pace of the first three or four months of the year was, however, checked, and since that time, business has moved forward on a conservative and sound plane, buying has been done in a cautious way to meet current requirements, but there has been no tendency to speculative purchasing in any line..."⁶

The directors devoted considerable time at their meeting on December 14, 1923 to official personnel for 1924.

Leon C. Simon and P. R. Kitties were elected Class B and Class A directors, respectively. Joseph A. McCord was redesignated Federal Reserve Agent and Chairman; Randolph and Parker were continued as General Counsel, and Oscar Wells succeeded E. W. Lane as a member of the Advisory Council.7

All Branch Bank Directors were re-elected; Creed Taylor was named General Auditor; L. C. Adelson was elected Manager of the Cuban Agency, at a salary of \$12,000 per year, with an allowance for foreign service of \$4,000. M. B. Wellborn was unanimously re-elected Governor by a rising vote.8

Other officers elected for 1924 were:

Atlanta

J. L. Campbell, Deputy Governor
M. W. Bell, Cashier
W. B. Roper, Assistant Cashier
W. H. Tode, Manager Fiscal Agent Dept.
R. A. Sims, Assistant Cashier
W. R. Patterson, Assistant Cashier
H. F. Conniff, Assistant Cashier
J. W. Honour, Assistant Cashier

New Orleans

Marcus Walker, Manager
W. H. Black, Assistant Manager
J. A. Walker, Cashier
F. C. Vasterling, Assistant Cashier

Birmingham

A. E. Walker, Manager
W. C. Sterrett, Cashier

Savannah

R. N. Groover, Manager
D. E. Avery, Assistant Manager

Jacksonville

G. R. DeSaussure, Manager
W. S. McLarin, Jr., Cashier

Havana

J. M. Slattery, Assistant Manager

Nashville

J. B. McNamara, Manager
J. B. Fort, Jr., Cashier⁹

As the year progressed a number of changes in the official family took place. In

January, with the acceptance by L. C. Adelson, of the Havana manager ship, J. L. Campbell was named Senior Deputy Governor, Creed Taylor, Deputy Governor; W. S. Johns, General Auditor, and J. M. Slattery, Manager, Bank and Public Relations Department.¹⁰ L. L. Magruder was named Assistant Manager of the Havana Agency in March to succeed Mr. Slattery.¹¹ At its April meeting the Board appointed the Messrs. Adelson and Magruder joint managers of the Havana operation. ¹²

In September the Nashville Branch Board recommended the resignation of J. B. McNamara as manager. Mr. McNamara resigned effective November 1 and was succeeded by Joel B. Fort. Ellis C. Huggins, Jr., succeeded Mr. Fort as Cashier of the Branch.¹³

It was also in September that Walter B. Roper, an Assistant Cashier since 1917, tendered his resignation to accept the position of Vice-President of the Georgia National Bank of Athens, Georgia. The resignation was accepted with resolutions of regret and good wishes.¹⁴

At its meeting on November 7, the Atlanta Board was informed by Chairman Joseph A. McCord that he has tendered to the Federal Reserve Board in Washington his resignation as a Class C Director, Chairman, and Federal Reserve Agent, effective December 31, which had been accepted. He expressed his high regard and friendship for the members of the local Board, and stated that Oscar Newton, of Jackson, Mississippi, had been appointed as his successor. In commending Mr. Newton to the Board, Mr. McCord said that he regarded him as thoroughly capable and well qualified for the duties of the office.¹⁵

In December the Board passed suitable resolutions on the retirement of Mr. McCord and John K. Ottley, who, after six years of yeoman service as a Director retired

at year's end. Both were presented loving cups from the directors, Governor and Federal Advisory Councilman.

Mr. Ottley's successor as a Director was the well-known and colorful native Atlantan, Eugene R. Black. Born at the close of the Reconstruction Era, on January 7, 1873, Mr. Black was educated for the law and celebrated July 4, 1893 by being admitted to practice. In 1897 he was appointed Solicitor of the Criminal Court of Atlanta and, during the same year married Miss Gussie Grady, daughter of the noted editor and orator, Henry W. Grady. Beginning in 1901, Mr. Black functioned for three years as General Agent of the Prudential Insurance Company for the State of Georgia. In 1904 he returned to the law as a member of the firm of McDaniel, Alston and Black, his partners being Sanders McDaniel and Robert C. Alston. In 1921 he became a full-time banker as President of the Atlanta Trust Company.¹⁶

Director-elect Black attended his first Board meeting on December 12, 1924 and on that occasion, in a few happy remarks, expressed his pleasure at his new association.¹⁷ He was destined, during the next ten years, to play a stellar role in the operation of the Bank.

Joseph A. McCord, who retired at 67, was the original Governor of the Atlanta Bank and had played an active part in getting Atlanta chosen as a site. Since 1919 he had held the positions from which he retired at the close of 1924. Following retirement he devoted himself to private interests and served for a time as Chairman of the Mortgage Guarantee Company of America. At his death on December 30, 1943, the Atlanta Journal paid editorial tribute:

“Joseph A. McCord, whose death came in his 87th year, yesterday morning,

was one of the outstanding examples of Atlantans who, born in smaller Georgia communities, have come to this city in youth and then become leaders in her most vital activities.

“Mr. McCord was a native of Newton County, coming to Atlanta in 1890. He entered the banking business in 1892, with the old Atlanta Trust and Banking Company. From that point on his career was a record of advancing service and advancing responsibility. He retired as governor [sic] of the Sixth District Federal Reserve Bank only when advancing age compelled his withdrawal from active business affairs.

“It was both as banker and as lay leader in the church that Mr. Mc Cord was best known. He was one of the organizers of St. Mark Methodist Church, he was a member of the Warner Hill Bible class there, a trustee of Salem Camp Ground and trustee and chairman of the executive committee of Young Harris College.

“He served his city and state and nation in many other capacities. He was a man whom others instinctively liked and respected. His life contributed a large share of the development of his adopted city. He was a good man, a successful man and, in every respect, a most distinguished Atlantan.”

That the Bank was growing during the mid-twenties is attested by its payrolls. As of April 11, 1924 the Atlanta Bank had 256 employees for an annual payroll of \$440,050; the New Orleans Branch, 88 employees for a total of \$123,840; Nashville, 35 for \$44,928; Birmingham, 29 for \$44,380; Jacksonville, 35 for \$49,780, and the Cuban Agency, 10 for \$21,528. 18

Officers salaries, as approved by the Federal Reserve Board on February 14, 1924, were:

M. B. Wellborn, Governor	\$20,000
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J. L. Campbell, Deputy Governor	12,000
Creed Taylor, Deputy Governor	9,000
M. W. Bell, Cashier	7,000
W. S. Johns, General Auditor	6,000
H. F. Conniff, Assistant Cashier	4,200
J. M. Slattery, Mgr. Bank Relations Dept.	6,000
J. B. McNamara, Mgr. Nashville Branch	5,400
J. B> Fort, Cashier, Nashville Branch	3,600
D. E. Avery, Assistant Mgr. Savannah Agency	2,400
W. H. Black, Assistant Mgr. New Orleans Branch	5,700
J. A. Walker, Cashier, New Orleans Branch	5,300
F. C. Vasterling, Assistant Cashier, New Orleans	3,120
J. A. McCord, Chairman	15,000
Ward Albertson, Assistant Federal Reserve Agent	6,500 <u>19</u>

Several matters pertaining to personnel were resolved during 1924. The Board went on record in March, following a motion by Director Lindsey Hopkins, that it “does not look with favor on the borrowings from commercial banks or loan agencies by officers and employees of the Federal Reserve Bank of Atlanta, and that the Governor be requested to inform the officers and employees.”20

In June the matter of nepotism came to the fore. It was voted “that, in future, it shall be the policy of the Federal Reserve Bank of Atlanta and its branches not to engage employees that are related to officers and directors, and that it does not look with favor on engaging employees related to other employees.”21

A uniform vacation schedule was adopted in May which provided three weeks for the Governor, Deputy Governors and Branch Managers. All other officers were given two weeks. For employees the matter was more involved, and provided:

“One day (exclusive of Sundays) for each month in the employ of the Bank, preceding the period designated for vacations, except that no vacation period will be allowed until six months’ service has been completed. Vacation periods not to be cumulative for more than twelve days (exclusive of Sundays), and not to be granted

prior to April 1 and not later than September 15. Except in cases where employees are entitled to more than one week and less than two weeks, all vacations should start at the close of business Saturday, returning the second Monday - in the case of one week vacations - and the third Monday, in the case of two weeks' vacations."22

Governor Wellborn was ready to concede the advantages of good reading,. but not ready to accord full departmental status to a Bank library. In April he reported:

"The officers of the bank have for sometime been considering the advantages of establishing a library for the benefit of the employees. Quite a number of books have been purchased from time to time with this end in view. It is not contemplated that we go into this matter extensively, i.e., that we establish a separate department, thereby incurring considerable expense, but it is believed that the library can be put in charge of one of the departments of the bank and operated for the benefit of the employees without any additional expense. It is, therefore, suggested that the library be operated in connection with the infirmary under the direct supervision of Mrs. Jones, who now has charge of the infirmary. One of the junior officers can be assigned the duty of supervising the library and infirmary in order that the efficient operation of both may be assured. This will entail no additional expense whatever to the bank, and it is believed that the employees will receive quite a benefit in having access to a library of well-selected books." 23

Some months later, in November, the Special Salary Committee recommended the combining of the Infirmary and the Library under the supervision of the Matron now in charge of the Infirmary.24

In an effort to streamline and economize, it was voted in October to

discontinue, effective January 1, 1925, the position of Federal Reserve Agents at Birmingham, Jacksonville and Nashville. At these branches the Agents acted also in the capacities of resident auditors, secretaries to the local boards and custodians of collateral, their salaries being prorated among the several functions. 25The duties were subsequently assumed by assistant cashiers. 26

For some time efforts had been made to get a Bank and Public Relations Department functioning. These efforts bore fruit during the latter half of 1924. The board committee having to do with the function was composed of Joseph A. McCord, Chairman; M. B. Wellborn, J. K. Ottley and J. A. McCrary. J. M. Slattery was named Manager of the department, while Cashier M. W. Bell and Assistant Cashier W. R. Patterson were assigned as part-time field representatives. 27

As the end of the year approached Chairman McCord submitted a report upon behalf of the Bank and Public Relations Committee. Addressed to the Board of Directors and dated December 12, it read:

“... As you know, the Department did not start functioning until June of this year. .. Visits have been made to the banks in the district by three representatives selected to do this work, and while the Department has only recently begun to function, I am of the opinion that great good has been attained by the visitations made.

“Since the November meeting of the Board of Directors, field representatives of the Department have visited 176 banks; making a total of 788 banks visited up to December 5th. Representatives have called on all the member banks in Mississippi, Alabama and Tennessee, and a great many nonmember banks in these states. Mr. Patterson is at present working in Louisiana. One-half or more of the banks in Georgia

have been covered, and beginning shortly after the first of the year, the work in Florida will be started.

“The last meeting of our committee was held Wednesday, December 10th, and I give you below excerpt from the minutes of that meeting:

‘Mr. Ottley stated he felt that in the report of this work submitted by the Chairman at the December meeting of the Board, the Committee should give some expression as to the value of the work done and as to the future; and upon motion, the Chairman was requested to draw up the following resolution:

WHEREAS, This is the last meeting to be held by the Bank and Public Relations Committee for the year 1924; and

WHEREAS, The Committee feels that the work so far has been very beneficial, in that it has brought the Federal Reserve Bank in closer contact with the member banks, and many nonmember banks; that it has given opportunity to explain many benefits of the workings of the System; to answer many criticisms which have been advanced against the System and the Federal Reserve Bank of Atlanta; and

WHEREAS, We feel that the amount expended has been justified by the results attained,

BE I T FURTHER RESOLVED, That this Committee does commend and recommend the continuance of the work under a similar committee to be appointed by the Chairman of the Board; and,

BE I T FURTHER RESOLVED, That it is the opinion of the Committee that after all the banks in the district have been visited one time, future visitation by field representatives might well be confined to member banks, such nonmember banks as are located in the

same town, or nonmember banks who are prospects for membership; and, if in the opinion of the Executive Committee certain visitations should be temporarily suspended in the interest of all concerned, it is suggested that a list of all the banks be furnished the Bank and Public Relations Committee for their consideration; and

BE I T FURTHER RESOLVED, That we believe this Department, although it has been in operation but a short time, is one of great importance to the bank, and that it should have the thorough cooperation of all the officers and heads of departments, in order that the very best results may be obtained for the bank as a whole.

The above resolution was then adopted.

Respectfully submitted,
(signed) Jos. A. McCord, Chairman,
Bank and Public Relations Committee.”28

In his monthly report to the Board, in February, 1924, Governor Wellborn cited a number of specific instances wherein the Sixth District Federal Reserve Bank, by timely aid to certain banks during the post-war depression, had saved the banks and averted local economic disaster. Three of these instances, described by Wellborn, follow:

First National Bank, Athens ,Alabama:

“This institution suffered from bad management, and had it been permitted to close in 1920, there is no doubt but that other institutions in its vicinity would have gone under. We extended them accommodation in the neighborhood of \$200, 000, and later, when conditions had somewhat settled down, reorganization of the bank, aided by the officers of our bank, was perfected. To accomplish this, we purchased for \$25, 000 around \$90, 000 of what was considered worthless assets. This amount was considered

small as compared to the loss that would have been taken had the bank been permitted to go into the hands of a receiver.”

First National Bank, Sparta, Georgia:

“This bank also suffered from poor management, but had it been permitted to close in the fall of 1920, it would have meant a complete demoralization of the community and its surrounding territory; it having been the predominant one of the two banks in the county. . At one time in that year, accommodation close to \$300, 000 had been extended it. New capital was subsequently infused, and one of our officers was placed with the institution in the effort to work it out. The assets of the bank, however, were honeycombed with too many imprudent loans, and it became necessary to effect a reorganization. This was accomplished by our purchasing, for approximately \$100, 000, all of the doubtful assets amounting to about \$160, 000. Whatever may be our ultimate loss in this case, the exigencies of the case in 1920 and the saving of the county from a set-back that would have perhaps taken fifteen years to recover from, in my opinion offsets the loss.”

Fourth & First National Bank, Nashville, Tennessee:

“During 1920, this institution, perhaps more than any other, demanded and received the most careful thought and deliberation. Between the fall of 1919 and the fall of 1920, its deposits decreased \$3, 600, 000, and its loans increased \$6, 500, 000. In the fall of 1919, it was carrying war obligations of \$20, 000, 000. In the fall of 1920, they had been reduced to only about \$11,800,000. Its deposits in 1919 of \$19, 300, 000 was a fair indication of the bank’s importance, not only to its immediate community but the State of Tennessee at large; it being the depository for hundreds of country banks.

Whether or not its judgment in expending its loans and extremely large investments in war obligations was wise were not the points that we had then to consider; it was the general effect upon the State of Tennessee, and perhaps the entire Sixth District. It was for this bank mainly that our bond repurchase plan was evolved, in order to save it from the large inroads it was suffering in carrying them, to say nothing of the absorption from their undivided profits by reason of price decline. I unhesitatingly say that though our resources were heavily taxed to do it, we saved this institution and the Sixth District from a shock that would have been terrible in its consequences, and perhaps had an echo in surrounding Federal Reserve Districts. During the years that have intervened since 1920, the bank has succeeded in entirely extinguishing its debt, though, of course, on account of its importance, it has from time to time availed of our discount facilities in fairly large sums, which, however, seem negligible as compared to what they were once indebted to us for.”29

Certainly such instances of service indicate that the Federal Reserve System was fulfilling an important concept of its founders.

The efficacy of branch operations of the Sixth District Federal Reserve Bank was indicated by a study early in the year. It was accompanied by a statement showing the estimated net saving if all the functions then performed by the branches were transferred to the Atlanta office. As reported at the March board meeting:

“It was the concensus of opinion of this Board that in every instance, the branches of the Federal Reserve Bank of Atlanta were satisfactorily serving the member banks in their respective zones, and that the services rendered more than justified the expense of continuing the functions they are now performing. The members

of this Board do not look with favor on the broadening of the powers of any of the branches or agencies of the Federal Reserve Bank of Atlanta, and have no suggestions to offer as to increasing or decreasing any of the functions now being performed, but believe that the service now being rendered by the branches fully justifies the expense of maintaining them, when compared with the saving that would be effected by transferring some of the functions to the parent bank.”30

In accordance with this thinking, steps were taken during 1924 for the improvement of branch facilities in both Birmingham. and Jacksonville. A lot was purchased on the southeast corner of Fifth Avenue and 18th Street, 50 x 140 feet, in Birmingham, for \$125, 000 cash and Messrs. Warren, Knight & Davis, of that city, were retained as architects for a new building.31

In Jacksonville, as previously noted, the erection of a building for the branch had been authorized in 1923. The completed structure was officially accepted by the Board on August 8, 1924. Total cost was \$281, 948.63.32

Earlier in the year the Jacksonville Branch had requested an automobile truck for transporting moneys and securities to and from the post office and to and from local member banks. The purchase was disapproved and the Branch was instructed to “discontinue the practice of transporting moneys and securities to and from local members, in view of the fact that this practice is not pursued by the Atlanta office or any of the other branches.”33

Since completion of the new addition to its building in 1923, the Atlanta Bank had enjoyed the luxury of excess space. Accordingly, in 1924, the War Finance Corporation was invited to occupy offices in the building rent free, which offer was accepted. A search was then instituted for another tenant on a paying basis, preferably

an insurance company. At year's end none had been found.³⁴

On December 12 Director McCrary, Chairman of the Building Committee, presented to the Board for acceptance the painting "Signing the Federal Reserve Act," executed by Atlanta artist, Wilbur G. Kurtz. On motion of Mr. McCrary, seconded by Director Hartford, the picture was accepted and became an integral part of the Bank's decor for many years.³⁵

Operations-wise the Bank was doing well during this period of its history. Compared with other Federal Reserve Banks and under the heading "Efficiency and Economy," Governor Wellborn reported in March, 1924:

"In reviewing the Functional Expense Report for the quarter ending December 31, 1923, attention is directed to the fact that the Federal Reserve Bank of Atlanta shows the least number of employees and the second lowest total expense of any Federal Reserve Bank in the System, notwithstanding the fact that it now operates four branches and two agencies, which expense does not apply to a great many of the other Federal Reserve Banks.

"In reviewing the volume of work handled during the quarter, the report shows that the Federal Reserve Bank of Atlanta handled the second largest number of notes of any other Federal Reserve Bank -the highest number being handled by the Federal Reserve Bank of Chicago, 41, 344 pieces, against 41, 287 for Atlanta.

"The Federal Reserve Bank of Atlanta's showing in currency handled is seventh highest as compared with the other Federal Reserve Banks; in other words, six of the Federal Reserve Banks handled more in number of bills than Atlanta, while five Federal Reserve Banks handled a less number of bills. The cost per unit of the Federal

Reserve Bank of Atlanta as compared with other Federal Reserve Banks in the handling of currency appears high. However, this condition is due to the fact that we make one more verification of money than any other Federal Reserve Bank, which we believe to be a proper safeguard... Atlanta would, no doubt, make a better showing in currency operations if this extra verification were eliminated, but it is believed the extra cost is justified when compared with the protection it affords.

“Transit operations of the Federal Reserve Bank of Atlanta appear to be the lowest in the system - Atlanta handling the least number of items, which condition, I presume is due to the fact that Atlanta has so few par points in comparison with other Federal Reserve Banks.

“Taking the report as a whole, in my opinion the Federal Reserve Bank of Atlanta shows up better than any other Federal Reserve Bank in comparing the number of employees, total expense and volume of business.”³⁶

Total resources of the Atlanta Bank on December 31, 1924 were \$242, 845, 000, an increase of \$13, 839, 000 over the total of \$229, 006, 000 on December 31, 1923. Total reserves increased approximately forty-eight millions of dollars, from \$128, 086, 000 at the close of 1923 to \$176, 318, 000 at the close of 1924. Bills discounted declined \$39, 672, 000, from \$55, 742, 000 at the end of 1923 to \$16, 070, 000 on December 31, 1924, and bills bought in the open market were nearly three million dollars less on the same dates. Federal Reserve notes in actual circulation were \$140, 894, 000 and \$142, 879, 000 on December 31, 1923 and December 31, 1924, respectively; total deposits were \$9, 207, 000 greater at the end of the year 1924 than they were a year earlier, an increase of approximately 16 percent.³⁷

The discount rate of 4-1/2 percent, which prevailed during 1923 on all classes of paper except open market transactions, continued in effect until June 18, 1924. On this date the rate was reduced to 4 percent. No further change was made during the year. Open market transactions were handled at substantially the same rate of discount prevailing in other money centers.38

There was no change in the functions and scope of branch operations during the year.39

NOTES

Chapter 13.

1. Keller, Dictionary of Dates, II, 336-340.
2. Ibid.
3. Ibid.
4. Ibid.
5. Garrett, Atlanta and Environs, II, 801-807.
6. Minutes Directors, III, 754.
7. Ibid., 742-745.
8. Ibid., 746-747.
9. Ibid., 747.
10. Ibid., 762-763.
11. Ibid., 783.
- 12.. Ibid., 800.
13. Ibid., 859, 875-876.
14. Ibid., 868-869.
15. Ibid., 906.
16. Biographical records, Federal Reserve Bank of Atlanta.
17. Minutes, Directors, III, 910-935.
18. Ibid., 797-798.
19. Ibid., 783.
20. Ibid., 789.
21. Ibid., 826.
22. Ibid., 808.
23. Ibid., 802-803.

24. Ibid., 907.
25. Ibid., 881-894.
26. Ibid., 926.
27. Ibid., 756, 823, 835-837.
28. Ibid., 916-17.
29. Ibid., 771-73.
30. Ibid. , 783-84.
31. Ibid., 830, 893; Annual Report, 1924, p. 12.
32. Minutes, Directors, III, 856; Annual Report, 1924, p. 12.
33. Minutes, Directors, III, 789.
34. Ibid., 811, 812, 920, 922.
35. Ibid., 916. The picture now hangs (May, 1965) in the lobby of the Silvey Building annex.
36. Minutes, Directors, III, 786-87.
37. Annual Report, 1924, p. 6.
38. Ibid., 11.
39. Ibid., 12..

Chapter 14

1925

As the first quarter of the twentieth century came to a close a number of interesting acts were played on the national stage.

The reticent Vermonter, Calvin Coolidge, having won a presidential term in his own right was inaugurated on March 4, along with his colorful running-mate, Vice-President Charles Gates Dawes. Soon thereafter the Teapot Dome naval oil reserve trial began at Cheyenne, Wyoming, involving several highly placed government and business officials.

Later in the year Colonel William Mitchell, of the Air Service, was court-martialed for outspoken criticism of the Administration for laxity and negligence in the operation of the Air Service. In April Henry Ford started the first commercial aviation on a regular schedule by airplane freight service between Detroit and Chicago. In midsummer William Jennings Bryan and Clarence Darrow pitted their legal and forensic talents against each other in connection with the Scopes anti-evolution trial in Dayton, Tennessee. The effort and the heat were too much for the aging Bryan, who died July 26, five days after the conclusion of the trial. Some other noted departures from the land of the living in 1925, were Walter Camp, football promoter and oracle; Robert M. LaFollette, governor, senator, and 1924 presidential candidate; John Singer Sargent, artist; Thomas R. Marshall, former vice-president, who asserted that "what this country needs is a good five-cent cigar," and James Buchanan Duke, tobacconist and benefactor of Duke University.¹

On the home front Candler Field, the former automobile race track at Hapeville,

was leased to the city by Asa G. Candler, Jr., for use as a municipal airport; the Southern Railway System inaugurated its elegant all-Pullman Crescent Limited on the New York to New Orleans run. The Davison-Paxon-Stokes Company, Atlanta's number two department store, effected a merger with R. H. Macy and Company of New York; Courts and Company, noted local investment house, began operations modestly in an office in the Hurt Building. The dizzy Florida land boom reached tremendous proportions during the year, and the first Forward Atlanta campaign, under the leadership of Ivan Allen got underway. During the next four years it resulted in the location in the city of 762 new enterprises, employing over 20, 000 persons with an annual payroll of more than \$34, 500, 000.2

At its regular meeting in December, 1924, on the 12th, the Federal Reserve Board elected directors and officers to serve both the Atlanta Bank and the branches for 1925.

Eugene R. Black, of Atlanta was named a Class A director. for a 3-year term, beginning January 1, 1925. He had no opposition. J. A. McCrary, of Decatur, was opposed by Harry B. Hoyt, of Jacksonville, Florida for Class B director for the same period, but was handily re-elected by a vote of 144 to 91.3

The following gentlemen were elected directors of the various branches: New Orleans, Marcus Walker, J. P. Butler, Jr., Leon C. Simon and R. S. Hecht, all of that city; Birmingham, A. E. Walker, W. W. Crawford, and T. O. Smith, all of Birmingham; Jacksonville, G. G. Ware, of Leesbury, Florida, and Edward W. Lane and C. P. Kendall, of Jacksonville; Nashville, Joel B. Fort, Jr., E. A. Lindsey and J. E. Caldwell, of Nashville, and T. A. Embrey of Winchester, Tennessee.4

An election of officers for Atlanta and the various branches eventuated as follows:

Atlanta

M. B. Wellborn, Governor	W. H. Toole, Mgr. Fiscal Agt. Dept.
J. L. Campbell, Deputy Governor	Randolph & Parker, Gen. Counsel
Creed Taylor, Deputy Governor	H. F. Conniff, Ass't. Cashier
M. W. Bell, Cashier	J. B. Tutwiler, Ass't. Cashier
Ward Albertson, Sec'y. Bd. Directors	R. A. Sims, Ass't. Cashier
W. S. Johns, General Auditor	J. M. Slattery, Mgr. Bank and Public Relations Dept.
J. W. Honour, Ass't. Auditor	

New Orleans

Marcus Walker, Managing Director
W. H. Black, Ass't. Mgr.
J. A. Walker, Cashier
F. C. Vasterling, Ass't. Cashier
Lawson Brown, Auditor

Birmingham

A. E. Walker, Managing Director
H. J. Urguhart, Cashier
T. N. Knowlton, Ass't. Cashier

Jacksonville

Geo. R. DeSaussure, Managing Director
W. S. McLarin, Cashier

Nashville

Joel B. Fort, Jr., Managing Director
E. C. Huggins, Jr., Cashier

Havana Agency

L.C. Adelson, Manager
L.L. Magruder, Ass't. Mgr.

Savannah Agency

R. N. Groover, Manager
D. E. Avery, Ass't. Mgr.

Oscar Wells, of Birmingham, was named to membership on the Federal Advisory Council.5

While the position of Assistant Federal Reserve Agent at limited power branches had been abolished in 1924, the office was still applicable at Atlanta and New Orleans. Accordingly, Ward Albertson was elected for Atlanta and Lawson Brown for New Orleans. William Earl Miller was named Acting Assistant Federal Reserve Agent for New Orleans.

At the same time the Bank's new director, Eugene R. Black was given his first committee assignment. In the words of the Chairman of the committee: "It is my belief that the advice and counsel of Director Black, who is the president of a large commercial bank in Atlanta⁷, will be of great value to the new [special salary] committee."8

As the new Board Chairman and Federal Reserve Agent, Oscar Newton, assumed the chair for his first meeting, at 11 o'clock on the morning of January 9, 1925, he asked the cooperation of the members of the Board and their support in his administration of the office, pledging his own best efforts in faithfully serving the interests of the Bank and the district.9

An additional junior officer was elected later in the meeting in the person of Leo Starr. He was named Assistant Cashier at the Nashville Branch, where he had previously served as utility clerk.10

As the year progressed other changes occurred in the official family of the Bank and its Branches. In February Thomas W. McCoy, who succeeded J. K. Ottley as

a Class A Director, attended his first meeting. Mr. McCoy, President of the Merchants National Bank and Trust Company, Vicksburg, Mississippi, was a native of Golconda, Illinois. He had spent his entire working life in the banking business, starting with the First National Bank at Greenville, Mississippi in 1891.¹¹

As of April 1, 1925 the Bank lost three of its long-time officers by resignation. They were L. C. Adelson, Manager of the Havana Agency; W. H. Toole, Manager Fiscal Agent Department, and J. M. Slattery, Manager Bank and Public Relations Department.¹²

Mr. Adelson had performed his duties with distinction and great satisfaction to the bank. Indeed, his intimate knowledge of the Federal Reserve Act, due to his residence in Washington during the formative years of the System, and his earlier connection with the Federal Reserve Board had proved exceedingly valuable.

Warren Harris Toole had been one of the original 1914 directors of the Bank and had served as such until October, 1917, when he assumed the position from which he resigned. He had been requested to make the change when the United States entered World War I so that his particular talent for painstaking work might be devoted to Liberty and Victory Loans. During this entire period he was in absolute charge of these securities, most of them in coupon form. Over a billion dollars worth were handled by Mr. Toole to the satisfaction of the Bank, the Government and the public.

Mr. Slattery, during his long connection with the Bank, had served many positions with distinction. He began as Secretary to M'. B. Wellborn; then progressed to Assistant Federal Reserve Agent; Secretary of the Bank; Manager of the Havana Agency, and finally, Manager of the Bank and Public Relations Department. His duties

were always handled with admirable precision.¹³

Meanwhile the Federal Reserve Board, at year's beginning, exercised its prerogative of appointing three directors for each Branch in addition to those already elected by the Atlanta Board. Its appointments were:

Nashville: W. H. Hartford, 1 year; Paul M. Davis, 2 years; Joseph A. Chapman, farmer, Columbia, Tennessee, 3 years.

Birmingham: W. H. Kettig, 1 year; Oscar Wells, 2 years; John P. Kohn, real estate and insurance, Montgomery, Alabama, 3 years.

Jacksonville: J. C. Cooper, 1 year; Fulton Sausey, 2 years; L. C. Edwards, Florida Citrus Exchange, Tampa, 3 years.

New Orleans: P. H. Saunders, 1 year; L. C. Simon, 2 years; A. P. Bush, 3 years.¹⁴

According to the by-laws branch bank directors elected by the Federal Reserve Bank of Atlanta "shall be chosen from the ranks of men well qualified and experienced in banking," and the branch bank directors appointed by the Federal Reserve Board "shall be chosen from the ranks of men of high character and standing who are engaged in agriculture, industry or commerce, insofar as may be possible or practicable."

Since Leon C. Simon was a banker and already on the Atlanta Board, his appointment to the New Orleans Board had to be revoked. Frank W. Foote, of Hattiesburg, Mississippi, was appointed in his stead.¹⁵

In April, 1925, Nashville Branch Director Joseph A. Chapman resigned because of ill-health. He was succeeded by William P. Ridley of Columbia,

Tennessee.¹⁶ The Birmingham Branch lost a director in the death of Col. Thomas Octavius Smith on September 18. He was replaced by Walter E. Henley on November 13. Henley had also succeeded Col. Smith as President of the Birmingham Trust and Savings Company.¹⁷ At the August Board meeting Governor Wellborn announced the death, on the 10th, of Charles A. Lyerly, President of the First National Bank of Chattanooga, and formerly member of the Federal Advisory Council representing the Sixth District. Another of the Bank's original official group had gone.¹⁸

While official salaries for 1925 were up somewhat from 1924, economies had been effected in both total number of employees and in total annual payroll. As of April 1, 1925 the number of employees, both Atlanta Bank and branches, stood at 383, compared to 489 on January 1, 1922. The annual payroll was \$617,450 against \$764,780 for the earlier date - a saving of \$147,330. ¹⁹

The current Florida land boom was having an effect upon employment generally and upon the Bank in particular. Early in the year modest salary increases had been recommended by the Atlanta Board for eight lower echelon officers. They were disapproved by the Federal Reserve Board, due to its policy of considering general salary increases only at the end of the calendar year and because it had refused to give ear to similar recommendations from other Federal Reserve Banks. In this connection Deputy Governor J. L. Campbell, of Atlanta, observed, on August 6:

“In view of the close proximity of our bank to the developments now going on in Florida, we have lost and are losing some of our best men to banks in that state. Our [Salary] Committee did not have in mind general salary increases, but recommended only particular cases, feeling that our position is not similar to that of other Federal

Reserve Banks, which are not confronted with this condition. Since the last Board meeting, Mr. Marvin Russell, field representative in the Failed Banks Department, for whom we recommended an increase from \$2400 to \$2700, has accepted a position with the First National Bank of Bradenton, Florida.”20

A month later, on the same. general subject, Mr. Campbell reported:

“Due to a great many of our employees resigning to accept positions in Florida, our clerical staff has been badly disorganized for the past sixty days. We have had a very large turn-over during this period, and while we have succeeded in filling the positions of those who have resigned, our staff consists to a large degree of inexperienced people at this time. This situation, however, is. Improving daily, and we hope shortly to again have our organization functioning efficiently.”21

A number of matters concerning branch operations presented themselves for consideration during 1925. That the Havana Agency was becoming something more of a burden than a boon is indicated by the following comments by Coy. Wellborn at the February Board meeting:

“The report of our Auditor’s examination of the Havana Agency, under date of January 19, 1925, discloses that the operating expenses for the Agency for the year 1924 were \$34, 995. 86. This year that figure will be materially reduced inasmuch as the Manager, L. C. Adelson, has tendered his resignation effective April 1, 1925. The operating expenses for the current year will, therefore, be around \$25, 000. Considering the fact that we are not permitted to have any earnings at all from the Havana Agency, its maintenance is quite a heavy tax on our bank. The Boston Federal Reserve Bank has an agency in Havana from which they derive a gross revenue of about \$74, 000 per

annum. Inasmuch as the Atlanta Agency furnishes all the 'sinews of war,' which enable the Boston Agency to make these large profits, it does not seem exactly fair or equitable to the Atlanta bank that such should be the case. The original establishment of the Boston Agency took place over the protest of the Atlanta Bank, for we expressed the view that Cuba, being contiguous to Florida, which is in our District, came under what I may term our 'sphere of influence' rather than that of Boston. Retrenchments and economy are the watchwords today, and in view of this, it seems to us that there is no reasonable excuse for the Reserve System going to the expense of maintaining two agencies in Havana, when one would be able to carry on the work satisfactorily. It was claimed that the establishment of the Boston Agency would be very helpful to the New England States in their business transactions with Cuba, but so far, there has been no evidence of this. No bills have been bought or sold, only dealings in cable transfers have taken place, a matter which could easily be handled by the Atlanta Agency."22

Boston was to withdraw two years hence.

The resignations of L. C. Adelson, Manager, of the Havana Agency has been noted. He was replaced by L. L. Maghuder at the much lower salary of \$5, 000 per year. At the same time H. C. Frazer was elected Assistant Manager at \$3600. Both appointments were effective April 1. 23

In February Deputy Governor J. L. Campbell reported that the New Orleans Branch was "operating in a very satisfactory manner but that business was extremely quiet and suggested that the Branch might be over-staffed."24

Jacksonville was still pressing for an armored truck. Mr. Campbell pointed out, however, that, unlike Atlanta and the other branches, where clearing house balances

are settled by charges or credits to member banks on the books of the Federal Reserve Bank, Jacksonville had never so operated because it had not been possible to get local clearing house members to agree to such handling. Therefore, it was necessary to send to member banks to collect balances due the Branch. The Jacksonville Branch was asked to conform and, in March, worked out arrangements to do so, thus obviating the necessity for an armored truck and the need to transport large amounts of cash through the streets of Jacksonville.25

By the end of the year building plans for Birmingham had become firm. In December a contract for the erection of a building was awarded to the A. J. Krebs Company of Atlanta at a cost of \$289, 900. Stone Mountain granite was substituted for Bedford stone, previously approved for the job.

Closer cooperation between the Atlanta Bank and its Branches was insured in November when a resolution offered by Director T. W. McCoy was adopted. It provided that the Managing Directors of the four branches meet in Atlanta with the officers of the parent bank at least semiannually, on dates to be fixed by the Governor.27

The Bank and Public Relations Department was reorganized and Ward Albertson was named Manager on April 15, 1925, succeeding J. M. Slattery, resigned. Gist of the reorganization was set forth in recommendations of a special committee, composed of Oscar Newton and M. B. Wellborn, as follows:

“That the officers visit group meetings and association meetings of the bankers of the respective states in the District; also that they visit the member banks and make reports of their visits to the Manager.

“That employees selected by the Manager, on account of their fitness, make

such visits and reports to him; the selection of employees to be made by the Manager with the advice and consent of the Executive Committee.

“We believe that the work can be effectively done by the officers and selected employees as they have an intimate knowledge of the needs of member banks and of the operation of this bank.

“We recommend that the Manager make a monthly report to the Board of Directors of the activities of the Department.”28

From the time the Federal Reserve Banks opened their doors in 1914, there had been a reluctance on the part of small town and country banks to join the System, and some, after joining exhibited a querulous attitude.

In January, 1925, J. H. Ingram, President of the Lineville National Bank, Lineville, Alabama, wrote to Governor Wellborn:

“...Then kindly give me some reasons in your opinion for a small bank to remain in the Federal Reserve System, and keep up the reserve balance with loss of interest and loss of exchange, and own stock in the Reserve Bank and get six percent dividend thereon.

“What advantage have the National Bank over the State Bank under the present laws and practice?

“I am thinking over the above matter, and the tendency of National Bank Laws at the present time, and would appreciate your reply, giving me some reasons, as you see them, for the smaller banks to remain in the Federal Reserve System.”

To which Governor Wellborn ever the forceful advocate of the Reserve System, promptly replied:

You make the additional request that I give you some reasons why, in my opinion, a small bank should remain in the Federal Reserve System, when such membership requires it to maintain a reserve balance upon which it receives no interest. I believe there are several good reasons why a small National bank should remain in the System, thereby retaining its National charter. In the first place, the general public has more confidence and faith in a National bank than in a state bank, and, under similar management, the National bank will always take the lead in a small community for this reason.

“I am inclined to believe that you are asking these questions because at the present time you are not having occasion to borrow from us, but you will recall that there was a time when you availed yourself of this privilege. I am sure you found this service very helpful in 1920-21; and if you had not been a member of the System, you would have experienced considerable uneasiness through not having this great financial bulwark back of you to be called upon in times of stress. It is evident from your letter that you are somewhat restive on account of your membership in the System, which does not allow you to receive interest on your reserve balance nor collect exchange on checks which your customers draw on your bank. It is true that the benefits which the banks and business interests receive from the Federal Reserve must be paid for by someone. It is a very true saying that one cannot get something for nothing in this world.

“I would like to ask you a question. How would you like for the Federal Reserve System to be abolished? Before answering, consider that this would mean that the banks and business world would have to go back to the old order of things when every bank looked out for itself, and there was no institution like the Federal Reserve to be

depended on to save the situation when an emergency arose. It is very easy for some to forget the dark days of the past, but I am sure that you will recall the collapse of business and the fall of 1921. I personally know you to be a thinking man; and I feel confident that you would be the first to admit that, if the Federal Reserve System had not backed up to the limit the business and financial world during these years, we would have experienced the most awful panic that our generation ever saw. As it was, with the help of the Federal Reserve, business recovered rapidly and pursued the even tenor of its way.

“If you will go back further into history, you will come to the panic of 1873, from which it took this country six years to recover, and twenty years later, the panic of 1893 which caused financial depression for at least six or seven years. I mention these facts because if bankers like yourself are not willing to maintain the Federal Reserve System, then who is to do it?

“I have been with the Federal Reserve for ten years, and I have seen very few national banks surrender their charters and take out state charters. Several of those which did so have since failed, and the depositors in these banks learned a bitter lesson - one which they will never forget.”²⁹

Since the organization of the Federal Reserve System in 1914, a total of 40 banks in the Sixth District had, in fact, failed. Indeed, the Reserve System, useful as it had been, was not full insurance against inept or dishonest management. A tabulation of the failed banks, by state and year, follows:

<u>State</u>	<u>No. of Banks</u>	Year	<u>No. of Banks</u>
Alabama	7	1915	3

Florida	4	1916	2
Georgia	25	1917	1
Louisiana	2	1918	1
Mississippi	0	1919	1
Tennessee	2	1920	0
Total	40	1921	2
		1922	2
		1923	5
		1924	13
		1925 (to May)	<u>10</u> 30
		Total	40

At about the same time Governor Wellborn wrote to Mr. Ingram at Lineville, Alabama, he was called upon for his opinion in another matter involving broad policy. The question was what method should be adopted in extending credit and giving aid and assistance to banks whose capital is impaired by losses and whose condition is critical, due in some instances to over-extended condition and in other instances to the fact that a large portion of their assets consist of slow and frozen paper.

To which question Governor Wellborn, with the support of the Executive Committee, responded:

...Each case has its own particular difficulties and therefore must be given consideration on its own merits, taking into consideration the management of the bank, the standing of its directors and the confidence that can be placed in those operating it, particularly whether or not they have the confidence of the community. The Executive

Committee realizes that there is some risk involved in extending credit to banks whose condition is critical, due to impaired capital and the existence of frozen and doubtful assets, but if the bank can be saved, no loss will be sustained, whereas our experience has shown that when banks fail and their assets liquidated, that in spite of our caution and efforts to obtain ample security against their indebtedness, we frequently sustain a loss on account of a shrinkage in values from the depressed condition in a community brought about by the bank's failure.

"The Committee thinks that every effort should be made by us to rehabilitate these banks by urging the directors to see that the impairment of capital is made good, realizing of course that the extension of credit by us should not represent the furnishing of capital and the extension of credit alone will not save a bank, nor overcome its difficulties brought about by losses in its assets. However, a moderate amount of credit can be extended with little risk, pending the rehabilitation of a bank by its directors and stockholders, and in this way avert a crisis in its affairs, and enable it to care for seasonal shrinkage in deposits until a favorable time when its impairment may be made good."³¹

Two events of the summer of 1925 had considerable effect upon the operations of the Sixth District Federal Reserve Bank - the worst drought in 70 years and an unprecedented real estate boom in south Florida. Writing to his son from Miami Beach at the height of the boom on October 5, Governor Wellborn said:

"...This summer has been a remarkable one in many respects. The calm which always follows the storm has come upon the real estaters on the beach and thousands are now making time while waiting for the coming of a new supply of buyers to fill their

coffers.

“I have been a spectator in the midst of the most active land speculation the world has ever had and now after the battle the weary combatants seek repose amid the graceful palms along these fateful shores. The building campaign follows slow behind and costly lots are made to produce revenue to satisfy the greedy owners. As usual, transportation has completely broken down while the clamor for building material is loud and fierce- -all construction projects are delayed and labor annoyed and harassed. In the faces of the populace you may read the old story- - one half is worried and weary and the other frivolous and ‘don’t give a damn’- -mingling in riotous endeavor for better or for worse, mostly the latter.

“Everything is magnified and exaggerated. The superlative degree reigns supreme. I never before beheld such serious minded, hard workers, or so many unscrupulous adventurers. The bright sun shines upon the largest and most varied collection of thieves ever before gotten together in any clime- -they hesitate at nothing. All sorts and conditions of men are attracted here by the opportunities for money-making- -those without capital must compete with the majority who are smart and keen. The survivor is put to the most rigid test and deserves all he gets for he has been obliged to fight every inch of the way.³²

In more sober vein, Wellborn reported to his Board of Directors during the same month:

“Florida is highly prosperous and the boom in real estate has continued there throughout the year without abatement. In fact, it has developed each month so rapid a pace that the officers of our bank feel that when the collapse comes in the not distant

future, which we think is inevitable, we will have very serious problems to meet. When the balloon collapses, it falls to the ground very rapidly; and I venture to predict the result will be a very sudden and tremendous decline in bank deposits. As history has always shown in the past, many individuals will be completely wrecked, and their notes held by banks will be uncollectible. There is nothing we can do except to sit steady, and warn our banks to keep their funds in liquid condition, if possible. This we have been doing for the past three years, and it is hoped that when the crash comes, they will be prepared to some extent to meet the troubles that will arise. 33

“Over quite a large area in North Georgia, starting just above the middle part of the State, has occurred this summer the most severe drought in the past seventy years. Northeast Georgia in particular has been practically without rainfall from April to the present time (October). Naturally, cotton, the chief product of the farms of this section, has suffered badly, and in many instances not enough will be realized from the cotton raised to pay for the fertilizer and seed. The severity of the drought will, of course, be reflected in the business of our member banks in this territory, and this circumstance naturally gives us a great deal of concern...

“My view is that well managed banks which are suffering through no fault of their own, but merely through untoward circumstances, should receive a helping hand from us. I believe that it is only right and fair that our bank should not only show a sympathetic attitude, but that we should do what we can to render such institutions substantial relief.

“The conditions as a whole in our district appear to be very favorable. Nearly all of our industrial plants are operating to full capacity, and the crop conditions--outside of

the sections which have suffered from the drought--are very good indeed. South Georgia made a splendid cotton crop, and the crops in Alabama are also good. That state will probably make a million and a quarter bales of cotton. In Mississippi, they have the best crop they have had in a quarter of a century- -in fact, it has been an almost perfect one.”34

The following month, November, Wellborn again commented anent the Florida situation:

“We are watchful of the Florida situation in contemplation of what may happen when the present ‘boom’ recedes. We are urging our members in Florida to hold their loans down to their local customers, and keep their funds with strong banks; to buy high-class commercial paper and Government securities. These being, in our opinion, the safest places to have a secondary reserve. 35

Meanwhile, a revolving currency fund of \$2, 000, 000 was established on August 15 at the First National Bank of Miami in order to take care of currency requirements of member banks in that city and vicinity. 36

A reckoning on the Florida land extravaganza was soon to come.

During the year 1925, total resource and liability items of the Federal Reserve Bank of Atlanta increased \$53, 683, 000--from \$242, 845, 000 on December 31, 1924, to \$296, 528, 000 one year later. Cash reserves decreased during the same period from \$176, 318, 000 to \$123, 425, 000. The Reserve deposits of member banks amounted to \$78,276,000 on December 31, 1925, which was \$15, 379, 000 greater than on the same date in 1924.37

With a total membership of 495 banks at the close of 1925, the volume of

accommodation extended to 320 members during the year aggregated \$527, 945, 000, which was \$22, 367, 000 less than the amount extended to 390 member banks during 1924, when the membership at the close of the year was 516 banks.38

On one front during 1925, the Bank did not progress. No tenant could be found for the unused space in the building. Necessary restrictions imposed by the nature of the business of the landlord were simply unpalatable to desirable corporate tenants.39

NOTES

Chapter 14

1. Keller, Dictionary of Dates, II, 340-345.
2. Garrett, Atlanta and Environs, II, 811-815.
3. Minutes, Directors, III, 925.
4. Ibid. ,923-924.
5. Ibid., 925-926.
6. Ibid. , 926.
7. Atlanta Trust Company.
8. Minutes, Directors, III, 929.
9. Ibid. , IV, 937.
10. Ibid.
11. Ibid. , 958; biographical records, Federal Reserve Bank of Atlanta.
12. Minutes, Directors, III, 926.
13. Ibid. , 926-927.
14. Ibid. , IV, 954.
15. Ibid. , 956-957.
16. Ibid. , 996.
17. Ibid. , 1049, 1061; Who Was Who in America, Vol. 1, p. 1149.
18. Ibid. , 1040.
19. Ibid. , 992.
20. Ibid. , 1039.
21. Ibid. , 1045.

22. Ibid. , 964-965.
23. Ibid. , 983.
24. Ibid. , 968.
25. Ibid., 969, 973, 980.
26. Ibid., 1063.
27. Ibid., 1061.
28. Ibid. , 991.
29. Ibid., 950-951.
30. Ibid., 1005.
31. Ibid. , 1009.
32. Hopkins, M. B. Wellborn, 120-121.
33. Minutes, Directors, IV, 1052.
34. Ibid., 1051.
35. Ibid. , 1058.
36. Ibid., 1029, 1040.
37. Annual Report, 1925, p. 6.
38. Ibid. , 9.
39. Minutes, Directors, IV, 979.

Chapter 15

1926

With Collidge in the White House during 1926, the equanimity of the American people was little disturbed from that quarter during the year.

Henry Ford adopted the five-day week and eight-hour day as standard for his work force. Congress passed a Revenue Act reducing income taxes by nearly \$400, 000, 000, with a maximum rate of 20% for individuals and 13-1/2% for corporations. A fund of \$2, 500, 000 was established by Daniel Guggenheim for the promotion of aeronautics; the first successful radio-telephone conversation was held between New York and London, and an original Gutenberg Bible fetched \$106, 000 in New York and was presented to Yale University. 1

It was an interesting year in the world of sports. Robert T. Jones, of Atlanta, won the British open golf championship; Gertrude Ederle, of New York, became the first woman to swim the English Channel, and Gene Tunney defeated Jack Dempsey, of Philadelphia, for the world heavyweight boxing championship. Some notable departures from the land of the living included Luther Burbank, the naturalist; Charles W. Eliot, president-emeritus of Harvard; Rudolph Valentino, movie actor and idol of countless American women; and Joseph G. "Uncle Joe" Cannon, speaker of the House for four straight terms. On September 17 and 18, a hurricane in the Miami, Florida, area killed 370 persons, injured thousands, caused property damage of \$100, 000, 000 and, for practical purposes, wrote finis to the real estate boom.2

Closer to home, Dr. L. G. Hardman took over Georgia's helm as Governor;

Walter F. George was re-elected to the Senate, defeating Georgia Chief Justice Richard B. Russell, and Isaac N. Ragsdale, a successful livestock dealer defeated four other candidates for the Atlanta mayor's chair. Eugene Talrnadge came to prominence on the political stage by virtue of election to the post of Commissioner of Agriculture. 3

The City of Atlanta floated a bond issue of \$8, 000, 000 for schools, sewers, waterworks improvements, a new city hall, and for the CentTal Avenue and Pryor Street viaducts. Private building included a greatly expanded Southern RaiLway Building, Pullman shops at Kirkwood, Whitehead, and Medical Arts buildings, and the Atlanta Athletic Club. The Atlanta Historical Society was organized and Thomas H. Pitts closed his famous Five Points soda fountaion. "To much decentralization and not enough people downtown," he said. Neighbor hood shopping areas were coming to the fore.4

The Federal Reserve sank of Atlanta entered 1926 with the same roster of officers who had functioned during 1925, as did the various branches. 5

The following gentlemen were re-elected to serve three-year terms as Directors of the various branches: J. H. Frye, Birmingham; G. G. Ware, Jacksonville; T. A. Embrey, Nashville; and J. P. Butler, New Orleans. Randolph and Parker were re-elected General Counsel at a retainer fee of \$3, 500 per annum, payable monthly, and an allowance of \$1,500 for stenographic services.6

A contest developed for Class "A" and Class "B" Directors for the Atlanta Bank. Edward C. Melvin, of Selma, Alabama, defeated T. W. McCoy, of Vicksburg, Mississippi, for the Class "A" post by the narrow margin of 109 to 103. W.H. Hartford won the Class "B" position by a landslide, 109 to 26, over B. H. Baker, of Cottondale, Florida.7

The new Director, Mr. Melvin, destined to serve for 10 years, was born in Selma, Alabama, in 1870. Following a course at the Poughkeepsie Business College he began his career as an employee of the City National Bank of Selma. During the year 1904 he tried the wholesale grocery business, but soon returned to banking and served the Selma National Bank as President and, finally Chairman, for nearly 50 years. He also functioned as President of the Selma Trust & Savings Bank from its organization until shortly before his death in 1954.8

At the January 1926 Board meeting, committees were appointed, with W. H. Kettig designated as Chairman of the Special Salary Committee; J. A. McCrary, Building Committee; and Oscar Newton, Bank and Public Relations.9

Branch Bank Directors, reappointed at the same time by the Federal Reserve Board were: P. H. Saunders, New Orleans; W. H. Kettig, Birmingham; J. C. Cooper, Jacksonville; and W. H. Hartford, Nashville. Oscar Newton was reappointed Federal Reserve Agent and Chairman, Atlanta; W. H. Kettig as Class "C" Director and Deputy Board Chairman, Atlanta; and Ward Alberta on and W. B. Miller, Assistant Federal Reserve Agents, Atlanta and New Orleans, respectively.10

Election of a Federal Advisory Council member, to succeed Oscar Wells, developed into a spirited affair. The name of E. W. Lane, of Jacksonville, was placed in nomination by Director McCrary. P. D. Houston, of Nashville, was nominated by Director Hartford. Two ballots by hand resulted in a tie. Three written ballots produced the same result. Finally, on the sixth ballot, Mr. Houston forged ahead five to three and was declared unanimously elected. **11**

Persia Daniel Houston (1874- 1957) was, by profession, a banker. He was born

in Marshall County, Tennessee, and spent his adult business life in Nashville. At various times he was Board Chairman and Director of Southern Trust Company, Louisville; Honorary Board Chairman, First American National Bank, Nashville; Director, Hermitage Hotel Company; Chairman, Tennessee State Planning Commission; President, American Bankers Association and of the Railway Treasurers Association, and a trustee of both Vanderbilt and Fisk Universities.12

Atlanta Board members were saddened at their February meeting by the announcement of the death, on January 18, of Peter R. Kittles, a Director since 1918 and in the early days of the Bank, its Auditor. Several Directors paid personal tribute to their departed associate; appropriate resolutions of regret were adopted, and the chair occupied by Mr. Kittles as a Director and bearing his name, was sent to his widow. 13

On March 9, an election was held for a Class "A", Group 3 Director of the Atlanta Bank for the unexpired term ending December 31, 1926. Julius Morgan, of Pembroke, Georgia, received 11 votes; T. Y. Smith, of Bartow, Georgia, 14; and G.G. Ware, of Leesburg, Florida, 118. Mr. Ware was welcomed by Board members at their meeting on March 12. 14

The new Director, who was to serve until the close of 1935, was that comparative rarity, a native of Florida, having been born at Providence, that State, in 1885. After serving various banks as bookkeeper and cashier, Mr. Ware became president successively of the Citizens Bank of Leesburg, Florida; the First National Bank of Leesburg; and the First National Company, of that city. He also served as President of the Lake County Chamber of Commerce and Director, Florida Development Board.15

Few other official changes took place during the year. In August, Claude Gilbert was temporarily appointed Assistant Federal Reserve Agent to make a constructive survey of member banks at a salary of \$10, 000 per year. He resigned November 23 in order to commence special work for the Federal Reserve Board in Washington. 16

The matter of Deputy Governor J. L. Campbell will be cited later in this chapter.

Meanwhile, in August, James A. Goethe was elected Assistant Manager of the Savannah Agency at an annual salary of \$2, 400. Indeed, for the preceding six months he had functioned as Manager during the absence of R. N. Groover. 17

Groover had been serving as a special agent of the Bank in Atlanta in connection with the assets of the defunct Georgia National Bank of Athens. While so serving he was guilty of an act of negligence which led to his discharge.

Among the assets of the Georgia National was a note signed by J. B. Joel for \$10,000 due in 1925. Joel made a \$1,000 payment by check on January 28, 1926 and tendered it to Field Representative Groover. Groover later testified that there was no one in the bank at the moment to receive the check from him. So, prior to going to lunch he went by his hotel room to wash up and locked the check in his trunk for safekeeping. Other matters came up during the afternoon. The Joel check slipped Groover's mind and did not again come to light until he was cleaning out his trunk in May. Greatly embarrassed, he turned the check in and added one of his own for \$33. 00, representing an interest payment to Mr. Joel.

Groover was given a hearing by the Board of Directors. While he was regarded as thoroughly honest, he was adjudged guilty of gross negligence and was relieved as

Savannah Agency Manager. He was tendered a position in the Discount Department in Atlanta at a reduced salary, subject to the approval of the Federal Reserve Board. The Board did not approve. In a letter to Chairman Oscar Newton, D. R. Crissinger wrote:

“...Mr. Groover has been guilty of gross negligence in the performance of his duties. For this reason the Board disapproves the recommendation of your Board of Directors for the further employment of Mr. Groover, and the payment to him of any salary.18

Salaries generally throughout the Bank increased in 1926 over 1925. A comparison of officers' salaries for the two years is shown below:

<u>Name</u>	<u>Title</u>	<u>From</u>	<u>To</u>
M. B. Wellborn	Governor	\$20,000	\$25,000
J. L. Campbell	Deputy Governor	12,000	14,000
Creed Taylor	Deputy Governor	9,000	11,000
M. W. Bell	Cashier	6,000	6,500
H. F. Conniff	Assistant Cashier	4,200	5,000
R. A. Sims	Assistant Cashier	4,200	4,200
J. B. Tutwiler	Assistant Cashier	4,200	5,400
W. S. Johns	Auditor	4,200	5,400
J.W. Honour	Assistant Auditor	3,300	3,600
Ward Albertson	Asst. Federal Reserve Agent	6,500	7,200
A. E. Walker	Manager, Birmingham	6,000	6,600
G. R. DeSaussure	Manager, Jacksonville	5,500	5,500
Joel B. Fort, Jr.	Manager, Nashville	4,500	5,500

Marcus Walker Manager, New Orleans 12,000 14,000¹⁹

During March 1926, Governor Wellborn submitted recommendations covering revised vacation schedules for officers and employees. They were adopted and provided as follows:

Parent Bank and Four Branches:

All officers - three weeks.

Employees--including Savannah Agency: Employees entering the service of the bank on or before January 2, 1926, to be granted six days vacation, plus one additional day for each full month's service during 1925--no vacation to be granted until employees shall have served six months. No employee entering the service of the bank after January 2, 1926 to be entitled to a vacation during the current year.

No vacation should be granted prior to April 1 nor later than September 15.

Except in cases where employees are entitled to more than one week and less than two weeks, all vacations should start at the close of business Saturday, returning the second Monday--in the case of one-week vacations, and the third Monday for two-week vacations.

The Manager of the Havana Agency was given one month with transportation to and from Havana-Atlanta, paid by the bank. For the Assistant Manager and other Havana employees--odd years of service, three weeks; even years six weeks, with same transportation as above. 20

A number of matters concerning operating policy were settled during 1926. At this particular point of time in the history of the Federal Reserve System, it appeared that the Atlanta Bank was the only Federal Reserve Bank where the Board of Directors

did not give approval, in some form, to actions of its Executive Committee. Upon the matter being cited by the Federal Reserve Board, it was recommended by a committee of the Atlanta Board that a digest of unusual and important matters acted upon by the Executive Committee be furnished the Secretary to be submitted to the Board at each regular monthly meeting.21

As the result of lengthy litigation between the Pascagoula National Bank and the Federal Reserve Bank of Atlanta, which began in 1924 and was concluded May 4, 1926, in the United States Supreme Court of Appeals for the Fifth Circuit, some important legal milestones were established. Reported Messrs. Randolph and Parker, General Counsel:

“This important litigation is ended and the courts have squarely upheld and sustained the contentions of the Federal Reserve Bank of Atlanta on all issues or points involved.

“As a result the following things are now conclusively established:

“First: The Federal Reserve Bank can legally require, as provided in the Federal Reserve Act, a member bank to make remittance to it without deduction for so-called exchange charges.’

“Second: The Federal Reserve Bank can legally inaugurate and enforce a policy of ‘deferred credit’ to its member banks on all remittances made by them in accordance with reasonable time schedules adopted.

“Third: The Federal Reserve Banks are permitted, under the terms of Federal Reserve Act, to handle checks for non-member banks as well as member banks, and for its member banks can handle checks payable without as well as within its own

distirct.

“We have taken occasion in passing to refer specifically to the very important ruling made by Judge (Srnauel H.) Sibley that suits cannot be brotgh.t against the Federal Reserve Board except in the District of Columbia. This was an issue squarely raised in this litigation and the decision is of far-reaching importance and should prove of the utmost value in the future. 22

Randolph and Parker, General Counsel for the Atlanta Bank, were assisted in this litigation by Walter Wyatt, General Counsel of the Federal Reserve Board, by M. B. Angell, of the John W. Davis law firm in New York, and by Newton D. Baker, of Cleveland.23

A general policy was enunciated at the September Board meeting relative to “Land Owners’ Endorsement on Tenant Farmers’ Notes,” in the following language:

“It is the general practice of member banks in agricultural sections of this district since 1920 and 1921 to require land owners to endorse tenant farmers’ paper. In our numerous conferences with member banks, we suggest and urge that they obtain the endorsement of land owners, due to the hazard of making advances solely secured by crops since the boll weevil infestation in this district. However, we cannot determine in case of a particular note offered whether or not it should be endorsed by land owner. This must be left to the discretion of the officers of the offering member bank.24

For several years past, Governor Wellborn had worked strenuously in an effort to have the Bank discontinue the handling of non-cash collection items. In late September, 1926, a letter was received from Governor Crissinger, of the Federal Reserve Board, to the effect that each bank exercise its own option as to the collection

of such items at street addresses, but continue the collection of non-cash items collectible at banks. Wellborn's happy reaction is indicated by a letter he wrote to Managing Director Walker, of the New Orleans Branch:

“... Am delighted that we have now obtained what I regard as a signal victory. Only three of the twelve Federal Reserve Banks--Minneapolis, Kansas City, and Atlanta--were in favor of discontinuing non-cash collections, but we finally prevailed upon the Federal Reserve Board to adopt a ruling permitting each Reserve Bank to follow out its own discretion in the matter. I have long regarded the voluntary performance of this service by a reserve bank as being very unjust and unfair to member banks located in Federal Reserve Bank or Branch cities. I do not think the Federal Reserve Bank should do business with the public...”²⁵

Upshot of the matter was that the Atlanta Board, in December, authorized the preparation of a circular to be sent to member banks announcing the discontinuance of handling non-cash items payable at street addresses.²⁶

At the January 1926 Board meeting, Governor Wellborn made an interesting report on bank failures during the preceding year. He said:

“During the past year, we have had in our district eight national banks to fail and four state bank members of the Federal Reserve System

“These failures were caused by conditions which existed in 1920 when cotton dropped from 40 cents to 11 cents a pound during the crop moving season. These particular banks²⁷ might have been able to weather the storm if they had had good years immediately following, but these good years did not come. On the contrary, the crops have been small for the past five years; and, in 1925, to cap the climax, these

sections experienced the severest drought ever known, for practically no rain fell from March until the latter part of September.

“With regard to taking care of these banks, we rendered them very liberal assistance, but were careful to follow out the policy of your Board in trying to avoid any losses ourselves. While we extended to the banks that finally failed liberal accommodation, I might say that we did not take any extraordinary or heroic steps to save them, for fear of involving ourselves in ultimate losses. Our procedure was to urge the directors either to guarantee their borrowings from us, or put into the banks sufficient funds to restore any impairment of capital. With many of these banks which were in dire distress because of diminution of deposits brought about by local causes, our experience was that when those interested in their management began to undertake a rehabilitation of their affairs through conferences with us or among ‘themselves, rumors of the nature of these conferences almost invariably leaked out. This was generally followed by increased deposit withdrawals, which, together with the banks’ inability to obtain further funds from us on the paper offered, resulted ultimately in their closing.

“In the case of the Georgia National Bank of Athens, Georgia, we accepted a loss of \$165, 000 in order that the institution might be taken out of the hands of a receiver and placed in charge of a holding company organized by the people of Athens to enable them to liquidate the bank’s affairs over a long period of time and thus avoid sacrificing its assets by forced collections, such as a receiver in all probability would have been forced to undertake.

“Our estimated total losses for the other banks that- failed last year amount to

\$108, 990.28

As the year progressed the situation in Florida demanded increasing attention from the officers and directors of the Atlanta Bank.

The Miami Revolving Currency Fund, set up in 1925, was increased from \$2, 000, 000 to \$3, 000, 000 in January 1926 and was discontinued by order of the Federal Reserve Board in September. Also, in September, the Board turned thumbs down on establishing a similar fund at Tampa.29

Toward the end of 1925, Governor Wellborn called .the Directors of the Atlanta Bank together and told them the boom could not last forever and that the impending collapse might throw too heavy a burden on the Florida banks. He announced his plan to visit every member bank in the state.30

Accordingly, he bought a new car and started out, calling on the president of every member bank from Fernandina to Miami. He warned of the wrath to come and suggested that the banks be more chary of loans and concentrate more on collections. When the boom was over their swollen deposits would melt like snow before the sun, he told them. When asked for advice as to how the surplus funds should be invested, he recommended the purchase of high class securities on the New York Stock Exchange which could readily be converted into cash.31

Wellborn reported on the trip and on the Florida situation to the Atlanta Bank Board on March 12:

“At the request of your Board, I left Atlanta on January 10 for Florida and returned February 16, having visited 38 member banks from Jacksonville southward. I did not make my trip hurriedly, because I wanted to have a full talk with the chief officer

of each bank and his associates.

“I have found that speculation in real estate, in city property, and subdivisions are very numerous all over the State. I believe that the speculation, after going on for the past few years, probably reached its height last summer and prices are now so high that the buyers are on a strike and therefore not nearly so numerous.

“I believe that the banks will have some very hard problems to solve within the next year or two and the burden will begin to fall on the banks, in my opinion, within the next few months. It will come first in the shape of a decline in deposits and those who are engaged in developing will appeal to the banks to aid them to carry out their projects. It appears to me that there are a great many notes which have been given for lots where subdivisions have been in the course of development, and many of these notes will not be paid promptly. Therefore, the owners of the subdivisions will have to seek financial assistance from whatever source it may be obtained.

“In discussing matters with member banks, I laid stress on holding their loans down to a small percentage of their deposits, advising them that in my opinion when the tide turned (as it is now turning), they will not be able to reduce these loans to their customers very materially. In other words, it will be hard to collect their bills receivable. They asked for an expression of my opinion as to what percentage would constitute a conservative basis, and while I had no value to go by, I stated 25 to 33-1/3 percent would be a fair basis to work on.

“I found that the small bankers did not look on the situation as being so serious as did those in the larger banks, for the smaller bankers feel that they can depend on their correspondents in the financial centers, such as Jacksonville, Miami, and Tampa,

where they are maintaining very comfortable balances.

“Real estate prices appear to me to be out of all reason, and every town I visited seemed to have experienced a real estate boom. Should our member banks outside of Jacksonville and Tampa wish to rediscount with us in larger amounts, they will not be able to present eligible paper--that is, loans they have made to their local customers. .They may have commercial paper bought in the open market that would be eligible, but I am afraid that very little of their local paper is eligible as these latter are based more or less on real estate transactions. If my surmises are correct, they would have to rely very largely upon their correspondents in the State and without to help them in taking care of declines in deposits.

“While I have stated above that speculation in Florida has reached its peak, I did not mean to imply that the bottom will drop out of Florida. On the contrary, I believe the state will continue to develop and develop along the right lines--that is, substantial improvements, beautifying the waterways to accommodate the tourists, who I believe will go to Florida in increasing numbers from now on. Thousands of people have been to Florida in the past few years who have never been there before, and on account of its attractive climate and the great advertisting it has had through its boom, Florida will continue to grow and develop as a natural result, and, agriculturally, because of its citrus fruits and early vegetables. 32

Deposits of Florida member banks had increased from \$165, 984, 000 on June 30, 1924, to \$445,917,000 on December 31, 1925.33

Eight months later, on August 13, 1926, Governor Wellborn reported.
developments:

“The large number of state banks which have failed in Florida and Georgia within the past sixty days has attracted universal attention, naturally most marked in this vicinity, and has had the effect of creating a general distrust in banking by those of the public who are not familiar with the inner workings of the banking business.

“In Florida, about 41 banks have closed their doors, and in Georgia about 83. However, only one bank in Florida was a member of our System, The Palm Beach National Bank, and only one in Georgia, the [REDACTED] The non-member banks which have failed were members of a chain system of which W. D. Manley, of Atlanta, and J. R. Anthony, of Florida, were the ‘financial agents’. The failures began in Florida and were followed by those in Georgia. The Florida banks had had very large deposits for the past several years--in many instances eight or ten times the capital and surplus of the bank--they loaned the Georgia banks on call several millions of dollars. When deposits began to decline in Florida, and the Georgia banks were called on to pay, they could not respond. Also, I understand, the Florida banks had quite a large amount of paper discounted with Mr. Manley and his associates at attractive rates of interest, and a number of Georgia banks had the same kind of paper.

“While these failures in Georgia have been disastrous to their own communities, the banks were small, and the general economic and business situation in the state has not been materially affected, it is currently reported that quite a number of these failed banks may be reorganized and put on a good basis. This, however, is merely surmise based upon statements made in the press by those interested.

“The closing of these banks in Florida and Georgia naturally caused some

anxiety on the part of our member banks. The officers of our bank have been watching the situation closely and have come to the aid of our member banks in a substantial manner. In Florida, deposits continue to decline, and that is a problem which we will have to help our member banks in state (sic) to meet. It is a very serious one, because many of the banks are unable to collect their bills receivable in sufficient amount to take care of the deposit decline. Their only resources are to call upon the Federal Reserve Bank and upon their correspondents in various cities.

“At the present time, Deputy Governor Taylor is in Florida, in company with Mr. Claude Gilbert, the newly appointed Assistant Federal Reserve Agent.

These gentlemen went to Florida with a view to going into all these matters thoroughly with the banks in and around Polk County, special attention being paid to the Polk County National Bank of Bartow, which is borrowing very heavily, about \$200, 000 from us and about \$500, 000 from correspondents in New. York and elsewhere. This is a ‘key bank’, and if it should fail, it might cause many other failures. If we are to take care of our good solvent banks in Florida, it may require a very liberal loan policy on our part and those banks may be years in liquidating such indebtedness to us.

“It is a very serious situation in that state, and I think will continue so throughout this year. Therefore, it behooves our bank to regard this as an emergency and to do all in our power to keep down bank failures, while we must at the same time be careful to accept only good eligible paper--that is, so far as we can judge from present conditions. If Florida comes back promptly, much of this paper will soon be retired. On the other hand, if things continue to go badly in Florida for several years, the borrowers from those banks may find themselves in the same position as those in Georgia for several

years following the deflation period of 1920-21.” 34

Governor Wellborn then went on to reiterate his faith in the solid and substantial future of Florida by repeating his report to the Board in March.35

In September, Wellborn again reported on the Florida situation:

“The section of our district which is giving our bank the most concern is, as you gentlemen know, the state of Florida, where deflation and readjustment set in during the spring of this year, following a long period of inflation, which was very intensive in the years 1923, 1924, and 1925. We are watching closely the banks that are most affected.

“As set forth in my report on conditions in Florida after my visit to that state in January and February, the large city banks appeared to be more careful and cautious in anticipating what was to come, and therefore prepared themselves. The small banks and the intermediate sized banks, as a rule, were less cautious, and I presume they were in that state of mind because they expected to rely on their city correspondents and the Federal Reserve Bank to help them in time of need.

“Since the last meeting of your Board, there has been a very serious situation in and around Bartow, Florida, of which the Polk County National Bank was the center, and involved not only that bank but the First National Bank, Avon Park, the [REDACTED], and the First National Bank, Punta Gorda, which are more or less allied with the [REDACTED] interests, and the Polk County National Bank. These interests were also connected with eight or ten state banks in that vicinity, which are non-members, but the failure of one or more might have caused very serious results on account of such connection.

“On September 7, 1926, Florida banks’ borrowing from us amounted to \$4,

398, 239. 74--about 8 percent of our total bans to member banks.

“I want especially to call attention to the splendid manner in which the Tampa member banks and the Jacksonville member banks cooperated with our bank in taking care of the situation. These banks joined together and raised a fund of \$600, 000 and we promised our hearty assistance in anything that was necessary to be done in aiding our member banks as above stated to pull through the present crisis, which arrangements have now all been perfected and, therefore, we do not look for any special disaster in that immediate section. If something had not been done as has been done, as above related, it would have affected, and might have resulted in the failure of, many member and non-member banks in the middle ridge section of Florida. This shows what cooperation and team work will do. Our Deputy Governor, Mr. Taylor, with Mr. Claude Gilbert, Assistant Federal Reserve Agent, made several trips to Florida and did splendid work in this connection. I think it is apt to quote Kipling in connection with what has been done:

‘It isn’t the individual
Nor the army as a whole,
But the everlasting team work
Of every human soul!’ 36

At the October Board meeting, Ward Albertson, Manager of the Bank and Public Relations Department, read a letter received from Claude Gilbert, relative to conditions in Florida at that time. This letter was written after the hurricane of mid-September. Reported Mr. Gilbert:

“From what I have seen so far, it is beginning to appear that the most of the

banks, particularly in the producing sections of the state, are making good progress and may be expected to enter into the winter season without substantial further decline in deposits. Public alarm generally has died down, and unless it should be revived, the banks will have the time needed to reduce loans to a comfortable level. Most bankers are expecting an increase in deposits, commencing in the next fifteen to thirty days, with the return of the winter residents and the movement of the citrus crops to market. Very few are looking for the high level of deposits of last year to be reached, and practically all believe that there will be a substantial increase over present figures, and enough income from produce and tourists to pay obligations for money borrowed.37

An occurrence that brought home to the public the value of the Federal Reserve System in time of emergency was the Cuban crisis of April, 1926. Indeed, the event may have influenced Congress when the question of renewal of the Federal Reserve Charter came up later in the year, for the charter was renewed without difficulty.38 Two other events were certainly brought about by the crisis--the discharge of Deputy Governor J. L. Campbell by the Federal Reserve Board and the closing of the Boston Bank's Havana Agency.39

Early in the week of April 6, rumors were started in the interior of the island to the effect that the Royal Bank of Canada was in financial trouble and might suspend payments. By mid-week runs had been started on branches of the Royal Bank in the interior and on banks in Havana.

The Havana Agency had on hand about \$10, 000, 000, most of which was paid out on cable transfers by the end of the week. By Friday, the 9th, the Boston Agency had sold an aggregate of \$39, 000, 000 in cable transfers to Havana banks which the

Atlanta Agency could not complete because of lack of currency. Something had to be done quickly to get currency to the Havana Agency by the opening of business Monday, April 12.

At this point, Governor Wellborn picks up the story:

“Under date of April 9th, we received a request from our Havana Agency to ship \$3, 000, 000 in currency, which seemed quite a large amount to request at that time, and upon wire inquiry to our Manager of that Agency, he replied to double the shipment, as conditions there were becoming panicky.

“When this message was received in Atlanta, I was attending a meeting of our Board of Directors in New Orleans, and upon receiving advice from Atlanta, I cancelled my New Orleans engagements and returned immediately to the Atlanta office. The next morning, Saturday, April 10th, we received a telephone call from our Havana Manager (L. L. Magruder), requesting that we ship immediately by aeroplane or special train between fifteen and twenty million dollars in currency as he had already received requests for payments equalling that amount, and that if such currency was not received by Monday morning, some of the banks on the Island of Cuba would have to suspend payments.

“We immediately got into telephone communication with the Federal Reserve Board, Washington; Federal Reserve Bank of Boston; Federal Reserve Bank of New York; and the National City Bank of New York, all of which had received practically the same information in regard to the situation on the Island of Cuba.

“We set to work preparing shipments of currency ranging from \$5 denomination and up, aggregating \$26, 500, 000. It was found that the weight involved in the shipping

of this currency would not permit the use of an aeroplane, and therefore we chartered a special train with the right-of-way set up through to Key West, Florida, which train left Atlanta at 4 o'clock, Saturday afternoon, April 10th.40

"The shipment of currency was handled by usual registered mail in charge of the U.S. Postal authorities, consisting of five Railway Mail Service employees and one Post Office Inspector. Deputy Governor J. L. Campbell accompanied the shipment on the special train, together with six employees of our bank, including guards and clerks. Under agreement with the Postal authorities, Mr. Campbell took three additional guards to Havana, and further deemed it necessary to take three experienced clerks from our Atlanta bank to assist our Agency employees at Havana in paying out the currency.

"Mr. J. A. McCrary, a director of our bank, intended to go to Florida, and I suggested that he accompany the train as far as Cocoa, Florida, his intended destination. With him went a Mr. Loving, an employee in his engineering business. I considered that Mr. McCrary and his friend would be an additional protection, for Governor Crissinger⁴¹ had 'phoned me that morning to be sure to have ample forces accompany the party. After arriving at Cocoa, Mr. McCrary consulted with Mr. Campbell and decided to go with the party to Havana.

"The train arrived at Key West at 4 o'clock Sunday afternoon and was met by the cruiser 'Cuba',42 whereupon the shipment of currency was transferred to the boat and delivered to the Cuban postal authorities. Upon landing at Havana, the shipment was under military guard from the docks to the vaults of the Agency, being transported by trucks. Deputy Governor Campbell, with the guards and other members of the Atlanta party, followed close behind. The boat arrived at Havana at 2 o'clock Monday

morning; the money was dispatched immediately to our Havana Agency, and payments were made to the banks at 7 o'clock Monday morning. The Havana banks thus received funds in ample time before the opening hour of nine o'clock.

“It is our information that on Saturday the Cuban government deposited with the Havana banks twelve million dollars in currency, which together with other currency was shipped down the Island of Cuba to branch banks in the aggregate amount of eighteen million dollars, all of which was by special train. Everything was handled without interruption and to the entire satisfaction of all concerned, we receiving the highest degree of cooperation from every source.

“After the above shipment, which was prepared on Saturday afternoon, we again got in telephone communication with Mr. Case, Deputy Governor of the Federal Reserve Bank of New York, who informed us that the amount of money being shipped would not be sufficient to care for the needs of the banks. Therefore, we immediately instructed our New Orleans Branch to ship by registered mail ten million dollars in currency, which arrived in Cuba on Wednesday, April 14th. All told, the following shipments were made to the Island of Cuba, on Saturday, April 10th:

Prom Atlanta	\$26,500,000
From New Orleans	10,000,000
From Washington	<u>5,800,000</u>
Total	\$42,300,000” <u>43</u>

All pending payments in Cuba were completed early Monday morning and the runs subsided as banks were able to meet demands made upon them. In about two weeks conditions returned to normal and a large portion of the currency paid out flowed

back to the Agency in payment of cable transfers of funds to the United States. The Federal Reserve Agencies were highly commended by the Cuban government and press for the expeditious manner in which the situation was handled.44

About a year later, Cuban President Cachado arrived in Atlanta with his full staff for an official visit. The city gave the Cubans the most elaborate reception it could muster. Governor Wellborn was the principal speaker at the official luncheon.45

Meanwhile, the Cuban operation had some repercussions. On April 28, 1926, certain rumors, criticisms and charges of misconduct reflecting upon the character of service rendered by the Havana Agency of the Federal Reserve Bank of Atlanta in Cuba came to the attention of the Federal Reserve Board in Washington. On May 1, that Board adopted a resolution which authorized and directed its Board Member George R. James to go to Havana and make a thorough investigation of the bank run and its aftermath. Mr. James and a committee appointed to help him made an investigation. He subsequently personally appeared at a special meeting of the Atlanta Board on May 31 and made a report.

The specific charges and criticisms investigated by Mr. James and his committee were six in number:

“1. That the Havana Agency of the Federal Reserve Bank of Atlanta did not have a sufficiently large supply of currency on hand in Havana to meet or pay cable transfers received by the Boston Agency as they were presented.

“2. That the Atlanta Agency was ‘asleep on the job’ and did not take proper steps to insure getting additional currency in Havana by Monday morning, April 12.

“3. That nothing but praise is heard for the Boston Agency, but Atlanta is being

criticized for lack of cash reserves and initiative in Havana.

“4. That all members of the party in charge of the currency from the Federal Reserve Bank of Atlanta proceeded from Key West to Havana on a ‘joy ride’ or pleasure trip.

“5. That on the way over from Key West to Havana the entire party from Atlanta became intoxicated.

“6. That the men were in a disgraceful condition upon arrival in Havana and conducted themselves in such a way when the boat was docked as to disgrace the Federal Reserve Bank of Atlanta in the eyes of the bankers and officers of the Cuban Government who were at the dock to meet the boat.”46

While the findings of the James Committee did not bear out all of these charges and criticisms, the smoke did, however, conceal a modest flame of irregularity:

“1. The Atlanta Agency did not have sufficient currency on hand to pay the cable transfers received by the Boston Agency as and when presented; but the Committee is not disposed to lay particular stress upon this situation because there was a sudden and abnormal demand for currency arising out of the run on the two most important banks in Cuba. The Committee found, however, that the supply of currency on hand at the time the run developed was not sufficient to meet such an emergency as might have been reasonably expected.

“2. The Committee finds that the Atlanta Agency was not ‘asleep on the job’ but had its hands full paying out such currency as it had on hand; that it was very busy at this task until 4 p. m. , Saturday, April 10th; that it did get word to the home office in Atlanta in time for the home office to start a special train for Key West carrying a large

amount of currency by 4 p. in., Saturday, April 10th.

“3. Your Committee heard nothing but praise for the manner in which the Boston and Atlanta Agencies met the emergency. Atlanta was criticized for not having sufficient cash reserves on hand to meet the emergency, but the Committee heard no criticism of lack of initiative on the part of the Havana Agency.

“4. This charge was substantiated. Nineteen men in all, including Messrs. Campbell, McCrary, ██████████ McLarin, ██████████ in addition to a number of Post Office inspectors and at least one railroad man were taken to Havana over the protest of Mr. Montavvo, Cuban Director of the Post, and the officers of the Cuban gunboat. Of these men, only four or five were actually needed in Havana, and none of them were needed to guard the money on the way over because the money was in the custody of the Cuban Government. The Committee finds that Mr. Campbell was responsible for taking these men to Havana on a pleasure trip imposing an unnecessary expense on the Federal Reserve Bank of Atlanta.

5. This charge was not substantiated in full. There was evidence to the effect that there was general drinking among the party, and that Mr. Campbell and three unidentified men of the party were drunk on the boat. The only person identified and clearly proven to be intoxicated on the boat was Mr. Campbell.

“6. This charge was not substantiated. The overwhelming preponderance of testimony showed that nothing improper occurred upon the arrival of the men in Havana, and that they did a good job unloading, checking, and paying out the currency.⁴⁷

The James Committee made several additional findings of fact, substantially as

follows:

That there is a feeling of jealousy and mutual distrust between the two Federal Reserve Agencies in Havana, causing confusion and misunderstanding, and that one Agency could best handle the situation; that the Atlanta Agency should carry at least \$10, 000, 000 for current purposes and an additional \$20, 000, 000 as a reserve to meet possible emergencies; that the currency in Cuba is disgracefully dirty and should be cleaned up and that W. C. Rich, Manager of the Boston Agency, did not play so large a role as reported in obtaining the cooperation of the Cuban Government in the emergency.48

After which the Committee made the following recommendations:

“1. That Mr. Joseph L. Campbell, Deputy Governor of the Federal Reserve Bank of Atlanta, be eliminated from the Federal Reserve System.

“2. That the Havana Agency of the Federal Reserve Bank of Boston be discontinued and all of its functions transferred to the Havana Agency of the Federal Reserve Bank of Atlanta.

“3. That the Federal Reserve Bank of Atlanta be required to set up and maintain an adequate organization to provide the proper service for the Federal Reserve System in Cuba.

“4. That on the basis of the Committee’s findings of fact regarding the amount of currency which should be carried in Havana, i. e., \$10, 000, 000 for current purposes and a reserve of \$20, 000, 000 additional to meet possible emergencies, your Committee recommends that the \$10, 000, 000 be carried in Havana in the form of issued currency and that the \$20, 000, 000 be carried there in the form of unissued

Federal Reserve Notes in the custody of an Assistant Federal Reserve Agent assigned to Havana.

“5. That to this end the present organization of the Havana Agency of the Federal Reserve Bank of Atlanta be further augmented by the appointment of a man of proper education, training and experietee to the position of Manager of the Agency and that Mr. L. L. Magruder, the present Manager, be appointed Assistant Federal Reserve Agent and assigned to the Havana Agency.

“6. Your Committee is very emphatic in its opinion that the Havana Agency of the Federal Reserve Bank of Atlanta should be housed independently of any commercial banking institution doing business in Cuba ...

“7. Your Committee is deeply impressed with the responsibility of providing a clean currency for Cuba...”⁴⁹

The Atlanta Board was, naturally, taken aback by the charges and criticisms of the James Committee, though it heartily endorsed the latter’s recommendation that the Cuba Agency be given to the Atlanta bank alone. Indeed, the dual operation, with Boston also in Havana, had always constituted an annoying situation for the Atlanta Bank.

On the afternoon of the same day, May 31, that the charges and criticisms were made, the Atlanta Board resolved as follows:

“First; That the Federal Reserve Board be requested to furnish us the charges made against this bank and its officers.

“Second; That the Federal Reserve Bank be requested to furnish us the names of the party or parties making such charges.

“Third; That the Federal Reserve Board furnish us the evidence concerning the Cuban shipment as gathered by its committee.”50

The fourth paragraph of the resolution provided for a committee to confer with the Federal Reserve Board; to investigate every detail of the Cuban shipment; to go wherever necessary and to employ such help as may be necessary; and finally, a request to the Federal Reserve Board to defer any action until the investigation had been completed.51

The Atlanta Committee consisted of E. R. Black, Chairman, and Directors E. C. Melvin and G. G. Ware.52 These gentlemen made a thorough investigation and reported their findings at the regular Atlanta Board meeting on September 24, 1926. The report was quite lengthy and went into much detail, though its gist is reflected in the concluding paragraph:

“We have in fairness to everybody endeavored to present a full report to this Board and our conclusion is that the Federal Reserve Bank of Atlanta did a good job in this Cuban shipment; that all of its officers and employees were loyal, faithful, intelligent and capable in the discharge of their duties in the matter of this shipment; that none of these officers and employees acted in a manner that was not gentlemanly and not in accord with the dignity of our Bank, and that our Bank and its officers have the right to feel proud that as a member of the Federal Reserve System the Federal Reserve Bank of Atlanta in this emergency did its full part towards meeting the Situation which was forced upon it. 53

A discussion of the report followed, after which, on motion of Director Hartford, seconded by Director Hopkins, it was approved, though not unanimously. Chairman

Newton voted in the negative with the comment that, "I cannot vote to approve the report of the Committee which absolves Mr. Campbell from all blame in the matter of his conduct as the official head of the expedition which transported twenty-six million dollars in currency from the Federal Reserve Bank of Atlanta to Havana.."54

The Campbell matter came to a head in October upon receipt of a letter from the Federal Reserve Board in Washington, signed by Walter L. Eddy, Secretary, in which, by order of the Board, Joseph L. Campbell was discharged. In part, the letter read:

"...After careful consideration of the evidence ... the Board is of the opinion that most of the charges against Mr. Campbell are substantially true and supported by the facts.

"...Mr. Campbell demonstrated a lack of certain qualifications which are requisite and necessary for a senior officer of a Federal Reserve Bank..."55

Though the action of the Federal Reserve Board prevailed, Mr. Campbell's associates on the Atlanta Board, with the exception of Mr. Newton, moved and passed resolutions of confidence and respect. In part, they read:

"...The Board of Directors of the Federal Reserve Bank of Atlanta voices its implicit and unshakeable confidence in the high character and integrity of J. L. Campbell, Deputy Governor, and deeply regrets the action of the Federal Reserve Board in ignoring the action taken by this Board in exonerating the said Campbell.56

He was allowed to resign, effective November 15, 1926.

As the furor over Deputy Governor Campbell was at its height in early November, the dual Atlanta-Boston operation in Havana was being considered. The

Federal Reserve Board scheduled a hearing in Washington to discuss a two-point proposal:

1. To consolidate the Havana Agencies of the Federal Reserve Banks of Boston and Atlanta, and

2. To place under the supervision of the Federal Reserve Bank of Atlanta an agency performing all of the functions now performed by the existing agencies.57

A committee from the clearing houses of the Sixth District, chaired by Oscar Wells and the Atlanta Bank's Committee on Cuban Agency, composed of Directors Kettig, Black, Hopkins, Simon, and Ware, went to Washington to plead the cause of the Atlanta Agency. The groups were armed with convincing data prepared by a Committee of the Atlanta Clearing House Association, headed by John K. Ottley.58

On December 7, the Federal Reserve Board, in a letter signed by D. R. Crissinger, Governor, the Atlanta Board was officially notified that effective January 1, 1927, the Boston Agency in Havana would be closed and its functions taken over by the Havana Agency of the Federal Reserve Bank of Atlanta. Resolutions of appreciation were adopted by the Atlanta Board and forwarded to Washington. 59

All in all, 1926 was a busy and somewhat exciting year for the Federal Reserve Bank of Atlanta. Earnings, compared with the three previous years, were excellent. On a total of \$3, 045, 867, net earnings, available for dividends, surplus and franchise tax came to \$1,228, 327.60

NOTES

Chapter 15

1. Keller, Dictionary of Dates, II, 345-350.
2. Ibid.
3. Garrett, Atlanta and Environs, II, 818-825.
4. Ibid.
5. Minutes, Directors, IV, 1071.
6. Ibid., 1072.
7. Ibid.
8. Biographical Records, Federal Reserve Bank, Atlanta.
9. Minutes, Directors, IV, 1083.
10. Ibid., 1085-1086.
11. Ibid., 1086.
12. Who Was Who in America, III, 420.
13. Minutes, Directors, IV, 1087, 1092-1093.
14. Ibid., 1094.
15. Biographical Records, Federal Reserve Bank, Atlanta.
16. Minutes, Directors, IV, 1171, 1233.
17. Ibid., 1185, 1187.
18. Ibid., 1209-1212, 1230-1231.
19. Ibid., 1064-1065.
20. Ibid. , 1098.
21. Ibid., 1113.

22. Ibid., 1139.
23. Ibid.
24. Ibid. , 1180.
25. Ibid. , 1226-1227.
26. Ibid. , 1244.
27. National Banks: Georgia National, Athens, Georgia; First, Buena-Vista, Georgia; First, Conyers, Georgia; First, Covington, Georgia; First, Greensboro, Georgia; First, Hampton, Georgia; First Sylvester, Georgia; First, Quincy, Florida. State banks: Bank of Bowersville, Southern Exchange Bank, Dublin; Oglethorpe County Bank, Lexington; and American State Bank, Athens, all in Georgia.
28. Minutes, Directors, IV, 1078.
29. Ibid., 1079, 1186.
30. Hopkins, M. B. Wellborn, 121.
31. Ibid.
32. Ibid., 1096-1097.
33. Ibid. , 1097,
34. Ibid., 1165.
35. Ibid., 1165—1166.
36. Ibid., 1184.
37. Ibid. , 1204.

38. Hopkins, M. B. Wellborn,114.

39. Frazer, "Brief History, Havana Agency", 14.
40. The train, chartered from the Southern Railway, consisted of locomotive, express car and one coach. It stopped only for fuel and made the run through Georgia and 500 miles down the east coast of Florida five hours ahead of its schedule.
41. Of the Federal Reserve Board, Washington.
42. The 'Cuba' was a gunboat rather than a cruiser.
43. Minutes, Directors, IV, 1139-1140.
44. Frazer, "Brief History, Havana Agency," 15.
45. Hopkins, M. B. Wellborn, 119.
46. Minutes, Directors, IV, 1124-1125.
47. Ibid., 1125.
48. Ibid., 1126.
49. Ibid., 1127.
50. Ibid., 1129.
51. Ibid.
52. Ibid.
53. Ibid., 1201..
54. Ibid.
55. Ibid., 1218-1219
56. Ibid., 1214
57. Ibid., 1216
58. Ibid., 1217

59. Ibid., 1237-1238
60. Annual Report, 1926, p. 13

Chapter 16

1927

By all odds the most dramatic event of 1927 occurred in May when a daring young man named Charles A. Lindberg made the first solo flight from west to east across the Atlantic Ocean. He was accorded a series of ovations and his plane, "The Spirit of St. Louis," found permanent sanctuary in the Smithsonian Institution. On the scientific and construction front the first transatlantic commercial telephone service was opened between New York and London in early January; the \$12 million Moffat Tunnel, seven miles long, under James Peak, Colorado, on the Denver & Rio Grande Western Railroad, was completed in February, while the Holland Tunnel under the Hudson River in New York City, longest vehicular tunnel in the world, was opened in November.1

In March a Federal Board of Radio Control was appointed by President Coolidge and held its first meeting on the 15th. Disastrous spring floods, the worst in history, caused tremendous damage in the Mississippi River Valley. Commerce Secretary Herbert Hoover was placed in charge of relief.2

On the financial front, a number of events, national in scope, occurred. On February 6, the Federal Reserve Board established a rediscount rate of 3-1/2% for the Federal Reserve Bank of Chicago--the first time this power had been used by the Board of direct determination of rate of discount for member banks.3

The Atlanta Bank went along with the lower rate on August 13, following comment on the subject by Governor Wellborn the day before:

“Since the other Federal Reserve Banks have recently reduced their rediscount rate from 4% to 3-1/2%, I suppose it will be in order for our bank to do likewise. While there is no apparent reason for the Atlanta bank to have such a low rate under present conditions, yet our borrowing banks would conceive that they were not being treated justly if we did not give them the same rate enjoyed by member banks in other districts. The Federal Reserve Act says that rates shall be fixed with a view of accommodating commerce and business. Our present rate of 4% seems to be to be low enough to serve this purpose.”4

A few days after the Federal Reserve Board acted on the rediscount rate, the World War Foreign Debt Commission was dissolved after having negotiated settlements with 13 countries for eventual payment of \$11,522,354,000 of principal and interest. On February 25, the National Bank Consolidation Act of Congress provided for indefinite extension of the charters of Federal Reserve Banks and allowed national banks to establish branches. In late May, Treasury Secretary Andrew Mellon authorized a reduction in the size of paper money by about one-third. The new bills measured 6-1/8x 2-5/8 inches.5 Smaller sized wallets became the order of the day.

In Atlanta, during 1927, Lindberg Day, October 11, was a colorful occasion. The flyer received a great airport welcome; thousands lined the streets to catch a glimpse as he rode by; and others thronged Grant Field at Georgia Tech to hear him speak. 6

The City was engaged in an extensive street widening program in order to cope with an ever increasing traffic problem. Among the principal streets involved were Courtland, Luckie, Peters, Fair, Capital Avenue, and Techwood Drive. Also, during '27 a piece of downtown real estate brought an all-time high front foot price- \$13, 000 per foot for the Clarke corner at the northeast intersection of Peachtree and Edgewood.7

The official family of the Federal Reserve Bank of Atlanta and its branches for 1927 was provided for at the December 1926 Board meeting, when all officers and directors were re-elected. 8 As always, however, there were some changes as the year progressed.

Effective January 15, 1927, V. K. Bowman, Chief Clerk, Discount Department, became Assistant Cashier in charge of the same department at an annual salary of \$4, 200.9

The resignation of Deputy Governor J. L. Campbell in late 1926 had created a vacancy which was filled on February 11, 1927 by the election of Hugh Foster to the position. He was a banker of wide practical experience, having served for 17 years as President of the First National Bank of Union Springs, Alabama. Later he was connected with the Exchange National Bank of Montgomery, and then with the First National Bank of Montgomery, as Vice President. 10

Assistant Cashier George J. White, of the Jacksonville Branch, a veteran of seven years service, resigned in early June. He was succeeded in August by the first woman to be elevated to an official position in the Bank, Miss Mary E. Mahon, an employee of the Branch.11

Assistant Cashier J. B. Tutwiler, an officer of the Atlanta Bank for many years, resigned effective August 1 to accept a position with the National Bank of Commerce in New York City. The Board, in accepting Mr. Tutwiler's resignation, extended felicitations for "abundant success in his new field for which his past banking experience has equipped him."12

Two officers of the New Orleans Branch swapped jobs in early August. Assistant Manager W. H. Black became Cashier, and Cashier James A. Walker became Assistant Manager, both at an annual salary of \$6, 200. 13

The thinning rank of original Atlanta Bank directors was further depleted on August 1, 1927, by the death, in Nashville, Tennessee, of Captain William H. Hartford, at age 67. He had served as a Class B Director since November 1914 and had been Chairman of the Nashville

Branch since its organization. In its resolution upon the death of Captain Hartford, the Board of Directors said:

“...As a Director he was always mindful of the interests of the Bank, always attentive to his duties, and always courteous and kindly in his relations with his fellow directors. His record of attending every directors’ meeting, until illness prevented, was striking evidence of his deep interest in this Bank. His keen judgment and unselfish interest in the Bank enhanced his value as a Director, and his kindly disposition and gentle courtesy endeared him to all the members of our Board.14

The colorful newspaper publisher, soldier and United States Senator, Luke Lea, of Nashville, Tennessee, succeeded Captain Hartford as a Class B Director on October 8 and attended his first Board meeting in Atlanta on October 14.15

Colonel Lea (1873-1945) was born in Nashville and attended the University of the South and Columbia University. He organized the Nashville Tennessean in 1907 and became its publisher. During World War I he organized and became Lt. Col., 114th Field Artillery and served 10 months in combat in France, even leading an unsuccessful attempt to kidnap the Kaiser. He was awarded the Distinguished Service Medal. Prior to the war, Col. Lea had represented Tennessee in the United States Senate from 1911 to 1917. 16

Colonel Lea served as a Director of the Federal Reserve Bank of Atlanta until November 14, 1930. In 1934, he was imprisoned for his part in the \$17, 000, 000 failure of the Asheville Central Bank & Trust Company. He was later paroled and finally pardoned in 1937 by Governor Clyde R. Hoey of North Carolina. 17

Prior to 1927, the Executive Committee of the Federal Reserve Bank of Atlanta was a bit on the informal side as to membership and continuity. It had always comprised two Board

members appointed monthly and rotating among the various Directors. In January 1927, a committee 18 appointed to study the matter recommended as follows:

First, a Discount Committee composed of the Governor, the Chairman of the Board, the two Deputy Governors, and the Assistant Federal Reserve Agent, which Discount Committee should meet daily and handle all discounts offered the bank. The Chairman of this Committee should be the Governor of the Bank. 19

Second, an Executive Committee, composed of the Governor, the Chairman of the Board, and three members of the Board, the Governor to be Chairman. The Committee should meet twice a week and should consider and handle all questions of importance similar to those handled by the Executive Committee in the past. At the present time the three directors, members of this Committee, should be the three engaged in business in Atlanta. This suggestion is made because these three directors can attend meetings twice a week without inconvenience, and will make certain that the Executive Committee at its meeting will have present at least two of the three directors doing business in Atlanta. This Committee should be elected for a period of six months in order to give it a full test as to efficiency and service. The Executive Committee may be called into session oftener as may be desired by the officers of the Bank, but unless so called should meet only twice a week at the regular meeting each week. Such meetings should be at 11 o'clock Tuesday and Thursday of each week. The officers should have the right at any time to invite other directors to meet with the Committee and other directors as they may be in the city at the time of such meetings will be expected to attend, but the duty shall be upon the three members appointed to attend the meetings.20

On February 11, 1927, the By-Laws of the Bank were amended substantially in compliance with the above recommendations. The following powers were vested in the Discount Committee:

- (a) To pass upon all commercial paper submitted for discount.
- (b) To initiate and conduct open-market transactions.
- (c) To buy and sell securities.21

The powers of the Executive Committee were defined as follows:

- (a) To initiate and conduct open-market transactions.
- (b) To recommend to the Board of Directors from time to time changes in the discount rate.
- (c) To buy and sell securities.
- (d) To apply for and provide for the security of such Federal Reserve notes as may be, in the judgment of the Committee or of the Board, necessary for the general requirements of the bank.
- (e) To employ or to delegate to officers of the bank authority to employ clerks and other subordinates and to define their duties and to fix their compensations.
- (f) To approve bonds furnished by the officers and employees of the bank and to provide for their custody.
- (g) In general, to conduct the business of the bank, subject to the supervision and control of the Board of Directors.22

During the first quarter of 1927 a long-range building program was completed wherein the four branches of the Atlanta Bank, New Orleans, Nashville, Jacksonville and Birmingham, in that order, were housed in buildings owned by the bank.

Moving day for Birmingham was January 23, 1927. According to the report on the

subject by Managing Director Walker, the moving was accomplished by the bank in a careful and expeditious manner. No chances were taken. Said Mr. Walker:

“...The time required was three hours and forty-five minutes. Through the Secret Service Department of the United States Government, the help of armed Marines was secured, and the Chief of Police of Birmingham furnished a squad of policemen, automobile scouts, and plain clothes men to guard the money while being loaded and unloaded, and also while enroute to the new building.23

The formal opening of the building was held on March 11, at which time the Atlanta Bank Board held its monthly meeting in Birmingham. The Federal Reserve Board in Washington was represented by Member Edmund Platt. 24

During the course of his dedicatory speech, Governor Wellborn paid tribute to his old friend W. P. G. Harding, Governor of the Federal Reserve Bank of Boston. He said:

“We are gathered here today to pay tribute not only to those directly responsible for the erection of this beautiful building, but, in a broader sense, to the spirit and enterprise of the City of Birmingham. There is another reason why I feel an unusually keen pleasure at helping you to dedicate this handsome new building today- -a sentimental reason. The Federal Reserve System is growing every year, its value to the country increasing, and to my mind the man who contributed most to its success by nursing it through the dangerous days of its infancy is my friend and your friend, Mr. W. P. G. Harding. 25

Later in the year it became necessary to build a tunnel under Fifth Avenue to connect the Birmingham Branch with the U. S. Post Office. The low bidder, Johnson-Woolley Construction Company, was awarded the job in October for \$13,951. 26

It has already been noted that effective January 1, 1927, the Federal Reserve Board authorized the Federal Reserve Bank of Boston to discontinue its Havana Agency. At the same

time it authorized the Federal Reserve Bank of Atlanta to assume, through its Havana Agency, the function of the Boston Agency and to operate as the sole agency. The principal difference in operating as sole agency was that the Atlanta Agency dealt directly with the local banks in negotiating for cable transfers of funds rather than through the Boston Agency. 27

Effective March 1, 1927, the Federal Reserve Board modified the powers of the Havana Agency, substantially as follows:

“To make direct exchanges in like denominations and amounts of new or fit currency for mutilated or unfit currency tendered by the treasury of the Republic of Cuba or by any banking institution doing business in Havana, charging for such exchanges a commission at the rate of \$1.00 per \$1,000. 28

This change in the service rendered by the Havana Agency cured a long standing ill and was beneficial to the Cuban Treasury as well as the Havana banks. Heretofore in order to exchange unfit or mutilated currency for fit or new currency it had been necessary to tender unfit or mutilated currency in payment of the transfer to the United States paying \$1.00 per \$1,000 for the transfer, and to request a like transfer of funds from the United States payable in new and fit currency again paying a commission of \$1.00 per \$1,000. This arrangement had cost the banks \$2.00 per \$1,000 to exchange their unfit for new currency. Under the new authority the banks could accomplish the same result at half the cost. 29

An urgent need in connection with the Havana Agency at this time was space--both adequate and suitable. On March 10, 1927, a Committee composed of Board members W. H. Kettig and E. R. Black, after a visit to Cuba, made the following observations relative to this need:

“We found the Agency in quarters on the second floor of the National City Bank Building.

The entire space occupied by our Agency was approximately 30 x 15 feet. This space was divided into two rooms, one room about 10 x 15 feet in size was used as the office of Mr. Magruder, Mr. Frazer and the stenographer. The other office was used for counting and sorting currency. The space was totally inadequate for the uses involved. Neither Mr. Magruder nor Mr. Frazer had any room for the transaction of their business. There could be no privacy in any business transaction in that room and there was not space enough in the room for more than three or four people. The space in the adjoining room was limited and the transactions in that room necessarily crowded.

“The office was hidden on the second floor behind the legal department of the National City Bank and was utterly devoid of any prominence. In our opinion such quarters could give no publicity to the fact that the Federal Reserve Bank of Atlanta was operating in Cuba and any knowledge relative to such operations must necessarily have been confined to the banks transacting business with them.

“The currency of our Agency is stored in steel boxes in a cutoff portion of the vault of the National City Bank. The space in this vault is very limited and some of our currency is stored in the front part of the vault occupied by the National City Bank. Certainly there is not enough room in this vault for the currency which will have to be kept in Cuba for the purposes of our Agency.

“We are of opinion that the Agency in Cuba of the Federal Reserve Bank of Atlanta is entitled to a prominent location, both because of its importance to the Federal Reserve Bank of

Atlanta and its importance to Cuban interests. Our Agency in Cuba is entitled to the best and safest quarters obtainable and should be so located as to be in position to take part in the

economic and financial life of Havana.30

The upshot of this situation was that in May 1927 a lease was negotiated for satisfactory space on the ground floor of “La Metropolitana” office building immediately adjacent to the National City Bank Building on Progreso Street, comprising about 2200 square feet. Plans for construction of a vault, office space, currency sorting area, a teller’s cage, and currency cancellation and shipping area were initiated. The architectural firm of A. Ten Eyck Brown prepared plans and bids on the work which were requested in April 1928. In June of that year bids were accepted and contracts were awarded. Total cost of completed quarters amounted to approximately \$70, 000 which included ADT Phonetalarm system and other extras not included in original contract. 31

Actual work on the new quarters began in July and was completed in mid- December 1928. Creed Taylor, Deputy Governor of the Atlanta Bank, went to Havana to assist Messrs. Magruder and Frazer in the moving of some \$20 million in currency then held by the Agency. Full cooperation of the Havana Police Department and of the Cuban Army was secured. The Police Department closed one block of the street immediately fronting on the Agency quarters. The Army provided soldiers to police the entire block which was closed to traffic during the move. The currency was placed in buses, locked and sealed, and rolled out of the rear entrance of the National City Bank to the sidewalk and then about 200 feet up the sidewalk to the entrance of the new Agency quarters. The entire move was completed smoothly and without incident. 32

Following a trip to Florida, Governor Wellborn reported briefly on conditions there in January 1927, during the aftermath’ of the real estate boom:

“I have just returned from a ten days trip through Florida. I visited a number of banks in that state, including those in Jacksonville and Miami. The decline in deposits of the Jacksonville

member banks has not been such that they have found it necessary to rediscount, and the only one of the Miami members now under rediscount with us is the result of taking over two other banks.33

On failed banks generally in the Sixth District territory, Governor Wellborn reported in July:

“Of the 63 banks which have failed since the organization of the Federal Reserve Bank of Atlanta, we have sustained losses on 21 banks and on 42 banks have had no losses. 34

Later in the year, in November, it appeared timely, in Governor Wellborn’s opinion, to make a statement relative to credit policies. Said the Governor:

“In view of occasional criticisms which have been directed against this bank on account of losses sustained in the attempt to save member banks which became deeply involved, I feel that the broad question of whether we have been right in the policy we have pursued since the trying days of 1920-21 should be freely and franking discussed by us at this meeting. It is gratifying that our bank has never had any criticism from the Federal Reserve Board about this subject or any other of our policies.

“It is quite true that there have been considerable losses, but, in my opinion, any Reserve Bank which fulfilled its duty towards its members was bound to incur losses. We could have operated our banks in such a manner as never to have had to charge off a dollar by pursuing a ‘safety first policy and simply allowing those of our member banks who got into difficulties to struggle along with only our passive support, and in the great majority of instances, eventually close their doors. There have been many cases where we have deliberately and knowingly run the risk of losses, all with the sanction of our Board. Sometimes we have failed to pull the banks through, but I feel that such unfortunate experiences are more

than compensated for by the large number of banks which we have been able to put on their feet and' which are now showing an active and healthy condition. If we consider purely the question of money lost, you gentlemen in New Orleans 35 would come in for a large share of the blame because your losses have been very heavy, but I think your Board has acted for the best interests of the District in what it has done, and that it would have been doing less than its duty to refuse to go to the aid of these banks.36

The Board thereupon supported the Governor by the following resolution upon the subject of credit policy:

“WHEREAS, There has been from a few sources criticism of the credit policies of the Atlanta Federal Reserve Bank and its branches during the past six years, owing to the exaggerated statements of losses sustained; and

“WHEREAS, We conceive that this impression should be corrected, if possible, and that the whole questions hinges upon to what extent- -if any--a Reserve Bank should risk loss by going to the aid of involved member banks; and

“WHEREAS, It is our belief that a Reserve Bank should extend every reasonable assistance to a member bank in difficulties where there is a reasonable chance for such bank to survive, even at the risk of some loss to the Reserve Bank;

“THEREFORE, BE IT RESOLVED, That this Board desires to go formally on record as approving the policy that has been followed by the Federal Reserve Bank of Atlanta and its branches as best for the interests of the District.37

Following his statement on credit policy, Governor Wellborn took occasion to comment on withdrawal of state banks from membership. He said:

“During the past few years, nineteen state banks have withdrawn from membership in the Federal Reserve Bank of Atlanta. This large number of withdrawals is unusual, and I thought it best to bring the matter to your attention. My knowledge of their reasons leads me to believe that the main factor in their determination was the circumstance that the small banks at the present time are earning very little, and take the position that it is expensive for them to hold membership in the Federal Reserve System because of their loss of exchange charges and interest on their reserve deposits with us.38

Indeed, during 1927, due to new banks organized, conversions, other changes, and suspensions, there was a net gain of two national banks and a net loss of 13 state bank members for a total membership of 464 against 475 at the beginning of the year. 39

In reporting upon general business conditions in the Sixth District during 1927, Chairman Oscar Newton wrote:

“Activity in most lines of industry and trade averaged somewhat lower in 1927 than in 1926. Production of bituminous coal in Alabama and Tennessee was smaller than in 1926 and the output of pig iron and furnace activity in Alabama were at somewhat lower levels. Permits issued for the construction of buildings within the corporate limits of 20 reporting cities averaged 34.8 percent less in value in 1927 than in 1926, and contracts awarded for new building in the district as a whole averaged 26.5 percent less than in 1926. Sales of merchandise by 120 wholesale firms in eight different lines of trade averaged 14 percent

smaller in 1927 than in 1926. Retail trade of 46 department stores in the larger cities of the district, on the other hand, increased slightly and averaged 1.1 percent larger than in 1926 and

5.7 percent larger than in 1925.

“Commercial failures during 1927 were greater, both in number and in liabilities than in either of the two preceding years. Agricultural conditions improved during the year, largely as the result of higher cotton prices in the last six months of the year. The money returns from agricultural production in the six states comprising the district, based upon prices prevailing December 1, were estimated by the Department of Agriculture at \$1,057,957,000, an increase of \$97, 635, 000 over the value of crops in 1926, but less than the value of crops produced in 1925...”⁴⁰

It was not surprising, therefore, that the Federal Reserve Bank of Atlanta did not do as well in '27 as in '26. Reported Chairman Newton:

“A comparison of the balance sheets of the Federal Reserve Bank of Atlanta at the end of 1927 and 1926 shows a decrease of \$20, 449, 000 in the total of resources and liabilities. The total at the close of 1927 was \$258, 662, 000, compared with \$270,111,000 a year earlier...

“Total current expenses during 1927 amounted to \$1,264,156, and were smaller by \$725, 012 than in 1926. Salary expenses were only slightly larger, and decreases were shown in traveling expenses, insurance on currency and security shipments, rent, office supplies and printing and stationery, telegraph, postage¹ and express expenses.

“Current net earnings in 1927 were a little less than half as large as in 1926. After deduction for depreciation on bank premises and furniture and equipment, net earnings available for dividends, surplus and franchise tax amounted to \$669,904. Of this amount, dividends amounting to \$365, 817 were paid, and \$364, 087 was transferred to surplus.”⁴¹

The careers of most successful and forceful men are marked by turning point years. Such a year for Maximilian B. Wellborn was 1927. On March 25, after a long illness, Mrs. Mary Graves Wellborn, his wife since 1889, died at 60. The bereaved husband's grief is best expressed in his own words:

"Mary was my ideal of a wife. She had a very strong character, being determined and aggressive like her father; yet with her soft but determined mouth, her gentle blue eyes and her fair skin, she had beauty and grace to a marked degree, and withal she was sweet and gentle and lovable. No man ever had a dearer wife, and I shall mourn her loss to the end of my days."42

Governor Wellborn had always planned to retire when he reached 65, but he was just a month short of his 66th birthday when he left the bank at the end of 1927.43

At the October 1927 Board meeting, and in anticipation of Wellborn's retirement, a committee composed of Directors Melvin, Ware, Lea, and McCrary was appointed to draft suitable resolutions of appreciation for his long and distinguished service. 44 The resolutions were presented at the December meeting by Director Ware, seconded by Director Hopkins and adopted. As an important chapter in the history of the Bank, they follow:

"For some years prior to 1914, Governor Wellborn was a successful banker in Alabama. In that state he had engaged largely in its commercial and banking life, was intensely interested in its public affairs and was regarded as one of its leaders.

"In 1914 he was President of the First National Bank of Anniston, President of the First National Bank of Piedmont; of the First National Bank of Jacksonville and President of the Anniston Banking and Loan Company. These several positions identified him prominently with the commercial life of that State. In 1914 he resigned the presidencies of these four banking institutions and at a large financial sacrifice moved to Atlanta to accept the first office created for

the Federal Reserve Bank of Atlanta.

“At the urgent request of his friend, Hon. W. P. G. Harding, a member of the Federal Reserve Board, Governor Wellborn accepted the chairmanship of the Board of Directors of our Bank. He immediately proceeded to organize the bank. Directors were selected and in the fall of 1914 held their first meeting in Atlanta, over which Governor Wellborn presided. At that meeting the officers of the bank were selected. The bank moved into small quarters in the Hurt Building and the Federal Reserve Bank of Atlanta was established and ready for business.

“Governor Wellborn continued as Chairman of the Federal Reserve Bank of Atlanta until March 1919, when at the request of our Board of Directors he assumed the Governorship of this Bank and has continued from that date to act as Governor.

“His leadership in this Bank is best evidenced by a brief narrative of the growth of the Bank.

“On December 30, 1915, its capital stock was \$2, 422, 400, its surplus was nothing, and its reserve deposits were \$8, 501, 512. On December 31, 1926, or about twelve years since its opening date, its capital was \$5, 020, 000; its surplus \$9,632,000, and its reserve deposits \$71,413, 000.

“In addition to its accumulated surplus this Bank has paid in to the Federal Government as a franchise tax \$7, 323, 470. If this sum were added to its surplus today, it would, besides paying its dividends, have accumulated in eleven years time on earned surplus of \$16,955,470.

On December 30, 1915, it had small rented quarters in the Hurt Building in Atlanta. It has today invested in bank premises in Atlanta \$1,813,765, in Jacksonville \$282, 776, in Nashville \$284, 717, in Birmingham \$436,643, in New Orleans \$1,097,233, or; a total in such investments of \$3,915,134,000.

“At the end of 1914, the officers and employees of the Bank numbered twenty-seven,

with a salary list for the year 1915 of \$53, 602, 00. During the year 1926, the Bank had 403 employees and 27 officers, with an annual payroll of \$678,444.00.

“The recital of these figures is given with some pride on our part, as evidencing the growth of our Bank, and are stated in simple justice to Governor Wellborn as a striking tribute to the growth and success of this Bank under his able leadership.

“Probably the most striking policy inaugurated and insisted upon by Governor Wellborn during his administration has been his determination to aid consistently deserving member banks. This policy has been followed rigidly by him during his entire tenure of office and a statement of the application of this-policy during the trying days of 1920 will serve as an illustration of the tenacity with which he adhered to this purpose and the scope to which this purpose was pursued.

“In 1920 the Atlanta Bank, under his leadership and following his policy, helped the South materially in passing through its financial crisis. At the beginning of the year 1920 there was little indication of impending trouble. This Bank had a reserve percentage of 60. 6, which was the second best showing at that time of any bank in the entire Reserve System. In the summer of that year things grew rapidly worse financially, and on September 28, the high peak of rediscounts was reached, totalling the amazing figure of \$183, 000, 000. The actual reserve percentage fell to 40. 85 against an adjusted reserve percentage of only 14. 9. This strain was terrific, but this Bank, through Governor Wellborn’s leadership, served this section, gradually bringing about sounder credit conditions.

“At this time statements were issued by this Bank to the effect that ample credit accommodations would be extended to the member banks in order to allow these member banks to furnish their customers funds to prevent the dumping of the cotton crop on a weak and

falling market. These loans to member banks on January 1, 1920 amounted to \$88, 052, 000, while on November 20, 1920 the total loans to member banks were \$182, 258, 000. Again, Federal Reserve notes issued by this Bank were \$155, 000, 000 on January 1, 1920, and increased steadily to \$174, 000, 000 on January 21, 1921. During this time, this Bank loaned not only all of its own available funds, its capital, its surplus, and its reserve, but after its own resources were exhausted, actually borrowed from other Federal Reserve Banks \$49, 000, 000 to take care of the situation in this District.

“These facts are given as an evidence of the extent to which Governor Wellborn served in solving the strenuous problems of that period, and as further evidence of that policy of aid to member banks and to this section which has dominated his career as Governor.

“High testimony has been given to Governor Wellborn’s action during this period. In January 1922, Senator E. D. Smith, of South Carolina, during an investigation by a Congressional committee, after hearing Governor Wellborn’s testimony on the subject of farm credits, said:

‘In all of these trying times the country has been through, a clear note of sound common sense has rung through it all from the Governor of the Federal Reserve Bank of Atlanta.

“Another tribute to Governor Wellborn’s part in handling the banking situation during this period was delivered by Hon. D. R. Crissinger, then Comptroller of the Currency, at Gainesville, Florida, in 1922, when he said:

‘A year ago when I assumed office as Comptroller of the Currency, the Fifth and Sixth Federal Reserve Districts offered the greatest problems of any to the Federal Reserve Board. The heavy accommodations which these Districts, particularly the Sixth, had granted to the member banks in order to avert the economic disasters which would have resulted in a further slump in the agricultural field, had of necessity brought about the gravest conditions in these sections and it seemed doubtful to us whether the situation could be worked out without the greatest hardship to all concerned. We were inclined at first to disagree with Governor Wellborn of Atlanta in some of the policies which he pursued, but I desire to state right here that he was right and that we, the members of the Federal Reserve Board, were wrong. Governor Wellborn gave to his District the

benefits of a lifelong experience and sound banking ability. Thanks to his courageous, intelligent and consistent direction, the Sixth District is now giving the Board less concern than any other Reserve District in the United States. Governor Wellborn is justly entitled to full credit for having handled the administration of the Atlanta Bank so successfully.

“We are glad to record in these resolutions this tribute from the recent Governor of the Federal Reserve Board. Any statement relative to Governor Wellborn’s career as head of this Bank would be incomplete without giving him due credit for his achievements during this trying period and it must have been pleasing to him that full praise and credit were given at that time by Governor Crissinger.

“Innumerable instances could be given of Governor Wellborn’s ability in dealing with the intricate problems facing him in the inauguration of this Bank and in conducting its affairs through trying crises and through the period of thirteen years in which it has developed. We might instance the Florida situation. In a very short period of time the banking situation in Florida materially changed and in order for him to be fully advised as to that changing situation and the general conditions in Florida, it was necessary for him to visit the different member banks in Florida and at the proper time he made a trip through Florida, visiting each member bank, ascertaining its condition, giving it encouragement, and letting not only the banks in Florida but also the people of Florida know that the Federal Reserve Bank was interested in conditions in that state and desired through the proper channels and in the fullest measure in a proper way to aid in that situation. This but evidenced Governor Wellborn’s intimate knowledge of conditions throughout his District and his earnest desire to know personally of these conditions.

“It has, of course, been during his administration that the Cuban Agency of the Federal Reserve Bank of Atlanta has been established and through his leadership our Bank has the only agency in the Federal Reserve System located on foreign soil. In the spring of 1926 when a

financial crisis arose in Havana and a run was impending upon member banks in Havana, this Bank shipped and mailed currency to its agent in Cuba something over \$40,000,000, the report coming in on Friday and the money being on hand in Havana Monday morning to save the situation. This is cited as an evidence of the ability of Governor Wellborn in a trying situation which called for all his resources as an able man and called heavily upon the resources of this bank.

“Your committee has narrated these different events in Governor Wellborn’s career as Chairman of the Board and Governor of this Bank in order to have inscribed on our minutes a permanent record of his achievements.

“Throughout the years in his relations with the Directors and officers and employees of this Bank, he has been courteous and considerate. In his home, aided by his most estimable wife, there has had the Directors as his guests on many occasions and between him and his Directors there has existed a cordial relationship and a lasting friendship.

“One year ago he announced to us, his purpose to retire as Governor of this Bank on January 1, 1928, in order that he may enjoy that rest to which his labors have eminently entitled him. This Bank will miss his wise leadership and his careful guidance and strong personality and eminent ability which have characterized him as Governor. We regret this decision to retire, but we want him to know that he carries out of his office the very best wishes of the Directors for many years of enjoyment and contentment.” 45

After the passage of brief, but appropriate formal resolutions, Chairman Oscar Newton, on behalf of the members of the Board, presented to Governor Wellborn twelve silver goblets as a token of friendship and expressed the sincere wishes of the members of the Board for his

future happiness and welfare.⁴⁶

Of the many testimonials paid to Mr. Wellborn, both editorially and by personal letter, the following from the Birmingham News is notable:

“Voluntary retirement of Maximilian B. Wellborn, Governor of the Federal Reserve Bank of Atlanta, after almost 13 consecutive years spent in building that establishment from a delicate experiment in infancy to a titan for strength and service to ‘the whole South, is of more than passing significance.

“When called in 1914 to accept the chairmanship of the board of directors of the newly created bank, Mr. Wellborn conceivably had no desire to neglect his personal pressing business engagements. As president of three strong going Alabama banks, it was no mean sacrifice he was asked to make to give up his life work- -the very children of his well organized brain- -and see this experiment through. In those far-off days not every American financier was confident the scheme would work. Eastern capital was rather skeptical of this democratic effort to guarantee the equilibration of currency which so long had been left to the tender ministrations of Wall Street. One imagines that even bankers of Mr. Wellborn’s type felt, in a way, as if his bridges were being burned behind him, and that he was quitting the old certain and sure avenues he understood well for some uncertain port he could not quite divine

“One spark of that humanness in Maximilian B. Wellborn’s nature is that, despite his long residence in a neighboring state, he has never relinquished his Alabama citizenship.

Always he has called Anniston his home. After his return from abroad ⁴⁷ he will come back to Anniston to live.

“Indubitably, Mr. Wellborn is not a man who will be content to sit with folded hands and

rest. Dynamic, resourceful, sagacious, progressive, and proud of his home state, it may be expected that hereafter he will play no small part in the development of the state he loves.48

Nearly 30 years of useful life lay ahead for M. B. Wellborn. Though he took up permanent residence at Maxwellborn, his country place near Anniston, Alabama, he devoted some time to public service. In 1932 he moved back to Atlanta for a year to accept a special post created by President Hoover- -adviser to the RFC in the Sixth Federal Reserve District. Subsequently, In 1934, he was elected to the Alabama State Senate, a position to which he brought wisdom, experience and integrity. Max Wellborn outlived practically all of his contemporaries. He died at 95 on November 28, 1957 and was laid to rest beside his wife in Edgemont Cemetery, Anniston.49

Prior to 1927 it had been the custom to elect officers of the Bank at the December Board meeting to serve for the ensuing year. This custom was changed by the following resolution, offered by Director G. C. Ware at the meeting of December 9, 1927:

“WHEREAS, it is our belief that it will be pleasing to the members of the Federal Reserve Board for our annual election of officers to be held at our meeting in January; and

“WHEREAS, such act will work to the end that there may be unanimity in our own Board; and

“WHEREAS, the election in January will further work for the promotion of that harmonious relation between our Board and the Federal Reserve Board that is so much desired by us;

“THEREFORE, BE IT RESOLVED, that the election called for under our amended by-laws for this meeting be deferred until the January, 1928 meeting of our Board, and that notice be accepted at this time by this Board of such necessary change in our amended by-laws

relating to elections as will accord with this action.”

The resolution was seconded by Director E. C. Melvin and adopted.50

Approval was not, however, unanimous. The recent Cuban matter and the discharge of Deputy Governor Joseph L. Campbell by the Federal Reserve Board In Washington had been a source Of annoyance and displeasure to Director Lindsey Hopkins, who, incidentally, was retiring from the Board effective December 31, 1927. He not only voted against the above resolution but gave vent to his feelings in the following language:

“I object to the passing of the resolution on the grounds that it does not alter the outcome of the election in the least, and can only serve to make further subservient the independent will of the Directors of this Bank.

“I am convinced that practically all, if not all, of the friction and unpleasantness in the conduct of the affairs of this Bank have been occasioned by the meddling and gossiping of Mr. George R. James. 51

Specifically:

“(1) His going direct to Cuba and investigating the conduct of one of our employees without first advising this Bank.

“(2) That in discussing the matter of Mr. Campbell's conduct on the trip to Cuba with the Board, Mr. James insisted that the matter be held in strict confidence, but subsequent to this time it developed that Mr. James had discussed the matter with a member or members of the Atlanta Clearing House Association.

“(3) That Mr. James greatly exaggerated the incidents and details of the alleged unbecoming conduct of Mr. Campbell on the Cuban trip, as was later disclosed by a full and free investigation on the part of this Board.

“(4) In making the statement to our Directors that three members of the Federal Reserve Board at Washington had said to him that they would not support the Federal Reserve Bank of Atlanta in its efforts to secure the Cuban Agency while Wellborn, Campbell, and McCrary were connected with our Bank.

“I think that these activities and statements are contrary to the best interests of the Federal Reserve System, and that these activities and statements and other statements have created discord and dissension in our Board.”52

Time was destined to heal these wounds.

NOTES

Chapter 16

1/ Keller, Dictionary of Dates, II, 350-356

- 2/ Ibid.
- 3/ Ibid, 350.
- 4/ Minutes, Directors, V, 1336; Annual Report, 1927, p. 10
- 5/ Keller, Dictionary of Dates, II, 352.
- 6/ Garrett, Atlanta and Environs, II, 828-834
- 7/ Ibid.
- 8/ Minutes, Directors, IV, 1246-1247.
- 9/ Ibid., V, 1263; Annual Report, 1927, p. 10
- 10/ Minutes, Directors, V, 1275.
- 11/ Ibid, 1302, 1334.
- 12/ Ibid, 1333.
- 13/ Ibid, 1334.
- 14/ Ibid, 1338.
- 15/ Ibid, 1343.
- 16/ Who Was Who in America, II, 315.
- 17/ Biographical Records, Federal Reserve Bank of Atlanta; Time Magazine, July 12, 1937, p. 70.
- 18/ Composed of E.C. Melvin, Chariman; W. H. Kettig and E.R. Black.
- 19/ Minutes, Directors, V, 1253.
- 20/ Ibid.
- 21/ Ibid, 1277.
- 22/ Ibid, 1278.
- 23/ Ibid, 1274; Annual Report, 1927, p. 10

- 24/Minutes, Directors, V, 1283.
- 25/Hopkins, M.B. Wellborn, 113.
- 26/ Minutes, Directors, V, 1345.
- 27/Frazer, "Brief History, Havana Agency," 17.
- 28/Ibid., 18.
- 29/Ibid.
- 30/Minutes, Directors, V, 1285-1286.
- 31/Frazer, "Brief History, Havana Agency", 19-20.
- 32/Ibid., 20.
- 33/Minutes, Directors, V, 1258.
- 34/Ibid., 1325.
- 35/Hopkins, M.B. Wellborn, 113.
- 36/Minutes, Directors, V, 1357.
- 37/ Ibid. . 1359-1360
- 38/ Ibid. . 1357-1358.
- 39/Annual Report, 1927, p. 9.
- 40/Ibid., 5.
- 41/Ibid., 6.
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- 42/ Hopkins, M.B. Wellborn, 141.
- 43/ Ibid.
- 44/ Minutes, Directors, V, 1353.
- 45/ Ibid., 1373-1376.

- 46/ Ibid., 1376.
- 47/ He and his daughter Margaret sailed from New York in mid-January 1928 for a tour of Spain and Southern Europe.
- 48/ Quoted in Hopkins, M.B. Wellborn, 151-152.
- 49/ Hopkins, M. B. Wellborn, 168, 173, 273.
- 50/ Minutes, Directors, V, 1371-1372.
- 51/ Member of Federal Reserve Board and a merchant, manufacturer and banker of Memphis, Tennessee. He spearheaded the Cuban investigation for the Federal Reserve Board.
- 52/ Minutes, Directors, V, 1372.

Chapter 17

1928

Nineteen twenty-eight was another year of general prosperity and progress on many fronts.

In early April, the American Telephone and Telegraph, for the first time in history, transmitted a moving picture by wire. In mid-June, Miss Amelia Earhart became the first woman to make a trans-Atlantic flight, flying from Newfoundland to Wales in 20 hours and 45 minutes in a Fokker monoplane. Warner Brothers produced the first all-talking motion picture in New York in July. It was titled "The Lights of New York."

The year produced an exciting presidential contest, wherein Republicans Herbert Hoover and Charles Curtis defeated Democrats Alfred E. Smith and Joseph T. Robinson.

In Congress the Clayton Anti-Trust Act, was amended in March to permit limited interlocking' bank directorates, while in May, an *Act* provided that state banks might be designated by the Federal Reserve Board as general depositories of public money by the Treasury.¹

On the local political front, L. C. Hardman was re-elected Governor of Georgia, defeating E. D. Rivers. On September 26, Franklin D. Roosevelt made his maiden Atlanta speech. As Governor of New York, he spoke on behalf of Al Smith for President against Herbert Hoover.

Construction-wise Atlanta reached a new high in '28, \$27,580,541. Included were a General Motors assembly plant for Chevrolet; two stories to the Southern Railway Building to accommodate 1200 office workers transferred from Washington, D. C.,; and a new store for J. P. Allen and Company at Peachtree and Cain Streets. A city planning commission was set up to aid in a more orderly growth, and Carlyle Fraser, a native of New York, founded the Genuine Parts Company, destined to become a giant in the automotive parts field.

As the year drew to a close, Georgia Tech drew national football attention and renown by an undefeated season and a Rose Bowl victory.²

About three years before he retired as Governor of the Federal Reserve Bank of Atlanta, M. B. Wellborn began to ponder the inevitable matter of a successor.

One of Atlanta's most popular citizens of the period was Eugene R. Black, lawyer and banker. Indeed, his daughter Julia, had married Governor Wellborn's son, Walter, in 1921. The two men were long-time friends and business associates.

"I'd like to have you succeed me," Wellborn told Black one day.

"That would be bully," Mr. Black replied. "How do we go about it?"

The first step was election to the Board of Directors. The custom, evolved by Governor Wellborn, was for the three Atlanta Clearing House banks to nominate their candidate, who would then be voted on by all the member banks. Mr. Black told Governor Wellborn next day that two of the three banks had agreed to support him. The third later made it unanimous, so he was nominated a Class "A" director in due course, and elected for a term of three years beginning January 1, 1925.³

Three years later, at the Board of Directors' meeting of January 13, 1928, Chairman Newton proposed that the regular order of business be suspended; that Eugene R. Black be elected Governor of the bank. He was unanimously elected, accepted in a few well chosen words, and sat with the Board during the of the meeting.

4

Governor Black, able as he was in the law and in banking, brought a certain informality and a leavening spirit of wit to banking floor and board room.

An associate remembers that Governor Black liked people and never saw a stranger since everyone (to him) was a friend until proven otherwise. On the occasion of a business trip to Miami with two associates, Mr. Black insisted that both spend most of the time in his Pullman drawing room where the hours were spent in conversation and dice shooting. The Governor was excellent in both.5

On another occasion the same associate recalled that Black was in great demand as a speaker. One of the civic clubs in Decatur, Georgia persuaded him to make an address and a subject was chosen. After a laudatory introduction, the speaker arose, bowed to the master of ceremonies, stood looking at the audience for a period and, without cracking a smile told amusing and extraneous stories for thirty minutes. He ended by announcing the subject about which he had been asked to talk, said he did not know much of interest about it and sat down. 6

Another associate recalls a motor trip to Southeast Georgia with Governor Black during the banking troubles prior to the Banking Holiday of 1933. One of the bank's chauffeurs was driving. After passing through a small town local officers stopped the car for speeding. The Governor asked the officer the amount of the fine, and upon

being told \$5, asked the officer to make it \$10, because he would be coming back through within two hours.

Said the same associate: "Governor Black was a man that just couldn't say no to his friends, beggars, or panhandlers. It was amazing the number of people who made a path to his office for handouts. I never saw him refuse anyone.7

During Governor Black's first year in office a number of changes took place in the official family of the Bank.

In December 1927, J. A. McCrary was re-elected a Class B Director by the member banks of Group 2 and H. Lane Young was elected Class A Director by the member banks in Group 1. Both for terms of three years beginning January 1, 1928.8

The new Director, Mr. Young, though self-made, had been in the banking business for nearly 30 years. Born in Quitman, Georgia, in 1878, he began his career as a runner for the Merchants & Farmers Bank in his native town in 1899.

Subsequently, he organized the First National Bank of Quitman and operated it from 1905 to 1918. During the next year or so he was connected with the National City Bank of New York. In 1920 he became Vice President of the Citizens and Southern Bank in Atlanta and was holding that title in addition to that of Executive Manager when he became a Director of the Federal Reserve Bank.9

To succeed Director Lindsey Hopkins, who retired December 31, 1929, the Bank secured the services of George Simmons Harris (1881-1950), then President of the Exposition Cotton Mills in Atlanta. He was a native of Cedartown, Georgia, and, after schooling at the United States Naval Academy, the Georgia School of Technology, and

the Lowell (Massachusetts) Textile School, spent his entire business career in the textile field.10

The annual election held on January 13, 1928, did not produce any changes in the official family of the Bank, but as the year progressed, some changes were inevitable.

In late January acceptances were received from the following appointees as Branch Directors:

New Orleans,	Albert P. Bush
Nashville,	W. P. Ridley
Birmingham,	E. F. Allison, President, Allison Lumber Company, Bellamy, Alabama
Jacksonville	S.O. Chase, Chase & Company, Sanford, Florida <u>11</u>

George R. DeSaussure, Manager of the Jacksonville Branch since its establishment in August, 1918, died in early 1928.12 W. S. McLarin was named to the vacant post and George S. Vardeman was made Cashier at Jacksonville, both effective February 11.13

At about the same time two resignations were received. Director R. S. Hecht, of the New Orleans Branch, being about to depart upon an extended European trip, resigned in late January. B. C. Huggins, Jr., Cashier at Nashville, resigned effective March 1 in order to accept a position with better salary opportunities.14 Both vacancies were filled promptly. John E. Bouden, Jr., President of the Whitney-Central National Bank of New Orleans, was elected to the vacant Board post. E. R. Harrison, Assistant

Vice President of the American National Bank of Nashville, succeeded Mr. Huggins in the Nashville Branch.15

Much later in the year two other official resignations were received. Captain T. A. Embrey, because of failing health and inability to attend meetings, tendered his resignation in September as a Director of the Nashville Branch. The position was not filled until early 1929. 16 In December, C. P. Kendall, a Director of the Jacksonville Branch, resigned because of his contemplated withdrawal from the Barnett National Bank. Arthur F. Perry, President of the Florida National Bank, was named to the vacancy.17

In response to a bound copy of the resolutions adopted at the time of his retirement, former Governor M. B. Wellborn wrote to Governor Black on May 20, 1928. His letter, significant historically, follows:

“I want to express to you, and through you to the Board of Directors, my sincerest thanks for the folio containing the resolutions in reference to my work as Chairman of the Board and later as Governor of the Bank; in all thirteen years of service, I greatly appreciate the complimentary expressions of the Board.

“These resolutions speak largely the history of the Federal Reserve Bank from its organization in November 1914, to the completion of my efforts in its behalf down to my retirement from the bank in January, 1928. This period of events meant much to the section of our country embraced in the Sixth District and the work accomplished, with the concurrence and hearty support of the Board during that time, was an invaluable service to the agricultural, commercial, and industrial interests of our district.

“During these momentous times, including a severe business depression at the

beginning of the bank's existence the World War having begun in August), then followed by our participation in the great war which upset the ordinary affairs of Europe and this continent, the Federal Reserve played a conspicuous and valuable part in financing the war, which never could have been done with such success without the active aid of the Federal Reserve Banks.

“Following these great events an extraordinary inflation took place, as was usual after great wars, then came a deflation of tremendous magnitude which strained almost to the breaking point the resources not only of the commercial banks but of the Federal Reserve System itself. The Atlanta bank then took an advanced position and ‘stepped out’, probably to a greater extent than any of the twelve Reserve Banks, to the relief of business in our district and with your support, rendered an assistance to the banks in the District that, in my opinion, prevented a panic and utter collapse in business.

“I, therefore, repeat that I have a just pride in what our bank has accomplished and, at the close of my business career of fifty years, I am happy to have been officially connected with your great institution from its beginning and that the pages of its history are filled with my name during this strenuous period of the world's affairs.

“Truly the Federal Reserve Bank has left its footprints on the sands of time and it is my sincere hope that it will continue forever in its splendid work.

“The bound copy of the resolutions, which you were so kind as to have made in such a handsome and attractive type, will ever be kept in loving remembrance of my association with the Atlanta Reserve Bank, and I shall leave it a rich heritage to my children and their descendants.

“With warmest regards to each member of the Board, I am
Yours sincerely,

(signed) M. B. Wellborn"18

It was natural that Governor E. R. Black, with his friendly and outgoing personality, should have been public and bank relations minded. In April 1928, a committee composed of Mr. Black, H. Lane Young, J. A. McCrary, and Oscar Newton, recognizing an increasing need for such activity, wrote:

"...We recommend that an active committee on Public and Member Bank Relations be established, composed of senior and junior officers of this bank, with Ward Albertson, present Manager of Bank and Public Relations as Chairman of such Committee, the Chairman to have active charge of the work of such Committee and to keep full data relative thereto. This Committee will work along the following lines:

"(1) It will seek to cultivate the good will and cooperation of member banks and non-member banks and to ascertain the extent to which member banks are availing themselves of the privileges and facilities of their membership, and to do everything possible to encourage them to avail themselves of these benefits and services, and to obtain information-for the use and benefit of our discount committee concerning the conditions, management, and operating program of the bank visited, and the business, industrial and agricultural conditions of the community where such member bank visited is located.

"(2) To adjust specific complaints and grievances of member banks and to persuade our member banks of the correctness of our general policy and to fully inform member banks as to our regulations and endeavor to get them to understand such regulations and to persuade them that regulations are necessary and not just red tape making transactions with this bank difficult.

“The member of the committee visiting such member bank shall make a full report to the Chairman of the committee of his visit to such member bank, such report to cover:

- (a) Management of the bank and its personnel
- (b) General situation of the bank
- (c) Information as to the customers of the bank
- (d) Information as to community conditions
- (e) Details of such visit, character of his reception as representing this bank, attitude of the member bank towards this bank, any antagonism or lack of understanding on the part of the member bank.

“This committee in its work through its representatives shall visit non-member banks of the community as well as member banks, and shall endeavor in every way to obtain the good will and friendship of such non-member banks.

“This committee shall also have charge of the public relations work of this bank. We believe that this bank should be represented upon every reasonable opportunity, in order that the work of the bank and the services of the bank to this district may be properly set forth by a representative of this bank and be fully understood throughout the district. To this end, we feel that a representative of this bank should attend each state convention of the banks of this district and should attend as many group meetings of banks as possible and at other public functions should represent the bank, and through all these mediums, should engender throughout the district a feeling of respect and good will towards this bank...

“This committee will also see that through letters written by this bank and its officials the good will of member banks is obtained and through the press and other mediums the objects of the bank and its services are properly presented.... “

At midyear, Governor Black was moved to the following comment relative to "member bank relations:"

"During the month of June, 64 visits were made to member banks by the officers of this bank and since January 1 to the end of the six months' period, 160 visits have been made to member banks.

"In connection with our member bank work, my mind has undergone a radical change as to the general feeling among our member banks toward our bank. To be perfectly frank, I had the feeling that our relations with member banks were rather distant and formal and that there was not the close feeling of cooperation and friendship which there should have been. My feeling in this regard has been entirely changed. At first, my visits with the bankers of Florida, Alabama, and Georgia at their annual conventions and my meeting with the Tennessee bankers at the Nashville meeting of our Board convinced me that the member banks had a warm regard for our bank, appreciated our facilities and desired in every way to cooperate with us in making our bank just such a successful institution in the promotion of community conditions relating to agriculture, commerce, and industry as we would want it to be.

"If the visits with those member bankers had not persuaded me that this was the case, I would have been so convinced by letters received from member banks during the past thirty days. Beginning early in June, I wrote a personal letter to the President of each member bank and in that letter called his attention to our desire to be of service to his bank and to the different facilities which we offered for that service and to the facilities which he was using and those which he was not using, and expressed the hope that he would continue to use the facilities that he was using and suggested that it

would be to the interest of his bank to use those facilities which he was not using. I also asked for any suggestions that he might make which would aid us in better serving his bank.

“I have received replies from a great many of these banks. In some of the replies some requests were made and these requests have been promptly complied with. I should like very much for our Directors to read these letters. All of them express appreciation of my letter, the highest regard for the Federal Reserve Bank, the value of the services of our bank to the member bank, and expressions of appreciation of the cordial relations with our bank. I am certain that if our Directors read these letters they would feel that the old impression as to the lack of close relationship with our member banks was wrong and that on the contrary the member banks have a very high and personal regard for our efforts in their behalf.”20

During his first year as Governor, Mr. Black was largely responsible for two other moves that tended to better bank and public relations and to a better understanding within the bank and among its branches.

Weekly officers' meetings, including all, not just senior, officers were instituted and semi-annual meetings of branch bank managers were started. In addition, the four branch managers were added to the member bank relations committee. 21

In the spring of 1928, with the scars of boom and hurricane about healed and with business humming in Miami, [REDACTED] of that city applied for a revolving currency fund. The application was not without precedent, a similar fund having been set up a couple of years earlier for use of Miami banks during the boom. The Atlanta Board approved the application and placed \$1,500,000 in custody of the

applicant for a period of six months. Upon the expiration of this, period, a request was made for a six-months extension. The Atlanta Board acquiesced in only a three-month extension with the following comment:

“...An extension of six months in the period of operation of the fund is not looked upon with favor by the Board, which feels that if the emergency which made necessary the re-establishment of the fund still exists and it is desired that the fund be continued, the Board would be justified in designating Miami as a reserve city....”22

At the beginning of the year, on February 7, cash holdings of the various components of the Sixth District Federal Reserve totalled \$55,269,719.00, divided as follows:

Atlanta	\$ 8,019,059.89
New Orleans	\$ 8,957,368.20
Birmingham	\$ 7,213,159.54
Jacksonville	\$ 6,164,177.30
Nashville	\$ 4,566,212.20
Savannah	\$ 1,463,071.00
Havana	\$18,886,731.19

Holdings in Havana were soon increased to \$20, 000, 000. 00.23

Since August, 1927, the discount rate of the Atlanta Bank had been 3-1/2%. The rate had been fixed so as to put the Bank in line with every other Federal Reserve Bank.24 As 1928 progressed, however, the rate nearly doubled. On February 11, it went from 3-1/2 to 4%; on May 26 from 4 to 4-1/2, and to 5% on July 14. During the early months of the year, interest rates charged by member banks in Atlanta on prime commercial loans eligible for rediscount with the Federal Reserve Banks ranged from 4-1/2 to 6%, and at branch Federal Reserve Bank cities in this district from 5 to 6%.

During the last five months of the year, rates at Atlanta and New Orleans ranged from 5-1/2 to 6%. 25

In commenting on the discount situation in November, Governor Black wrote:

“The large volume of business of this bank during 1928 has resulted in large surplus earnings. There has not been a time during the year when we have not given earnest consideration to our rediscounts. It has not been our purpose to endeavor to earn excessively, but rather to accommodate our member banks and to promote commerce, industry, and agriculture, and our rediscount rates this year have been fixed with regard to the preservation of our reserves, to the safeguarding of the credit of this bank, and to the proper accommodation of our member banks in their credit needs. We would have been glad during the fall season to have lowered our discount rate, but demands upon us and the condition of our reserves prohibited this. At such time as the demand upon us may sufficiently abate and our reserve position warrant it, I will make recommendations relative to a change of rate. At the present time, in my opinion, our present rate must be maintained.”26

Though activity in nearly all lines of industry and trade in the Sixth Federal Reserve District averaged somewhat lower in '28 than in '27 and, though the total resources and liabilities of the Bank at the close of business on the last day of the year were smaller than at the close of any year since 1923, total earnings during 1928 were larger than for any year since 1921, and exceeded those for 1927 by 73%.27

Current net earnings for 1928 came to \$2,325,022, compared with \$803,683 for '27. After deductions for depreciation on bank premises, and furniture and equipment, reserves for probable losses, and other deductions, the net earnings available for

dividends, surplus and franchise tax amounted to \$1,693,985, compared with a total of \$669,904 for 1927. Dividends amounting to \$312,259 were paid to member banks; \$558,425 was transferred to surplus account, and a franchise tax to the United States Government amounting to \$823,301 was paid.28

Some personal recollections by a retired officer concerning day to day activities at the Bank during this period of its history will be interesting:

“From the mid-twenties until the bank holiday in 1933, the Discount function was very active, up to 40 clerks working in the discount and credit functions. That was the day when financial statements were required for every line exceeding \$500. Also, notes from 50~ up were tendered for rediscount or as additional collateral to a member bank’s ‘line of credit’. The daily rush to inspect the notes received for negotiability and correctness, the pulling of the credit information on all notes, the necessary review and notation on the applications, preparation of discount status of the respective bank requesting further credit, all completed in time to present it physically to the 2 P. M. meeting of the Discount Committee, made old people out of young people rapidly.

“The periodic examination by the examiners of the Federal Reserve Board was a nightmare in those days. All notes had to be balanced by the 10 classes or divisions then required (commercial, agricultural, livestock, secured, unsecured, real estate security, government bond secured, additional collateral, etc.). A detailed listing of notes held for each bank, showing those forwarded to the bank in anticipation of maturity, was prepared as a reconciliation. Nearly every typist and steno in the bank was used. Financial statements on all notes of over a designated amount had to be pulled for review by the examiners. Then the big argument started trying to justify the

rediscounting of certain notes. Examination after examination- -Creed Taylor, Deputy Governor; Ward Albertson, Assistant Federal Reserve Agent; and the writer argued practically the night through with the Chief Examiner over the lines, amounts advanced to banks, and the condition of the member bank in requiring such advance.

“During these years many trips were made to banks in trouble, credit examinations made of assets, and on occasion, special trips made by car, train, or plane carrying large sums of currency to stop bank runs. Governor Black participated in some of these. One, in particular, still is a vivid memory. We, H. F. Conniff and the writer, conveyed by train a large sum to Miami, Florida, placing the currency in the vault of the First National Bank of Miami. Several times each day we would enter the vault to see that the money was there, recounting it each morning. Credit asset checks were made in two banks and advance lines determined. The coldness of the economic climate in that city was then underscored, as the weather changed to a North-Easter with temperature down in the thirties. We with our summer clothes since we were going to the ‘deep South’ that December.” 29

Notes

Chapter 17

- 1/ Keller, Dictionary of Dates, II, 356-361.
- 2/ Garrett, Atlanta and Environs, II, 837-846.
- 3/ Hopkins, M. B. Wellborn, 141-142.
- 4/ Minutes, Directors, V, 1377.
- 5/ Recollections of V. K. Bowman, typescript.
- 6/ Ibid.
- 7/ Recollections of Lewis M. Clark, typescript.
- 8/ Minutes, Directors, V, 1372.
- 9/ Biographical Records of the Bank; Who's Who in America, 1963-1965.
- 10/ Biographical Records of the Bank; Who Was Who in America, II, 236.
- 11/ Minutes, Directors, V. 1388.
- 12/ Ibid, 1390.
- 13/ Ibid., 1400.
- 14/ Ibid., 1391.
- 15/ Ibid., 1400.
- 16/ Ibid., 1478, 1494, 1498.
- 17/ Ibid. , 1497-1498.
- 18/ Ibid. , 1442.
- 19/ Ibid. , 1417-1418.
- 20/ Ibid. , 1451.
- 21/ Ibid. , 1404-1427.

- 22/ Ibid., 1413, 1419, 1475.
- 23/ Ibid., 1394.
- 24/ Ibid. , 1396.
- 25/ Annual Report, 1928, pp. 10-11.
- 26/ Minutes, Directors, V., 1491.
- 27/ Annual Report, 1928, pp. 5-6.
- 28/ Ibid. , 6
- 29/ Recollections of V. K. Bowman, typescript.

Chapter 18

1929

The big news in 1929 and the events felt most keenly by most of the population for years to come were financial. True, invention and exploration made an annual bow as usual--airmail lines between the United States and Cuba, Puerto-Rico, Santo Domingo, Nassau and the Bahamas went into service; the Richard Byrd expedition reached the South Pole in November, and telephone service from shore to ships at sea was successfully demonstrated in December--but the big news of the year was financial.1

On March 26, trading on the New York Stock Exchange totalled 8, 246, 740 shares, highest record, marked by severe declines with call money 20%. Over 300 low records of the year were made. A couple of months later, on May 22, stocks broke from two to 18 points with 200 at a new low for the year on news that the Federal Reserve Advisory Council had recommended a 6% New York Reserve bank rate, but rallied the following day on failure of the advanced rate to materialize.2

The new smaller sized national currency went into circulation on July 10. A week later, on the 17th, two large banks in Tampa, Florida, and 12 smaller banks with about \$22, 000, 000 deposits suspended payments because of depression caused by damage charged to the Mediterranean fruit fly. On August 8 the Federal Farm Board made its first loan, an advance of \$300, 000, to the Florida Citrus Exchange in order to relieve growers affected by a quarantine imposed in April because of the Mediterranean fruit fly.3

Meanwhile, the stock market boiled. A committee of the Investment Bankers Association reported, on October 16, that speculation in public service stocks had reached a danger point, and that many stocks were selling for prices far above their intrinsic value. A week later, on the 20th, the New York Stock Exchange experienced the most severe break in its history. Trading of 12,894,650 shares set a record. So did the Curb, with 6,337,415 shares traded. The industrial average went down 12.18 points. On November 12, the market collapsed. During a three-hour market (10 a.m. to 1 p.m.) sales of 6,452,770 shares were recorded and on the Curb Exchange, 2, 204, 700 shares. Average of industrials descended 16 points. The next day stock prices reached new lows for the year in a 7,761,000 share market.⁴

Between November 14 and December 6, the Federal Reserve Bank of New York lowered its rediscount rate from 5 to 4-1/2%--the second cut in two weeks; the Chicago Federal Reserve and the San Francisco Federal Reserve Banks followed suit. Then, on December 12, stocks on the New York Exchange declined again, from 2 to 22 points, the worst break since November 13.⁵ The stage was being set for the years of depression to follow.

At the same time, financial history was being made in Atlanta. On November 25, the city became the home of the largest financial institution south of Philadelphia, This came about as the result of a merger between the Atlanta and Lowry National Bank and the Fourth National Bank to form the First National Bank of Atlanta. As Ralph Smith, of the Atlanta Journal, wrote at the time:

“Not since the location in our midst of the Federal Reserve Bank of the Sixth District, in 1914, has there been any material development in Atlanta, in Georgia, or in

the South, of such far-reaching consequences as the bank merger. The First National Bank confirms and copper-rivets Atlanta's financial preeminence, and widens, too, its sphere of usefulness, influence, and supremacy..."6

Concurrently, the Atlanta Trust Company, for some time past in a bind, was being bailed out. On December 3, the Citizens & Southern National Bank loaned the Atlanta Trust Company a sufficient sum to pay its depositors in full and purchased its headquarters building at Marietta, Broad, and Walton Streets. A remodeling job was begun in March 1930 and, on January 19, 1932 the C. & S. occupied its present Atlanta headquarters.7

The Federal Reserve Bank of Atlanta, of course, had a stake in the affairs of the Atlanta Trust Company. Governor Black, former President of the latter, during the course of the December 1929 Board meeting of the Reserve Bank, recited the efforts made by the Reserve Bank and the agreements made by that bank in the matter, they being:

"First: That the Reserve Bank would look primarily to its rediscounts for their collection, and only to assets of the Atlanta Trust Company after the Citizens & Southern National Bank had been repaid its advances and expenditures in connection with the liquidation of that company, and explained that this action was in line with the law of Georgia which gives depositors a preference over the other creditors.

"Second: The guaranty of \$1,050,000 given by the Reserve Bank and the three other banks named, in which guaranty the Reserve Bank joined to the maximum extent of \$200, 000 ..." 8

Governor Black also called attention to the fact that the Directors of the Atlanta Trust Company had furnished to the Reserve Bank their guaranty in the sum of \$200,000 to guarantee the Reserve Bank against loss by reason of its connection with the guaranty. 9

Meanwhile, Atlanta's great building boom of the '20's was giving into its declining phase. Completed during '29 were the Pryor Street, Wall Street, and Central Avenue viaducts; the Rhodes-Haverty and Southern Bell Telephone Company Buildings, and the new City Hall on Mitchell Street which was occupied in February of the following year. In April of 1929, the City of Atlanta purchased Candler Field--all 297 acres of it--for \$94,500 and the stage was set for Atlanta's future pre-eminence as an air transportation center.10

As usual some changes and re-elections involving the official family of the Bank and its branches occurred at the beginning of the year.

Branch Directors named for a three-year term beginning January 1, 1929, were: Birmingham, J. H. Frye; Jacksonville, G. G. Ware; and New Orleans, R. S. Hecht. The vacancy at Nashville, to succeed Captain T. A. Embrey, was not filled until March 8, when J. B. Ramsey, President of the Holston Union National Bank, of Knoxville, was named to the post.11 W. H. Kettig, P. H. Saunders, J. C. Cooper, and Luke Lea were all reappointed as Directors at Birmingham, New Orleans, Jacksonville, and Nashville, respectively. 12

J. H. Frye, who served several years as a Director of the Birmingham Branch, was a well-to-do though frugal man. In that connection, a member of the staff in Atlanta remembers an amusing incident.

During his tenure, Mr. Frye was asked to make some calls at rural banks in Alabama. He couldn't drive a car but used a chauffeur for the purpose. Following a day's trip he turned in an expense account for five cents. This, no doubt, was the smallest such account ever prepared by anyone connected with the Bank. The incident was brought to Chairman Newton's attention, who was asked if he didn't think the account was in error and that \$5. 00. was intended. Newton knew Frye well and commented: "No, I'm sure the amount is correct. Mr. Frye no doubt bought a peanut butter sandwich and gave his chauffeur half of it. "13

Branch Managers A. E. Walker, W. S. McLarin, Jr., Joel B. Fort, Jr., and Marcus Walker were all re-elected to their respective posts, Birmingham, Jacksonville, Nashville, and New Orleans,14 while E. C. Melvin and Colonel Luke Lea were re-elected as Class A and Class B Directors.15

All officers of the Atlanta Bank were re-elected at the January 1929 Board meeting and, in addition, P. L . T. Beavers was elected an Assistant Cashier in charge of the Transit Department and S. P. Schuessler to the same rank, in charge of the Fiscal Agency Department. All Branch officers were re-elected to their respective positions.16

J. P. Butler, Jr., President of the Canal Bank and Trust Company, New Orleans, was elected as the member of the Federal Advisory Council to represent the Sixth District for 1929. He succeeded P. D. Houston, of Nashville, Tennessee, who had served usefully during 1926, 1927, and 1928. 17

The number of officers and employees of the Bank, including branches and agencies, remained steady throughout 1929. On January 1, the total was 430; on

December 31, 434. 18

Late in 1928, the officers and directors of the Bank had planned a trip to Havana to attend the opening of the new quarters there. However, because of a completion delay until mid-December, it was decided to postpone the trip until January 1929. The group, which arrived in Havana on the 14th, was composed of Vice-Governor Edmund Platt, Federal Reserve Board, Washington, D. C., and Mrs. Platt; Governor and Mrs. E. R. Black, Chairman and Mrs. Oscar Newton, Director George S. Harris, wife and daughter; Director J. A. McCrary and two daughters; Director E. C. Melvin and two daughters; Director and Mrs. L. C. Simon; Director and Mrs. G. G. Ware; P. D. Houston, of Nashville, representing Director Luke Lea; Vice-Chairman W. H. Kettig, Mrs. Kettig, daughter and a friend; and Haynes McFadden, representing The Southern Banker. 19

A reception was held at the Agency, located in the Metropolitana Building. Commented J. A. McCrary, Chairman of the Building Committee:

“The grille work, vaults, counters, desks, and furniture present not only an attractive appearance but one of safety and economical installation. Our Havana Agency quarters are now in keeping with our bank.” 20

The improvements at Havana came to a total cost of \$70,672. 53.21 And, since the cost of living in Havana ranged from 30 to 40% higher than in the States, the salaries of Manager Magruder and Assistant Manager Frazer, of the Agency, were upped substantially, effective January 1, 1929--Magruder's from \$6, 000 to \$8,400; Frazer's from \$4,200 to \$6,300.22

Beginning in January 1929, General Auditor W. S. Johns was requested by Governor Black to make a brief annual report to the Board. As an interesting

commentary on current operations, Mr. Johns' first report is informative and is herewith quoted:

"In order that there might be some uniform procedure in the auditing work of the twelve reserve banks, the Federal Reserve Board appointed a committee to make a study of auditing procedure and under date of December 12, 1924, the findings of this committee were submitted by the Federal Reserve Board to our Board of Directors, who referred the report to the General Auditor for study and recommendation. The Board's procedure, with a few minor exceptions, was recommended by the General Auditor and in February 1925, this procedure was adopted by our Board of Directors as the auditing procedure for the Federal Reserve Bank of Atlanta.

"HEAD OFFICE

"At the Head Office a continuous examination of the various departments is made... Where two departments are closely allied in their functions, such departments are examined simultaneously. While a balance sheet examination is most desirable, it has been attempted infrequently due to the difficulties in making such an examination. We have four branches and two agencies, far apart geographically, and the expense of a force sufficient to make a balance sheet examination is not warranted in my opinion by the results obtained, as the Auditing Department would have an excessive force for a large part of the year. So far, I have been unwilling to go outside of the bank to employ temporary examiners for a balance sheet examination as I am unwilling to certify as correct work performed by men unless I have had sufficient opportunity to determine their ability and reliability. I have found by long experience that a close relation and observation of the various departments is most effective in obtaining correct operating

procedure.

“NEW ORLEANS BRANCH

“Two balance sheet examinations of the New Orleans Branch were made during the year, which is the minimum, usually three are made. The examination consists of a complete count of all tangible assets and verification of all accounts as reflected in the balance sheet.

“BIRMINGHAM BRANCH, JACKSONVILLE BRANCH, NASHVILLE BRANCH

“These three branches are operated on the memorandum plan. Five examinations were made of the Birmingham Branch, four of the Jacksonville Branch, and five of the Nashville Branch. As far as possible, a balance sheet examination of these branches is made by including a verification of the accounts that are maintained at the head office, such as the Reserve and Deferred Credit balances of the branch zone members and branch deferred debits due from other Federal Reserve banks. The Auditing Department also makes a daily check of all transactions of the limited power branches forwarded to the Head Office for entry.

“HAVANA AGENCY; SAVANNAH AGENCY

“Our agency at Havana maintains a stock of currency for the purchase and sale of cable transfers and denominational exchanges of currency. The Savannah Agency maintains a stock of currency and coin for the convenience of the Savannah member banks and holds a limited amount of securities for the account of the Head Office. Two examinations of the Havana Agency and four of the Savannah Agency were made during the year 1928 and a complete verification of the currency and security holdings was made at each examination.

“SAFETY OF OPERATION

“A system of joint controls has been established over all currency, coin, securities, or other valuables and, in my opinion, the amount of single control valuables has been reduced to a minimum. Due regard has been given for the safety of valuable receipts or shipments. At our Nashville Branch the post office and express company call for and deliver all valuable shipments and there is, therefore, no liability at this branch. Our Birmingham Branch has a tunnel connection with the post office, through which all valuable shipments are transported. At our Jacksonville Branch, valuable shipments are transported in an armored car at so much per trip, the bank sending its guards with each receipt or shipment. The truck is not owned by the Jacksonville Branch. At Savannah and Havana, shipments are transported by automobile under proper guard. The Head Office owns its own armored car and shipments are made under proper guard.

“CURRENT EXPENSES

“In September, 1926, the General Auditor was made responsible for the proper authorization, proper approval, and propriety of all expenses of the Federal Reserve Bank of Atlanta before the expense was incurred. All expenses at the Head Office are examined and approved by the Auditing Department before a purchase is made. It was found very inconvenient to require the branches and agencies to forward all expenditures to the Head Office for approval before purchases and the branches have been allowed to incur the necessary expenses of operation without the approval of this department before purchase. The expense incurred by our limited power branches and agencies are immediately forwarded to the Auditing Department, where they are

scrutinized for approval. The current expenses of our New Orleans Branch are examined during the periodical branch examination. The branch and agency expenditures have been conservative and the present method of handling their expenses by the Auditing Department is considered satisfactory.

“The Auditing Department has the full cooperation of all officers and employees and they have materially assisted this department in doing a constructive work. I am of the opinion that the Federal Reserve Bank of Atlanta is operated in accordance with the rules and regulations of the Federal Reserve Board, of its Board of Directors, and in conformity with the Federal Reserve Act. 23

With a spirit of speculation becoming more widespread throughout the country at the beginning of 1929, the Federal Reserve Board addressed a letter to Chairman Newton of the Atlanta Bank and presumably to the Chairmen of the other eleven Reserve banks, under date of February 2, 1929. The burden of the letter was a warning against the granting of speculative credit. It concluded by requesting the following information from the Chairman: (a) How they keep themselves fully informed of the use made of borrowings by their member banks; (b) What methods they employ to protect their institution against the improper use of its credit facilities by member banks; (c) How effective these methods have been. To which Chairman Newton replied promptly:

“Your letter of February 2nd, advising us of the attitude of the Federal Reserve Board with respect to the credit situation and the problem confronting the administration of the Federal Reserve Banks, has been read with interest and carefully considered.

“Answering your inquiries:

“(a) The members of this Board reside in Alabama, Florida, Georgia, Louisiana,

and Tennessee, five of the six states and parts of states which comprise this district. They keep themselves informed in regard to the general uses of Federal Reserve credit in their respective sections by conference with representatives of member banks, and at the meetings of the Board discuss freely the credit conditions which prevail in their respective sections of the district. In fact, the meetings of the Board frequently served as a clearing house for the interchange and discussing of views regarding the uses of credit and other matters pertaining to the operations of the bank. At the daily meeting of our discount committee, there are generally two Directors present, and at the semi-weekly meetings of our executive committee there are generally four Directors present. At these meetings and at the Board meetings, the Directors are given information by the Governor and Chairman regarding the uses of Federal Reserve credit by member banks, which information is obtained from interviews with the representatives of the member banks and from the reports of member banks.

“(b) The officers and Directors have from time to time conferred with representatives of member banks who use Federal Reserve credit, and have informed these representatives of the policy of the bank; namely, that the Federal Reserve credits should be used for agricultural, commercial, and industrial needs as provided in the Federal Reserve Act, and not speculative purposes. Last summer, when there was a rapid expansion in loans to member banks in this district, the Governor and Chairman called a conference of representative bankers from different points in our district for a discussion of the proper use of Federal Reserve credit by our member banks, and at this conference assurances were given of their hearty cooperation in our effort to restrict Federal Reserve credit in our district to its proper uses.

“(c) We believe that a proof of the effectiveness of the methods employed is shown in the figures from the reports of condition of member banks as of October 3 and December 31, 1928. These figures reveal that on October 3, 1928, 31 member banks (not having bills payable or rediscounts with the Federal Reserve Bank of Atlanta) had loans to New York brokers and dealers aggregating \$26, 092, 296. 52, and nine other member banks having bills payable and rediscounts with the Federal Reserve Bank of Atlanta, had loans to brokers and dealers aggregating \$2, 041, 385. 60. On December 31, 1928, 43 member banks (not having bills payable or rediscounts with the Federal Reserve Bank of Atlanta) had loans to New York brokers and dealers aggregating \$21, 060, 233. 70, and three other member banks, having bills payable and rediscounts amounting to \$668, 546. 90, had loans to New York brokers and dealers aggregating \$1,468, 354. 21.

“This matter was today fully discussed by our Directors, and I am instructed by them to advise that in the Statements in this letter they are in full accord, and that the policy of this bank will continue to be adverse to the use of our credit for speculative purposes. They and I feel that our record, as disclosed in this letter, will reveal that our effort to conserve our credit for legitimate uses, evidences our accord with the spirit of your letter to us on this subject. 24

The hatches were being battened down for the storm that lay ahead.

In May, Governor Black, in reporting to the Board of Directors on the subject of credit conditions, wrote:

“...We are giving close study to credit conditions in our territory and are endeavoring to protect the bank in all lendings to member banks, having due regard for

the situations in the different banks and in the different communities. In the case of any bank in a weakened or extended condition, we are protecting our bank by the requirement of additional collateral. In the case of some banks we are declining any rediscounts because of the impaired capital of such banks and in such cases are lending only on commodity secured or government secured paper. We are working with member banks under a restricted line of credit where the solvency of such banks is questionable or where, in our opinion, the management has not taken proper steps to put the bank in good condition. In a number of other cases, we have consulted with the officers of banks in an effort to aid them in getting their banks in good condition. Certain portions of our territory have been affected by flood conditions and crop conditions, and special attention is being given to demands of banks in such localities...."25

In September the Governor again reported on credit:

"I am glad to report that our member banks are almost unanimously following our policy of restricting Federal Reserve credit to the uses named in the Federal Reserve Act. In the weekly condition report of member banks of August 28, we have only two reporting banks who are borrowing from us who were lending on call in New York. One of these accounts is \$224, 000 and was really loaned on local collateral through local agencies of a New York broker. The other amount is only \$110, 000, so that of the reporting member banks in our whole district, there is only \$334, 000 that could possibly be charged to loans to brokers in New York by banks who are borrowing from us. This cooperation on the part of our member banks is enabling us to make effective the policy of direct action which was announced by the Federal Reserve Board and adopted by our bank and has been adhered to since its announcement."26

Meanwhile, between July 11 and July 24, five bank failures occurred in Florida. The closing of all of them was incident to and followed upon the closing of the Citizens Bank & Trust Company of Tampa and practically grew out of the alarm that the failure of that bank spread among depositors in Florida. In addition to the failure of these Florida banks there were heavy runs upon the St. Augustine National Bank, and the First National Bank of Gainesville. These two banks were in excellent condition and in each case, after a run of two days upon them, weathered the storm and re-opened.²⁷

Following a visit to Florida, Governor Black reported to the Board on August 9:

“In a visit which I made to Florida, I found that there was a general unrest among the depositors in a large number of Florida banks; that confidence had been lost in a large measure by those depositors. I found that all the banks were strengthening as far as possible their cash position and were endeavoring to allay the alarm insofar as each individual bank was concerned. The banks in St. Petersburg and Orlando took advantage of the sixty-day clause in connection with their savings deposits. I doubted the wisdom of this but it may have been a necessity. We are watching this drastic measure with these banks in an effort to learn whether such a step can be successful with a commercial bank...

“The Florida banking situation is, of course, the culmination of the history of the last three years in Florida, augmented by the unrest, distrust and lack of confidence engendered by the situation in regard to their vegetable crops and citrus fruits caused by the presence of the Mediterranean fly. The Government’s efforts in Florida should help much towards clearing up the financial situation in that State, and when it is demonstrated that fruit and vegetables may be shipped from Florida during the coming

season a very radical step will be taken towards permanent improvement among the financial institutions of that State...28

In November, concerning the situation at Tampa, the Governor wrote:

“During October there was a run upon our two member banks in Tampa and upon two non-member banks in Ybor City, adjoining Tampa. We were called on for immediate assistance, and we had \$1, 000, 000 transported by airplane in charge of Mr. McLarin, Manager of our Jacksonville Branch, and \$5, 000, 000 sent by registered mail. Deputy Governor Taylor and I went by automobile to Tampa and arrived there before the banks opened the next morning. We saw that the cash position of the two banks was all right and remained until Monday, when the situation was entirely remedied.29

At the same time, Governor Black reported to the Board on the situation of Reserve Banks during the week of the stock market crash.

“It will be interesting to note the situation as to all the Reserve banks from October 23, 1929, to October 30, 1929, or during the week in which the New York stock situation existed. The earning assets of the System during that week increased from \$1, 336, 656, 000 on October 23 to \$1,648, 742, 000 on October 30, or an increase of \$312, 000 ... In New York there was an increase of \$114,849,000 in holdings of Government securities and an increase of \$138,971,000 in bills discounted, these two figures showing an increase in the earning assets of the New York bank during this week of \$253, 820, 000, which was doubtless primarily had in order to aid the situation in New York during the past week. In our own bank there was an increase of Government securities owned of \$5,087, 000, a decrease in bankers acceptances of \$1, 011, 000, and an increase in bills discounted of \$5, 400, 000.

“REPORT OF OPEN MARKET COMMITTEE:

“The Open Market Committee reports that during this week the call rate remained relatively easy. On all days of the period, call money was quoted at six percent, except on Tuesday when, due to the acute unsettlement in stock prices, the renewal rate was set at five percent before the opening of the stock market and that rate held until shortly after two o'clock, when there was an advance to six percent. The Open Market Committee also reports that:

“The principal development of the calendar week with respect to the money market situation was a further increase of \$150, 000, 000 in the reserve requirements of the New York City member banks, following a rise of \$67, 000, 000 in the preceding week. This increase in reserve requirements accompanied a huge increase in the deposits of the city banks, which in turn was due to the taking over by these banks of brokers' loans which had been called in very heavy amounts by out-of-town banks and other lenders. During the reporting week ending Wednesday, October 30, a period in which total brokers' loans in New York showed an unprecedented reduction of \$1,096,000,000, loans placed by New York City banks for others declined \$1, 380, 000, 000 and loans for out-of-town banks decreased \$707, 000, 000, while loans placed by New York City banks for their own account actually rose \$392, 000, 000. The New York City banks were able to shoulder the huge burden which was transferred to them without any disturbance to the money market by reason of an increase of over \$150, 000, 000 in the security holdings of the Reserve Banks and a further increase of \$50, 000, 000 in their borrowings from the New York Reserve Bank, following practically as large an increase in their borrowings in the preceding weeks. From other sources of

funds the New York market gained very little, as an inflow from other parts of the country was largely offset by an increase in requirements for currency.

“Quotations for time money dropped further early in the week to a flat six percent level for all maturities. With the stock brokers as busy as they were, little attention was paid to time money on most of the days, though toward the end of the week a fair volume of loans for periods of one to four months was reported as having been arranged at a six percent rate. The present level for time money is at least three percent below the highest level of the year and is the lowest quotation since August 1928.

“The dealers’ rates for commercial paper declined rather promptly on the reduction in the New York Reserve Bank’s discount rate. Prime names were offered principally at a range of 5-3/4 to 6 percent, as against 6 to 6-1/4 percent earlier in the week. The bank investment demand for paper was reported to have been better than in a considerable number of months. Orders emanated both from the country banks direct and also through the New York City banks for account of out-of-town correspondents. The rate reduction effected by the dealers was, of course, a quick move in order to induce larger commercial borrowings through the open market, as dealers’ sales operations had to a considerable extent been hindered by the lack of material on hand.

“Accompanying the unprecedented stock market activities during the current calendar week, the volume of trading in government securities on both the New York Stock Exchange and the over-the-counter market was enormous. This activity was due principally to selling and buying in the first and last part of the week, respectively, by large corporations and banks and the Federal Reserve Bank purchases during the early part of the week. Prices of all issues advanced sharply during the early part of the week

and fell off considerably during the middle of the week... However, on Friday and Saturday, due to the large volume of buying, on the part of New York City banks and the reduction in the rediscount rate at the Federal Reserve Bank of New York, prices in the over-the-counter market for all issues of Government securities again advanced sharply and dealers' offering prices at the end of the week showed that loss which occurred in the middle of the week had been discounted and the net changes at the end of the week over the previous week's close in most cases showed substantial gains.

“SYSTEM'S SPECIAL INVESTMENT ACCOUNT OF GOVERNMENT
SECURITIES:

“The total holdings in the Systems Special Investment Account of Government securities on October 30 was \$47,500,000, of which amount our bank owned \$2,496,500. During the week ending October 30, the Federal Reserve Bank of New York bought \$120,000,000 of short-term Governments, of which \$25,000,000 was transferred to the System Account. In the \$25,000,000 purchase of Governments during the week named, all Federal Reserve Banks participated except Richmond, Minneapolis, and San Francisco. All the Federal Reserve Banks are participating in the holdings of bankers' acceptances except the St. Louis bank.

“On October 30 the holdings of Government securities in the System was \$292,688,000 and bills purchased \$339,885,000, giving a total of both amounting to \$632,573,000.

“I have given you the details of the System's operations during the past week because I know it is a matter of interest to you and because you should be fully advised as to these facts and especially as to the operations of the Open Market Investment Committee for the account of the other Federal Reserve Banks and our bank. It is a

matter of congratulation that the Stock Exchange situation which existed in New York did not result in a business panic or disaster and that it was not accompanied by the collapse either of brokerage houses or financial institutions. Certainly this bank would regretfully see either a business panic or financial disaster and very earnestly hopes for a return to normal conditions in the market and in the business of the country.

“Most financial writers, including economists and financiers, have been actively discussing the question as to the effect on business of this collapse of the stock market. The agreement among these writers is general that business dealing in luxuries will be materially affected by reason of the widespread loss throughout the country and most of them agree that business dealing with essentials will be somewhat affected. All of them agree, and I feel that they are right in feeling that the loss of confidence in business circles engendered by the disaster on the Stock Exchange will affect business generally. I am hopeful that with a return to normal conditions on the Stock Exchange, when stocks are selling on a basis of real value and when purchasers are influenced in their investments in seeking sound investments and in determining values upon the basis of the return upon investments, business may return to a normal basis.

“The disaster on the New York Stock Exchange in the amount involved exceeded any similar situation, so far as I know, in past history, and we cannot hope to escape its full effects without paying some of the penalties involved to finance and business. “ 30

In his last statement, Governor Black was a prophet indeed.

For 1929 as a whole, the Federal Reserve Bank of Atlanta did well. Total resources and liabilities at the close of business on December 31 were larger by

\$11,961, 000 than at the close of 1928, but were smaller than at the end of other years since 1924. Totals were \$250, 843, 000 for '29, compared with \$238, 882, 000 for '28. Total cash reserves at the close of 1929 amounted to \$153,517,000, and were \$25, 808, 000 greater than at the close of 1928.31

Total earnings for the year 1929 amounted to \$4,116,049, an increase of \$537,893 over the preceding year, and were greater than for any year since 1921. Current net earnings for '29 amounted to \$2, 602, 810, compared with \$2,325,022, for 1928, and were larger than for any other year since 1921.32

An interesting facet of the Bank's 1929 business concerned the substitution of old large size for new small size currency. The exchange of old for new began on July 10 and between that date and July 12, the Federal Reserve Bank of Atlanta placed in circulation \$13, 009, 390 of the new size bills.33

In summing up the 1920's, Journalist Herbert Brotter wrote:34

"The 1920's saw the closing of many smaller banks, particularly in agricultural communities, but also saw improving industrial conditions after the relatively short depression (of 1920-21), and a substantial decrease upon the Reserve banks for discounts took place. Even so, there were fluctuations, and operations by the Reserve banks in the Government securities market taught the System that under coordination they had the quality of a major instrument of credit policy.

"Also in this period, through the initiative of the New York Reserve Bank, strong and enduring correspondent relations were established with the Bank of England, the Bank of France, and other European central banks. These arrangements have been of great importance in the ultimate achievement by the United States of world leadership in

finance.

“During the latter part of the twenties there was building up an economic situation which resulted in the stock market crash of 1929 and the American share in the depression of the thirties. When the speculative situation became apparent through rapidly rising security prices and the increasing demand for bank credit to finance security operations, the Reserve banks attempted to deal with it through advances in discount rates, and the Federal Reserve Board through public warnings. After the collapse, discount rates were reduced and purchases of Government securities were made by the Reserve banks to ease the banking situation “

In more critical vein, Mark Sullivan, writing much earlier, said:³⁵

“... Daniel R. Crissinger was head of the Federal Reserve System during a period (1923-1927) in which was made a mistake of Federal Reserve policy that was the largest single cause of the depression of 1929 so far as the causes arose in America.

“I refer to the failure to raise rediscount rates at the end of the rising market that should have come to a normal end about 1925. As a consequence of the failure to raise discount rates, a second rising market was piled on top of the first, inviting the collapse of 1929. The motive for keeping discount rates low was laudable- -to present no temptation to European gold and capital to come to the United States, and thereby to enable Britain, France, and Germany to get back on a normal fiscal basis ...”

But, continued Mr. Brotter:

“The ability of the System to deal adequately with the situation was hampered by legal restrictions upon the discounting powers of the Reserve banks and on the

collateral that could be used to secure Federal Reserve notes until 1932, when the Congress authorized the use of Government securities as collateral for the notes and somewhat relaxed the discounting restrictions. The Reserve banks were thus enabled to buy Government securities in greater volume and to increase the reserves of the banking system.

Even so, as the 20' s ended, the economic situation was destined to get much worse before it got better.

NOTES

Chapter 18

1/ Keller, Dictionary of Dates, II, 36 1-368.

2/ Ibid.

- 3/ Ibid.
- 4/ Ibid.
- 5/ Ibid.
- 6/ Garrett, Atlanta and Environs, II, 856-857.
- 7/ Ibid. , 340.
- 8/ Minutes, Directors, VI, 1671.
- 9/ Ibid.
- 10/ Garrett, Atlanta and Environs, II, 848-856.
- 11/ Minutes, Directors, V, 1498; VI, 1555.
- 12/ Ibid. , VI, 1534.
- 13/ Recollections of Lewis M. Clark.
- 14/ Minutes, Directors, V, 1498.
- 15/ Ibid. , 1509.
- 16/ Ibid. , VI, 1514-1515.
- 17/ Ibid. , 1515-1536-1537.
- 18/ Annual Report, 1929, p. 11.
- 19/ Frazer, "History Havana Agency," 20-2 1.
- 20/ Minutes, Directors, VI, 1553.
- 21/ Ibid.
- 22/ Ibid. , 1567.
- 23/ Ibid. , 1519-1520.
- 24/ Ibid. , 1550-1552.
- 25/ Ibid. , 1582.
- 26/ Ibid. , 1634.
- 27/ Ibid., 1620-1621.

- 28/ Ibid. , 1621.
- 29/ Ibid. , 1651.
- 30/ Ibid. , 1653-1654.
- 31/ Annual Report, 1929, pp 6-7.
- 32/ Ibid.
- 33/ Minutes, Directors, VI, 1607.
- 34/ "The Fed's First Half-Century", Banking, Journal of the American Bankers Association, Dec. 1963, p. 44.
- 35/ Our Times, The Twenties, (New York, 1935) Vol. 6, p. 143.

SECTION IV The Troubled Thirties

Chapter 19 1930

The year 1930, like the last quarter of its predecessor, was marked by financial news of a depressing nature.

In February, the Federal Farm Board and Cotton Cooperative Association took over the handling of cotton; the Federal Reserve Bank of New York reduced its discount rate from 4½ to 4 percent and, on the 24th, the New York Stock Exchange had its first 5,000,000 share day since October 10, 1929.

In March cotton went to 14.5 cents, lowest price since 1927; the New York Federal Reserve again reduced its discount rate from 4 to 3½ percent, while on the 18th a merger of the Chase National Bank of New York and the Equitable Trust Company and the Inter-State Trust Company, created the world's greatest bank, with resources of \$3,000,000,000.

On May 1 the New York Federal Reserve lowered its rate of discount from 3½ to 3 percent. Five weeks later stocks broke heavily on the New York Exchange and reached a new low on June 18. Meanwhile, on the 14th, wheat fell below \$1.00. Before the month was out the New York Reserve discount rate had been cut to 2½ percent; wheat went to 87-3/4, lowest since 1914, and cotton to 13¢. As June closed, the public debt stood at \$16,185,308,299.

On September 16, President Hoover named Eugene Meyer, Jr., subsequently publisher of the Washington Post, to the governorship of the Federal Reserve Board in Washington, succeeding Roy A. Young, resigned. October 9 saw another severe break in stock prices, led by 'United States Steel. On the 29th Treasury

Secretary Andrew Mellon issued a statement to the effect that “the underlying causes of the present world-wide depression could be traced primarily to overproduction.”

In mid-November Caldwell & Company, investment brokers in Nashville, Tennessee, went into receivership, which event led to the failure of several banks, including the State Bank of Tennessee. Less than a month later the Bank of the United States in New York City, with 60 branches and 400,000 depositors, suspended, followed two weeks later by the closing of the Chelsea Bank in New York, as the result of a run. At the same time the Federal Reserve Bank of New York reduced its discount rate to 2 percent, lowest in history. Concurrently wheat sank to 62.75¢ per bushel and cotton to 9½¢ per pound, new lows.

Altogether, during 1930, commercial failures as reported by R. G. Dun & Company, totalled 26,355 with liabilities of \$668,283,842, compared with 22,109 in 1929. Bank failures were reported as 1326 representing 903,954,000 depositors.1

Meanwhile Congress was not idle. On March 31 an Act authorized an appropriation of \$230,000,000 for the erection of public buildings in all sections of the country; in April the Federal Road Act was amended, appropriating \$300,000,000 for highway construction to States; in December President Hoover asked Congress for \$150,000,000 to aid the unemployed, a Joint Resolution provided \$45,000,000 for agricultural relief in drought and storm stricken areas, and \$150,000,000 was appropriated for addition to the Federal Farm Board revolving fund.2

The Federal Reserve Act received attention too. During April it was amended three times--as to limitations upon the rediscount by member banks; to permit member banks to withdraw without waiting six months after filing intention and, as to bank liquidation. It was amended again in June as to the election of directors of banks, trust powers rights, and assessments of cost of examinations.3

The year was of course notable for events other than financial. In January a new planet was recorded and named Pluto; in February Chief Justice William Howard Taft resigned and was succeeded by Charles Evans Hughes. Taft died March 8. On April 1 results of the Census of 1930 were announced. Total population of the United States came to 122,775,046, a 16 percent increase over 1920. The four largest cities were New York, Chicago, Philadelphia and Detroit, in that order. The number of unemployed stood at 2,508,151--about 2 percent of the population. This figure was destined to increase markedly soon.4

Locally, Atlanta posted a population of 270,035, a gain of 70,000 over 1920; James L. Key became mayor of the city after an interval of several years, and Richard B. Russell was elected to the Governor's Chair. Robert T. Jones won the grand slam of golfdom and brought international fame to himself and to his native city. Natural gas was piped into Atlanta, supplanting the time-honored manufactured gas, in use since 1855, and the building boom of the 20's sputtered to a halt with the completion of the William-Oliver Building, Ten Pryor Street Building, the Georgia Power Company's Plant Atkinson near Bolton, and the Union Passenger Station on Forsyth Street.5

Official elections within the Atlanta Federal Reserve Bank during 1930 produced some re-elections, some promotions and some new members of the official family.

The terms of Directors Oscar Newton, Leon C. Simon and G. G. Ware all expired on December 31, 1929. They were all re-elected for the three year term ending December 31, 1932. In addition, Mr. Newton was reappointed Deputy Chairman for 1930. At the January 1930 Board Meeting all officers were re-elected and, in addition, L. M. Clark was elected an Assistant Cashier.6

Early in the year the New Orleans Board suffered a severe loss in the death of Director John E. Borden. In February he was replaced by J. D. O'Keefe, of New Orleans.7

At its April 12 meeting the Atlanta Board took occasion to note the death of W.P.G. Harding, which occurred on the 7th. Suitable resolutions were adopted in memory of this key figure in the early history of the Federal Reserve System, both as an original member of the 1914 Washington Board and subsequently as Governor of the Boston Bank.8

Effective May 1, 1930 the law firm of Randolph, Parker & Fortson, General Counsel for the Bank, was dissolved. On the 9th, Robert S. Parker and Hollins Randolph were named attorneys for the Bank, Mr. Parker at an annual salary of \$2900 per annum, plus an extra \$1500 for clerk hire, and 9 Mr. Randolph, \$600 per annum.9

While on vacation in Atlanta, Havana Branch Manager L. L. Magruder died on July 30. In the service of the Bank for twelve and a half years, Mr. Magruder was highly regarded. In his personal relations he was quiet, kindly and courageous and through his friendly qualities endeared himself to the Directors and his fellow officers.10

The vacancy created by Mr. Magruder's death was filled by the promotion of Assistant Havana Manager H. C. Frazer. A. H. Alston was elected Assistant Manager.

The first order of business at the November Board meeting was the reading of a telegram of resignation from Class "B" Director Luke Lea of Nashville. The resignation was accepted, and the chair bearing his name which he had used while a board member was ordered sent to Colonel Lea.11

The Board thus lost a banker and newspaper man but gained a railroad president. At a special meeting held in January 1931, James B. Hill (1878-1952), of Nashville, then President of the Nashville, Chattanooga & St. Louis Railroad, was elected to the vacancy.12

On October 24, 1930 the Bank suffered the sudden loss of a key officer when Deputy Governor Creed Taylor was fatally burned in a fire which heavily damaged his home on Fifteenth Street in Atlanta.13

Mr. Taylor took employment in a country bank at Demopolis, Alabama at the age of 16 and all through his subsequent career never forgot this useful experience. He entered the employ of the Atlanta Federal Reserve on July 1, 1918. His progress through the years was steady. Resolutions adopted by the Board at its November meeting defined some of his characteristics in the following language:14

“No man in the Reserve System had more intimate knowledge of the Federal Reserve Act and of the functions of a Reserve Bank . .

“He intimately knew the condition and problem of each member bank. He was firm in his effort to improve banking conditions, but in his firmness was sympathetic of the conditions involved in the improvement of each bank.. The problem of the large bank engaged his best ability.

“His outstanding characteristics as an officer were his ability, his courage and his loyalty. A problem of the Reserve Bank was his personal problem. The bank was first with him. He had no other thought than it should have its full rights.

“As a man he was modest, gentle, courteous and helpful always. His relations with his fellow officers and the directors were close and the friendships formed with him were warm and sincere... 15

On November 14 the Chairman of the Board and the Governor presented the Board a number of applications for the position of Deputy Governor, together with letters of endorsement. After considerable deliberation W. S. Johns, veteran General Auditor, was elected Deputy Governor to replace Mr. Taylor, and E. P. Paris was elected General Auditor. Salaries for the two men so elected were fixed at \$12,000 and \$6500 per annum respectively.16

In early December 1930 resignations were received from Nashville Branch Directors J. B. Ramsey and E. A. Lindsey. Their places were filled later in the month by Frank J. Harle, Cashier of the Cleveland Tennessee. National Bank, succeeding Mr. Ramsey, and C. W. Bailey, President of the First National Bank of Clarksville, succeeding Mr. Kindsey.17

Since E. R. Black succeeded M. B. Wellborn as Governor in 1928, the Bank and

Public Relations Department had become more and more active. During 1930, from year's beginning to November 14, the Governor, Chairman Newton and a number of their associates made a total of 364 talks and visits to various banks. The value of personal contact in the field was being demonstrated.18

To augment the already busy officers in this activity, a new position, called "special representative", was created in November. The principal duty of the position was to visit member and non-member banks in the interest of better relations. The salary range was fixed at \$2,400 to \$3,000 per year. Accordingly two young men were transferred to the Bank Relations Department, H. N. Harrison from Credit, and A. A. McCurry from Transit.19

A proposal was received in January 1930 of a community relations nature--an invitation to join a newly formed Central Marietta Street Association. To be composed of property owners along Marietta Street from Five Points to Spring, the principal purpose of the Association was to enhance values and improve conditions in the area. It was well sponsored and officered. After considerable deliberation the Reserve Bank voted to join for annual dues of \$675 based on property valuation. Two Board members, Newton and Kettig voted in the negative. So did the Federal Reserve Board in Washington which felt that the expenditure was not justified.20

As the financial depression continued to deepen, more and more attention was devoted to suspended banks and to banks in an unsatisfactory condition. In January 1930 anent this subject, Governor Black reported:

"Every earnest effort possible is being expended in the collection of amounts due us by suspended banks. We have representatives working to make collection on our paper. The Failed Bank Division itself is working tirelessly and the officers of the bank are aiding in every effort that is being made. Deputy Governor Creed Taylor has spent the present week in Tampa, Florida, where he is making every effort to reduce the indebtedness of the Citizens Bank and Trust Company very materially during the winter season. Special efforts are being made in the case of other failed banks in Florida, since it is the season of the year in that state when collections should be made .

"The great number of banks in unsatisfactory condition, the increasing amount of claims account of suspended banks and the many exceptions taken to the statements

supporting paper held by the Reserve Bank, indicate the seriousness of the situation which requires the closest attention on the part of the management and emphasizes the need of extending credit in the cases of banks in an unsatisfactory condition only to such banks as are making every effort and showing ability to improve their condition..."²¹

In 1930 as in 1926, the Cuban Agency made history. For approximately two years after the Agency occupied its new quarters business conditions were generally normal and operations moved along smoothly. Early in 1930, however, the Cuban government was faced with meeting some relatively heavy payments to banks in the United States on its outstanding bonded indebtedness. The Treasury balance in dollars were relatively low and it was faced with the possibility of having to pay out about \$2,750,000 of its gold coin reserve which it was extremely anxious to retain for future reserve purposes. At the request of the Cuban government and by authority of the Atlanta Bank, the Agency was authorized to make an advance of \$2,750,000 in Federal Reserve notes to the Cuban treasury against security of like value of Cuban gold coin which was received and held by the Agency under a re-purchase agreement. The Cuban government was thereby enabled to meet its obligation in dollars and the gold was retained in Cuba and redeemed by the Cuban Treasury in small lots over a period of six months.

Late in September 1930, another banking crisis arose. The morning papers of Friday, September 26, carried notice of the closing of the [REDACTED] one of the Cuban banks and member of the Havana Clearinghouse Association. This incident caused heavy withdrawals on Friday from all Havana banks and by Saturday the run had spread to the banks in the interior of the Island. By the close of business Saturday, September 27, the cash reserves of the Havana banks as well as the Havana Agency were practically exhausted, and based on experience with similar runs in the past, local banks had requested transfers aggregating over \$20-million for Monday of the following week. The Federal Reserve Bank of Atlanta took immediate action and arranged for shipment of \$5-million from the Jacksonville Branch by plane and \$25-million from the

Atlanta Bank by special train. Indeed, declared Governor Black, "Cuba will have the money that it needs."

There being no regular boat sailing from Key West on Sunday, the Cuban government again, as in 1926, made the gunboat Cuba available to the Havana Agency to proceed to Key West to meet the special train and transport the shipment to Havana. H. C. Frazer, who recently had succeeded the late L. L. Magruder as Manager of the Havana Agency, made the trip to Key West aboard the Cuba. Jacksonville Manager W. S. McLarin, Jr., accompanied the shipment by train and boat. The latter shipment was delivered in Havana early Sunday morning and was transferred to the Agency vault by Cuban armored trucks guarded by soldiers.

With \$25 million additional reserves the Agency was in position to meet all demands of the Havana banks on Monday, September 30, and by the end of the week conditions were again relatively normal. Within several weeks after the bank run in September, public confidence in banks appeared to be completely restored and business throughout the Island was reportedly normal.²²

A couple of months later the Nashville Branch became the scene of some feverish action. It was reported to the Board by Governor Black on November 14:

"On Monday November 3rd, I was notified that Caldwell & Company, of Nashville, Tennessee, would close Wednesday morning and that the closing of this bond house would cause much trouble in the Tennessee region. We immediately shipped ample funds to our Nashville Agency and Mr. Conniff and Mr. Bowman, Assistant Cashiers, and I went to Nashville. We spent the entire week there endeavoring to aid in every way that the Reserve Bank could aid and we feel that the result in Nashville that no bank in that city has closed is due in part to the efforts of the Reserve Bank. Ample credit facilities and ample funds were at hand for every call and any emergency.

"We returned to Atlanta on Saturday night, the 8th. On Sunday afternoon, November 9th, I was notified that the Holston-Union National Bank of Knoxville was in trouble and Mr. Coniff was immediately sent there and I immediately went to Nashville. I spent Monday and Tuesday in Nashville endeavoring to aid in the Knoxville situation in any way that I could and endeavoring to hold the Nashville situation in check. Little aid could be rendered the Holston-Union National Bank because of its condition and because of its large present borrowings from us. The Holston-Union closed today,

November 12th, and there has been a run on the City National Bank of Knoxville and the East Tennessee National Bank of Knoxville. This run was caused largely by certificate holders and savings depositors. About \$500,000 was drawn out of each bank today. These two banks with other banks have invoked the thirty day clause on certificate holders and savings depositors. We have today approved approximately \$800,000 rediscounts for the City National Bank upon condition that additional collateral of \$400,000 be furnished us. No call has been made upon us by the East Tennessee National Bank for credit facilities. We are today shipping sums to these two banks in Knoxville which will be adequate for any demand made upon them and I am hopeful that the situation there has been relieved.

“The affairs of Caldwell & Company in Nashville are being handled by a committee of bankers and the outcome of that situation cannot be foretold. It extends from the Banco Kentucky in Kentucky to Nashville, Knoxville, Memphis, and into Arkansas. We are watching developments in our territory affected by this situation and are prepared to render every aid that can be consistently rendered.” 23

A few months before, during the summer and early fall, the Nashville Branch had undergone an \$8000 interior remodeling and modernizing job.24

On January 28, 1930 there was held in Washington with the Federal Reserve Board a conference, of a representative from each Federal Reserve Bank, with the exception of Kansas City. Each was represented by its Governor, except Boston, from which the Deputy Governor was in attendance.

The principal business of the conference was discussion of the question as to whether any steps should be taken by the Open Market Committee at the present time which might make money easier or tighter or leave it practically where it was. In reaching a judgement the following facts, as they appeared to be, were considered:

- “1. The panicky feeling has subsided.
2. A business recession has taken place, the extent or duration of which is not yet possible to determine.
3. Money has been made available to commerce and industry at more reasonable rates.
4. Liquidation is progressing in an orderly fashion.
5. Rediscounts have been reduced to under \$450,000,000.
6. However, there is a large variety of security loans in member banks which they are anxious to get reduced.
7. Liquidation has been slower in country banks than in city banks.

“Under the circumstances it is the judgment of the Committee that no open market operations in Government securities are necessary at this time either to halt or to expedite the present trend in credit.

“The Committee believes, however, that it would have an unfortunate effect upon business if the demand for additional credit for spring business, concurrently with the running off of the present bill portfolio of the System should result in a hardening of rates.

“It therefore recommends that the minimum buying rate for bills, fixed by the Federal Reserve Board, be reduced so that the Federal Reserve banks may have such flexibility in their bill operations that the present portfolio be not only maintained but may if necessary be increased to such extent as to avoid the hardening of rates which might result from a seasonal demand for additional reserve credit.25

On March 25 there was a meeting in Washington of the new Open Market Committee, composed of a representative from each of the Federal Reserve Banks. At this time the old committee was discontinued and a new committee, voluntary in character, to be known as the Open Market Policy Conference was set up in its place. Briefly, the function of the Conference was to consider, develop and recommend policies and plans with regard to open market operations.

Governor Black, who represented the Atlanta Bank, reported to his own Board upon his return.”

“I very heartily approve of the action taken at Washington, as I have always felt that the Federal Reserve Bank of Atlanta, and indeed each Federal Reserve Bank, should have a representative on the Open Market Committee and should take part in its purchases and sales in the formulation of its policies.” 26

On September 27 the Open Market Policy Conference made the following recommendations, which were approved by Eugene Meyer, Governor, Federal Reserve Board, Washington:

“In view of the continued severe depression in business activity, trade and commodity prices in this country, as well as the rest of the world, it is the sense of the conference that it should be the policy of the System so far as possible to maintain the present easy money rate position in the principal money centers, it being the opinion of the conference that under present conditions no further easing of such money rates would be advisable and that no firming of such rates would be desirable whether because of seasonal requirements, gold exports or other causes.

“It is, therefore, recommended that the executive committee authorized, if necessary, to supplement bill purchases by the purchase of government securities in the event that the seasonal demand for Federal Reserve credit, gold exports, or other

factors should tend unnecessarily to tighten present money rates, and that in the event any condition should develop which would require sales of government securities to execute this policy the executive committee should be authorized to make such sales. It is understood, however, that if the committee should have to buy or sell more than

\$100,000,000 of government securities to maintain the status quo, new authority should be procured in accordance with the prescribed procedure..."27

Meanwhile, in May, Governor Harrison, of the Federal Reserve Bank of New York, having recently been to Europe, made an economic report to the Open Market Policy Conference.

He emphasized the worldwide nature of the recent price declines and business depression and indicated the influence of this world depression. upon the position of the United States as reflected in part by the fact that this country's export trade for the first quarter of 1930 was about 22 percent less than for a like period in 1929, and the import trade was approximately 20 percent less. While the worldwide depression appeared in part to be an over production of certain principal commodities, it also appeared to reflect a shortage of working capital, and thus a restriction of purchasing power in a number of countries, and had been affected by the stringent credit conditions prevailing last year in world money markets, which, in turn, were a part of the reflection of the use of funds for speculation centering about the New York security markets but world-wide in its scope. The recovery of the world trade appeared in turn to be in no small degree dependent upon the restoration of purchasing power through the medium of foreign borrowings in the New York money market, just as the recovery of domestic trade appeared to be much dependent on the new financing for domestic enterprise in the United States.28

At the July meeting of the Atlanta Bank Board, Governor Black gave his views on the current economic situation which, incidentally, was due to get much worse.

"I am not going to outline business conditions at length. You gentlemen are thoroughly familiar with them. There is little difference in conditions in our District and other Districts. Commodity prices are at low level. Business depression is acknowledged, pessimism is present and harmful. Improvement this year in our District is largely dependent upon crop returns and prices and any permanent improvement is dependent upon practically the same conditions as would show improvement in other districts--that is, upon improved world markets for surplus agricultural and industrial

products, the employment of funds in new enterprises in this country and abroad, an increased demand for products to improve commodity prices, limitation of production until surplus can be materially reduced, increased consumption and increased purchasing power here and abroad, a return of faith in the commercial world, and the replacement of the present pessimism with at least a determination to succeed coupled with such economies as will make possible debt retirement..."29

"In our own District I feel that our bank should aid our member banks directly in every way possible. I doubt if any rate we fix will immediately affect industry, agriculture or commerce, nor do I believe it will affect rates on short time loans, but, to be specific, most of our member banks need all the earnings they can get and to save all the charges they can save. In an effort to aid toward these earnings and the reduction of these charges I should like to see our rate reduced to 3-½ percent. I should also favor such reduction at this time as an evidence to business and agriculture that we want to aid in supplying funds on a basis of encouragement to business and agriculture."30

After a general discussion of the situation and at the request of Mr. Black, each Director expressed his views. It was moved and seconded that this Board approve a policy of further purchases of Governments at the rate of \$25,000,000 per week and the participation by this bank in such purchases, all with the purpose of providing funds through the bond market for the financing of enterprises, the encouragement of commerce, industry and agriculture, to the end that commodity prices might be improved and funds provided for the purchase in our own and the world market of American products. The motion was carried, only Director H. Lane Young voting in the negative.31

In October Governor Black enunciated a policy, through the medium of a circular, concerning cotton. A large crop of the southern staple had been produced, but much distress was being occasioned by two factors--the low price of the product and undue haste in its sale. Said the Governor:

"Our bank has shown its intense interest to be of aid in the orderly marketing of crops and we have used our credit facilities in purchasing bankers' acceptances secured by agricultural commodities, by loans to the Intermediate Credit Banks upon paper secured by agricultural commodities, and by direct discounts to our agricultural banks. Heretofore we have loaned to member banks 80 percent of the market value of cotton at the time the loan was made. We are willing now to increase this loan to 90 percent to be made upon notes, drafts and bills of exchange secured by warehouse receipts, shipping documents or other evidences of title to cotton.

"It is of course understood that our requirements as to independent storage of cotton must be followed..."

“The purpose of this circular is to emphasize our desire to cooperate to the fullest extent in making available the resources of the Federal Reserve Bank of Atlanta in any proper manner to permit and further the orderly marketing of cotton.”32

At the beginning of the year 1930 there were 366 national banks and 62 state bank members of the Federal Reserve System in the Sixth District, a total of 428 member banks. During 1930 there were two new national banks organized in the district, three state banks were admitted to membership, and five non-member state banks converted into national banks, thereby becoming members. There were, however, during the year numerous other changes in membership due to consolidations, withdrawals, suspensions and other causes, resulting in net losses for the year of 25 national bank and 13 state bank members, a total reduction of 38.33

Total earnings during 1930 for the Sixth District Federal Reserve Bank amounted to \$1,963,724, smaller by \$2,152,325, or 52.3 percent than for 1929, and the smallest since 1924. The decrease was only partly due to the fact that the rediscount rate was lower in '30 than in '29. It was due principally to a decline of 61.8 percent in the volume of discounts handled. A larger volume of purchased bills was handled during 1930 than in any other year excepting 1925, but earnings from them were 42 percent less than in 1929 because of lower rates. Volume of United States security purchases also increased and earnings from them increased 84 percent over those in 1929.34

Current net earnings for the year amounted to \$590,842, a decline of 77.3 percent compared with 1929, and smaller than for any year since 1917. After deductions for depreciation on bank premises and on furniture and equipment, reserves for probable losses and other deductions, there remained \$323,307, an amount sufficient to pay the regular dividend of six percent per annum on the paid-in capital stock of the bank. No change in the surplus account was made, nor was a franchise tax paid to the United States Government for 1930.35

Thus, for the Atlanta Federal Reserve Bank ended the first full year of the Great Depression. The outlook was bleak.

NOTES

Chapter 19

1. Keller⁵ Dictionary of Dates⁵ II, pp 368-377.
2. Ibid, 375-377.
3. Ibid.
4. Ibid, 368-377.
5. Garrett, Atlanta and Environs, II, 866-882.
6. Annual Report, 1929, p. 11; Minutes. Directors, VI, 1672, 1674-1675.
7. Minutes, Directors, VI, 1693,1698.
8. Ibid., 1730-1731.
9. Ibid., 1732, 1743-1753.
10. Ibid., 1775; Atlanta Journal, July 31, 1930.
11. Annual Report, 1930, p. 12.
12. Minutes, Directors, VI; 1809.
13. Director Hill was a native of Spencer, Tennessee and graduated from George Peabody College for Teachers in 1898. The same year he began his railroad career as a telegraph operator for the N.C. & ST. L. After many successive steps he became president in 1926 and served as such until 1934, when he was elected president of the larger Louisville & Nashville and moved to Louisville. Retired in 1950. He served the Atlanta Federal Reserve as a Director from January 21, 1931 to December 14, 1934; as a Director of the Nashville Branch for the same period of time and of the Louisville Branch of the Federal Reserve Bank of St. Louis from 1935 to 1941.
14. Atlanta Journal, Oct. 24, 1930.
15. Minutes, Directors, VI, 1816-1817.
16. Ibid., 1818.
17. Ibid., 1820, 1834.
18. Ibid., 1811.

19. Ibid., 1810.
20. Ibid., 1689-1690, 1707, 1718, 1732.
21. Ibid., 1680, 1683.
22. Frazer, "Brief History, Havana Agency", 22-24; Minutes. Directors, VI, 1801-1803.
23. Ibid., 1815.
24. Ibid., 1755-1756.
25. Ibid., 1705-1706.
26. Ibid., 1724.
27. Ibid., 1799.
28. Ibid., 1750.
29. Ibid., 1763.
30. Ibid., 1764
31. Ibid., 1765-1766.
32. Ibid., 1800-1801.
33. Annual Report, 1930, p. 11.
34. Ibid., 7.
35. Ibid.

CHAPTER 20

1931

Spain became a republic in 1931 and the Japanese invaded Manchuria, the latter a roundabout prelude to another invasion ten years later which plunged the United States into World War II. The “Star Spangled Banner” was officially declared the U. S. national anthem, and the Wickersham Report on Prohibition indicated local enforcement impossible but stubbornly opposed repeal. The Hawley-Smoot Tariff schedules reached an all-time high: a total of 2294 banks failed as against 6987 in 1-1930, and President Hoover proclaimed a one-year moratorium on Allied war-debt payments.¹

In connection with President Hoover’s action on debt payments, Governor Black, just back from an Executive Committee meeting of the Open Market Policy Conference in New York on June 22, reported to the Atlanta Board:

“At the meeting this action of President Hoover² was discussed and commended. A very hopeful feeling prevailed as the result of this action. It was thought that with the concurrence of the other powers interested in such a step it might be the one step necessary to start an upward trend in business. . . I am of the opinion that it was an absolutely necessary act, due not only to the condition in Germany but throughout central Europe. The response to it among bank circles in Germany was almost instantaneous. I am hoping as I dictate this report that France will give her accord and that the result of this action among the nations will be an immediate commencement of improvement in worldwide conditions...”³

At its December, 1930 meeting the Atlanta Board re—elected H. Lane Young as a Class A director and J. A. McCrary a Class B director, both for 3-year terms beginning January 1, 1931. At the same time W. E. Henley, Arthur F. Perry, C. A. Craig and J. D. O’Keef were elected directors of the Birmingham, Jacksonville, Nashville and New Orleans Branches respectively, all for three-year terms. Managing Directors for the above four branches were all re-elected for one-year terms.⁴

At the January 1931 meeting, the resignation of W. S. McLarin, Jr., Managing

Director of the Jacksonville Branch was accepted, and Hugh Foster, formerly Deputy Governor, was elected to succeed him. H.F. Conniff, formerly Assistant Cashier, was elected Deputy Governor to succeed Mr. Foster, and W. S. McLarin, Jr., was elected Assistant Deputy Governor. Other officers of the bank were re-elected at the same meeting.5

Only one change in the officer group occurred during the remainder of the year. On April 9, J. P. Butler of New Orleans, having resigned from the Canal Bank & Trust Company to enter the field of private business, also resigned as a member of the Federal Advisory Council. He was replaced by John K. Ottley, President of the newly organized First National Bank of Atlanta and a former Director of the Atlanta Reserve Bank.6

At this time the five highest paid officers of the bank, not including Chairman and Federal Reserve Agent, Oscar Newton, were E. R. Black, Governor, \$25,000 per annum; W. S. Johns, Deputy Governor, \$12,000; H. F. Conniff, Deputy Governor, \$10,000; M. W. Bell, Cashier, 9,000; and Marcus Walker, Managing Director, New Orleans Branch, \$15,000.7

Financial stringency to the contrary notwithstanding, funds were appropriated, as they had been in 1928, 1929 and 1930, for welfare and educational work. Upon the recommendation of Governor Black and the Managing Committee \$6,850 was earmarked for the Federal Reserve Bank Clubs at the parent bank and branches for 1931. The money was used for recreation, athletics, annual outings, entertainment, sickness, flowers, expenses of Chapters of American Institute of Banking, and for prizes for completing A.I.B. courses. It was realized that man does not live by bread alone. Matters concerning failed and suspended banks continued to occupy the best efforts of Governor Black and his associates during 1931. On January 9, by way of

summation, he reported.⁸

“On January 1, 1931, we had completed the liquidation of 68 failed banks, which banks at the time closed owed us \$8,290,913.72. Of this amount \$7,649,082.53 was collected; \$641,830.19 was loss. The loss on these 68 banks whose liquidation has been completed was little less than 7 percent of the total due us at the time of their failure.

“Prior to the failure of the Holston-Union National Bank of Knoxville, the City National Bank in Miami and the consolidation of the New Orleans Bank & Trust Company, we had reduced the amount due us in our Failed Banks Department to \$2,182,718, which was the lowest figure that we had reached in a long while. These three banks added the following amounts: Holston-Union National Bank, \$1,374,450; the City National Bank in Miami, \$366,159.59; New Orleans Bank & Trust Company, \$1,405,163.81, bringing the grand total against us to \$5,333,490.18.

“The closed banks now being handled by us are 54 in number. Their liability at date of closing was \$14,209,298.58. Of this sum we have collected \$7,390,420.71; having charged off \$1,545,825.09; have recovered \$60,437.40, and as against any further liability we have reserves set up of \$1,303,490.33. In addition to this reserve we have some capital stock, some real estate, and a great quantity of notes from which to collect or materially reduce the amount due us...”⁹

Continued the Governor:

“Uneasiness exists all over our District, following the failures throughout the country. Inquiries are being received from a large number of banks as to their paper and the attitude of this bank. We have exerted every effort to allay the feeling of unrest in our section and to aid our member banks as far as we consistently can in the present situation.

“I will enter into no discussion as to the situation in this country by reason of closed banks because you gentlemen are as familiar with it as I am, but it is appalling to consider that during 1930 banks closed in America with an aggregate of deposits of \$700,000,000. This has brought consternation in the localities where banks have closed; and looked at from a cold business basis it has very largely curtailed buying power throughout the nation. The energies of every officer of our bank are directed toward relieving the situation that can be relieved in our own District and these efforts will be continued. Up to the present time we feel that our District has, comparatively speaking, largely escaped the result of the panicky feeling throughout the nation concerning the banks of the country. I am hopeful that this panicky feeling may soon be allayed and that the banks will be allowed to perform normally their valuable services to their respective communities. It is this hope that is spurring our efforts at this time...”¹⁰

Again, on March 13 to the Board:

“The real problem in our bank at the present time is the solution of the question of our extended banks and the accommodations which this bank may extend to such banks. A general policy may not be adopted as to this because of the differing conditions in each of these banks. In connection with each bank, where justified, we have been endeavoring to aid them through our credit facilities in the solution of their problems, extending such aid, under such terms and conditions as make our advances

reasonably safe. Consultations are being had with the officers of these banks as to their requirements. Efforts are being made to get them to exert every effort to make collections and better their condition. Encouragement is given them in their work and we are hopeful that crop returns this fall will, in connection with our efforts, materially improve the conditions of these banks.”11

In October, 1931, the Governor discussed suspended banks with the Board in the following language:

“We now have 58 suspended member banks in the course of liquidation. These 58 banks are all located in small cities or country towns with the exception of one in Knoxville, Tennessee, one in St. Augustine, Florida, one in St. Petersburg, Florida, one in Tampa, Florida and one in Jackson, Mississippi. With the exception of these five city banks each of the closed banks has the same character of assets, these assets practically all arising from agricultural operations and when secured being secured by first or second mortgages on real estate, scattered live stock, farming implements, etc. Where the closed bank is located in a small town having been dependent largely upon agriculture for its business, the assets are of the same character and in some cases include mortgages, first and second, upon real estate in the town or city where the bank is located.

“A number of these suspended banks have been in receivership for a year or more. In the case of such banks the quick assets have been collected in and dividends have been paid, so far as such dividends could be paid, and these now remain in the hands of receivers, real estate, first and second mortgages on farm lands or city property and live stock. The liquidation of these remaining assets, especially due to conditions during the past two years has necessarily been slow and will continue slow.”12

“We are facing these problems as best we can. Visits are being made to a number of these banks to ascertain their exact condition. Collateral in the case of each of them is being required in order to protect our position with them. Conferences are being had with their officers in an effort to have them remedy their position, if possible, and frank statements as to their needs are being given us and frank statements on our part as to remedies which should be applied by them are being given them and an understanding had as to our position relative to further aid. In the case of some banks we still have past due paper. We have carried it in this shape believing it could be better collected. This situation is limited to a few banks...”13

At the May Board meeting Governor Black made the not surprising statement that “every Reserve Bank is experiencing a deficit in operations. He went on to submit figures showing the net deficits of Reserve banks of comparable size to Atlanta during the first three months of 1931:

Minneapolis	\$ 48,123
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St. Louis	81,219
Kansas City	101,380
Dallas	115,890
Atlanta	148,292
Richmond	213,847

The Governor then elaborated the subject:

“The smaller deficits in the St. Louis bank, the Minneapolis bank, the Kansas City bank and the Dallas bank were due to their ability to participate fully in Government operations of the Open Market Committee .

“...The Federal Reserve Bank of Atlanta during 1930 was operated as economically as any reserve bank. We are watching our expenses as closely as we can. We are not replacing employees unless such replacement is demanded, and our general policy has been to retain the employees that we have in order to have trained help when we need it and to refrain as far as possible from augmenting the present employment situation. This policy, I believe, is correct.”¹⁴

At the same meeting and on the subject of expense of operation, the following resolution, offered by Director Kettig, was adopted:

“WHEREAS, the Federal Reserve Bank of Atlanta is operating at a loss and it does not appear at present that the situation will soon improve; and

WHEREAS, all commercial and industrial companies are reducing their expenses by reduction in salaries and the elimination of unnecessary employees,

BE IT RESOLVED, THEREFORE, that a committee of two, composed of the Governor of the Bank and the Chairman of the Board, be requested to make a survey of the bank’s expenses in all of its departments.

BE IT FURTHER RESOLVED that this committee take under consideration the following questions:

FIRST: Should the salaries of all the employees of the Bank, from top to bottom, be reduced, say, 10 percent?

SECOND: Should all employees that are not necessary for the operation of the Bank be eliminated?

THIRD: Is there any other way of reducing expenses?

RESOLVED that the above name Committee be requested to report its findings and recommendations to this Board at a future meeting.” ¹⁵

The June meeting the Board produced a long, well-documented report from Committeemen Black and Newton.

Careful studies had indicated that dismissal of 19 employees and cuts in o

officers and employees salaries would result in a total annual saving of \$53,662--not a significant amount in the total operation of the Bank and its branches. Black and Newton then boiled their report down to three moral questions, which in effect, they said, were economic questions:

“(1) By dismissing these employees we add to the present unemployment problem, and the Reserve Bank should consider squarely whether in this time of emergency it can afford, for the saving involved, a step which would materially add to the problem.

“(2) By wage reduction we would at this time tacitly admit the necessity of a wage reduction and would be construed to have affirmed that if a wage reduction is necessary in the Federal Reserve Bank, it is necessary everywhere. Until the present situation has had more time in which to iron itself out and our economic life has had more opportunity to adjust itself, we would hesitate to have the Reserve Bank proclaim this position. We rather think that the Reserve Bank should be one of the last to proclaim this attitude. This wage reduction question is a very vital question in America today. Purported promises, agreements and understanding are being announced in regard to it. Bad faith on the one side or the other is being proclaimed, and very serious consideration should be given as to whether the Reserve Bank should lead in such a movement.

“(3) The Reserve Bank is considered by the public as a quasi governmental institution, and it might be well understood by the public that a governmental institution had taken an advance stand in the matter of the necessity of a general wage reduction. This might be considered a very expensive step for a Reserve Bank to take for the saving involved in such a step. We would anticipate that such action on the part of the Reserve Bank might well be taken as a reason or excuse for such reductions in the financial and industrial corporations in our section, and if we set the precedent such action would be taken at least as a precedent. At this time we hesitate to recommend such action in view of the price we might pay for it and especially in view of the limited saving which at this time could be effected by it.

“It is our belief that our present policy should for the present be continued, this policy being: (a) economic operation and elimination of waste and all unnecessary expense; (b) no replacements where employees leave the service; (c) elimination of any drones in our service and gradual reduction of force as the present situation may continue.

“We feel that this policy should be pursued and that further action should not be taken at this time because it has not yet been demonstrated that the present situation is permanent and that present interest rates have become normal. If it becomes demonstrated to our Directors that the present depression is to be of long duration, then it will be necessary to minutely study our bank, its branches and agencies and the departments in each one of them and consider the elimination and/or curtailment of service. . . 16

It was just as well that the Directors, as of June 12, 1931, could not foresee

either the length or the depth of the depression.

The Havana Agency carried on during the year, even though the political situation in Cuba was, as a live volcano, always about to erupt. Manager H. C. Frazer, in Atlanta on vacation in August, made an interesting report to the Board:

“...You gentlemen are familiar with the physical properties of our quarters. The front of our agency is well protected by steel gratings, the door is kept locked, our vaults are most modern. During the present political trouble in Cuba we have extra guards and extra protection day and night. I feel little apprehension as to the safety of our holdings. Newspaper reports narrate the spread of the present revolutionary efforts. Those efforts appear to be centered largely in the outlying provinces. The situation in Havana seems to be well under control by Government authorities. As long as the army remains loyal the revolution cannot gain much headway. I have no reason to suspect that the army will not remain loyal and will keep control. In any event, I feel that a revolution in Cuba will be entirely political and I would not apprehend danger to our holdings if, through revolution, there should be a change of government.” 17

During the same period, May to August, 1931, the Federal Reserve Bank of Atlanta took on even more of an international flavor. Discussions at Open Market Policy Conferences in both New York and Washington, attended by Governor Black, led inevitably to methods for further augmentation of market funds, with emphasis on foreign credit and foreign bill holdings. The European situation, it was felt, made necessary the participation of Reserve Banks in the purchase of foreign bills.18

Accordingly participations, ranging in amounts from \$50,000 to \$900,000 were approved for the Atlanta Bank, guaranteed respectively by the Austrian National Bank, the National Bank of Hungary, the Reichsbank, the Bank of England, and the Bank for International Settlements.19

In advocating participation in these foreign loans, Governor Black said:

“(1) Because I felt that the richest country in the world should join in solving the market problems of the world.

“(2) Because the Reserve System should have a part in protecting American investment and the holdings of our member banks in German investments.

“(3) Because keeping open the markets of Germany and of Europe to our cotton is absolutely essential to the welfare of the South.

“It may be that we will lose something in these participations. If so, what we lose would be infinitesimal in comparison with what we would lose if there were a European

collapse and a closing of European markets to our products..."20

The only actual action taken by the Bank in connection with foreign loans, however, was the renewal of a participation in a loan of \$1,400,000 to the National Bank of Austria by the Reserve Banks. The Atlanta participation in the loan was \$39,418.34 and was made on condition that the second loan agreed to be made this bank be cancelled.21

It was just as well. Central Europe experienced a financial collapse in May, 1931. President Hoover believed the situation so serious that he secured consent from the interested governments, and later approval of the American Congress, of a one-year moratorium on inter-governmental debts. This step unfortunately did not prove so effective as he had hoped and did little to improve the immediate situation either in Europe or the United States. In fact, the picture grew darker in September when Great Britain, followed by many others, suspended gold payments, and did so despite aid extended by the Federal Reserve Bank of New York in an effort to bolster her monetary system. The disastrous effect of all this on the American securities market and in turn upon the solvency of many American banks led Hoover to initiate the organization of a voluntary agency, known as the National Credit Corporation, by means of which the strong banks might help the weak.22

In November Federal Advisory Council Member John K. Ottley attended a meeting in Washington concerning the National Credit Corporation.. Upon his return he described the plan of the President for the formation of the Corporation to the Atlanta Board. Resolutions of approval were passed. Office space was tendered in buildings of the Bank in Atlanta, Nashville, Birmingham, New Orleans and Jacksonville and the opening of a deposit account for the Corporation was authorized.23

Another current problem of the year was the low price and its effect on banks--

primarily small banks in rural areas. In commenting upon this situation, in September, Governor Black said:

“We have been concerned at the low price of cotton as it affects our district, its agriculture and commerce, and as it might affect our country banks primarily, and secondly, its effect upon the repayment of obligations of some of our small banks to this bank. Banks in this district of \$160,000 capital and surplus and under owe us \$2,675,514. Liquidation by these banks has been retarded by the lateness of the cotton crop. We are anticipating a normal liquidation by most of these country banks as the cotton is picked. The low price will necessarily affect liquidation by some of our smaller banks whose condition is extended.

“The questions involved in this situation are receiving our best attention. We are giving every aid to those banks needing our assistance in gathering the crops and are ready to follow our policy established last year of handling for our member banks cotton secured paper to ninety percent of the market value of cotton, all in an effort to further the orderly marketing of the crop.” 24

Agricultural production during 1931 in the six states comprising the Sixth Federal Reserve District increased substantially over 1930 and 1929, although total crop values were lower, and other available statistical evidence for 1931 disclosed unfavorable comparisons with 1930 in business and industry in the district, with the exception of a small gain in textile activity. These statistical comparisons were accentuated by a continued decline in the price of commodities.25

Results of operation for the Federal Reserve Bank of Atlanta reflected the poor general economic situation.

Total resources of the Bank amounted on December 31, 1931, to \$201,896,000, and were smaller by \$26,206,000 than the total of \$228,102,000 on the corresponding date a year earlier, and were also smaller than at the close of any year since 1917.26

Total earnings during the year 1931 amounted to \$1,448,835, smaller by 26.2 percent than in 1930, and less than for any other year since 1917. This decline in earnings was due partly to a lower discount rate (3 percent since January 10) in effect most of the year, and in part also to a decline of 12.7 percent in the volume of paper purchased. Costs of operation declined 7.6 percent from 1930.27

Current net earnings for 1931 amounted to only \$180,059. There were

miscellaneous additions to current net earnings amounting to \$45,598. These combined amounts were sufficient to provide for depreciation on bank premises, and on furniture and equipment; reserve for probable losses and other minor deductions. It was necessary, however, to make a charge against surplus account covering dividends paid during the year and depreciation on United States securities. This reduced the surplus account from \$10,857,310 to \$10,448,658 on December 31, 1931. As was the case in 1930, no franchise tax was paid to the United States Government for 1931.28

By way of summation Governor Black wrote:

“The year has been a hard one on our member banks and on the Reserve Bank. Problems have presented themselves which were both new to our member banks and to the Reserve Bank. Our officers and employees have expended every effort to the solution of these problems and hardly a day has passed that a new problem, either in a member bank or in the Reserve Bank has not presented itself. We in the Reserve Bank have known no office hours and distances have been largely eliminated in the solution of problems throughout the district...”29

NOTES

Chapter 20

1. The Life History of the United States (12 Vols. New York, 1964), 10, pp. 152-153.
Hereafter cited as Life History.
2. Announced on June 21.
3. Minutes, Directors, VII, 1916.
4. *Ibid.*, VI, 1834
5. *Ibid.*, VII, 1835—1836; Annual Report, 1931, pp. 12-13.
6. *Ibid.*, 1872, 1882.
7. *Ibid.*, 1838.
8. *Ibid.*, 1847.
9. *Ibid.*, 1842
10. *Ibid.*, 1843
11. *Ibid.*, 1865
12. *Ibid.*, 1953
13. *Ibid.*, 1978
14. *Ibid.*, 1885-1886.
15. *Ibid.*, 1890
16. *Ibid.*, 1899
17. *Ibid.*, 1923
18. *Ibid.*, 1927
19. *Ibid.*, 1929
20. *Ibid.*, 1927-1928.
21. *Ibid.*, 1936

22. Harold U. Faulkner, From Versailles to the New Deal (New Haven, Conn., 1950). 349.
23. Minutes. Directors, VI, 1969.
24. *Ibid.*, 1936.
25. Annual Report, 1931, p. 7.
26. *Ibid.*, 10.
27. *Ibid.*, 10—11.
28. *Ibid.*, 11.
29. Minutes. Directors, VII, 1995.

CHAPTER 21

1932

If the depression as a whole and the year 1932 in particular had a theme song, it must surely have been Harbury and Garney's "Brother, Can You Spare a Dime." It seemed to epitomize the period. The image was heightened, to some extent, by Erskine Caldwell's novel of poverty, Tobacco Road, published the same year.

The depression was more than two years old when the seventy-second Congress met in December, 1931. It was quite clear by now that Government efforts to halt or relieve the catastrophe had failed. It was even more so heavy and bank failures so numerous that business loans and credit were obvious in late January and February of 1932 when the drain of gold became rapidly shrinking. Bank failures and the fear that the United States would follow Great Britain and other European countries in going off the gold standard spread pessimism throughout the business world and started numerous runs on the banks. In many respects February, 1932 marked the worst crisis of the depression until the final bank debacle a year later.¹

Although President Hoover in his message to Congress warned against excessive expansion in the schedule of Federal public works, he was now in the mood for more strenuous Federal action in the economic crisis. He proposed that the Treasury be empowered to subscribe to further stock in Federal Land Banks to aid agriculture; that a system of home-loan banks be created to aid home owners in saving or improving their homes and that a Reconstruction Finance Corporation with a "reasonable capital" be established. The last recommendation came because of the inadequacy of the National Credit Association in savings banks and providing

necessary credit. These were the main proposals as suggested by Hoover after two years experience and they comprised the chief program of the Seventy-second Congress.2

Urged by a special message from the President, Congress, in January established the Reconstruction Finance Corporation, the best known and undoubtedly the most useful of the agencies set up during the Hoover administration to counteract the depression. The FRC was to have a capital stock of \$500,000,000 to be subscribed by the Treasury with power to issue obligations up to three times that amount. The act authorized it to loan on security to banks of various types, trust companies, building and loan associations, insurance companies, mortgage and loan companies, agricultural and live-stock credit associations and, with the approval of the Interstate Commerce Commission, to railroads. Its life was set at ten years and it was to be governed by a board of seven including the Secretary of the Treasury, the Governor of the Federal Reserve Board and the Farm Loan Commissioner.3

In the pessimism of the last months of the Hoover administration many criticized the RCS as simply a means of ladling out credit to banks and industries who had already proved incapable of directing the nation's economic life. The fact remains, however, that it saved many a bank, industry, and railroad from destruction and thus played an important part in mitigating some of the force of the depression. It proved itself so valuable that the Roosevelt Administration continued it and rested heavily upon it.4

On the local front, as 1932 opened, Fulton County was nearly tripled in area as Milton County to the north and Campbell to the south were merged into the former. In May the Roswell District of Cobb County was added. Richard B. Russell was elected to the United States Senate and Eugene Talmadge defeated five other candidates for the governorship. On July 1, the day Franklin D. Roosevelt won the Democratic nomination

for president at Chicago, machinery was set in motion in Fulton County to succor destitute families of the unemployed. The Atlanta Chamber of Commerce launched a "back to the farm" movement. On October 24 Nominee Roosevelt visited Atlanta, spoke at the Auditorium that evening, and was accorded a great ovation.5

At its meeting in December, 1931, the Atlanta Federal Reserve Board elected the following Branch Directors to serve three-year terms beginning January 1, 1932: Birmingham, J. H. Frye; Jacksonville, C. C. Ware; Nashville, Frank J. Harle; and New Orleans, R. S. Hecht. Managing Directors A. E. Walker, Birmingham; Hugh Foster, Jacksonville; Joel B. Fort, Jr., Nashville; and Marcus Walker, New Orleans, were all re-elected to serve for 1932.6

Directors E. C. Melvin, J. B. Hill and W. H. Kettig were all re-elected to serve until December 31, 1934. Oscar Newton was reappointed by the Federal Reserve Board as Chairman and Federal Reserve Agent, and W. H. Kettig as Deputy Chairman. All officers of the Bank were re-elected for the year.7

The only change during the year was occasioned by the death, on July 3, 1932, of Managing Director A. E. Walker, of the Birmingham Branch. John H. Frye, a Director of that Branch, was named to succeed Mr. Walker on July 8. The Board vacancy was filled by John G. Farley of Birmingham on September 9.8

Two actions concerning personnel during the year reflected the ever-worsening financial crisis. The usual annual appropriation of \$6850 to the Federal Reserve Bank Clubs for recreational and educational work was cut to \$2450.9 In December the Salary Committee of the Board recommended that the salaries of all employees be reduced 12 percent, without the dismissal of any employee. The recommendation was adopted and the Chairman, Governor and Managing Committee were empowered to act in the matter.10

Creation of the Reconstruction Finance Corporation, destined to play an important role in the operations of the Federal Reserve System, brought immediate comment from Governor Black.

“This Corporation /R.F.C./ was organized about ten days ago and already has established agencies in New Orleans for the states of Louisiana and Mississippi and in Atlanta for the rest of our territory. The organization will be enlarged to cover our different branch cities as need arises for such enlarged organization. We have cooperated with the Reconstruction Corporation in the establishment of these agencies and have given them quarters in our banks in Atlanta and New Orleans and have agreed to act as custodian and depository for them and to furnish them our credit facilities. A large demand from all over the district is apparent in connection with the operation of this corporation.”¹¹

Three months later in May, the Governor was able to make a very tangible report on the R. F. C.

“The Reconstruction Finance Corporation is continuing to do fine work in our territory. The Atlanta office has extended credit to 71 banks, totaling \$10,000,000; the New Orleans office, 63 banks, totaling \$9,784,566; Nashville, 55 banks, totaling \$3,023,304; Birmingham, 47 banks, totaling \$2,106,651; and Jacksonville, 2 banks, totaling \$30,000. Total credit extended to 238 banks, totaling \$24,993,000. Other loans approved and authorized but not yet paid aggregate \$13,534,500.

“This has had a fine effect in our district and has aided in holding failures down to a minimum. The same effect has been had throughout the country during the month of April, there being only 67 failures in the United States during that month.”¹²

“The Citizens Reconstruction Corporation, seeking to bring money out of hoarding, is apparently have a fine effect throughout the country. This was a courageous step and one apparently fraught with danger, but the very courage of the undertaking appears to have insured its success. My information is that banks are receiving new time deposits and that the general effect of this special movement is recognized as good.”¹³

The passage of the original Glass-Steagall Act of February 27, 1932 had a far-reaching effect upon the operations of the Federal Reserve System. Briefly, it provided for three things:

1. For group loans to groups of five or more member banks within the district, a majority of them independently owned or controlled, provided the bank or banks receiving such loans have no adequate amount of eligible and acceptable assets available to enable such bank or banks to obtain sufficient credit from the Federal

Reserve Bank through rediscounts or advances further than provided in the second section of the bill.

2. Until March 3, 1933, and in exceptional and exigent circumstances and when any member bank having a capital of not exceeding \$5,000,000, has no further eligible and acceptable assets available to enable it to obtain adequate credit accommodations through rediscounting of the Federal Reserve Bank . . . then any Federal Reserve Bank, subject to approval of not less than five members of the Federal Reserve Board, may make advances to such member bank in its time or demand promissory notes secured to the satisfaction of such Federal Reserve Bank .

3. Amends the Federal Reserve Act by providing that until March 3, 1933, should the Federal Reserve Board deem it in the public interest, it may, upon a majority vote of its members authorize the Federal Reserve Bank to offer and the Federal Reserve Agents to accept as collateral security direct obligations of the United States. This provision is capable of greatly broadening the free gold position of the system.¹⁴

It was decided, during a meeting of the Federal Reserve Governor's Conference in Washington in May, to hold District meetings of leading bankers and industrialists. The Sixth District meeting was held June 2. Thirty-seven were in attendance, including financiers and industrialists from Atlanta, Nashville, Birmingham, New Orleans, Jacksonville, Savannah, Selma, Leesburg and Chattanooga. In reporting upon the meeting, Governor Black wrote:

"The meeting was well attended and intense interest was manifested in it. A statement of the Federal Reserve policy of purchasing Governments and the objects and purposes of that policy were fully explained and unanimously approved. A discussion was had as to 'business conditions in our district and a number of constructive suggestions were made as to betterment of both credit and business conditions. A committee of twelve were our Mr. George S. Harris as Chairman was appointed to consider credit and business conditions in this district and to take steps to improve them.'" ¹⁵

In spite of all that anyone could do the business situation remained dismal. Governor Black, reporting to the Board in July on conditions in the Sixth District, said:

“The economic and banking situation has shown little change. Business conditions show little improvement. Confidence has been largely restored in our banks. Credit demands are limited and credit conditions show little change. Fortunately, we have escaped the banking panic that has existed during the past month in the Boston and Chicago districts. The Chicago situation has been felt in the northern part of our district but without appreciable effect. This situation up to date has not spread to other districts, but the 49 banks in the Chicago district and the situation in the larger Chicago banks has had its effect all over, these effects being the loss of deposits, the increase in currency, a stimulus to further hoarding, and a general uneasiness in all financial circles. We should congratulate ourselves that these effects have been appreciably smaller in our district.”¹⁶

The Havana Agency during 1932 did not pursue an altogether even tenor of way. In midsummer word was received that Cuban secret police had searched the home of Manager H. C. Frazer while he was in the United States on vacation.

Governor Black began an immediate investigation through Cuban Ambassador Guggenheim. It appeared that the police searched the house on information that a large quantity of arms had been hidden in some house in the general area to be used for revolutionary purposes. They were unaware of the identity of the occupant of the Frazer house. A letter of apology from the Cuban Foreign Office, reading in part as follows, closed the matter:

“With the greatest pleasure I inform Your Excellency that the Government of the Republic has the highest regard for Mr. Fraser and the institution which he represents here, and laments what occurred and the molestation and trouble which was caused Mr. Frazer as a result. We believe it was demonstrated that there was no deliberate intention on the part of our police to cause the slightest disturbance to Mr. Frazer, who, as has been previously stated, is a person held in our highest esteem.”¹⁷

Early in 1932, the Cuban Congress passed legislation authorizing the coinage of silver pesos. The agreement was conferred into with the Export-Import Bank of the United States whereby the Export-Import Bank would advance funds for the purchase of silver bullion, have the coins minted by the Philadelphia Mint and shipped to Cuba against payment of cost of bullion, interest and mint charges. The Havana Agency was designated as Agent for the Export-Import Bank and drafts (payable in United States

dollars) were drawn on the Cuban Treasury Department payable to the Havana Agency as Agent for the Export-Import Bank to cover each shipment. Proceeds of the drafts were transferred by wire for the account of the Export-Import Bank at which time release of the shipment by the Philadelphia Mint was authorized.¹⁸

The first contract was made for 20,000,000 pesos with a schedule for shipments of 500,000 pesos weekly. The shipments were consigned to the Havana Agency, received by it from the Railway Express Company shipside, and delivered shipside to the representative of the Cuban Treasury Department. Additional contracts were made over a period of several years until an aggregate of 80,000,000 pesos were minted and delivered to the Cuban Government.¹⁹

During the fall of 1932 Governor Black visited Cuba and reported conditions there to the Atlanta Bank Board:

“I found general conditions in Cuba very slow. Bank clearings were off. The turnover of checks was off, receipts at the Customs House were off and the price of Cuban raw sugar was down. The silver problem showed considerable improvement during October, silver coin now being quoted at 17/8 to 2 per cent discounts. The rise in silver is attributable to its wide distribution throughout the Island, to its being accepted in part payment of taxes, and Dr. Ferrara is of the opinion that it will go to par with our currency. His reason for his desire to export American silver is to remove it as a factor of comparison of values with Cuban silver coin.

“Manager Frazer and Assistant Manager Alston were performing every service satisfactorily. I am of opinion that our bank is to be congratulated upon having two men of the caliber of these two in charge of its foreign agency.”²⁰

One result of the new Federal legislation, typified by the Reconstruction Finance Corporation Act, was a plethora of loan applications.

Reporting to the Board in September Governor Black said:

“During August we have had innumerable applications for loans to individuals, partnerships and corporations. Applicants have come in person and requests for loans have come in large number through the mails. This department has been handled by Deputy Governor Conniff, who has exercised great patience and care and given due consideration to each ‘applicant and to each request for information as to a loan.

During the month we have declined loans because of ineligibility, unacceptability, lack of endorsers or lack of collateral. During the early part of September we have made one loan to the [REDACTED] located in Tennessee in the sum of \$50,000.00. My information is that these loans have been very few throughout the system.”²¹

In November Governor Black made an interesting report to the Board on both country and city banks in the Sixth District. It is an interesting exposition of current economic conditions:

“Collections have been exceedingly slow with country banks. They have been unable to collect. Cotton that has sold has been limited in quantity and the price low. The Government Seed Office has been insistent upon the collection of its loans upon the crops and Federal Land Banks have been active in collecting interest and installments. Many of our banks made limited loans as related to this years crop. All of the factors named’ have in a large number of cases greatly restricted collections by our member banks. The result must be a carryover on our part for many of these banks. In each such case we are carrying large additional collateral in an effort to protect our position with these banks in connection with our advances to them.

“A serious question is being presented to a number of these country banks under present conditions. Collections have been small with them and their cash position is low. Many have borrowed from the Reconstruction Finance Corporation. The funds borrowed have been consumed in operations and they now find themselves in a position where their cash position is low, their collections exceedingly limited, their

assets largely pledged, and before them a years operation before further substantial seasonal collections can be made. In the case of each of these banks we are aiding as far as we can, but we, as well as these member banks, realize the seriousness of their present situation. Some of them can be aided, some of them can pull through, but in my opinion some of them must succumb. A revival of business, the reestablishment of land values, especially agricultural land values, an increase in commodity prices, especially agricultural products--all combining to aid in increasing deposits and in the collection of their receivables--is apparently the one remedy which will avail these banks. I should like the Directors to know that in this situation concerning these agricultural banks we are acting with caution and with an earnest desire to aid those that are solvent to have an opportunity to realize upon their present frozen assets and to weather present conditions. Our Finance Committee and Executive Committee are diligent in considering this aggregate proposition and the problems by each one of these banks as its condition is presented by officers of such banks to this bank.22

“We also have problems in connection with many city banks. The condition of these banks is such that only a revival of business and reestablishment of values, both of securities and of real estate can ultimately save them. The cash position of most of these city banks is all right. Their intrinsic condition must ultimately be remedied. In the case of each such city bank our officers are giving their earnest attention to efforts to aid them in the solution of the different problems presented by the different banks.

“As a whole, the demand upon us by our banks for our credit facilities is limited. It is not a question of credit so much with them as it is a question of soundness. There must be a revival of business and there must be a substantial increase in values ultimately in order that the problem of these banks might be worked out. Reserve Banks during the past year especially have aided in a very large degree in maintaining credit conditions. The Reserve Banks can aid in many ways in the revival of business. They

can lend their different agencies to the restoration of fair values, but in the end they can not aid in capitalization or in the repairing of impaired capital. That is inherently a problem for the bank involved and must be solved by each individual bank if our banking structure is to be placed on a firm basis. Credit has been superabundant from Reserve Banks and other Government agencies, but credit cannot solve the problem of impaired capital.

“Applications to the Reconstruction Finance Corporation have become fewer in the past few weeks. In my opinion this is due to two things: (1) a large number of the banks desiring aid from that Corporation have already obtained that aid; (2) a number of the banks hesitate to have their loans with that Corporation made public.

“In addition to the Reconstruction Finance Corporation, the Home Loan Banks have been established and the Agricultural Credit Corporation has been established. These agencies should aid home owners and agriculture in refinancing present debts. Neither of them will pay debts, and ultimately debts must be paid. They are of large advantage in bridging over the period between the solution of unemployment, restricted wages and depression in values of real estate and farm property, but again we come to the conclusion that for ultimate relief to be afforded, there must be a revival of business and agriculture, a rise in value of real estate and commodities, so that ultimately these classes of our people may be enabled to pay the debts represented by their home mortgages and the liens upon their farms and farm crops. I believe that the conditions of the past three years have taught material lessons to our people. Lessons of thrift and economy have been deeply learned. I also believe that in our country there will be a revival of business and the reestablishment of values will go a long way toward solving our problem. The Reserve Bank is intensely interested in all this and it should stand ready with its resources and its facilities to aid in every movement that looks to its accomplishment. We are proceeding with all our member banks and with each bank

fully cognizant of our responsibilities in the present situation.23

Brave words on the part of the Governor, to be sure, and fundamental to the revival of the economy. But the road back was destined to be long and steep.

In commenting upon the subject of relief and unemployment at this time, Governor Black said:

“The unemployment and relief problem is a pressing one. Outside of the efforts of each corporation and each community in this regard it may be interesting to you to be advised of the following amounts that have been advanced to our different Sixth District states for relief purposes:

Florida	\$835,715.00
Georgia	345,093.22
Tennessee	467,536.00
Louisiana	2,385,258.00
Mississippi	850,000.00
Alabama	225,000.00 <u>24</u>

Eugene Meyer, noted public figure, newspaper executive and, since September 16, 1930, Governor of the Federal Reserve Board, visited Atlanta in late November, 1932, accompanied by Floyd R. Harrison, his assistant. Both attended a special meeting of the local Federal Reserve Board on November 26. The meeting was devoted for the most part to a talk by Governor Eugene R. Black, who took the occasion to capsule the operations of the Sixth District Bank from its inception in 1914 to date. After introducing the Atlanta Directors individually and noting that two, Messrs. J. A. McCrary and W. H. Kettig, had both served since the bank opened, Governor Black reported:

“In December 1914 we had 381 member banks with capital and surplus of \$88, 476, 000 and deposits of \$237, 566, 000. In June 1932 we had 338 member banks with a capital and surplus of \$153, 558, 000 and with deposits of \$832, 835, 000 and with

total reserves of \$1, 123,433,000.

“During the seventeen years of its existence from the middle of November 1914, through the year 1930, this bank has extended credit to commerce, industry, and agriculture to the extent of \$16, 145, 148, 000. \$14, 384, 667, 000 of this extension of credit has been through the discount or rediscount of negotiable paper offered by the member banks in this district, the balance through purchase in open market or from other Federal Reserve Banks of acceptances and government securities.

“Through this large amount of credit accomodation there have resulted earnings which have amounted to \$47,932,930, which earnings have been made through average normal interest returns.

“During this period, current operating expenses and the cost of printing and shipping currency have totaled \$17,997, 132 and there has also been set aside out of earnings over \$6,409, 126 for depreciation and reserves, etc. These deductions have left during this period more than \$23, 709, 132 as net earnings available for dividends, surplus and franchise tax. Of this amount \$4, 214, 508 has been paid to member banks in the form of dividends, \$10,448, 658 carried to surplus account, and \$8,950,561 has been paid to the United States Government for franchise tax.

“At the present moment our capital is \$4,681,500 and our surplus \$10,448,658. Our member banks reserve account is \$41,919,345, as against \$49,915, 295 on the same date last year. We have earning assets totalling \$71, 072, 808, made up of bills discounted secured by Government obligations, \$2,467, 376; other bills discounted, \$18, 340, 194; bills bought in open market, \$3, 663, 438; United States bonds and notes \$19, 375, 550; Treasury Certificates and Bills, \$27, 226, 250. Our Federal Reserve

notes in actual circulation are \$97, 241,730.

“For the current year our gross earnings have been \$1,826,695; our current expenses \$1,069,240; our net earnings \$757,455; our dividends, paid and accrued \$261,310; and our net earnings available for depreciation allowance, reserve, surplus and franchise tax, are \$469,476, as of date November 23rd.

“During the past three years we have participated in all open market purchases of bills and in all open market purchases of Governments where our gold position or reserve position would allow.

“We have four branches and two agencies ... In addition to our main building in Atlanta, we have adequate buildings and facilities at each of our branches. In Havana we have leased quarters with our own constructed vault facilities. We have maintained in Havana about \$12, 500, 000 for uses of the Agency and in New Orleans we keep \$10,000,000 of unissued currency for any emergency conditions there. In Jacksonville we have \$10, 000, 000 unissued currency for purpose of transportation to Cuba in the event of an emergency.

“During the years 1930, 1931, and 1932 we have had 72 member bank suspensions. These have consisted practically of the smaller banks and we have averted any suspensions, with the exception of the Holston-Union National Bank of Knoxville, among the banks of our district in larger cities.

“At the present time, practically one-fourth of our banks are in an extended condition, these banks being continued in large measure to country banks and their condition being due to crop conditions and managerial problems during the past three years. We have, however, certain situations among the banks of our cities that are requiring and receiving our constant attention.

“The bank as a whole receives the loyal and faithful services of its officers and employees. Our relations with the Federal Reserve Board have been most cordial and we have appreciated such suggestions as they have made and such directions as they have given. In the larger problems for the past three years, our bank has taken an active and earnest interest in close collaboration and cooperation with the other reserve banks of the System as a whole.25

Governor Meyer spoke on general banking and business conditions. His remarks were helpful and constructive and were very much appreciated by all those present.26

NOTES

Chapter 21

1. Faulkner, From Versailles to the New Deal, 351.
2. Ibid., 351-352.
3. Ibid., 352-353.
4. Ibid., 353.
5. Garrett, Atlanta and Environs, II, 893-900.
6. Minutes, Directors, VII, 1988-1989.
7. Annual Report, 1931, p. 11.
8. Ibid., 1932, p. 16.
9. Minutes, Directors, VII, 2047, 2055.
10. Ibid., 2109.
11. Ibid., 2010.
12. Ibid., 2038.
13. Ibid., 2019.
14. Ibid., 2019-2022.
15. Ibid., 2054.
16. Ibid., 2063.
17. Ibid., 2070.
18. Frazer, "Brief History Havana Agency," 24-25.
19. Ibid., 25.
20. Minutes, Directors, VII, 2103-2104.
21. Ibid., 2084.

22. Ibid., 2099-2101.

23. Ibid., 2100.

24. Ibid., 2100-2101.

25. Ibid., 2106-2108.

26. Ibid., 2108.

Chapter 22

1933

Nineteen thirty-three was a fateful year. Hitler came to power in Germany and that country promptly left the League of Nations. Franklin D. Roosevelt was inaugurated President; the Democrats came into control of both houses of Congress; the 21st Amendment ended prohibition; Roosevelt announced a “Good Neighbor” policy toward Latin America; the London Economic Conference failed to promote international cooperation; and the United States recognized the U. S. S. R.¹

Meanwhile a banking panic had preceded Roosevelt’s inauguration and unemployment had reached an estimated 15 million. The new President had a mandate to do something. He did. The First Hundred Days of his administration saw New Deal agencies proliferate-- CCC, FERA, AAA, TVA, HOLC, FDIC, NRA, CWA, etc.²

Early during the “Hundred Days” came the Banking Holiday. Since early in the year, banks were forced to close in one state after another. The final crisis was reached in March as President Franklin D. Roosevelt took office. Proclaiming a four-day bank holiday, he closed all banks, and only those which were sound were allowed to reopen. Some 2,113 remained closed.

Chairman Oscar Newton reported the matter in detail:

“The uncertainty prevailing throughout the country in regard to banking conditions, and the continued suspension of banks, resulted in the banking crisis early in March. Difficulties which resulted in a banking holiday in Michigan on February 14 spread rapidly, and similar moratoria were declared in Indiana on February 23, Maryland on February 25, Arkansas on February 27, and Ohio on February 28. As the

number of states having these holidays increased, banks in those states withdrew funds from their correspondents in other states. On March 1, holidays or restrictions were imposed in four additional states, two of them Alabama and Tennessee, in the Sixth Federal Reserve District; on March 2, six additional states were added to the list, among them Louisiana and Mississippi; on March 3 seven other states, including Georgia, were added to the list, and on March 4, suspension of banking operations became virtually complete with suspension in 25 other states, including Florida.

“By Presidential Proclamation all banking institutions were required to remain ..closed during the week beginning Monday, March 6, through Saturday, March 11, and beginning on March 13, 14, and 15, banks considered to be in sound condition were issued licenses by the Secretary of the Treasury to resume normal banking operations. In a number of unlicensed banks plans for reorganization were made, and others were placed in the hands of Conservators. In the Federal Reserve Bulletin for March and subsequent months were published the President’s Proclamation, regulations issued by the Secretary of the Treasury prescribing the limited banking functions which were permitted under certain conditions during the banking holiday, emergency banking legislation passed by Congress on March 9, the Banking Act of 1933 passed by Congress in June, interpretations of these Acts of Congress, and other important matters relating to the banking emergency.

“In the Sixth District the demand by member banks for Federal Reserve currency began to be felt early in February. In the three weeks from February 1 to February 21, Federal Reserve note circulation of this bank increased by \$13,370,000; from February 21 to March 1, there was an increase of \$14,884,000; and during the first half of March,

there was a further increase of \$50,484, 000. From February 1 to March 15, the total increase was \$78, 738, 000. From that time there was a decline each week to a low level for the year of \$115, 765, 000 on July 26. In order to obtain this large supply of currency, member banks increased their discounts by about 34 millions of dollars between February 8 and March 15, this bank increased its holdings of United States securities by nearly 30 million and its holdings of purchased bills by more than 17 millions, and member bank reserve accounts were reduced by less than 10 millions of dollars.”³

In somewhat more informal vein, V. K. Bowman, now⁴ retired, in 1933 an assistant cashier, reminiscing in 1961, wrote:

“The banking holiday arrived! Phoned around 1 a.m., to come to the bank, picking up the two senior secretaries enroute. Feelings indescribable! Business halted on dead center. Phones constantly ringing. City bankers crowding Governor Black’s office. Plans made to make advances to member banks on any asset having value were made. The personnel of the Examination and Accounting divisions were assigned to assist the Credit division in this work. The bank was filled with bank officers from all over the District. Mail sacks, garbage cans, waste baskets, card board boxes, anything that would hold and carry notes and collateral were stacked up in the vault, they having been inspected, listed and valued for collateral to advances to be made on request to the respective member banks when they were licensed to reopen for business at the end of the Holiday. Fortunately, not many advances were required, and in a few weeks the remaining assets deposited for that purpose had been returned to the owning banks without the loss of a single item.

“The period of the holiday was one of real ‘team effort’ on the part of all, from janitor to office boy to Governor. Governor Black showed his recognition of this by inviting all of the officers and department heads of the bank to his home for a dinner. A host extraordinary, his ability as a raconteur made the meal and after dinner talks one of those rarely experienced events in life.

“During the after-dinner conversations, his radio suddenly stopped in the middle of a symphony movement. An announcer came on with a special report from Washington to the effect that the President was considering calling Mr. Newton to Washington to head up the Federal Reserve Board. Congratulations showered on Mr. Newton and a toast was given with loud acclaim! The time of denouement arrived- - Grady Black⁵ had cut in on the radio from outside and made the announcement. All a grand leg-pulling; the inflation and deflation of personal hopes and gratification had been so obvious--made your heart ache ...”⁶

As a matter of fact, Governor Black was called to Washington in May by President Roosevelt and appointed to the governorship of the Federal Reserve Board, succeeding Eugene Meyer. ⁷ A telegram from Black was read to the Board members of the Atlanta Bank at their regular meeting on May 12:

“I hereby tender my resignation as Governor of the Federal Reserve Bank of Atlanta effective upon my confirmation in my new position. This resignation is tendered with great regret and with very deep appreciation of the cordial relations which have existed between the directors of the Federal Reserve Bank and me.

“I am especially appreciative of the attitude of the directors toward the resumption of my duties with the Federal Reserve Bank of Atlanta upon the termination of

emergency duties here.” 8

The following resolution was then offered and adopted:

“WHEREAS, the Governor of this bank has been signally honored by an appointment to the Governorship of the Federal Reserve Board; and

“WHEREAS, the Governor has tendered his resignation as an officer of this bank, effective upon the assumption of his new office,

“THEREFORE, BE IT RESOLVED By the directors of the Federal Reserve Bank of Atlanta, in meeting regularly assembled, that the resignation so tendered be and the same is hereby accepted.

“BE IT FURTHER RESOLVED That we extend to Governor Black our sincere and ..cordial congratulations, and at the same time express the hope that the present trying and emergent conditions will shortly so far abate as to permit of the resumption of his duties as Governor of this bank.”

W. S. Johns, Deputy Governor, was appointed Acting Governor and assumed that office May 19 upon the departure of Governor Black.

Meanwhile, following the Bank Holiday, there took place, on June 16 and August 23, 1933, a thorough revision of Federal banking laws. The chief changes fall under four heads. First, to restore public confidence in banks, an independent Federal Deposit Insurance Corporation was founded. All member banks of the Federal Reserve System had to join it and most other banks did likewise. By paying annually 1/12 of 1% of its average deposits, a bank guaranteed its depositors against losses up to \$5, 000. By 1945, 92% of all banks in the nation belonged, 96% of all depositors were protected, and 46% of all depositors were safeguarded. Bank failures dropped to 57 in 1934 and

none in 1945. 10 The F. D. I. C. was a creation of the second Glass Steagall Act and, while there were strong theoretical objections on the basis that well-managed banks were made to pay for the badly managed banks over whose policies they had no control, the Corporation has become an integral part of the banking system.

The second great change was the divorcement of commercial and investment banking. Third, restrictions on real estate loans were relaxed, partly to help farmers and partly so that member banks could compete better with state banks. Fourth, the Federal Reserve Board was reorganized, renamed the Board of Governors of the Federal Reserve System, and given greater control over banks. Supervisory functions became direct-control functions. The board was granted authority to increase member banks' reserves against deposits up to double of what they had been and also to increase the margin requirements on stock exchanges.11

In addition to the resignation of Governor Black and the designation of W. S. Johns as "Acting Governor", a number of other changes took place in the Bank's official family during 1933. At the December 1932 Board meeting, Directors G. G. Ware and Leon C. Simon were re-elected Class "A" and Class "B" Directors for the three year term beginning January 1, 1933, while at the January meeting, following, all officers were re-elected for the year.12

In June, George S. Harris, a Class "C" Director, resigned because of his removal, for business reasons, to Charlotte, North Carolina, outside of the Sixth Reserve District. On July 27, James P. Allen, President of the J. P. Allen Company, a leading Atlanta department store, and active in the civic and business life of the city, was appointed by the Federal Reserve Board to succeed Mr. Harris.18

Ward Albertson, connected with the Bank since its organization, Assistant Federal Reserve Agent since early 1919, and Secretary of the Board of Directors since 1923, died on May 16, 1933. Lewis M. Clark, formerly Assistant Cashier, was appointed to succeed Mr. Albertson as Assistant Federal Reserve Agent and at the August Board meeting was elected Secretary of the Board.14

John C. Cooper, of Jacksonville, Florida, who had served as a Director of the Jacksonville Branch since its establishment on August 1, 1918, died December 17, 1933. On the 23rd, Bayliss W. Haynes, President of the Wilson and Toomer Fertilizer Company of Jacksonville, was appointed to succeed Mr. Cooper.

It will be remembered that the Board of the Atlanta Bank voted in December 1932 to reduce salaries 12%, without the dismissal of any employee. The action was promptly approved by the Federal Reserve Board.15

Before these actions took effect, however, the Atlanta Board met on January 6, 1933, at which time Governor Black presented a memorandum of facts covering the question of employees' and officers' salaries in the bank. After full discussion and in consideration of the lowest paid employees, as set forth in Governor Black's memorandum, the following motion was put by Director Melvin:

“(1) That for the year 1933 salaries of all employees receiving \$1,000 per year or less be the same as for 1932.

“(2) That for the year 1933 salaries of all employees receiving between \$1,000 and \$1,200 per year be reduced five percent below the salary paid such employees respectively in 1932.

“(3) That for the year 1933 salaries of all employees receiving over \$1,200 per year be reduced ten percent below the salary paid such employees respectively in 1932.

“(4) That necessary adjustments be made in salaries on the border line in the groups named in paragraphs 1, 2, and 3, so that reductions will not reduce any salary in paragraph 2 below the salary paid any employee in paragraph 1, or the salary in paragraph 3 below any salary in 2.

The above was seconded and adopted, Directors Young and Simon voting in the negative. 16

Director Young explained his negative vote as follows:

“Some six or eight years ago the commercial banks of Atlanta furnished to the Federal Reserve Bank a list of all their employees, giving the position and annual salary of each, and it was agreed between the Federal Reserve Bank and the commercial banks of Atlanta that the salaries of employees of each, as living and working conditions were the same, would be adjusted and maintained on practically the same basis. This was done at that time and kept approximately on that basis until about three years ago, at which time the depression came on and the commercial banks set about reducing their expenses, including salaries of employees, and as the Federal Reserve Bank has not reduced such salaries during that period, the average of the Federal Reserve Bank of Atlanta is about 25% above the average paid by the commercial banks in Atlanta at this time. I feel there is no good reason for this difference and that it should be adjusted. Therefore, I have to vote against the small reduction which the resolution carries. 17

A reduction in officers' salaries was covered in a motion put by Director Melvin:

"That for the year 1933 all officers' salaries in their respective official positions be reduced ten percent below the respective salaries paid such officers for the year 1932, and that such salaries be fixed for the year 1933 at the same figure as 1932 less such reduction of ten percent; except that the salary of the Managing Director of the Jacksonville Branch be first placed at the same figure (\$6, 500) as the salaries of the Managers at Birmingham and Nashville, and for 1933 be reduced said ten percent, so that with such ten percent reduction it would be \$5, 850."

The motion was carried.18

As it turned out the salary reductions were of short duration. On July 14 Chairman Newton read to the Atlanta Board a letter he had received from the Federal Reserve Board, dated June 23, with 'which was enclosed a resolution adopted by the Board, as follows:

"The Federal Reserve Board has given consideration to the general policy involved in general or flat rate reductions of salaries which have been made at various Federal Reserve banks, either in connection with share-the-work plans or independently thereof, and a copy of a resolution adopted by the Federal Reserve Board with regard thereto is enclosed.

"In accordance with the last paragraph thereof, it is requested that you bring the resolution to the attention of the board of directors of your bank at its next meeting, and it will be appreciated if you will advise the Board of the action taken by your directors in connection therewith.

“WHEREAS, Nation-wide efforts are now being made to encourage industrial and business interests to raise salaries and wages in order to increase the purchasing power of the people and thereby to promote business recovery, a movement in this direction is already under way, and it would be well for the Federal Reserve banks to participate in this movement;

“WHEREAS, all of the Federal Reserve banks are operating at a profit, most of them having already realized sufficient net earnings to pay their dividends for the first six months of 1933, and the aggregate net earnings of the twelve banks are far in excess of the aggregate dividend requirements;

“WHEREAS, the Banking Act of 1933 amends Section 7 of the Federal Reserve Act so as to relieve the Federal Reserve banks of the necessity of paying any franchise tax to the Government, thus eliminating any financial interest of the Government in their earnings;

“WHEREAS, the increased duties devolving upon the Federal Reserve banks under legislation enacted during 1933, together with the improvement in business conditions, are resulting in a substantial increase in the volume of their work, thereby eliminating the necessity of reducing the number of employees of the various Federal Reserve banks, including those where additional employees were taken on in carrying out the share-the-work plans in effect at those banks;

“WHEREAS, it appears that the cost of living is advancing;

“NOW, THEREFORE, BE IT RESOLVED, That there appears to be no occasion for continuing in effect the emergency reductions in salaries of the officers and employees of the Federal Reserve banks;

“BE IT FURTHER RESOLVED, That it is the sense of the Federal Reserve Board that the Board of Directors of each Federal Reserve bank should give prompt consideration to terminating the emergency reductions in the salaries of their officers and employees, effective July 1, 1933, or as soon thereafter as it is practicable to do so;

“BE IT FURTHER RESOLVED, That the Board’s Secretary be hereby instructed to transmit a copy of this resolution to the Chairman of the Board of Directors of each Federal Reserve bank and request him to bring it to the attention of the Board of Directors at its next meeting.”¹⁹

After considerable discussion, in which it was pointed out that the cost of living was indeed on the rise, it was voted to postpone a decision until the August Board meeting so as to give the Salary Committee more time for study. ²⁰ The study apparently supported the conclusions of the Federal Reserve Board, for, on August 1.1, it was voted to restore the salaries of officers and employees to schedules in effect before the emergency reductions, effective August 1, 1933.²¹

In early May 1933, a letter was received from the Federal Reserve Board in Washington setting forth the undesirability of Federal Reserve Agents, their assistants and staff members incurring indebtedness directly or indirectly to member banks and asking for a report on any individuals so indebted.²² At the same time the Board called attention to a 1924 circular letter, the gist of which was:

“...the Federal Reserve Board believes it will be as obvious to the directors of the Federal Reserve banks as it is to itself that the good conduct and repute of the Federal

Reserve System require that the officers of the reserve banks shall give their entire time and attention to the affairs of the banks and not to be identified with any outside business interests. “23

After careful consideration of the above matters, the Atlanta Board expressed the opinion that the relationship of debtor and creditor of officers and heads of departments of Federal Reserve banks and their member banks is undesirable, and went on record as favoring that principal.

“However, ‘ said the Board, “in order that the policy resulting from such a declaration of principle may not fall unduly hard on officers and heads of departments having existing loans, if any, it was agreed that reasonable time should be given the makers to liquidate such loans and in determining what constitutes a ‘reasonable time’ it was agreed that all the facts and circumstances should be considered, but that officers and heads of departments who may have existing loans should liquidate them as soon as possible without entailing undue hardship upon the makers.”24

During the entire history of the Federal Reserve System, little opportunity has existed for its officers and key personnel to wheel, deal, or deviate from the path of rectitude and honesty.

By the summer of 1933, particularly in the cotton growing South, conditions were showing a slight improvement. In a report on June 9, Acting Governor Johns told the Board that total loans to member banks amounted to \$18, 247, 000 and on June 30 to only \$7, 894, 000--a decrease for the month amounting to \$10, 353, 000. He went on to say:

“On account of the continued increase in the price of cotton, very few of our agricultural member banks are asking for additional accommodation. Many of them are further decreasing their indebtedness to the Reserve Bank, and several have paid their indebtedness in full during the month.”25

On October 13, the Acting Governor reported again in similar vein:

“In former years at this season, the Reserve Bank has carried a large amount of commodity discounts for its member banks, but we are being offered at this time practically no cotton or commodity secured paper. On account of the Government’s expected cotton financing program, there appears to be a disposition on the part of farmers to hold their cotton, and on account of the improved positions of our agricultural member banks they are able to carry cotton or other commodity loans in their own portfolio and their appears to be no necessity for them to offer this paper to the Reserve Bank.”26

A month prior to the bank holiday of early March, a crisis arose among the banks in New Orleans which was resolved by the recently organized Reconstruction Finance Corporation plus the personal presence of Atlanta Bank Governor Eugene R. Black. Indeed, as Governor Black left New Orleans on the afternoon of February 9, R. S. Hecht, President of the Hibernia Bank & Trust Company, telegraphed Chairman Oscar Newton of the Atlanta Bank as follows:

“Mr. Black left this afternoon after having spent five strenuous days with us. I will leave it to him to advise you of the harrowing but interesting details of this Black Week, but I want to add something else which I know he won’t tell you, that is, that he was a tower of strength to the situation as a whole and I don’t know how we could have ever

got the results we did without his splendid cooperation and his patience and tact, which held all the various interests together at all times. I will not speak of the gratitude which I and my directors feel for the help he rendered our own institution but I want you and his other colleagues to know that the whole city of New Orleans owes him a real debt of gratitude for his untiring and effective work.27

The following day at a meeting of the Atlanta Board, Director Leon Simon of New Orleans made the statement that when Governor Black arrived in New Orleans Sunday morning the bankers were demoralized. In this situation he did a wonderful piece of work in that he materially aided the banks and the Reconstruction Finance Corporation in the determination of the large sums necessary to avert this crisis. Director Simon further stated that, in his opinion, Governor Black's presence in New Orleans was the main factor in accomplishing those things that were necessary to the restoration of confidence and the return to a normal state." 28

The entire history of the Havana Agency was marked by periodic crisis and its 1933 operations were no exception to the pattern. Wrote H. C. Frazer:29

"The impact of the banking crisis which developed in the United States in late February and early March 1933 was strongly reflected in banking in Cuba. With the announcement of banking moratoriums in various states within the United States, the Cuban public became extremely apprehensive and Havana banks began reinforcing their cash reserves. On Friday and Saturday, March 3 and 4, the Agency paid to the Havana banks around \$20 million, completely depleting its reserves. Withdrawals from Havana banks were rather heavy on these two days.

“To cope with the situation which was becoming critical, the Cuban President, General Gerado Machado, after consultation with representatives of the Havana Clearinghouse banks, the Manager of the Havana Agency, the Secretary of the Treasury, and other high government officials, issued a decree on Sunday, March 5, declaring Monday, Tuesday, and Wednesday, March 6, 7, and 8 as bank holidays. The decree cited the banking holidays declared last week in many of the states in the United States, including New York, and set forth the close relationship existing between American and Cuban banks.

“Banking circles felt certain the hysteria induced locally by closing of banks in the United States would have worn off before Thursday, but prepared to add to their reserves of cash in the event that the pattern of Saturday’s withdrawals should continue when the banks reopened for business. Shipments aggregating \$20 million were received by the Havana Agency early in the week of March 6, but because of the freeze on Federal Reserve funds imposed by the Presidential order in the United States, no payments could be made to the Havana banks. [REDACTED], on which withdrawals had been heaviest, received shipments aggregating \$10 million by air from its head office in New York. [REDACTED] also received shipments of sizeable amounts from New York.

“On Wednesday, March 8, after further conference with Havana bankers and government officials, President Machado extended the bank holidays for an indefinite period to run until the closing order in the United States was lifted. During the period the banks were closed, each of the eight Clearinghouse banks insisted that before reopening for business it would need considerable additional cash reserves. The

Agency held around \$20 million but the banks felt that this would not be sufficient to meet their requirements. None of the banks would divulge to the others its cash position, which made it extremely difficult for the Agency Manager and Atlanta officials to analyze the true situation.

“Finally, each of the Clearinghouse banks agreed to divulge to the Agency Manager in strictest confidence the amount of cash reserves held by it. When a tabulation was completed, it showed that in the aggregate the eight Havana Clearinghouse banks held around \$50 million and the Agency held \$20 million. This figure, in the opinion of the officials of the Atlanta Bank and Agency Manager, was more than adequate to meet whatever situation developed.

“Governor Black instructed the Agency Manager to assure the banks that should an unusual situation arise after reopening, the Federal Reserve Bank of Atlanta would promptly make additional funds available through the Agency. Upon being informed of the aggregate reserves available, the Havana bankers were agreeable surprised and promptly petitioned President Machado to withdraw the closing order. This was done and when the banks reopened later in March, contrary to expectations, very moderate withdrawals were experienced. In about a week or ten days conditions had returned to normal.”

During this time the Cuban political situation had become extremely tense. The Machado regime was publicly charged with tyranny and dictatorship and numerous demonstrations and riots had occurred throughout the island. Open defiance of the administration in all instances had been successfully suppressed by the Army which had remained loyal to President Machado up to this time. A strong anti-Machado force

had developed, however, among citizens and some segments of the Army, and as this revolutionary movement gained in momentum, riots and disorders became more frequent.

Finally, early on the morning of September 4, 1933, Sergeant Fulgencio Batista, with other non-commissioned officers of the Army, staged a bloodless coup, taking over the Army and arresting most of the old officers who were Machado supporters. Machado and many of his associates fled the country. Immediately following, complete disorder prevailed in Havana and throughout the Island. The Presidential Palace and many government buildings and homes of Cabinet members were ransacked.

The Army, under Sergeant Batista (after the coup to become "Colonel"), took over the government and, on September 5, declared martial law, which brought some semblance of order. During the week or so it required to restore partial order, all banks and business houses were closed.

The guards at the Agency quarters maintained their regular tours of duty and received full cooperation and protection from police and members of the armed forces. On the morning of September 5, when Manager H. C. Frazer arrived at the Agency, he encountered a machine gun manned by a squad of soldiers, mounted on the sidewalk in front of the building. The officer in charge of the group greeted Frazer and said, "You have nothing to fear. We are here on orders of Colonel Batista to protect the Federal Reserve Bank and its personnel." This protection was maintained for a week and within a month or so conditions returned to normal.³⁰

Even so, Acting Governor W. S. Johns took occasion to report briefly on the Havana Agency situation at the December Board meeting.

“While conditions in Havana have improved, our Agency Manager is still retaining his extra guard force, as an extra precaution, and this extra force will be retained until conditions will fully warrant a reduction in the number of guards...”³¹

Since its opening in 1919, the Savannah Agency had never been characterized by high volume. Periodically, the question arose as to the feasibility of its continuance. It arose in May 1933 and a committee, composed of Director Kettig and Chairman Newton or Deputy Governor Johns was appointed to investigate the need for keeping the Agency in operation.³²

The Savannah Clearing House, composed of the four Reserve member banks, urged continuance and assured the Committee that all reasonable safety measures as to protection of funds were being taken. After due consideration the committee made its report on July 14, which concluded as follows:

“...It is the opinion of your committee that this Agency is performing a valuable service to the four member banks in Savannah, and that, in view of its importance as a port and the need for large sums of money from time to time beyond the normal amount of money that a bank would carry, the continuation of the Agency is justified.

“The Savannah banks make large shipments of currency to banks in their territory and some of these banks are members of the Federal Reserve System. To this extent the Federal Reserve Bank is relieved of transportation cost on money shipped by Savannah banks to our member banks.

“In view of the long and satisfactory operation of the Agency as it relates to our Savannah member banks, and after considering the service to our Savannah member

banks that this Agency renders, it is the opinion of your committee that it should be continued, and we so recommend.”

The Agency was continued for another 12 years.

In American economic history, 1933 was indeed a watershed year. The winter was grim. Fifteen million men and women had no jobs and millions more were working for reduced salaries and wages. At least three million were on relief.

Farm prices had fallen so low that a wagonload of corn would not pay for the shoeing of a pair of horses. A truckload of hogs would barely buy a new set of tires. The dollar value of American exports was the lowest in 30 years.

General Motors and United States Steel shares were selling at about 8 percent of the prices they had commanded in 1929. At a lavish dinner given by the Spanish ambassador, Secretary of the Treasury Mills was called from the table every few minutes for telephone reports of the latest bank closings.³⁴

Yet, before spring the picture began to brighten and the character of a new era began to take form. Indeed, Chairman Oscar Newton was able to devote the first paragraph of the Bank's Annual Report for the year to relatively good news. He wrote:

“Although business and industrial activity, which had been declining for more than three years, reached new low levels during the first quarter of 1933. The year in retrospect may be considered one in which considerable progress was made toward improved business, industrial, and banking conditions. The seasonally adjusted index of retail trade in the Sixth District reached an all-time low in March but by December department store sales had increased to the highest level in two years. Wholesale trade reached the lowest level on record in February, but increased each month through

October, and declined less than usual in November and December. Building permits issued at twenty cities in the District were less in February than in any other month for which figures are available, and building and construction contract awards reached their lowest point in April but for the year exceeded the 1932 total by 51.5 percent.”35

Total resources of the Federal Reserve Bank of Atlanta at the close of 1933 amounted to \$233,384,000, greater by \$55,716,000 than the total at the end of 1932, and also larger than at the close of 1931 or 1930. 36

Earnings, however, were off. The total came to \$1,686,497 for the year, smaller by 15.8 percent than in 1932, but 16.4 percent larger than in 1931. With the exception of 1931, however, earnings in 1933 were smaller than for any other year since 1917. Current net earnings for 1933 amounted to \$365,230, a decline of 53.5 percent compared with the total for 1932, and except for 1931, the smallest for any year since 1916.37

An episode which took place in mid-summer of 1933 illustrated the fact that hard times breed desperation and desperation in turn often finds expression in spectacular crime. So it happened that on the hot morning of July 6, John K. Ottley, President of the First National Bank of Atlanta, was boldly kidnapped for ransom, the first crime of its type ever consummated in the annals of the city.

As Mr. Ottley drove from the driveway of his Peachtree Road estate, he was accosted by a young man who indicated a desire for a ride into town. Having previously seen the young man in the vicinity of his home, Ottley stopped to pick him up. As he did a pistol was thrust into his side with a command to get into the back seat and keep still. The banker complied. Another young man, heretofore concealed, took the wheel. The

car was driven to a remote spot some 30 miles north of Atlanta. A ransom note, asking for \$40, 000, was crudely written and later delivered to the Negro caretaker of the Ottley estate. It was turned over to the police. The man who first held up Mr. Ottley disappeared. The younger man was arrested at Suwanee, Georgia, where he and the victim had walked following the disappearance of the first man. This man, an ex-convict named Delensky, was captured in Texas in August and given a long prison sentence. Banker Ottley was shaken but uninjured. All he lost was the ten dollar bill he had on his person and his glasses. 38

NOTES

Chapter 22

1. Life History, Vol. 11, p. 168.
2. Ibid.
3. Annual Report, 1933, p. 7-8.
4. March, 1966.
5. A son of the Governor.
6. Typescript on file at the Bank.
7. Annual Report, 1933, p. 16.
8. Minutes, Directors, VIII, 2162.
9. Ibid.
10. Collier's Encyclopedia, 20 vols., (New York, 1957), 3, p. 80.
11. Ibid.
12. Minutes, Directors, VII, 2119; VIII, 2121-2122.
13. Ibid., VIII, 2184, 2193, 2203; Annual Report, 1933, p. 17.
14. Annual Report, 1933, p. 17; Minutes, Directors, VIII, 2176, 2203.
15. Annual Report, 1933, p. 17.
16. Minutes, Directors, VIII, 2132-2133.
17. Ibid., 2133.
18. Ibid.
19. Ibid. , 2187-2188.
20. Ibid., 2188.
21. Ibid., 2208.

22. Ibid. , 2168-2169.
23. Ibid. , 2169.
24. Ibid., 2170.
25. Ibid., 2190.
26. Ibid., 2222.
27. Ibid., 2135.
28. Ibid.
29. "Brief History, Havana Agency", 25-28.
30. Ibid., 28-29.
31. Minutes, Directors, VIII, 2239.
32. Ibid., 2172.
33. Ibid. , 2194-2 195.
34. Conrad Knickerbocker, "1933 in America: The Low Point," Atlanta Constitution, March 21, 1966.
35. Annual Report, 1933, p. 7.
36. Ibid., 12.
37. Ibid., 13.
38. Garrett, Atlanta and Environs, II, 911-912.

Chapter 23

1934

New Deal legislation continued to proliferate during the second year of the Roosevelt administration and, in 1934, involved the Export-Import Bank, Cotton Control Act, SEC. FHA, Corporate Bankruptcy Act, FCC, and the Silver Purchase Act.

The latter provided for the purchase of all new domestically-mined silver at a rate nearly twice the world price. Silver was no longer bought for the formal purpose of “increasing and stabilizing domestic prices. “ Catering to this sectional interest meant the accumulation of great silver stocks to add to the problem of the gold stocks. None of the critics or defenders of the silver program could have foreseen that, within a few years, \$400, 000, 000 of the accumulated metal would be used in the machinery that produced the atomic bomb. 1

Gold also received attention. Congress passed the Gold Reserve Act of January 30, 1934. Wrote Dennis W. Brogan:2

“The Act authorized the President to fix the gold content of the dollar at between 50 and 60 percent of its former weight. Of the profit which the Treasury would make through the revaluation of its gold stocks, two billion dollars was to be used as a stabilization fund to keep the dollar in reasonable balance with foreign currencies. All the gold owned by the Federal Reserve Banks was to be handed over to the Treasury and paid for with dollar certificates. Gold coin was removed from the monetary system. Two days after this sweeping measure became law, the President revalued the dollar at a rate that kept just inside the maximum legal devaluation of 60 percent, and gold was now bought at a rate (\$35 an ounce) that reflected almost exactly the devaluation.

Nearly \$3, 000, 000, 000 profit resulted from these measures. Although the formal purpose of the Stabilization fund was to control the external value of the dollar, it put great internal inflationary powers in the hands of its administrators; they had to get dollars to sell abroad and to get the dollars they had to deposit gold with the Federal Reserve System, adding to the banking reserves in an inflationary sense.

“One result of this policy was a drain of European gold into the United States. A permanent and increasingly favorable balance of trade existed on the American side, and especially after the armament race had begun in Europe, an increasing demand for goods that dollars or gold could buy in America, with no corresponding increase in American demand for European goods. Each new crisis that racked Europe caused a further movement of gold to America, until the great gold hoard buried at Fort Knox in Kentucky became a symbol of fantastic times. For as the influx continued, the Treasury cut off the new gold from the general currency system by purchasing it direct and allotting it to an ‘inactive account’; it was sterilized. This hedging against inflation seemed less prudent in the recession of 1937-38, and by the spring of 1938, sterilization was abandoned.”

Passage of the Gold Reserve Act was taken cognizance of by the Directors of the Atlanta Federal Reserve Bank at their regular meeting on February 9. Reported Acting Governor W. S. Johns:

“At 3:30 p.m. on January 30, the President approved the ‘Gold Reserve Act of 1934’ and immediately the Secretary of the Treasury demanded a transfer of title and interest to all gold coin or bullion held by the Federal Reserve Bank of Atlanta. The Bank had no bullion but gold coin held by the bank amounted to \$7, 685, 000 which was

transferred to the Secretary of the Treasury as to title and interest, this gold coin being held in custody for the account of the Treasury Department, under custody prescribed by the Secretary of the Treasury. This transfer of title and interest was made after conferring with Mr. Oscar Newton, Federal Reserve Agent and Chairman of the Board, and we also had a telegram from the Federal Reserve Board, dated January 30th, which quoted an opinion given by Newton D. Baker, System's Counsel, and Walter Wyatt, Federal Reserve Board's Counsel, that when demand was made for this gold coin, after the Gold Reserve Act of 1934 had been signed by the President, such demand should be complied with by the Federal Reserve Banks without any reservation or protest, but before making the demanded transfer, an opinion was obtained from the banks General Counsel, Mr. Robert S. Parker, who concurred in the conclusions reached by Messrs. Baker and Wyatt that we should comply with the law, without reservation or protest."3

The Board ratified and confirmed the above action.4

Locally, in Atlanta and Fulton County, 1934 was an improvement over 1933. As the year moved along, money became more plentiful and agricultural conditions improved. True, the City began the year with a deficit of \$1,047,399.68. Mayor Key asked city leaders to meet the situation courageously. The Coca-Cola Company advanced the city \$800, 000 with which to help meet the emergency. But slowly and surely the times were getting better.5

In commenting upon the Atlanta unemployment situation, the City Builder for March, 1934, said:

“At the close of the year 1933, records showed, as a result of a survey, that 5, 339 firms employing 50, 641 people had added 5, 316 new employees, making a total of old and new, 56, 957. With these figures as a basis, our estimates are that between seven and eight thousand additional people were put on payrolls during the last six months of the year.

“The maximum number receiving unemployment relief during the peak of 1933 was 22, 000 people. The number now receiving direct relief is about 10,000. In February of 1934, there were in Fulton County 15,000 people working on CWA jobs.”

At its January, 1934 meeting, the Board re-elected all officers of the Atlanta Bank. During the year, however, certain changes among Board members and branch managers took place.

Ryburn G. Clay, President of the Fulton National Bank of Atlanta, was elected a Director by member banks in Group I for a three year term beginning January 1. He succeeded H. Lane Young whose term expired with the end of 1933. Mr. Young was elected as the member of the Federal Advisory Council to represent the Sixth Federal Reserve District for 1934, succeeding John K. Ottley who retired from the Council at the close of 1933. 6

William Webb Crawford, a Director of the Birmingham Branch, noted for his ability and good humor, died on January 15. He was replaced, effective April 16, by Frank M. Moody, President of the First National Bank of Tuscaloosa, Alabama.

Following his Service as Governor of the Federal Reserve Board, in Washington, from May 19, 1933, Governor E. R. Black returned on August 15, 1934, to the governorship of the Federal Reserve Bank of Atlanta at an annual salary of \$35, 000.-

At the same time he assumed, at the request of President Roosevelt, the duties and responsibilities of Liaison Officer between the Administration and the banks of the nation, presenting the recovery program to the banks and other financial institutions. After serving in this dual capacity for more than four months, during which time he was in constant demand as a speaker at bankers' conventions throughout the country, Governor Black died on the morning of December 19.8

On September 17, 1934, George S. Vardeman, Jr., was appointed Acting Manager of the Jacksonville Branch on account of Manager Hugh Foster's lengthy illness. On October 31, Mr. Foster died, and Mr. Vardeman was elected Managing Director of the Branch. T. A. Lanford, of the parent bank, was elected Cashier, succeeding Mr. Vardeman.9

Hugh Foster was a man of engaging personality. Endowed with distinctive natural gifts, he was also highly educated, having graduated from Southwestern Presbyterian University at Clarksville, Tennessee, and Princeton University.

In 1905, he organized the First National Bank of Union Springs, Alabama, and served as Cashier of that institution until January 1922, when he moved to Montgomery to accept the vice presidency of the Exchange National Bank of that city. He served in that capacity until 1926, when the Exchange was merged with the First National Bank of Montgomery. He served as vice-president of the merged bank until January 1, 1927, when he was elected Deputy Governor of the Federal Reserve Bank of Atlanta. In January 1931, he became Managing Director of the Jacksonville Branch and so served until illness forced his retirement. 10

As the year drew to a close, two Directors of the parent bank and a Director of the New Orleans Branch tendered their resignations. E. C. Melvin had served since January 1, 1926, three terms, as a Class A Director. J. B. Hill, a Class B Director since January 21, 1931, resigned because his election to the presidency of the Louisville & Nashville Railroad required his removal from Nashville to Louisville, outside of the Sixth District. Dr. P. H. Saunders, a Director of the New Orleans Branch since its establishment in 1915 and its Chairman since 1922, resigned because of the press of other business interest.¹¹

In November, successors were elected to Messrs. Melvin and Hill, whose terms ran to year's end. Mr. Melvin was succeeded by W. D. Cook, Executive Vice President of the First National Bank, Meridian, Mississippi. Fitzgerald Hall, President of the Nashville, Chattanooga & St. Louis Railway, succeeded Mr. Hill and was also appointed a Director and Chairman of the Board of Directors of the Nashville Branch. ¹²

At its regular meeting, on February 9, 1934, the Directors of the parent bank adopted the following resolution:

“RESOLVED That the Federal Reserve Bank of Atlanta adopt, subject to the approval of the Federal Reserve Board and effective March 1, 1934, the Retirement and Pension System submitted and recommended by the Pension system Committee of the Governor's Conference and set out in a report of that Committee made to the Federal Reserve Board under date of November 22, 1933.”

It was also voted to discontinue the Group Insurance on the lives of the employees upon the adoption of the above retirement and pension plan. Membership in

the retirement system was a requirement for all new regular employees and the passing of a physical examination became mandatory. 13

The Acting Governor was able to make, in January 1934, a sanguine report as to the aftermath of the banking holiday of March, 1933. He wrote:

“On March 18, just subsequent to the banking emergency, 62 member banks did not open --52 of these banks were indebted to the Reserve Bank. The total indebtedness of these 52 banks to the Reserve Bank was \$10,889,231, of which amount \$9, 165, 890 was indebtedness other than Government or commodity secured. These banks have now been reduced to 9 banks with an indebtedness of approximately \$1,321,000, and in my opinion the remaining conservator or restricted banks will not cause any loss to the Reserve Bank as we appear to have ample collateral to liquidate our indebtedness. Most of the conservator banks have under way plans for reorganization or payment of their indebtedness to the Reserve Bank through the organization of new banks.”14

By mid-April only two member banks were operating under a conservatorship, owing the Federal Reserve an aggregate amount of \$68,565.15 The Reconstruction Finance Corporation was playing a large role in this favorable situation.

During the exigencies of the banking holiday and attendant emergencies the Bank Relations Department had practically ceased to function. Indeed, a discussion was had at the May, 1934 Board meeting relative to the inactivity of the Department during the past several months. The Chairman of the Bank Relations Committee explained that the two field representatives heretofore assigned to the work were being

used in the Examination Department but would resume their normal duties soon. Indeed, the Chairman stated he would call a meeting of the Committee soon and review the situation.16

By early June, the Department had begun to function again and by year's end was going full blast, with a total of 352 calls on banks having been made by officers, field representatives and employees.17

On July 6, 1934 Chairman Newton informed the members of the Board that he and Acting Governor Johns recently attended a joint conference of Chairmen and Governors of the Federal Reserve Banks in Washington at which conference careful consideration was given to Section 13(b) of the Federal Reserve Act, which relates to discounts, purchases, loans and commitments by Federal Reserve Banks to provide working capital for established industrial and commercial businesses. The Chairman explained that the conferees had given earnest consideration to the law and the regulations to be issued by the Federal Reserve Board relating to loans to be made under this section. 18

After a general discussion of the law, the Chairman opened the meeting to nominations by the Directors of five individuals whose duties would be to serve as members of the Industrial Advisory Committee for the Sixth Federal Reserve District. The following were appointed:

William A. Parker, President, Beck & Gregg Hardware Co., Atlanta Ga.

Morgan McNeel, President, McNeel Marble Works, Marietta, Ga.

John Sanford, President, Armour Fertilizer Works, Atlanta, Ga.

A. R. Forsyth, Executive Vice President, Gulf States Steel Co., Birmingham, Ala.

Ernest T. George, President, Seaboard Refining Co., New Orleans, La. 19

The gist of the new law as to industrial loans was set forth in a letter from the Federal Reserve Board:

“That in exceptional circumstances when it appears to the satisfaction of your bank that an established industrial or commercial business located in your district is unable to obtain requisite financial assistance on a reasonable basis from the usual sources, your bank may make loans to, or purchase obligations of such industrial or commercial business, or may make commitments with respect thereto, on a reasonable and sound basis, for the purpose of providing it with working capital.

“That your bank shall have power to discount for, or purchase from, any financing institution operating in your district obligations entered into for the purpose of obtaining working capital for any established industrial or commercial business; to make loans or advances to any such financing institution or the security of such obligations, or to make commitments with regard to such loans or advances on their security, including commitments made in advance of the actual undertaking of such obligations. This provision requires participation by the financing institution.

“Under these two provisions, loans may be made direct to established industrial or commercial businesses or indirectly through financing institutions, such loans in either case to be for working capital.”20

Rates for these loans were covered in a telegram from the Federal Reserve Board:

“On direct loans or advances to established industrial or commercial businesses, 6% per annum; and on advances to member banks, nonmember banks and other

financing institutions, 5% per annum; Board also approves for your bank, effective immediately, following flat rates on commitments for industrial advances computed on percentages of commitment, and varying with duration of commitment: 1/2% up to ninety days; 1% ninety-one to one hundred eighty days; 1-1/2% one hundred eighty-one to two hundred seventy days,; and 2%, two hundred seventy-one to three hundred sixty-five days.” 21

On September 14, Governor Black was able to report:

“Our bank is making real progress in the matter of industrial loans. Our Industrial Committee is working faithfully and our officers are giving a large part of their time to this function...”22

At year’s end, under the heading “Industrial Advances,” Chairman Newton reported:

“During the last five months of 1934 there were 75 Industrial Advances made by this bank, totalling \$872, 443 in amount, under authority contained in the Act of Congress of June 19, 1934, which authorized such advances in exceptional circumstances to established industrial or commercial businesses unable to obtain necessary financial assistance from the usual sources. In addition to these advances, commitments to make further advances were made during this period to the extent of \$761,500.” 23

Because of the extra load of work thrown upon General Counsel Robert S. Parker as a result of industrial loan activity, Governor Black recommended in September that Mr. Parker's salary be increased by \$500 per month, effective July 1, 1934. The recommendation was approved by the Board. 24

At its meeting on August 10, 1934, the Board welcomed the return of Governor Black. The Governor acknowledged the greetings of the Chairman and the Directors and discussed briefly general conditions as they affected the country as a whole. He referred particularly to the sound condition of the banks of the country and the part they may contribute to the Recovery Program.25

A month later Mr. Black reported that he had visited Birmingham, Nashville, and New Orleans and found the branches in each city "in good condition, well-officered, and functioning properly." He also reported that he had- talked with numerous bankers and industrialists in all three cities and that business had improved and that credit was readily available. 26 The depression had. lost its deepest sting.

The Board meeting of November 2 was distinguished by the presence, in addition to the Directors of the Atlanta, of the Branch Directors and Managing Directors of the branches. Practically everyone present commented upon the economic situation.

It was the concensus of opinion "that agricultural conditions in the Sixth District are very good. Farmers are liquidating their current bills and paying on indebtedness contracted in previous years. The citrus crop in Florida will be large and representatives from that State expressed the opinion that if a fair price is obtained many old debts will be paid. " The speakers were unanimous in their assertion that industrial conditions have materially improved, except in the coal and iron sections.27

Ever since 1923, when it was placed in operation, the Havana Agency had been a recurring problem. It produced a profit of \$14, 578 in 1927. Expenses exceeded gross by \$10, 884 in 1928 and volume of operations had declined ever since. In June 1934, the Atlanta Bank requested permission of the Federal Reserve Board to close the Agency. Political and economic conditions in Cuba were unstable. The Cuban government had issued a decree prohibiting the exportation of money, from which decree the Agency was able to obtain exemption. By this time the so-called Platt Amendment of 1901 had been abrogated by treaty. The State Department, however, speaking through Assistant Secretary Sumner Welles, favored maintenance of the Agency as a stabilizing factor in the political and economic affairs of the Island. It was, therefore, continued although cash holdings were reduced in September to \$5,000,000.

29

Total resources of the Federal Reserve Bank of Atlanta at the end of 1934 stood at \$255,823,000, larger by \$22.4 million than at the end of 1933, and larger than at the close of any year since 1927. The increase in total resources on December 31, 1934, compared with a year earlier was almost identical in amount with an increase in holdings of United States Government securities, an increase in reserves being practically offset by decreases in other items in the comparative balance sheet. Total reserves held by the bank at the end of 1934 amounted to \$139, 177, 000, greater by \$9,085,000 than a year earlier, and the largest total since the close of 1930.30

Total earnings during 1934 amounted to \$1, 818, 161, larger by 7.8% than during 1933, and also larger than in 1931, but smaller than in any other years since 1917. Net earnings for 1934 amounted to \$512, 067. 31

In accordance with a provision in the Banking Act of 1933, which required Federal Reserve Banks to subscribe to stock in the Federal Deposit Insurance Corporation to the extent of fifty percent of their surplus on January 1, 1933, this bank early in 1934 purchased stock in that corporation to the extent of \$5, 272, 031. 55, and its surplus was accordingly reduced by that amount.³²

The sudden death of Governor Eugene R. Black on December 19, 1934, has been briefly noted. On January 10, 1935, at a special Board meeting, Chairman Newton stated that the meeting was the first since the death of Governor Black and that he felt he could not begin the session without first referring briefly to the loss sustained by the bank in the passing of Governor Black. The Chairman spoke of Mr. Black's faithfulness, loyalty to duty, and friendliness. He emphasized the fact that Governor Black had a keen interest in the Federal Reserve System and gave of his time and advice freely in all matters pertaining to the strengthening of the System. The Chairman stated that the Directors of the Federal Reserve Bank of Atlanta had lost a faithful friend. The Directors then stood for several moments with bowed heads in memory of their departed associate.³³

While not a banker's banker, in the usual sense of that term, Eugene Black provided the Federal Reserve Bank of Atlanta with courageous leadership. The impress of his attractive personality was long felt by the bank and by the community he had served so well.

NOTES

Chapter 23

1. Dennis W. Brogan, The Era of Franklin D. Roosevelt, (New Haven, 1950) p. 68.
2. Ibid., p. 65-66.
3. Minutes, Directors, VIII, 2272.
4. Ibid., 2273-2274.
5. Garrett, Atlanta and Environs, II, 916.
6. Minutes, Directors, VIII, 2248, 2251.
7. Ibid., 2268; Annual Report, 1934, p. 19.
8. Annual Report, 1934, pp 18-19; Minutes, Directors, VIII, 2351.
9. Minutes, Directors, 2345-2346, 2365; Annual Report, 1934, p. 20.
10. Minutes, Directors, VIII, 2365.
11. Ibid., 2380-2381.
12. Ibid., 2385; Annual Report, 1934, p. 19.
13. Minutes, Directors, VIII, 2274, 2285, 2296.
14. Ibid., 2258.
15. Ibid., 2293.
16. Ibid., 2303.
17. Ibid., 2312, 2379-2380.
18. Ibid., 2330.
19. Ibid.
20. Ibid., 2323.
21. Ibid., 2343.
22. Ibid. 2348.
23. Annual Report, 1934, p. 17.

24. Minutes, Directors, VIII, 2346.
25. *Ibid.* , 2336.
26. *Ibid.*, 2348.
27. *Ibid.*, 2365.
28. Adopted following the Spanish-American War in an effort to stabilize conditions in Cuba.
29. Minutes, Directors, VIII, 2316, 2318, 2319, 2328, 2336, 2351, 2357, 2375.
30. Annual Report, 1934, p. 15.
31. *Ibid.* , 15—16.
32. *Ibid.*, 16.
33. Minutes, Directors, IX, 2387.

Chapter 24 1935

As the decade of the 1930's reached midpoint, events of great future import were taking place. Hitler, coming rapidly to the fore in Germany, proclaimed anti-Semitic laws; Congress defeated a proposal that the United States join the World Court; the Supreme Court upheld the 1933 gold legislation but invalidated the National Industrial Recovery Act. Huey Long was assassinated in Louisiana. New Deal legislation brought forth the NLRA, Social Security Act, Wealth Tax Act, Banking Act, and the Public Utility Holding Company Act. Italy invaded Ethiopia, ignoring League of Nations sanctions, and industrial unionists within the AFL formed the Committee for Industrial Organization, better known simply as the CIO.1

Business generally improved. Indeed, nearly all of the available series of statistics gave evidence of widespread improvement in the Sixth Federal Reserve District in comparison with other recent years. The volume of trade at both wholesale and retail was the largest since 1930. Residential building was at its highest level since the same year, and electric power production reached the highest level on record. Deposits and investment holdings of member banks in the District continued to increase, but loans to customers declined.2

Locally, State Auditor Tom Wisdom announced, on January 5, that Georgia finished 1934 with a balance of \$6, 697, 860, greatest in its financial history. A week later salaries of Fulton County employees were hiked \$140,000 annually. On April 3, deposits in Georgia banks showed an increase of \$21, 000, 000 over the preceding

year, while a survey in October revealed Atlanta's per capita debt to be the lowest in the country. Nineteen thirty-five was not a flush year but things were getting better.3

At year's beginning, W. H. Kettig began a new three-year term as a Class C director of the Atlanta bank; a new one-year term as Deputy Chairman, and the same as a director of the Birmingham Branch.4

A special Board meeting of the Bank was held on January 10, 1935, during the course of which Chairman Kettig announced he would entertain nominations for Governor, a position vacant since the death of Eugene R. Black three weeks before. After a discussion it was agreed that in view of Director McCrary's continued service as a member of the Board since the organization of the Bank, he be given the honor of nominating a candidate for Governor. He nominated Oscar Newton and spoke of the service rendered by Mr. Newton since his election to the Board in 1919 and his subsequent service as Chairman of the Board and Federal Reserve Agent. The nomination was seconded by Director Cook, and Mr. Newton was unanimously elected by a rising vote.5

L. M. Clark, then an officer of the bank, reminiscing many years later tells an amusing story about Mr. Newton.

Soon after he became Governor, Mr. Newton was preparing to go to Sea Island, Georgia, to a bankers' meeting. He was trying to be very careful in getting together the proper clothes for the occasion and went to especial pains to get a blue coat and white trousers, of which outfit he was very proud. But when he arrived at Sea Island, much to his consternation and embarrassment, he found most of the visiting bankers in white coats and blue trousers.

During 1934, one of the veteran officers of the Bank, Deputy Governor W. S. Johns, fell by the wayside. In his recollections, V. K. Bowman wrote:

“Some months after the bank holiday, L. M. Clark and V. K. Bowman were given a very disagreeable task to perform. During one of the regular meetings of the Governors of the twelve Federal Reserve Banks in the office of the Federal Reserve Board, Washington, Mr. Johns had given way to his weakness for drink and returned to Atlanta in that condition on the same train with one of the Federal Reserve Board members. The Federal Reserve Agent instructed us to go to the home of Mr. Johns,⁶ inform him he had been removed from his position of Deputy Governor, but would be given a clerical job in the Discount Department. A few months later he was forced to resign.”

Actually, Mr. Johns was allowed to resign as Deputy Governor, which he did on January 11, 1935; He pulled himself together and after serving some months in the clerical position mentioned above, left the Bank and for several years was employed as an examiner for the Reconstruction Finance Corporation. ⁷

To fill the vacancy created by the resignation of Deputy Governor W.S. Johns, the services of a distinguished Atlanta banker were obtained.

Hiram Warner Martin, President of the Trust Company of Georgia from 1931 to 1933, and of noted Georgia lineage, was born at Greenville, Meriwether County, July 30, 1882, and attended Emory College at Oxford. He began his banking career in 1901 as a messenger for the Lowry National Bank in Atlanta. Twenty years later he was its president. From August 15, 1933, to October 31, 1934, he served as Assistant to the Governor of the Federal Reserve Board in Washington, D. C. Mr. Martin was by nature

gentle, courteous, generous, considerate, fair, honorable, and just in all of his dealings with his fellow man and always had a smile and a word of encouragement for all. 8

As the year 1935 progressed, other official changes in personnel occurred. On January 11, T. A. Lanford, formerly Chief Clerk of the Discount Department in Atlanta, was elected Cashier of the Jacksonville Branch. At the same time, E. T. George resigned as a member of the Industrial Advisory Committee for the Sixth District. He was succeeded on January 22 by Andrew M. Lockett, a contracting engineer, of New Orleans. William A. Parker resigned from the same committee on September 20 because of increased duties in his position as President of the Beck & Gregg Hardware Company of Atlanta.9

The long and ably served terms of George G. Ware and Leon C. Simon as Class A and Class B Directors, respectively, came to an end on December 31, 1935. Mr. Ware had served 10 years and Mr. Simon 16. Deputy Chairman Kettig, at the December 1935 meeting, compared the Board of Directors to a club composed of selected members and stated that in such an organization it is but natural that the closest of fellowship and brotherly love exists. He said that it seemed only yesterday since these two men were elected as members of the Board and he compared the passing of time to a "short walk around the block." He also said that at most we are here for only a short time and that on an occasion like this the members were made sad due to the discontinuance of the monthly association and fellowship with old friends that had through the years endeared them to their associates. The Deputy Chairman referred to Director Simon as an aggressive director but one who always gave plausible reasons for any position he might take and voted his convictions after careful deliberation. He

referred to Director Ware as a man with a quiet, composed disposition, and compared his nature to the orange blossoms that are so plentiful in his native state. He said that Director Ware was not the type to be the first to speak on every subject that came up for discussion, but that when he voiced an opinion it was evident that he had given careful consideration to the issue.10

Mr. Ware was succeeded by George J. White, Executive Vice President of the First National Bank of Mount Dora, Florida, and Mr. Simon by Ernest T. George, President and Chairman of the Seaboard Refining Company, Ltd., New Orleans, both for three-year terms beginning January 1, 1936.

Another long official service record came to a close on December 31, 1935, when Frank W. Foote, a Director of the New Orleans Branch since January 1920, retired. Mr. Foote, in fact, was an original Director of the Atlanta Bank, serving from November 16, 1914 to December 31, 1919. Being a deep student of finance and political economy, Mr. Foote's advice and counsel were invaluable during the formative period of the Federal Reserve System.11

Under date of January 5, 1935, the attitude of the Federal Reserve Board toward bank salaries and employment generally was set forth in a letter to Oscar Newton by Governor M. S. Eccles:

"The Board has been considering the situation with respect to the salaries of officers and employees of Federal Reserve Banks. It has noted that during the period from 1928 to 1933 the total number of officers and employees of the twelve Federal Reserve Banks increased from 9,989 to 11,781; that the total of all salaries paid increased from \$17, 200, 000 to \$20, 400, 000 and that there was an increase in the

average salary paid. These figures, of course, include all salaries for which reimbursement is made to the Federal Reserve Banks. The figures for 1934 had not been prepared at the time of this compilation, but it seems likely that for the system as a whole the increase was accentuated. During this period of five years, living expenses have undergone a material reduction throughout the United States and, while there have been for short periods some relatively small general reductions in salaries at the Federal Reserve banks, such general reductions were terminated more than a year ago, and where additional people were taken on to provide increased employment there was no corresponding subsequent curtailment of working forces.

“The Federal Reserve banks in their personnel policies have recognized their favorable position with respect to their earnings and have shown a considerate attitude toward their officers and employees in respect not only to salaries but also to other phases of their employment relations, while other banking institutions and industrial enterprises have been compelled to curtail forces and reduce salaries to a great extent. Various provisions for the welfare of the employees of the banks have been made at the expense of the banks and within the past year there has been introduced a retirement system to which the banks are contributing a large sum annually.

“With these considerations in mind, the Board has reviewed its policies in passing upon salaries of officers and employees of the Federal Reserve banks and has decided that there should be no increase at this time in salaries of officers and employees receiving more than \$5, 000 per annum, or in any salaries not covered by the approved salary classification plan, unless there is involved a change from one position to another of greater duties and responsibility for which the salary proposed is

reasonable in relation to the other salaries paid by the bank. The Board has also decided not to approve increases in maximum salaries for positions covered by the existing classification plans, except where there is involved a change in duties and responsibilities, calling for a revision of the specifications, for which higher compensation should be allowed. It is felt that the subject of the salary classification plans should be discussed with the governors of the banks at their next meeting in Washington.

“Under these policies it would not be a sufficient ground for approving an increase of salary merely that the volume of work has increased or that the officer or employee has rendered good service or that he might go elsewhere if his salary were not increased.

“In this connection, the Board believes that when a vacancy occurs anywhere in the organization of a Federal Reserve Bank, an effort should be made to carry on the work through the other members of the existing forces and therefore that new people should not be employed unless absolutely essential and when persons capable of doing the work are not already available elsewhere in the organization.

“The Board feels further that any readjustments that may be found necessary should not result in increasing the aggregate payroll. In fact, it would be the expectation of the Board under existing conditions that notwithstanding any increases in salaries in individual cases there should be some decrease in the total payroll as the result of deaths, resignations, and retirements.

“It is the view of the Board that boards of directors of the Federal Reserve banks and the Federal Reserve Board share in the responsibility of seeing that every

reasonable effort is made by the banks not only to build up the efficiency of their organizations but also to be watchful against increases in expenses which can be avoided without impairment of the quality and adequacy of the services which the banks are called upon to render, as would be their duty if they were operating privately owned commercial banking institutions, and therefore that all changes in salaries as well as other expenses should be made the subject of special scrutiny in the light of this responsibility.

“It will be appreciated if you will call this letter to the attention of your Board promptly as it expresses the general position which the Board will take in acting upon pending or proposed salary increases.” 12

Needless to say, few raises in pay were granted during 1935. Indeed, a few official salaries were reduced, including that of Deputy Governor H. Warner Martin’s from \$15, 000 to \$13, 500. A proposal to fix the salary of General Counsel Robert S. Parker at \$15, 000 per annum was put in abeyance even though Mr. Parker had withdrawn from the firm of Colquitt, Parker, Troutman, & Arkwright in order to devote full time to the legal affairs of the Bank.13

The matter of separation pay came up for lengthy discussion at the July Board meeting and eventuated in a motion by Director Cook “that the Federal Reserve Bank of Atlanta adopt the policy of continuing to pay an employee salary at the current rate for a period up to a maximum of six months from the date of the involuntary termination of his employment by the bank, in the case of employees who have had more than five years of service, and that for employees with service of five years or less payments be made for periods of less than six months.” The resolution was to the further effect that the

Executive Committee be empowered to act in the case of individual employees and be clothed with full discretion in particular cases, to provide the number of months for which salaries are to be paid, not, however, in excess of the limitations stated in the resolution.

14

Despite the current policy of austerity as to salaries, the Board, in January 1935 voted to pay to the widow of the late Governor E. R. Black the sum of \$25, 000, as partial compensation to her for financial sacrifice made by her husband while serving as Governor of the Federal Reserve Board in Washington. Several months later, in October, a portrait of Mr. Black, commissioned by the Federal Reserve Bank Club, was officially presented to the Bank. 15

In order to clarify some of the far-reaching effects of the Banking Act of 1935 and its relationship to the Federal Reserve System, the following is quoted from a discussion published on the occasion of the System's 50th anniversary in 1963. 16

"Under the terms of the Federal Reserve Act of 1913 it is worthy of note that the Reserve bank charters were to run for 20 years. But such was the change of political climate that, unlike the First and Second Banks of the United States, and with very little debate, the charters of the 12 Reserve banks were extended without limit before the 20-year period expired.

"Mr. Brotter: 'Well, Mr. Morrill, you have brought us now to the period of the 1930's¹⁷ and the great changes that were made by the Congress. Governor Szymczak, that was exactly the time when you came on the Board, and I wonder if you would discuss some of the big changes that were made during the thirties, particularly those that you witnessed.'

"Mrs Szymczak: 'When I came to the Board in 1933, some of the legislation was

already passed by Congress, because an emergency developed that required quick action by the legislative authority to enable the Federal Reserve System to function, with the intent of having an influence on business and industry, through the credit situation in the country.

‘So, therefore, in the thirties--I believe it was in May 1933--Congress passed emergency legislation enabling the Federal Reserve Board, under an emergency, to increase or decrease reserve requirements with the approval of the President of the United States and with a minimum vote of five of the then seven Board members. This, of course, was not used because it became evident that, should the Board declare an emergency in order to increase or decrease reserve requirements, it would add to rather than take away from the emergency in the economy and in the money market. It was not a good instrument of monetary policy.

‘However, the Banking Act of 1935 supplemented the legislation on reserve requirements by giving the Federal Reserve Board power to increase or decrease reserve requirements up to twice the statutory minimum. At that time the statutory minimum was 13% for demand deposits of central reserve city banks, 10% for reserve city banks, and 7% for country banks. On time and savings deposits the Board was given the power to double the statutory minimum, which was 3%.

‘Because of a huge increase in bank reserves, with inflationary threats, the Board used this instrument of monetary policy even though, at that time, it had no experience in the use of an instrument that was so blunt. It affected all member banks

no matter what their position in loans and investments and in their reserves. The Board.

used it twice on the upside and once on the downside during this early period.

'Then, of course, there developed in 1933 a new organization in the Federal Reserve that was based upon an agreement among the presidents, then called the governors, of the 12 Federal Reserve banks and which developed later, in the Banking Act of 1935, into an Open Market Committee. However, it began through the original authority in the Federal Reserve Act.

'In the Banking Act of 1935, the Open Market Committee was to consist of the seven appointed Board members. Under the Banking Act of 1935, the two ex-officio members (the Secretary of the Treasury and the Comptroller of the Currency) were no longer members of the Board and instead of five appointive members of the Board, the legislation authorized the seven appointive members plus five presidents of the 12 Federal Reserve banks.

'This was further changed a little later so that, instead of a rotation of all the presidents of the Federal Reserve Banks, the president of the New York Federal Reserve Bank became a continuing member of the Open Market Committee, inasmuch as the New York bank was located in the money and the capital markets and inasmuch as the New York bank was and continued to be the agent of the Open Market Committee.

'A real System developed then, in my opinion, because the presidents, all of them at one time or another, worked together with the Federal Reserve Board in the monetary field. No longer was there a separation of the Federal Reserve banks and the Board of Governors, but rather there was a system for formulation and operation, not only in open market policy which was very important, but also at these meetings of the

Open Market Committee there could be and there were discussed the economy, the credit situation, and the use of other instruments of monetary policy, such as reserve requirements and discount rates which, according to the Banking Act of 1935, had to be reviewed every 14 days by the directors of the 12 Federal Reserve banks and submitted to the Board in Washington for approval or disapproval, for review and determination. Cooperation, therefore, on reserve requirements, open market operations, and discount rates made the whole system participate in effectuating monetary policy in the interest of the economy.

‘Therefore, the whole situation created by this System cooperation enabled the Board members to understand what was going on in various parts of the country, not only by their own direct contacts and knowledge, but also from the presidents of the Federal Reserve banks as they attended the meetings. It also enabled the Federal Reserve banks to cooperate with the Board in Washington by holding annual meetings of new directors of the 12 Federal Reserve banks. Every new director of a Federal Reserve bank now comes to Washington for about a day or two. With this constant contact there is no separation of Washington from the rest of the country, but there is a unified System approach to the whole country- -and its economy.

‘Also, the Federal Advisory Council -- consisting of 12 bankers appointed by the directors of the 12 Federal Reserve banks--brings to the Board in Washington not only the view of these bankers, but also the knowledge they obtain in their particular parts of the country.

‘And, the chairmen and vice-chairmen of the Federal Reserve banks, who are

appointed by the Board of Governors, meet with the Board at least once a year.“

“Mr. Brotter: ‘Do you believe those contacts are important?’

“Mr. Szymczak: ‘I think, from my experience, they are the most important contribution that the System has made over the years to consolidate its manpower and know-how in the money and credit field to serve the public interest. There is not a separation between the private banking interests and the public interest, as personified by the Government in Washington. These two become one- -the public interest. That is a very vital thing, in my opinion, because economic and money and credit policy must have a national approach to the whole economy, not merely parts of it.

“Mr. Morrill: ‘In saying they become one, however, you don’t mean to imply they always agree?’

“Mr. Szymczak: ‘No, there is disagreement, not only among the presidents who attend the meetings of the Open Market Committee, but there is also disagreement among the Board members who are on the Open Market Committee--and that is as it should be.

‘It is also important to note here that in the Banking Act of 1935 there is a provision for an annual report by the Board of Governors to Congress on the monetary policy questions as they arise and this report shows how the individual members of the Open Market Committee voted and why. This also informs the public.

‘There are other matters that are important, in my opinion. For instance, the original open market operations started by each Federal Reserve bank buying or selling to meet its own requirements; to earn its living. One of the original purposes of those open market operations was not only to meet the situation, but also to get revenue by

which to operate.’

“Mr. Morrill: ‘It might be commented in that connection that the freedom of any bank to participate or not participate continued on down until the Banking Act of 1935.’

“Mr. Szymczak: ‘Yes. In this connection there were several developments. The first was before 1922. Then in 1922 until 1923 there was a voluntary agreement among the Federal Reserve banks to get together under the direction of the chairman, who was the president (governor) of the New York Federal Reserve Bank. And there were in this voluntary committee four banks- -New York, Philadelphia, Boston and Chicago. Later on, Cleveland was added to the first four, making five.’

“Mr. Burgess: ‘In 1923 the important thing that happened was the Federal Reserve Board passed a resolution which recognized this committee and its relation to the Board and specified what it considered should be the objectives of the work of the Committee. It gave the Committee for the first time a kind of a System status. That was the beginning of the steps that you outlined to make this thing into one organ for the whole System.’

“Mr. Szymczak: ‘That is right. You see, 12 heads of the Federal Reserve banks were organized under regulations issued by the Federal Reserve Board and that Board had the power of approval or disapproval. If a bank did not want to join in the buying or selling of securities in the open market, it had to notify the chairman of the Open Market Committee and likewise the chairman of the Federal Reserve Board.’

“Evolution of the Open Market Committee.

“Mr. Morrill: ‘It is fair to comment at this point that probably the first time the System realized that open market operations had an effect upon the reserves of

member banks was shortly following the original organization of this group of presidents. For example, some Reserve banks discovered that when they bought Government securities their discounts were retired, and vice versa.'

Mr. Szymczak: 'Yes. That was one of the reasons for the development which was initiated by the New York Federal Reserve Bank. It was evident that member banks borrowed at the Federal Reserve banks when they had to meet the situation in which they had no reserves. Therefore, when the system operated to provide them reserves by buying Government securities, the member banks reduced their borrowing at the Federal Reserve banks. In the original, of course, even the bankers' acceptances were not bought or sold for the purpose of affecting the reserves of the banks. They were for the purpose of developing a bankers' acceptance market in this country such as was developed abroad, and we were trying to follow in this country what other central banks were doing in their countries.'

Mr. Burgess: 'The interesting thing to me about all this is that there was a process of evolution. A process of finding out by experience how these things operated all through the early and middle 1920's. We were finding out by practical experience how all these things would work and we did not need a Congress to come and tell us what we should do. In the Banking Acts of 1933 and 1935, Congress was simply putting into law what the System had learned from experience.'

Mr. Szymczak: 'And we learned more and more that interest rates, discount rates, generally throughout the country, are national. We learned that we could not change a discount in one Federal Reserve district and not do it in another.'

Mr. Brotter: 'Does that mean that the original concept of a group of 12 regional

banks with some degree of autonomy was gradually being lost in a national concept?’

“Mr. Szymczak: ‘No, I would not say that. I think it was the national concept of monetary policy that made the System one. I am trying to bring out the fact that the System became a true unity, not two parts, one consisting of the 12 Federal Reserve banks and a Board in Washington, and one representing the interests of the banks who were considered for a period of time as the owners of the Federal Reserve System because they owned stock in their Federal Reserve banks. They soon learned they weren’t the owners of the Federal Reserve System, that it was and is a public institution- -part of our Government.’

“Mr. McKee: ‘I want to make an observation in that connection. I think that if you were looking at the time when the System was set up, one could imagine that they had in view creating a nationwide debt payment system in this country in place of one that had been very limited. How many people had checking accounts? The only money that was saved was saved in savings accounts. But, as the country grew, the economy required the check collection as it has become today through the Federal Reserve. What would you do without it?’

‘Now I would like to give some of those people some of the credit for foresight because it was through the building of the 12 Federal Reserve banks which took the place of sub-treasuries that there was produced the ability to handle the large volume of not only the public’s exchange of credit and debt, but the Government’s as well.’

“Mr. Burgess: ‘That meant that checks, when they were used in payment of debts or other contracts, could be collected promptly. A check on Dallas is just as good as a check on New York now because it is collected through the Federal Reserve System so

quickly.'

"Mr. Brotter: 'Would you tell us, Governor McKee, something about changes that were enacted in the thirties, such as control over the stock market margins, consumer credit, and so forth?'

"Mr. McKee: 'From the experience gained from the great depression, Congress, after extensive hearings, passed the Acts of 1933, 1934, and 1935 that created the Federal Deposit Insurance Corporation, the Securities and Exchange Commission, and gave statutory recognition to the Federal Reserve System Open Market Committee. These acts did much to restore confidence and create sound policies for the future regarding credit and economic stabilization.

'While the authority granted under the Acts of 1933 and 1935 presented the problem of many new regulations to be issued, the Federal Reserve System issued such regulations after exhaustive hearings were held with interested parties.' "

The general subject of relations between the Federal Reserve Board and the Federal Reserve Banks and member banks is set forth in the answer by the Atlanta Bank to a letter from Governor M. S. Eccles, dated February 6, 1935 wherein certain questions were asked.

The following represented the consensus of opinion among the officers and - - directors as to how the questions should be answered:

"1. General credit situation

(a) Are commercial banks doing everything in their power to improve the situation?

"We believe that banks in the Sixth Federal Reserve District are doing everything

which they might reasonably be expected to do in order to improve the situation. In our opinion the banks are generally desirous of extending credit and making sound loans and are vigorously exerting themselves to do so.

“The difficulty does not appear to be an unwillingness on the part of the banks to extend credit. On the contrary, there appears to be a scarcity of demand among borrowers who are in position to use available funds advantageously and at the same time offer reasonable assurance of repayment. A number of banks have representatives in the field actively soliciting loans and are also extensively advertising for loans.

“2. Interest rates.

(a) On time and savings deposits of member banks.

“We are of the opinion that under conditions such as now obtain the permitted maximum rate of interest should remain at 2-1/2% per annum. A lower prescribed maximum rate might place member banks at a disadvantage because of competition of postal savings bonds, and it is believed that the banks of the country, rural as well as city, are unable at the present time to pay more than 2-1 / 2%.

“(b) On loans of member banks and on industrial advances and commitments by Federal Reserve Banks.

“No answer is made to this question at this time. Governor Newton will shortly attend a conference in Dallas, Texas, between the officers and directors of the Dallas Bank and Governors of several of the other Reserve Banks. Our answer to this question may be molded by the discussion which will be had at that conference.

“3. Matters affecting admission of nonmember banks to Federal Reserve System.

“(a) Earnings of nonmember banks from exchange collection charge.

“This is a question of considerable importance in the Sixth Federal Reserve District. A number of nonmember banks, in making inquiries concerning membership in the Federal Reserve System, have stated that they feel that they could not forego the exacting of charges for the payment and remission of checks drawn on themselves. This applies peculiarly to banks located in the smaller communities. While member banks may, of course, make charges within the limits prescribed by law for collecting items placed with them on deposit (and city banks customarily make such charges), member banks located in smaller communities would be unable to receive any considerable amount of revenue from this source, even if a long established custom of not making collection charges did not militate against their doing so.

“It has been stated by the officers of some of these institutions that the revenue from exchange (and by this we mean charges for the payment and remission of checks as distinguished from collection charges) will average in a bank with a capital as small as \$15,000 from \$1,500 to \$1,800 per annum. If deprived of this revenue such banks of necessity would be compelled to liquidate. Revenue from this source, according to reliable information obtained from the nonmember banks, in most instances is sufficient to cover the salary of the executive officer in charge of the bank.

“We believe that a large percentage of nonmember banks in the district would apply for membership if they felt that they might retain the equivalent of a substantial portion of the exchange charges which are now being made.

“3 (b) Present conditions of membership

“Laying to one side for the moment questions of capital requirements of nonmember banks, we give it as our opinion that the conditions of membership

presently being prescribed by the Federal Reserve Board should not be materially changed; this for the reason that it is believed that modification of the conditions would have a tendency to lower the standards of membership and give the member banks opportunity to deviate from sound banking principles. Member banks, almost without exception, regard their membership very highly and would not appreciate the lowering of standards in order that membership in the System might be easier of attainment.

“Assuming that the Federal Reserve Board is to be invested with the right to waive, in whole or in part, the capital requirements of banks applying for membership, we believe that the Board might properly admit to membership any sound bank having the capital required by State law and be rather liberal in fixing the time within which the bank would be compelled to bring its capital requirements up to those set out in Section 9.

“(c) Advisability of extension of membership to banks outside the States and the District of Columbia.

“We know of no reason why the privilege of membership should not be extended to national banks located in Alaska and in the insular possessions of the United States.

“4. Need for continuance of assistance of Reconstruction Finance Corporation in connection with rehabilitation of capital structure of banks.

“It is felt that for several years at least there will be a real need for ... this assistance. Our conclusions are based upon the belief that a number of banks which sold preferred stock will in all likelihood be compelled later on to strengthen their capital structures, and it does not appear possible for such banks under present conditions to

secure additional capital from private investors.

“5. Adequacy of reimbursement of Federal Reserve banks by Treasury and other Governmental agencies for various services rendered and for space used in Federal Reserve bank buildings.

“Reference to the statistical data prepared by the Federal Reserve Banks incorporated in a report of the fiscal agency and depositary expenses to the Federal Reserve Banks, compiled by the Division of Bank Operations for the six months period ending June 30, 1934, reveals that Federal Reserve Banks expended \$932, 000 in the performance of services, no part of which was reimbursed by the United States Treasury Department. It is our opinion that a considerable part of these expenditures should be reimbursed and we therefore suggest that a careful study be made of all these expenditures with a view to securing ... adequate reimbursement ... in connection with services rendered exclusively in a fiscal agency capacity.

“6. Regulations fixing margin requirements for loans by banks upon equity securities registered on national security exchanges.

“(a) Circumstances under which regulation should be issued.

“The regulation should be issued at such times as the Board may deem advisable. We believe, however, that its effective date should be fixed at least 15 and perhaps 30 days after the date of its release, in order that the banks may have ample time in which to familiarize themselves with its provisions. We think also that as to loans held by banks at the time of the effective date of the regulation, reasonable time should be given for the bringing of margin requirements within the prescribed limits; this for the reason that any unusual volume of sales occurring within a comparatively short time

and occasioned by the regulation might demoralize the securities market.

“(b) Whether regulation should permit borrower to obtain from bank more than he could obtain from broker under Regulation T.

“In our opinion there is no logical basis for a discrimination by the Federal Reserve Board in favor of a bank and against a broker in fixing margin requirements for such advances.

“7. Economic and statistical divisions of Federal Reserve Banks.

“(a) Usefulness to officers and directors.

“The directors and officers of this bank believe that the information furnished by the economic and statistical division of the bank is of value to them and they recommend continuance of the service.

“(b) Value of Federal Reserve Bank Monthly Review.

“The directors and officers also feel that the issuance of the bank’s Monthly Review is of general value and that this is demonstrated by the constant demand for copies. Approximately 3, 400 of our Reviews, including those sent to member banks in the Sixth District, are mailed each month. These Reviews go into 45 of the States and 15 foreign countries. We are constantly adding new names to our list and noting changes of addresses. An effort is made to assemble in one document all available data in regard to business conditions and business trends in the district. Such data is accompanied by citations of sources of information and consists of statements of existing facts as distinguished from prophecies as to business trends or developments. A number of individuals have stated that our Review gives more actual information and reliable statistics than they are able to obtain elsewhere. For this reason, an effort is

made to place in the Review information concerning as many different lines of business as is reasonably feasible.

“8. Establishment of career system for personnel of Federal Reserve Banks.

“It is the consensus of opinion that there should be established the basis of a career system for the personnel of the Federal Reserve Banks. It has been tentatively suggested that each Federal Reserve Bank might furnish the Federal Reserve Board with the names of junior officers and employees who have demonstrated exceptional ability and whose services might be employed to better advantage by another Federal Reserve Bank because of lack of opportunity for advancement with the bank of present connections.

“9. Criticisms of existing regulations or rulings or procedure of the Federal Reserve Board, with specific recommendations as to changes which would correct any unsatisfactory features of relations between the Board or its staff and Federal Reserve Banks or member banks.

“The examiners stationed at this bank often advise the officer in charge of bank examination that the management of our member banks complain of the number, variety, and extent of reports that they are required to prepare. The banks themselves would welcome a revision of report forms and the reduction of requests for reports to a minimum. They would also like consolidations of reports wherever possible.

“The officers and directors of this bank do not recommend the discontinuance of any reports now required nor the elimination of information sought to be elicited thereby. We believe that the Federal Reserve Board and the office of the Comptroller of the Currency have from time to time been advised of the viewpoint of the member banks on

this subject and are endeavoring to comply with the wishes of the banks to the full extent consistent with the gathering of necessary or important statistical or other data. We do say, however, that any progress in the direction of the lightening of what member banks regard as a burden would be welcomed and appreciated.

“In connection with our dealings with member banks, and particularly in the handling of the work of the Federal Reserve Agent, promptness on the part of the Board in giving rulings and replying to letters asking for advice would be of great assistance. This is not said by way of criticism, since we realize the unusual pressure which has been put upon the Board in recent years. We might add also that we now receive rulings and replies to inquiries much more promptly than was formerly the case. In this bank we have endeavored to reduce to a minimum requests for rulings and advice.

“We believe that it would be beneficial to the officers of the reserve banks were the examiners of the Federal Reserve Board at the time of making examinations of reserve banks to offer constructive and helpful suggestions. This would bring about frank discussions which would not only be beneficial, in our opinion, but would also eliminate discussions by correspondence. Through such constructive suggestions the officers of the reserve banks might also learn more clearly the viewpoint of the Board on matters, some of which are of relatively small importance and could be disposed of during the period of examination.

“In your letter you make reference to the possibility that to some of the member banks the actions of the Board or its staff may seem ‘bureaucratic or impractical or unduly rigid’. It is undoubtedly true that a number of the member banks may have regarded some of the rulings, decisions, and requirements of the Board as being

somewhat harsh and burdensome. We think that we should say, however, that in many instances this point of view was the result of a failure to understand that the Board's actions were required by the Banking Act of 1933, and were not the result of some arbitrary action taken by the Board itself. In all such cases we have endeavored to make plain to the banks that the particular ruling of the Board or some specified requirement was made or imposed because of provisions of law and not as a regulation originating in the Board.

“Some complaint was occasioned by reason of reports made to United States Attorneys of possible violations of Section 22(g) of the Federal Reserve Act, in cases where it seemed apparent that no actual violation was intended or was at most technical. This source of possible friction has now been eliminated.

“We believe that no harm would result from the standpoint of the public interest or otherwise were the Board to modify some what its requirements in the granting of permits under the Clayton Act to serve more than one bank as director. In cases where an officer or director has manifestly abused his office or has been negligent in the discharge of his duties, we believe that the grant of a permit would be incompatible with the public interest, and that the sole question of inquiry should not center around the question of curtailment of credit facilities or the lessening of competition. However, technical questions such as the possibility of the lessening of competition and restriction of credit in cases of banks which are not within the prohibitions of Section 8 might be regarded as of relatively minor importance.

“As regards the relations between the Board and the Federal Reserve Banks, we desire at all time the utmost of harmony and cooperation. It might be well, however, for the Board to take under advisement the question of whether the expenditure of

relatively small amounts, in cases where there is no specific authorization by law and the object to be attained is not improper or unlawful, might perhaps be left to the various Federal Reserve banks and not call for special authority given by the Board.

“The examiners also sometimes criticize unimportant matters involving questions of local management rather than of general policy.

“We are not endeavoring to particularize and are only suggesting that in so far as minor matters are concerned--matters which involve no question of general policy and are of purely local concern--more of autonomy might be left to the Federal Reserve Banks and greater latitude be given to its officers and directors for the exercise of their discretion.

“As stated, the above are the answers approved by the officers and directors of this bank to the questions submitted in your letter of February 6, 1935.”¹⁸

The Banking Act of 1935 provided for important organizational changes within the Federal Reserve System. As set forth in a press release by the Board of Governors of the System, they were:

“The Board of Governors of the Federal Reserve System¹⁹ today, in connection with important changes in the organization of the Federal Reserve System which go into effect on February 1 and on March 1, 1936, under the terms of the Banking Act of 1935, issued the following statement:

“On February 1, 1936, the Board of Governors of the Federal Reserve System will be succeeded by a new Board, as provided by the Banking Act of 1935. As of March 1, 1936, by the terms of the Act, each Federal Reserve bank will elect, in lieu of its governor, a president, who will thereupon become and be formally recognized in the law

as the chief executive officer of the bank when approved by the new board.

“In order that the new Board which takes office on February 1, 1936, may be free to make its own designation of chairmen and Federal Reserve agents at the same time that it is required to pass upon the selection of the newly-elected presidents of the Federal Reserve banks, the present Board of Governors has decided to have the designation of all chairmen and Federal Reserve agents expire on March 1, 1936, and has also decided for the same reasons not to fill existing vacancies.²⁰ The new Board will thus be enabled to be represented at the different Federal Reserve banks by Chairmen and Federal Reserve agents of its own selection, chosen in accordance with its views as to how the chairmanships may best be made to fit into the changed organization of the Federal Reserve System ...

“In acting upon other Class C directorships expiring December 31, as well as upon the appointments of such directors as it is authorized to appoint at branches of the Federal Reserve banks, the Board of Governors has also been guided by the views it expressed by letter of January 9, 1935, to directors of Federal Reserve banks and of their branches, as follows:

“In view of the special character of the functions of these institutions and the public interest in them, the Board believes that the composition of the boards and the tenure of service of their members are matters of great importance. The Board recognizes that experience gained from participation in the direction of the management of the Federal Reserve banks and their branches has its distinct value, but believes that this can be overstressed and that there are special advantages that would come to these institutions from bringing to bear on their management from time to time new

points of view and differing backgrounds of experience. In consequence, the Board believes that neither great length of service nor too frequent changes are desirable and has endeavored to find a solution which on the whole and in the long run will be conducive to the best development of the policies of the banks and at the same time protect them against criticisms based either upon the fact or the possibility of crystallization of control of their managements by particular individuals or groups through long continuance in power.

“Therefore, the Board has reached the conclusion that six years of service represents the maximum period during which a director should remain continuously in office. It will be guided by this view in future and will not continue in office as directors men appointed by it who have served six or more consecutive years (except in the cases of chairmen of the Federal Reserve banks).

“It is also the view of the Board that the welfare of the Federal Reserve banks will be served best by directors whose business and financial interests are primarily within and representative of the bank or branch territory for which they are selected rather than of interest controlled or owned outside of such territory.

“With respect to directors of branches, the Board also stated:

“It is the intention of the Board to follow uniformly in all districts the policy of selecting as its appointees individuals who are not officers of banks or primarily engaged in banking, although they may be stockholders or directors of banks.

“The Board expects to apply these principles in the selection of directors appointed by it in the future ...

“Vacancies which will occur as of January 1, 1936, as a result of the application,

of the Board's policy, are not being filled at this time, for the reasons stated, but will be left for the new Board to fill in accordance with such policies as it may wish to adopt."

As noted, the Banking Act of 1935, enacted in August, amended Section 4 of the Federal Reserve Act, to become effective March 1, 1936, by providing specifically for the appointment by the Board of Directors of each Federal Reserve Bank of "a president, vice-presidents and such other officers and employees as are not otherwise provided for." Prior to the effective date of this amendment there was no designation in the Act of the official titles of officers of Federal Reserve Banks with the exception of the Chairman of the Board and Federal Reserve Agent, and the Assistant Federal Reserve Agents.

In accordance with this provision of law, Oscar Newton, who had served as Governor., of the bank since January 1935, and as Chairman and Federal Reserve Agent for ten years prior to that time, was, at a meeting of the Board of Directors in February, elected President of the bank for a five-year term, effective March 1.²²

Robert S. Parker, who had served as General Counsel for a number of years, was elected First Vice President for a term of five years, effective March 1, continuing to serve also as General Counsel. H. F. Conniff and W. S. McLarin, Jr., formerly Deputy Governor and Assistant Deputy Governor, were elected Vice President and Assistant Vice President, respectively, for the remainder of 1936. H. Lane Young was re-elected to represent the Sixth Federal Reserve District on the Federal Advisory Council during the year 1936.²³

In the fall of 1935 it was decided to accelerate the activities of the Bank Relation Committee by having all officers participate.

As the committee met at the New Orleans Branch on November 8, Chairman W. H. Kettig stated that following an informal discussion by the directors at the October meeting he had requested Board Secretary L. M. Clark to prepare a memorandum for consideration of the Committee in line with a suggestion that Bank Relations work be conducted by officers of the parent bank and branches.

Consideration was given to a suggested itinerary which provided that the officers visit each member bank and, as far as practicable, each nonmember bank in the district. The itinerary was arranged so that each officer is to visit an allotted number of banks within a period of one to two weeks. When this officer has completed his itinerary and forwarded to the Manager of the Bank Relations Department a separate report of his visit to each member and non-member bank assigned to him he will exchange itineraries with other officers of the parent bank or branches. The same procedure to be followed until all officers have had an opportunity to visit the banks in the Sixth District.

It was the opinion of the Committee that the adoption of the suggested plan will be an improvement over that now in effect, and will bring about a Closer relationship between the officers of the parent bank and branches and of member banks. At the same time the plan would provide the officers an opportunity to become personally acquainted with officers of prospective member banks. 24

From 1934 on, the activities of the Havana Agency showed a Steady decline. In an effort to distribute the burden a memorandum of agreement was signed by all 12 Federal Reserve banks in May 1935. Under the agreement, effective June 1, the Agency began operations as a joint enterprise of all of the Federal Reserve banks, though the Atlanta Bank continued its actual operating functions. At the same time, it was resolved "that under normal and usual conditions the stock of fit or usable currency

kept at said Agency shall be as nearly \$5, 000, 000 as may be reasonably practicable.”25

It will be remembered that under the provisions of Section 13b of the Federal Reserve Act, approved June 19, 1934, Federal Reserve banks began in August of that year to make loans direct to established industrial and commercial businesses for the purposes of providing working capital, and to make commitments to banks, trust companies and other financial institutions with respect to such loans.

Reporting upon results of this operation at the end of 1935, Deputy Board Chairman W. H. Kettig wrote:

“Efforts have been made continuously to acquaint banks and the business public with the provisions of the legislation relating to these industrial loans, and with the requirements to be met and the methods of obtaining them. The Industrial Advisory Committee for the Sixth Federal Reserve District is composed of the following:

John E. Sanford, Chairman
President and Chairman, Armour Fertilizer Works
Atlanta, Georgia

A. R. Forsyth, Vice-Chairman
Vice President and Treasurer, Gulf States Steel Co.
Birmingham, Alabama

George Winship
President, Fulton Supply Co.
Atlanta, Georgia

A. M. Lockett
President, A. M. Lockett & Co., Ltd.
New Orleans, Louisiana

I. C. Mimer
Executive Vice-President, Gate City Cotton Mills
Atlanta, Georgia

“During the last five months of 1934, industrial advances were made in 75 instances, aggregating \$872,443, and in addition, commitments amounting to \$761, 500 were made to banks or other financial institutions in Connection with such loans made

by those institutions. During 1935 industrial advances amounting to \$635, 097 were made in 81 instances, an increase of 8. 0 per cent in number, but a decrease of 27. 2 per cent in total amount, compared with such advances made in 1934. In 16 other instances commitments were entered into to the extent of \$346, 950 in Connection with such advances made by banks to business firms."26

Total resources of the Federal Reserve Bank of Atlanta at the close of the year 1935 amounted to \$312, 248, 000, the largest total for any year since its organization. This represents an increase of more than 56 millions, or 22. 1 per cent, over the total a year earlier; was nearly 79 millions greater than two years earlier, and 134. 6 millions greater than at the close of 1932.27

Total current earnings during 1935 amounted to \$1,672,606, the smallest since 1931, and except for that year, since .1917. Earnings on discounted bills were the smallest on record, and on purchased bills the smallest since 1915. Earnings on United States Government securities, which accounted for 91 per cent of total earnings, were slightly less than in 1934, but larger than for any other year. Current net earnings in 1935 amounted to \$235, 421. 28

NOTES

Chapter 24

1. Life History of the United States, Vol. 11, p. 168.

2. Annual Report, 1935, p. 11.
3. Garrett, Atlanta and Environs, II, p. 924.
4. Minutes, Directors, IX, p. 2391.
5. Minutes, Directors, IX, 2391-2392.
6. 934 Lullwater Road, Druid Hills.
7. Atlanta City Directory, 1940, et. seq.
8. Biographical records of the Federal Reserve Bank of Atlanta.
9. Minutes, Directors, IX, 2395, 2426, 2518.
10. Ibid. ,2551-2552.
11. Ibid., 2554.
12. Ibid., 2390-2391.
13. Ibid., 2536, 2543.
14. Ibid., 2490.
15. Ibid., 2392-2393, 2419, 2517.
16. "The Fed's First Half-Century," Banking Journal of the American Bankers Association, Dec. 1963, p. 42, et. seq. A symposium composed of Herbert Bratter, Washington Correspondent, Banking, moderator; W. ~Randolph Burgess, banking and Chairman, Atlantic Treaty Assn; Chester Morrill, former Secretary of the Federal Reserve Board; M. S. Szymczak,,. member Federal Reserve Board, 1933-61; and John K. McKee, retired banker.
17. Mr. Morrill had reviewed the history of the Reserve System since 1913.
18. Minutes, Directors, IX, 2435-2439. The letter gave the officers and directors of the Atlanta Bank an opportunity to express themselves freely on many policy matters concerning the Federal Reserve System.
19. Quoted from Minutes, Directors, IX, 2540-2542, Dec. 13, 1935.

20. The office of Chairman and Federal Reserve Agent in Atlanta had been vacant since the elevation of Oscar Newton to the governorship in January 1935.
21. Annual Report, 1935, p. 20.
22. Ibid.
23. Ibid.
24. Minutes, Directors, IX, 2537.
25. Ibid., 2389, 2455, et. seq., 2477.
26. Annual Report, 1935, p. 18.
27. Ibid., 16.
28. Ibid., 17.

Chapter 25

1936

Nineteen thirty-six, like its predecessor, was a year in which events of great future portent were chronicled.

Germany remilitarized the Rhineland; the Spanish Civil War began; Edward VIII abdicated the throne of England for marital reasons and George VI was crowned. Franklin D. Roosevelt was re-elected President of the United States, defeating Alfred Landon by a landslide. The Supreme Court invalidated the Agricultural Adjustment Act; major testing of sulfa drugs was begun, and Margaret Mitchell's Gone With the Wind was published in May. 1

The local economic situation was highlighted by Mayor James L. Key, a staunch supporter of President Roosevelt, in a speech to council on January 6:

“We enter upon the business of the city for the year 1936 with a feeling of hope and optimism which comes from improvements in business and industry on every hand, from a returning market for property and from increased employment. The mounting bank deposits, liberality of credits and reduction in interest charges, all of which indicate that we are recovering rapidly from the depression and that a momentum has been taken in business and industry on all sides which will enable it to carry on, regardless of whether Federal aid is continued or not, in the future. I feel that we can safely say for our city, at least, that we have seen the end of the depression ...

“If it were not for the fact that this city has suffered from many indiscretions, from poor judgment and living beyond its income, it would be in perfect financial condition

today. Covering a period of several years the city has accumulated a deficit of more than \$1, 500, 000. This deficit remains and cannot be removed until tax values have returned to a normal state...”2

‘Thirty-six was a key year in the annals of the Federal Reserve Banking System. Under terms of the Banking Act of 1935 and the influence of a strong chief executive in the White House and a strong System Governor in Marriner Stoddard Eccles, the System became much more Washington oriented.

In late January, President Roosevelt sent to the Senate the nominations of six of the seven members of the Federal Reserve Board which, according to the Banking Act of 1935, was to be reconstructed February 1. Only two members of the old board were named to the new: Governor Eccles, New Dealing banker from Utah, and Menc S. Szymczak, one-time comptroller of Chicago. The new appointees: Joseph A. Broderick, one-time New York State Superintendent of Banks; Ronald Ransom, Executive Vice President, Fulton National Bank of Atlanta; John K. McKee, one-time receiver for national banks in Ohio and Pennsylvania, for the last two and one-half years chief examiner for the RFC; Ralph W. Morrison, Texas hydro-electric figure, who in 1933 was one of the U. S. delegates to the World Monetary and Economic Conference at London.3

On February 10, Time reported:4

“Without debate, without dissent, the Senate last week confirmed six appointments to the Federal Reserve Board submitted by President Roosevelt. The seventh appointee is yet to be chosen. Three days later the old Board, set up by Woodrow Wilson 22 years ago, passed out of legal existence. Though their terms had

not expired, four members of the old Board were retired without pensions. At 67, John Jacob Thomas, a Roosevelt appointee, returns to his farm and his law practice in Nebraska. George Roosa James, 69, wise and crotchety, goes back to Memphis to train his son in the wholesale dry goods trade. The two members who have sat on the Board since its first meeting in 1914 will stay on in Washington: Charles Sumner Hamlin, 74, as a technical advisor to the new Board; Adolph Caspar Miller, 70, as an advisor on its new \$3, 400, 000 marble building, contracts for which were let last week.

“The new Board is new in far more than personnel. Now called the Board of Governors of the Federal Reserve System, it is headed by a chairman instead of a governor. Annual salaries have been upped from \$12, 000 to \$15,000. The Board’s powers were so vastly augmented by the Banking Act of 1935 that it now sits virtually as the directorate of a central bank of its size. Along with the Board’s enlarged authority over the country’s currency and credit goes a greater responsibility for U. S. economic life than any single body has ever had before in U. S. history. Today the U. S. has a managed currency. With the advice and consent of the administration, the Reserve Board is the manager. And in the management process a tremendous potential momentum toward inflation has been built up. If this force is not properly braked, most disinterested observers agree that the U. S. may go on a reckless ride which would make the boom of the 1920’s seem like a harmless trolley trip.

“Indeed, there is some doubt whether the Board can keep this momentum under control, because many of the inflationary threats lie not upon the records in its rented quarters across from the Treasury but in the cloak rooms of the Capitol ...

“In personnel the Reserve Board that took office last week differs from all former

boards. For the first time in history it is predominantly a debtor board, representing people who borrow money rather than lend it. Though the influence of big Eastern bankers upon Reserve Board policy has been largely exaggerated, previous boards have tended to think of U. S. economic life in terms of the banking system. The new Board will think of the banking system in terms of U. S. economic life.

“Every member is a Roosevelt appointee. Besides Chairman Marriner S. Eccles, only one member is a carryover from the old Board--Menc Stephen Szymczak, whom President Roosevelt added to the old Board in 1933. Born in Chicago 42 years ago, Governor Szymczak has often thought of changing his name, used to preface political speeches with an explanation that it was pronounced Szymchak. His father, a Pole, was a day laborer. Tall, robust, good-natured, Governor Szymczak went to St. Mary's College in Kansas, continued his studies at DePaul University in Chicago, eventually joined the faculty there, teaching business logic, psychology, ethics. For two years he was superintendent of Cook County's Forest Preserve District. A political protege of Chicago's late Mayor Anton Cermak, and a Roosevelt campaigner in Polish districts, Mr. Szymczak was Comptroller of the City of Chicago when the President named him to the Board. To bankers he is that rare creature--a political appointee who turns out better than expected.

“Since the full term for a Board Governors is 14 years, the fir* appointments were staggered to allow for one retirement every two years. Governor. Szymczak got the twelve-year appointment. Only full (14-year) term went to Joseph A. Broderick, one-time (1929-1934) New York State Banking Superintendent. His appointment was something of a homecoming, since he had served on the organization committee which worked out

the technical details of the Federal Reserve Banks in 1914, was the Board's first chief examiner. After a nine-year turn as vice president in a big Manhattan bank, Mr. Broderick was picked to head New York's Banking Department by Governor Franklin D. Roosevelt.

"While Mr. Broderick was in office, Manhattan's Bank of the United States blew up. In the horrid aftermath the Banking Superintendent was indicted for neglect of duty and conspiracy along with the bank's officers and directors. One of the trial's high points was the parade of Broderick witnesses, including Governor Roosevelt, Alfred E. Smith, Charles Edwin Mitchell. He was acquitted. Now 54, brisk, hard-working, humorous, he is popular with bankers, is the only member with anything like an Eastern banking background.

"The ten-year term went to John Keowan McKee, a Pittsburgher who has lived in Washington for the past four years, lately as RFC's chief examiner. Husky, energetic, 43, he made a name for himself as a receiver of closed banks in Ohio and Pennsylvania, acting for the U. S. Comptroller of the Currency. Much of RFC's rosy record is attributed to Mr. McKee's examining department.

"Having no political qualifications, appointments to the Board must be made with 'due regard' to geographical and economic interests. No two members may be named from the same Reserve District. The South's representative is Ronald Ransom, 54, Executive Vice President of Atlanta's Fulton National Bank. A suave, studious, blue-eyed six-footer, he is the one member who looks the banker's part and dresses accordingly. He got into banking by way of the Law, founded Fulton National's trust department, married the daughter of Georgia's late great Hoke Smith. His is the six-year

term.

“Shortest term (two years) went to Ralph Waldo Morrison, Texan utilitarian, whom President Roosevelt sent to the London Economic Conference in 1933. He is a close friend of Vice President Garner, a generous contributor to the National Democratic Committee’s campaign funds. A Missourian by birth, he spent his youth in South America, selling railroad equipment and adding machines. Later he promoted and operated a tramp steamship line, finally became interested in Texas power companies. The system he built up was shrewdly sold to Samuel Insull before 1929. Today he owns hotels, ice companies, Mexican power companies, does large scale entertainment on his ranch at Spotford, Texas. Jowled, powerfully-built, 53, he is suspicious of the press, which he thinks mistreated him in London three years ago. To newshawks last week he drawled: ‘A Federal Reserve Board membership is not a talkin’ job.

“The one remarkable man on the new Board is the governor appointed to the four-year term and designated by the President as Chairman. At 45, Marriner Stoddard Eccles is lean, smallish, nervous, intense. In manner he is pleasant, impersonal. Like many another New Dealer he is convinced that in money management lies the salvation of Capitalism ...“

Meanwhile, on January 10, 1936, the Atlanta Bank filled its Branch direct3rates by appointment and re-appointment and elected officers to serve until February 29 of the same year. Frank M. Moody and C. W. Bailey were reappointed as directors of the Birmingham and Nashville branches, respectively. W. R. McQuaid, President, Barnett National Bank, Jacksonville, and H. Holmes, Executive Vice President, Delta National

Bank, Yazoo City, Mississippi, were appointed as directors of the Jacksonville and New Orleans branches, respectively.5

All of the officers of the Atlanta Bank and branches were re-elected for the short term, the four top spots being filled by Oscar Newton as Governor; H. Warner Martin, Deputy Governor; H. F. Conniff, Deputy Governor, and W. S. McLarin, Jr., Assistant Deputy Governor. 6

Then, on February 14 and February 25, the Board proceeded to an election of officers as provided by the Banking Act of 1935. The titles of governor and deputy governor disappeared from the official roster.

Oscar Newton was named President for a term of 5 years at a salary of \$25, 000 annually. Robert S. Parker was named First Vice President, at \$15, 000 per year; H. F. Conniff, as Vice President at \$10, 500, and W. S. McLarin, Jr., as Assistant Vice President at \$8, 500. Deputy Governor H. Warner Martin read a communication from Chairman Eccles, of the Federal Reserve Board in which he was tendered an appointment as Class C Director to be designated Chairman of the Board and Federal Reserve Agent. He had accepted, effective March 1. At the same time Director W. H. Kettig, who had functioned as Chairman during the years more than twelve! the position had been vacant, was tendered a vote of thanks and re-appointed Deputy Chairman.7

The Washington influence was felt right away with receipt of the following letter from Chairman M. S. Eccles, dated March 25, 1936:

“In considering salaries of officers of the Federal Reserve banks for the year 1936, recommended by the Boards of Directors of the respective Federal Reserve banks, the Board of Governors of the Federal Reserve System, as constituted prior to

February 13, 1936,.. decided to approve salaries of Governors, Deputy Governors, and Assistant Deputy Governors for the period January 1 to February 29, 1936, and of other officers of the bank for the year 1936 at the rates the officers were receiving at the end of 1935, and in doing so expressed the view that there should be no increases in salaries of officers except in exceptional circumstances, until a thorough and careful analysis had been made of the organizations of the Federal Reserve banks.

“Since entering upon its duties the new Board of Governors has had before it many important questions with respect to the personnel and salary payments of the Federal Reserve Banks and the distribution of duties between the Federal Reserve banks and the Federal Reserve agents. After studying these matters the Board decided to approve all recommendations submitted by the respective Boards of Directors with respect to salaries of Presidents, First Vice Presidents, Vice Presidents and Assistant Vice Presidents for the period March 1 to December 31, 1936, inclusive, at the rates which were being paid to such officers prior to that date, and that no recommendation involving an increase in salary should be approved in the absence of unusual circumstances or a change in position.

“Before taking this action the Board decided to ask the Presidents of the Federal Reserve banks to institute promptly a thorough survey of the organizations and salary payments of their respective banks and in order that the Board might fully acquaint the Presidents with the policies it had adopted with respect to these and other matters, it asked them to come to Washington for a conference with the Board of Governors on Monday, March 16. At the conference the Board told the Presidents that it had already instituted a thorough survey of its own organization here in Washington.

“In connection with the distribution of duties between the Federal Reserve banks and the Federal Reserve agents, the Board had in mind a procedure looking toward the placing of the chairmanships largely upon an honorary basis, with the thought that the routine duties with respect to the issuance of Federal Reserve notes and the holding of collateral security therefor would actually be performed by assistant Federal Reserve agents who would be experienced in such work and who would receive salaries commensurate with the duties and responsibilities to be assumed. This would make it possible for the Board to obtain outstanding men of recognized prestige and influence in their communities to act in the capacity of Chairmen and Federal Reserve agents with the understanding that it would not be necessary for them to devote their full time to the position.

“The procedure contemplated would result in the transfer of the bank examination work and the research work heretofore handled by the Federal Reserve agents to the banking departments with the understanding, however, that such functions would as heretofore be conducted under the general supervision of the Board of Governors. Heretofore, as you know, all appointments of Federal Reserve Examiners have been subject to the approval of the Board of Governors and the Board would expect such appointments, including particularly that of the person in charge of the examination function, to continue to be subject to its approval.

“The Board of Governors at the conference held in Washington on March 16 and 17 asked the Presidents to review their entire organizations with a view to effecting economies wherever possible to do so without impairing the efficient operations of the banks. The Presidents were also asked to furnish the Board with reports as to how they

would propose to effect the transfer of certain duties now handled by the Federal Reserve agents to the banking departments; of the personnel they would expect to place in charge of the several operations; and of the economies which would be effected by making such transfers, in addition to the economies which would be effected by placing the chairmanships of the Federal Reserve banks largely upon an honorary basis.

“The Board would like to have these reports include an organization chart which will bring out clearly the principal functions or units into which the bank is to be divided after the transfer of certain duties from the Agent’s department to the bank. Such charts should show the name of the officer in charge of each unit and be accompanied by a brief description of the duties of each officer of the bank. Separate charts should be prepared for the head office and each branch. In making these studies it is important that careful thought be given to the operations now handled by branches of Federal Reserve banks with particular reference to the necessity for the branches. If the branches are considered necessary, a review of their operations should be made to determine whether any of the operations now being handled by them could be transferred to the head office at a substantial saving in operating cost and without impairing the services which the System is now rendering to member banks and through them to commerce, industry, and agriculture.

“Pursuant to a recommendation made by a sub-committee of a conference of representatives of all Federal Reserve banks, the Board has approved a revised personnel classification plan which will necessitate the Federal Reserve banks’ classifying all non-official positions in accordance with the revised plan. Under this plan

the duties of each non-official position of the bank will be described briefly, and this, together with the organization charts, should give the Board of Governors a complete picture of the organization adopted by the Federal Reserve banks following the completion of the survey which the Board has requested the Presidents to undertake.

“In making the survey the Board will expect the management of each Federal Reserve bank to give careful consideration to the qualifications and salary of each officer and employee of the bank and to the need for their services. As you have been previously advised, the Board expects that salaries paid to employees of the Federal Reserve banks will not be out of line with salaries paid for corresponding work by local member banks. With respect to salaries of officers, the Board realizes that the duties required of officers of Federal Reserve banks are substantially different from those required of officers in the larger member banks and for that reason the salaries paid by local member banks, particularly to the senior officers of such banks, cannot, of course, be considered as a guide in fixing salaries of the senior officers of the Federal Reserve banks...”⁸

After the letter was read, President Newton said that some progress had been made in the conduct of the survey but that he would delay making any statement until a later meeting of the Board.

At the June 12 meeting of the Atlanta Board, President Newton did submit to the Board a revision of the personnel classification plan, which, after discussion and on motion of Director Clay, seconded by Director Cook, was unanimously approved.⁹

President Newton’s report was, in due course, forwarded to Washington and, on August 20, elicited the following letter from Chester Morrill, Secretary to the Board of

Governors:

“The Board has reviewed the report of the survey made of the operations of the Federal Reserve Bank of Atlanta, a copy of which was recently transmitted to the Board.¹⁰

“In the Board’s letter of March 25, 1936, it was stated that the Board had in mind a procedure looking toward the placing of the chairmanship largely upon an honorary basis ... In this connection, there is attached a copy of a letter to Mr. Walsh, Federal Reserve Agent at Dallas, with respect to the duties to be performed by him as Chairman and Federal Reserve Agent on an honorary basis. The Board would expect the principles and procedure set forth in the letter to Chairman Walsh to be followed at all Federal Reserve Banks.

“The Board’s letter of March 25, 1936 also stated that the procedure contemplated would result in the transfer of the bank examination work and the research work, heretofore handled by the Federal Reserve agents, to the banking departments with the understanding, however, that such functions would, as heretofore, be conducted under the general supervision of the Board of Governors.

“In order to acquaint you more fully with the conditions under which it is contemplated that the examination and research work will be transferred to the banks, these conditions are set forth below in general terms.. With respect to the examination function, the plan contemplates that:

1. All appointments of examiners at the Federal Reserve banks will continue to be subject to the approval of the Board of Governors.
2. The examination department will continue as a separate unit.

3. The examination department will be under the supervision of a vice president to be designated by the bank after consultation with the Board.
4. The budget for this function will be subject to advance approval of the Board of Governors.

“The Vice President in charge of examinations will be designated as an examiner for the Federal Reserve bank and the Board would expect that official to be responsible directly to the president of the bank and not to another vice president or other officer. The Board notes with approval the proposed plan to elect Assistant Zederal Reserve Agent (L. M.) Clark a Vice President and to place the bank examination department under his supervision. It is understood that your directors propose that Mr. Clark as Vice President will continue to receive a salary of \$7, 500 per year, and the Board approves. The Board approves also the designation of Mr. Clark as an examiner for the Federal Reserve Bank of Atlanta.

“While it is expected that the President will keep himself informed of the activities and policies of the examination department, it is contemplated that correspondence, other than that relating to policy matters, would be carried on by the Board and its staff directly with the Vice President in charge of examinations. This procedure would be similar to that generally followed with respect to other correspondence about routine operating matters.

“After the transfer is made the Board will expect that the present policy of decentralization of examination work under the ultimate responsibility of the Board will continue, that the examination work will be conducted by the Federal Reserve banks under the general policies adopted by the Board, and that general supervision of the

examination work of the System as a whole will continue to be exercised by the Board's Division of Examinations.

"In the past the Federal Reserve agent's department has had custody of reports of examination made by the various agencies, which reports have been made available to certain officers of the bank and to certain designated employees in the Credit and Discount and other departments of the bank. When the bank examination department is transferred to the Federal Reserve bank, instructions should be issued providing that the bank examination department will continue to have custody of reports of examinations, and proper safeguards should be established in order to preserve the confidential character of such information and to insure that the reports will be made available to officers or employees of other departments only when justified in the performance of their duties.

"The principles to govern the operations of the research and statistical organizations after their transfer from the agent's department to the bank are outlined in the following paragraphs:

"Scope and Purpose. The purpose of the work of the research and statistical divisions of the Federal Reserve banks is to collect and digest information bearing on the problems with which the Federal Reserve System is confronted, either as a matter of current operation or as the basis of Federal Reserve policies.

"These divisions should provide a necessary service to the officials of the banks and to the Board of Governors of the Federal Reserve System and should also be useful to the general public. Owing to the joint usefulness of these services the Board expects its Division of Research and Statistics to keep in close touch with the activities

of similar departments at the Reserve banks and expects full cooperation in the System's work in this field.

"When a new project in the research and statistical field is in contemplation at a Reserve bank, it should be worked out in cooperation with the Board's Director of Research and Statistics, except as to projects of small scope which involve no considerable expense. From time to time the Director of the Board's Division of Research and Statistics may find it necessary to request the cooperation of one more Federal Reserve banks on research studies.

"Publications. The Board wishes to continue the present practice under which all publications of the Federal Reserve banks dealing with matters of more than local interest are submitted to the Board of Governors and issued only with the approval of the Board.

"Budget and Personnel. The budget of the statistical and analytical function should continue to be subject to the advance approval of the Board and all appointments of persons to Supervisory positions in the statistical function should be subject to the approval of the Board. The Board would expect the person in charge of these functions to report directly to the President of the bank

"It is further contemplated that any work heretofore handled by the Federal Reserve agents in connection with administration of the Securities Exchange Act of 1934 will also be transferred to the banking departments with the understanding that this work, like the examination work and research work, will, as heretofore, be conducted under the general supervision of the Board of Governors. The conditions of transfer contemplated by the plan do not include any specification as to whether the

Reserve bank shall have a separate unit for doing this work, as this would appear at present to be necessary at only a few of the Federal Reserve banks, but it is expected that all appointments or assignments of persons to supervisory positions in handling this work at each Federal Reserve bank will be subject to the approval of the Board of Governors.

“Your proposed recommendations to the directors of the bank as to changes in salaries of officers as of January 1, 1937, has been noted. Any recommendations made by your directors in this Connection will be considered by the Board when the salaries of the officers of other Federal Reserve banks are considered at the first of the year.

“With respect to the statutory duties of the Federal Reserve agent, there is attached a copy of a letter being addressed to Mr. Martin today in Connection with the appointment of an Assistant Federal Reserve Agent, and an Alternate Assistant Federal Reserve Agent at the bank.

“It is not expected that the Assistant Federal Reserve Agent will be charged with responsibility under Section 30 of the Banking Act of 1933. The Vice President in charge of examinations should be charged with the responsibility of keeping the Federal Reserve agent advised of violations of law by directors and officers of state member banks and of unsound banking practices in order to enable the Federal Reserve agent to comply with the requirements of that section regarding the issuance of warnings to the directors and officers involved and the certification facts in such cases to the Board of Governors.

“Effective when Mr. McCravey has executed the customary bond as Assistant Federal Reserve Agent in accordance with the Board’s separate letter of this date to Mr.

Martin, or as soon thereafter as is convenient, the Board authorized the transfer to the bank, in conformity with this letter, of the non-statutory duties previously performed in the Agent's department. Please advise the Board by wire, for its records, the date upon which the transfer is effected.

Very truly yours,

(Signed) CHESTER MORRILL
Secretary." 11

On the morning of August 26, Messrs. L. M. Clark, 3. R. McCravey, Jr., and Mrs. Genevieve M. Barnett assumed the duties of Vice President, Assistant Federal Reserve Agent and Alternate Assistant Federal Reserve Agent, respectively.12

The action of the Federal Reserve Board in changing the status and duties of the chairmen of the individual Reserve banks inspired the following comment from Time Magazine on March 16, 1936, under the heading, "Reservists Out:"

"Like the U. S. Constitution, the Federal Reserve System was originally designed with a full set of checks and balances. A check: to have the chairmen of the twelve regional Reserve Banks appointed by the Reserve Boarg in Washington. A balance: to have the governors (now presidents) named by the local directors of each Reserve Bank. Last year when the New Deal architects remodeled the Federal Reserve System into what for all practical purposes is a central bank of issue under political control, the reconstituted Reserve Board was given the power to veto the choices of the twelve Reserve Banks for both presidents and first vice presidents.

"Having thus obtained a potent voice in the naming of the two ranking officers in each Reserve Bank, Marriner Stoddard Eccles, the New Deal's chief banking architect, proposed to abolish the office of Reserve Bank chairman, which, so far as the need for

centralized control was concerned, was now wholly superfluous. On that point, however, Mr. Eccles had to give in to Congress. Last week Federal Reserve Board Chairman Eccles apparently set out to abolish the office anyhow.

“This was to be accomplished by the simple expedient of putting the Reserve Bank chairmanships on a ‘purely honorary basis.’ Net result in the first week was the laconic announcement that services of six of the ten present chairmen (there are two vacancies) would be ‘terminated’ at the end of April. Presumably they found an ‘honorary basis’ somewhat hollow. Two other chairmen-- Atlanta’s H. Warner Martin and Cleveland’s E. S. Burke, Jr. - apparently accepted the ‘honor’.¹³ Another two were lucky.

“Chairman John Jacob Thomas of the Kansas City Reserve Bank had already received his appointment at \$20, 000 per year. A 67-year old Nebraska farmer-lawyer, he was a Roosevelt appointee to the old Reserve Board but was dropped when the new Board took office. His retirement was not without compensations, for he got only \$12, 000 in Washington.

“Chairman William Beckwith (‘Bill’) Gerry of the Minneapolis Reserve also stayed on at \$20, 000 per year. Kindly, spindly, 68-year old Banker Gerry was governor until a fortnight ago, when he swapped jobs with John Newton Peyton, the chairman, who was 18 years his junior. Duly elected president, Banker Peyton met the Board’s new requirement that a Reserve Bank president must be under 65 when elected, and not over 70 in any event.

“One reason given by the Reserve Board for its campaign to liquidate chairmen is that it will put an ‘end to dual executive responsibility,’ something Chairman Eccles

ahbors. Another excuse was economy. Total salaries of the twelve chairmanships amounted to \$285, 000 annually. However, the Reserve Board has not the slightest legitimate interest in profits of the Reserve Banks for the stockholders are the System's 6,400 member banks.

“Most famed of the six chairmen to be liquidated is J. (for James) Herbert Case of the New York Reserve, whose President George Leslie Harrison already he's the Board's approval. Mr. Case drew the top Reserve Bank chairman salary (\$50, 000) and by reputation earned every penny of it. Now 63, he has been a banker since 1888, when he started as a clerk in a small New Jersey institution, was a crack Manhattan Bank vice president before he entered the New York Reserve as a deputy governor in 1917. Cerebral, conservative, intensely public minded, he is a profound student of central banking. His son, Everett Needham Case, married Owen D. Young's only daughter Josephine. Mr. Case declined to comment on his sudden ousting, but his old Manhattan colleagues were anonymously incensed, declaring that it was 'perfectly awful' and made them 'sick at heart.'

“Nearly as much banking wrath was stirred up by the Reserve Board's veto of the Philadelphia Reserve Bank's choice for President. George W. (for Washington) Norris, who is no kin of Senator George W. (for William) Norris; or that other Nebraskan, Grocer George W. Norris, who ran against him for the Senate. A short, peppery, white-mustached gentleman of 71, Philadelphia's George W. Norris has been head of the city's Reserve Bank since 1920. A longtime partner in the private banking house of Edward B. Smith & Company, he entered the Reserve the year it was founded, withdrew to become Wartime Federal Farm Loan Commissioner and one of the chief

builders of the present Federal Farm Loan Bank System. According to the Reserve Board, Banker Norris was automatically disqualified for the Philadelphia presidency by his age. 'An absurd camouflage' booted President Donal McCormick of Harrisburg's Dauphin Deposit Trust Co.

"Presumably the head of this curiously Bourbon bank was referring to a brush that occurred between Mr. Norris and Chairman Eccles last summer at a local banking convention. In a long address old Mr. Norris ripped into the Banking Bill, not then passed, with such statements as: 'I hope never to see a central bank in this country, either in name or in fact, but if we should have to suffer such a bank, I would rather see it located anywhere else than in Washington!'

"Mr. Eccles, whose work the Banking Bill was, did not arrive at the convention in time to hear the Norris philippic. But, on reading a copy of it, he almost tore up his own speech with the idea of delivering an extemporaneous rebuttal. In the end Mr. Eccles merely interlarded his prepared address with heavy broadsides aimed in Mr. Norris' direction. And last week on learning of his rejection, Mr. Norris declared: 'I leave it to an informed and intelligent public to judge whether the reasons assigned by the Board of Governors are their real reasons.'

"Banker Norris was not the Only presidential choice turned down by the Board. -It also vetoed the names of Richmond's President George James Seay, 74, and San Francisco's JohnU. Calkins, 72. But just why U.S. bankers professed such loud surprise at the Board's wholesale housecleaning was by no means clear. Their indignation was understandable, for the ousted Reservists were able, experienced bankers in their own banking tradition. Chairman Eccles has exceedingly precise ideas of what the Federal

Reserve System should be, which is certainly not what old-line bankers think it should be. That Chairman Eccles would try to run a Reserve System staffed with antagonistic executives would not in reason be expected, any more than a private banker could be expected to tolerate a hostile group of vice presidents in his own institution. “

A number of official personnel changes were made in the Atlanta Bank during 1936 subsequent to the February election held in compliance with the Banking Act of 1935.

At its June meeting the Board directed President Newton to request the retirement from active service, effective December 31, 1936, of Cashier M. li. Bell, Assistant Cashier R. A. Sims, and Assistant Auditor 3. W. Honour, all of whom had reached or passed retirement age. 14

At the same meeting, President Newton stated that in his opinion there was an excess of official personnel at the New Orleans Branch; that he had conferred with Manager Marcus Walker and it was felt that if an excess did exist that the services of Assistant Manager 3. A. Walker be dispensed with. It was pointed out that Mr. Walker's work was satisfactory and it was recommended that he be retained in a clerical capacity at the Branch after December 31, 1936. Before the year was out, Mr. Walker made another business connection.

President Newton also recommended at the June Board meeting that the position of assistant cashier at the Birmingham, Jacksonville, and Nashville branches and the position of assistant auditor at the New Orleans Branch be abolished. The Board concurred and so voted.16

The designation of L. M. Clark as vice president to handle the non-statutory functions of the Federal Reserve Agent has already been noted. The appointment was

made official by resolution adopted by the Board on August 14. At the same time, W. S. McLarin, Jr., Assistant Vice President, was promoted to Vice President, effective January 1, 1937 upon the retirement of Cashier M. W. Bell. Mr. McLarin was assigned, among other duties, those appertaining to the office of cashier.17

In addition to his other duties, Vice President Clark was also designated, on September 11, Secretary of the bank and given custody of records relating to incorporation, title deeds to the bank premises, the corporate seal, the minute book, and the capital stock records.

On December 1, 1936, Chairman H. Warner Martin tendered to the Board of Governors in Washington his resignation as a Class C Director, to be effective January 1, 1937, at which time his designation as Chairman of the Board and Federal Reserve Agent would expire. This action was announced at the December 11 Board meeting and elicited universal expressions of regret and wishes for future success and happiness. 18

Among the significant changes effected in the Federal Reserve Act by the Banking Act of 1935 was the adoption of new by-laws for the parent bank and all of its branches. Insofar as the Atlanta bank was concerned, a committee was appointed on January 10, 1936, to prepare a draft of revised by-laws. On March 13 President Newton submitted to the Board a copy of the revised by-laws, as prepared by General Counsel in collaboration with the Executive Committee and senior officers of the bank. On motion of Director Hall, seconded by Director White and unanimously carried, the revised by-laws were adopted.19

The Building Committee of the Atlanta bank, long headed by Director S. A. McCrary, had not had a great deal to do since the remodeling and enlargement of the

building some years previously. In May 1936, however, Chairman McCrary reported that within the past year approximately \$21, 000 had been spent in renovating and altering branch bank buildings and that \$2, 595 had been spent to insulate the roof of the Atlanta building. At the June meeting the Chairman reported an expenditure of \$198. 01 for renovating the Director.' room and for an installation of Venetian blinds. In August he reported \$1,640 for painting all of the iron and steel work on the building. At about the same time the Federal Reserve Board levied an assessment upon all the Federal Reserve banks to help defray the cost of the new building in Washington for the Board of Governors of the System.20

The bank and Public Relations Department continued to function during this rather hectic period of the bank's history. After a brief review of the work by the Secretary at the December meeting, the Directors went on record as preferring to have visits made to member and nonmember banks by officers of the parent bank and branches rather than by field representatives selected for this purpose. It was decided that this policy would be continued and that suggested itineraries for the visiting of banks would be prepared by the officer in charge of the Bank and Public Relations Department and furnished each of the other officers.21

Both the Savannah and Havana Agencies became the subject of much deliberation during 1936, the question being the feasibility of their discontinuance.

First was Savannah. In January the suggestion was made that the Agency might be discontinued without undue inconvenience to anyone and would result in a considerable saving- -\$6, 500 to \$7, 000 per year. In November the matter was discussed at length. A committee of the Board was appointed, chaired by Director

3. A. McCrary, and authorized to visit Savannah and go into the matter with bankers and businessmen of that city. The Committee met in Savannah on January 7, 1937. In its report to the Board, the Committee concluded:

“... Your Committee did not agree among themselves on all details as to policies, but they are in unanimous agreement that, so long as this Bank continues to operate an agency in the Republic of Cuba at an annual loss of approximately \$30, 000 a year, it would be very unfair to deny our own people the continuation of a service which at best costs not exceeding \$6, 000 a year.

“Reserving all other questions for the future, your Committee recommends unanimously that, until the Cuban agency shall have either been closed or the cost thereof assumed proportionately by the several banks of the System, no further consideration be given to the discontinuance of the Savannah agency.

“If the recommendation of this Committee should appear to the judgment of this Board, we think it proper to add that the Savannah banks are willing to assume the expense of better and safer quarters of the agency. The details of this were gone into by your Committee and should they become a matter of importance, the brief statement made here can be supplemented orally at the Board meeting.

(s) Respectfully submitted
J. A. McCrary, Chairman
Fitzgerald Hall
W. D. Cook.”

The report of the Committee was adopted and the Savannah Agency remained in operation. 22

Time was growing even shorter for the Havana Agency. In February 1936

Director McCrary called attention to the fact that the Agency had entailed a loss of approximately \$30, 000 during 1935. Also, that the bank derived no substantial benefit from the operation of the Agency but, on the contrary, was maintaining it for the benefit of the Cuban Government, the Cuban banks and others doing business in Cuba. He felt that the Agency should be discontinued as soon as such discontinuance might be effected without unduly affecting the banking and business interests of Cuba and offered a resolution to that effect, which was adopted.23

Apparently, no action was taken, for in September Director Clay offered a similar resolution, seconded by Director McCrary, and unanimously adopted. It incorporated a suggestion to the Federal Reserve Board that instead of the entire loss in the operation falling on the Atlanta bank, that it might be prorated among all of the Federal Reserve banks.24 No immediate action was taken. The Agency had two years to run.

Meanwhile, on April 4, 1936, occurred the untimely death of A. H. Alston, Assistant Manager of the Agency. He had been employed by the bank in 1921, starting as a clerk in the Discount and Credit departments. He was a faithful and able employee. On April 7, Robert G. Mayo was appointed as Acting Assistant Manager of the Agency.
25

At years end, on December 31, 1936, the Federal Reserve Bank of Atlanta had total resources of \$400,687, 055. 37. Net earnings for the year came to \$254,261.86. 26

NOTES

Chapter 25

1. The Life History of the United States, II, pp. 168-169.
2. Garrett, Atlanta and Environs, II, 937.
3. Time Magazine, February 3, 1936, p. 11.
4. Pages, 59-60.
5. Minutes, Directors, IX, 2557.
6. Ibid., 2563.
7. Minutes, Directors, 2580, 2592-96.
8. Ibid., 2612-2614.
9. Ibid., 2641.
10. The Walsh letter follows:

“Reference is made to your letter of May 1 in which you express a desire to be advised as to the duties to be performed by you as Chairman and Federal Reserve Agent on an honorary basis from the period from May 1 to December 31, 1936. It is assumed that you refer to duties and responsibilities other than those of a director with which the Chairman is charged in common with other directors and those which ordinarily attach to the position of presiding officer.

“As you know, there is in process of development a plan for the transfer from the Agent’s department to the operating department of the Federal Reserve bank of the functions which are not required by law to be performed by the Chairman and Federal Reserve Agent. As soon as such a plan becomes operative with the approval of the Board of Governors the responsibility for the functions transferred will be shifted to the President of the bank and the Federal Reserve agent will be relieved thereof. In view of this plan and the fact that the Banking Act of 1935 specifically provides that the

President shall be the chief executive officer of the bank, the Board does not contemplate asking the Chairman and Federal Reserve Agent to assume responsibilities not placed upon him by statute although there may be occasionally some special matters as to which the Board will desire his cooperation and assistance.

“The duties for which the Chairman and Federal Reserve Agent will continue to be responsible under the laws are substantially as follows:

“1. The Federal Reserve Act requires the Federal Reserve Agent to act as the official representative of the Board of Governors of the Federal Reserve System for the performance of the functions conferred upon it by the Federal Reserve Act, to make regular reports to the Board of Governors, and to maintain a local office of the Board on the premises of the Federal Reserve bank. In this connection, as you know, he is specifically authorized, subject to the approval of the Board of Governors of the Federal Reserve System, to appoint one or more assistants.

“2. Section 30 of the Banking Act of 1933 provides for the issuance by the Federal Reserve Agent of warnings to directors or officers of State member banks to discontinue violations of law or unsafe or unsound practices and for his certifying the facts in such cases to the Board of Governors.

“3. The Federal Reserve Act charges the Federal Reserve Agent with responsibility for the issuance and retirement of Federal Reserve notes and Federal

Reserve bank notes and the custody of collateral therefor. In addition, he may also be required by the Treasury Department to act as joint custodian with the Federal Reserve

bank of money and bullion.

“4. The Federal Reserve Act requires each Federal Reserve bank to keep itself informed of the general character and amount of the loans and investments of its member banks with a view to ascertaining whether undue use is being made of bank credit for certain purposes; and the Chairman is required to report to the Board of Governors any such undue use of bank credit, together with his recommendation.

“5. The Chairman is also charged by the Federal Reserve Act with the responsibility for the conduct of the nominations and elections of Class A and Class B directors of the Federal Reserve Bank.

“The customary requirements of the Board with respect to the furnishing of surety bonds by Federal Reserve agents will continue in effect.

“As you will recall the Board has expressed the view in connection with the by-laws of the Federal Reserve banks that the Chairman of the Board should also be a member of the executive committee of the Reserve bank, which shall be composed exclusively of directors. The Board is also of the opinion that the Board of Directors should require that reports of all audits of the bank be submitted to it and presumably this would be done through the Chairman.

“The Federal Reserve Agent will be expected of course, to exercise such general supervision over the operations of the department as may be necessary to satisfy himself that they are being performed properly, but it will be necessary for him to give his personal attention only to matters of unusual importance. As a practical matter the ministerial duties of the Federal Reserve Agent, such as those which relate to the issuance of Federal Reserve currency and the holding in custody the collateral therefor,

will be performed by or under the direction of an Assistant Federal Reserve Agent who should be a careful and conscientious person of unquestioned integrity.

“The Board trusts that the foregoing outline will answer your question satisfactorily and greatly appreciates your willingness to remain in the capacity of Chairman and Federal Reserve Agent for the remainder of the year.

Very truly yours,

(Signed) CHESTER MORILL

Secretary.”

11. Minutes, Directors X, 2670-2672.
12. Ibid., 2674
13. Chairman Martin resigned effective Jan. 1, 1937,
14. Minutes, Directors, IX, 2647-2648.
15. Ibid., IX, 2648; X, 2659-2660.
16. Ibid., IX, 2648.
17. Ibid., X, 2666.
18. Ibid., 2714-2715. Mr. Martin spent his remaining years, until his death in 1945, in retirement.
19. Minutes, Directors, IX, 2558-2559, 2606. The revised by-laws follow:

BY-LAWS—FEDERAL RESERVE BANK OF ATLANTA: (REFER TO AMENDMENT, PAGE 2611½)

President Newton submitted to the Board a copy of the revision of the by-laws as prepared by General Counsel in collaboration with the Executive Committee and senior officers of the bank, stating that copies had previously been mailed to each director for study.

Upon motion of Director Hall, seconded by Director White and unanimously

carried, the revised by-law were adopted, and the Secretary was instructed to spread the same upon the minutes of this meeting of the Board.

“BY-LAWS OF
FEDERAL RESERVE BANK OF ATLANTA

ARTICLE I- Directors

“Section 1- Quorum: A majority of the Directors in office at the time of holding any Directors’ meeting shall constitute a quorum for the transaction of business at such meeting, but more than a quorum may adjourn the meeting-from time to time until a quorum is in attendance.

“Section 2 – Vacancies: As soon as practicable after the occurrence of any vacancy in either the Class A or Class B membership of the Board, the Chairman of the Board shall take such steps as may be necessary to cause such vacancy to be filled. in the manner provided by law.

“Section 3 - Meetings: There shall be a regular meeting of the Board. on the Second Friday of each month at 10:00 o’clock A.M., or, if that day be a holiday, on the first preceding full business day. The Chairman of the Board may call a. special meeting at any time and shall do so upon the written request of any three Directors or of the President of the Bank. Notice of regular and special meetings may be given by mail or by telegraph. If given by mail, such notice shall be deposited. in the mails at Atlanta at least three days before the date of the meeting. If given by the Telegraph, such notice shall be dispatched from Atlanta at least one day before the date of the meeting. Notice of any meeting may be dispensed with if each of the Directors shall in writing waive such notice.

“Section 4 -Powers: The business of the bank shall be conducted under the supervision and control of its Board of Directors subject to the supervisory authority vested by law in the Board of Governors of the Federal Reserve System.

“Section 5 – Election of Officers: An appointment of officers of the shall be made by its Board of Directors at its first meeting in *January* of each year, at which time they Board shall fix (subject to the approval of the Board of Governors of the Federal Reserve System) the compensation to be paid the officers, respectively. The Board, however, shall have the power to appoint at other meetings and from time to time such additional officers as the Board may determine to be necessary or appropriate for the conduct of the business of the Bank as is elsewhere in these By-laws more particularly set out. The Officers, other than the President and. First Vice President, shall be appointed at such first meetings in January.

“Section 6 - Special Committees: The Board of Directors shall have the right to appoint from time to time special committees as to the Board may seem advisable or appropriate, which committees shall consider such special or particular matters an may be referred to them by the Board, and may exercise such other powers as the Board *may* delegate to them.

ARTICLE II- Executive Committee

“SECTION 1- How Constituted: There shall be an Executive Committee consisting of the Chairman of the Board of Director and three Directors to be elected semi-annually at the regular meetings of the Board held in January and July of each year. The Chairman of the Board shall serve as Chairman of the committee, and, in the absence or disability of the Chairman, the Committee shall elect one of its members as Chairman protem. Members of the Board of Directors who are not elected to serve as members of the Committee and who are not engaged in business in Atlanta. Three members of the Committee (including ex officio members) shall constitute a quorum for the transaction of business, and action by the Committee shall be upon the vote of a majority of those attending the meeting.

“Section 2 - Meetings: The Committee shall hold regular meetings called by the Chairman of the Board. It shall be the duty of the Chairman to call a meeting of the Committee whenever requested so to do by the President, and, in the absence or disability of the Chairman, the President shall have the right to call a special meeting. The officer calling any such special meeting shall endeavor to give notice thereof to all members of the Committee, but, unless the Committee shall by its own action direct otherwise, a meeting may be held provided a quorum can be assembled from those members to whom notice may have been given.

“Section 3 - Minutes: Minutes of all meetings of the Executive Committee shall be kept by such person or persons as the Committee may from time to time designate for that purpose. Such minutes, or a digest thereof, shall be submitted to the Board of Directors at the next succeeding meeting of the Board and shall be read to the meeting if requested by any member of the Board.

“Section 4 — Powers: Subject to the supervision of the Board of Directors, the Executive Committee shall have the following powers:

- (a) To conduct open market operations in accordance with direction of and regulations adopted. by the Federal Open Market Committee.
- (b) To establish from time to time, subject to review and determination of the Board of Governors of the Federal Reserve System rates of discount to be charged by the bank for each class of paper, such rates to be established each fourteen days or oftener if deemed necessary by the Board of Governors of the Federal Reserve System. At each meeting of the Board of Directors there shall be submitted lists or schedules showing the rates of discount or interest established since the next preceding meeting of the Board..
- (c) To apply for and provide for the security of such Federal reserve notes and Federal reserve bank notes as may, in the discretion of the Committee or of the Board, be reasonably required in connection with the note issue functions of the bank.
- (d) To approve bonds furnished by the officers and employees of the bank.
- (e) To consider applications for loans by established industrial or commercial

businesses and. applications made by financing institutions for commitments in respect of such loans or participation therein, and. to authorize such loans, participations or commitments; to consider and authorize any other loan;, advances and extensions of credit made pursuant to any applicable, provision of law; and to authorize any other proper disbursement of funds.

- (f) In general, to conduct the business of the bank subject to the supervision and control of the Board of Directors and., between sessions of the Board, to take or authorize such corporate action as the Committee may deem to be necessary, desirable or appropriate.

ARTICLE III — Discount Committee

“Section 1- How Constituted.: There shall be a Discount Committee, Consisting of the President, the Assistant Federal Reserve Agent, the Vice Presidents and one other person, who shall be a director. At each monthly meeting of the Board of Directors one member of the Board shall be elected to serve on the Discount Committee until the next regular meeting and another member of the Board shall be elected to serve as his alternate. In the absence, disability or inability to attend of both Directors, so elected, any other Director may serve as a member of the Committee. Members of the Board of Directors not elected to serve on the Committee and not engaged in business in Atlanta shall serve as ex officio members of this Committee whenever they are in Atlanta. The President shall act as Chairman of the Committee. In his absence or disability, the First Vice President shall act as Chairman, and in the absence or disability of both a Vice President designated by the Committee shall act. Any three members shall constitute a quorum for the transaction of business. Acts of the Committee shall be upon the vote of a majority of those present. The Discount committee shall make a report of all discounts and advances to the Executive Committee for review by the latter at its next meeting following the discounts and advances so reported.

“Section 2 -Minutes: The Discount Committee shall meet daily and minutes of all meetings shall be kept by such person or persons as the Committee may from time to time designate for such purpose.

“Section 3 -Powers: The Discount Committee, shall have the following powers:

- (a) To conduct open market operations in accordance, with the direction of and regulations adopted by the Federal Open Market Committee.
- (b) To consider applications for discount or rediscount and other advances or extensions of credit made by member banks, and. to authorize such discounts, rediscount or advances or extensions of credit.
- (c) To buy and sell securities belonging to the bank, provided that any open market operations shall be conducted in accordance with law and. specifically in accordance with the provisions of Section 12A of the Federal Reserve Act, and regulations adopted by the Federal Open Market Committee.

Article IV - Officers

“Section 1 -Election:The Board of Directors shall appoint a President, a First Vice President and one or more additional Vice Presidents as to the Board may seem proper or advisable, a Cashier and such other Officers as the Board may from time to time determine to be necessary or advisable for the conduct of the business of the bank. The Board of Directors shall have the right to define (consistently with law) the duties of such officers and, as provided by Law, to dismiss the same at pleasure.

“Section 2 — President: The President shall be the Chief Executive Officer of the bank, and. his appointment by the Board of Directors shall be with the approval of the Board of Governors of the Federal Reserve System and for a term of five years. 1.11 other executive officers and all employees of the bank shall be directly responsible to him. The President shall have power to *make* any and all transfers of securities or other property of the bank which may be authorized to be sold or transferred by the Executive Committee or by the Board.. He shall have the power to proscribe the duties of all, other officers and. agents of the beak in cases where such duties are not specifically proscribed, by law or by’ those By-laws or by action of the Board of Directors. The President may suspend or remove any employee of the bank.

“Section 3 — Chairman of the Board: The Chairman of the Board shall preside at all meetings of the Directors and perform such other duties as may be imposed upon him by the Federal Reserve Act or by the Board of Governor, of the Federal. Reserve System.

“Section 4 - Deputy Chairman: As provided by law, the Deputy Chairman of the Board of Directors shall exercise the powers of the Chair— man of the Board when necessary, and any provision of these By—laws relating to the Chairman shall be construed as having reference to the Deputy Chairman when that officer is, whether because of the absence or disability of the Chairman or for any other cause, exercising the powers of2tb. Chairman.

“Section 5- First Vice President: The First Vice President shall be appointed in the same manner and for the same term as the President, and, in the absence or disability of the President or during a vacancy in the office of President, shall servo as Chief Executive Officer of the bank, exersing the powers and. performing the duties of the President. At other times he shall have such powers and perform such duties ‘as may be required or conferred by the Board of Directors, the Executive Committee or by the President.

“Section 6 — Other Vice President: The Vice President or Vice Presidents elected or appointed annually by the Board of Directors shall have such powers as may be conferred and perform such duties as may be required by the Board of Directors, the Executive Committee or by the President. Bach Vice President (the First Vice President included) shall, have the right to sign and contract, conveyance or ether document the execution of which has been authorized by the Board of Directors or by the Executive Committee.

“Section 7 - Secretary: The Board may appoint a Secretary, who shall keep the minutes of all meetings of the Board and, perform such other duties as may be assigned to him from time to time by the Board of Directors, the Executive Committee or the President. If no Secretary be appointed pursuant to the above and foregoing, the Board

shall appoint from time to time a person, to be designated 'Secretary of the Board', who shall keep the minutes of all meetings of the Board. The Board of Directors may, in the absence or disability of the Secretary or (as the case may be) in the absence or disability of the Secretary of the Board, or upon any other occasion when, in the discretion of the Board such action may be deemed to be desirable, appoint a secretary protem. Any person who may act as recording officer of the proceedings any meeting of the Board may, in the regular discharge of his duties or upon the direction of the Board of Directors, the Executive Committee or the Officers of the Bank, certify copies of such minutes or excerpts therefrom and, in such case, affix the seal. of the bank to such certified copies.

"Section 8 - Cashier: The Cashier and at least one other officer or designated by the Board of Directors shall have the joint custody of all monics and investment securities of the bank subject to such rules as the Board may adopt for their safety' and in the absence of a rule adopted by the Board, as the President may prescribe. He shall have the custody of the seal of the bank, with power to affix the same to cortificates of stock issued by the bank and upon authorization of the Board or of the Executive Committee or of an Officer acting in the proper exercise of his duties, to such other instruments as may from time to time be required.

He shall perform such other duties as may be assigned to him from time to time by the Board of Directors, the Executive Committee or the President.

"Section 9: Any two offices may be held by one person in the discretion of the Board, except that the President may not hold more than one office.

"Section 10 – General Counsel: The Board shall annualy elect a general counsel, who shall have general supervision of all litigation in which the bank may be interested and of any other matter or matters of a legal nature or in connection with which the attention of counsel may be required or requested. The general counsel shall act as counsel to the various Branches of the bank and shall represent the Branches in such matters as *may* be assigned to him, and shall approve all legal documents. He may appoint local counsel for any one or more Branches with the approval of the Board of Directors or of the Executive Committee and upon such terms as may be approved either by the Board or by the Committee. An officer of the bank, having what the Board may deem to be adequate legal training and experience, may be designated by the Board as general counsel and. in such event shall discharge' the duties of general counsel in addition to the duties of such other office held by such officer.

Article V - Certificate of Stock

"Section 1 — Signatures: All certificates of stock issued by this bank shall be signed by the President or a Vice President and the Secretary. If, at the time of the issuance of any certificate of stock, there be no person filling the office of Secretary or in the absence or disability of the Secretary, such certificates of stock shall be signed by the President or a Vice President and the Cashier or an Assistant Cashier, Such certificates snail, bear the corporate seal.

ARTICLE VI - Business Hours

“Section 1 - The bank shall be open for business from 9:00 o’clock a.m. to 2:00 o’clock p.m. on each day except Sundays and Saturdays or day: or parts of days established, as a legal holiday. The business hours on Saturdays shall be from 9:00 o’clock a.m. to 12:00 o’clock Noon.

ARTICLE VII – Amendments

“Section 1 - These By-laws may be amended at any regular meeting of the Board by a majority vote of the entire Board, provided, however, that a copy of such amendment shall have been delivered to each member at least ten days prior to such meeting.”

VACATION SCHEDULE:

Upon motion of Director Cook, seconded by Director Hall and. unanimously carried, the following vacation schedule, for the Federal Reserve Bank of Atlanta, branches, and agencies was adopted:

“All officers of the parent bank and, Branches at Birmingham, Jacksonville, Nashville and 11ev Orleans — three weeks vacation:

‘Officers of the Savannah Agency — two weeks vacation:

“All employees of the parent bank and branches — twelve, business days or less, subject to the following conditions:

“Employees in the service of the Federal Reserve Bank of Atlanta and branches on or before January 2, 1936 to be granted six days vacation, plus one additional day for each full month’s employment during the year 1935, provided, however, that the vacation of an employee will in, no case exceed twelve business days.

“HAVANA AGENCY:

Manager and Assistant manager — one months vacation. All full time employees other than guards and porter —three weeks vacation with an allowance of \$60 for travel in; expenses to and from Havana-Atlanta, provided such expenses are actually incurred by the employees.

AMENDMENT TO MINUTES OF MARCH 13, 1936 MEETING OF THE BOARD OF DIRECTORS, FEDERAL RESERVE BANK OF ATLANTA

“The Secretary stated that at the March meeting, prior to the adoption of the amended by-laws, the Chairman requested that he read a letter dated March 9, 1936, writer to the Chairman by Director W. H. Kettig. The letter was read and the subject matter discussed but, through error, the letter was not incorporated in the minutes of the March meeting. The Secretary requested permission of the Board to copy the letter at the foot of the minutes of the meeting of March 13, 1936, as an amendment or supplement thereto, and in response to the request the following resolution was offered,

duly seconded, and carried:

“WHEREAS, at the meeting of the directors of this bank held on March 13, 1936, and just prior to the consideration at that meeting of a draft of by-laws then proposed for adoption, there was read to the board a letter dated March 9, 1936, written by Director Kettig to the Chairman of the Board; and

“WHEREAS, the letter was read as requested by a copy was not spread upon the minutes of the meeting,

“THEREFORE, BE IT RESOLVED That the minutes of the said meeting of March 13, 1936, be, and they hereby are, amended by adding thereto the following:

‘Prior to the consideration of a motion to adopt the revision of the by-laws presented to the meeting, the Chairman *stated* that he wished to have the Secretary read to the board a letter dated March 9, 1936, written by Director Kettig to the Chairman. This letter was then read, the same being as follows:

‘I received your *kind*, letter Of Feb. 25th and. thank you very much for your good. Wishes I am getting along very well but do not feel able to attend the meeting this week.

‘I have a copy of the new proposed by-laws. They seem to be all right, but I want to make a suggestion about the meetings of the Committees. I note that the new by-laws provide for two meetings of the Executive committee each week. I believe that one meeting a week would be sufficient for the business of the Bank.

‘Then again it provides for a meeting everyday of the Discount Committee. I believe that one meeting a week for the Discount Committee and one meeting a week for the Executive Committee should be sufficient for the present business of the bank.

‘I have recently had some correspondence with Mr. McCrary and Mr. Newton and called their attention to the enormous expense to the Bank of Directors’ fees and Committeemens’ fees. During the year 1935 these fees for the Federal Reserve Bank and its Branches amounted to around \$12,000.00. I believe, considering the present business of the Bank, that this is rather expensive and would suggest your looking into this.

‘I do not know how many meetings they held in New Orleans last year but the expenses down there amounted to about \$3,000.00. These are matters, however, for you and the other Directors to decide and I merely make this suggestion in adopting the new by-laws.

‘Thanking you again for your kindness and with all good wishes, I am.’

“BE IT FURTHER RESOLVED That this resolution be spread upon the minutes of this, the regular meeting held in August, 1936, and that the same be copied at the foot of the minutes of the meeting of March 13, 1936, as a supplement or amendment to the minutes of the meeting as heretofore approved.”

I, L. M. Clark, Secretary, certify that the above and foregoing is a true and complete copy of an excerpt from the August 14, 1936, meeting of the Board of Directors, Federal Reserve Bank of Atlanta, Atlanta, Georgia.

SECRETARY.

20. Minutes, Directors, IX, 2633, 2642; X, 2661, 2651.
21. Ibid., X, 2707-2708.
22. Ibid., IX, 2576, 2578, 2606; X, 2699-2700, 2711, 2730, 2731.
23. Ibid., IX, 2588-2589.
24. Ibid., X, 2681-2682.
25. Ibid., IX, 2622-2623.
26. Twenty-Second Annual Statement, December 31, 1936.

Chapter 26

1937

On the national and international fronts, 1937 witnessed a number of notable events. Japan began its undeclared war on China and bombed the U. S. gunboat Panay in Chinese waters. Congress defeated President Roosevelt's Supreme Court reorganization plan while upholding a variety of New Deal measures, including the NLRA and Social Security Act. The auto industry was largely unionized by sit-down strikes. The first Walt Disney full-length cartoon, Snow White, made its debut; the N. B. C. Symphony Orchestra was created for Toscanini, while Joe Louis won the heavy-weight boxing title he was to hold for twelve years. A sharp recession, beginning in late 1937 and extending well into 1938. interrupted gradual business recovery.1

Locally, E. D. Rivers was inaugurated Georgia's Governor and William B. Hartsfield began a tenure of 23 years as Atlanta's mayor. He found the city \$3, 000, 000 in debt and near bankruptcy. Free school books were voted; stocks were abolished in Georgia prison camps. Margaret Mitchell won the Pulitzer prize for Gone With The Wind. Techwood Homes, a successful experiment in low-cost housing, marked its first year. A model city budget was adopted which rescued the municipality from financial chaos. 2

The passing years had always marked changes in the Atlanta bank's official family and 1937 was no exception. In November 1936, Messrs. Ryburn G. Clay and 3. A. McCrary were re-elected Class A and Class B Directors, respectively, for three-year terms beginning January 1, 1937. An election for Branch Directors and Managing Directors, held in December, resulted in the choice of several successors to Directors

whose terms expired with 1936. E. E. Soulier, Vice President and Cashier of the First National Bank, Lafayette, Louisiana, succeeded 3. D. O'Keefe on the New Orleans Board; General John C. Persons, President, the First National Bank, Birmingham, succeeded W. E. Henley on the Birmingham Board. George J. Avent, of Jacksonville, was re-elected, and F. M. Farris, President of the Third National Bank in Nashville, succeeded C. A. Craig on the Nashville Board. The only new Managing Director of a Branch was P. L. T. Beavers, formerly Assistant Cashier of the Atlanta bank and an employee since 1918, who succeeded John H. Frye, retired, at the Birmingham Branch.3

At its meeting on January 8, 1937, the Board paid appropriate tribute to Messrs H. Warner Martin and 3. P. Allen, retiring Directors whose terms expired with 1936. Also to H. Lane Young, of the Federal Advisory Council, retiring after three consecutive terms. At the same meeting, Frank H. Neely, successor to 3. P. Allen as a Class C Director, was welcomed. Deputy Chairman W. H. Kettig called attention to Mr. Neely's fine record of achievement in business and civic activities and stated that he felt certain that Mr. Neely's services would be distinctly beneficial to the bank.4

They were destined to be both beneficial and of long duration- -until he retired on December 31, 1953. Mr. Neely was born in Augusta, Georgia in 1884 and graduated from Georgia Tech in mechanical engineering in 1904. His field was scientific management. After connections with the Fulton Bag & Cotton Mills and the Westinghouse Electric & Manufacturing Company, Mr. Neely formed a connection with Rich's, Inc., in 1924, rising to President and Chairman of the noted department store. His civic interests have been legion. His services to the Bank were to become especially notable in the development of research and

personnel functions and for revision of administrative practices.5

Officers of the Atlanta bank. elected to serve for 1937 were Oscar Newton, President; Robert S. Parker, First Vice President and General Counsel; H. F. Conniff, Vice President; W. S. McLarin, Jr., Vice President and Cashier; L. M. Clark, Vice President; V. K. Bowman, C. R. Camp and S. P. Schuessler, Assistant Cashiers; E. P. Paris, General Auditor; and L. M. Clark, Secretary.6

At the same time a rather spirited election for Federal Advisory Council member, to succeed H. Lane Young, resulted in the choice of Edward Ball, of Jacksonville, Florida, a noted industrialist and banker.7

As the year progressed other official changes took place. In February, 3. Frank Porter, President of the Tennessee Farm Bureau Federation, was appointed a Director of the Nashville Branch for an unexpired portion of a term ending December 31, 1939.8 In April, Donald Corner, of the Avondale Mills, Birmingham, Alabama, was appointed a Director of the Birmingham Branch for an unexpired part of a term ending December 31, 1938.9

In June, W. H. Kettig was appointed Chairman of the .Board and Federal Reserve Agent of the Atlanta bank and Frank Neely Deputy chairman for the remainder of 1937. Howard Gray, of Huntsville, Alabama, was appointed to the Birmingham Board for an unexpired term ending December' 31, 1939, and Alexander Fitz-Hugh, of Vicksburg, to the New Orleans Board for an unexpired term ending December 31, 1938.10

In July, 3. Frank Porter, the recently appointed Nashville Branch Director, resigned to become a Class C Director of the Atlanta bank. At the same time, Henry G.

Chalkley, Jr., of Lake Charles, Louisiana, was appointed to the New Orleans Board for an unexpired term ending December 31, 1939. Edward L. Norton and W. E. McEwen became Directors at Birmingham and Nashville, respectively, in August, both to fill unexpired terms.¹¹

On October 6, New Orleans Managing Director Marcus Walker wrote to President Newton and announced his intention to retire, under the Bank's retirement system, effective December 31, 1937. He said, in part:

"...My relations with the New Orleans Branch have always been most pleasant. It is true, I have seen some very strenuous times during those years of service, but having at all times received one hundred per cent consideration and support from my Directors and the officers and Directors of the parent bank, the situation was not as difficult to handle as it might have been ..."

Mr. Walker had indeed served long and ably- - since the Branch opened on September 10, 1915. ¹²

President Newton recommended the appointment of Vice President Lewis M. Clark for the important New Orleans post. He reasoned that Mr. Clark was a native of that part of Mississippi lying within the New Orleans zone; was thoroughly familiar with business and economic conditions in the zone, and had a wide acquaintance with bankers in that territory. Mr. Clark was appointed Managing Director of the New Orleans Branch on November 12, 1937, effective January 1, 1938. His salary was advanced to \$10, 000 per year.¹³

It was also at the November Board meeting that W. D. Cook and Fitzgerald Hall were re-elected Class A and Class C Directors, respectively, for an additional three-year

term beginning January 1, 1938.¹⁴

In December the Sixth District Federal Reserve Bank lost, by retirement, two of its long-time and most valuable associates, Rudolph S. Hecht and William H. Kettig.

Mr. Hecht had served for two decades on the New Orleans Branch Board. He received his early banking education in Europe, and in 1903 came to the United States to study American banking methods. He found American business and social life so congenial that he became an American citizen and had lived in this country ever since. He became President of the Hibernia National Bank in New Orleans in 1918 and, since 1933 had served as its Board Chairman. In 1922 he was awarded the Times-Picayune Loving Cup for having accomplished the greatest good for New Orleans during that year.¹⁵

William H. Kettig, as of December 1937, was one of only two original Directors of the Atlanta bank still serving, the other being 3. A. McCrary. Since May 27, Mr. Kettig had served as Chairman of the Board and Federal Reserve Agent. His official retirement date was December 31, 1937, though the Board chose its January 1938 meeting as the time and place for a fitting tribute. On this occasion Mr. Newton said in part:

“Mr. Kettig’s long tenure in office has extended over the entire life span of the Federal Reserve System. As a director of this bank he saw the System enter upon its career of usefulness amid the chaotic conditions brought about by the beginning of that titanic struggle which has been termed the ‘World War.’ The difficulties of inaugurating successfully the Federal Reserve System under such conditions are matters of history. Scarcely had the banks begun to function when the United States was drawn into that

maelstrom and immediately the Federal Reserve Banks became charged with vastly increased responsibilities and vital duties in connection with the financing of America's participation in the war. It is needless to comment upon the post-war conditions and the attendant economic difficulties, nor upon the period of expansion or inflation which culminated in the crash of 1929, nor the black depression which threatened the Nation's entire banking structure. Such matters are also recorded in the enduring chronicles of human events, and are well remembered, as are the work of rehabilitating the Nation's banking structure, which followed the nationwide suspension of banking business in March 1933 and the sweeping legislative enactments of 1933 and 1935 which brought about many changes in the law affecting banks and invested the Board in Washington and the several Federal Reserve banks with substantially augmented powers and important new duties ...

“Every officer and every director who has served the Federal Reserve Bank of Atlanta since its organization would acknowledge without reservation the essential value of Mr. Kettig's sound counsel, at once conservative and constructive, and would pay willing tribute to his devotion to duty and his unswerving adherence to what he has conceived to be right. Sometimes we like to use familiar metaphors and your committee feels that it can best describe Mr. Kettig's contribution to the Federal Reserve Bank of Atlanta by saying that he has always been a ‘tower of strength.’

“All those who have come in contact with him have loved him. Always cheerful, kindly, considerate and gentle, he has been counted as a cherished friend by his fellow directors, the officers of the bank and its employees ...

Following Mr. Newton's remarks, Mr. Kettig was presented with a watch. He

responded as follows:

“The time has arrived for me to retire as a Director of the Federal Reserve System. I have served for over 23 years under five different Presidents of the United States. There is an end to all things, and I am satisfied and content to retire.

“In this connection, I want to offer my sincere thanks to the Board of Governors of the Federal Reserve System in Washington who have repeatedly elected me to this high office. I appreciate their confidence and support. I also want to thank all the members of the Board of Directors of the Federal Reserve Bank for their many evidences of kindness and support. I do not want to forget the bankers in the Sixth Federal Reserve District who have given me friendly and cordial cooperation. I also remember those members of the Board who have passed on. For all these I hold a cherished memory. Some of them were my warmest friends.

“One of the first Governors of the Federal Reserve System was W. P. G. Harding, of Birmingham. Mr. Harding represented Birmingham at the hearing given by the Committee for the location of the different banks in 1914 when the Federal Reserve Law was adopted. His vast knowledge of financial affairs attracted the attention of the Committee and it resulted in their offering him a position on the Federal Reserve Board. Mr. Harding was an able man and he had a particular knowledge of finances. In the pioneer days of the Federal Reserve System he was invaluable in giving his advice. He was not a good politician or mixer, as the term goes, and for this reason he was misunderstood. There is no doubt whatever about his patriotism and his ability. After Harding came George H. James on the Federal Reserve Board. Mr. James had particular charge of the Southern end of the System. It is to him that we owe our

numerous branches in the South. He was an efficient businessman and, like Harding, was not given much to politics. Both these gentlemen have passed on. The Country owes Messrs. Harding and James a debt of gratitude.

“The Federal Reserve System has erected magnificent buildings all over the country. This has not cost the taxpayer a single cent ... The System financed the country during the World War and has been the main assistance to the Government in financing ever since. It financed the banks during the late depression and has always been the financial backbone of the country during the last 23 years. One beauty about the System is that it is not in politics. Every officer and employee of the Federal Reserve Bank of Atlanta holds his or her position through merit and merit alone. While the System is a large part of the Government, yet it has been operated along non-political lines. God forbid that the System ever gets into politics’! It would be unfortunate if an applicant for a position in the Bank would have to get the endorsement of his Congressman or if a person wanting a long from the Bank would have to have political support.

“As stated above, I have served the System for over 23 years. I have had all the honors that the Federal Reserve Bank could give me. I have been a Chairman of the Birmingham Branch for many years and have been Chairman and Deputy Chairman of the Federal Reserve Bank of Atlanta. What more honors could any man desire? In retiring I feel the greatest gratitude for all the favors that have been shown me. I wish everybody connected with the System happiness and contentment in life. I am retiring fully satisfied and content. 16

Mr. Kettig, then 74, was born one month after the Battle of Gettysburg in 1863.

He died, after less than two years of retirement, on August 3, 1939. 17

A number of actions concerning employees and other personnel were taken during 1937.

Effective July 1, salaries in the lower brackets, \$2, 400 and under, were generally upgraded. The policy of retirement at age 65 was reaffirmed, exceptions to be approved only under exceptional circumstances. The rule did not apply to President s and First Vice Presidents who were appointed for 5-year terms.18

In August the Board, after recommendations by President Newton and First Vice President Parker, arrived at the concensus of opinion that the sponsorship by the bank of gatherings and social occasions was desirable and that reasonable expenses would be approved by the Executive Committee. 19

Less unanimity was exhibited in September on the subject of the employment of married women. Director Kettig offered a resolution providing that hereafter no married woman be employed by the bank if her husband is capable of supporting her; that present female employees who marry shall be separated from employment after a reasonable time (no more than 3 months); that the policy would not apply to presently married female employees but that in the event it became advisable to reduce the work force they would be the first to go. The resolution was seconded by Director Ryburn Clay and carried. Directors Frank Neely and George J. White voted in the negative.20

An examination of the Federal Reserve Bank as of July 10, 1937 raised several questions, among which were the doubtful necessity of the Executive Committee meeting twice a week. Indeed, it was pointed out that in most of the Federal Reserve Banks it met only semi-weekly. The matter was duly considered by the Board,

with the result that in October the by-laws were amended so as to provide for weekly meetings of the Committee. 21

The age of air conditioning caught up with the Atlanta bank in early 1937 and gave the Building Committee and its veteran chairman J. A. McCrary much food for thought during the remainder of the year. In February, Mr. McCrary announced that estimates were in preparation for air conditioning the parent bank building.

After consideration of several proposals for the work, the Board, in November approved a program of improvements involving air conditioning of the parent bank in an amount of \$275, 000, under the general direction of Architect Henry J. Toombs. The Federal Reserve Board in Washington interposed no objection. 22

The Building Committee was also engaged on other projects during the year. In April Chairman McCrary reported that he had inspected the Jacksonville building and was pleased with the alteration that now permitted the loading and unloading of money within the building, such alteration having been accomplished at reasonable expense. Maximum safety was now provided for both employees and money.23

The Committee next turned its attention to "safety" in the Atlanta bank building and recommended the installation of three guard turrets in the lobby by the O. B. McClintock Company. The project, to cost \$7, 448, was approved in June. 24

On October 20, eighteen directors of the Atlanta bank and its branches, in addition to President Newton and First Vice President Parker, traveled to Washington for the ceremonies incident to the official opening of the new Federal Reserve Building there. 25

The Auditing Department of the Atlanta bank was surveyed during the examination of July 1937, after which an Auditing Committee was appointed and the President was authorized to transfer duties of an operating nature from the Auditing Department to operating departments of the bank. Since 1926, as a result of the Campbell case, the General Auditor had been charged with the function of approving all expense vouchers. He and the Auditing Department were relieved of this chore as a result of the 1937 action.26

Prior to the examination of the parent bank and branches in July, there had been rumors of poor employee morale in New Orleans. After the examination, Director Ernest T. George reported to the Board. He said that it was the belief of the directors of the branch that there was no general discontent or unrest among the employees, but that such indications of discontent and low morale as were observed had been the result of agitation inspired by a very few of the temporary employees. He further stated that he and the other directors, as well as the officers of the branch, felt that the recent salary increases granted would improve the situation. Director George also stated that it was felt that closer personal contact between the employees and officers of the branch was desirable and that much could be accomplished along this line through occasional outings or social gatherings. 27

On August 20, 1937 the Atlanta bank lowered its rate on rediscounts and advances from 2% to 1-1/2%, 28 or a near record low. Commented Time on September 6:

“A milestone in Federal Reserve history was passed last week. Following the example of the Federal Reserve Banks of Chicago, Atlanta, Minneapolis and Richmond, which cut their rediscount rates from 2% to 1-1/2%, the Federal Reserve Bank of New

York last week cut its rate from 1-½% to 1%. This is the lowest fee for loans to member banks ever posted by any central bank in the world. Sample rates in Europe today: Bank of France and Reichsbank, 4%; Bank of England and Bank of the Netherlands, 2%; Swiss National Bank, 1-½%. Lowest previous rate in the U. S., 1%. Highest rate (1920) in New York, 7%.

“Reasons for the New York Reserve Bank’s action were two -- to forestall a rise in the current low open market money rates, and, more important, to persuade banks to borrow from the Federal Reserve rather than sell large holdings of Government bonds as they have been doing lately to meet increased demand for commercial loans. As a device to end bond selling, the reduction of the discount rate was not immediately successful. Still under pressure, ‘Governments’ continued to slump as much as half a point a day.”²⁹

At year’s end total resources and liabilities of the Federal Reserve Bank of Atlanta stood at \$394, 827, 288. 83. Net earnings for 1937 came to \$246, 763. 09.

24. Ibid., 2764, 2772.
25. Ibid., 2828.
26. Ibid., 2801.
27. Ibid., 2798.
28. Ibid., 2802.
29. Twenty-Third Annual Statement.

Chapter 27

1938

The last full year of peace before the cataclysm of World War II~ was marked by a number of events leading to the war. Hitler took over Austria; the Nazis took violent anti-Jewish measures in Germany and that country presided over the dismemberment of Czechoslovakia.

In the United States, on the political front, the House Committee on Un-American Activities was established; the second AAA, and the Fair Labor Standards Act marked the end of New Deal reform legislation, and President Roosevelt suffered humiliating defeat in his attempt at purging conservative Democrats in the Congressional election.

On other fronts, commercial production of nylon was begun, the CIO was formally organized, and the Civil Aeronautics Administration established.¹

In Atlanta, during 1938, the noted Reed Report was made public. A thorough study of city and county governmental affairs, it was in the years to come to have far-reaching effects on the area. After a long, dry hiatus, legal liquor sale began in April 25 and , under the prodding and leadership of office building owner Charles F. Palmer, the Atlanta Housing Authority was commissioned in June. A month before, in May, the Terminal Hotel fire took 34 lives, deadliest in the city's history up to that time. ²

The official family of the Bank, as in all former years, changed somewhat in

1938. John S. Coleman, President of the Birmingham Trust & Savings Company, succeeded John G. Farley as a Director of the Birmingham Branch, effective January 1. George J. White, President of the First National Bank of Mount Dora, Florida, succeeded C. G. Ware as a Director of the Jacksonville Branch, and Oliver J. Lucas, President of the National Bank of Commerce in New Orleans, succeeded long-time Director R. S. Hecht on the New Orleans Board.³

In January, First Vice President R. S. Parker was designated as the officer to supervise the bank examination department.⁴ Fred L. Williamson was appointed Acting Assistant Manager of the Havana Agency at \$3000 per annum,⁵ and Donald Comer resigned his Class C directorship because of the fact that he was a director of the First National Bank of Birmingham and did not wish to sever that connection to qualify as a Class C Director. ⁶

To succeed Mr. Corner, the Board picked Dr. Rufus Carrollton Harris, President of Tulane University, a winner of the Purple Heart in World War I, and a native of Monroe, Georgia, born in 1897. From 1923 to 1927, Dr. Harris had served as Professor of Law and Dean of Mercer University, an institution he was later to head. He was destined to serve the Federal Reserve Bank long and ably.⁷

In February, E. W. Palmer accepted appointment as a Nashville Branch Director for an unexpired three-year term ending December 31, 1940.⁸ At the same time, George Neal Bass, Cashier of the First National Bank of Franklin County, Decherd, Tennessee, was also named to the Nashville Board, succeeding Frank J. Haik, whose term had expired. ⁹

Howard Phillips, of Orlando, became a member of the Jacksonville Board in

late February.¹⁰ On March 11, M. L. Shaw was elected Assistant Cashier at New Orleans at a salary of \$3, 000, having previously been Chief Clerk in the Discount Department of the Branch.¹¹ During the same month, W. W. French, President of the Moore-Handley Hardware Company, of Birmingham, was elected a member of the Industrial Advisory Committee to succeed A. R. Forsyth, retired.¹²

In April, Robert H. Gamble, President of the Florida Brick & Tile Corporation, joined the Jacksonville Branch Board;¹³ James A. Goethe, Assistant Manager at Savannah, resigned and was succeeded by Earle M. Looney, previously head bookkeeper in the Atlanta Accounting Department. ¹⁴ Albert P. Bush, who served as a Director of the New Orleans Branch from its opening in July 1915, until December 31, 1936, died on April 7, 1938. Resolution of sympathy and respect were adopted by the Atlanta Board. ¹⁵ The grim reaper hit again in New Orleans on July 2. William H. Black, veteran cashier of the Branch, died after a long illness. He was succeeded by Morgan L. Shaw. ¹⁶

The most notable personnel acquisition of 1938, amply proven by the passage of time, was of a young economics professor at the University of Georgia in Athens.

Malcolm Honore Bryan was born at Watseka, Illinois, in 1902. After earning f his A. B. and M. A. degree at the University of Illinois, he did graduate work at the University of Chicago. He spent the next decade, 1925-1936, as professor of economics at the University of Georgia. During 1937 and early 1938, at the behest of his friend Ronald Ransome, Mr. Bryan did some work in the field of economics for the Board of Governors of the Federal Reserve System in Washington. It was during this time that the expertise of the young economist came to the attention of Frank H. Neely, Chairman

of the Atlanta bank. 17

Indeed, at the Board meeting of June 11, 1937, Chairman Neely stated that, in his opinion, the Federal Reserve Bank of Atlanta should retain the services of an experienced and recognized economist, since it seemed to him that such services might be beneficially utilized in many ways, including the furnishing to the directors and officers of the bank of current and accurate information, clearly summarized, as to business trends generally and particularly as they might relate to the Sixth Federal Reserve District. He further stated that he believe that such an economist might be employed on a part time basis, with the that understanding he would be available to appear before the directors at their meetings.

After some discussion, a committee composed of Frank H. Neely, R. C. Clay, and Oscar Newton was appointed to study the matter and report to the Board at its next regular meeting. 18

At the July Board meeting, Director Neely, Chairman of the "employment of an economist" committee reported that he was recently in Washington and while there talked with Dr. Goldenweiser and some of the members of the Board of Governors concerning the employment of a recognized economist. Mr. Neely stated that those with whom he talked in Washington expressed themselves as being in thorough accord, and that Dr. Bryan, who has been suggested as one capable of supplying the directors with pertinent information, had been requested to prepare a memorandum covering the kind of information, as to money, finances, etc., that might be presented to the Board from time to time. Neely asked that further time be given in which to submit the name of a candidate for the pose of bank economist. 19

Further study was given the matter during the remainder of 1937. Then, on February 11, 1938, the special committee appointed on June 11, 1937, made its report which, in part, follows:

“...Your committee has reported to the Board from time to time that it had the matter under consideration, but had not found it feasible to submit definite recommendation for several reasons, including the fact that the committee had in mind recommending the retaining of Dr. Malcolm H. Bryan, a professor of political economy at the University of Georgia on leave of absence and temporarily attached to the staff of the Board of Governors.

“On February 1 and 2, 1938, representatives of the various Federal Reserve banks met in Washington with members of the Research staff of the Board of Governors to consider ways of obtaining additional information about current and prospective developments in business for the use of Federal Reserve authorities in formulating policies. At this conference the Federal Reserve Bank of Atlanta was represented by President Newton and Mr. D. E. Moncrief, who is in immediate charge of the bank’s Statistical Department.

“At this conference an agreement was reached as to a general program ...

“Your committee submits the following recommendations:

1. “That this report, which was submitted to and approved by the representatives of the Federal Reserve banks at their conference of February 1 and 2 be approved in principle and adopted as embodying an advisable and workable basis for the broadening of the research and statistical work of the Federal Reserve Bank of Atlanta and other Federal Reserve banks.

2. "That the Chairman of the Board of Directors of this bank be authorized, in collaboration with the bank's officers, to negotiate with Dr. Malcolm Bryan with a view to the securing of his services on a full time basis, it being understood, of course, that the Board of Governors would be consulted as to when they might conveniently relieve Dr. Bryan of the special work in which he is currently engaged.

3. "That if the negotiations with Dr. Bryan are successfully concluded, he be appointed a vice president in charge of the bank's research and statistical work and its work of compiling information as to business conditions, under the direct supervision of the President, Dr. Bryan to be paid at the rate of \$7, 500 per annum, or at such rate not in excess of \$7, 500 as might be agreed upon between him and the Federal Reserve Bank.

4. "That the officers of the bank be authorized to furnish Dr. Bryan with such clerical and other assistance as might be determined to be necessary or desirable for the proper performance of his duties, supplying such assistance, in so far as possible, from the bank's present personnel.

"... Our recommendation of the appointment of Dr. Bryan implies, of course, our opinion that he is fully qualified for the work. Your committee would like to add, however, that they know Dr. Bryan and have had the opportunity of forming a first-hand opinion as to this ability and his fitness to fill acceptable the office for which he is recommended. Our investigation and our knowledge of Dr. Bryan and his work enabled us to recommend him without hesitancy or reservation.

Respectfully submitted,
(signed) Oscar Newton

R. C. Clay Frank H. Neely

Committee.” 20

The report was approved. Bryan was employed and the action was confirmed by the following letter:

“Washington,

February 10, 1938.

“Mr. Frank H. Neely, Chairman,
Federal Reserve Bank of Atlanta,
Atlanta, Georgia.

“ Dear Mr. Neely:

“This will reply to your letter of January 28 in which you set forth the plan of your Board to organize a department of research and statistics at the Federal Reserve Bank of Atlanta and to appoint Mr. Malcolm H. Bryan, now employed by the Board here, as a full time officer of the bank and in charge of this work. I am advised that Mr. (Ronald) Raitsome has discussed this matter with you quite fully over the telephone, and that this letter is in the nature of a confirmation of what he conveyed to you.

“The Board of Governors is in full sympathy with the aim of you Board to strengthen its organization by the appointment of an officer trained in the field of economics. While Mr. Bryan is at present engaged in important work here, the Board will interpose no objection to his appointment by your Board as an officer of the Federal Reserve Bank of Atlanta, and is willing to approve a salary at the rate of not to exceed \$7,500 per annum, if fixed at such rate by your Board. It is understood that Mr. Bryan’s appointment is to take effect at such time as may be worked out to the mutual

satisfaction of the Board of Governors and the Atlanta bank.

“In giving approval to the plan of your board of directors for the organization of the new department, the Board of Governors wishes to make it clear as a matter of record that it does so with the understanding that the administration of this department will be subject to regulation by the Board, that the selection of the officer in charge from time to time will be subject to the Board’s approval, and that such officer would make such reports and conduct such studies as might be called for by the Board of Governors in addition to his work at the bank, including occasional conferences in Washington, providing, of course, that any such studies and conferences would not unduly interfere with the work regularly required for the bank. The Board of Governors would in fact expect to retain supervision over the administration of the department of research and statistics in the same manner as it does over the examination department and the agent’s department at each Federal Reserve bank.

With king regards, I am

Yours sincerely,

(signed) M. S. Eccles, Chairman. “21

At subsequent Board meetings during 1938, Vice President Bryan reported on economic conditions in the Sixth District and in mid-October informed the Board that since the September meeting, the bank had employed a librarian and that the work of assembling and organizing library material was already under way. 22 He was, as time went on, to create a model research and statistical operation.

A couple of matters concerning Boards of Directors of Federal Reserve banks were settled by the Board of Governors in Washington during 1938. In January,

regulations with respect to appointments were amended so that “no director of a Federal Reserve bank shall be appointed to serve as a director of a branch of the bank during the period of his service as a director of the Federal Reserve bank.”

The regulation applied to future appointments and did not affect any current directors. 23

In June the question arose as to whether an officer of a Federal Reserve bank could serve as a member of a board of education of a local school district. It was decided that so long as the membership was free of party politics an officer could so serve. 24

A precedent was set on October 14, 1938, when the Atlanta and New Orleans Boards held a regular meeting at Jackson, Mississippi. Up to this time, Mississippi had been the only state in the Sixth District in which the Board had not previously met. 25

Later, L. M. Clark, Managing Director of the New Orleans Branch, wrote Chairman Neely to the effect that the joint meeting in Jackson was a success. Further, that a large number of bankers served by New Orleans thought that it was a fine gesture to hold a Board meeting in the only state in the Sixth District not having a branch of the Federal Reserve Bank. 26

One of the oldest standing committees of the Board was the Building Committee. It had been set up shortly after the Bank’s organization and as soon as a move from rented space was contemplated. Chairman for the nearly quarter century of the committee’s life had been Director J. A. McCrary.

When, in the order of business, at the January 1938 Board meeting, a call was made by the Chair for a report of the Building Committee, Director McCrary stated that

he saw no further need for the Committee. He pointed out that his views were based upon the fact that buildings have been erected in Atlanta and all branch cities; that recently the Branch Bank buildings had been renovated and put in a good state of repair, and that plans were practically complete for the renovation and modernization of the bank premises in Atlanta. Director McCrary said that in his opinion the Executive Committee could deal with all problems which might arise concerning buildings and if a need arose a "Building Committee" could be appointed. On motion, the Building Committee as a standing committee was discontinued. 27

Before the year was half over some matters arose within the purview of a building committee. A letter was written to Managing Director C. S. Vardeman, Jr., of the Jacksonville Branch by the Manager of the Jacksonville Loan Agency of the Reconstruction Finance Corporation concerning the possibility of installing one or more air conditioning units for the benefit of the occupants of the third floor of the Jacksonville Branch building. It was decided by the Board to give consideration to air conditioning the entire building in Jacksonville in addition to the branches at Birmingham, Nashville, and New Orleans. A committee composed of Directors Clay, McCrary, and Neely, with Clay as Chairman, was appointed to look into the matter. 28

In October a sum not to exceed \$60, 000 was authorized for the renovation and modernization of the Jacksonville Branch. Chairman Neely report ~d in December that architect Henry J. Toombs had made a preliminary investigation as to renovations needed at Birmingham and Nashville and would soon do so at New Orleans. 29

Special note was taken in connection with the completion of the air conditioning and remodeling of the Atlanta bank building in November. On the 11th, the Atlanta

Board met, together with the Board of the New Orleans, Nashville, Birmingham, and Jacksonville branches, the officers of the Atlanta bank, and Marriner S. Eccles, Ronald Ransome, M. S. Szymczak and Chester C. Davis, of the Board of Governors in Washington, and Edward Ball, of the Federal Advisory Council. 30

During the course of the meeting, Director Ernest T. George introduced the following resolution, which was adopted by a rising vote:

“The Board of Directors of the Federal Reserve Bank of Atlanta has followed with unflagging interest the many urgent repairs and necessary improvements to the head office building, begun in January, 1938, and continued with intensified vigor until the reopening this date for a reception in honor of the Board of Governors of the Federal Reserve System, Washington, D. C., through whose hearty concurrence the changes were authorized.

“The entire plan of renovation and modernization was conducted under the supervision of Messrs. Frank H. Neely, R. G. Clay, and J. A. McCrary, members of the Executive Committee, with the fullest possible cooperation at all times of President Oscar Newton, First Vice President Robert S. Parker, Vice President and Cashier W. S. McLarin, Jr., and other officers, all rendering important service. The Executive Committee and officers met often and consumed considerable time for the purpose of deciding questions concerning the work, much of which C developed as hidden parts of the old building were uncovered.

“Mr. Neely was the enthusiastic, cheerful, and directing head from the inception of the movement. His exhaustive study of facts, his broadminded approach to each problem as it arose, his skill as an inspired leader, combined to make him the man

of the hour, with vision and persevering courage.

“BE IT THEREFORE RESOLVED: That so difficult a plan, with the minimum of inconvenience to the officers and the large personnel of the bank, could not have been executed without interruption to the conduct of the business in all departments each day had it not been for the wide experience, the eminent gifts of mind, the excellent judgment and the tireless energy of our fellow member and Chairman of the Board, Mr. Frank H. Neely, ably assisted throughout by Vice President McLarin in many ways.

“BE IT FURTHER RESOLVED: That the Board, for itself and for the organization as a whole, wishes to pay this tribute and to express deep appreciation for the able, devoted and unselfish service rendered by our honored Chairman and assure him and his associates that they will always be held in grateful remembrance. 31 Quite an accolade, particularly to the energetic Mr. Neely.

A perennial subject came up for consideration in the late summer of 1938, the collection by the Federal Reserve Bank of Atlanta of non-cash collection items. It was placed before the Board by both the Nashville and Atlanta Clearing House Association and a former Director of the Atlanta Federal Reserve:

“The undersigned commercial banks of Atlanta feel very deeply the competition of the Federal Reserve Bank of Atlanta in the collection of non-cash collection items, usually referred to as bills, notes, and commercial paper, and more particularly, drafts with bills of lading, or other documents attached. Being definitely of the opinion that it was not the intention of the original framers of the Federal Reserve Act to provide a par clearance system for other than bank checks, and not bills of lading, drafts, et. al.,

we do not feel the Federal Reserve Banks should encroach on the business of the commercial banks to that extent.

“Bills of lading, drafts, and other non-cash collections are a definite expense to the collecting agency, whether it be the Federal Reserve Bank or a commercial bank, and, therefore, should pay its way with some reasonable margin of profit by carrying a reasonable charge for services rendered in making the collection. We cannot see the fairness of the Federal Reserve Bank handling this business without cost in direct competition to the member banks and absorbing the expense of so doing, and at the same time putting the commercial banks to the trouble and expense of helping the drawee lift the drafts.

“Practically all of this business coming into Atlanta is from outside the Sixth Federal Reserve District, therefore, the country banks within the Sixth Federal Reserve District would not be penalized by such policy or ruling of the Federal Reserve Bank of Atlanta. Furthermore, practically all, if not all, of the bills of lading drafts created within our District come to the commercial banks for handling any way and those that do not come to the commercial banks could do so without penalty due to the fact that such banks have accounts in Atlanta which will clear these at par.

“It is needless for us to say to you that the Federal Reserve Banks are owned by the member banks, therefore, the member banks are interested in seeing the Federal Reserve Banks make enough money to pay expenses of operation and the usual dividend, and we believe, without question, that the officers of the Federal Reserve Banks want the commercial banks to show reasonable earnings. The commercial banks cannot show reasonable earnings if such unfair and unreasonable

competition as this is offered by the Federal Reserve Banks, and we strongly urge that you cease handling this class of business and let it go to commercial banks where it rightly belongs.

“We are not going into a lot of details in this letter, but a committee from this Association would welcome the opportunity of appearing before you to argue the details and fairness and righteousness of our contention.

Yours very truly,
(signed) H. L. Young,
President.

First National Bank

(signed) J. S. Kennedy, Vice President.

Citizens & Southern National Bank

(signed) H. L. Young, Vice President and Executive Manager.

Fulton National Bank,

(signed) R. G. Clay, President.

Trust Company of Georgia

(signed) Robert Strickland, President. 32

After a full discussion, motion was made by Director Hall, seconded by Director Clay, that the Federal Reserve Bank of Atlanta discontinue the collection of all non-cash items. The motion failed to carry by a vote of 3 to 5, Chairman Neely not voting.

As a matter of fact, the Federal Reserve had no particular feeling in the matter of non-cash collections. Most of the collections came in from banks anyway and the whole question appeared to be a conflict among banks. Generally the country

banks favored handling by the Federal Reserve while the big city banks wanted to make a commission on the collections. 34

Nineteen thirty-eight marked the end of the line for the storm-cradled Havana Agency. Indeed, from 1934 on, the activities of the Agency showed a steady decline. As previously noted, on several occasions in 1934 and 1936, the Board of Directors of the Atlanta Bank, realizing that the value of the Agency to Cuba was diminishing, requested the Board of Governors in Washington to authorize its discontinuance. However, at the insistence of the Cuban government that the removal of the Agency would adversely affect economic conditions in Cuba, and intervention of the United States State Department supporting Cuba's claim, no action was taken. Finally, on August 3, 1938, the Board of Governors adopted the following resolution:

“WHEREAS, the Federal Reserve Bank of Atlanta has maintained and operated an agency in Havana, Cuba, for a number of years past and is now operating the said agency pursuant to a resolution of the Federal Reserve Board (now the Board of Governors of the Federal Reserve System) adopted January 27, 1927, as modified by subsequent action of the said Board, and under the terms of an agreement between the Federal Reserve Bank of Atlanta and the other eleven Federal Reserve banks which became effective on June 1, 1935; and

“WHEREAS the Board of Governors of the Federal Reserve System, in the light of the volume of business, operating expenses, and other factors involved in the maintenance of such agency, has determined that the necessity and desirability for the continuance of the agency no longer exists; and

“WHEREAS the Board of Directors of the Federal Reserve Bank of Atlanta adopted resolutions under dates of June 8, 1934, February 14, 1936, and September 11, 1936, requesting that the bank be authorized to discontinue the operation of the agency at Havana, Cuba; and

“WHEREAS it is the opinion of the Board of Governors that the operation of such agency should be discontinued and that the request of the Board of Directors of the Federal Reserve Bank of Atlanta should be granted;

“NOW, THEREFORE, BE IT RESOLVED:

(1) That the Federal Reserve Bank of Atlanta be and said bank is hereby authorized and directed to discontinue the maintenance and operation of the said agency at Havana, Cuba, as soon as practicable and in no event later than the close of business December 31, 1938, except to the extent necessary to wind up and liquidate any commitments theretofore acquired or entered into;

(2) Upon the discontinuance of the operation of the said agency pursuant to the terms of this resolution, the Federal Reserve Bank of Atlanta shall no longer be authorized to exercise through the said agency any of the powers which it has heretofore been authorized to exercise by the Board of Governors of the Federal Reserve System, except that it shall have and retain all such powers as may be necessary and appropriate to wind up and liquidate the business and affairs of the said agency as provided in the preceding paragraph of this resolution;

(3) That the Federal Reserve Bank of Atlanta is directed to proceed diligently with the liquidation and winding up of the outstanding business and commitments of the said agency to the end that the affairs of the said agency may be finally concluded at

the earliest practicable date.

Although under the Board's resolution the closing date was set not later than December 31, 1938, the Federal Reserve Bank of Atlanta decided to close the Agency on September 30, 1938. This earlier date was chosen because of the enactment by the Cuban Congress of legislation creating a Bank Employees Retirement System. Under the provisions of this new law all employees of the Agency would have been brought under the Cuban Retirement System and the Federal Reserve Bank would have been required to pay into this retirement system all the accumulated contributions of the employees and the Bank paid to our own retirement system up to that date. Therefore, to avoid the virtual confiscation of the employees' and bank's contributions, and because of unfavorable experience of other retirement systems operated by the Cuban government in the past, action was promptly taken to close the Agency on September 30, 1938. Following is a statement issued by the Federal Reserve Bank of Atlanta relative to the closing of the Agency:

"In view of the fact that the purposes for which the Havana, Cuba, Agency of the Federal Reserve Bank of Atlanta was established have been served and there is no longer substantial reason for continuing the operation of the Agency, the Directors of Federal Reserve Bank of Atlanta, with the approval of the Board of Governors of the Federal Reserve System, have directed that the Agency be closed on October 1, 1938.

"For several years there have been relatively few currency exchanges or other transactions effected by the Agency, and only a few transfers of funds to and from Cuba have been made through the medium of the Agency. Commercial transactions between business interests in Cuba and the United States have been consummated almost

entirely through commercial banking channels. Accordingly, the maintenance of the Agency for these purposes and for the exchange of currency has become unnecessary. Therefore, the Directors of the bank have concluded that the expense to the Federal Reserve System incident to the continued operation of the Agency is not justified.”

When the Agency closed on September 30, 1938, the staff consisted of Messrs. H. C. Frazer, Manager; Fred Williamson, Acting Assistant Manager; Miss Jaisy V. Holcombe, stenographer-clerk, six guards and one porter. Two of the guards were eligible for and elected to take special retirement under the Retirement System of the Federal Reserve Bank. The remaining guards and porter were separated from service at the closing. Messrs. Frazer and Williamson returned to the Atlanta bank and Miss Holcombe was transferred to the Jacksonville Branch as currency sorter.

By resolution of the Board of Directors of the Federal Reserve Bank of Atlanta, H. C. Frazer, Manager, was authorized to remain in Havana after the closing to dispose of the noncash assets of the Bank. Furniture and fixtures were sold on a competitive bid basis and Mr. Frazer negotiated the sale of the vault doors to the Cuban government, at a price of \$10, 000, for use in a silver vault then under construction in the Cuban Treasury building.

At the close of the year 1938, the total resources and liabilities of the Federal Reserve Bank of Atlanta stood at \$429, 148, 661. 28. Gross earnings for the year came to \$1,502,188.82. Expenses totalled \$1,388,134.69, leaving a net profit of \$114, 054.

13. 36

NOTES

Chapter 27

1. Life History of the U.S., Vol. 11, pp. 168-169.
2. Garrett, Atlanta and Environs, II, 957-962.
3. Minutes, Directors, X, 2844, 2845.
4. Ibid., XI, 2847.
5. Ibid., 2851.
6. Ibid., 2864.
7. Ibid., 2865, 2869; Biographical Records of the Bank.
8. Minutes, Directors, XI, 2865.
9. Ibid., 2874.
10. Ibid., 2880.
11. Ibid., 2882.
12. Ibid., 2887.
13. Ibid., 2892.
14. Ibid., 2893.
15. Ibid., 2898.
16. Ibid., 2922.
17. Biographical records of the Bank; Malcolm Bryan to Franklin M. Garrett, personal interview, August 17, 1966.
18. Minutes, Directors, X, 2777-2778.
19. Ibid., 2786.
20. Ibid., XI, 2872-2874.

21. Ibid., 2879-1/2.
22. Ibid., 2910, 2919, 2927, 2934, 2958.
23. Ibid. , 2867.
24. Ibid., 2920.
25. Ibid., 2951.
26. Ibid., 2971.
27. Ibid., 2851.
28. Ibid., 2902.
29. Ibid., 2913, 2952, 2970-2971.
30. Ibid., 2961.
31. Ibid. , 2963.
32. Ibid., 2942-2943.
33. Ibid., 2948.
34. Malcolm Bryan to Franklin M. Garrett, telephone interview, August 31, 1966.
35. Frazer, "Havana Agency", 3 1-35; Minutes, Directors, XI, 2848, 2935, 2954, 2972.
36. Twenty- Fourth Annual Statement.

Chapter 28

1939

As they had done in 1914, the year the Federal Reserve banks opened for business, the lights of Europe again went out in 1939 as Germany invaded Poland in September and World War II began its six-year course of death and destruction.

During the same year scientists informed President Roosevelt of the possibility of making an atomic bomb and of the very real danger that Germany might be developing such a weapon. Germany never did, but research went feverishly forward in this country and the result was to ultimately end the war at Hiroshima and Nagasaki. 1

Here in America the war brought economic boom and an end to unemployment and all traces of the depression. The Golden Gate International Exposition opened at San Francisco and the World's Fair at New York. The Hatch Act prohibited Federal employees from participation in politics and John Steinbeck's Grapes of Wrath was published. 2

In Atlanta the year was especially significant in the religious life of the community. The co-cathedral and school of the Church of Christ the King were dedicated in January; the World Baptist Congress was held at the ball park on Ponce de Leon Avenue in July, and, in November, Methodist units in Georgia effected a complete union during a conference at Wesley Memorial Church. Nunnally's on Peachtree, a glamorous fountainhead of years gone by, closed in June and, on December 15, a never-to-be-forgotten day in Atlanta's history, the world premiere of the motion picture Gone With the Wind was presented with great fanfare at Lowe's Grand Theater. 3

As the year ended a writer for the Constitution wrote:

“It (1939) was a good year on the whole... Many are richer in hard cash in the pocket because jobs were a little more plentiful, wages a little higher, electric rates a million dollars lower, and freight rates on many commodities were trimmed to fairer levels... “ 4

As was usual at year’s beginning, elections were held for officers and directors of the Atlanta bank and branches. All were re-elected except Nashville Branch Director C. W. Bailey, whose term expired on December 31, 1938. He was succeeded, in January 1939, by E. B. Maupin, Cashier, the Peoples National Bank, Shelbyville, Tennessee. 5

The Bank and the financial community at large suffered a severe loss on February 13 in the death of Oscar Newton from a heart attack at 62.

Board Chairman Frank H. Neely paid Mr. Newton a high tribute when he said:

“... His passing means a personal and important official loss to everyone concerned with the reserve system. A quiet, retiring and very modest gentleman of rare ability, Mr. Newton held a place in the first rank in reserve banking. His service as a member of the important open market committee for the entire reserve system drew wide recognition.

“His long experience, fine ability and deep knowledge were unfailing sources of strength.

“He was a man of sympathy and keen human interest, beloved by all of his co-workers, from officials to the lesser employees. All of us feel a personal loss in his untimely death...” 6

In reviewing Mr. Newton’s career, the Board of Directors, in special session on

February 18, resolved, in part, as follows:

“In 1919 he was elected a Class “A” director of Federal Reserve Bank of Atlanta, to take office January 1, 1920. On January 1, 1925, Mr. Newton began the first of more than ten years of continuous service, as a Class C director, with the designation of Chairman of the Board of Directors of the Bank and of Federal Reserve Agent. He remained in that important position until January 15, 1935, when he succeeded Eugene R. Black, of blessed memory, as Governor of the Bank. The Banking Act of 1935 having been enacted and provision having been made for the appointment of a President of each Federal Reserve bank, who should be the chief executive officer of the bank, Mr. Newton was appointed President by the Directors of the Federal Reserve Bank of Atlanta with the approval of the Board of Governors of the Federal Reserve System, for a term of five years, beginning March 1, 1936.

“As President of the Federal Reserve Bank from the effective date of his appointment until February 10, 1939, when he was stricken at his post of duty, he displayed well directed energy, balanced judgment and splendid gifts of leadership. His unflinching interest and earnestness were an inspiration to his colleagues and to every member of the Bank’s organization scattered over the entire Sixth Federal Reserve District.

“Mr. Newton was honored by election to membership on the Federal Open Market Committee effective March 1, 1938. This election was by unanimous vote of the Directors of the Federal Reserve Banks of Richmond, Dallas, and Atlanta. Undoubtedly, those who served with him on that Committee soon recognized the clarity of his mind and grew to be even more appreciative of the singular combination of firmness and

gentleness which characterized his participation in matters of public concern.

“As a citizen, Mr. Newton was outstanding; in his social and church life, without a blemish; in his home he was an ideal husband, father and friend. He was a student of men and affairs. His mind was strong and tenacious. His interest in life and in people and their doings was keen; in fact, his whole life was one of faithful and conscientious service. He was modest and unassuming and showed as much of courtesy to the immature youth or to the man of humble position as to those in high places.

“Few men have the gift of winning confidence so easily as Oscar Newton, or of binding friends to himself. It was his habit to speak well of his fellow men, and to buy their faults, if he saw them, in silence. The goodness of his heart was apparent in all that he said and did; he shirked no labor; he forgot no obligation. He was a most companionable man, of kindly heart and great breadth of human sympathy. The serious and lighter sides of his nature, each equally marked, were singularly and most happily blended ...“ 7

At the same special session, on February 18, Robert S. Parker, long general counsel of the Bank, was elected President to succeed Mr. Newton for the balance of the unexpired five-year term, ending February 28, 1941. His salary was fixed at \$20,000 per year for the remainder of 1939. 8

President Parker was born at Dalton, Georgia in 1884 and was educated in the public schools of Atlanta and at Emory College and the University of Georgia, securing his law degree from the latter in 1907. He began practice the same year in association with Brown & Randolph. In 1923, as a member of the firm of Randolph & Parker, he began to participate in the legal affairs of the Bank and, in 1930, became General

Counsel. Meanwhile, he had become a member of the law firm of Colquitt, Parker, Troutman & Arkwright, but withdrew in 1935 to devote full time to the Bank, of which, in 1936, he also became first vice president. 9

To fill the position of Counsel, and upon recommendation of President Parker and of the Executive Committee, John Pollard Turman was elected to the position, effective May 1. He was to function under the supervision of President Parker at \$4,000 per annum. Turman, 28, was a native of Atlanta, an Emory law graduate of 1935 and a rising young Atlanta attorney. He was to fill an important niche at the Federal Reserve Bank of Atlanta. 10

In August, Director George J. White, who for some time had served both the Atlanta Bank and the Jacksonville Branch in that capacity, resigned the latter post. He felt that the dual service was contrary to the present policy of the Board of Governors. He was succeeded at Jacksonville the following month by J. C. McCrocklin, Executive Vice President of the First National Bank in Tarpon Springs. Also, in August, the official staff of the Jacksonville Branch was augmented by the election of an assistant cashier. The post went to Winslow E. Pike, and employee of the Branch since 1923. 11

One of the real comers at the Bank, though his rise was slow and solid, rather than meteoric, was W. S. McLarin, Jr., originally of Fairburn, Georgia. On October 13, 1939, he was moved up to First Vice President, succeeding President Parker in that position. 12 The tope spot for McLarin lay less than two years away.

An early order of business for 1939 was the clarification and spelling out of the duties of various committees of the Board of Directors, all looking to a smoother and more efficient operation. As a window through which the bank operations can be more

clearly seen, the outline of committee responsibilities is herewith set forth.

SALARY AND PERSONNEL COMMITTEE

1. Consideration of the recommendations of the officers in respect of all salary increases or decreases and the submission of such matters to the Board of Directors with the Committee's recommendations.

2. Consideration of the actions of the officers in respect of additions to the employee personnel in all departments and the submission to the Board or (if deemed appropriate) to the Executive Committee of suggestions concerning additions to, or reductions in, the employee personnel in the bank as a whole or in particular departments or at the Branches.

3. Consideration of the recommendations of the officers in respect of changes in, or amendments to, the Personnel Classification Plan applicable to the various offices of the bank, and the submission of such proposed changes or additions to the Board or Executive Committee with the recommendations of the Salary and Personnel Committee.

4. Consideration of the recommendation of the officers covering sick or other leaves with pay to any of the officers or employees and the submission of such matters to the Board or Executive Committee with the recommendations of the Salary and Personnel Committee.

5. Consideration of the recommendations of the officers in respect of dismissal wages to be paid to officers or employees involuntarily separated from service and the submission of such matters to the Board or Executive Committee with recommendations.

6. The study of the various departments of the bank (main office and branches) and of the functions and duties of such departments.

7. The study of the bank's employee relations activities; the employee organizations, their aims, ideals and activities; the bank's policies on entertainment, recreation and other activities intended to strengthen the employee morale and to build up employee good will; and the submission of recommendations as to any of such matters to the Board or Executive Committee.

8. The review and consideration of such activities as may be in contemplation or as may be authorized or carried on for the comfort, health, wellbeing and recreation of the employees (including the library, game room, infirmary and nursing or medical service).

9. The consideration of employment standards, salary or wage limitations and ranges, vacation assignments, the policies of the bank as regards sick leaves; and, in general, a study of the bank's policies toward its employees and of the consideration shown to the employees by the officers.

10. The making of periodical surveys of the personnel in each department of the bank's various offices, the salaries paid therein, and the duties of employees assigned, respectively, thereto; causing organization charts to be made indicating not only the personnel in the several departments but also the amount or volume of work done therein.

While the Salary and Personnel Committee is charged with the responsibility of studying the personnel of the bank, its various departments and offices, and other matters referred to above, submitting timely suggestions and recommendations to the

Board of Directors or (as the case may be) to the Executive Committee, it is not contemplated that there is to be any limitation or curtailment of the powers of the Executive Committee which, under the by-laws of the bank, is under the duty “to conduct the business of the bank subject to the supervision and control of the Board of Directors and, between sessions of the Board to take or authorize such corporate action as the Committee may deem to be necessary, desirable or appropriate. 13

AUDITING COMMITTEE

1. The review and consideration of reports made to the directors by the General Auditor concerning the activities of his department and the extent of auditing work performed during the current period, including important exceptions encountered; status as to frequency of examination of each account, date of latest examination of each account, and other matters of interest to the directors.

2. Consultation with the General Auditor as to the form, nature and content of his reports to the directors, and as to the extent and frequency of examinations made by him.

3. Periodical meetings with the General Auditor to insure to him that availability of the advice and counsel of the members of the committee.

4. The bringing about of a closer relationship between the General Auditor and the Board of Directors which would facilitate the maintenance of the independent status of the Auditing Department and also result in a better knowledge on the part of the directors of the performance of the auditing function.

EXECUTIVE COMMITTEE

1. To establish from time to time, subject to review and determination of the

Board of Governors of the Federal Reserve System, the rates of discount to be charged by the bank for each class of paper, such rates to be established each fourteen days or oftener if deemed necessary by the Board of Governors of the Federal Reserve System. At each meeting of the Board of Directors there shall be submitted lists or schedules showing the rates or discount or interest established since the next preceding meeting of the board.

2. To apply for and provide for the security of such Federal Reserve notes and Federal Reserve Bank notes as may, in the discretion of the Committee or of the Board, be reasonably required in connection with the note issue function of the bank.

3. To approve bonds furnished by the officers and employees of the bank.

4. To consider applications for loans made by established industrial or commercial businesses and applications made by financing institutions for commitments in respect of such loans or participations therein, and to authorize such loans, participations or commitments; to consider and authorize any other loans, advances or extensions of credit made pursuant to any applicable provision of law; and to authorize any other paper disbursement of funds.

5. In general, to conduct the business of the bank subject to the supervision and control of the Board of Directors, and between sessions of the Board to take or authorize such corporate action as the Committee may deem to be necessary, desirable or appropriate.

COMMITTEE ON RESEARCH, STATISTICS AND BUSINESS INFORMATION

This was a new Committee, the pervue of which was:

“To cooperate with the officer of the bank in direct charge of the bank’s

department of research, statistics and business information, to the end that such department may best serve the officers and directors of the bank, and within proper limitations, function for the benefit of banking and other business interests. 14

In connection with the above, Vice President Malcolm Bryan referred to the fact that in each of the past several weeks he had mailed to each of the Directors mimeographed sheets containing "Summaries of Fact and Opinion" and "Review of News and Developments," which had been prepared under his supervision. He stated that in view of the fact that each of the Directors was now receiving the daily "Newspaper Review" of the Federal Reserve Bank of New York, the "Review of News and Developments" would be discontinued.

Mr. Bryan outlined to the Directors the changes which had been made in the bank's monthly business review and discussed with them certain other changes which were in contemplation. He stated that since the last meeting of the Board the member banks of the District had been offered the use of materials available in the technical library in the bank and that a number of bank's had availed themselves of the opportunity.

Mr. Bryan outlined briefly the contents of the "Monthly Outlook and Summary", dated January 11, 1939, and stated that the practice had been begun of mailing this memorandum to the directors of the branches. His report was followed by a general discussion in which all of the directors participated. 15

At this period of the bank's history, on the eve of World War II and as of January 1, 1939, there were 419 employees on the regular payroll. In addition, there were 313 employees whose salaries were reimbursed by Governmental agencies. 16

In April, the Bank, in step with the times, changed its policy with respect to the employment of married women. Director Clay stated to the Board that he had been informed that the application of the Bank's policy had operated in restraint of marriage in the case of several women employees. He suggested that a reconsideration might be in order.

After a full discussion and upon proper motion it was voted to rescind the action of September 10, 1937 and to leave to the discretion of the bank's officers the employment of married women and the continuance in the service of women employees who may hereafter marry. It was understood, however, that the former policy would continue to apply relative to the marriage of two persons employed by the Bank. 17

The employees of the Bank, through the Federal Reserve Bank Club of Atlanta, provided, by contributions, for the presentation of a portrait of the late Oscar Newton. The gift was acknowledged by the Board on September 8 in a letter to J. R. McCravey, Jr., President of the Club:

"The Directors and Officers of the Federal Reserve Bank of Atlanta accept with real satisfaction the excellent portrait of their late beloved President, Honorable Oscar Newton, which now hangs on the wall of the foyer leading into the Directors' room. They desire to express gratitude for this thoughtful and generous gift, coming as it does from the voluntary contributions of the employees through their splendid organization, which is ever alert to the best interest of the Federal Reserve System, as often exemplified in many helpful ways.

"We also wish to extend congratulations on the selection of the gifted and unexcelled Southern artist, Mr. Lewis C. Gregg, of Atlanta, who has placed on canvas,

for the inspiration of his former co-workers and numerous friends, the features and lifelike expressions of goodwill and nature of one who served long and faithfully this institution and his fellow men from the least to the greatest.

“Please convey to your fellow officers and members of the Club our heartfelt appreciation together with best wishes for continued and increasing usefulness and advancement of the entire personnel.” 18

Renovation and air conditioning of the Atlanta bank and its four branches were all accomplished during 1938-1939, which, with the installation of considerable new and improved furniture, contributed signally to employee morale and efficiency.

Work on the Atlanta bank building was completed in the autumn of 1938. At its January 1939 meeting, the Board passed resolutions of thanks to Henry J. Toombs, architect, and to the Barge-Thompson Company, contractors, for a skillfully performed job, executed under trying circumstances with a minimum of inconvenience to bank operations.¹⁹

Decisions to renovate the Branch buildings were all made in 1938 and, in October, as previously noted, \$60, 000 was appropriated for Jacksonville. In January 1939, \$50, 000 was approved for Birmingham; \$15, 000 for Nashville; and \$125, 000 for New Orleans. 20

Work on the Jacksonville Branch building was completed in July at a cost of approximately \$65, 000. To mark the event a joint meeting of the Atlanta and Jacksonville Boards was held in the Florida city on July 14-15, followed by an evening reception at the renovated Branch building. 21

By mid-November the work of modernizing the New Orleans Branch had been

completed. The occasion was marked by a joint meeting of the Atlanta and New Orleans Directors, followed by a dinner. Meanwhile, in September, a resolution was received by the Atlanta Board from the Federal Reserve Bank Club at Nashville thanking the officers and directors for modernizing that Branch. 22

As it had come up periodically in the past, the matter of whether or not to continue the operation of the Savannah Agency was again discussed in January 1939. In attendance at the regular Board meeting that month in Atlanta were five representatives of the member banks Located in Savannah: Mills B. Lane, Chairman, Citizens and Southern National Bank; H. Lane Young, Executive Vice President, Citizens and Southern Bank, Atlanta office; Charles S. Sanford, President, Liberty National Bank and Trust Company; George H. Smith, President, Citizens Bank and Trust Company; and John J. Cornell, President, Savannah Bank and Trust Company.

The gentlemen from Savannah argued cogently and persuasively for continuance of the Agency. Members of the Atlanta Board favoring the closing also advanced cogent arguments supporting their position. When the matter was finally put to a vote, Savannah won again, six to three. 23 The Agency remained open for six more years.

The subject of industrial advances came up for both discussion and action in June. Several of the directors expressed the view that the Board should share with the Executive Committee responsibility for the making of large industrial advances. Indeed, it was pointed out that a particular director might have particular knowledge of a line of business wherein application for an advance was pending. After full discussion it was voted that all applications for industrial advances wherein the responsibility of the

Federal Reserve Bank would amount to \$100, 000 or more, be submitted to the directors in advance of action by the Executive Committee. 24

With war clouds gathering in Europe, some thought was naturally being given to the effect an actual outbreak of hostilities might have on the Federal Reserve System. At its April meeting, the Board considered the following letter, dated April 7, from the Board of Governors, addressed to President Parker:

“You will recall that, at the beginning of the Conference of Presidents held on September 20, 1938, consideration was given to the possibility of at least a temporary disturbance in the money market in the United States in case hostilities should break out in Europe. While the Board is not in possession of any information relating to developments in Europe other than that reported in the press, it has thought it advisable to be prepared in sufficient time to act promptly and in a manner to reassure the public.

“In order to have all the questions of immediate policy settled in advance, so that such action as may be determined upon may be taken and announced without delay, the Board suggests that you take up with your directors the following questions:

“1. In making loans on Government securities will you Lend at par: to member banks” to nonmember banks” to others? (The last two under section 13, paragraph 13, page 90, of the Federal Reserve Act.) Your Board may wish to make a distinction between a temporary emergency policy and a longer time policy in this respect.

“2. Do you wish to propose any changes in:

(a) The bank’s regular discount rate?

(b) The rate charged for loans on United States Government securities to

nonmember banks and to other lenders?

(c) The rate charged on 10(b) advances?

“The Board will appreciate it if you will inform it as soon as possible regarding any decisions that your directors may reach on these matters or any other allied matters.” 25

In answer to which the Atlanta Board replied:

“At a meeting held today the Board of Directors of this bank reached the following conclusions:

“1. Our Board sees no reason why the Federal Reserve banks, even though hostilities should break out in Europe, should not continue their present practice of lending at par to member banks. They think that a similar policy should obtain as regards loans to nonmember banks. As regards loans to individuals, partnerships, or non-banking corporations ... it is believed that the policy should be to lend on the basis of 90% of the market value, not to exceed par.

“2. We would not wish to propose any immediate change in:

“(a) the bank’s regular discount rate;

“(b) the rate charged for loans on Government securities to nonmember banks and to others under the provisions of Section 13, paragraph (13); or

“(c) the rate charged on 10(b) advances.

“However, we would not object to some increase, if that were deemed advisable, in the rate charged for loans on United States Government securities made under section 13, paragraph (13) to nonmember banks and others, inasmuch as the rate now fixed by this bank for such loans is less than similar rates in force at some of

the other Federal Reserve banks.” 26

With the invasion of Poland by Germany in September, the cataclysm to be known as World War II began. At the Board meeting that month, on the 8th, Vice President Bryan spoke at length concerning the outbreak of the war in Europe and what effect it might have on the economy of the United States. He stressed particularly the contrast between the banking system today and the condition which existed at the outbreak of war in 1914. 27

At the November meeting, Mr. Bryan discussed the contents of his confidential memorandum, dated the 9th, entitled “Review of the Sixth District.” He referred to the recent action of Congress in repealing the arms embargo and discussed what might be the effect of the war abroad on our own national economy. He outlined in some detail a considerable number of studies in which his department was presently engaged. He also commented upon the increased use which was being made of the bank’s research library, particularly by the member bankers of the district. 28

As a result of Malcolm Bryan’s economic expertise, the officers and directors of the Bank were benefitting from a clearer and more concise picture of business conditions.

Both total assets and net earnings of the Federal Reserve Bank of Atlanta showed an increase from 1939 operations over those for 1938. Assets at year’s end stood at \$461,015,751.69. Net earnings came to \$381,976. 74, of which \$14, 809. 65 was paid to the United States Treasury; \$272, 229. 32 represented dividends paid, and \$94,937.77 was transferred to surplus. 29

NOTES
Chapter 28

1. Life History of the U.S., Vol 11, pp. 168-6-19.
2. Ibid.
3. Garrett, Atlanta and Environs, II, 966-997.
4. Quoted, Ibid., 997.
5. Minutes, Directors, XI, 2983-2989, 2995.
6. Atlanta Constitution, Feb. 14, 1939.
7. Minutes, Directors, XI, 3017-3018.
8. Ibid., 3020, 3022.
9. Biographical records of the Bank.
10. Ibid.; Minutes, Directors, XI, 3040.
11. Minutes, Directors, XI, 3070, 3076.
12. Ibid. , 3087.
13. Ibid., 299 1-2992.
14. Ibid., 2999-3001.
15. Ibid. , 3001.
16. Ibid., 3006.
17. Ibid. , 3034.
18. Ibid., 3080-3081.
19. Ibid., 2999.
20. Ibid., 2996.
21. Ibid., 3022, 3032, 3056, 3061.
22. Ibid., 3080, 3084, 3087, 3090, 3095.
23. Ibid., 2985-2988.

24. Ibid. , 3057-3058.
25. Ibid. , 3033.
26. Ibid., 3040.
27. Ibid., 3081-3082.
28. Ibid., 3095.
29. Twenty-Fifth Annual Statement, Jan. 22, 1940.

SECTION V

The Forties, War and the Aftermath of War

Chapter 29

1940

The future of the free world never looked darker than in the spring and early summer of 1940. Hitler's war machine seemed irresistible. Norway, Denmark, the Low Countries and France were overrun. The beach at Dunkirk became a symbol both of heroism and defeat. Then, in August and for the next 10 months Britain became a lonely symbol of strength as it withstood repeated German bombing attacks.

Across the ocean, away from the guns and bombs the U. S. monetary system had become a refuge for the world. In its 10th anniversary issue Fortune published a pithy discussion of the U. S. dollar and in the process, outlined the progress of the Federal Reserve System from 1914 to 1940:1

"The U.S. dollar can be taken as a symbol or as a fact. As a symbol it is familiar, the way the flag is familiar, or the eagle stamped on the vanished gold piece. As symbol it stands for- the ideals of a people who, more than any other in history, have embraced and dignified the business of trading their wealth and energies. As symbol it represents the genius by which a coal town became Pittsburgh, the prairie became Des Moines, the sagebrush became Dallas. It is the emblem of the dollar makers who united

a continent and erected gigantic buildings into the skyline of New York.

“As fact, the dollar is the basic unit of the U. S. monetary system. Defined as 15—5/21 grains of gold nine—tenths fine, it commands \$17,800,000,000 of gold held at the Mint and in the Assay Offices and buried at Fort Knox. One third of this accumulation of metal represents European capital that has come to the U. S. in the last five years for security --an expression of faith in the stability of the dollar. Yet glamorous as that heap of gold may be, and prophetic as it may be for the U. S. future, it is not the active dollar. The active dollar is something else.

“The active dollar is the pennies that pay the sales taxes, the nickels that clack through the subway slots, the dimes that go into the cigarette machines, the two—bit pieces, the half dollars, and silver cartwheels beloved of San Franciscans. There is about \$600,000,000 of these coins ringing over the counters of Woolworths and Grants, through the cash registers of the A & F, into the tills of the 140 Class I American railroads, and so on to the delicatessens, the drug stores and the hock shops. The active dollar is also a motley array of paper money including \$500,000,000 of \$1 bills whose passage from hand to hand is so swift that they wear out in about nine months; \$34,000,000 of \$2 bills (poison in a Harlem crap game); and \$6,200,000,000 of larger bills rising, in denomination from \$5 to \$10,000.

“This coin and this paper money are the currency of the country, the tangible dollar. But last year all the transactions of the U. S. totalled an estimated \$700,000,000,000, and of this almost immeasurable sum the tangible dollar accounted for only 10 or 20 percent. The balance was contributed by the intangible dollar, the credit dollar, in the form of checks drawn on the \$30,000,000,000 of demand deposits in

the banks. The U. S. is the most checkbook—minded country in the world. It is by check that the corporations talk to each other, by check that the government takes from Wendell Wilkie's Commonwealth & Southern its Tennessee Electric Power Co., and by check that a substantial portion of the grocery, butcher and gas bills is paid. The total of check transactions last year (1939) has been estimated at around \$600,000,000,000.

“The U. S. dollar, whether in its tangible or intangible form, is the blood stream of U. S. business. But its management is also a business. It is the reason for 15,100 banks employing more more than 200,000 clerks and about 60,000 officers (probably a higher percentage of vice—presidents than any other business in the country). It is the progenitor of about 280 clearing houses, of which the New York Clearing House is the oldest. To the organization of dollar exchange is devoted more than 6,000 miles of wire in the Federal Reserve System, over which the regions of the U. S. daily settle their balances — Richmond drawing on Atlanta, Atlanta drawing on Boston, Boston drawing on St. Louis, Chicago drawing on New York, in a telegraphic flow of money that totalled one estimated \$100,000,000,000 in 1939.

“The sheet mechanics of the American dollar constitute one of the great achievements of economic man. Always its evolution has been characterized by a spirit of risk, individualism, and experimentation. It was part of the American dream that any man could become a banker, and any pile of capital could make a bank. There have been over 17,000 bank failures since the Civil War; there have been seven panics. The record of suicides of men in charge of money in the U. S. and of men and women who have lost their savings is almost as fabulous as the money gone with the wind. In this and all its other manifestations, the dollar is profoundly descriptive of the American

character, and its history provides a succinct history of the U. S. itself. The debate at the Constitutional Convention over the right of states to issue currency; Hamilton's struggle to found the First Bank of the U. S.; Jackson's scuttling of the Second; the Civil War and the 'greenbacks; the outcry against the money trust; the cross—of—gold speech; the peace that descended on Wall Street with the election of "Hard—Money" McKinley; all these were milestones in the development of the nation. They signaled the dynamic struggle between state and federal government between state and individual, between business and government for the control of money.

"From every collapse the U. S. dollar has come back. It came back after '73. It came back after '93 ——— albeit Cleveland had to borrow the gold from Morgan and the Rothschilds while Pulitzer's World screamed. It came back after the crisis in March, 1933, when the people stood outside the bank doors with that curious look of disillusionment in their eyes, and a paralysis descended upon the land. And then on March 12 the voice came clear and cool over the radio, the voice reminding people that bank money, check money, is based on credit and a kind of Faith, the voice saying that what had happened in the U. S. in the early days of March was that millions of ordinary citizens had lost their nerve.

"That evening of March 12 was in many ways a turning point in the history of the American dollar. It was the beginning of the recovery from the worst depression the U. S. has suffered. It was the signal of the violent transfer of money power from New York to Washington. But it was also the beginning of policies that have given to the U. S. monetary system a new and baffling character. Instead of being the true mirror of the commercial life of the country, U. S. money today is a mirror with a distorting twist in it.

At the end of 1929 the U. S. had only \$4,300,000,000 of gold by way of monetary reserves; it had \$4,900,000,000 of currency in circulation, and \$55,300,000,000 of bank deposits. Today its monetary reserves are over four times as great, its currency in circulation about one and a half times larger, its deposits about the same: Surely a man from Mars visiting the U. S. and looking only at its money might go home saying that we were in the midst of a great boom. Yet what he would find would be an economy with 9,000,000 dispossessed workers and a national income estimated for 1939 at only \$68,500,000,000 as compared with the record \$82,700,000,000 of a decade ago.

“To the age—old mystery of money — a mystery that has deepened as man turned from barter to silver and gold and finally to credit — the U. S. has added some mysteries of its own. And for the last six or eight years most of us have spent a lot of time arguing about them. Argument, indeed, has become the most characteristic reaction to any mention of the dollar, and the fact that the sheer mechanics of the system of the dollar represents one of the great achievements of man is quite overlooked...”

Commenting on the Federal Reserve System, Fortune, in the same article said:

“On December 23, 1938, the twenty—fifth anniversary of the signing of the Federal Reserve Act was celebrated in the chaste white building that stands opposite the War Department in Washington, D. C. It was a historic occasion and the drama was not lessened by the fact that when Marriner Eccles unveiled a bronze bas—relief of Carter Glass, the old Virginia Senator broke down and wept. What Carter Glass was thinking as the ceremony proceeded (and to the eulogy of Chairman Eccles

there was added the eulogy of President Roosevelt describing Senator Glass as 'defender' of the Federal), no man knows. Perhaps he was thinking of his fight to found the Federal in the face of the bitter opposition of the New York, Boston and Philadelphia banks. Or perhaps he was thinking of what has happened in the past few years to the Federal as the arbiter of U. S. credit.

“The Federal Reserve was a heroic enterprise. The need for it is difficult to recall, so much today are its operations an unconscious part of the average American's life. The need can be imagined if we remember that prior to the inception of the Federal the correspondent relation between banks was the only binder of the American banking system; that the business of check collection, which the Federal makes smooth and easy, was then incredibly inefficient; that nonpar points were so prevalent that many a manufacturer would not accept payment in funds unless they were drawn on Chicago, New York, or other centers; that with varying seasons of the year New York and Chicago 'change' went to a discount or premium depending on how flush the city bankers felt: so that it could be said that the U. S. had real 'inland' exchange rates; and that finally and most important, as the panics of 1893 and of 1907 showed, the banks were by no means capable of supplying the country with enough currency at the right time.

“The first and most obvious contribution of the Federal was the mobilizing of member—bank reserves in such a way that they could be used to support any bank in the system with maximum efficiency. Although the system consists of twelve regional banks, they are under the supervision of a Board of Governors at Washington; and for

simplification the system can be thought of as a central pool of - liquid funds. These were created in the first instance as banks joined the Federal in 1914, turning in a substantial part of their gold holdings and some of their currency. In exchange they received credit (reserves) on the books of the Reserve banks.

“Thus the Federal is in one sense simply a gigantic banker’s W bank playing the same role to its members as the big New York banks play to their country correspondents. But the Federal is different from a private bank in many particulars. For one thing its operations are on a vastly larger scale. Again the Federal is not only banker for the banks, it is also banker for the U. S. Government. These days the Treasury carries a balance running from about \$300,000,000 to about \$1,000,000,000 and U. S. Treasurer Julian is the greatest check drawer of them all (last year 112,600,000 checks). But the main reasons why the Federal is different from other big banks are, first, that it is involved in supplying the U. S. with currency, and, second, it can in theory exert enormous influence on credit conditions.

“Let us have a look at the currency supply first. Here we find the Federal acting in two different capacities. To some extent it is just a middleman or handler of cash for the U. S. Treasury. Of the \$7,300,000,000 of currency outstanding almost \$600,000,000 is in the form of small change, such as pennies, nickels, dimes, quarters

and half—dollars. Another big item is \$1,500,000,000 of silver certificates. The Federal gets both kinds of money from the Treasury as member banks ask for them. Suppose the Case National Bank, for instance, finds its depositors crying for nickels. It goes to the Federal of New York, and if this institution does not have enough nickels it can immediately ‘buy’ them from the Treasury and ‘sell’ them to Chase. The result of this operation is that the Federal of New York debits Chase’s account for, say, \$200,000 and credits the account at the Treasury for \$200,000. Much the same procedure occurs when silver certificates go into circulation.

“But the Reserve Bank is not only a middleman of money. It is also an issuer of the largest percentage of currency in circulation in the U.S. — nearly \$5,000,000,000 of Federal Reserve notes. The Federal Reserve notes get into circulation in somewhat the same way as the nickels and the dimes and the silver certificates. Thus we may conceive of the Chase coming into the Federal Reserve of New York and asking for a flat \$1,000,000 in cash. The Federal docks the Chase’s account \$1,000,000 and if the Chase doesn’t want any coin, the Federal can hand out a \$1,000,000 of Federal Reserve notes. But in this case there are no transactions directly affecting the U. S. Treasury.

“At this point one may well begin to think of the Federal Reserve as something of a magician. Certainly it is pleasant for it to print up Federal Reserve notes at its convenience and to hold the reserves of the member banks. But does it not have to have some kind of asset against both? Yes, it does. It does not, to be sure, possess gold, for the gold was taken away from the Federal by the Treasury in 1934 in the amount of about \$3,500,000,000. But the Treasury gave the Federal gold certificates

and, as we shall see, it usually continues to do so whenever gold enters the banking system. Hence if we take a birds—eye view of some of the big items of the consolidated balance sheet of the Federal Reserve System, it looked like this in November, 1939:

Assets	
Loans to banks	\$ 6,500,000
Gold certificates	14,900,000,000
Government securities	2,600,000,000
Liabilities	
Federal Reserve notes	\$ 4,800,000,000
Member reserves	11,600,000,000
U. S. Treasury account	600,000,000

“The important points to note about that balance sheet are two in number. In the first place the law requires the Federal to have only a 40 percent gold—certificate cover (plus other collateral for the remaining 60 percent) against its notes outstanding, and a 35 percent gold certificate or lawful money cover against the reserves it holds for its member banks or any other accounts entrusted to it. With \$14,900,000,000 of gold certificates on hand, the Federal is therefore overstuffed with them. The second and much more important point is that the \$11,600,000,000 of reserves of member banks is about \$5,000,000,000 above what member banks are required to carry against their deposits, which at present amount to about \$39,000,000,000.²

“Those excess reserves are important because they interfere with the .most

important function of the Federal — namely credit control. The reserves of a bank have happily been called ‘high—powered’ money. They are high—powered because it is with his eye fixed on his reserves that a banker decides whether to extend his loans and his investments. If his reserves are big, he will do so; if small, he will be more cautious... It therefore follows that the control of bank reserves can have a crucial influence over the total amount of deposit money or credit money in the system.

“Now there was a day when such control was extremely easy for the Federal to exert. At the inception of the system reserves of member banks were lean. At certain seasons of the year a banker would find that his depositors were drawing out cash to such an extent that his reserves with the Federal were going below requirements. At this point he could come into the Federal and get additional reserves by hocking some of his commercial paper. This process was ‘known as ‘rediscounting’, and what it implied was that the Reserve bank was lending to the banker in much the same way that the banker lends to a customer. But given this indebtedness at the member banks, the Federal had tight control over their actions. By moving its ‘rediscount rate’ up and down it could effectively influence credit conditions. This was the type of control dramatized by Governor Strong at the Federal Reserve Bank of New York, for instance, during the twenties.

“A second control is the open market operation. If the Federal wishes to reduce member—bank reserves under this procedure it will begin to sell government securities in its portfolio. Suppose the purchaser gives the Reserve a check on a member bank such as the Chase. The Reserve then debits the Chase’s account, and the Chase’s reserves are decreased.

“The third and most recent method of control as used by Governor Eccles in 1936 and 1937 is to hike reserve requirements.

“But today with \$5,000,000,000 of excess reserves outstanding, all methods of control are difficult. Since practically no member banks are borrowing at the Federal, the use of the rediscount rate is completely academic. If the Federal should sell all of its \$2,600,000,000 in governments there would still be more than \$2,000,000,000 of reserves outstanding (to say nothing of the distressing fact that the Federal would have parted with practically all of its earning assets). And finally reserve requirements have already been boosted up to almost the limit allowed by law. All this distresses the Federal authorities, and in its 1938 report the Board hinted that it would like to see its power over reserves increased. To date, Congress has taken no action.”

So stood the money situation as 1940 began.

The war in Europe, as noted previously, was not going at all well for our allies—to—be. Congress was busy.

The Pittman Resolution authorized the sale of arms to the nations of the Western Hemisphere; a destroyers—for—bases deal was made with Britain; an embargo was declared on iron and steel scrap; selective service went into effect, and a National Defense Research Committee, Office of Production Management was created.

In November Franklin Roosevelt defeated Wendell Wilkie for an unprecedented third term as President, and defense spending began its rise from an annual \$1.5 billion to \$8.13 billion.³

Atlanta entered the new year and decade with a population of 302,288 — the national figure reached 131,669,275 — and a ten—inch snow fall crippled traffic, power

and communications. Local civilian defense workers mobilized; Roy LeCrow unseated Mayor William B. Hartsfield in September; Eugene Talmadge was again elected Governor, and local railroads began to substitute Diesel for steam power.⁴

Some changes in the official personnel of the Federal Reserve Bank of Atlanta took place at years' beginning, others as 1940 progressed.

At the November 10, 1939 Board meeting Ryburn G. Clay was elected a member of the Federal Advisory Council succeeding Edward Ball, who had completed three successive terms. The following month, Mr. Clay's term as a Class A Director being about to expire he was succeeded by Thomas K. Glenn, Chairman of the Board of the Trust Company of Georgia, a veteran Atlanta banker and business man. At the same time Bert C. Teed, First Vice—President of the First National Bank in Palm Beach, was elected a Director of the Jacksonville Branch succeeding George J. Avent, whose term had expired.⁵

At the January 1940 meeting Director Frank H. Neely was named Chairman and Federal Reserve Agent and Director J. F. Porter as Deputy Chairman for the year.⁶

As the meeting progressed Chairman Neely expressed his pleasure and the pleasure of the other directors at having in attendance at the meeting Thomas K. Glenn, recently elected a member of the Board. Chairman Neely spoke of Mr. Glenn as a public spirited citizen and as a man of wide experience in business and banking, and stated that the Directors were anticipating with pleasure their association with Mr. Glenn.

The Chairman also referred to the fact that Director J. A. McCrary had recently been re—elected and that he had served continuously since the bank's organization. The veteran Director was congratulated upon his long and faithful service.⁷

In connection with the annual election of officers, and also at the Board meeting of January, 1940, President Parker stated that since the election of W. S. McLarin, Jr., to the office of First Vice—President, there had been a vacancy in the office of cashier. He further stated that the ordinary duties of the office of Cashier were now being satisfactorily performed by other officers of the bank and there now appeared to be no reason to fill the vacancy. President Parker referred to the fact that three of the officers of the bank held the title of Assistant Cashier and suggested that their titles be changed to Assistant Vice President. On motion, unanimously carried, Messrs. V. K. Bowman, C. R. Camp and S. P. Schuessler had their titles changed accordingly. 8

President Parker also stated that since the election of H. C. Frazer as Assistant New Orleans Branch Manager circumstances had developed which made his services there no longer necessary. It was recommended that Frazer be assigned

duties at the Atlanta bank.⁹

In February Trust Examiner J. E. Denmark was appointed an Assistant Vice—President and assigned to the Bank Examination Department. At the same time President Parker was elected a member of the Open Market Committee for the year beginning March 1, 1940, with Hugh Leach, President of the Federal Reserve Bank of Richmond, as alternate.¹⁰

The next three personnel changes involved the Birmingham Branch. In April Leo W. Starr was elected Assistant Cashier of the Branch at \$3,300 per annum, while in September Frank M. Moody resigned as a Director because of ill health. He was succeeded the same month by Gordon D. Palmer, Executive Vice President of the First National Bank of Tuscaloosa. In November General John C. Persons was granted a leave of absence as a Director on account of military service.”

Matters concerning personnel, both official and rank and file came up with great regularity during 1940. Salaries and classification were early candidates for consideration.

In January there was a general discussion of the Personnel Classification Plan which was then in operation at all twelve of the Federal Reserve banks. In response to a question by Director W. D. Cook, First Vice—President McLarin said that, of the 224 employees of the bank proper at the head office, only 37 were being paid the maximum salary allowable under the plan, and that of the 37, 12 were guards at \$1,380 per annum, and that a small number were secretaries to senior officers.

Director Harris, Chairman of the salary and Personnel Committee, raised the question whether the maximum salaries presently allowable under the Classification

Plan were low. He said that he had studied the functional expense reports compiled by the Board of Governors and reflecting comparative unit costs of operation for the various functions performed by the Federal Reserve banks. Harris observed that the Atlanta bank appeared low and that in his opinion it would be unfortunate if a low unit cost of operation should be obtained as a result of the payment of unduly low salaries. Chairman Neely agreed and said that in his opinion low unit costs should be obtained by efficient administration with the maintenance of reasonable salaries.

After further discussion Mr. McLarin was requested to obtain information as to the maximum rates of salary allowable under the Personnel Classification Plan in effect at other Reserve banks of comparable size to Atlanta, in addition to information as to the number of employees at each bank who were being paid the maximum salary allowable.

President Parker referred to the fact that increases in the salaries of a considerable number of employees of both the bank and its branches had been made in the recent past, particularly at New Orleans. He stated also that the general level of salaries in effect in commercial banks located in cities where an office of a Federal Reserve bank is situated should be taken into account when considering salaries to be paid Reserve bank employees.¹²

In March a new vacation schedule was adopted, applicable to all officers and employees of the Atlanta bank and branches. It provided, briefly that each officer is entitled to three weeks except the President who was allowed a month; all employees were entitled to 12 business days after a year's service; no vacations were given for less than six months service although six business days were allowed for employees

entering the service between January 1 and March 1 of any calendar year. The new schedule also provided that all vacations should begin on Monday with holidays, other than Sunday, being treated as a business day. Employees entitled to 12 days could split their vacations into two equal parts. Those entitled to less were required to take the entire vacation at one time. Resigned employees with vacation time remaining were to be paid for the time on a per day basis.¹³

As the war situation waxed ever warmer it became necessary for the Federal Reserve System to formulate some rules concerning military leave. At the November Board meeting President Parker reported that the Board of Governors had approved the payment of up to one month's unearned salary to employees entering military or naval service, as prescribed in the report of the Committee of the Presidents' Conference. After discussion the Board voted to adopt a policy to be followed with respect to employees of the Bank who may enter the military service of the United States.

"The benefits mentioned will be accorded, subject to the conditions stated, only to employees of the bank, other than those in temporary positions, entering upon active service in the military or naval service of the United States on or after January 1, 1940.

- "A. Under the Selective Training and Service Act of 1940 (including v volunteers thereunder) or
- "B. As members of the National Guard or, any other reserve component of the Army under the Joint Resolutions of Congress approved August 27, 1940, or
- "C. As members of any reserve unit of the Navy or Marine Corps which is called

up for an indefinite period of service;

but such benefits shall not be accorded with respect to military and naval service completed prior to the adoption of this procedure.

“While such an employee is in military service he shall be deemed not to be in the active service of the bank within the meaning of the rules and regulations of the Federal Reserve Retirement System

“1. At the expiration of such military service he will be reemployed in the position he left, or one of like seniority, status, and pay, provided;

“A. He presents to the bank a certificate showing the satisfactory completion of such military service;

“B. He makes application for reemployment within forty days after he is released from such military service;

“C. The Bank’s circumstances have not so changed as to make such reemployment impossible or unreasonable;

“D. That upon his application for reemployment he submits to a physical examination and establishes to the satisfaction of the bank that he is still qualified to perform the duties of his former position.

“2. When reemployed he will be restored to membership in the Retirement System and, provided he has not withdrawn his accumulated contributions, he will retain all benefits based on creditable service rendered prior to entering into military service and in addition will receive full service credit for the period of military service without additional cost to him.

“3. Under the rules of the Retirement System, any employee so reemployed who has withdrawn his accumulated contributions credited to his account in the Retirement System will be entitled only to the same benefits under such System as if employed for the first time.

“4. Upon furnishing the bank with evidence that he has taken out National Service life insurance made available to him by the United States Government because of such military service, the bank will reimburse him for the cost of premiums on such insurance for his period of military service in a principal amount up to —

“A. The multiple of \$500 which is equal to or next above the equivalent of two years salary, or

“B. \$5,000, whichever is less.

“5. If after being reemployed by the bank following his return from military or naval service he is subsequently retired for disability, the disability allowance which he would otherwise receive from the Federal Reserve Retirement System may be reduced by the amount he receives, if any, from the Government for disability incurred in the military or naval service.

“The foregoing statement is subject to modification or revision, within the limitations of law, whenever deemed necessary by the bank.”¹⁴

It occasionally happened that the Board of Governors in Washington did not

see eye to eye with the Atlanta Board on certain matters. An example was action taken by the latter on July 12, 1940 to increase, from \$20 to \$40, the per diem fee paid directors for attending meetings of the Board. The Atlanta directors felt that the \$20 fee was relatively small and not commensurate with their responsibilities.

Not so, the Board of Governors. Its thinking was set forth in a letter from Governor M. S. Szymezate to Chairman Frank Neely, dated July 26:

“This is just a note from me to you and refers to our telephone conversation subsequent to receipt of a letter from you dated July 15th, in which you advised our Board that your Board of Directors has voted unanimously, subject to the approval of the Board, to increase the fee paid to Directors at the Federal Reserve Bank of Atlanta from \$20 to \$40.

“You know, Frank, that, as I told you over the telephone, I appreciate fully the fine spirit with which your Directors serve the Federal Reserve Bank of Atlanta and the System as a whole. Other members of the Board (of Governors) feel the same way about it.

“However, as you and I understand it, the fee of \$20 is more in the nature of an honorarium than actual compensation for services rendered. For, if we were to attempt to adequately compensate directors for services rendered, many, if not all — and particularly the chairman--would be inadequately compensated, even if the fee were \$40. Again, I am fully aware of the amount of time that the directors and the chairman devote to the responsibilities with their banks.

“If the fees of the Atlanta Directors were doubled, however, it would no doubt be necessary within a comparatively short time to make a corresponding increase

in the fees paid directors at the other Federal Reserve Banks and also at the Branches. If this were done, the total cost of director's fees would increase by approximately \$75,000 per year. On the other hand I think I am correct in understanding that the members of our Board feel that any out—of—pocket expenses incurred by directors when attending directors' or committee meetings should be reimbursed to them by the Federal Reserve Banks, and, if you now have any such cases, I shall be glad to submit any requests that you may have to our Board for consideration and action. However, I don't think under the circumstances that you would want me to take this matter of the increase in fees from \$20 to \$40 to our Board for formal consideration and action —— at any rate, not until after you have had a chance to consider what I told you over the telephone and what is contained in this informal note.

“If you would like to go into this matter more fully, I would be glad to hear from you by telephone or by letter. In the meantime please accept my greetings and salutations and remember me to Mrs. Neely.”

Following the reading of the letter, Chairman Neely stated that it had been written at his suggestion to confirm the telephone call referred to in the letter.

Thereupon the Board voted to table the matter of increased directors' fees.¹⁵

Since his assignment to the Atlanta bank from New Orleans in February, H. C. Frazer had functioned as Senior Bank Representative, concerned chiefly with bank and public relations. At the July Board meeting he presented a report of these activities.

Mr. Frazer stated that the primary aims of the bank and public relations activities were (1) to promote and maintain a close and friendly relationship between the

Federal Reserve Bank and the commercial banks of the district, and (2) to create a better public understanding of the Federal Reserve System and its purposes and functions. He outlined the program as follows:

- “(1) The visiting of member and nonmember banks in the district.
- (2) Attendance at annual conventions and periodic group meetings of members of State Bankers Associations.
- (3) Addresses by officers of the bank at meetings of civic and educational groups.
- (4) Entertainment of visiting groups and individuals at the bank’s head office and branches.”

Mr. Frazer then reported on the extent of the work since the first of the year and to some extent his own activities. He said that his reception at member and nonmember banks had, without exception, been cordial, and that the member bankers were in every case pleased with the services performed by the Federal Reserve Bank.

He pointed out that the principal objection to membership in the System on the part of nonmember State banks continued to be the resultant loss of income from exchange charges. He illustrated the relative importance of this problem as between Federal Reserve districts by a chart which indicated, among other things, that in the Sixth Federal Reserve District there was a comparatively small number of par—remitting nonmember banks which, on the basis of statutory minimum capital requirements, were eligible for membership in the Federal Reserve System.¹⁶

Only a month before, in June, the family of M. B. Wellborn, had presented to the

Bank a new portrait of the former Governor which had been accepted and hung in the Board Room in lieu of an older portrait.¹⁷ Indeed, it served as something of a reminder that the same problem as to nonmember State banks had existed during his tenure from 1914 to 1928.

A review of the Federal Reserve System's experience with insurance, other than group life, was laid before the Atlanta Board at its August, 1940 meeting. It was noted from a summary that the System has paid insurance premiums since its establishment of approximately \$17,200,000 and that claims collected have aggregated \$5,100,000, making an excess of premiums paid of over \$12,000,000. In 1935, the last year for which figures were obtained, premiums totalled \$553,800 as against claims collected of \$139,300, a difference of nearly \$400,000. Indeed, the ratio of claims

collected to premiums paid for all types of insurance, other than group life, had averaged approximately 30%. Also, the Government's experience under the losses in shipment act had been favorable.¹⁸

Substantial savings seemed to be in order and a committee of the Board was appointed to work with President Parker in working out a plan whereby insurance now carried against certain losses may be discontinued and such losses absorbed by the Federal Reserve Banks under contractual agreements entered into with each other.¹⁹

The rapidly expanding war in Europe and the economic and monetary problems which presented themselves almost daily during 1940 brought forth considerable comment from governors, directors and officers of the Federal Reserve System. Indeed, the discussions and observation of these men provide us with a vantage point from which the System's problems can be viewed.

In February the Federal Advisory Council held a meeting which was attended by Sixth Reserve District Member Ryburn C. Clay. Mr. Clay reported to the Atlanta Board that the Council had adopted a resolution expressing the opinion of the Council that purchasers of foreign silver by the Secretary of the Treasury should be discontinued. The Council went on record also as being opposed to the passage of the

bill introduced by Senator Mead which would enlarge the powers of the Federal Reserve Banks to make direct loans to industry. The Council holding the view that, if the Congress should deem it desirable to facilitate the making of direct loans to industry by the Government, such loans should be made by an agency of the Government and not by the Federal Reserve Banks.

Mr. Clay told the Board that the Council had discussed informally a number of other monetary and banking problems, including the gold policy of the United States, means of controlling the volume of member bank reserves, the affect of the possible liquidation of American securities held abroad, the advisability of the continued sale by the Treasury of United States Savings Bonds and the possible liquidation of a substantial portion of the Federal Reserve System's holdings of Government securities.²⁰

An April Conference of Federal Reserve Bank Chairmen, held at Sea Island, Georgia was productive of much meaty discussion. Chairman Frank Neely reported to the Atlanta Board on May 10, that the theme of the Conference was the relationship of the directors of the Federal Reserve Banks to the Board of Governors in Washington. On the first day of the Conference the Chairman of each of the twelve banks read a statement of his views, and, on the second day, with the staff of the Board of Directors excluded from the meeting. These had been an informal discussion between the Chairmen and the members of the Board of Governors.

It was the consensus of the Chairmen that the directors of the Federal Reserve Banks feel that they have little of importance to do, and that the Board of Governors, rather than the directors, determine the policies and directs the operations

of the banks. The Conference considered possible ways in which the Chairmen might be of greater service both to their respective banks and Board of Directors as well as the Board of Governors.

The Conference discussed at length the trend toward the centralization in Washington of powers affecting the Federal Reserve System. It was pointed out that within the past few years the Federal Reserve Banks had had practically no occasion to exercise their lending function, and, consequently that the day to day operations of the Federal Reserve Banks had become more or less routine, calling for a minimum of supervision by the directors. This development naturally had tended to magnify the importance of actions taken by the Board of Governors in the exercise of its powers.

It was emphasized at the Conference that, under the law, it is the Board of Governors that in many cases must accept ultimate responsibility for actions taken, and that oftentimes decisions must be made quickly. The result is that if the opinions of the directors are to be of value to the Board of Governors problems must be recognized and discussed by the directors well in advance of the time when action by the Board of Governors is required. By way of illustration, the gold problem and the probable consequences of the European war upon monetary and credit policies were suggested as being worthy of consideration by the directors.

It was pointed out also that by reason of its size and location and by reason of the importance of its transactions with foreign banks and of its activities in the conduct of the System's open market operations, the Federal Reserve Bank of New York had occupied a position of somewhat greater importance than any of the other eleven Federal Reserve Banks. Historically, the Federal Reserve Bank of New York,

more than any other bank, had expressed its opinions freely in Washington. The Conference agreed that it would be desirable if the other Federal Reserve Banks should make known their views to the Board of Governors more freely.

Chairman Neely reported that on the second day of the Conference, with the members of the staff of the Board of Governors excluded, Chairman Owen D. Young, of New York, and certain other of the Chairmen, suggested that the members of the Board of Governors should be careful to insure that the policies of the Board were determined, not by the staff, but by the Board members themselves. It was felt that there was a natural tendency on the part of the staff to perpetuate itself, whereas the membership of the Board of Governors was changing constantly. The feeling was expressed that many of the rules and regulations of the Board of Governors restricted unnecessarily the autonomy of the Federal Reserve Banks, and it was suggested that the staff was primarily, if not ultimately responsible for such rules and regulations. The recent requirement that the Board of Governors approve in advance the payment of all counsel fees in excess of \$1,000 was cited as an example of needless and irritating regulation.

Chairman Neely said that the Board of Governors had made available to each of the Chairman a comprehensive report of a study of the subject of membership in the Federal Reserve System and recommended that each Director examine the report. The exchange problem was an important factor affecting membership in the System and was one concerning which the Board of Governors would like to have the recommendation of the directors.

Chairman Neely stated that no one at the Conference recommended the transfer to the Federal Reserve Banks of any of the powers now exercised by the Board of

Governors. Some of the Chairmen did, however, voice objection to the extent to which the Board of Governors had issued regulations in the exercise of its powers.

The Chairman reported that in his statement to the Conference he had sought to emphasize the idea that each of the Federal Reserve Banks should make its views heard in Washington, and that the directors should be prepared to discuss intelligently the central banking problems faced by the System and to express informed opinion concerning such problems. In response to a question from Director Fitzgerald Hall as to whether the Federal Reserve System was a central bank, Vice President Malcolm Bryan replied that the System was at least a substitute for a central bank.

At Chairman Neely's invitation Governor Ronald Ransom spoke of the impressions gained by other members of the Board of Governors at the Sea Island Conference. He began by expressing an opinion to the effect that much had been accomplished toward a better understanding of the problems which confronted the directors and Board members.

The Governor referred to the question raised by Director Hall as to whether the Federal Reserve System is a central bank. A definitive answer to this question would, in Governor Ransom's opinion, simplify a great many other important problems. He referred also to another question raised by Director Hall as to how the Board of Governors could possibly be informed concerning conditions in the country as a whole. He admitted that there was need for better information, but stated that the Board of Governors' knowledge of condition in the country as a whole was dependent to some extent on the Federal Reserve Banks' knowledge of condition in their own districts.

Ransom said that the Staff of the Board of Governors was the best in

Washington, being made up of able career men not under the civil service. The danger of bureaucracy was, of course, always present. The Board however, and not the staff, was ultimately responsible for the regulations of the Board. The centralization of economic power, in Governor Ransom's opinion, was dangerous because it tended toward the invasion of the field of individual liberty. He referred to the present situation in England and France as evidencing the fact that the problem of bureaucracy was world wide, involving a great deal more than the Federal Reserve System.

Mr. Ransom stated that as one result of the conference the Board of Governors was having a survey made of its regulations to ascertain whether any could be dispensed with. He pointed out the necessity of cooperation between the Board of Governors and other Governmental agencies in the formulation of policies, citing as an example the stabilizing of bond prices in the fall of 1939. In this situation it was necessary to act promptly and there was no time to seek the opinions of the directors of the twelve Federal Reserve Banks.

Governor Ransom pointed out that the operation of a Federal Reserve Bank are today largely mechanical, but suggested that the Reserve Banks ought not to be satisfied with the efficient handling of routine business. In his opinion the Reserve Banks should be a principal source of business and economic information concerning their own districts. He thought it advisable also that the Reserve Banks maintain the closest possible contacts with the member and nonmember banks of their districts.

With reference to current legislative proposals to provide aid for small business, Director Hall suggested that the term "small business" was used to include any business that found itself in need of money.

Referring to the Sea Island Conference of the Chairmen, Governor Ransom said that in his opinion it would be advantageous for the members of the Board of Directors from time to time to meet with representatives of the directors of the twelve Federal Reserve Banks other than the Chairmen, believing that closer contacts between the Reserve Banks was desirable.

Regarding the centralization of authority in the Board of Governors, Director W. D. Cook said that he had observed that the Board members were uniformly sympathetic to the views of the directors, and that any fault there might be was traceable to the law itself and not to any unreasonable attitude adopted by the members of the present Board of Governors.²¹

With the war in Europe a year old in September, a program of National Defense was taking shape. Cognizance of this situation was taken at the Bank's September Board meeting.

Chairman Neely referred to the fact that Vice President Bryan had made some investigation of the possibility of having located within the Sixth Federal Reserve District new plant facilities which would be required in connection with the program of National Defense.

Following some remarks on the subject by Vice President Malcolm Bryan, Governor Ronald Ransom, down from Washington for the meeting, voiced his opinion that no group was better qualified than the Directors of the Atlanta Bank and its branches to develop information on the matter. Further, that the problem presented an unusual opportunity for the Directors to perform a genuinely useful service. After more discussion it was unanimously

“RESOLVED, that the bank’s department of Research and Statistics, under the direction of Chairman Neely, President Parker and Vice President Bryan, be directed to proceed in making a survey and study of the proper steps to be taken toward locating permanent industrial plants and related businesses in this area in connection with the defense program, and that a proper appropriation be authorized for that purpose.”²²

In November Vice President Bryan, in reporting to the Board on economic conditions, called attention to the fact that practically all business indicators were moving upward. Also, that the business situation is, and for some time will be, heavily influenced by expenditures of the Federal Government for national defense. He commented on the fact that member bank loans and investments, both in the Sixth Federal Reserve District and in the country as a whole, have shown an increase in recent weeks.

Bryan commented also on the decrease during recent weeks in the System’s open market portfolio, pointing out that the adoption of a more flexible open market policy would probably detract from the significance, in the mind of the public, of minor changes in the volume of United States Government securities held by the Federal Reserve Banks.

He concluded by reporting on the nature and extent of the work which the Department of Research and Statistics had been called upon to perform for the National Defense Advisory Commission. He also presented a chart showing the size and location of the several military and training establishments within the Sixth Federal Reserve District. 23

In December President Parker reported to the Board that the Bank had recently retained the services of W. C. Cram, as industrial consultant, at a fee of \$500 per month. He pointed out that Mr. Cram was by profession and training a mechanical engineer, having had wide experience with the Georgia Power Company and other Southern industrial organizations. He said that at present Mr. Cram was in Washington to obtain information as to materials required by the Army and Navy. Also, that Mr. Cram would endeavor to assist southern manufacturing plants in obtaining national defense contracts and advise on technical problems of production.

President Parker also informed the Directors that, as a result of conferences in Washington between Chairman Neely and certain officers of the Navy, the Bank was now engaged in making a survey of facilities available on the South Atlantic and Gulf Coasts for the repair, maintenance and construction of ships.²⁴

By the summer of 1940 a statement of policy as to foreign accounts of Federal Reserve Banks appeared timely. On July 10 Allen Sproul, First Vice President of the Federal Reserve Bank of New York wrote to President Robert Parker of the Atlanta Bank and enclosed a copy of a letter he had written on the subject to R. R. Gilbert, President of the Federal Reserve Bank of Dallas:

“...I am glad to state what we believe to be the relationship between the Federal Reserve Bank of New York and the other participating Federal Reserve Banks with respect to the foreign accounts carried on our books.

“Due to the war, with the invasion of various countries by Germany, and the consequent interruptions, delays and dangers affecting communications, it has been impossible for certain foreign central banks to continue giving instructions to us, in the

usual manner, regarding their accounts. Some of these banks have moved from the places where they were previously established, and have had to conduct their operations from other places, mostly outside their own countries. Others have not attempted to move, or have not succeeded in moving, from territory occupied by the Germans and there may be some question as to their freedom of action. Furthermore, emergency laws, decrees and regulations have been enacted and issued in foreign countries affecting operations of banks and their nationals, and particularly the control and disposition of foreign assets. The interpretation and effect of these emergency measures, even when the texts are available in authenticated form and in official English translations have involved questions of foreign law which could not be determined here with any satisfactory degree of certainty. The situation has of course been further complicated from our standpoint by the promulgation of the emergency orders and regulations in this country, in effect 'blocking' funds and other property held here belonging to governments and nationals of invaded countries, and instituting a system whereby licenses issued by the Secretary of the Treasury, or under authority delegated by him, are required for transactions involving such funds and property.

“In the circumstances, many foreign central banks and foreign governments have deemed it necessary or advisable to grant new authorities for the operation of their accounts here, to the Ambassadors or Ministers of the respective foreign countries, or to other persons available to sign in this country, or in some instances to persons not in this country. Our problem has been to satisfy ourselves as to the validity and effectiveness of such new authorities and to obtain such evidence, authentication, and confirmation thereof as has been possible. Each case has been affected by different

circumstances or a different combination of circumstances, so that each case has involved new problems.

“As the best available means of obtaining adequate protection in acting on these new and unusual authorities, we have sought to obtain such evidence, authentication, and confirmation of the authorities as we could through diplomatic channels. If we had insisted in all cases and receiving from abroad the complete and duly authenticated record supporting the new authorities, long delays would necessarily have been involved during which it might not have been possible for anyone to operate the accounts in question. Such delays would have been embarrassing to all concerned and might have resulted in financial injuries to the owners of the accounts and possible consequent liability therefor on our part. In the circumstances it has seemed to us necessary to devise a method whereby, with adequate protection to ourselves, we could recognize and act upon the new authorities before the complete supporting documents were available. Whenever it has seemed appropriate we have suggested through the Treasury Department which has been most cooperative with us, that the Ambassadors of Ministers of the foreign countries address letters or notes to our State Department covering the relevant points necessary to support the authorities in question, and that these communications be forwarded to us with such confirmatory comments as the State Department might be willing to make. This correspondence protects us, we believe, against liability in connection with possible future claims that the new authorities are not valid and binding upon the owners of the accounts.

“The important principles of law upon which we have relied, under advice of counsel, are, stated briefly, that if the duly accredited representative of a foreign

government makes representations (a) as to the authority of certain individuals to deal with property of his government or of the central bank of his government, (b) that certain property or accounts are owned by our subject to the control of his government or the central bank of his government, (c) that his government has enacted or promulgated certain laws or decrees having a certain effect, or (d) that his government or the central bank of his government has taken certain valid and binding action, such representations are binding and conclusive upon such government and any successor thereof and upon such central bank; and that if such representations are made to, and recognized and accepted by, our State Department, they are conclusive evidence in our courts as to the existence and validity under foreign law, of such authority, ownership, laws or action.

“While, as previously indicated, each case has involved different circumstances or combination thereof, and has presented special problems, we believe that we have been able to handle the foreign accounts maintained with us in such a manner as to protect ourselves against risk of substantial loss and liability.

“During this period since the commencement of the war, the question has arisen from time to time as to our authority to carry accounts for foreign governments as distinguished from foreign central banks, there being some instances where it has been or is desired to transfer accounts from the names of foreign central banks to the names of their governments. It has always been our view that our authority to open and maintain dollar accounts for foreign governments is dubious, except when such authority is granted to us as fiscal agent of the United States by the Secretary of the Treasury. We have accordingly refrained from opening and maintaining dollar accounts for foreign governments except in cases in which we have received such specific

authority from the Secretary of the Treasury.

“The question of the respective rights and liabilities of the other Federal Reserve Banks implicit in their participation in the foreign accounts carried on the books of the Federal Reserve Bank of New York has never been formally determined, so far as I know. It is a fact, however, that ‘the profits and losses resulting from the ordinary operation of such accounts have been shared pro rata between all participating Federal Reserve Banks. The question which you intend to raise in your letter is, I assume, whether the Federal Reserve Bank of Dallas and each of the other participating Federal Reserve Banks would incur liability for a pro rata share of an extraordinarily loss or liability that might result from operations in such accounts; for example if it should be established in litigation against the Federal Reserve Bank of New York that it had disposed of assets held by it for foreign account pursuant to invalid ‘instructions. I think I can do no more than to state that it is our conception that the Federal Reserve Bank of New York is in effect the agent of all participating Federal Reserve Banks in the operation of foreign accounts, and that the common law rule of agency applies. Consequently we believe that if, in connection with our foreign accounts, a loss should be incurred which is not attributable to our own negligence it should be shared by all participating Federal Reserve Banks, but that if we should suffer a loss caused by our own negligence it should be borne solely by us. “25

As 1940 ended the Atlanta Federal Reserve Bank, based upon total assets, became a half billion dollar enterprise. The figure stood at \$539,053,706.64 against \$461,015,751.69 on December 31, 1939. The most notable increase was in the item of “total reserves” which went from \$318,237,055 to \$404,319,285. Net earnings for 1940

increased markedly over 1940 — \$984,140.56 compared to \$381,976.74. The largest single item in the earnings column was an increase in “profit on sales of U. S. Government Securities,” \$496,544.82 against \$189,294.73. 26

NOTES

Chapter 29

1. Fortune, Feb. 1930, pp. 88—89, 112—116.
2. Reserve requirements of Federal Reserve members vary between time and demand deposits and also between districts. Thus reserve

requirements on demand deposits in New York and Chicago are (as of 1940) 22.75 percent and for country banks 12 percent. All time deposits are 5 percent.

3. Life History of the United States, 11 ,pp. 168, 169.
4. Garrett, Atlanta and Environs, II, 1002
5. Minutes, Directors, XI, 3094, 3104 — 3106
6. Ibid., XII, 3107
7. Ibid., 3108
8. Ibid., 3111
9. Ibid.
10. Ibid., 3118 — 3119
11. Ibid., 3137, 3189
12. Ibid., 3109 — 3110
13. Ibid., 3128 — 3129
14. Ibid., 3204 — 3205
15. Ibid., 3173, 3181
16. Ibid., 3174
17. Ibid., 3163
18. Ibid., 3179
19. Ibid.
20. Ibid., 3132
21. Ibid., 3146 — 3150
22. Ibid., 3191 — 3192

23. Ibid., 3206 — 3207
24. Ibid., 3210
25. Ibid., 3169 — 3171
26. “Twenty—Fifth and Twenty—Fourth Annual Statements.”

Chapter 30

1941

The future of the free world appeared even darker in '41 than it had in '40. While the United States became a veritable arsenal of defense the Germans defeated the British in North Africa and invaded the Soviet Union. The long siege of Leningrad began and, in April a Russ-Japanese Neutrality Pact was signed.

During the first eleven months of the year the United States set the stage for the inevitable. Lend-lease was approved; Greenland and Iceland were occupied; Japanese credits in the U. S. were frozen; the Atlantic Charter was proclaimed and one billion in lend-lease credit was extended to Russia. A Fair Employment Practices Committee was appointed; an Office of Scientific Research and Development was established; an Office of Production Management, National Defense Mediation Board and an Office of Price Administration were formed to stabilize production, wages, salaries and prices. 1

In November the United States Ambassador to Japan warned of a possible surprise attack in the Pacific. It was not taken too seriously. Then, on Sunday, December 7, it came. The U. S. fleet suffered irreparable losses in a surprise air attack on Pearl Harbor. It was quickly followed by a declaration of war on Japan, Germany and Italy. The U. S. became a fighting participant and for the next four years bent every effort to achieve victory.

Atlantans, like people everywhere, were shocked by the suddenness with which the country was precipitated into the war. Blackout drills followed. The city

mobilized for the war effort. Fort McPherson became a beehive of activity as thousands of southern men were sent there for induction. 2 And, as the wartime economy escalated so did the burdens placed upon the Federal Reserve System.

Meanwhile and as usual, official changes in the Atlanta bank took place. At its meeting in December, 1940, the Board reappointed Ryburn C. Clay a member of the Federal Advisory Council to represent the Sixth Federal Reserve District. Mr. Clay had recently been succeeded as President of the Fulton National Bank by Frank W. Blalock, but retained his directorship in that bank and, in addition had become President of the Southeastern Pipe Line Company. 3

On January 10, 1941 James R. McCravey, Jr., was appointed an Assistant Vice President at \$4,600 per annum. Born in 1908, he had entered the service of the bank in 1930 as a junior examiner and, through various steps, had progressed to Assistant Federal Reserve Agent and Secretary to the Board. 4

Though Robert S. Parker was reappointed President of the bank for a five year period beginning March 1, 1941, he was not destined to actively serve a single day of the new term. Suffering from tension and high blood pressure, aggravated by the tragic death of his only child, a lovely daughter, Helen, in an automobile accident sometime before, he never returned to the bank after February 11. On March 28, 1941 he died. Two weeks later the Board adopted the following resolution:

“On March 28, 1941, this bank lost by death its loyal and honored President, Robert S. Parker, in his fifty-seventh year. For twenty-four years he served the bank with unflinching devotion and great ability as General Counsel, then for about three years as General Counsel and First Vice President, finally succeeding Honorable Oscar

Newton as President on February 18, 1939, following his death a few days earlier.

“Mr. Parker’s career paralleled nearly the entire corporate history of the bank, throughout which he always gave a genuine personal service to the interests of the Federal Reserve Bank of the Sixth District and to the System as a whole, ever inspiring his associates by his inflexible integrity, his simplicity, his never failing kindness of heart, coupled with unostentatiousness of manner and modesty of demeanor. He discharged his responsibilities in whatever capacity he acted with dignity, skill and a keen sense of unselfish and devoted service.

“Mr. Parker’s high talents were particularly noticeable in frequent conferences with the Presidents of the remaining System banks and on the Open Market Committee, where he rendered able support during his first one-year term, which ended February 28, 1941. For a much longer period, as a Trustee of the Federal Reserve Retirement System, he made solid contributions by native gifts and sterling character to its upbuilding and maintenance. All of his splendid attainments and untiring interest in his fellows combined to make him stand out as a much beloved citizen and an esteemed leader in the life of the community.

“His habits of searching analysis and deliberate consideration were deeply rooted, and had much to do with his notable success in the legal profession and as a helpful and gracious Counselor. Those who worked with him will never cease to miss the warmth of his heart and the clarity of his mind, his singular combination of firmness and gentleness, and his saving sense of humor. The same courtesy and respect which he gave to the Directors and Fellow-officers, he showed to all employees of the bank, from the highest to the lowest, as well as to others with it whom he came in contact

continually in various walks of life.

“The personality and achievements of Mr. Parker will remain as an inspiration to those who follow after him, whether in the upper posts of leadership or in the humbler ranks of business, in which his interest never flagged. Of him the poet’s words are true:

‘His life was gentle,
And the elements so mixed in him
That nature might stand up and
say to at the world,
This was a man.’⁵

As touched upon in the resolution, Mr. Parker was indeed a man of great balance, whose judgment was relied upon throughout the Federal Reserve System, The great confidence he engendered in others was due in large measure to his complete lack of bias, a rare trait, indeed. In personal appearance he was stocky, about five feet eight, with a ruddy complexion and a fine head of white hair. His voice was pleasant and cultured. 6

On May 29, 1941 Mrs. Helen C. Parker, widow of the late President, addressed the following letter to Chairman Frank Neety:

“I want to tell you, the Board of Directors and the officers of the Federal Reserve Bank how much your thoughtfulness in having arranged a memorial scrap book to Rob has meant to me.

“The book has been delivered to me, and I am more than pleased with its general set-up, and so happy to have a place to keep permanently the letters, telegrams and other personal expressions that mean so much to me now.

“I am now completing the book by placing in it the telegrams and letters sent direct to me which Mollye did not find when she gathered up the ones she pasted in the book.

“Please extend my thanks to the Board and to the officers for this and their many other kindnesses to me.” 7

At a special meeting of the Board, on April 23, William S. McLarin, Jr. was elevated to the presidency and Malcolm H. Bryan to First Vice President. 8

The new president was rich in experience. He began his banking career in the old traditional manner- -as a runner- -for the Atlanta National in 1906. From there he went to the Atlanta Clearing House when its country collection department was established. There he remained until July 17, 1916 when he became Chief Clerk in the Transit Department of the Atlanta Federal Reserve Bank, then less than two years old. A two-year interruption to young Mr. McLarin’s banking career began in May 1917 when he entered the First Officers Training Camp at Fort McPherson and emerged a Second Lieutenant. From there he was assigned to the 31st Division at Camp Wheeler, near Macon, from which he was transferred to the noted 82nd Division and sent to France.

Following his discharge, in September, 1919, the young soldier, now 30, rejoined the Federal Reserve as a clerk in the Auditing Department. Other steps in his rise to the presidency, 22 years later, were: Cashier, Jacksonville Branch; Managing Director, Jacksonville; Assistant Deputy Governor, Atlanta; Assistant Vice President; Vice President; Vice President and Cashier, and First Vice President, virtually every rung on the ladder. 9

Mr. McLarin's salary as President was set at \$17,500.00, somewhat less than the late President Parker's \$20,000 and substantially less than the \$25,000 paid to former President E. R. Black. The annual salary of First Vice President Bryan was fixed at \$10,500.

As a matter of fact the whole subject of officer compensation had been under careful study for some time by Dr. Canby Balderston. His report was received at a Conference of Chairmen of the Federal Reserve Banks at White Sulphur Springs in late April. It was discussed by the Atlanta Board at its June meeting. Governor Ronald Ransom, who was in attendance, made a statement with reference to the nature of the problems with which the Board of Governors was confronted in acting upon recommendations by Federal Reserve Bank directors relative to officer's salaries, noting in particular the negative attitude of Congressmen to the comparatively high rates at which some such salaries are fixed. 10

Meanwhile, other executive changes were taking place. In April New Orleans Branch Director Henry G. Chalkley, Jr. was granted an indefinite leave of absence beginning July 1 because of a call to active service in the U. S. Navy. 11 In June Frank D. Jackson, President of the Jackson Grain Company at Tampa, was appointed to the Jacksonville Branch Board for the unexpired portion of a term ending December 31, 1943. 12

A number of official changes were made, effective September 1. J. R. McCravey, Jr., Secretary, was transferred to the Jacksonville Branch for a period of several months and V. K. Bowman was appointed Secretary pro tem. L. M. Clark was brought up from New Orleans as Vice President with supervision over the Examination

Department. He was also appointed Examiner and his salary of \$12,000 per year was continued. E. P. Paris, for several years General Auditor, was transferred to New Orleans as Managing Director at \$8,000. Assistant Vice President J. E. Denmark replaced Mr. Paris as General Auditor with an annual salary of \$5,500. 13

At the June Directors meeting it was voted to continue the services of Dr. Balderston and his associates for the prosecution of a study of officer development and a career system for executive personnel of Federal Reserve Banks. Cost of the study was to be prorated among several of the banks with the understanding that the cost to each bank would not exceed \$1,200. 14

On the occasion of the July meeting Dr. Balderston outlined his program. He called attention to the fact that the average service age of the present officers and department heads is high, with the result that within the space of a few years it would become necessary to fill a considerable number of vacancies in official positions because of the retirement of officers from active service. He stated also that the Federal Reserve Banks, because of their growth, had become increasingly more decentralized and departmentalized, thus accentuating the problem of the development and training of employees to fill official positions.

In conclusion Dr. Balderston said that he and his associates would endeavor to ascertain and report what methods should be employed to find and develop officers best suited to the twelve Federal Reserve Banks. He pointed out that the study would be directed, first, to the selection of employees, and second, to the training of employees to occupy official positions. 15

The general subject of salaries, particularly those in official brackets, occupied a

considerable amount of the Board's attention during 1941. The following letter on the subject, dated July 9, signed by Chester Merrill, Secretary of the Board of Governors, was presented at the August meeting by Chairman Neely:

"Since the Conference of Chairmen on April 26, 1941, the Board of Governors has given further thought to the question of official salaries at Federal Reserve Banks in the light of the information presented in the Chairmen's salary report and at the Conference. The helpful manner in which the constructive conclusions in the report have been presented is much appreciated, and the Board considers it particularly useful to have received in a written report approved by the Chairmen a carefully considered appraisal of official positions in the Federal Reserve Banks by experts outside the System.

"Since the Federal Reserve Banks are institutions set up by Congress to serve the public interest and the Board is charged by a provision of the law, which has remained unchanged since its original enactment in 1913, with the specific responsibility of approving salaries at the banks, the Board is of the opinion that it is under obligation in determining the salaries that should be paid, particularly to the Presidents and First Vice Presidents, to give special consideration to the public character of the Reserve System, while the salaries paid in commercial banks have a bearing on the matter, they are not a controlling consideration. The Board's responsibility in this field is a special one in view of the fact that the System's employees are not under Civil Service and its expenses are not reviewed by another agency of the Government as might be the case if they were paid from Congressional appropriations.

“The Board appreciates fully that if the salaries of officers of Federal Reserve Banks are substantially lower than salaries paid by commercial banks and other financial institutions the System may lose officers of outstanding ability. It is also aware that inasmuch as directors of Federal Reserve Banks are for the most part in charge of private organizations which must actively compete in the market for efficient executive personnel, it is quite natural for them to be of the opinion that salaries of Federal Reserve Bank officials should be fixed in the light of salaries paid by other financial institutions. The Board feels strongly, however, that the System, because of its public character, cannot expect to compete with private institutions in the salary field for the higher brackets.

“After mature consideration, the Board has reached the conclusion that salaries for Presidents and First Vice Presidents of Federal Reserve Banks should be fixed in the light of these considerations, that in general the salaries at the Reserve Banks should not be higher than the present scales, and that in some instances the maximum salaries for future appointees to the position of President and First Vice President should be lower.

“The Board therefore is of the opinion that it will assist materially in future discussions of official salaries if maximum salaries are established for the President and First Vice President of each Federal Reserve Bank irrespective of who may be occupying the position at the present time or who may occupy them in the future, it being understood (1) that the fixing of such maxima will not affect salaries now being paid in excess thereof but that the Board will not approve any further increases in these salaries, and (2) that in all other cases the maxima fixed represent rates beyond which

the Board is not willing to go. It is not expected, however, that salaries of new appointees as President or First Vice President will be fixed at such maximum rates at the beginning of their service or until they have demonstrated their capacity to meet all of the responsibilities of their respective offices. The salaries of other officers should, of course, be consistent with those paid the President and First Vice President.

“Accordingly, the Board has established maximum salaries for the position of President and First Vice President at the respective Federal Reserve Banks, that for the President of the Federal Reserve Bank of Atlanta being \$20,000 and for the First Vice President \$15,000. At the first opportunity Mr. Szymczak will take occasion to discuss this matter in greater detail with you and, if possible, with your Board.”

The salary rates of employees generally became a matter of Board discussion and action in November. Director Rufus C. Harris read the following report of a joint meeting held by the Executive and the Salary and Personnel Committees on November 13.

“Pursuant to the action of the Board of Directors at its October meeting, the Executive and Personnel Committees met, together with Governor Szymczak, who was present in attendance on the Fiscal Agency Conference, and discussed the question of a blanket increase in wages or supplemental compensation to lower bracket employees in the Federal Reserve Bank of Atlanta and its Branches. After extensive discussion on the part of all Committee members and Governor Szymczak, it was unanimously agreed that no blanket increase of wages or no general supplemental compensation as such would be recommended to the Board of Directors at this time. The reasons for this decision follow:

“1. It seemed to the Committees undesirable to make a blanket increase attached to any cost of living index because such an action could commit us to a further blanket increase in the event the cost of living continued to rise, and such blanket increase might well go beyond the financial. capacity of the Bank.

“2, In addition, it seemed undesirable to make a blanket increase because:

- a. A blanket increase appears policy for an organization necessarily concerned with movements; and,
- b. The chances of unfavorable publicity - as has already been experienced in a news story from Washington -are considerable if a blanket increase is decided upon; and,
- c. The recognition of a blanket increase principal would doubtless be seized upon by various organizations and others to justify a rigid connection between cost of living indexes and wage scales, and thereupon to urge a raise .of general salary levels.

“The Committees, despite the foregoing considerations, were compelled to recognize the facts outlined in the President’s report of October 10, 1941. In that report President McLarin pointed out that the Federal Reserve Bank of Atlanta is non-competitive in its salary scales, not only in Atlanta but in all Branch offices. The Committee also took cognizance of the fact that the Federal. Reserve Bank of Atlanta, in the comparison between other Federal. Reserve Banks, is at the very bottom of the list among all Federal Reserve Banks and, in fact, pays only 83 percent of the System average in wages to employees. In view of these circumstances, the Committees have

decided to recommend the following procedure:

- “1. The officers are directed to review during the next few months the wage scales of each employee, separately, bearing in mind the competitive under payment (compared with commercial banks) of employees of the Federal Reserve Bank of Atlanta in Atlanta and the Branch Bank cities, and the under payment of its employees in comparison with other Federal Reserve Banks, and to recommend to the Personnel Committee increases in wage rates in the lower bracket salaries.
- “2. It was understood by the Committee that the foregoing recommendations by the officers to the Personnel Committee will in the course of the next few months probably involve increases in wage payments in an annual amount from \$50,000 to \$60,000.

(s) Rufus C. Harris

W. D. Cook

J. A. McGrary.”

After discussion it was unanimously carried that the report be accepted and the officers of the bank were authorized to make such salary adjustments that they deem to be within the scope of the report, subject to approval. 17

Several other matters concerning personnel came up for consideration during 1940.

In January it was called to the Board's attention that Director J. F. Porter had received the Progressive Farmer's 1940 award as “Man of the Year” for outstanding

agricultural works in Tennessee. 18

Chairman Neely reported in March that H. O. Koppang, the Federal Reserve Examiner in charge of a recent examination of the bank, had discussed with him informally the problem of developing personnel qualified to occupy official positions at the branches.

After discussion it was moved and carried that the officers be requested to hold in Atlanta, at least once a year, a meeting of the Managing Directors of the branches, and also, at least once a year, a meeting of the Cashiers of the branches, for a discussion of operating practices and policies. The Directors also expressed a desire that the several Managing Directors of the branches be brought to Atlanta more frequently, thus enabling Board members to become better acquainted with them. 19

President McLarin reported in May that while the bank's Retirement System was organized on a 4% interest basis, the current yield was considerably less and that steps should probably be taken to rectify the situation. Indeed, Chairman Neely pointed out that one of the recommendations of the Balderston report on executive compensation was to the effect that the benefits of the Retirement System should be materially increased. At the June meeting the Directors voted to bring the bank's contribution up from 5.17% to 5.65%, which represented an arbitrary increase of 1/2 of 1% in the rate of contribution by the twelve Federal Reserve Banks for the purpose of reducing, in part, the deficiency in interest income on investments. 20

The military leave policy of the Bank was liberalized in September so that benefits therein would be accorded all officers and employees, other than those in temporary positions, who enter the military or naval service. It was also voted to relieve

the Executive Committee of the burden of approving all leaves of absence for the armed services and to authorize the senior officers of the bank to grant such leaves, together with severance pay. 21

On the occasion of the regular December Board meeting Chairman Neely informed the Directors of the organization of a Club, known as the Twenty-Year Club, Federal Reserve Bank of Atlanta, by the older employees of the bank. He requested that the Board officially recognize the Club. During the discussion which ensued Mr. Neely stated that it was intended to have a luncheon for a[.]. Club members, together with the Directors, at which time pins would be given to the members. He suggested the eligibility of Directors as members, since one or more had served for more than 20 years. It was voted to recognize officially the Twenty Year Club and to authorize the officers of the bank to expend such funds as are necessary to obtain pins or emblems to be awarded to the members. 22

In early 1941. President Parker had called attention to a need for more working space at the Jacksonville Branch, the volume of work there having increased materially. After looking into the availability of a vacant lot next door, then used for parking, and a building to the rear, separated by an alley easement, it was decided to remodel the first and second floors at a cost of \$25,000, with Architect Henry Toombs in charge. It was also voted to authorize the Jacksonville Board to attempt to secure an option on the 52 1/2 lot next door at a reasonable price. 23

As it had at intervals in the past, the Atlanta bank again opened its doors to house a Government agency. On July 11 Malcolm Bryan reported that the bank had agreed to house the Atlanta Office of the Priorities Division of the Office of Production

Management with John B. Reeves as Manager. Also, that space in the building would be provided for an information officer of the Office of Emergency Management and for an administrative representative of the same office. 24

In October President McLarin received a letter from the First Presbyterian Church of Atlanta in which its members requested permission to place a memorial plaque on the front of the Federal Reserve Bank Building, identifying the location as having been the original site of its sanctuary in 1848. On motion of Director T. K. Glenn it was voted to authorize the church to place the plaque, its size and design to be approved by the Executive Committee of the bank. 25

Throughout 1941 the economy expanded enormously. It gave rise to much study, prophecy and pronouncement. There was no more sensitive barometer than the Federal Reserve System.

At the January Board meeting Vice President Bryan discussed in some detail the general business situation which, he said, was being completely overshadowed by the defense expenditures of the Government. He commented on the present and prospective volume of such expenditures, and on the methods by which they might be financed. He also discussed their possible effect on the expansion of bank credit.

Mr. Bryan pointed out that the defense expenditures of the Government were requiring substantial additions to the productive capacity of the country, resulting in increased private investment in new plants and equipment. He expressed the opinion that price increases might be expected upon our approach to full production, reflecting the utilization of less efficient plants and labor, and of less economical sources of

material. He concluded by reviewing recent changes in the volume of industrial production, payrolls and employment, and commented on the problem of member bank excess reserves, with particular reference to the Sixth District. 26

At the February Board meeting Messrs. Bryan and Neely both addressed themselves to the defense program and the role of the Federal Reserve System in facilitating the use of subcontractors in supplying defense needs. Both spoke of the difficulties encountered by the bank's representatives in their efforts to obtain for manufacturers in the Sixth District subcontracts for defense materials from prime contractors.

Mr. Neely emphasized the difficulties that had been occasioned by the organizational methods employed in Washington. He reiterated his belief that only by arranging for direct negotiations between subcontractors in this district on the one hand, and prime contractors and the Army and Navy on the other hand, could representatives of the bank accomplish any substantial results for the furtherance of the defense program and of the economic development of the Sixth District. 27

Indeed, throughout January various officers of the bank and branches attended a series of National Defense Loan meetings. In each case the functions of the Federal Reserve System in connection with the financing of defense contracts as well as other phases of Federal Reserve activity in the defense program were discussed by these officers. 28

In mid March a policy was enunciated relative to commitments on defense loans. Chairman Neely called attention to the fact that in a number of cases the Executive Committee had given assurances of the willingness of the bank to execute its

commitments under Section 13b of the Federal Reserve Act with respect to loans to be made by commercial banks for the financing of contracts that might be entered into between private contractors and the Government in connection with the National Defense Program.

At the request of the Chairman, Director McCrary presented, for consideration by the Board, a question as to the policy that the bank should follow with respect to such cases in the future. Director McCrary stated that the Committee had recently been requested to agree to the execution of the Federal Reserve Bank's commitment to acquire from the First National Bank of Atlanta, to the extent of \$3,293,000, a loan to be made by a group of five commercial banks, to three private contractors in the aggregate amount of \$5,000,000 for the financing of a Government cost plus fixed fee contract yet to be awarded. McCrary reported that it was the feeling of the Executive Committee that the Federal Reserve Bank should not agree to execute its commitment to the First National Bank of Atlanta in the amount requested, but rather that the First National Bank of Atlanta should give to other commercial banks an opportunity to participate with the group of five in making the loan, with the Federal Reserve Bank undertaking to acquire only such part of the total amount of the loan as could not be placed by the First National Bank of Atlanta within a reasonable time with other commercial banks.

After a full discussion of the matter it was voted to establish as the policy of the bank that, before acceding to any request for an agreement to execute a commitment with respect to a loan to be made for the financing of a Government cost plus fixed fee contract, the Federal Reserve Bank should first suggest to the applicant that it give to

other banks in its own trade territory an opportunity, within a reasonable time, to participate in the loan. 29

In August Vice President Bryan reported to the Directors that the volume of industrial production was continuing to rise, and that further increases were apparently subject only to limitations of capacity. Shortages are appearing rapidly in metals, and pig iron and many other commodities are already under priorities. Drastic curtailment of civilian consumption is in prospect, particularly with respect to durable goods. Curtailment in automobile production is likely to be rapid. Employment is high, with less than four million now unemployed, and with a total working force of forty-nine million. In all probability the practical limits of employment are quickly approaching. Both wages and wholesale commodity prices have been and are now rising - a development symptomatic of an inflationary movement. Price increases have been notable in the case of agricultural commodities.

Mr. Bryan continued by expressing the opinion that, in the prevention of inflation, increased income taxes and excess profits taxes would be less effective than increased consumption taxes, gross income taxes and sales taxes - this for the reason that there is a time lag of about a year between the levy and collection of income taxes, whereas consumption levies would return an immediate yield from increased salaries and wages now being spent. 30

The economic climate was far different from that prevailing a decade earlier.

Again, in November, Economist Bryan reviewed the economic situation. He said:

“At the beginning of this war there was widespread unemployment but the economy was providing goods at the rate of approximately 72 billion dollars annually.

We are now providing goods at the rate of 91-92 billion dollars annually, which is nearly our present capacity, measured on the existing price level. This is a 19 billion dollar increase for the period, and defense spending is now at the rate of 28 billion dollars. The first conclusion to be drawn from the above figures is that there are approximately 9 to 10 billion dollars per year less goods being produced for civilian consumption - the difference between the increased production and the amount spent on defense - and since anticipated defense expenditures are expected to reach 35 billion dollars per year there will be a greater deficit of goods for civilian consumption.

“There appear to be wide differences of opinion as to methods to meet this situation and much confusion of thought in how to prevent inflation. Among ideas being advanced for control are:

“The attempt by edict to put a ceiling on the prices of goods; increased taxes; monetary methods through the banking system by increasing reserve requirements and setting deposit ceilings; selective credit controls, as represented by Regulation W, and the imposition of a selective credit program for bank loans.

“At the present rate of ‘all out defense’ spending it would appear the national debt will reach 90 billion dollars within the next few years, and this increase will be attended by the conflict of desires between the Treasury Department and the investor as to the interest rate.

“With the decrease of excess reserves it is probable that we will see an increased Government rate, particularly if reserves in the money market of the country, New York, drop substantially.

“With the requirements of the defense effort, which increase from day to

day, it is quite obvious that the individual must reduce his normal expenditures and it will not be possible to maintain the present standard of living in this country.” 31

Three weeks later, following the Japanese attack on Pearl Harbor the United States became a fighting participant. Defense only, became academic. America was in the war to win.

At the December Board meeting, five days after Pearl Harbor, President McLarin cited a tremendous increase in the purchase of Defense Savings Bonds during the last few days. He said the bank is having difficulty in furnishing qualified sales agents with adequate supplies of bonds to meet the demand. He attributed this situation to the fact that the Treasury Department anticipated issuing a new form of Defense Savings Bonds after the first of the year and difficulty was being had in obtaining adequate supplies of the present issue from the Bureau of Printing and Engraving.

McLarin also stated that the managers of the System Open Market Account had protected the Government bond market during the early part of the week through purchasing Treasury Notes, Bills and Bonds so as to Cushion the impact of the declaration of war on the Government market. As an evidence of the Federal Reserve System's desire to render all financial assistance possible to the banking system of the country, as well as to the United States Treasury Department, he read the following statement for the press made by the Board of Governors on December 8, 1941:

“The financial and banking mechanism of the country is today in a stronger position to meet any emergency than ever before.

“The existing supply of funds and of bank reserves is fully adequate to meet

all present and prospective needs of the Government and of private activity. The Federal Reserve System has powers to add to these resources to whatever extent may be required in the future.

“The System is prepared to use its powers to assure that an ample supply of funds is available at all times for financing the war effort and to exert its influence toward maintaining conditions in the United States Government security market that are satisfactory from the standpoint of the Government’s requirements.

“Continuing the policy which was announced following the outbreak of war in Europe, Federal Reserve Banks stand ready to advance funds on United States Government securities at par to all banks.”

President McLarin stated that the declaration of war by Japan had greatly increased the work and responsibility of the Foreign Funds Control Division of the bank. Since Vice President L. M. Clark had been made responsible for the activities of this Division, he was called upon to inform the directors of its activities since Sunday, December 7.

Mr. Clark commented as follows:

“President McLarin received a telephone call from the Treasury Department in Washington Sunday afternoon, December 7, 1941, and was requested to open the telegraph wires of this bank and have all personnel of the Foreign Funds Control Department report for work.

“Later that night instructions were received from the Treasury to freeze the funds of all Japanese nationals domiciled in this District, and telegrams containing this order were dispatched to every commercial bank in the Sixth Reserve District early

Monday morning.

“We were also instructed to enter and take charge of all Japanese business enterprises located in this District, using the services of customs officials, National Bank Examiners, and other Treasury representatives, they having been instructed to make their services available. Approximately thirty enterprises were taken over in compliance with these instructions.

“In order to supervise properly this phase of the protective measures taken by the Treasury Department the actual work is being handled in two separate functions: (1) The supervising agency work done by Custom officials, National Bank Examiners, and other Treasury representatives who take charge of Japanese properties, make inventory of them, and report to the Federal Reserve Bank of Atlanta concerning their findings, which reports in turn to the Treasury Department; and (2) The guardian function, which is handled by a Coordinator of the United States Secret Service who provides guards over the properties.” 32

Mr. Clark described the actions taken and information disclosed in several particular instances in taking over the establishments of Japanese nationals.

On the occasion of the same Board meeting, December 12, Vice President Malcolm Bryan commented on the financial situation of this country at the time of the first World War as compared with the present situation and, in response to questions, made the following points:

“In 1917 the gold stock of this country was approximately \$2,800,000,000 and it now exceeds \$22,000,000,000; and the gold holdings of the Federal Reserve System in 1917 were \$375,000,000; there were practically no excess reserves in 1917

and on December 3 of this year they exceeded \$3,800,000,000. The Reserve Banks now have in excess of \$20,000,000,000 of gold certificates available as collateral Federal Reserve notes and reserve deposits for member banks. Banks obtained this gold through the United States Treasurer past few years in the following manner:

“Since banks and individuals cannot hold monetary gold, all supplies in and coming into this country are sold to the United States Treasury, which pays for the gold by issuing Treasury Checks drawn on the Treasurer’s General Account carried in the Federal Reserve Banks. As this account is depleted, it is built up again by depositing gold certificates with the Reserve Banks and receiving dollar credits in the Treasury Account.

“Federal Reserve notes can be issued by the Reserve Banks provided they are collateralized by 40% gold and the remainder by eligible collaterals consisting of discounts or United States Securities. Reserve balances and other deposits of member banks with the Reserve Banks must be collateralized by at least 35% gold coverage or lawful money. At present there is approximately \$7,800,000,000 of Federal Reserve notes in circulation. Provided that deposit liabilities of the Reserve Banks do not increase, and further assuming there is no ‘lawful money’ held by the Reserve Banks to be pledged as reserves, it would be possible for the Reserve Banks to issue approximately \$35,000,000,000 of additional Federal Reserve notes on the amount of gold certificates they now hold to their credit. The Federal Reserve Banks could assume approximately \$41,000,000,000 of additional deposit liabilities if notes were not demanded.

“The financial situation, however, is not the most important since our all out

effort and real problem is the production situation. S.P.A.C. is trying to increase the war spending to \$4,000,000,000 per month as compared with a present 1-1/2 billion dollars for November. To do this will require a doubling of effort and civilian consumption must be curtailed tremendously as we will be spending approximately 50% of the annual income on the war effort.” 33

Mr. Bryan also stated that in all probability there will be additional price increases over the next several months, occasioned by a scarcity of goods as well as the increased supply of money. The height of this rise will depend on how price control mechanisms are used. If selective credit controls similar to those used in England are employed, the probability is that the present borrowing totals of industry will be frozen and lenders will be informed of the purposes for which they may lend funds. 34

The accuracy of Mr. Bryan's economic predictions was to be demonstrated.

As 1941 ended the Federal Reserve Bank of Atlanta became a three quarter of a billion dollar enterprise, with total assets of \$715,182,295.85. The principal item in the substantial increase over 1940 was “Gold certificates on hand and due from U. S. Treasury.” \$551,394,551 against \$384,634,626. Net earnings represented a sharp decrease from 1940, \$343,662.34 for '41 compared with \$984,140.56 the year before. The significant difference lay in “Profit on sales of U. S. Government securities.” In 1940 this item accounted for \$496,544.82. In '41 only \$56,035.62. 35

NOTES

Chapter 30

1. Life History of the United States, II, pp. 168-169.
2. Garrett, Atlanta and Environs, II, 1002.
3. Minutes, Directors, XII, 3216; "Twenty-Sixth Annual Statement," Jan. 15, 1941.
4. Minutes, Directors, XII, 3220; Biographical Records of the Bank.
5. Minutes, Directors, XII, 3236, 3241-3242.
6. Pollard Turman to Franklin M. Garrett, telephone interview, Nov. 11, 1966.
7. Minutes, Directors, XII, 3261.
8. Ibid., 3248.
9. Biographical Records of the Bank.
10. Minutes, Directors, XII, 3264.
11. Ibid., 3243.
12. Ibid., 3261.
13. Ibid., 3282, 3289.
14. Ibid., 3269.
15. Ibid., 3274.
16. Ibid., 3279-3280.
17. Ibid., 3303-3305.
18. Ibid., 327.
19. Ibid., 3236.
20. Ibid., 3255, 3273.
21. Ibid., 3287.

22. Ibid., 3313.
23. Ibid., 3219, 3280, 3289, 3295.
24. Ibid., 3273.
25. Ibid., 3298.
26. Ibid., 3223.
27. Ibid., 3231.
28. Ibid., 3232.
29. Ibid 3239-3240.
30. Ibid., 3283.
31. Ibid., 3307-3308.
32. Ibid., 3310-3311.
33. Ibid., 3318.
34. Ibid.
35. Twenty-Sixth and Twenty Seventh Annual Statements, 1940 and 1941.

Chapter 31

1942

Not since its organizational years, when the Federal Reserve System was feeling its way along, was it confronted with more problems than in the first full year of America's participation in World War II. Demands upon both manpower and resources were unprecedented.

It was the crucial year in which the pendulum attached to the fortunes of war began to swing in favor of the Allies. Early in the year Manila, Singapore and the Netherlands East Indies were occupied by the Japanese. In February and March heavy American losses were sustained in the Battle of the Java Sea. Then, in May the American Navy took the offensive in the Coral Sea, at Midway, in the Solomon Islands and, in November the great victory at Guadalcanal. Meanwhile the British cleared Egypt of Axis troops and the allied invasion of North Africa began. Final victory was three years off, but the tide had turned. 1

Nineteen forty two was also the year during which the first jet plane tests were made in the United States; the Grand Coulee Dam in Washington State was completed; the Alaska Highway was constructed; the first self-sustaining nuclear chain reaction was achieved, and rationing of goods in short supply began. 2

On the home front location of the Bell Bomber plant near Marietta was announced. On the political front Mayor Roy LeCraw, the only person ever to defeat William B. Hartsfield for the office, was granted a military leave of absence. Hartsfield was swept back into office, defeating eight other candidates. Later in the year State

Attorney General Ellis Arnall defeated Eugene Talmadge for governor. 3

The economy became volatile. From 1935 to 1941 it moved in cycles of reasonable limits and when action seemed necessary it was taken to relieve or correct extreme situations. Open market operations appeared to be the better control over credit, and margin requirements over speculation.

By 1941, consumer credit total outstanding had increased considerably since the depression and had branched out into many commodities besides automobiles. Things to buy became somewhat scarce in some lines and the price structure was rising. Under authority given by Presidential order, the Federal Reserve Board issued Regulation W in 1942.

It will be remembered that defense savings bonds were put out before the United States entered World War II. The System adopted payroll deduction plans that were very successful and were also adopted throughout government, banks and industry. The handling of war savings bonds developed during 1942 into one of the largest single operations of the Reserve System since its establishment. The bonds sold in this fashion eliminated some of the pressure on the price structure during the war and resulted in large buying power at its end. 4

By April, 1942 the armed services had to advance funds in order to get contractors to accept orders for material - some of the advances were to be used for plant expansion and machine tools. This method put on an added strain on the Treasury and had the effect of inflating deposits.

About that time the Federal Reserve Board, acting under presidential authority, issued its Regulation V for the guidance of Federal Reserve banks in handling

guaranties of loans to contractors which the Army, the Navy, and Maritime Commission considered essential to the prosecution of the war. If a lending institution would make a loan by advancing its funds, the Armed Services or the Commission would guarantee the lending institution a substantial percentage of the loan. The Federal Reserve Banks acted as fiscal agents for these three services.

This program was most successful. Loans and commitments were made as high as a billion dollars and as low as \$1,000. Commitment fees collected by the armed services and the Commission for their guaranties produced income sufficient to pay all losses on loans and left a sizeable surplus to the Government from this operation. 5

In early 1942 Chairman Neely received a letter from the Board of Governors in Washington asking the opinion of the Atlanta Board as to the future of consumer credit and should it continue along the same general lines as now embodied in Regulation W. After a lengthy discussion at the January meeting the following points of agreement emerged:

1. The Regulation serves a useful and beneficial purpose.
 - (1) It has been helpful to the individual by discouraging him from allocating all or a great part of his income to installment payments.
 - (2) It has placed a brake upon destructive competition among dealers, based upon more and more favorable terms to the customer..
 - (3) It has increased the proportion of cash sales to total sales, encouraged better collections, equalized selling advantages.
2. The problem of enforcement is of crucial importance.
 - (1) The Federal Reserve Banks must proceed with great caution in cases

of non-compliance.

- (2) It would be preferable for the Federal Reserve Banks not to engage in any prosecutions for violation of the Regulation.
 - (3) In cases of violation, the Federal Reserve Banks should confine their part in the enforcement procedure to the collection of evidence and its submission to the proper prosecuting authorities.
3. The Regulation should be continued during the present emergency.
- (1) Consideration should be given to the possible inclusion of additional items subject to installment sales restrictions.
 - (2) The Regulation is serving as an important part of the measures adopted to prevent inflation..
 - (3) It is questionable whether the continuance of the Regulation after the emergency has passed would serve a useful purpose; but, in any event, this matter may be left for future determination.” 6

Regulation W was amended in important particulars effective May 6, 1942. At its May meeting, two days later, the Board heard from Lloyd Raisty, Manager of the Consumer Credit Department of the Bank as to the gist of the amendments.

Mr. Raisty pointed out that the principal change was the inclusion of non-installment credits under the restrictions of the Regulation, through the maturities of installment credits were reduced from 15 months to 12 months on everything except automobiles and motorcycles, and down payments for listed articles were set at one-third for all items except furniture, pianos and materials and services in connection with modernization of residences.

Mr. Raisty further stated that the inclusion of the non-installment credits constitutes a step that affects hundreds of additional dealers and thousands of additional customers. The method used for controlling charge account purchases, it was pointed out, involves the least possible disturbance to ordinary business practices. No down payment is required, but if credits arising from purchases made prior to June 1, 1942, are not paid by July 1, 1942, the obligor's account is regarded as being in default. Similarly any purchase made in the future must be paid for by the tenth day of the second calendar month following the month of purchase, if the account is not to become in default. The effect of a default is that unless the default is cured, the registrant is no longer permitted to extend credit for listed articles. A default may be cured by (1) payment in full for that portion of the account in default, (2) converting the defaulting account into a written six-months' installment contract, or (3) converting the defaulted account on the basis of a statement of necessity into a twelve-months installment account.

With respect to non-installment loans, Mr. Raisty pointed out that all loans of \$1,500 or less, not otherwise specifically excepted, are limited to a maturity of 90 days, but that on maturity provision is made for successive curtailment and renewal as long as the amount outstanding at any renewal date would not be greater than would be the case had the note been on an installment basis. 7

Six months later Governor Ronald Ransom, being in attendance at the June meeting of the Atlanta Board, stated that when Regulation W was promulgated in September, 1941, it had as its primary purpose the conservation of critical materials and, as a secondary purpose, the curbing of inflation.

In view of this fact, at that time it was not thought that single payment loans should be brought within the scope of the regulation. However, since the issuance of the regulation, continued Mr. Ransom, the Board of Governors has attempted to keep before it the whole economic pattern of the Administration and, during the winter and spring of 1942, the purposes of the regulation had changed in the order of their importance. The major question now has become "how may the use of the spendable dollar be properly controlled." The Administration has approached the problem in three ways, to-wit: (1) increase in taxes, (2) sale of War Savings Bonds, and (3) liquidation of debts. 8

Throughout 1942 the economic situation and the war effort and how they affected each other were subjects for frequent comment and discussion at Board meetings. In January Director J. F. Porter commented on the work and aims of the Farm Bureau Federation and the viewpoint of the farmer regarding the present situation.

He said that the agricultural interests would continue working for the following three major ideas: One - parity prices; Two - retention of the soil conservation program; and Three - agricultural adjustment and crop control. In commenting on these three points Mr. Porter stated that the farmers realized the dangers of inflation and the following deflation, and as far as possible they would prevent an inflation in agricultural prices. That they were not asking Congress for any major legislation, but did work for amendments to the price control measure to give Secretary of Agriculture Wickard veto authority over the actions of Price Control Administrator Henderson in the setting of price ceilings for agricultural products. 9

During the course of the same meeting Malcolm Bryan was called upon by

Chairman Neely to comment briefly on the implications of the budget message made to Congress by President Roosevelt.

Mr. Bryan said that the expenditures of 56 billion dollars during the next fiscal year as called for by the budget, would absorb over half of the estimated national income for that period. If the national income does reach the sometimes predicted figure of 110 billion in the calendar year 1942, in his opinion at least 10 billion of that amount will be represented merely by an increase in the present price level, but it is entirely possible that the continuation of the war effort through 1943 will produce a 110 billion dollar income measured on present prices.

He also stated the successful forwarding of the war effort will practically eliminate unemployment but that unemployment may actually increase slightly in the next six months. The war effort, he said, will increase the ranks of those gainfully employed to about 50 million. To produce the war material required by the budget, over 50% of those employed will be engaged in this effort, leaving the remainder employed to furnish goods for the entire civilian population of the country. This situation, of necessity, will reduce tremendously the volume of goods to which the population of the United States has been accustomed.

Mr. Bryan referred to that portion of the budget message relating to the "all out" effort required to exceed war production of the Axis powers in order to overcome their present excess of such goods. He estimated that the Axis produced from 50 to 60 billion per year - all war material; that the British produced from 15 to 17 billion, *its* empire from 5 to 6 billion, and Russia from 6 to 7 billion. If the United States can produce the 56 billion requested by the President by the end of 1943, the present superiority of the Axis

in this respect will be overcome, and there will be a margin for victory. 10

One month later, on February 9, the bank's directors were informed by Chairman Neely of the conferences and discussions that had been held regarding the proposed local plant of the Bell Aircraft Corporation. Neely said that the location of the plant would soon be announced as well as plans for the training of employees. 11

The Marietta location was announced later in the month. The plant went into full operation in September of the following year. 12

In March, 1942 the matter of Federal Reserve Banks taking a more active part in defense financing through the medium of Section 13b of the Federal Reserve Act was presented to the Board through the following letter from Governor Draper in Washington:

"... Both the War and Navy Departments are making every effort to expedite the awarding of contracts and the consideration of requests for advance payments to contractors, In this work the Federal Reserve Banks and branches are cooperating to the fullest extent and you may find that the relationship existing between your bank and the local contract officer of the War Department may acquaint you with many concerns which, if brought into the war production program, will require financial assistance. However, we might as well admit frankly now that we are not going to get many loans placed unless we are prepared to move on applications received much more promptly than under peacetime conditions.

"On December 31, 1941, our Federal Reserve Banks had outstanding industrial advances and commitments amounting to less than \$25,000,000. Advances by the Secretary of the Treasury to all Federal Reserve Banks under the provisions of

Section 13b amount to approximately \$27,000,000, and there remains approximately \$112,000,000 to be made available to the Federal Reserve Banks by the Secretary of the Treasury for the purpose of assisting them in making industrial advances and commitments.

“During the year 1941 all the Federal Reserve Banks approved 294 applications for industrial loans and commitments totalling \$67,350,000, broken down by districts as follows:

<u>Federal Reserve Bank</u>	<u>Number</u>	<u>Amount</u>
Boston	37	\$ 3,044,000
New York	3	141,000
Philadelphia	46	10,912,000
Cleveland	32	3,973,000
Richmond	19	4,407,000
Atlanta	17	8,035,000
<u>Federal Reserve Bank</u>	<u>Number</u>	<u>Amount</u>
Chicago	61	\$ 5,564,000
St. Louis	32	3,443,000
Minneapolis	15	3,516,000
Kansas City	6	19,318,000
Dallas	5	387,000
San Francisco	<u>21</u>	<u>4,610,000</u>
Total	294	\$67,350,000

“Regardless of whether or not these figures represent a maximum effort, there

is an ominous fact to consider now. It is that we are at war. Since December 7 the picture has changed overnight. What last year we did not do for various reasons, this year we must do if every single ounce of war material for which we are partly responsible reaches the front. May I, therefore, earnestly urge you to do all within your power toward showing to the country that when the crisis came and there was an opportunity for us to help, we did the job as quickly, effectively, and generously as we possibly could, even though the statute under which we were acting was restrictive and out of date.” 13

When the Secretary had finished reading the letter Chairman Neely stated that the Executive Committee has all along been very aggressive and has “leaned backwards” to make defense loans when applications were received by the Federal Reserve Bank. He said that the Committee and the Reserve Bank were trying in every way to do their part in the war effort financing and would continue to do so. 14

At the same meeting, March 13, 1942, the bank’s noted economist and First Vice President presented certain propositions relating to the question of national financial policy in time of war and some comments on central bank policy in a war period. Said Mr. Bryan:

“1. The problem of procurement in servicing a war is not essentially a financial problem: It is more realistically to be thought of in terms of men, materials, machinery and morale.

“This proposition is important because Americans have been too much given to the feeling that because the United States is a wealthy country it is thus automatically a country easily able to meet a war situation. The error in this general feeling lies in the

fact that our wealth has not resided in forms promptly usable for war, and our skills have not been material skills. Mere financial wealth is not of much assistance in war unless there are available large neutral areas from which the instruments of war can be purchased; but there is now no important neutral area in the world from which the United States can procure a large volume of instruments and materials directly applicable to its war effort.

“The problems of finance in war are important. However, so far as war itself is concerned, the problems of war are remote and, indeed, incidental.

“2. No nation ever defeats itself in war by an inability to procure the monetary means necessary to pay its citizens for the goods and services required for the service of war. A strong nation may tax or borrow from its citizens, but a nation, however feeble, will none the less create funds for itself even if it must obtain such funds by other processes; by borrowing from banks, by creating funds through the mechanism of a central bank, or by the printing press.

“It is important to understand this proposition. It means simply that if citizens decline to relinquish purchasing power to government by taxes or by lending, the government will not thereby be thwarted; it will create and use funds that it can make available to itself by virtue of powers vested in sovereignty.

“3. The only objective of an inflationary manipulation of money by a government pressed by the necessities of war is to obtain from citizens goods and services that they will not voluntarily and knowingly relinquish.

“It is important to understand this proposition because we are too much inclined to talk and think about how much taxes we can stand. The truth is, if we say we cannot

stand more taxes, or the individual holders of funds will not release these funds to the government through the purchase of government securities, so that government is forced to resort to devices that create new funds the only alternative is for the government to go into the market and to secure additional goods and services by bidding against would—be purchases who would not otherwise relinquish their claims on those goods and services. The government bids against the citizens by adding to the total money supply.

“4. The curtailment of standards of living incident to war are caused by the procurement of manpower and materials needed for the war, not by the taxes used to finance the war. If the government requires 50% of the national production for the war effort and procures that much of the national production, the necessarily severe decline in standards of living cannot be obviated merely by financial manipulation.

“If the government procures 50% of the national income and taxes its citizens 50% of their national income, the taxes are merely the monetary equivalent of the goods and services that are taken. If the government, however, takes 50% of the national production and does not get from the people existent funds to an equivalent amount, whether by taxation or by borrowing from individual and corporate possessors of existing funds, then the government’s procurement will be accomplished by creating additional money; and the result will not be that the people are left with more goods and services than they would otherwise have; the result is simply that the government and the people bid against themselves for goods and the goods are taken away from the people by the government’s outbidding would be non—governmental purchasers.

“It is important to understand this proposition because we are frequently too much inclined to imagine that the government, somehow, can take a great portion of the national production for war and, by merely going easy on taxes or public bond selling campaigns, can in some miraculous fashion alleviate the required lowering of the standards of living of our people.

“5. It is not possible to pass the burden of war from one generation to the next. It is not now possible to shoot shells made by the next generation; to kill soldiers not yet born, or use materials not yet produced. This generation must bear the burden in the sacrifice to the service of war of a substantial proportion of its present production and a considerable proportion - through depreciation and non—replacement - of the wealth itself inherited from past generations.

“It is true that it is possible to pass from certain members of this generation to certain members of the next generation assets in the form of government securities and to the members of the next generation liabilities involved in the obligation to pay off government securities. This does not greatly alter the truth that this generation, taken as a whole, cannot pass on the burden to the next generation except in the form of a lessened inheritance of machines, materials and peace. It is important to understand this proposition because we are too frequently inclined to talk glibly about ‘passing the burden’ to the next generation. We are too much inclined to think that this can be managed, in a real sense, by some clever manipulation of debt instruments.

“6. If an economic system cannot put additional goods on the market and at the same time puts additional money in the market, there is almost certain to be an inflationary bidding up of prices.

“It is important to understand this proposition because the prevailing situation differs so completely from the one prevalent in the last decade. When the government then borrowed from banks to finance a deficit, the process of creating additional deposit money in the economy did not create an inflation because an even slight bidding up of prices caused additional facilities and manpower to enter upon production and to increase the supply of goods. The increased supply of goods in turn restrained the increase of prices. Now, we face the fact that new money will meet no idle facilities and no idle manpower; it will meet a fully employed economic machine, and a very much lessened supply of goods available to the civil population.

“Mr. Bryan said that he would not endeavor to relate these several propositions closely to each other. It was his opinion, however, that if they appear to be on the whole correct, it behooves us all to support a national financial policy that will rely to the greatest possible extent upon taxation and the borrowing of existent funds from present holders of such funds and, concurrently, a national policy that will rely to the least possible extent at this time upon the creation of new funds, by whatever mechanism.

Bryan then commented on central bank policy in time of war. He pointed out that a war period, after it is somewhat advanced, is likely to be a period in which certain elements of an economic boom are present. In such a situation, orthodox monetary theory would call for central banking restraints; but he added that central banks being, whether governmentally owned or not, the creatures of sovereign power could not take action contrary to a national policy. It seems therefore, that a central bank in a war situation can have only an advisory function in regard to national policy, and a facilitating function with regard to a national policy that is once determined upon. in this

connection, Bryan said that the Federal Reserve System, through its spokesmen, has repeatedly emphasized to the Treasury the necessity of heavy taxation during the war period and heavy sales of bonds to the public; it has repeatedly emphasized the dangers implicit in an expansion of monetary purchasing power. 15

In July Mr. Bryan reported that war production had reached a rate exceeding all expectations, and that spending by the United States Government on war production for the month of June amounted to 3-1/2 billion dollars, and that it was expected that during July, 1942, 4 billion dollars will be spent, and that by the end of December, 1943, the spending will be increased to 6 billion dollars per month.

He stated that as to the method of financing this staggering program, there have been no changes; and that, thus far, no policy of taxation or of bond selling has been adopted that will absorb the vast purchasing power now in the hands of the public. Instead of borrowing, the inflationary gap is widening, and there is increased pressure in price levels. He reported further that, in view of the present threat to price ceilings, he advocates increased taxes on all classes of persons, particularly those whose money goes into the purchase of consumer goods. The index of retail trade has shown a decrease since January, having been at that time 138. The index at the present time is approximately 100.

Bryan went on to say that the Board of Governors has indicated a concern over the increase in inventory and has written a letter to the member banks, asking them to give particular attention to applications for loans for the purpose of acquiring additional inventory.

He also said, that although in other districts excess reserves have declined, there

has been an increase in this district, and that this condition is to be attributed largely to the net inflow of funds to the Sixth Federal Reserve District representing payments for commodities and wages in connection with army training camps. The increase should not, therefore, be regarded as a permanent increase.

As to whether there will be a decrease in reserve requirements, Mr. Bryan said that it was rumored that the Board of Governors is attempting to resist the pressure that is being put upon it to take such action; but that reserves might be reduced if it becomes necessary to inflate bank credit in order to obtain more funds through the sale of United States securities. 16

In August Vice President Bryan reported to the Board that the matter of excess reserves was currently a subject of unusual interest and, because of the decline in such reserves, particularly in New York, the Federal Reserve System now holds a large amount of United States securities. He stated that the Federal budget now calls for an expenditure of approximately 77 billion dollars, but that, under the proposed tax structure, hardly more than 25 billion dollars will be received in the form of taxes, and that the sale of United States securities is at the rate of about 15 billion dollars--thereby leaving a deficit of some 30 billion dollars.

Continuing, Mr. Bryan said that with the decline in excess reserves, it is not possible for the deficit of 30 billion dollars to be made up by the sale of United States securities to banks. In order that the banks might be supplied with funds with which to purchase additional government securities, the Federal Reserve System might, (1) lower reserve requirement; (2) make loans to banks; and (3) purchase United States securities in the open market. 17

On September 11, on the same subject, Bryan submitted the following report:

“In recent months there has been a change in the status of bank reserves, which change represents a complete reversal of the trend that has prevailed for the past 10 years. The present status might more nearly be described as normal than that of the past 1.0 years. During the 30’s the banking system thought in terms of enormous excess reserves. History has demonstrated that, as a rule, banks have followed the practice of operating with little or no excess reserves and, as stated, the condition during the 30’s is to be regarded as unusual rather than usual.

“Recent reduction in excess reserves has been from 6 billion to 2 billion, or 66%. This reduction has not been evenly distributed throughout the Federal Reserve Districts, the reason being that Government expenditures have been proportionately less in and around the New York District. In addition, many companies, whose home offices are located in New York, borrow through the home office, but the funds borrowed are spent in a large measure through branch offices. Also, Army and Navy training camps are located in the Southern and Western section of the country, causing large expenditures of funds in those sections.

“A further reason for the disproportionate decrease in excess reserves in the New York area is that gold imports, formerly at a high rate and having taken place almost exclusively in New York, have all but disappeared.

“It has been said that the decrease in reserves in New York might be attributed to the increase in the circulation of currency. This, however, is probably an incorrect statement. Nor is the decrease in excess reserves in New York caused by an expansion

of loans and investments. Recent figures indicate that the national average of loans and investments show a greater increase than the same figures for New York.

“The decline of excess reserves in the New York area to a greater extent than elsewhere, means that a greater responsibility for supporting the Government bond market will fall upon the country banks, and it may be proper to State that New York has for the time being lost its leadership in the Government bond market.

“Despite the fact that the President and the Congress have stated that it is their purpose to avoid such action, the banking system within the next twelve months will, in all probability be called upon to take from 24 to 30 billion dollars in Government securities. With the present excess reserves this cannot be done, since only approximately 15 billion dollars is now available for such purposes. There are three possible methods that might be followed in obtaining the additional funds with which to purchase securities needed in financing the Government's war program; (1) further reduction in reserve requirements; (2) open market purchases on the part of the Federal Reserve System; and (3) borrowing by commercial banks through the Federal Reserve Banks. To do the job required, possibly all three of the methods enumerated above will be employed.

“Recently there has been much comment on the subject of the proper ratio to be maintained between a bank's capital and its deposits. A study of the history of banking will show that it was at one time thought proper for the capital to be 75% of the deposits, then 50% of the deposits, and more recently the theory has been that the ratio should be maintained at 10%. The ratio at the end of this year will stand at approximately 77..” 18

About the same time Chairman Frank Neely received a letter from Governor R. N. Evans in Washington, the tenor of which is indicated by the following paragraph:

“...it seems desirable in the national welfare that the C regional Federal Reserve Banks be firmly established as centers of information, enlightenment and leadership. They must be able to transmit to the appropriate national authorities information of a comprehensive character, skillfully annotated and wisely interpreted, covering economic problems and trends in their particular regions. They must be able to function as centers of enlightenment in their particular regions, especially with the banks and other financial institutions, concerning evolving national policy and methods in the fiscal and monetary area. They must be able to assume leadership in times of crisis and emergency, and must be able to exert proper influence on national policy and measures, especially from the point of view of regional considerations.” 19

The statement was interpreted as a broad directive to the Federal Reserve Banks. Chairman Neely assured the Federal Reserve Board that the Atlanta bank would take all steps necessary to comply. The Division of Research and Statistics was especially alerted. 20

The general subject of money currently in circulation became in October, the subject of a brief report by Lloyd B. Raisty, Manager of the Research and Statistics Department:

“The tremendous expansion of business activities that necessarily accompanies wartime conditions is usually marked by major increases in monetary circulation. The current experience of the United States is no exception, for total money in circulation in this country has risen from 9.7 billion as of July 31, 1941, to 12.7 billion as of July 31,

1942, an increase of 30.9%.

“The circulation of Federal Reserve notes has increased 41.6%, with substantial decreases occurring in the circulation of Gold Certificates, Federal Reserve Bank notes, and National Bank notes, such decreases occurring as these currencies are withdrawn from circulation by law. The Sixth Federal Reserve District, with a percentage increase of 70.4, shows the greatest percentage change of any District in the volume of Federal Reserve notes actually in circulation. The Boston District, with a percentage change of 27.4 shows the smallest rate of increase.

“In amounts of Federal Reserve notes actually in circulation, the Atlanta District now stands ninth in the System as compared with tenth a year ago. Minneapolis, Kansas City and Dallas are now surpassed by Atlanta, and St. Louis has been practically overtaken. District variations are accounted for by differences in the number and value of war supply contracts, by the degree of industrialization, the location of military and naval establishments and other factors.

“Not all of the increase in monetary circulation can be ascribed to increased business activity. A major part of the increased circulation no doubt consists of additional pocket cash of war-time workers who have not established banking connections or who enjoy the personal satisfaction of flashing large rolls of ‘folding money Other factors leading to an increased circulation are: (1) low interest rates on personal savings accounts, (2) higher service charges on personal checking accounts, (3) the anonymity of cash transactions for tax evasion purposes, (4) the increased holdings of vault cash by banks because of the lack of investment opportunities, and (5) the hoarding of currency.” 21

Man-power and money became the subjects of penetrating comment by Malcolm Bryan to the Board at the November meeting, a period, incidentally, of low ebb for the Allies in the tide of World War II.

“It is possible to create money but not man-power. Adequate man-power is essential to the war effort, and it is, therefore, a question of major importance.

“An artificial shortage of man-power was created except in the so-called skilled trades. This condition exists because of the conception of the present administration, and it may be attributed directly to the forty hour week prescribed by Fair Labor Standards Act. Approximately 50% of the employed persons are at present working less than forty hours a week. It is interesting to speculate on the amount of production which would result from an increase in the work-week to 48 hours. No accurate answer can be given, but it might be said that the increase in production would be substantial, and it might at the same time ease the shortage in man-power.

“The fiscal policy of the Treasury Department continues to show a failure to levy taxes in sufficient amount. It shows also a failure to borrow in sufficient amounts from private individuals and corporations. Government financing through the means of bank credit now amounts to about two-thirds of the Government borrowing.

“The trend in the money market continues to be away from ‘the New York area, and the reasons for this trend are the same as those we have previously discussed, namely, (a) heavy purchasing of United States securities in New York, and (b) spending by the Government in sections of the country other than New York.

“There is a school of thought in the Treasury Department which feels that the money supply does not constitute a source of worry, because the public will hold cash

and deposits rather than put them to use. Another school of thought holds to the view that if, after the war, the money supply is used rapidly, there need be no cause for concern since direct controls may be brought into use. The theory that the public will hold cash and deposits idle may be correct if the public reacts as it did during the 30's. But the 30's constitute a unique period in the history of this country, in that it was the only time when people having large sums of money permitted them to remain at rest. Such a condition had never happened before, and it is dangerous to rely entirely on the proposition that it will happen again. As to direct controls by the Government, these methods are available for use to curb inflation, regardless of the size of the money supply. The controls would be, for example, rationing, price ceilings, and credit controls. These methods must be considered in the light of the experience of this country in its efforts to control the liquor problem. In that case there were complications without end. It is not thought impossible to say that direct controls might end in a dictatorial form of Government.

“It now appears that we are getting into a typical war situation, that is, a vast increase in the money supply. We will come out of the war with a much greater money supply than we now have. We must continue to control the effect of this vast money supply or be content to see a bidding up of prices generally. With a large money supply, the banks will have deposits in great amounts, their ratio of capital to deposits will be negligible, their portfolios will be loaded with Government securities, and it will be impossible to liquidate such securities in a short time except through the facilities of the Federal Reserve System. All of this means that the banks will be short in reserves with which to make loans to industry during the post-war period. If the proper controls are

applied, the demand for such loans will not be so large, since corporate depositors will have their own funds for use in rehabilitation. After a short period, however, the corporate funds will be exhausted, and the demand for loans will come to the commercial banks. At that time the banks, no doubt, will have had time to become more liquid.” 22

The monetary problems of the forties were indeed a contrast to those of the thirties.

As the war and defense effort escalated during 1942 one of the busiest operation of the bank became the Fiscal Agency Department, charged with the responsibility for handling War and Defense Bonds.

During the course of the April Board meeting Director W. D. Cook reported that in his opinion the Fiscal Agency Department was well organized and managed, and could handle twice the present volume of War Savings Bond issues. W. E. Pike, Manager of the department was then asked to appear and explain its operations:

“The Fiscal Agency Department now has 90 employees, and the work has been divided into three major sections:

“(1) The regular fiscal agency function covering the offering, sale and distribution of new government issues; and the safekeeping of securities.

“(2) The technical section that checks the legal compliance of irregular forms of assignment and other purely technical department problems, and prepares the proper reply or instructions as to the handling of such items.

“(3) The Savings Bond Division, under the immediate super-LU vision of Mr. W. H. Sewell, cares for the issue, redemption and supplemental records of the Defense

Savings Bond program.

“Recently small fiscal agency divisions were set up in our memorandum branches to function the sale and redemption of such savings bonds and tax anticipation notes in their immediate localities.

“Mr. Schuessler and Mr. Sewell recently attended a conference of Treasury and Reserve Bank representatives in Chicago with reference to the handling of Savings Bonds purchased by employees of large corporations under the salary deduction plan. This problem is evoking serious study as, in this district, there are 18 concerns having 5,000 or more employees each, and the work-load in issuing bonds will be tremendous.

“Redemption of Savings Bonds increased largely in February, and just prior to the income tax payment date, between six and seven hundred checks were issued in one day covering redeemed bonds, practically all of them being for the smallest denomination.” 23

During mid May the Federal Advisory Council held a meeting in Washington. Sixth District Member H. Lane Young attended and reported to the June meeting of the Atlanta Board that several matters of unusual importance were discussed.

He said the Council felt that a system of nation-wide compulsory savings, as an aid to war financing, was not appropriate at this time, but that voluntary savings should first be urged, and, if that fails, further consideration should be given to a compulsory savings plan.

Young said further that the Council discussed the question of raising the limitation in the amount of War Savings Bonds, Series F and C, that one person may purchase, and had recommended that the limit be raised. Since the Council meeting,

the Treasury Department has increased, effective July 1, 1942, the aggregate amount of such bonds one person may own from 50 to 100 thousand dollars. He also pointed out that it is the belief of the Council that the Treasury Department should offer more Treasury bills at the rate of approximately 3/8 percent for the purpose of leveling off excess reserves.

In conclusion Mr. Young said the Council felt that, as single payment loans, Regulation W had not been in existence long enough to enable one to estimate its true worth, but that, at present, it has had a bad public relations effect between the banks and their customers; also, that the features of the regulation on this phase of credit was accomplishing relatively little. 24

In June an audit was made of the authorizations of employees in the Federal Reserve Bank for salary allotments for the purchase of War Savings Bonds. It revealed that 1007. of the employees of both the bank and branches, had made such authorization. 25

Director W. D. Cook made an illuminating report to the Board on August 12 concerning War Savings Bonds, etc. He wrote:

“All phases of the fiscal agency and security operations have increased considerably in the past several months, due principally to the sale of War Savings Bonds and the Treasury program of monthly borrowing. Employees in the department are more than double--126 now as against 28 before the war.

“The 2-1/2% Treasury Bonds of 1962-67, commonly called ‘tap issue , were originally offered for sale in May 1942. The subscription books were left open for two weeks and bonds sold in the Sixth Federal Reserve District amounted to \$6,477,700;

(377 subs). The same issue was offered for sale beginning August 3, and through August 12 subscriptions amounted to \$4,663,700; (230 subs).

“United States Savings Bonds held in safekeeping for owners amount to approximately \$7,300,000 (maturity value), 21,400 pieces, and there has been a notable increase in this function despite the Treasury agreeing to soft-pedal their advertising in this regard. The department issued about 40-50 receipts for Savings Bonds per day. A great number of people bring their bonds to the tellers’ windows and desire to wait for the receipt, on which must be typed a complete description of the bonds, which requires, in some instances, 30-40 minutes for completion.

“The department is holding in safekeeping securities amounting to approximately \$185,000,000. The detail clerical work involved in handling securities for safe-keeping is much greater than before the war, because of the many new issues coming out and the tremendous turnover occasioned by banks constantly selling and buying and substitutions of collateral.

“A good many banks have responded to the Treasury offer to increase the amount of designation of depository banks. The balance in the War Loan Deposit account on August 11 was \$50,489,868.50. The collateral security held for this account amounts to about \$107,000,000.

“The War Loan Deposit account is extremely active, because depository banks, are permitted to use this method of making payment for War Savings Bonds of Series E, F and G, and Tax Notes of Series A and B, as well as for new cash offerings; also, because of the Treasury’s urgent need for cash, more frequent calls are being made, which brings about a greater turnover in collateral.

“There are at present about 1,700 qualified issuing agents for the sale of War Savings Bonds. The agents issue about 15,000 pieces per day on the average. This bank issued about 1,000 pieces per day. The department sometimes delivers as many as ‘3,000 pieces in one day. This severely taxes the clerks handling registered mail shipments.

“War Savings Bonds coming in for redemption have increased substantially, and the department is handling at present about 1,350 bonds and issuing about 1,000 checks per day. We find that about 5% of all bonds are defective and are not in order for payment. Those that are defective require letters and new requests for payment, and it is frequently found necessary to communicate with the registered owners two or three times before the bonds can be paid.

“Generally speaking, a majority of the bonds turned in for redemption come from an illiterate class of people, obviously mill workers and laborers who are, no doubt, buying the bonds under pressure of their employers and who are, apparently, not financially able to keep the investment. To redeem a bond requires considerable work as the ‘request for payment’ must be inspected, the stop payment list must be checked, the redemption value of the bond, or bonds, must be computed, a transmittal letter must be typed and checked, and a Treasury check issued to the registered owner. Before the redeemed bond may be charged to the Treasurer’s account, it must be further handled several times.

“We receive from 70 to 80 transactions for redemption at the window every day. A great number of the owners present the bonds without having them certified, thinking that this bank will, make certification for them. As we only make certification in case of

personal identification, it is on rare occasions that a person can be accommodated. We frequently contact these people several times during the day, and it takes considerable time to deal with them.

“Due to the fact that War Savings Bonds are now being issued by so many agents, a great number of errors in registration occur, which necessitates the operation of a ‘reissue division’. The number of bonds sent to us for reissue - to correct errors, add co-owners, beneficiaries, etc. - is steadily increasing, and will probably continue to increase.

“One of the more difficult problems with which the department has to contend, but which seems to be working smoothly at present, is the payment of coupons from Government and instrumentality securities. We are required to obtain ownership certificates and certain form on all coupons before they may be paid. This involves withholding payment, the maintenance of a suspense account, and the writing of a number of letters. On certain transactions we must deduct and withhold a tax for the Bureau of Internal Revenue, to be accounted for with the Bureau at a later date.

“As a result of the increased activity, we are called upon to render a good many accounting, statistical and analytical reports of various functions. At present we render two such reports daily, four weekly, one semi-monthly, and ninety-two monthly reports. Also, a great many special reports, called for by the Treasury, are made from time to time. There are about 110 different series of Government and instrumentality obligations outstanding for which we act as fiscal agent. The total liability for this department on August 12 was about \$582,000 ,000.

Meanwhile, in June, President McLarin reported that he had, at the request of the

Secretary of the Treasury, appointed a Victory Fund Committee, composed of bankers and security dealers from various cities in the Sixth District. The particular function of the Committee, explained the President, is to coordinate the combined efforts of the securities and banking groups to reach non-banking investors whose requirements are not fully met through Series E War Savings Bonds. Mr. McLarin further reported that Julian A. Space, of Savannah, on leave from the investment firm of Johnson, Lane and Space, had been appointed Executive Manager of the Committee, and that an office had been established for him in the Federal Reserve Bank. 27

At the November Board meeting the following telegram from Marriner S. Eccles was read:

“Referring to Secretary Morgenthau’s telegram this afternoon authorizing the extension of Victory Fund organizations, the Board of Governors looks on this expansion as a vital factor in the war finance and the anti-inflation programs and asks that you give it your full support. It is suggested that, pending Congressional action on Treasury request for budget funds, the several Federal Reserve Banks make the necessary expenditures with the understanding that some or all of the outlays may not be reimbursed.”

The Board authorized the officers of the bank to absorb such expenses, not including advertising, and the President was requested to submit a monthly report of such expenses. 28

As in all the previous years of its history, during both war and peace, some changes in the official family of the Bank took place during 1942.

The terms of New Orleans Branch Director Herbert Holmes and Jacksonville

Branch Director W. R. McQuaid expired at the close of 1941.

They were replaced by J. F. McRae, President, The Merchants National Bank, Mobile, Alabama, for New Orleans and J. L. Dart, Vice President and Cashier of the Florida National Bank, Jacksonville, for the Jacksonville Board. 29

H. Lane Young succeeded Ryburn G. Clay as member of the Federal Advisory Council to represent the Sixth District for 1942. R. R. Gilbert, President the Federal Reserve Bank of Dallas was a member of the Open Market Committee for one year, beginning March 1, 1942, with W. S. McLarin, of the Atlanta bank, as alternate. 30

In March Director E. T. George announced the transfer of Levins Laney from the Birmingham Branch to the Auditing Department in Atlanta. 31 During the following month Howard Phillips, a member of the Jacksonville Branch Board, having been called to active military duty at Camp Lee, Virginia, resigned. 32

Director George J. White reported in May that F. H. Martin had taken over supervision of the Custody Department in addition to his duties as Chief Clerk in the Accounting Department. 33 At the same time Vice-President L. M. Clark announced the resignation of R. A. Radford as chief examiner to become Comptroller of the Citizens and Southern National Bank. Also, that Nat C. Harwell, examiner had been inducted into the Army. 34

Chairman Frank Neely informed the Board in July that he had been requested to make a report on the work of the War Production Board in the Southeastern States. He went on to say that, to decentralize the activities of the War Production Board, Donald Nelson had appointed him Chairman of the territory coinciding with the Fourth Corps Area. His office is attempting to maintain a current record of the production facilities of

this area and to assist in the conversion of plants from the production of domestic goods to the production of war materials. In addition, members of the staff estimate for the holders of war contracts the materials required and the cost of performance. Neely also reported that thus far results obtained have been gratifying. In addition to the office in Atlanta others have been opened in Charlotte, Nashville and Memphis. He concluded by pointing out that one of the current activities of the office is the locating of hardwood to be used in lieu of steel for transport truck bodies. 35

At its November meeting the Atlanta Board passed appropriate resolution regretting the retirement of E. E. Soulier, of Lafayette, Louisiana, and Lt. Commander H. C. Chalkley, Jr., of Lake Charles, both of the New Orleans Branch Board. The six-year terms of both expired December 31, 1942, although Commander Chalkley, an Annapolis graduate, had been called into the Navy in June, 1941. 36

In December Chairman Neely announced that, as part of the Executive Development Plan, N. L. Chau, Cashier, New Orleans Branch, and presently engaged in a course of study under the plan, would serve for a time as Secretary to the Board of Directors in Atlanta. The Board by proper motion, designated Mr. Shaw as Secretary pro tern until successor might be appointed. 37

The very fact that so many unprecedented events affecting the Bank occurred during 1942 accounted in large degree for many actions, some unprecedented, concerning personnel.

Tire rationing necessitated time changes in certain branch Board meetings so that members could switch from auto to train travel. 38 The age limits for guards, established in 1923 and requiring retirement at 55, were abolished because of the

manpower shortage. 39 Military service regulations were made more realistic and, in September, were modified so as to include women employees entering service. 41 Paragraph 2-c of the vacation regulations was amended to read as follows:

“Employees who voluntarily separate themselves from the service of the bank may be paid only such severance wage that the officers, at their discretion, deem such employees are entitled to receive.” 42

During the course of the March Board meeting Chairman Neely cited the final “Balderston Report” on the training and selection of officer personnel. He reminded the directors that the System had functioned for 25 years without any recognized program for developing younger men for official positions and, as a consequence, the System was full of elderly officers and it is now necessary to institute a training program to develop potential officers.

Neely said that the recommendations contained in the report involve the training and transfer of younger men and that President McLarin had been following this plan for the past several months. Malcolm Bryan, upon being called on for a statement said that the bank had already transferred promising young men for training purposes. Mr. McCravey had been sent to the Jacksonville Branch to obtain experience in the Money and Transit Departments, and would be transferred to the New Orleans Branch on or about April 1 to serve as acting cashier.

M. L. Shaw, of the New Orleans Branch, would be transferred to the parent office and serve in the Bank Examination and Auditing Departments and act as Secretary for a period. Also, that W. E. Pike, of the Jacksonville Branch, having served for some months at the Nashville Branch, was presently assigned to the Fiscal Agent

Department in the parent office. 43

In mid-summer a letter vent out from the Board of Governors in Washington over the signature of Marriner S. Eccles relating to the establishment within its organization of a Division of Personnel Administration. The new division, as described by Eccles, was set up to:

- “1. Absorb the present personnel unit and to centralize the personnel work pertaining to the Board’s own organization.
- “2. Further a program of recruitment and development as it relates to the work of the Board’s staff and to work for the maintenance of high morale among the staff and good relations between it and the Board.
- “3. To assist in working on such matters pertaining to personnel of the Federal Reserve Banks as come before the Board.
- “4. To follow and encourage the working of the Executive Development Plan in the Federal Reserve Banks and to cooperate with the Presidents in making arrangements for temporary assignments between the Federal Reserve Banks and the Board.” 44

The Balderston report was also discussed in the Eccles letter and comment from the Atlanta Board was invited. Wrote Director Rufus Harris to Chairman Eccles on July 21:

At the request of the Atlanta Board and in behalf of Chairman Neely, I now write to acknowledge your letter. At the same time, it may be that you would be interested in a brief report of the general tenor of our discussion in the Atlanta Board meeting.

“The Atlanta Board received the Balderston report with enthusiasm and an

entirely cordial attitude of mind regarding its conclusions. In accordance with that attitude in the Board of Directors, the Atlanta bank has gone forward, under the guidance of President McLarin, with what we regard as substantial steps in the development of a personnel training program on the executive level; and, although this program has been in operation only a brief time, it appears already to be producing helpful results. The Directors of the Atlanta bank, therefore, are prepared wholly to welcome any development in the organization and procedure of the Board of Governors that will, assist the banks in evolving adequate successful programs of administrative training in the general direction indicated by the Balderston report.

“In our discussion there was the conviction that the success of the Board of Governors’ efforts connected with personnel will depend in considerable measure not only upon the professional competence of the Board’s Division of Personnel Administration, but also, and perhaps more particularly, so far as the success of the Division’s relation to the Banks is concerned, upon a spirit of cooperativeness and the cordial interchange of ideas as between the Division and the Banks. The Atlanta Board of Directors hopes very much that the Banks will have, within the range of their responsibilities, adequate scope for originality, energy and judgment, and the exercise of their own critical facilities. The Board would think it unfortunate if the new Division should develop merely as a mechanism for the transmission of additional, centralized orders, or if the Division should become merely the repository of an unimaginative routine. An evolution of either sort, which we are sure the Board of Governors does not intend, would in the long run serve to stultify rather than serve the System... 445

The Atlanta Board, as it had been for some time, was still chary of too much

centralized control and direction from Washington.

Reassurances came from Governor M. S. Szymczak in a letter dated July 30 addressed to Director Harris:

“... At the very outset, I wish to reassure you and your directors on two points. We, likewise would think it most unfortunate if the new division should develop merely as a mechanism for the transmission of centralized orders or if the division should become merely the repository of an unimaginative routine. There was no intent to make it the one, and we would certainly be disappointed if it should develop into the other. The approach and procedure to be followed by the division, in its work with the Federal Reserve Banks will be developed slowly, and after, rather than before, the coming Chairmen’s Conference in October ...

“You may be sure that we are just as vitally interested as the directors or officers of any Federal Reserve Bank that the new division get off to the right start, and we must have their complete cooperation.” 46

The effect of the draft and shortages as they affected the Bank were commented upon by Vice President Bryan in May. He said that because of the large volume of work in the Bank, in addition to the shortage of gasoline and tires, that Bank relations activity was practically at a standstill except for the attendance by certain officers at several State Bankers Association conventions.

With respect to personnel Bryan pointed out that wherever possible positions made vacant by men being called into military service were being filled by women. Also, that in several instances women were being trained to fill key positions. However, due to the nature of the work performed by the Auditing Department, it was thought inadvisable

to place women on the auditing staff. It was also reported that clerical aptitude tests were being given to persons seeking employment, and that the officers felt that material benefit was being derived from the tests.

Bryan also pointed out that the officers felt, that in cases where employees are called for military service that Draft Boards should not be asked by the bank for deferments. Although several valuable employees had been called, no requests for deferment had yet been made. 47

Even in wartime some of the amenities were not forgotten. In June the Directors granted the officers authority to increase the Bank's monthly contribution to the Retirement System from 5.65% to 6.15%. 48

On July 10 Chairman Neely gave a luncheon for members of the Twenty-Year Club, on which occasion service pins were awarded to the members. 49

During the course of the December Board meeting and to clarify the matter for the Board of Governors in Washington, the operations of the Auditing Department were outlined by General Auditor J. E. Denmark, who said, in summary:

Fundamentally, an auditor's duties fall into four general classes:

- a. To safeguard and control assets.
- b. To verify and control liabilities.
- c. To verify and control income and expenses.
- d. To improve operations, offset economies, and forecast operating results by means of special studies and reports.

The independent status of the auditor should be maintained. He is a

representative of the Board of Directors and accountable to the Board, and should serve as a liaison officer between the Board and the operating management.

The auditor should cooperate with the management of the institution with which he is connected but must not be dominated by or dictated to by the management. Under the heading of cooperation with management, some concrete illustrations were cited as to improvements effected and investigations made in connection with two of the branches during the past year.

The Auditor of the Federal Reserve Bank of Atlanta does function independently of any interference or domination by the operating officers of the bank. The Auditor receives from time to time, and welcomes, suggestions from the operating officers with regard to auditing functions, some of which are adopted, if believed to be sound and practicable, and others rejected, if not so regarded.

The Auditor maintains close relations with the Chairman of the Auditing Committee and reports to him regularly and promptly concerning all examinations and any other matters which he regards of sufficient importance to bring to the attention of the Committee.

The Auditor is anxious to improve the efficiency of the Auditing Department and solicits the support and cooperation of the Directors of the bank and welcomes suggestions at any time. 50

As in most past years of its history a need for some physical expansion, both in Atlanta and at some branches asserted itself.

To that end the Board voted, in February, to buy a vacant lot adjacent to the Jacksonville Branch for \$30,000. The lot was described as the "South 52-1/2 feet of the

East 90 feet of Lot 6, Block 45, according to Harts map of Jacksonville, Florida.” 51

President McLarin informed the Board during the course of its November meeting that additional working space in Atlanta was imperative and that the cost of adding floors to the present building was prohibitive. Therefore the officers were considering the purchase of the Silvey property immediately west of the bank building. Upon motion of Director Cook an offer of \$175,000 was authorized with the proviso that if that offer was not accepted the matter should again be placed before the Board for consideration. 53

At the same time New Orleans Managing Director Paris told of the need for more space there and announced the leasing of 8,000 square feet in the Marine Bank and Trust Company Building. The space, including ground floor, mezzanine, basement and vaults was leased for five years at \$1,600 per month to house the RFC and CCC departments. The transaction was unanimously approved by the Atlanta Board. 54

Early in 1942 it became apparent that Board action of mid-1939, requiring all industrial loan applications for \$100,000 and over to be individually approved by each Director, was becoming untenable. The President stated that many such loans were requested for concerns bidding on government contracts and that speed in approval was of the essence. Also, that the number of such applications was on the increase. The Board voted to rescind the mandatory provisions of the 1939 action so as to allow the Executive Committee freedom of action in the premises. 55

The fact that business was brisk at the Sixth District's point of entry, New Orleans, is indicated by a brief report concerning the activities of the Foreign Funds Control Department made by Vice President Clark on September 11.

Clark referred to a request made by J. W. Pehle, Assistant to the Secretary of the Treasury, that the Federal Reserve Bank of Atlanta establish a Trade Data Unit of New Orleans, the Unit to be located in the Custom House, for the purpose of compiling up to the minute information on strategic imports and exports; the employees of the Unit to be under the direct supervision of the Managing Director of the new Orleans Branch. Mr. Clark stated that he and a representative of the Treasury Department would go to New Orleans the first of the following week for the purpose of selecting employees and setting up the Trade Unit in accordance with instructions of the Treasury Department.

Clark went on to say that from August 1 to September 9, 289 applications for licenses were handled by the Foreign Funds Control Department, and that 92 cases were handled within the same period. U. S. Currency and coin now on hand, representing funds taken by Custom officials from persons entering the United States with more than \$250 cash in their possession, aggregates \$328,532.60. The bank also has on hand 34 lots of foreign currency and coupons carried in the control of \$1.00 each. 56

The Bank passed a significant milestone on October 12, 1942, exactly a decade after the depth of the depression. Total asset and liability figures exceeded one billion dollars for the first time in the history of the enterprise. A comparison of figures over that period of time will show the remarkable growth of the Bank:

<u>ASSETS</u>	<u>March 1, 1933</u>	<u>July 1, 194</u>	<u>Oct. 12, 1942</u>
Gold Certificates	\$57,720,000	\$395,000,000	\$510,000,000

due from U. S.

Treasurer

Inter-District	6,661,000	232,800,000	225,000,000
Settlement Fund			
Total Reserves	83,178,000	646,300,000	750,000,000
Total Earning Assets	<u>93,334,000</u>	<u>113,700,000</u>	<u>167,600,000</u>
Total Assets	\$193,835,000	\$818,000,000	\$1,002,000,000
<u>LIABILITIES</u>	<u>March 1, 1933</u>	<u>July 1, 1942</u>	<u>Oct. 1.2, 1942</u>
Federal Reserve Notes			
in Circulation	\$126,600,000	\$366,000,000	\$426,200,000
Member Bank			
Reserve Deposits	35,393,000	356,500,000	410,700,000
Total Deposits	38,353,000	400,700,000	470,600,000
Capital Paid-in	4,689,850	5,068,100	5,152,100
Surplus (Section 7)	<u>10,544,063</u>	<u>5,724,628</u>	<u>5,724.628</u>
Total Liabilities	\$193,835,000	\$818,000,000	\$1,002,000,000

It will be noted that in the short interval between July 1 and October 12, 1942 total assets increased from \$818,000,000 to \$1,002,000,000. 56 War-time 1942 was a boom year.

Rapid growth continued. Between October 12 and December 31 total assets and liabilities advanced to \$1,137,543~541. Earnings for 1942 greatly exceeded those for 1941. Gross figures were \$2,314,127.04 against \$1,725,400.05. Net for 1942 came to \$449,728.67, compared to 58 \$246,305.13 for '41. 58

NOTES

Chapter 31

1. Life History of the United States, 11, pp. 168-169.

2. Ibid.
3. Franklin M. Garrett, Atlanta and Environs, II, 1003-1004.
4. Banking, Dec. 1963, p. 101.
5. .Ibid., 101—102.
6. Minutes, Directors, XII, pp. 3332-3334.
7. Ibid., 3369-3370.
8. Ibid., 3376.
9. Ibid., 3322.
10. Ibid., 3327.
11. Ibid., 3329.
12. Garrett, Atlanta and Environs, II, 1003.
13. Minutes. Directors, XII, 3341-3342.
14. Ibid., 3342.
15. Ibid., 3343-3345.
16. Ibid., 3389.
17. Ibid., 3400.
18. Ibid., 3411-3412.
19. Ibid., 3401.
20. Ibid., 3402.
21. Ibid., 3418.
22. Ibid., 3429-3430.
23. Ibid., 3353-3354.
24. Ibid., 3379-3380.

25. Ibid., 3383
26. Minutes, Directors, XIII, 3398-3399.
27. Ibid., XII, 3376.
28. Ibid., XIII,, 3431-3432.
29. Ibid., XII, 3302-3316.
30. Ibid., 3323-3324.
31. Ibid., 3342.
32. Ibid., 3350.
33. Ibid., 3367.
34. Ibid., 3371.
35. Ibid., 3390.
36. Ibid., XIII, 3429.
37. Ibid., 3436.
38. Ibid., XII, 3321.
39. Ibid., 3357.
40. Ibid.,
41. Ibid., XIII, 3410, 3422-3423.
42. Ibid., XII, 3339-3340.
43. Ibid., 3340.
44. Ibid., 3384.
45. Ibid., 3385-3386.
46. Ibid., XIII, 3394.
47. Ibid., 3368-3369.

48. Ibid., XII, 3375.
49. Ibid., XIII, 3395-3396.
50. Ibid., 3439-3440.
51. Ibid., XII, 3329-3330.
52. Part of the site of the residence of John Silvey (1817-1897) a noted wholesale dry goods merchant. The residence was moved to what later became 1611 Peachtree Road in 1901. In 1912 the property was improved with the business building now (January 1967) being demolished.
53. Minutes, Directors, XIII, 3432-3433.
54. Ibid., 3432-3433.
55. Ibid., XII, 3324-3325.
56. Ibid., 3408-3409.
57. Ibid., 3424.
58. Twenty-seventh and Twenty-eighth Annual Statements, 1941, 1942.

Chapter 32

-1943-

The war reached mid-point in 1943 and on the far flung fronts the tide of battle ebbed faster and faster for the Axis. Its forces were defeated in North Africa. The Allies landed at Salerno and in Sicily and the Japanese grip in the Pacific was forthover loosened by U. S. victories in the Solomons and at the Battle of Bismarck Sea. In January the Casablanca Conference demanded “unconditional surrender” for the Axis. In November the Cairo Conference discussed problems of the Far East and, shortly thereafter international organization became the subject of the Teheran Conference. On Christmas Eve General Dwight D. Eisenhower was appointed Supreme Commander of the Anglo-American invasion forces. 1

Closer to home the Office of War Mobilization was established; the Georgia office of W. P. A. closed its doors; Atlanta and Georgia oversubscribed the Second War Loan and, in June, Madame Chiang Kai-Shek visited Atlanta.

The year was young, in February, when the Federal Reserve Board met in Washington with representatives of the War Man-Power Commission. Object of the meeting was to consider the question of whether Federal Reserve Banks should be classified as essential activities by the Commission. On the eighth President McLarin, of the Atlanta Bank received a telegram from Chester Morrill, Secretary to the Board of

Governors, which, in part, read:

“To support a formal request of the Board that the Reserve Banks be classified as essential activities, it is suggested that it would be helpful if the Commission be furnished with information regarding key positions at the Reserve Banks. Accordingly, it is requested that, as promptly as practicable, you furnish us with a list of the classes of positions in the Reserve Bank which you think are directly concerned with the War effort or with essential supporting activities, the adequate performance of the duties of which position requires (a) special skills or abilities, and (b) a considerable period of training or experience. For each such class of position please furnish also the salary range and a brief description of the duties and of the special skills, abilities, training or experience required.

“From indications it appears that chances for favorable action on a request for classification may depend upon the reasonableness of the list of key positions and upon whether the list will stand up under severe scrutiny in the light of the increases contemplated in the size of the armed services and the man-power needed to essential productive services...” 3

At this particular period, with man-power needs at an all-time high, no employer was immune from close scrutiny by the War Man Power Commission.

The importance of the Federal Reserve System to the war efforts was remarked about this time by the Government's Program for Economic Stabilization and a general statement by Chairman Marriner Eccles on the subject of “Treasury War Financing. The former is outlined in an exchange of letters on February 27 and March 6 between James F. Byrnes, Director, Office of Emergency Management, Office of Economic

Stabilization and Reserve Board Chairman Eccles. From Byrnes to Eccles, February 27, 1943:

“You are aware, I know, of the tremendous need for public education on the whole stabilization program. The reports of the office of War Information on public opinion disclose profound and widespread misunderstanding or lack of understanding of the reasons for taxation, buying bonds, curtailing credit, and other important steps of the program. Manifestly, without general public understanding it is impossible to hope for acceptance of necessary measures and without acceptance, this office cannot hope to succeed in its program for economic stabilization. As I need not remind you, this undertaking is vital to the welfare of the country, both in winning the war and in the peace that is to follow. We need a united front to achieve success on the domestic front as much as we need it on the fighting front. Politics and partisanship have no part in it whatsoever.

“The Federal Reserve System as a public institution, is singularly well adapted by reason of its regional organization and its freedom from special or partisan interests, to help in the vast educational task that needs to be done. Through your Banks and branches and under the direction of your Board, I feel that much could be accomplished in helping to bring about better understanding on the part of the public, especially through enlisting the aid of bankers and businessmen who are leaders in their respective communities, and are, in turn, able to help in informing and guiding the general public in comprehending the reason for measures that are in their own and the country’s best interest.

“I am, therefore, writing to request that the Federal Reserve ‘System lend

whatever assistance it can in this important educational work to bring about a wider public knowledge of the elements of economics which underlie the measures that are vitally necessary for the country's welfare." 4

Eccles to Byrnes, March 6, 1943:

"This is to acknowledge your letter of February 27 in regard to the way in which the Federal Reserve System may assist in the important educational work that so urgently needs to be done in order to bring about a wider public understanding and thus a more general acceptance of the Government's program for economic stabilization.

"Your letter reached me at the moment when the presidents of the Federal Reserve Banks were meeting here with the members of the Board of Governors, and I took advantage of this occasion to read it to the entire group and to discuss with them at some length various ways in which the twelve Reserve Banks and their twenty-four branches, in cooperation with the Board of Governors might be helpful in promoting better public comprehension of the program and the measures essential to protect the domestic economy from inflationary dangers. I think I reflect the sentiments of all who attended the meeting when I say that they are heartily in accord with the purposes which you seek to achieve, and wish to assure you that they stand ready at all times to do whatever lies within their power to assist in this vitally important task.

"I shall endeavor to keep you informed from time to time of the System's activities in this undertaking." 5

A memorandum entitled "Treasury War Financing," containing comments of Chairman Eccles at a March meeting of the Open Market Committee, indicated his thoughts concerning the responsibility of the Federal Reserve System in War Financing

Work. The memo follows:

“TREASURY WAR FINANCING ORGANIZATION - - Responsibility of Federal Reserve System:

“The Federal Reserve System has a direct and inescapable responsibility to contribute to the successful financing of the war. It must see to it that the reserve funds are available which will make possible the continued purchase of Government securities in the tremendous amounts required by the war effort.

“At the same time, as the responsible agency for the control of credit policy, it is incumbent upon the ‘Federal Reserve System to develop by every means the widest possible distribution of Government securities outside the banking system. Only by reducing to the minimum the amounts of Government securities which must be purchased by the banks, can it discharge its obligation to reduce the inflationary pressure of wartime financing and to promote post-war economic stability.

“The interest of the Federal Reserve System in the kind of organization set up to sell Government securities is, therefore, a mandatory interest which is an integral part of its responsibility for credit policy. If the sales organization is equal to the task of selling the largest possible amount of Government securities to non-bank investors, the credit policy of the Federal Reserve System may be an effective part of the anti-inflation program of the Government. If the sales organization is not equal to its task, the Federal Reserve System will be forced into a credit policy which invites inflationary developments.

“Permanent Organization:

“The Federal Reserve System has advocated the organization of a single national committee for the sale of Government securities which would mobilize the national spirit in support of financing the war, and financing it in the right way, just as it is now mobilized in support of the military effort and the production program. The System believes that this organization can be most effective, and thus public spirit most readily developed, if the principal Treasury borrowing is concentrated in two or three large campaigns each year. At the national level, such a program has suggested a national director of all sales of Government securities and a national publicity program in scale with the job to be done and directed toward promoting the sale of all Government securities, particularly during the periodic drives.

“If the Secretary of the Treasury, to whom the National Director will be directly responsible, should establish a Policy Committee as distinguished from an Operating Committee, it is suggested that the Chairman of the Board of Governors and one Federal Reserve Bank President be included in its membership.

“As we work from the April setup toward a permanent form of organization, the aim should be to drop the use of the terms ‘Victory Fund Committee’ and ‘War Savings Staff’ leaving only the U. S. Treasury War Finance Committee to occupy the field. This new organization should be built on the existing organizations using those parts of each which can best be assimilated. The Presidents of the Federal Reserve Banks, as Chairmen of the War Finance Committees in their respective districts, would have sole executive responsibility for the district sales organizations. The new organization would be concerned first with periodic drives for funds but presumably, a division of the organization would carry on a continuous educational campaign to promote national

thrift and an extension of the payroll savings program.” 6

It was at this time too that the Reserve Banks were getting ready for the Second War Loan Drive, scheduled for April. Indeed, at the March Board meeting President McLarin recounted briefly steps that had been taken in the formation of the War Finance Committee for the Sixth Federal Reserve District.

He requested authority to employ such personnel as would be necessary to assist him in discharging his responsibilities as Chairman of the War Finance Committee- -particularly the services of an individual who would be capable of supervising and directing the sales promotion work for Treasury securities throughout the District. The authority was granted. 7

The mid-war year of 1943 engendered much thought among Atlanta Board members as to its economic aftermath.

In February Chairman Neely explained a plan for regional research programs. In that connection he exhibited a map of the Sixth District showing the location of military establishments, defense industries other than textiles, and textile industries having defense contracts.

Neely explained that the study is based on conditions within the Sixth District. He pointed out the tremendous influx of people into the District because of the location of so many camps in the southeast. He estimated that some five million men have already moved into the District for training purposes, while approximately six hundred thousand have moved from the District for training elsewhere.

The Chairman went on to explain that these facts, coupled with the great industrial growth created by the war, are expected to have a definite post-war effect on

the economic life of the District. It was hoped that the regional research program would be of help in developing and attracting new industries to the District to absorb the post-war slack in industrial activities. It was expected that the study would at least explore the situation and prepare southern interests for whatever the post-war period may bring. All of the Directors expressed great interest in the study. 8

Throughout 1943 Vice President Malcolm Bryan favored Board members with economic predictions. At the February meeting he stated that his previous reports had consisted largely of comments on current economic events. However, because present economic developments in the nation are determined largely by non-economic considerations related to the war effort, it would be his intention to change the nature of his report at the next several meetings. He pointed out that it is not feasible to predict the moves of the economy at the outcome of the war, but that he would like to explore in a basic way three fundamental questions, as follows:

1. What are the probabilities of our post-war developments?

He stated that a thorough consideration of this question would necessitate an exploration into the casual factors of the economic depression from which we have only recently emerged, and that this exploration would give rise to other questions which he proposed to discuss, namely,

2. What have 'been the fundamental factors creating the economic depression from which we have recently emerged?
3. What are the functions and limits of government intervention in the field of economic planning?

The Directors expressed their appreciation to Mr. Bryan for his reports made at

past meetings of the Board, and stated that such reports had been of considerable interest and benefit to them. They agreed that the new approach as outlined by Bryan would be of considerable interest, and said they would be glad to receive his comments on the questions enumerated. 9

At the March meeting Vice President Bryan presented the first of his three proposed questions. In outline form it follows:

“Problem of Post-War Economic Prospects--I

“A. The importance of the subject needs little exposition.

1. All managers of economic enterprises are confronted with the task of making plans: for material, labor, equipment, and, more important, for fixed plant and programs of expansion or contraction.

“a. Problem of commitments has become greater in the economic system as the forms in capital production have become more specialized, more complex, more numerous, and the proportions of costs for capital instruments to direct costs of production has become greater.

“2. Individuals are confronted with the severe uncertainties of economic risk.

“a. A post-war collapse may mean: to the more the reduction of prestige, power, leadership in economic society; to the less fortunate, the very means of making a living.

“3. The economic community, as a total, depending on the postwar course of events, can produce the goods and services requisite to a satisfactory average standard of Living, or, on a low level of economic activity, have nothing but poverty to divide.

“a. Though politics is not, as some propose, the utter slave of economics, the policies of government and the structure of economic society will inevitably react to economic events.

‘b. Comment on economic leadership.

“B. With such grave issues at stake, when accurate foresight might do much to permit the shaping of events, the possibility of economic prediction is worth notice.

“1. Economic predictability is limited by many factors, of which two important ones are:

“a. The number of variable elements in any economic situation;

“b. The infinite capacity of the human race for non-rational behavior.

“C. The apparent, immediate post-war problem consists of finding productive employment for

“1. The armed forces: say 10, 000, 000 men; and for war workers, say, 20,000,000, plus.

“a. The apparent problem ramifies in numerous directions, such as, the shift of workers from fighting and war industries to peace industries; the large scale movement of population; the finding of capital equipment for the employment of this working force; the determination of products that will be in demand.

“b. The apparent conclusion is, negatively stated, that the economic system will not be able to absorb the released army and war workers in large numbers. The positive side of this conclusion is that conscious intervention in some form will be required to provide employment.

“1) The form of intervention usually considered most obvious is by

government. Mr. Wallace, cited purely for example, speaks of programs of government and labor for full employment, of programs of government and agriculture for feeding the largest number of consumers at a reasonable price, of programs of business and government to increase productive power.

“2) Intervention now much talked of is post-war planning by private business ‘to make private jobs and to keep up the national purchasing power.

“D. The apparent problem of post-war adjustment for full employment is not new.

“1. The problem in this war is greater, however, at least in proportion to the more totalitarian character of the conflict. The degree of economic conversion to the war effort is of much greater magnitude in this war than in previous wars.

“E. The apparent magnitude of the problem frequently tends to result from an unqualified assumption that the total release of war-industry and war-service personnel will automatically result in an equivalent unemployment. This assumption is subject to important qualifications.

“1. The return of personnel to pre-war jobs;

“2. The return to domestic and other pursuits of those previously not seeking employment.

“3. The return of a certain number, particularly in the professions and in agriculture, to self-employment;

“4. The return to less intense employment.

“5. The chief qualification lies in other aspects of possible demand for personnel in the post-war period. The chief exaggeration in presenting the post-war problem seems to arise from a frequently too exclusive pre-occupation with the more evident supply side of the supply-demand equation.

“F. In appraising possible demand, the experience in past post-war periods is of some interest.

“1. War of 1812-15;

2. War of 1861-65;

3. War of 1914-18;

4. The past post-war economic pattern.

Even so prescient an economist as Malcolm Bryan could not anticipate in early 1943, the tremendous head of steam in the post-war economic boiler.

In April Bryan made the second of his post-war economic forecasts, on the question, “Factors in Post-War Demand.”

“G. Demand: ability to pay

1. The increase of money supplies;

2. Savings available for expenditures.

3. The price factor.

“H. Accumulated shortages: the willingness to buy. The accumulation of shortages is dependent, of course, on the length of the war.

1. Consumers’ durable goods.

a. Residential construction. Production of 2.7 billion 1941; 500 million

in fiscal year 1942-43. Probable post-war shortage 4-4. 5 billion, allowing for usefulness of part of war-time construction.

- b. Miscellaneous durable goods. Surplus was accumulated during the 'gadget' boom of 1941, but shortage is accumulating at the rate of 5 to 6 billion annually and, allowing for 1941 surplus, a mid-1944⁴ shortage of 8 to 9.5 billion dollars is a not improbable estimate.

"2. Business construction and equipment. Probable shortage of 5 to 6 billion, mid-1944.

"3. Deferred maintenance.

- a. Private maintenance, shortage of 2. 5 billion, mid-1944.
- b. Public maintenance, shortage of 600 million, mid-1944.

"4. Consumers' non-durable goods. The inventories in distributive channels will be very low; and inventories in the hands of consumers likewise low. Shortage of 3 to 3. 5 billion, probably by mid-1944.

"5. Public works. Probable shortage of 2 billion by mid-1944.

"6. Foreign shortages.

- a. Much greater than U. S. shortages, though impossible to estimate even roughly.
- b. Also, very, difficult to estimate foreign effective demand, because of the problem of 'ability to pay' and 'willingness to be paid.'
- C. Guess immediate post-war period will see large foreign business.

- 1) Latin American balance of credits in U. S. is building up rapidly.
- 2) Governmental and private grants-in-aid to Europe, the Philippines, and other countries are likely to be substantial for a time.
- 3) There will still be a substantial borrowing power on the part of certain European Governments and businesses.” 11

At the June meeting Vice President Bryan again commented on “Additional Factors in Post-War Demand,” covering the following points:

“A. Increase in number of families.

1. Mild cycle in peace times.
2. Great increase in early stages of war slowing in height of hostility. Boom after war for a year or so. Great demand in housing-furnishings, etc.

“B. Business--new.

Great shortage during war.

Ceased to grow by 1940.

60, 000 a month before war.

Now I think about 30, 000.

Will rise to 80, 000 per month shortly after war.

“C. Geographical obsolescence.

“D. Technological change.

War stimulating technological changes far more rapid than past war.

Light metals.

Housing.

“E. Government expenditures.

Very great.

“F. Great danger will come in first 18-24 months after the war. Race for re-tooling.

Government aided by fear of workers.

Sayings.

Rationing.

Tax reductions. 12

At years end, in December, Economist Bryan commented that in recent months there had been a slight decrease in the acuteness of the man-power shortage. He said further, that inflation had not developed to the extent feared, and that he felt that this was true because the people of America are not spending their surplus funds at the rate anticipated. He attributed this condition to the fact that the American people remember the inflationary period of '19 and '20, and that they do not want those days to be repeated. Furthermore, the depression existing during certain periods of the '30's have caused the American people to feel that a cash reserve is essential. 13

With war's end in view, though it was actually nearly two years off, the Federal Advisory Council adopted a resolution on November 15, 1943, concurred in by the Board of Governors of the Federal Reserve System and pertaining to

FINAL SETTLEMENT OF TERMINATED CONTRACTS:

“The larger part of the productive capacity of the country is now engaged in the production of war goods. When the war ends the taste of converting this gigantic war economy to a peace economy will be a stupendous one, both for the Government and

for business.

“Already some war contracts are being cancelled. When peace comes, a large percentage of contracts then outstanding will no doubt be cancelled. Speedy and equitable settlement of these contracts will be essential if we are to avoid a disastrous depression and mass unemployment. Millions of men discharged from military service and millions more now engaged in war plants will be looking for new jobs-and they will expect them promptly. If we delay in the transition from war to peace, if business is hampered one bit more than is unavoidable in its reconversion and in providing new jobs, mass unemployment and social distress will result, relief rolls will mount and the State and Federal treasuries will be subjected to the necessity of making huge grants for the relief of the unemployed.

“THIS MUST AND NEED NOT HAPPEN

“Many factors are involved but the settlement of terminated war contracts is one of the most important.

“The Federal Advisory Council believes:

“(1) That war contracts which are terminated must be settled promptly and finally by negotiated agreements between the contractor and the procuring agency of the Government which negotiated the original contract.

“(2) The settlement so negotiated should be final and not subject to review by any other agency except for fraud. Any amounts that might conceivably be saved the Government through a post-audit will fade into insignificance in comparison with grants for relief that will be necessitated by resulting delay, uncertainty and unemployment.

“(3) That if settlements of terminated contracts when negotiated by the procuring

agencies are not final, or if they are made subject to subsequent audit, credit for working capital needed for reconversion after the war may, in many cases, be unavailable until the settlement does become final and the basis of credit thereby becomes ascertainable. This applies particularly to those contractors whose capital is relatively small.

“(4) That Congress should relieve contracting officers who negotiate settlements from personal responsibility, except for fraud.

“(5) That Congress should enact legislation providing more adequate means of interim financing of contractors whose contracts have been cancelled, when for unavoidable reasons there is a delay in final settlement and payment.

“(6) That appropriate plans should be made in advance for the prompt removal of surplus Government material and facilities from plants whose contracts are terminated.

“In the opinion of the Federal Advisory Council, unless appropriate steps are taken by the Congress and the various Government agencies to relieve the minds of thousands of contractors, Large and small, and to assure business that, when terminated contracts will be settled fairly quickly and finally, there is danger that war production will be hampered now and that peace production will be perilously delayed after the war.

“The Federal Advisory Council believes that these are risks that need not be taken.”

Upon motion, the Secretary was directed to have copies of the resolution prepared and to send a copy to each member bank of the Sixth District and to each Director of the Federal Reserve Bank of Atlanta and to each Branch Director. 14

Throughout 1943, as in other years, official changes within the bank and branches took place.

B. L. Sadler, President of the First National Bank, Harriman, Tennessee, was elected to the Nashville Branch Board to succeed E. B. Maupin, who died November 25, 1942.

For terms beginning January 1, 1943, Edward Potter, Jr., and T. G. Nicholson were elected to the Nashville and New Orleans Boards, respectively. Mr. Potter was President of the Commerce Union Bank in Nashville, and Mr. Nicholson, of the First National Bank of Jefferson Parish, Gretna, Louisiana. 15

On February 12, 1943, W. S. McLarin, of the Atlanta bank and Chester C. Davis, President of the Federal Reserve Bank of St. Louis, were elected member and alternate member of the Federal Open Market Committee, both to represent the Reserve Banks of Dallas, St. Louis and Atlanta for a one-year term, beginning March 1. 16

On January 8, 1943 M. B. Spraggins, President of the First National Bank, Huntsville, Alabama, was elected to the Birmingham Branch Board.

At the same time the Board went on record, as a matter of general but not fixed policy, that persons selected from time to time to serve on the Federal Advisory Council shall be first elected for a term of one year, and the following year shall then be re-elected for another term of one year, thus limiting the term of service of an individual to two one-year terms. Following which H. Lane Young was re-elected for his second one-year term. 17

General Auditor J. E. Denmark, an officer in the Naval Reserve, was called to active duty and left in mid-April. Winston E. Pike, Assistant Cashier of the Jacksonville

Branch was appointed Acting General Auditor, effective April 16. 18

Meanwhile, on March 15, Birmingham Branch Director Howard Gray, of New Market, Alabama, died. Only 33 years old, Mr. Gray had served as a Director since 1937, bringing to the position a sound training and experience in agriculture, dairying and other interests. He had served as President of the Alabama Farm Bureau during 1939— 1940. 19

In April and May respectively, John J. Shaffer, Jr., of Ellendale, Louisiana, and Charles S. Lee, of Oviedo, Florida, were appointed Directors of the New Orleans and Jacksonville Branches, both for unexpired terms ending December 31, 1945. 20

By mid-year business at the New Orleans Branch required the services of an additional assistant cashier. On recommendation of Director Rufus C. Harris, Chairman of the Salary and Personnel Committee, W. H. Sewell was elected to the position at \$4500 per year. 21

The same situation arose at Jacksonville later in the year. T. Crawford Clark was elected assistant cashier of the Branch in December at \$3600 per annum. 22

Meanwhile, in October, the Board took note of the fact that Director W. D. Cook had been named President of the First National Bank in Meridian. Director E. T. George voiced the sentiments of the Board in saying that “under Mr. Cook’s leadership the bank would without question enjoy much success and prosperity. .,23

Following the election, in December, of Keehn W. Berry, President of the Whitney National Bank of New Orleans, to succeed H. Lane Young as a member of the Federal Advisory Council, 24 the Board paid Mr. Young the following tribute, voiced by Director E. T. George:

“Mr. Chairman:

“I desire, on behalf of the Directors and Officers of this Bank, to thank heartily our friend, H. Lane Young, for the able and unselfish service rendered by him as the member of the Federal Advisory Council from the Sixth Federal Reserve District. His first period of service--three years ending December 31, 1936--and his second--two years ending December 31, 1943--a total of five years, were ever characterized by faithful and highly efficient attendance at our Board meetings in Atlanta as well as at the meetings of the Council in Washington. He has, indeed, set a high standard for Mr. Keehn W. Berry, and others, to follow.

“I am sure that I speak the sentiments of all present in this acknowledgment of a deep appreciation for an important work well done. We know that Mr. Young will find the opportunity to do what he can to acquaint his successor, Mr. Berry, just chosen, with the best method for a helpful participation from the outset in the proceedings of the Advisory Council.

“We wish you, Mr. Young, good health, happiness and increasing usefulness in banking and other circles, and pray that God’s care and richest blessings will continue.

25

A number of matters concerning all bank personnel were resolved during 1943. In January the Retirement System was placed on a 3 percent valuation basis. To accomplish this, the Board approved payment of the Retirement System of the Federal Reserve Banks of an additional contribution of \$305, 142. The Atlanta bank’s proportionate share of the amount necessary to adjust to reserves of the System to a 3 percent basis; \$197, 830 to be paid to the System immediately, this amount having

been charged to 1942 operations and obtained by supplementing net earning for that year in an amount of approximately \$100, 000 by charging reserves for contingencies in a like amount, and the balance of \$110, 312 to be charged to current operations and paid to the System prior to February 28, 1943. 26

Both the feasibility and necessity for the payment of overtime to certain exempt employees, was set forth in a letter from the Board of Governors dated July 2, which President McLarin placed before the July Board meeting. It read:

“With the increased hours of work at the Federal Reserve Banks several of the Banks have pointed out the injustices resulting from the lengthened hours of work and the payment of overtime in accordance with the standards of the Fair Labor Standards Act with no provisions for overtime to the so-called exempt employees, and have requested that some provision be made for the payment of overtime to employees who have been classified as exempt.

“Payment of overtime to such employees comes within the scope of the salary stabilization regulations issued by the Commissioner of Internal Revenue. Action to meet the situation had been initiated by the Board but was necessarily suspended in view of the ‘Hold-the-Line’ Executive Order Of April 8. In the meantime, however, the matter has been the subject of discussions with the officer of the Commissioner of Internal Revenue in an effort to work out a solution to the problem. As a result of such discussions and in accordance with a program approved by the Commissioner of Internal Revenue, the Board authorizes the payment of overtime by the Federal Reserve Banks, within the following limitations to so-called exempt employees.

“Subject to further limitations or conditions as a Reserve Bank may find

appropriate, a Reserve Bank may pay overtime in accordance with the following program, to employees (including officers) who are regarded as exempt under the Fair Labor Standards Act.

- “1. Overtime may be paid to officers or exempt employees within the following rates:
 - a. At the rate of time and one-half on the first \$2,400 of basic annual salaries up to and including \$5, 000.
 - b. At the rate of time and one-half on the first \$1,800 of basic annual salaries of more than \$5, 000 but not \$6, 000.
 - c. At the rate of time and one-half on the first \$7,200 of basic annual salaries of more than \$6, 000 but not \$7, 000.
2. Overtime shall be paid on basic annual salary and not on supplemental compensation.
3. Subject to the overall provision that an additional equalizing payment may be made when necessary to provide that for working the same number of hours no one will receive less compensation (including basic annual salary, overtime and supplemental compensation, if any) than is received by another individual with the same or lower basic annual salary.

“This authorization does not require any change in a practice with respect to payment of overtime to so-called exempt employees which was in effect at the time of the issuance of the salary stabilization regulations.

“The foregoing provisions have been purposely drafted in such form so as to permit each Bank to work out a program best fitted to its own situation and with the

expectation that appropriate administrative procedure will prevent any abuse of the authorization. In particular, it is expected that payment of overtime under the authorization will apply only to overtime worked in accordance with established hours or to overtime properly authorized or approved as being necessary. It is also expected that overtime will not be paid to officers and senior personnel for occasional or small amounts of overtime, but that it will be paid only in cases where the hours have been definitely increased or where officers or senior personnel are required to work substantial amounts of overtime. 27

The Atlanta Board voted to go along with the above.

In December a future policy with reference to recommendations for appointments to Branch Directorates was discussed and adopted. It provided:

“(a) Prior to the October meeting of the Board. of Directors of the parent bank, the Executive Committee shall invite suggestions from the directors of the Atlanta bank residing in the zone from which the new branch directors are to be appointed.

“(b) At the October meeting the Executive Committee shall submit to the Board of Directors the names of the persons nominated or recommended by it for the positions to be filled.

“(c) The Executive Committee shall endeavor to submit more than one name for each position to be filled.

“(d) This practice shall not be interpreted to preclude the making of additional nominations by the, directors at the time branch directors are appointed.” 28

During the course of the February Board meeting, President McLarin called

attention to the fact that several banks had withdrawn from membership in the Federal Reserve System because of the loss of revenue brought about by the par-remitting requirements of the System. 29

In June, on the same subject, McLarin reported that various of the other Federal Reserve Districts were showing large increases in new members but that the Sixth District was gaining few members. In fact, certain members had recently withdrawn, including two banks at Albany, Georgia. He gave, as his opinion, that withdrawals from membership were largely accounted for by the desire of banks to make changes on incoming cash items. Failure of nonmember banks to join the System in the Sixth District was also attributable to this reason, as well as the capital requirement for membership, which kept a number of banks outside the System.

In responding to an invitation for discussion H. Lane Young said, that in his opinion, the desire of banks for exchange charge earnings was not a factor in membership withdrawals. He referred to the Citizens and Southern National Bank at Albany and the Albany Exchange Bank which had withdrawn. Young said that the withdrawals were caused by the fact that Government agencies, including the Federal Reserve System, were competing so heavily with commercial banks that they could not now attain satisfactory earnings. He added that the collection of drafts at par by the Federal Reserve Bank was also a factor.

In the ensuing further discussion President McLarin said that the Federal Reserve Bank of Atlanta had not ever made a loan to a nonbanking borrower who had not previously been refused credit by banking connection. He also said that the loans made his commercial by the Federal Reserve Bank of Atlanta could be purchased by

any commercial bank desiring to take them over. Director Cook observed that the collection of drafts by the Federal Reserve Bank was of advantage to country commercial banks. 30

At the same meeting McLarin briefly outlined the current decentralization program of the Board of Governors. He said the Board feels that by enlarging the functions performed at branches the prestige of the branches would be increased and service to member banks in the respective zones improved. Also that in line with this program steps were being taken to extend full Fiscal Agency functions to the branches at Birmingham, Jacksonville and Nashville. 31

President McLarin also informed the Board that the Treasury , Department had recently announced that Federal Reserve Banks would be asked to open and handle accounts for banks in their respective districts qualifying as depositaries for withholding tax. He said that although definite instructions had not been issued by the Treasury Department, it was anticipated this additional function would require the establishment of a special department for the handling of these accounts.

In December Director George J. White reported that the transfer of the accounting functions to the branches had been completed; that the personnel of the branches assigned to this work were being trained by representatives of the Atlanta bank, and that it appeared that the operations were being handled smoothly. 33

Director W. D. Cook took the floor next to report that operations of the Fiscal Agency Department were proceeding in a proper manner, but that the number of redemptions of War Bonds was alarming. 34

In addition to enlarged operations during 1943, the branches were otherwise

unusually active during the year.

During the course of the January Board meeting, President McLarin stated that, because the working space in Jacksonville had become so crowded, due to increased activity, that it was necessary to seek additional space in another building. Therefore the officers of the branch had contracted to rent 1,319 square feet in the Western Union Building. The President also pointed out that the additional space would be used by the Federal National Mortgage Association and the RFC Mortgage Company divisions of the branch. Also, that approval of the leasing of the space had been received from RFC and that the bank will be reimbursed by that corporation for all rental expenses. 35

Jacksonville Branch Director J. C. McCrocklin took comment, in July, on the increased volume of activity at the branch, and that despite the rapid turnover of personnel, all departments appeared to be functioning satisfactorily. 36

As at Jacksonville, space became a problem in New Orleans.

Director E. T. George reported in February that the New Orleans Directors had discussed at length the problems presented by the recent rental of additional space in a near-by building for use by the RFC Custody and the CCC Custody departments of the branch. He pointed out that, while the quarters in question are adequate so far as floor space is concerned, there are certain disadvantages to the present arrangements, particularly with reference to the inconvenience to employees in walking between the rented space and the branch building in bad weather in order to have Lunch at the Branch cafeteria, and to the somewhat crowded vault space in the rented quarters. It was also felt that the annual rental of \$19, 000 was somewhat high even though

reimbursed by RFC.

Director George said too, that the New Orleans Directors, informally, at least, were in favor of considering the addition of two or three stories to the Branch building at some later date when materials were available. The attention of the parent bank Directors was invited to the matter so that if the addition is deemed desirable, plans could be prepared and ready when conditions permitted. The matter was referred to the Executive Committee. 37

The Birmingham Branch was crowded too. During the course of the April Board meeting in Atlanta, Director Ed L. Norton, of the Branch, commented briefly on the crowded condition of the working space there. He said, however, that when additional space, recently acquired in a nearby building, becomes available the situation should improve.

He also pointed out that the personnel situation in the Birmingham area was extremely acute on account of the large number of war industries and increased activity in all lines of business. Despite the increased volume of work and large personnel turnover, Director Norton was able to report that operations were proceeding satisfactorily. 38

By August, when Birmingham Branch Director Gordon D. Palmer attended a meeting of the Atlanta Board, he was able to report that the outside quarters, recently acquired for use of the Branch, had been most helpful in relieving congested conditions.

A couple of months later Birmingham Director John S. Coleman, also attending an Atlanta meeting, was asked to comment on conditions in and about Birmingham. He obliged by stating that the airplane conversion plant, Betchel, McCone and Parksons

was in full operation after some delay in receiving planes from production plants. He commented on the advantages to the South in maintaining wage differentials between this section and other sections of the country. Mr. Coleman also said that the Birmingham Branch had begun the accounting work involved in the decentralization program and seemed to be progressing satisfactorily. 40

Stepped-up activity and problems also characterized the operations of the Nashville Branch during 1943.

At the April meeting of the Atlanta Board, Nashville Branch Director W. E. McEwen reported briefly on farming conditions in his area of Tennessee. He said the Tennessee farmers are making a desperate effort to respond to the Government's call for food for Victory and, that although they are faced with a critical labor shortage, they are determined to produce more food despite this handicap. McEwen stated that the Nashville Branch is faced with the universal personnel problem and the wartime activity has greatly increased the volume of work. Yet, operations continue very satisfactorily.

41

The personnel problem at Nashville came into sharper focus during the course of the July Board meeting. Director Fitzgerald Hall said that it had come to his attention, from sources outside the Branch that the two officers of the Branch are having to perform duties other than those of an executive nature, and that the Branch is in dire need of additional personnel, especially key man. The chairman asked Managing Director Fort to outline the personnel problems of the Branch. Fort stated that many of the men formerly employed by the Branch had gone into the armed service and he had not been able to employ qualified men to fill the vacancies. As a result he and Cashier

Harrison had for some time been compelled to personally perform many clerical duties, especially in connection with the handling of currency and coin.

Nashville Director Edward Pelter, Jr. , remarked that, in his opinion, the Branch should make every effort to obtain the services of three or four men and pay them salaries in keeping with those paid by banking and industrial concerns in Nashville.

President McLarin informed the Board that the same situation existed to some degree at all branches, but that Mr. Fort had authority to employ the necessary personnel at Nashville within salary range approved by the Board of Governors for various personnel classifications. Further, that he should take immediate steps to relieve the present situation. 42

Commenting on operations at Nashville in October, Director Potter stated that the Branch was in process of installing an accounting department under the decentralization program, and predicted that the problems that would naturally arise in such a move would be successfully worked out. He mentioned the large number of troops on maneuvers in the Nashville area and pointed out that retail trade had been greatly stimulated. 43

Space had also become a problem at Nashville. Indeed, a committee of Board members of the Branch was appointed to investigate the advisability of purchasing the building located directly behind the Branch. Apparently news of the bank's interest in the building leaked out, for while the Committee deliberated, a third party bought the building.

In August, 1943, the classification of banks in the Sixth District, as a basis for electing Class A and Class B Directors, was changed, based on combined capital and

surplus, as follows:

Group 1	\$800, 000 and over
Group 2	\$200, 000 to \$799, 999, inclusive
Group 3	Less than \$200, 000 ⁴⁵

The Bank had a prosperous though hectic year in 1943. Net earnings came to \$1, 032, 698, compared with \$449, 729 for 1942. The- principal item reflecting the difference was "Profit on Sale of U. S. Government Securities." The figure for 1942 was \$141, 591; for 1943, \$1,537,926. Total assets of the Bank on December 31, 1943 came to \$1,658,229.782. A year earlier this figure stood at \$1, 151,429. 431.46

NOTES

Chapter 32

1. Life History of the- United- States-, 11, pp. 168-169.
2. Garrett, Atlanta and Environs-, II, 1004.
3. Minutes, Directors, XIII, 3462.
4. Ibid., 3483.
5. Ibid., 3484..
6. Ibid., 3471-3472.
7. Ibid. , 3472-3473.
8. Ibid., 3466.
9. Ibid., 3467.
10. Ibid., 3478-3480.
11. Ibid., 3491-3492.
12. Ibid., 3564.
13. Ibid., 3549.
14. Ibid., 3542-3543.
15. Ibid. , 3437.
16. Ibid., 3467-3468.
17. Ibid., 3457.
18. Ibid., 3476, 3489.
19. Ibid. , 3482.
20. Ibid, 3497.
21. Ibid., 3501

22. Ibid., 3544.
23. Ibid., 3529.
24. Ibid., 3541
25. Ibid., 3549
26. Ibid. ,3459.
27. Ibid., 3512 3513
28. Ibid., 3540
29. Ibid., 3467
30. Ibid., 3500
31. Ibid. 3500.
32. Ibid.,
33. Ibid., 3544
34. Ibid.
35. Ibid., 3450.
36. Ibid.. 3505
37. Ibid., 3463-3464.
38. Ibid., 3481.
39. Ibid., 3516.
40. Ibid., 3529..
41. Ibid., 3482
42. Ibid., 3509.
43. Ibid., 3529.

44. Ibid. , 3531, 3538.

45. Ibid. , 3519, 3523.

46. Twenty-eighth and twenty-ninth Annual statements, Jan. 15, 1943 and Jan. 15, 1944.

Chapter 33

-1944-

Throughout 1944 the tide of war ran inexorably against the Axis. The names of remote and little known Pacific islands became household words of the moment as they were fought for and occupied by the Allies--the Marshalls, Eniwetok, Kwajalein, Bougainville, Gilbert Island, the Marianos, Saipan, Guam and, in October, the Battle of Leyte Gulf and a start on the reconquest of the Philippines. Between March and August Italy was partially occupied; in June the landings at Normandy and, in August, the liberation of Paris. Year's end saw the Battle of the Bulge. 1

In politics DeGaulle's provisional government of France was widely recognized; Franklin D. Roosevelt defeated Thomas Dewey for an unprecedented fourth term as President and Congress enacted the GI Bill of Rights. 2

In Atlanta Colonel Blake R. VanLee succeeded Dr. M. L. Brittain, the long time president of Georgia Tech; Ernest Woodruff, guiding spirit of the Trust Company of Georgia for a quarter of a century, died in June, and the Atlanta Ordnance Depot was the scene of a \$2, 000, 000 fire. 3

At various times throughout the year First Vice President Malcolm took the floor at Board meetings to discuss the historical development of our economic system. He reviewed the basic philosophy of Adam Smith concerning free enterprise. In June. Bryan was invited by the Treasury Department to attend, as a part of the Treasury delegation, the International Monetary Fund at Bretton Woods, New Hampshire. In August he made an interesting report to the Board on certain phases of this Conference. 4

For the first time since 1936 the By-Laws of the Bank underwent a general revision in 1944. They were adopted at the May Board meeting. 5

Personnel Changes in the official family of the Bank were not as numerous during 1944 as in many former years.

Branch Directors appointed in December, 1943 for three-year terms beginning January 1, 1944 were:

Birmingham, James G. Hall, Executive Vice President, First National Bank of Birmingham.

Jacksonville, J. C. McCrocklin of Tarpon Springs, reappointed.

Nashville, Leslie R. Driver, President, The First National Bank, Bristol, Tennessee.

New Orleans, John Legier, President, American Bank and Trust Company, New Orleans.

Managing Directors of the four Branches, P. L. T. Beaver:, George 5. Vandeman, Jr., Joel B. Fort, Jr., and E. P. Paris, respectively, were all reappointed to serve in '44. 6

During the course of the Board meeting of January 14, 1944, the death of Joseph A. McCord, former Governor and Board Chairman, on December 30, 1943, was noted. At the suggestion of Director J. A. McCrary, crepe was hung on Mr. McCord's portrait, then hanging in the foyer of the Director's Room. 7

The annual election of an Open Market Committee member and an alternate to serve for a year, commencing March 1, resulted in the choice of Chester C. Davis, President of the Federal Reserve Bank of St. Louis, and R. R. Gilbert, President of the

Federal Reserve bank of Dallas. 8

In March the Federal Reserve Board appointed Will Howard Smith, of Prattville, Alabama, as a Director of the Birmingham Branch for an unexpired portion of a term ending December 31, 1945. 9

In June the Board appointed W. Bratten Evans, President of the Tennessee Enamel Company, Nashville, Tennessee, as a Director of the Nashville Branch for an unexpired portion of a term ending December 31, 1946. 10

During the fall, General Auditor J. E. Denmark returned after 17 months of Navy service and resumed his duties. Effective November 10, his salary was increased from \$5500 to \$6000 per year. 11

At the same time Winslow E. Pike, formerly. Assistant Cashier of the Jacksonville Branch, who has served as Acting General Auditor during Mr. Denmark's absence, was appointed Assistant Manager of the Nashville Branch at \$6000 per annum. 12

On December 4, 1944, Director Thomas K. Glenn addressed the following letter to Chairman Frank Nealy:

"For sometime past I have realized that my many duties, incident to changed conditions for the past year or so, have been so burdensome that I could not properly fill them in the way that they should be discharged, and to my satisfaction.

"I am, therefore, compelled to give up some of them, however much I regret doing so, and I hand you herewith my resignation as: a member of the Board of Directors of the Federal Reserve Bank of Atlanta, effective January 31, 1945.

"My associations with the Board have been most pleasant and agreeable, and I

assure you that it is with much regret that I am resigning.”

The matter was discussed at the December Board meeting and the resignation was accepted only because Mr. Glenn insisted upon it. 13

It was also at the December meeting that Keehn W. Berry was elected for an additional term of one year as a member of the Federal Advisory Council, commencing January 1, 1945. 14

Back in July Chairman Neely took occasion to point out to the Board that Director E. T. George, of New Orleans, had just made his 100th consecutive trip in order to attend the meeting. He expressed the opinion that Director George had thus established a record for the Atlanta Bank Board members. Director Glenn said he doubted if any of them would be able to equal it. 15

In early 1944 it became evident that rank and file salaries paid under the bank's Personnel Classification Plan were on the low side. The cost of living was going up in a war economy. Accordingly maximum annual salaries in many low paid categories were increased, averaging from \$60 to \$300 per annum. 16

At mid-year most of the officers of the Atlanta Bank and Branches began to benefit from more pay. The new scale, effective June 1, follows:

<u>Name</u>	<u>Title</u>	<u>Annual Salary</u>
W. S. McLarin, Jr.	President	\$20,000
Malcolm H. Bryan	First Vice President	13,000
L. M. Clark	Vice President	12,000
H. F. Conniff	Vice President	8,000
V. K. Bowman	Vice President	8,000

J. R. McCravey, Jr.	Ass't. Vice President	5,800
J. P. Turman	General Counsel	6,000
S. P. Schuessler	Ass't. Vice President	6,000
C. R. Camp	Ass't. Vice President	6,000
Winslow E. Pike	Acting Gen'l. Auditor	5,000
*J. E. Denmark	General Auditor	5,500

Jacksonville Branch

George S. Vardeman, Jr.	Managing Director	7,000
T. A. Lanford	Cashier	5,300
Thos. C. Clark	Ass't. Cashier	3,600

Nashville Branch

Joel B. Fort, Jr.	Managing Director	7,000
E. R. Harrison	Cashier	5,300

Birmingham Branch

P. L. T. Beavers	Managing Director	7,000
H. J. Urguhart	Cashier	4,500
*L. W. Starr	Assistant Cashier	3,600
H. C. Frazer	Assistant Manager	5,300

New Orleans Branch

<u>Name</u>	<u>Title</u>	<u>Annual Salary</u>
E. P. Paris	Managing Director	\$10,000
M. L. Shaw	Cashier	6,000
W. H. Sewell	Assistant Cashier	4,800

F. C. Vasterling	Assistant Cashier	4,000
Lawrence Y. Chapman	Assistant Cashier	4,000
	<u>Savannah Agency</u>	
J. H. Bowden	Manager	4,300
Earle M. Looney	Acting Manager	4,000

*On leave- -military service. 17

In February there arose a discussion of the advisability of continuing the practice of inviting a representative from the Board of Directors of each of two of the Branches to attend regular monthly meetings of the Board of Directors. The Branch Boards had been asked to express themselves. Two felt that the practice should be continued. Two felt that, due to war conditions and travel difficulties, the practice should be suspended.

It was voted that the practice should be discontinued unless a Branch Board felt it had a matter of sufficient importance or urgency to warrant a special trip. 18

During the summer and fall of 1944 the subject of returning war veterans was becoming more imminent. In August Director R. C. Harris informed his colleagues that J. C. Shelbume, the Bank's Director of Personnel, was studying an important subject, namely, the rehabilitation of veterans, and particularly the requirements for re-employment of those employees who had left the Bank to enter military service. In October Director Harris cited the recently established "Armed Forces Institute," the purpose of which was to evaluate the work done by members of the Armed Forces while in service to ascertain their educational levels. He pointed out that this information will be available to industrial and business concerns seeking to bring veterans back to their jobs and that training gained in service may equip them for post-war jobs on a

different level. 19

At the same time Harris called attention to the fact that there had been a reduction of 135 in the number of employees of the Bank and branches during the past three months. He ascribed the reduction to two causes, (1) the conclusion of the Fifth War Loan drive, enabling the fiscal agency departments to decrease the number of employees, and (2) the fact that many of the younger employees had returned to school. 20

By the spring of '43, War Bond redemptions had become a matter of concern to the Treasury. D. W. Bell, Under Secretary, wrote to President McLarin on May 8:

“In an effort to discourage unnecessary redemptions and at the same time to combat the many adverse rumors prevalent concerning the redemption privilege of War Savings Bonds of Series, we have prepared the attached copy for a slip to accompany redemption checks. I hope the mailing procedure in effect at your main office and at your branches will permit the use of the slips, which you are authorized to print.

“In connection with the rumors, above referred to, I am enclosing a copy of my letter of April 27, addressed to the Acting Chief of Finance of the Army Service Forces, in response to his request for a statement concerning the redemption privilege which may be used in combatting the adverse rumors.” 21

The “slip to accompany redemption checks,” mentioned by Mr. Bell, read:

“The enclosed check covers redemption of your War Savings Bond in accordance with your request.

“The Government purposely incorporated in the bond the privilege of redemption after sixty days to assure you that the money would be available in your time of need,

but with the hope that you would take advantage of it only to meet a real personal emergency.

“With every bond you purchase and hold you are helping your country, you are backing up our fighting men, and you are helping to keep prices down. You are also providing a nest egg for your future.

“It is sincerely hoped that you will continue to buy War Savings Bonds regularly and that you will hold them for your future financial security.

Henry Morgenthau, Jr.

Secretary of the Treasury.”²²

Relative to the redemption privilege, Under Secretary Bell, in response to a question on the subject, wrote on April 27:

“...The privilege of presenting Series War Savings Bonds for redemption, at any time after 60 days from date of issue, is a part of the bond contract. It cannot be altered in any way with respect to bonds now outstanding or which may hereafter be issued with the same terms. Thus, those who have purchased or are now purchasing these bonds may rest assured that their bonds will be redeemed on demand at any time after 60 days from issue date.

“The Treasury Department is not, at this time, contemplating any alteration in the terms of future issues of War Savings Bonds.

That the Treasury’s effort to slow down bond redemptions was not a complete success is indicated by the following from Time Magazine: ²⁴

“Outside thousands of U. S. banks last week, queues of Americans waited to

take part in the biggest war-bond redemption spree of the war. The rush came just before Treasury Secretary Morgenthau announced a Sixth War Bond Drive to start November 20, and promised a seventh. The queues were caused by the Treasury's new redemption system, making bonds as easy to cash as Government checks.

“Some citizens actually took the Treasury's convenience measure to mean that they had to cash in their bonds.... Some felt they need not hang on to their bonds any longer. One woman cashed in \$7, 000 worth ‘to bet on a race horse’; another got \$75 to do her Christmas shopping ‘before the rest of the women pick over everything. ‘ A middle-aged couple cashed in \$225 worth of bonds ‘to have a good time.

“But the rush was not so serious. By week's end redemption had leveled off to normal (1. 04% per month of total holdings) and it was apparent that the reasoning behind the cash-in quick plan was sound. Formerly there was a delay of days or weeks before the citizen got his cash. The Treasury decided that if there were no such delay, people of small means would turn in bonds only when they actually needed cash.... “

The public relations program of the Atlanta Federal Reserve Bank had, of necessity, slowed down. Director Fitzgerald Hall, reporting to the Board in May, said that efforts in this direction had been somewhat at a standstill because of the tight' transportation situation as well as the need for all available employees for other bank operations. 25

In June, Hall reported that “not much was being done in connection with public relations except, perhaps, by the publications issued by the research department of the bank.”

At the same time he said that the Research, Planning and Public Relations

Committee, which he headed, was of the opinion that a study should be made of the banking field for the meeting of conditions which will arise as the war progresses and after it ends. Also, that it was the intention of the Committee to write to each member bank of the Sixth Federal Reserve District, asking for an expression of what the bank should do to qualify itself to better meet these problems. 26

On May 10-11 Chairman Neely attended a "Chairmen's Conference" held in Washington. He reported the highlights of the Conference to the Atlanta Board at its June meeting:

1. The discussion had, at the request of Governor Saymozate, of the need for the auditing staffs of the Federal Reserve Banks to be free from control of the officers of the banks.
2. The address by William L. Clayton, Administrator of the of the Surplus Property Policy Board, in which he commented on the work that has been done this far in disposing of property acquired by the United States in connection with the War Program which is now found not to be needed. --
3. Chester W. Bowles Administrator of the Office of Price Administration, in an address to the Conference, asked the cooperation of the Federal Reserve System in securing legislation continuing the Price Control Act.
4. The talk by Allan Sproul, President of the Federal Reserve Bank of New York, on the relationship between the Board of Governors the Chairmen, and the Federal Reserve Banks.
5. The address by Chairman Marriner S. Eccles, in which he stated that the Board of Governors proposed to administer the financial operations of the System,

pointing out that the Board of Governors is responsible to the Congress of the United States, and that its annual report of operations is submitted to the Congress.

6. Judge Vinson, Director of Economic Stabilization, spoke to the Conference on the subject of 'Wage-Salary Stabilization.

A couple of months later Keehn W. Berry, member Federal Advisory Council for the Sixth District and President of the Whitney National Bank of New Orleans took warm exception to an advertisement published in the "Monthly Review," of the Atlanta Bank. He wrote to President McLarin on July 10:

"I am surprised to find an advertisement of the Small War Plants Corporation on the cover sheet of the 'Monthly Review' of the Federal Reserve Bank of Atlanta. I am surprised because it seems to me inconsistent with the policies of the Federal Reserve Board in Washington in regard to this particular agency and the credit principles on which it is based. It seems to me that the strongest argument which the Federal Reserve Board was able to make for its request for the granting of power to enter the field of loans to small business was the hope that the granting of such powers to the Federal Reserve might result in keeping the Small War Plants Corporation on a temporary base. The article in your 'Review' has all the earmarks of being prepared by the Small War Plants Corporation itself as a part of the propaganda for the extension of its authority.

"I am curious as to whether members of your organization are to be permitted to use this monthly bulletin and its mailing list to spread their own ideas merely because of their willingness to sign the article. It seems to me it is a bad practice and will lead to a

great deal of trouble.”

To which McLarin replied:

“Thank you for your comments on the SWPC article that appeared in our Monthly Review of June 30, 1944. Your reaction to this article is completely different from what we had anticipated.

“In working up the article we had several considerations in mind. In a special article of the May issue entitled ‘Will Used War Plant Machinery Equip the South’?, we had mentioned the SWPC in its relation to the surplus War Property Division of the RFC. It seemed proper, therefore, in a sequel article, to discuss more fully the role of the SWPC.

“Another consideration was that insofar as possible we wanted to direct the attention of our banker readers in a quiet way to what the SWPC was actually doing. We felt that if we stated the facts we might draw attention to possible encroachments upon existing banking practices that might occur if the SWPC were to expand its operations. In doing this, we had not thought of advertising the SWPC or of placing our endorsement upon the organization.

“Still another consideration was that of contributing to drawing in the background of the methods and procedures followed in Government financing of war contractors. Other aspects of such financing exist on which we plan to write.

“In selecting articles for our Review we have in any event always been extremely sensitive about any possible charges of bias. We prepare our own articles on the basis of independent research. Each article is carefully reviewed by an editorial committee and by the officer in charge. The manuscript articles in turn are submitted to the Board

of Governors for review and suggestions. While we permit the individual primarily responsible for the article to add his signature, no special article under our procedure can thus be an unreviewed or irresponsible expression of individual opinion or of individual propaganda. Moreover, the personal integrity of the member of our research staff is completely accepted by us.

“In view of all the care we take in the preparation of our Review, I am genuinely regretful that the article in question has given you an impression contrary to what we had in mind. At all events, however, I am glad that in this instance you wrote to me directly as being the person primarily responsible.” 28

Following a discussion of the above, the Board approved the policy and procedure of the officers of the bank in the preparation of the Monthly Review as described by President McLarin. 29

During the course of the January Board meeting Director George J. White submitted a report on the activities of the Accounting Department, with particular emphasis upon the work in the Jacksonville Branch. He stated that since the decentralization program this branch had handled the accounting in a splendid manner. Also, that the operators of the Fiscal Agency Department there were running particularly well. 30

In February President McLarin told the directors that the Branches were all operating successfully under the decentralization program, and that, with the exception of Nashville, they have adequate operating space. Further, that the officers are endeavoring to find additional space for this Branch.

Director George disagreed to a considerable extent. He said that, in connection

with his review of the audit reports, he had observed that the bank is paying a considerable amount for rent for office space. He suggested that thought be given to adding additional floors to those buildings so constructed that floors can be added. He said he had in mind particularly the New Orleans Branch.

Mr. Matherly, Chairman of the Jacksonville Branch said he thought his Branch will need additional space permanently, and that consideration should be given to building on the lot adjoining the Jacksonville Branch Building. It was understood that such construction could not be undertaken until after the war. 31

Soon afterward a request was received from the Board of Directors of the Birmingham Branch that consideration be given to a purchase of land for expanding the quarters of the Branch at some time in the future. The request was referred to the Real Estate and Building Committee for study and a later report. 32

Indeed, the Real Estate and Building Committee, chaired by Director J. A. McCrary, began exhaustive studies relative to postwar space requirements for both the Atlanta bank and Branches. Questionnaires were sent to the Branches calling for information as to their needs. In September Architect Henry Toombs, who had supervised the renovation of the Atlanta bank in 1938, was discharged from the Army and was employed on a per diem basis of \$25 plus actual expenses to make space surveys as needed.

Meanwhile, in February, an option was obtained from the owner of the vacant lot adjoining the Atlanta bank building to the west to purchase same for \$35, 000. The purchase was approved by the Board.

As of November 16, 1944, the Federal Reserve System had been in operation for

30 years- -a generation. On that occasion Marriner S. Eccles, Chairman of the Board of Governors, wrote to Frank Neely:

“November 16, 1944, is the 30th anniversary of the opening of the Federal Reserve Banks for business. During these 30 years, which began in one world war and have carried through into another, even more fateful, with intervening periods of booms and depressions, the Reserve Banks have continuously rendered a vital service to the nation.

“The Board of Governors wishes to commemorate the 30th anniversary of the Federal Reserve Bank of Atlanta by expressing its appreciation of the work of the directors, officers and employees of the Reserve Bank in building it to the great institution which it is today from the small beginning 30 years ago. We are confident that in the years to come the Federal Reserve Bank of Atlanta and the other Federal Reserve Banks will continue to meet with ability and vision the new challenges and opportunities as they may arise.

In similar, but more concise vein, Under Secretary of the Treasury D. W. Bell, telegraphed:

“Today the Federal Reserve Banks are 30 years old with a fine tradition soundly established. My sincere congratulations on your past accomplishments and my best wishes for the future. It has been a distinct pleasure and real source of satisfaction to all of us here in the Treasury to have been associated with the officers and employees of the entire Federal Reserve System during its existence. Many happy returns of the day.”

35

As its 30th anniversary year closed the Sixth District Federal Reserve Bank stood

foresquare as a two-billion-dollar enterprise, with total assets and liabilities of \$2,067,986,352.01. Government securities accounted for nearly half- -\$983,726,000.00 Net earnings for 1944 came to \$2,382,464.36, a substantial increase over the figure of \$1,032,698.27 for the preceding year. 36

NOTES

Chapter 33

1. Life History of the United States, 11, pp. 168-169.
2. Ibid.
3. Garrett, Atlanta and Environs, II, 1004.
4. Minutes, Directors, XIII, 3582, 3587, 3605, 3622.
5. Ibid., 3593. The revised by-laws follow:

BY-LAWS OF BANK - REVISION OF:

Upon motion, made by Director McCrary, seconded by Director Hall and unanimously carried, the following were adopted as the By-Laws of the Federal Reserve Bank of Atlanta:

BY -LAWS FEDERAL RESERVE BANK OF ATLANTA

ARTICLE I - Board of Directors

Section 1 - Quorum: A majority of the directors in office at the time of holding any directors' meeting shall constitute a quorum for the transaction of business at such meeting, but less than a quorum may adjourn the meeting from time to time until a quorum is in attendance.

Section 2 - Vacancies: As soon as practicable after the occurrence of any vacancy in either the Class A or Class B membership of the Board, the Chairman of the Board shall take such steps as may be necessary to cause such vacancy to be filled in the manner provided by law.

Section 3 - Meetings: There shall be a regular meeting of the Board on the second Friday of each month, commencing at such hour as may from time to time be fixed by action of the Board of Directors, but if that day be a holiday, then the Board shall meet on the first preceding full business day. The Board may at any regular meeting fix another date for the next regular meeting. The Chairman of the Board may call a special meeting at any time and shall do so the written request of any three directors or of the president of the bank. Notice of regular and special meetings may be given by mail or by telegraph. If given by mail, such notice shall be deposited in the mails at Atlanta at least three days before the date of the meeting. If given by telegraph, such notice shall be dispatched from Atlanta at least one day before the date of the meeting. Notice of any meeting may be dispensed with if each of the directors shall in writing waive such notice.

Section 4 - Powers: The business of the bank shall be conducted

under the supervision and control of its Board of Directors subject to the supervisory authority vested by law in the Board of Governors of the Federal Reserve System.

Section 5 - Chairman: The Chairman of the Board shall preside at all meetings of the directors and perform such other duties as may be imposed upon him by the Federal Reserve Act or by the Board of Governor. of the Federal Reserve System. In the absence of the Chairman one of the directors of Class C appointed by the Board of Governors of the Federal Reserve System as Deputy Chairman shall preside at the meetings and shall exercise the powers of Chairman of the Board and, in case of the absence of the Chairman and the Deputy Chairman, the third Class C director shall preside at the meetings of the Board. In the absence of the Chairman, the Deputy Chairman, and the third Class C director, the directors present at the meeting shall elect a Chairman.

Section 6 - Deputy Chairman: As provided by law, the Deputy Chairman of the Board of Directors shall exercise the power of the Chairman of the Board when necessary, and any provision of these By-Laws relating to the Chairman shall be construed as having reference to the Deputy Chairman when that director is, whether because of the absence or disability of the Chairman or for any other cause, exercising the powers of the Chairman.

Section 7 - Secretary: The Board shall appoint a Secretary of the Board, who shall keep the minutes of all meetings of the Board, have custody of the seal of the bank, and perform such other duties as may be assigned to him from time to time by the Board of Directors. The Board may, in the absence or disability of the Secretary of the Board, or upon any other occasion when, in the discretion of the Board such action may be deemed to be desirable, appoint a secretary pro tern. Any person who may act as recording officer of the proceedings of any meeting of the Board may, in the regular discharge of his duties or upon the direction of the Board of Directors, the Executive Committee or the officers of the bank, certify copies of such minutes or excerpts therefrom and, in such case, affix the seal of the bank to such certified copies.

Section 8 - Federal Open Market Committee Member: The Board of Directors, in conjunction with the Boards of Directors of the Federal Reserve Banks grouped in Section 12A of the Federal Reserve Act with the Federal Reserve Bank of Atlanta for the purpose of electing a member of the Federal Open Market Committee, shall annually elect a representative to serve on the Federal Open Market Committee and an alternate to serve in the absence of such representative, as is provided by Section 12A of the Federal Reserve Act, as amended. The term of office of such representative and alternate shall commence on March 1.

Section 9 - Federal Advisory Council Member: In accordance with the provisions of Section 12 of the Federal Reserve Act, as amended, the Board of Directors shall select from the Sixth Federal Reserve District a person having no official connection with the Federal Reserve Bank to serve as a member of the Federal Advisory Council. The term of office of the person so selected shall be for one year,

commencing January 1.

Section 10 - Industrial Advisory Committee: As provided in Section 13b of the Federal Reserve Act and Regulation S, the Board of Directors shall appoint, subject to the approval of the Board of Governors of the Federal Reserve System, an Industrial Advisory Committee consisting of five members, each of whom shall be actively engaged in some industrial pursuit within the Sixth Federal Reserve District. The members of the committee shall be appointed on or before February 15 for a term of one year, commencing March 1.

ARTICLE II - Committees

Section 1 - Executive Committee - How Constituted:

There shall be an Executive Committee consisting of the Chairman of the Board of Directors, who shall serve as Chairman of the Committee, and two directors to be appointed annually at the regular meeting of the Board held in January of each year. In the event of a vacancy in the office of Chairman of the Board, the Deputy Chairman of the Board shall serve as a member of the Committee in lieu of the Chairman and shall act as Chairman of said Committee. Members of the Board of Directors who are not appointed to serve as members of the Committee and who are not engaged in business in Atlanta shall serve as ex officio members of the Committee when in Atlanta. Two members of the Committee (including ex officio members) shall constitute a quorum for the transaction of business, and action by the Committee shall be upon the vote of a majority of those attending the meeting. In the absence or disability of the Chairman of the Committee, the Committee shall elect one of its members as Chairman pro tern.

Section 2 - Meetings of Executive Committee: The Committee shall have the power to fix the time and place of holding its regular and special meetings, provided that the Executive Committee shall meet at least once every fourteen days. The Chairman may call a special meeting of the Committee at any time, and it shall be the duty of the Chairman to call a meeting of the Executive Committee whenever requested so to do by the president, and, in the absence or disability of the Chairman, the president shall have the right to call a special meeting. The officer calling any such special meeting shall endeavor to give notice thereof to all members of the Committee, but, unless the Committee shall by its own action direct otherwise, a meeting may be held provided a quorum can be assembled from those to whom notice may have been sent.

Section 3 - Minutes of Executive Committee:

Minutes of all meetings of the Executive Committee shall be kept by such person as the Committee may from time to time designate for that purpose. Such minutes, or a digest thereof, shall be submitted to the Board of Directors at the next succeeding meeting of the Board and shall be read to the meeting if requested by the members of the Board.

Section 4 - Powers of Executive Committee:

Subject to the supervision and control of the Board of Directors as set forth in ARTICLE

I, Section 4 hereof, the Executive Committee shall, between meetings of the Board of Directors, have power to direct the business of the bank, including the power to establish discount rates and to exercise all powers and authority vested by law in the Board of Directors in so far as such powers and authority may awfully be delegated to the Executive Committee.

Section 5 - Discount Committee - How Constituted. There shall be a Discount Committee consisting of the president, the vice presidents and, if the officer in direct charge of the discount and credit department is not a vice president, then such officer. The president shall act as chairman. In his absence or disability the first vice president shall act as chairman, and in the absence or disability of the president and the first vice president, the senior officer present shall act as chairman. Any three members of the Committee shall constitute a quorum for the transaction of business. Acts of the Committee shall be upon the vote of a majority of those present. The Discount Committee shall make a report of all discounts and advances to the Executive Committee for review by the latter at its meeting next following the discounts and advanced so reported, and shall make reports of any other of its acts to the Executive Committee.

Section 6 - Meetings of Discount Committee: The Discount Committee shall meet upon the call of the president, or, in his absence or disability, upon the call of the first vice president, or, in the absence or disability of the president and the first vice president, the senior officer present in the bank is authorized to call a meeting of the Committee. The minutes of all meetings of the Committee shall be kept by such person as the Committee shall from time to time designate for such purpose.

Section 7 - Powers of Discount Committee: The Discount Committee shall have power,

- (a) To consider applications for discount or rediscount and other advances or extensions of credit made by banks authorized to borrow from the Federal Reserve Bank, and to approve or disapprove such applications.
- (b) To consider and approve, when authorized or required by the applicable circulars of the Treasury Department, collaterals pledged by designated depository banks as security for public moneys of the United States placed on deposit with such depositories, and to approve substitutions of collateral pledged for such purpose.

Section 8 - Special Committees: The Board of Directors shall have the right to authorize the appointment from time to time of such special committees as to the Board may seem advisable or appropriate, which committees shall consider such special or particular matters as may be referred to them by the Board, and may exercise such other powers as the Board may delegate to them.

ARTICLE III - Officers

Section 1 - Appointment of Officers: The Board of Directors shall appoint a president, a first vice president, and one or more vice presidents as to the Board may seem proper or advisable, and such other officers as the Board may determine to be necessary or advisable for the conduct of the business of the bank, and is authorized from time to time to prescribe the duties of such officers. The Board of Directors shall have the right to dismiss such officer or officers at pleasure.

Section 2 - Appointment of President and First Vice President:
The terms of office of the president and the first vice president are fixed by the Federal Reserve Act at five years, and are calculated from March 1, 1936. Accordingly, except in cases where a vacancy is being filled in the position of president or first vice president, the Board of Directors shall appoint, subject to the approval of the Board of Governors of the Federal Reserve System, a president and a first vice president at the February meeting of the Board of Directors in those years when such appointments are to be made.

Section 3 - Appointment of Other Officers:
Except as to the president and the first vice president, the Board of Directors shall appoint officers of the bank annually at the May meeting for terms of one year, commencing June 1, at which time the Board shall fix (subject to the approval of the Board of Governors) the compensation to be paid such officers, respectively, including the compensation to be paid to the president and the first vice president. The Board shall have the power to appoint at other meetings such other officers as the Board may determine to be necessary or appropriate for the conduct of the business of the bank.

Section 4 - President: The president shall be the chief executive officer of the bank, and all other officers and all employees of the bank shall be directly responsible to him. He shall have general charge and control of the business and affairs of the bank, subject to such limitation as the Board of Directors may from time to time prescribe, and shall have power to prescribe the duties of all other officers and agents of the bank in cases where such duties are not specifically prescribed by law or by these By-Laws or by action of the Board of Directors. The president may suspend or remove any employee of the bank.

Section 5 - First Vice President: In the absence or disability of the president, or during a vacancy in the office of president, the first vice president shall serve as chief executive officer of the bank, exercising the powers and performing the duties of the president. At other times, he shall have such powers and perform such duties as may be required or conferred by the Board of Directors, the Executive Committee, or by the president.

Section 6 - Other Officers: The officers

appointed annually by the Board of Directors shall have such powers as may be conferred, and shall perform such duties as may be required by the Board of Directors, the Executive Committee, or by the president. Each officer shall have the right to sign any contract, conveyance, or other document the execution of which has been authorized by the Board of Directors or by the Executive Committee.

Section 7 - General Auditor: At the annual appointment of officers, the Board of Directors shall appoint a general auditor, who shall be responsible for the proper audit of the bank, including an examination of all of the books of the bank and verifications of the accounts (including verifications of custodies held by the bank for itself and others) and shall perform such other duties as may be assigned to him. He shall prepare and submit reports of all audits and investigations to the Board of Directors through the Chairman thereof or through an audit committee. The general auditor shall hold office at the pleasure of the Board of Directors.

Section 8 - General Counsel: At the time of the annual appointment of officers the Board of Directors may appoint a general counsel, who shall have general supervision of all litigation in which the bank may be interested and of any other matter or matters of a legal nature or in connection with which the attention of counsel may be required or requested. The general counsel shall act as counsel to the various branches of the bank and shall represent the branches in such matters as may be assigned to him, and shall approve all legal documents. He may appoint local counsel for any one or more branches with the approval of the Board of Directors or of the Executive Committee and upon such terms as may be approved by the Board or by the Committee.

ARTICLE IV - Certificates of Stock

Section 1. - Signatures: All certificates of stock issued by this bank shall be signed by the president or by the first vice president (or, in the absence or disability of both, by a vice president) and another officer.

ARTICLE V - Business Hours

Section 1: The bank shall be open for business from 9:30 o'clock, a.m., to 2:00 o'clock, p.m., on each day except Sundays and Saturdays or days or parts of days established as a legal holiday; the business hours on Saturday shall be from 9:30 o'clock, a.m., to 12:30 o'clock, p.m.; provided, however, that the Executive Committee is authorized to change the business hours from time to time upon the recommendation of the president.

ARTICLE VI - Amendments

Section 1: These By-Laws may be amended at any regular meeting of the Board of Directors by a majority vote of the entire Board; provided, however, that a copy of such amendment shall have been delivered to each member at least ten days prior to such meeting.

LEGISLATION ON CONTRACT TERMINATION:

Assistant Vice President V. K. Bowman made a brief report as to the provisions contained in a bill recently introduced in Congress, entitled "Contract Settlement Act of 1944." He pointed out the importance of legislation of this type in connection with the financing of contractors converting from war-time to peace-time production.

SCHEDULE OF RATES OF DISCOUNT:

The Secretary stated that on May 10, 1944, the Executive Committee voted to establish without change the following rates of discount, effective May 11., 1944:

1. (a) Discount rate. 17.
(b) Advances to member banks made under paragraphs 8 and 13 of Section 13 and secured by direct obligations of the United States' or by such Government guaranteed obligations as are eligible for collateral thereunder which have more than one year to run to call date or to maturity if no call date. 17. per annum
(c) Advances to member banks made under paragraphs 8 and 13 of Section 13 and secured by direct obligations of the United States or by such Government guaranteed obligations as are eligible for collateral thereunder which have one year or less to run to call date or to maturity if no call date. 1/27. per annum
2. (a) Advances to individuals, partnerships and corporations (other than banks) secured by direct obligations of the United States (last paragraph of Section 13). 2% per annum
(b) Advances to non-member banks made under the last paragraph of Section 13 and secured by direct obligations of the United States. 17. per annum
3. Loans or advances to established industrial or commercial businesses under Section 13b. 24 to 5% per annum
4. Advances to banks or other financing institutions made under Section 13b in connection with loans to established industrial or commercial businesses:
(a) Portion for which financing institution is obligated--rate charged borrower less commitment rate.
(b) Remaining portion--rate charged borrower.
5. Rates on commitments for industrial advances to financing institutions-- provided that no commitment shall be given on a loan on which borrower is charged more than 5%.

6. Ibid., 3540-3541.

7. Ibid., 3554.
8. Ibid., 3571.
9. Ibid., 3583.
10. Ibid., 3610.
11. Ibid., 3638.
12. Ibid.,
13. Ibid., 3642, Mr. Glenn, then 76, died October 11, 1946, at 78, as Honorary
Chairman of The Trust Company of Georgia.
14. Minutes. Directors, XIII, 3647.
15. Ibid., 3612.
16. Ibid., 3555-3558, 3574, 3576-3579.
17. Ibid., 3602-3603.
18. Ibid., 3571.
19. Ibid., 3621, 3628.
20. Ibid., 3628.
21. Ibid., 3589-3590.
22. Ibid., 3590.
23. Ibid., 3590-3591.
24. October 16, 1944, p. 80.
25. Minutes, Directors, XIII, 3592.
26. Ibid., 3605.
27. Ibid., 3603-3604.
28. Ibid., 3613-3614.

29. Ibid., 3614.
30. Ibid., 3555.
31. Ibid., 3566.
32. Ibid., 3575.
33. Ibid., 3580, 3585, 3592, 3604, 3622.
34. Ibid., 3558, 3571.
35. Ibid., 3641.
36. "Thirtieth Annual Statement," January 15, 1945.

Chapter 34

1945

The long awaited transition from war to peace, uneasy though the peace turned out to be, took place in 1945. Germany capitulated in May; Japan in August.

Meanwhile other events of great importance took place. On January 20, Franklin D. Roosevelt took the oath of office as President for an unprecedented fourth term. He died at Warm Springs, Georgia, April 12 and was succeeded by Vice President Harry S. Truman. In midsummer the Labor Party won an overwhelming victory in the British general elections and Clement Palee succeeded Winston Churchill as Prime Minister.

On September 6 President Truman submitted to Congress a 21—point program for the transition from war to peace and asked for congressional cooperation to put it into effect. Three days later, on the 9th, General Douglas McArthur took over the Japanese government and announced he would permit the Japanese to govern themselves under Allied directives. The United States and 27 other nations signed an agreement on December 27 setting up the World Bank.¹

In Atlanta, the Roosevelt general train was viewed by thousands on April 13 as it rolled slowly through the city drawn by two meticulously groomed Southern Railway steam locomotives. VE Day was officially observed on May 8 and VJ Day on August 14. On September 5 William B. Hartsfield was re—elected Mayor.²

Meanwhile, R. M. Evans, a member of the Board of Governors of the System, while in attendance at the Atlanta bank Board meeting in April was asked for an informal statement as to his feelings with respect to the effect on the Government, the war, and the peace, of the death of President Roosevelt.

Governor Evans, stated that the United States, as a nation, would probably realize the seriousness of the loss more as time goes by, but that he found comfort in the fact that the war situation seems to be at this time reasonably well in hand. He added that, in his opinion, one of President Roosevelt's greatest victories was the obtaining of Russia's repudiation of the non—aggression pact with Japan. Evans expressed the hope that the business leaders of the country would take the lead in guiding the nation in the making of the peace and in the solving of the many problems that will face the home front after the war. He said that business leaders must assume greater responsibilities in leadership in order that fear and confusion might be avoided.³

One of the first readjustments to a peacetime economy on the part of the Federal Reserve Board was reported by Time on September 24, 1945. Under the heading "Retail Trade", the magazine said:

"The Federal Reserve Board this week promised the public its first taste in over four years of the old American custom of installment buying. 'Regulation W' (war—time consumer credit control) will be relaxed enough to remove all restrictions for the installment purchase of building and home repair materials. If the materials are to be had, the average man can once more build all the new houses or buy all the new bathrooms he can afford, 'on time'.

"But the heady days of a few dollars down and a few cents a month for everything from garages to garbage cans are still a long way off; controls over installment buying in general are due to outlast reconversion. Reason: Regulation W was instituted on September 1, 1941, as an anti— inflationary measure. And FRB fears that inflation would blow prices sky high if unlimited credit is permitted before supply

meets the demand.

“Nevertheless,, lending institutions last week scrambled vigorously to get themselves ready for installment buyers when the lid is lifted. The big credit companies led the way by slashing to an all time low the interest rates to dealers for financing autos. Commercial Credit Company, C.I.T. Financial Corporation and General Motors Acceptance Corporation, announced a drop from a pre—war 42 to 3Z...

“Right in step were 1,000 U.S. banks. The prepared to participate, for the first time, in nationwide time—payment financing. Aiming at the lush household appliance field. They announced the formation of the National Sales Finance Plan. Purpose: to lend money in at least 3,000 cities and towns for appliances costing as little as \$25.”

A number of changes in official personnel took place during 1945 in the Sixth District Federal Reserve Bank.

At its meeting on February 9, the Board welcomed Robert Strickland as a new member, succeeding Thomas K. Glenn. Strickland, President of the Trust Company of Georgia and active in the American Bankers Association, was a native of Tallapoosa, Georgia and an Emory University graduate. He was also a director of the Trust Company of Georgia, Trust Company of Georgia Associates, Nashville, Chattanooga and St. Louis Railway, Coca—Cola International Corporation, and Turbize Rayon Corporation.⁴

At the same time Robert Strickland was welcomed to membership, the Board wired Ronald Ransom, of Atlanta, to congratulate him upon his reelection as Vice—Chairman of the Federal Reserve Board in Washington⁵.

Other changes in February included the resignation of B. C. Teed from the

Jacksonville Branch Board and the election of J. S. Fairchild, Cashier of the First National Bank of Winter Garden to fill the unexpired term. R. R. Gilbert, President of the Federal Reserve Bank of Dallas and W. S. McLain, Jr. were elected member and alternate member of the Open Market Committee, representing the Federal Reserve Banks of Dallas, St. Louis and Atlanta for a one—year term, commencing March 1, 1945. A. M. Lockett, of New Orleans, declined re—appointment to the Industrial Advisory Committee for the Sixth District because of ill-health. He was succeeded on March 9 by Luther H. Randall, President of Randall Brothers, of Atlanta.⁶

No more changes took place until September, when Leo W. Starr, Assistant Cashier at the Birmingham Branch, returned to his position after three years in the armed forces.⁷

H. Warner Martin, noted banker and former Deputy Governor and Federal Reserve Agent and Chairman of the Board, died August 13. On September 14 the Board adopted resolutions of sorrow and sympathy.⁸

Mr. Martin's death was followed in less than three months by the passing of John K. Ottley on November 1. Also a noted banker and a former Director of the Atlanta Federal Reserve Bank. The Board adopted resolutions of sympathy, including the following paragraph:

He lived a full and useful life. Behind an unusual banking service, covering an unbroken record of more than fifty—five years, was a man of clear—cut aims and ambitions, marked by fine sturdiness and glorious nobility. He loved his fellow man, evidenced by many acts of kindness and words of encouragement. His singular combination of firmness and gentleness, his modesty, his saving sense of humor, and

the warmth of his heart will ever be remembered by those who knew him best — These will be his endoring monuments.

“God’s finger touched him and he slept”⁹

A number of actions were taken during 1945 affecting officers and employees.

In January the Federal Reserve Board decided that, as a general policy, it would not thereafter appoint as a Class C Director or a Branch Director any individual who is 70 years of age, or who would become 70 prior to the expiration of his term.¹⁰

In May on motion of Director Hall and seconded by Director Harris, the officers were requested to develop, as promptly as circumstances would permit, a modern type of suggestion system. The purpose of which would be to obtain from the employees of the Bank suggestions concerning methods of improving the operations of the bank. The authority of the officers included appropriate compensation to any employee making an acceptable suggestion.¹¹

At the same time a number of official salaries were increased. First Vice— President Bryan went from \$13,000 to \$14,000; Vice President Clark from \$12,000 to \$12,500; Vice President Boroman from \$8,000 to \$8,500; S. P. Schuessler from Assistant Vice President at \$6,000 to Vice President at \$6,500; C. R. Camp, Assistant Vice President, from \$6,000 to \$6,300; Pollard Turman, General Counsel, from \$6,000 to \$8,000; J. E. Denmark, General Auditor, from \$5,500 to \$7,000; L. B. Raisty was promoted to Assistant Vice President at \$6,500. E. P. Paris, Managing Director at New Orleans was upped from \$10,000 to \$11,000, while the other three Branch Managers were increased from \$7,000 to \$7,500. All Assistant Branch Managers, Cashier and Assistant Cashiers were also increased. 12

The Board went on record as favoring the fixing of the President's salary at \$25,000, but deferred to later consideration and action of the Board of Governors. Therefore, President McLain continued to draw \$20,000.¹³

Employees salaries were not forgotten either. A general discussion was had at the November meeting. The substance of which follows:

- “1. In 1942 the Board of Governors approved the payment by the Federal Reserve Banks of supplemental compensation, but the Board of Directors of this Bank felt that it would be more advisable to increase basic salaries at this bank than to pay supplemental compensation, for the reason that it had been recognized for some time that salaries paid at this bank were lower than those paid at other Federal Reserve Banks for comparable work.
- “2. This bank has followed a practice of reviewing periodically the salaries paid to all employees in so far as it was permitted to do so under the salary stabilization controls and the Personnel Classification Plan, in cases where circumstances made such adjustments appropriate.
- “3. The Classification Plan of the bank is in need of a general revision for the reason that, in the case of many positions, the maximum salary permitted under the plan is being paid; and, during the war, the policy of the bank has been to submit as few requests as possible for increases in maximum annual salaries, it being felt that, under the salary stabilization controls, such requests should be made only in extreme cases.
- “4. Although it is planned that as promptly as possible a thorough analysis of the classification plan will be made, as well as a job analysis study, such a

revision will require many months. It is at present exceedingly difficult to administer salaries on a merit basis, consequently, relief is necessary, if only of a temporary nature.”

Following the above discussion the following resolution was adopted:

“Be It resolved, that the Federal Reserve Bank of Atlanta request the Board of Governors of the Federal Reserve System to authorize It to exceed the maximum salaries as set forth in Form A of the Personnel Classification Plan as follows: 152 of the first \$3,000 of Form A maximum salary, provided that such amount, when added to authorized maximum salary shall not exceed a total of \$7,500.”

The Board of Governors approved the above “as a temporary measure to take care of individual cases in the postwar situation pending a comprehensive revision of the Personnel Classification Plan.”¹⁴

Indeed, as Vice—President Bryan pointed out at the time, the chief personnel problems were (a) high rate of turnover, (b) the inauguration of a job analysis study and (c) the re—employment of returning veterans.¹⁵

The matter of expenditures by Federal Reserve Banks came up for a thorough discussion at the February Atlanta Board meeting.

The Secretary read a letter dated January 16, 1945, addressed to President McLain from Chester Morrill, Secretary to the Board of Governors:

“The Board’s letter of January 16, 1945, contains a brief statement of the background for the consideration by the Board of expenditures of the Federal Reserve Banks. Your comments and suggestions are requested on the two questions raised further on in this letter.

“The Board is conscious of the existence of a feeling on the part of directors and officers of Federal Reserve Banks that they are sometimes subjected to unnecessary regulations and restraints regarding certain types of expenditures and that the Board should be willing to accept their judgment in such matters without question.

“On the other hand, it is apparent that the opinions of the directors and officers of some banks differ at times from those of other banks as well as from those of the Board, and that, in the interest of the System as a whole. There should be some general consistency of policy. Moreover, the Board has a responsibility to Congress which it is believed cannot be discharged by mere acquiescence.

“From time to time there are indications in Congress and elsewhere of a feeling that the expenditures of the Federal Reserve Banks as well as the Board, should be placed under the Government’s budgetary and accounting controls. Suggestions of that kind are not improbable if and when a proposal is made to restore the franchise tax.

“In order not only to give full consideration to the views of the directors and officers of the Federal Reserve Banks with respect to the type of control now exercised by the Board over their expenditures, but also to have a well—supported position when confronted with legislative proposals of the kind above mentioned, it would be appreciated if the Presidents would give the Board the benefit of their reasons for their positions upon the following questions:

“1. In view of the fact that the Federal Reserve Banks are chartered by Congress and operate under the general supervision of a Governmental body, the fact that Government departments are not authorized to make expenditures of some, at least, of the kinds authorized in the attached letter, and the possibility of criticism

of such expenditures from the standpoint of the Government's residual interest, what reason can the Board and the banks give in justification of such expenditures?

"2. In order to meet such criticism and to counter proposals for the transfer, what reasons can be advanced for opposing transfer of jurisdiction of expenditures of the Reserve Banks from the Board to the budgetary and accounting authorities of the Government?

"As above Indicated, the reasons for the answers to these questions are important to the System as a whole, and it is hoped that they will be most fully and carefully stated in a manner which would be convincing if they were presented to Congress.

"If it should be the feeling of the Presidents that they would prefer instead of answering individually, to set up a special committee to ponder these questions and to present a consolidated statement with the approval of the Presidents' Conference, that course would be entirely satisfactory to the Board."

Letter of January 16, 1945, referred to in above letter:

"Recently a Federal Reserve Bank inquired informally whether in the case of a director who was retiring after a substantial length of service, there was any objection to an expenditure of bank funds for a suitable memento of his service. Another Reserve Bank recently proposed that recognition in some tangible form involving the expenditure of bank funds be made to employees who had completed 25 years of service with the bank.

"The Board has felt that in its consideration of such questions and similar

questions affecting officers and employees of the Federal Reserve Banks it must take into account the peculiar relationship of the Reserve Banks to the Government. They do not have the same status as privately owned corporations which are voluntarily created by and operated for the benefit of their stockholders. They were set up by Congress to perform functions prescribed by Congress for public purposes. Stock holdings and dividends thereon are strictly limited. The owners of the stock being somewhat like holders of preferred stock in other corporations, while the residual interest in the assets of the banks is in the Federal Government, which, therefore, may be regarded in effect as the owner of all of the common stock.

“In view of this situation, the provisions of the law, and the fact that the Reserve Banks are not accountable to the Federal budget and accounting authorities, the Board feels that Congress has placed upon it a substantial measure of responsibility for the expenditure of the Federal Reserve Banks. The Board therefore feels that it must be prepared to justify the Reserve Banks as well as itself in the event of criticism from Congress or other Governmental sources on the ground of claims that expenditures had been made in disregard of the Government’s residual interest.

“On the other hand, the regional and decentralized character of the System under a corporate form of organization with a board of directors, executive officers in each of the twelve districts, together with the absence of provision for any direct Government appropriations for the support of the Federal Reserve Banks, should be regarded as evidencing an intention that there should be some room for initiative on the part of the local organizations in determining what is reasonable and proper in particular circumstances, subject to the general supervision of the Board of Governors.

“In the attached memorandum specific reference is made to certain types of expenditures.

“The Board is confident that the Reserve Banks will exercise their discretion with respect to the expenditures authorized in this letter and the attached memorandum in full recognition of their responsibilities as stewards of public funds. As stated, none of the expenditures need be submitted to the Board in advance for approval. The Board will reply upon its examiners to note such expenditures during the course of their regular examinations and report as to any cases which they feel should be brought to the attention of the Board. If in the review of any such report it appears that a particular expenditure is of a questionable type, the Board will then take the matter up with the particular bank concerned.”¹⁷

Memorandum Regarding Certain Types
of Expenditures Supplementing
Board’s letter of January 16, 1945
“Memo to retiring directors”

“The practice of making some appropriate parking presentation is not unusual among corporations and other organizations and the fees received by Federal Reserve directors for attendance at meetings are not large in view of the service which they are called upon to render without other remunerations. Accordingly, the Board considers that the question of what momento or token, if any, should be given to retiring directors in commemoration of their service in the public interest may properly be left to the good judgment of the remaining directors. Reasonable expenditures for this purpose, therefore, will be regarded as meeting with the approval of the Board.

“Expenditures for Welfare and Educational Work, Etc.”

“As stated in the Board’s letter of December 13, 1924, the Board is of the opinion that Federal Reserve Banks have the right to make appropriations from their funds for the purpose of welfare and educational work among the employees of the respective banks. They may also pay for official luncheons, dinners and meetings and for entertainment of local and out—of—town visitors and groups incidental thereto when such entertainment is on an official, rather than a personal, basis.

“Minor Expenditures for Testimonials, etc.”

“Some questions have been raised in the past as to minor expenditures of Reserve Banks for testimonials, floral offerings and similar purposes. The Board believes that the board of directors of each Reserve Bank should be free to exercise its discretion in authorizing such expenditures in reasonable amounts.

“Recognition of long service”

“Reasonable expenditures for service certificates, pins, emblems, or other tangible marks of recognition of long service may be considered as directly related to the conduct of the bank’s affairs if authorized as part of the employee relations program approved by the directors.

“Gifts to retiring employees”

“Expenditures for gifts to employees at time of retirement are not believed to be proper charges to bank funds. The institution as such has made provision for the retirement of employees through its payments to the Retirement System and accordingly, the Board does not approve of the expenditure of bank funds or gifts to employees at the time of retirement.

“Expenditures for purposes not directly related to the conduct of the bank’s affairs”

“In a number of instances the Board has had occasion to state that it cannot authorize expenditures of Federal Reserve funds by way of donations to further purposes no matter how worthy, which are not directly related to the conduct of the affairs of the banks. The Board continues in this belief. This position relates to such cases as contributions in response to appeals for national and community welfare and charitable funds.”¹⁸

The subject of non—cash collection items, formerly a bone of considerable contention, came up briefly in 1945 and received short shift from President McLain. He stated at the March Board meeting that the bank had recently received criticisms from certain non—member banks in connection with the practice of sending collection items to member rather than non—member banks. The President also said that, in line with policy recently approved by the Board, he proposed to continue to send such items, whenever practicable, to member banks.¹⁹

In April First Vice—President Bryan, in reporting for the Research, Planning and Public Relations Committee, said that articles appearing in the Monthly Review and the monographs prepared by the Research Department were continuing to receive favorable comment, but that he was concerned over the ability of the department to continue to write as many articles and make as many monographs as previously. This was because Beford Brandis²⁰ had resigned to accept a commission in the Naval Reserve.

Bryan said he felt however, that substantial benefit would result from the establishment by the Research Department of a working relationship with the schools of

Business Administration of certain educational institutions in the Sixth Federal Reserve District.²¹

A couple of months later, in July, Director J. F. Porter proposed “An Agricultural Program and the Relation of the Federal Reserve Bank of Atlanta and Commercial Banks thereto”. In part, the proposal, in writing read:

“... When the war and its influences are past we will again be confronted with conditions that will demand the best of which we are capable.

“For our consideration at this time it is the matter of what can the Federal Reserve Bank of Atlanta do in leadership and in cooperation with its member banks, especially the so—called country banks, to aid agriculture and thereby improve the economic and social conditions of the respective communities, including the improvement of the services and success of the bank itself. This is an entirely worthy subject for consideration by this Board.

“In considering this subject it seems to me we should try to avoid duplication of educational work that is being done acceptably by others, also, avoid-criticism of agricultural programs that are being developed by others in better position to know farming and farmer’s needs than we.

“At first glance this might suggest that there is no other left for the banks to do but proceed along their beaten paths. That, however, is not the case.

“In considering the Atlanta bank’s contribution, policy or program to the agriculture of the southeast it will necessarily have to be very general, leaving to the various commercial banks details of their respective activities.

“The probabilities are that when real thought is given to the bank’s agricultural policy

it will be found that most progressive possibilities have been started; with that in mind it seem logical that the bank select one or more phases of the agricultural program that it approves and attempt in cooperation with others to do a really constructive job.

“For the best interests of the farmers as a whole and for the economic welfare of the business throughout the Atlanta bank’s area. I can think of nothing better than,

“1. To assist in every constructive phase of soil conservation.

“2. The conversion of our farms in the south from a row crop, or cultivated crop system, and to a large extent a one—crop system, to a diversified system, including pastures and livestock.”²²

Following a discussion among Board members and others present the adoption of an agricultural program was referred to the Research and Statistics Department for further study.

During a discussion of the subject in September, Director Porter F stated that the word “policy” be submitted for “program”, suggesting that matters of interest to agriculture could be studied and presented to farmers, such as soil conversation, diversification of crops and development of livestock farming.

Director Cook said he doubled the wisdom of the bank undertaking to educate the farmers, and that in his opinion the program should be for the benefit of the bankers who actually deal with the farmers. Director Strickland expressed himself to the effect that in his opinion the policy of the Federal Reserve Bank should be in connection with credit, rather than production of farm products. He suggested that the bank’s job might be the publication of articles on sound and constructive credit measures in agriculture.

On motion of Chairman Neely, the matter of the adoption of an agriculture policy was

referred to Robert Strickland, Acting Chairman of the Research, Planning and Public Relations Committee.²³

Mr. Strickland incidentally, in his position of President of the Trust Company of Georgia, had already been active in the matter of mutually helpful relations between bankers and farmers.

Branches and their expansion were an important consideration during 1945, although some contraction took place first. The Savannah Agency had never really paid its way since its opening in 1919. Indeed, proposals to close the Agency had frequently been made. However, Savannah businessmen had always urged continuance and the Agency remained in operation. Then, on January 12, 1945, President McLain reported the recent resignation of the Acting Manager of the Agency and a notice of an intention to resign on the part of the Acting Assistant Manager to go in overseas Red Cross work.

McLain stated that after much discussion the senior officers had reached the following justified conclusions:

- “1. That at this time there was not available competent manpower to operate the Agency on a satisfactory basis;
- “2. That the quarters occupied by the Agency are inadequate; and
- “3. That there is no justification for a continuance of an Agency in Savannah when requests by member banks in other cities for a similar agency have been denied, even though such requests were supported by greater evidence of need.”

The President added that, after due consideration, it was the recommendation of the senior officers that the Agency be closed not later than February 1. The Board concurred. In passing the necessary motion it was the Board's feeling that the action in

closing the Agency should be kept confidential until arrangement for closing had been completed by President McLain.²⁴

On February 9, the Secretary, at the request of President McLain, read to the Board two telegrams, one addressed to the Board of Governors by McLain on January 31, and the reply thereto, dated February 1:

“Savannah Agency discontinued effective close of business January 31. No publicity given to closing in this District and suggest that since Savannah Agency served only banks in Savannah it is unnecessary for the Board to release anything to the press regarding the closing, particularly since the Savannah banks requested that as little publicity as possible be given to the closing so as not to reflect in any way on the importance of Savannah as a shipping and industrial center.

Reply to above telegram:

“Your wire 31st. Board of Governors in agreement with your suggestion that no press release be issued relating to closing of Savannah Agency. However, notice similar to that appearing on Page 829 of October 1938 Bulletin, in connection with closing of Havana Agency and Spokane Branch will appear in the next issue of the Bulletin.”²⁵

Coincidentally viii the demise of the Savannah Agency the New Orleans Branch was invited to take a Founder Membership in the International House at a cost of \$1,000 and an active membership in the name of the Managing Director at \$75 per annum. The Board voted a sustaining membership at \$250 per year and one or two standard memberships, in the discretion of the officers of the parent bank, at \$75 each.²⁶

Additional space had become a pressing need at the New Orleans, Jacksonville,

Birmingham and Nashville branches. In the former city, the adjoining building, with a front footage of 21 feet, was purchased for \$75,000 and Atlanta Architect Henry J. Toombs was engaged to prepare plans, though actual work did not get under way until 1946 because the building was under lease until September 30 of that year. 27

In Nashville, where 15,000 additional feet of space was needed, there were three alternatives. To lease space in an adjoining garage building and remodel this space at an estimated cost of \$125,000; the addition of a couple of floors to the present building at approximately \$310,000, or purchase a lot and build a new building for a total of \$505,000, less \$100,000 from sale of present building.

The latter course was favored by the Directors and as the year closed an effort was being made to secure an option on a suitable lot.²⁸

In both Jacksonville and Birmingham it was felt that completely new buildings were in order and at years end a search for appropriate lots was in progress under the general direction of Director J. A. McCrary, of the Real Estate and Building Committee. 29

Meanwhile the Board of Governors in Washington had become cognizant of the space problem generally and wrote to the President of each Federal Reserve Bank under date of September 14, 1945.

“At the June 18, 1945, Conference. of Presidents, there was a discussion of the adequacy of banking quarters of the Federal Reserve Banks. The general sense of the discussion indicated that the volume of business at the banks will be considerably larger after the war than it was before and that in many cases additional space will have to be provided to take care of these expanded operations.

“In these circumstances most of the Federal Reserve Banks are actively laying plans for the creation of new or the alteration of existing head office or branch structures. Some of the banks have acquired building sites or other property for the purpose of enlarging quarters. Alterations approved by the Board sometime ago are under way at two or three offices, and in one case the Board has approved a major alteration and an addition to the present building when labor and material conditions justify beginning construction. The preparation by two of the banks of preliminary plans and specifications was recently approved by the Board with the understanding that it did not include any commitment as to whether or when approval would be given for the actual construction work.

“The action of the Board in the three instances last referred to was taken in the light of the existing shortages of certain building materials, and, in some areas, of construction labor. This situation probably will continue for some time, and it is the view of the Board that, except in case of urgent need, no projects not now under way should be undertaken by the Federal Reserve Banks until it is clear that labor and materials are readily available and the timing of the construction will be in harmony with the transition and postwar building program. However, the Board does believe that it is desirable for the Federal Reserve Banks to proceed with preliminary plans for the provision of such additional space as appears to be necessary on the basis of the probable future volume of Federal Reserve Bank operations, so that construction work can be commenced without delay when conditions permit.

“In this connection, it will be recalled that at the February 29, 1945, meeting of the Presidents and the Board of Governors reference was made to the existing statutory

limitation upon the amount that Federal Reserve Banks may spend in creating branch buildings. At that time it was stated that because of other important legislation before Congress no request should be made for a liberalization or removal of the limitation. The Board is of the opinion that the limitation should be removed and is preparing a draft of bill to that end which it will bring to the attention of the appropriate Congressional Committees at the first favorable opportunity.”³⁰

From the standpoint of earnings the Federal Reserve Bank of Atlanta did veil in 1945. They came to a total of \$7,281,297.90, compared with \$5,076,590.66 for 1944. Operating expenses were up by only \$112,655.27. Net earnings for 1945 totalled \$4,349,179.30 against \$2,579,856.77 for 1944.³¹

The fact that the Federal Reserve System did yeoman service during World War II is attested by the following exchange of letters following the conflict:

“War Department

Washington

November 30, 1945

“Honorable Marriner S. Eccles,
chairman, The Board of Governors
Federal Reserve System,
Washington 25, D.C.

“Dear Mr. Eccles:

“You will recall that when the Executive Order 9112 was promulgated the war production program was suffering from the inability of existing facilities to provide necessary emergency working capital, and that you adopted Regulation V for the purpose of facilitating and expending war production.

“I think that you may be justly proud of the fact that the Board of Governors and

the Federal Reserve Banks have been most successful in accomplishment of the major objectives of the guaranteed loan program to provide necessary working capital financing for the expeditious fulfillment of the war supply program.

“While you refrained from imposing burdensome credit requirements and were successful in avoiding delays which might have impended production, it is notable that under your supervision and the alert and conscientious scouting of the Federal Reserve Banks you have been able to conduct this war financing so prudently that it now appears that the revenues from guaranteed loans will substantially exceed all losses.

“I have been happy to observe the manner in which the Board of Governors and the Federal Reserve Banks consistently have cooperated with the office of the Fiscal Director throughout the course of this emergency financing, and shall be grateful if you will make it known to the Board of Governors and the Federal Reserve Banks and to the individuals concerned that the War Department considers that the services of the Federal Reserve System have been of inestimable value and that you have made an outstanding important contribution to the war.

“Sincerely yours,

(Signed)

Robert P. Patterson Secretary of War.”

“Board of Governors of the Federal Reserve System

December 11, 1945

“Honorable Robert P. Patterson,
Secretary of War,
Washington, D. C.

“Dear Mr. Secretary:

“Your letter of November 30 commending the Board of Governors and the Federal Reserve Banks for the services they have been privileged to render to the War Department in facilitating and expediting war production through the V Loan program will be a source of genuine gratification to all of those in the Reserve System who have had a share in discharging this responsibility. On behalf of the Board of Governors and the Reserve Banks, I wish to acknowledge and thank you for this expression. We are not unmindful of the fact that the success of this undertaking has depended largely upon the close cooperation and exceptionally able assistance which we have received from your own office and from the officers, personally known to you, with whom we have been associated in developing and carrying out the program.

“In accordance with your suggestion, I take particular pleasure in sending copies of your letter to members of the Board and our staff, as well as to the Federal Reserve Banks.

“Sincerely yours,

(Signed) M. S. Eccles.”

“The Secretary of the Navy

Washington

“4 December, 1945

“The Honorable Marriner S. Eccles, Chairman,
Board of Governors of the Federal Reserve System,
Washington, D. C.

“Dear Mr. Eccles:

“The recent delegation by the Navy Department to the Federal Reserve Banks of broad authority with respect to the administration and collection of Navy guaranteed

loans reflected both the transition from the wartime period of active lending to a period of general liquidation of commitments and the confidence of the Navy Department in the demonstrated ability of the Federal Reserve System to handle the administration and collection of guaranteed loans in a manner conducive to the best interest of the Navy.

“On this occasion I think it appropriate to express to you the appreciation of the Navy Department for the splendid service which the Board of Governors of the Federal Reserve System has performed during the past four years in the establishment and supervision of the vital Regulation ‘V’ program. Under this program the Board of Governors and the Federal Reserve Banks have rendered particularly valuable service to the facilitating of procurement of materials while at the same time restricting to the greatest extent possible the risk of loss to the Navy in financing businesses, many of which were in a very overextended financial condition.

“There can be no question but that the Regulation ‘V’ program has made a very great contribution to the achievement of maximum production by American industry, and thus to the successful prosecution of the war. It has also made a substantial contribution to the orderly settlement of terminated contracts.

“On behalf of the Navy Department, I take pleasure in thanking the program. I am also addressing letters to you and the Board of Governors for your important and continuing share in the individual Federal Reserve Banks expressing to their Presidents the Navy’s appreciation.

“Sincerely,

(Signed)

H. Strove Rensel

Acting Secretary of the Navy”

“Board of Governors of the Federal Reserve System

“December 11, 1945

“Honorable H.. Strove Hensel,
Acting Secretary of the Navy,
Washington, D. C.

“Dear Mr. Hensel:

“On behalf of all of the members of the Board and of the staff who have shared in the responsibility for carrying out the V loan program, I wish to thank you for your letter of December 4 in which you express the appreciation of the Navy Department for the services this System has been privileged to render in the establishment and administration of Regulation V.

“Your words of commendation are most gratifying and will be deeply appreciated by all who are identified with the Reserve Reserve System. We recognize that the successful operation of the program and the contribution thus made to the war effort has depended to a very great extent upon the splendid cooperation and outstandingly able assistance which officials and officers of the Navy, associated in this task, have unfailingly provided.

“While I note that you are also addressing letters to individual Federal Reserve Banks, I am taking the liberty of distributing, not only to the Board and staff here but also to the Federal Reserve Banks, copies of your letter addressed to me as chairman of the board of Governors.

“Sincerely yours,

(Signed) M.S. Eccles.”³²

NOTES

chapter 34

1. Life History of the United States, II, pp. 168—169.
2. Garrett, Atlanta and Environs, II, 1004..
3. Minutes. Directors, XIV, 3676.
4. *Ibid.*, 3657; Biographical Records of the Bank.
5. Minutes. Directors, XIV, 3676.
6. *Ibid.*, 3666, 3667, 3668, 3671.
7. *Ibid.*, 3709.
8. *Ibid.*, 3717.
9. *Ibid.*, 3741—3742.
10. *Ibid.*, XIII, 3649.
11. *Ibid.*, XIV, 3683.
12. *Ibid.*, 3687—3688.
13. *Ibid.*, 3687.
14. *Ibid.*, 3738, 3739, 3748.
15. *Ibid.*, 3724.
16. *Ibid.*, 3662—3663.
17. *Ibid.*, 3663—3664.
18. *Ibid.*, 3664—3665.
19. *Ibid.*, 3673.
20. An analyst on the staff of the bank.
21. Minutes, Directors, XIV, 3679.
22. *Ibid.*, 3704—3705.

23. Ibid., 3712—3713.
24. Ibid., XIII, 3653—3654.
25. Ibid., XIV, 3658.
26. Ibid., 3666, 3673.
27. Ibid., 3637, 3684, 3692, 3739.
28. Ibid., 3678, 3685, 3699, 3700, 3711, 3724, 3740.
29. Ibid., 3678, 3684, 3700, 3711, 3727, 3740, 3749.
30. Ibid., 3719~3720.
31. Thirty—First Annual Statement, January 15, 1946.
32. Minutes, Directors, XIV, 3744—3747.

Chapter 35

1946

The first full postwar year, 1946 was a year of adjustments, social, economic and political.

The birthplace of the late President Franklin D. Roosevelt at Hyde Park, N.Y., was dedicated as a national shrine; the League of Nations voted itself out of existence and turned over its physical assets to the United Nations; in Mississippi, Negroes voted for the first time in the Democratic primaries; the Republic of the Phillipines became an independent nation on July 4; the first World War II peace conference opened in Paris; Republicans gained control of both Houses of Congress, and on November 9, President Truman dropped all controls on prices, wages and salaries with the exception of ceilings on rents, sugar and rice. On December 31 the President proclaimed the cessation of hostilities of World War II.

Locally, Atlantans voted a \$40,000,000 bond issue for city improvements; housing became an acute problem; Eugene Talmadge was elected governor for the fourth time but died in December before taking office. On the fifth anniversary of Pearl Harbor, December 7, 1946, occurred Atlanta's worst disaster--the death of 119 persons in the Winecoff Hotel fire.¹

The entire year was marked by readjustments within the Federal Reserve Banking system as the economy shifted from a wartime to a peacetime basis.

Malcolm Bryan's economic expertise became valuable indeed in furnishing guide posts for the Atlanta Board of Directors. At the January meeting he discussed briefly

the policy of the Federal Government with respect to price controls, particularly in the fields of housing and renting. His discussion precipitated a general discussion relative to inflationary trends presently existing in the economy.²

In February Mr. Bryan's discussion had in it the elements of both historian and prophet. He traced the economic events which follow wars, pointing out that after each war in which the United States has participated, they seem to have followed the same or a similar pattern, e.g., strikes, riots, lockouts, etc., lasting for a few months, and then a period of economic boom. Thereafter occurs a short severe depression, then a period of good business, followed by a rather secure and prolonged depression.³

At the July Board meeting, shortly before he resigned to fill a five—year official term with the Trust Company of Georgia, Bryan discussed the most notable economic development of recent weeks, the expiration of the Law which authorized OPA to establish price ceilings.

He pointed out that rigid prices are not compatible with a free economic system, especially when no control of wage payments is maintained. He commented on the beneficial change in the corn— hog ratio that had immediately followed the collapse of OPA, with a resulting increase in the supplies of meat and of grain for human consumption. He analyzed the reported increase in prices in light of the elimination of government subsidies, the extent of quality deterioration of products and the large volume on transactions previously engaged in at black market prices. Mr. Bryan mentioned also the effect on prices that might be expected from the increased production of goods, which is currently at an unprecedentedly high rate of growth.⁴

Along with its other changes 1946 brought some notable official changes, deaths

and resignations to the Sixth District Federal Reserve Bank.

In January James B. Bowden, formerly manager at the Savannah Agency, but for three and a half years in military service, returned with the rank of Lieutenant Colonel. He was appointed Assistant Vice President at the head office. His salary was fixed at \$5,000 per year, a sizeable increase over the \$4,300 he had previously drawn at Savannah.⁵

On January 1 a noted Atlanta banker, R. Clyde Williams, took office as a Class A Director. President of the First National Bank of Atlanta, Williams had been connected with that institution and a predecessor, the Fourth National Bank for 20 years. He was a native of Wahalak, Mississippi, and had begun his banking career in 1920 as a national bank examiner. He was welcomed to his first Federal Reserve Board meeting on January 11. During the course of his welcoming remarks Director E. T. George pointed out that the First National was the largest in the Sixth Federal Reserve District.⁶

Also, on January 1, Robert Strickland was elected a member of the Federal Advisory Council, representing the Sixth District, for a one—year term.⁷ He was not destined to finish the term.

Meanwhile the Board of Govenors in Washington appointed Henry G. Chalkley, Jr. to the New Orleans Branch Board. He bad previously served from 1937 to 1942.⁸

In February President W. S. McLarin, Jr. was elected as a member of the Open Market Committee representing the Atlanta, St. Louis and Dallas banks for a one year term beginning March 1, 1946. Chester C. Davis, President of the St. Louis Bank was named alternate.⁹

After twelve years service on the Atlanta Board and a long illness, Fitzgerald Hall,

President of the Nashville, Chattanooga and St. Louis Railroad, died February 7, at age 56. Perhaps the following paragraph from the memorial prepared by Director E. T. George best sums up the character of the deceased:

“...Mr. Hall was at his best when pleading the cause of those who had succumbed to misfortune. Then he would conjure up in their behalf golden phrases which would touch the hearts of all who listened and usually quickly dispelled difficulties. His abhorrence of every kind of graft or double dealing was so pronounced that its very presence was a challenge to mental combat. He was most democratic in spirit. Independence of character was predominant throughout his life, yet at heart he was genial and kind. He was great in mental strength and moral courage. He was no time server. Tenaciously faithful to principle, he never deviated from the path which the light of his own convictions illumined.”¹⁰

The Nashville Branch Board acquired a new member in February in the person of H. C. Meacham, of Franklin, Tennessee. He was appointed by the Board of Governors for an unexpired portion of a term ending December 31, 1948.¹¹

The vacancy on the Atlanta Board created by the death of Fitzgerald Hall was filled in May by Donald Corner, of Alabama, Chairman of the Avondale Mills.¹²

Death again invaded the Board of Directors in Atlanta when Robert Strickland, the able president of the Trust Company of Georgia died on August 8 in the prime of an unusually active and successful life.

In its resolution of respect to Mr. Strickland the Board said:

“...Mr. Strickland was noted for the wide range of his learning which was reflected in the many interesting addresses given by him in the course of his public career. Be

vent to the root of every subject until thoroughly familiar with its content. His keen wit would salt his words, while his thoughts rested upon the foundation of common sense. What he had to say was always worth hearing. He always defended in ringing tones the principles he believed in, and fought for their adoption at every opportunity.

“In all that he undertook he strove not for personal glory, but rather for accomplishment. He was either the promotor or among the leaders of all the solid movements for the betterment of his beloved State and City, realizing that as we live only once, we should seize every occasion to render a helpful service for the general good.

“In recent years, by reason of impaired health, he found it necessary to lead a quiet life, totally in conflict with the everactive human dynamo that characterized his daily schedule of duties and activities pursued previously when in the full flush of mental and physical vigor.

“The close of such a life carries a sense of deep loss to the hearts of thousands who knew him as friend, fellow worker, executive and neighbor, and who had been enriched by radiant personality and the glow of his real friendship.

“The members of this Board and the Officers of the Bank were greatly privileged in his counsel. His friendship was a priceless possession. He was modest and sincere, strong in cooperation and wise in advice. He will be held in grateful and affectionate remembrance... “13

At the September Board meeting the resignation of Director E. F. Billington, of Meridian, Mississippi, a member of the New Orleans Branch Board, was reluctantly accepted. He resigned for reasons of health.¹⁴

Concurrently two new Branch Directors were appointed. P. Cameron, President, the Merchants Company, Hattiesburg, Mississippi, succeeded Mr. Billington at New Orleans. John Curry, Alabama, vent on the Birmingham Board for an unexpired portion of a term ending December 31, 1947.¹⁵

It was also at this time that George S. Vardeman, Jr., an employee of the Bank since 1918 and Managing Director at Jacksonville since 1935, announced plans to retire as of December 31, 1946.

The Sixth Federal Reserve District gained a new Advisory Council member in September with the appointment of J. T. Brown, President of the Capitol National Bank in Jackson, Mississippi.¹⁷

On October 11 occurred the third notable 1946 death in the Bank's official family. Thos. K. Glenn, Honorary Chairman of the Trust Company of Georgia and until January 1, 1945, a Reserve Bank Director, followed Fitzgerald Hall and Robert Strickland to the Great Beyond. The son of a Methodist minister, Thomas K. Glenn 4 gained civic as well as business distinction. In the resolution adopted by the Board to his memory was the following:

Perhaps no citizen of Atlanta or of the State of Georgia was blessed with more numerous friends, or was better known for exceptional ability and f or what he had done for the welfare and progress of all. He possessed a beautiful character and a winning personality, and was looked upon as a leader among men. To have won his friendship proved a priced asset, ever to be carried in one's heart. lie was loyal to his friends, his nature was noble, and no one ever connected him with anything that was small or

mean. Large hearted and generous, he was ever ready to help those in difficulty or distress. His name belongs on the roll of the great . . .

“Rarely has an eminent man been less a seeker of the plaudits of his contemporaries or won a deeper affection from those who worked with and beside him. He was a delightful companion as well as a capable executive. Unassuming and courteous to all regardless of station, creed or race, his influence was quiet but contagious. He was a man of religious faith, and the standard of truth and honor were scrupulously maintained by him.

“He was our helpful companion; we appreciated him. He was our friend; we loved him.

“Truly the memory of the just is blessed.”¹⁸

On September 27 First Vice President Malcolm H. Bryan wrote to President McLarin tendering his resignation. The letter read:

“In pursuance of our conversation yesterday morning, I am writing to lay formally before you my resignation as First Vice President of the Federal Reserve Bank of Atlanta. The effective date of the resignation, of course, should be adjusted to the convenience of yourself and of this Bank; but if it is satisfactory to you, I should prefer that the resignation become effective October 18, 1946.

“This formal note is also written because of my desire to place in record my oral statements regarding the pleasure of my association with you in the work of this institution. The period of your Presidency has represented an altogether happy time in my working career; and our cordial relation, both personally and officially, has been a pleasant and gratifying experience for me. I have enjoyed my work with the Bank and

have enjoyed serving as your first officer. Naturally, I now have genuine regret in the fact that our official association comes to an end, and I want to assure you that I shall endeavor, in the new connection I am assuming to be of such service as you may feel that I can from time to time perform.

“Let me again extend to you my most sincere and cordial good wishes for the continuation of your great personal and official success.”

To which Mr. McLarin replied:

“It is with much regret that I acknowledge your letter of September 27 in which you tendered your resignation. Th. letter will be brought to the attention of our Board of Directors at the meeting on October 11.

“You will be greatly missed by the directors, and officers and employees all of whom I am sure have come to respect and admire your personality and your considerable attitude in your daily contacts in the Bank.

“During the period you have been with the Bank you have rendered distinguished service, particularly in the development of the Research Department which has been under your personal direction. The many other responsibilities and assignments which were given to you by the management from time to time were handled in a most competent manner.

“From a personal angle I want to thank you for the complete cooperation and the wholehearted support you have given me in the strenuous and trying times we have had f or some have never hesitated to carry your share of the load and your sound advice and wise counsel have been most helpful to me.

“Let me assure you again that we will miss you and that you have the best

wishes of all of us for continued good health, much happiness, and outstanding success in your new undertaking.”¹⁹

Mr. Bryan, after much soul—searching, made his decision to leave the Bank in order to become a Director and Vice Chairman of the Board of the Trust Company of Georgia. To that institution he rendered fine service. Less than five years later he was to return to the Federal Reserve Bank of Atlanta as its head.²⁰

The vacancy created by Mr. Bryan’s resignation was hard to fill. On October 11, Director Rufus C. Harris informed the Board that the Salary and Personnel Committee recommended that Vice President L. M. Clark be appointed First Vice President for the unexpired portion of the term of five years beginning March 1, 1946, and that his salary be fixed at \$15,000 per year from October 19, 1946 to May 31, 1947. The recommendation was adopted by the Board subject to the approval of the Board of Governors.²¹

In connection with the appointment, Director George reported that he, Director Cook and Director McCrary were the oldest members on the Board in point of service and that they had observed with satisfaction Mr. Clark’s work at the Bank and had applauded his record and accomplishments. He stated further that it had been a source of real satisfaction to him to see Mr. Clark progress from position to position and that, in his opinion, the of McLarin and Clark would bring much credit to the Federal Reserve Bank of Atlanta.²²

While the Board of Governors in Washington went along with the appointment, it was less effusive. It said:

“...the Board approves the appointment and salary as stated but does so with the

thought in mind that it must be clearly understood by your Board of Directors and Mr. Clark that this action on the part of the Board of Governors do.. not necessarily imply any commitment to approve at a future date the selection of Mr. Clark as President of the Bank.”²³

The changing times following the war and the necessity for more employee benefits and better working conditions generally are evident in the annals of the Bank for 1946.

In January the Board adopted amendments to its established plan of uniform treatment of employees entering military service. The amendments provided:

- (1) Payment of an extra month’s salary and refund of a portion of premium paid on National Service Life Insurance be discontinued with respect to employees who enter military service after December 31, 1945, as a result of voluntary enlistment;
- (2) The words “during the present war” be eliminated from the second paragraph of the plan; and “
- (3) Paragraph A—S conform with circulars 97 and 99 of the Retirement System which provide that returning veterans upon re-employment may repay withdrawn accumulated contributions and thus reestablish with the Retirement System creditable service rendered prior to the time of entry into military service.”²⁴

During the war mandatory retirement at 65 was somewhat relaxed because of manpower shortages. By February, 1946, in view of the return of service men and women to civilian life and their need for employment, a general policy of the Federal

Reserve Banks in making retirements at 65 mandatory, except in exceptional circumstances, was reinstated.²⁵

At the same time vacation schedules were liberalized by giving longer vacations to employees of 20 and 30 years' service. Effective January 1, 1946 the Official Vacation Schedule was amended as follows:

- a. Officers of the Federal Reserve Bank and Branches shall be entitled to a month's vacation during the calendar year in which their Thirtieth Service Anniversary falls and in each calendar year thereafter.
- b. Employees having completed 20 years of service by December 31, 1945, shall be entitled to a vacation accrual of one and one—half business days for each full calendar month of service, the increased accrual to begin January 1, 1946; and employees completing 20 years of service after December 31, 1945 shall be entitled to a vacation accrual of one and one—half business days for each full calendar month of service, the increased accrual to begin with the calendar month following the month in which the 20 years of service are completed.
- c. Employees completing 30 years of service shall be entitled to a vacation accrual of two business days for each full calendar month of service, the increased accrual to begin with the calendar' month in which the 30 years of service are completed.

The amount of accrued vacation that can be carried over from the current year to

the next year, or thereafter from one calendar year to another, by an employee shall be limited to six days.²⁶

It was also in February that Chairman Neely, in referring to a current job analysis study and revision of the Bank's Personnel Classification Plan, states that, because of the effects of the war on the employment situation, he felt – a evaluation was highly important. He added that many positions had over the past few years Sot ten out of their proper places in importance and value, and that this was due to the demand for certain types of skills by the Government and war industries.²⁷

In June First Vice President Bryan reported cm the progress made in connection with the job evaluation program. I. said that the work of describing the jobs at the head office of the Bank was now around 651 complete. Chairman Neely again commented on the value of. the study, mentioning in particular the reduction in training time that might be expected to result.²⁸

The subject of hospital and surgical benefits for employees of the Bank and their families cane up for discussion in April. No definite action was taken pending the submission of a definite program by the officers.²⁹

In Hay President McLarin reported that he had appointed a committee to formulate plans for adding surgical benefits to the hospitalization for the employees of the Bank and their families. He cited a plan in effect at Rich's which had been very successful.³⁰

At the September Board meeting First Vice President Bryan reported that the committee on hospital and surgical benefits had submitted a report and recorendation. Re also pointed out that, in absorbing 2/3 of the cost of the plan, the Bank would incur a

maximum obligation of approximately \$32 ,000 per annum; the exact amount to be determined by the extent of employee participation. After a discussion of the plan's provisions and of the benefits its to be derived by the Bank, it was voted to institute the plan on October 1. Only Director Cook voted in the negative.³¹

In May the subject of shorter working hours was thoroughly discussed and acted upon.

President McLaria told the Board that the officers had for some time been considering operating the Bank on a strictly 40—hour week basis, which would mean that the Bank would remain open as usual f or five and one—half days, but that each employee would work only five days. He pointed out that there are some 42,000 civil service employees in the City of Atlanta and that it has become increasingly apparent that persons are seeking jobs which 'require them to work only five days a week, and that it is practically impossible to compete with the five-day week. lie said that it was proposed to initiate the plan in the Transit Department as a test. McLarin referred further to the conference held with representatives of the Atlanta banks concerning the matter, stating that these banks are violently opposed to the plan at this time because of their inability to obtain necessary personnel. They admitted, however, that it is inevitable that such a plan be placed in operation at some future date.

Malcolm Bryan stated that he had been working on the matter for some time, and that the Bank has experienced extreme difficulty in obtaining new employees, and is losing some old employees of superior caliber because other employers are establishing a 40-hour, 5—day week. He went further to say that a large portion of the Bank's employees work on matters that are governmental in nature, and that they come

in contact with employees of governmental agencies who work on a 5—day week. This serves to call to their attention that the 5—day week is in operation elsewhere. Bryan stated also that the benefits of civil service employment in connection with hours worked, vacation and sick leaves, are having considerable effect on the Bank's employees, and that competition in these cases is difficult.

Upon proper motion and second President McLarin was authorized to initiate the plan of a 40—hour work week in accordance with his recommendation, and he was authorized to expand the operation (beyond the Transit Department) throughout other departments of the Bank and Branches, and to confer from time to time with the Executive Committee as the establishment of the plan progresses. Director Cook voted contrary to the motion.³²

During these changing times it was inevitable that the subject of labor unions and the applicability of the National Labor Relation Act to the Federal Reserve System should arise. In July General Counsel Pollard Turman commented to the Board on efforts being made by an A. F. of L. Union to organize the employees of the Federal Reserve Bank of Dallas. While the question of whether or not Federal Reserve Banks were subject to the National Labor Relations employees of the Dallas Bank held an election. They voted 375 to 180 to defeat the attempt of the A. F. of L. as their bargaining agent .33

The Research Department, so carefully developed by Malcolm Bryan, came up for discussion at the November Board meeting, a month after Bryan's departure for the Trust Company of Georgia. At the request of Chairman Neely, Earle Rauber, the Department Manager, outlined its needs in the recruitment of a competent staff. He

estimated that the expenses of the Department for 1947 would exceed the 1946 budget of \$54,790 by approximately 60Z.

In discussing the proposed increase Mr. Rauber said that the 1947 budget estimate was in line with current expenditures of the other Federal Reserve Banks. He spoke also of the intrinsic importance of the research function, the good quality of the work so far performed, and the objective necessity of the proposed increased expense. Rauber laid emphasis on the autonomous character of the Bank's regional research activities, and on the prestige that had been won for the Bank by the publication in the Monthly Review of articles resulting from regional research.³⁴

Chairman Neely backed up Mr. Rauber's statements and the Board voted a budget for the Research Department for 1947 of approximately \$86,000.³⁵

The general subject of salaries was a live topic of both discussion and action during 1946.

Effective March 1, President V. S. McLarin, Jr., reappointed for a five-year term and his salary increased from \$20,000 to \$25,000 per year. First Vice—President Bryan was reappointed for a similar period with a salary increase from \$14,000 to \$16,000.³⁶

A couple of months later all official salaries were fixed for a one—year period beginning June 1, 1946 and the specific assignments of Parent Bank officers were spelled out. Managing Directors of the various Branches fared as follows:³⁷

<u>Name and Title</u>	<u>Salary</u>	<u>Assignment</u>
S. P. Schuessler, Vice President	\$7,500	Direct supervision of securities, and all Treasury Department Fiscal Agency Operations.

C. R. Camp Asst. Asst. Vice President	\$6,600	Direct supervision division of space, General Service, and Currency and Coin, Cafeteria and Insurance.
J. K. McCravey, Jr., Asst. Vice President	\$6,700	Direct supervision Regulation V loans, 13b loans, Rediscounts and Acceptance Functions. Secretary of Board and Executive Committee.
J. H. Bowden, Asst. Vice President	\$6,000	Bank Relations
Pollard Turman General Counsel	\$9,000	Interpretation of Law and Regulations and all legal matters.
<u>Name and Title</u>	<u>Salary</u>	<u>Assignment</u>
J. I. Denmark	\$7,500	Direct supervision of Auditing Department and all auditing Activities at Head Office and Branches.
Earle L. Rauber Director of Research	\$6,200	

The Board of Governors in Washington sent a letter to all of the Federal Reserve Banks in August citing the fact that a variation existed among the banks as to fees and allowances paid to directors and asking for a suggested scale. After discussion it was the concensus of the Atlanta directors that the fees should be increased as follows:

<u>Head Office</u>	<u>Present Fee</u>	<u>Proposed Fee</u>
For attending meetings of the Board of Directors	\$20	\$50
For attending meetings of the Executive Committee	10	25

New Orleans Branch

For attending meetings of the Board of Directors	20	25
For attending meetings of the Discount Committee	10	12.50

Other Branches

For attending meetings of the Board of Directors	10	25
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It was the consensus of the directors also that no change be made in the present \$10 per diem for each 's absence from home paid to directors of the Bank residing 50 miles or more Atlanta, and, further, that where a director attended a Board meeting and a Committee meeting on the same day, only one fee should be paid, as is the present practice.³⁸

The employees came next. During the course of the November Board meeting Director R. C. Harris, Chairman of the Salary and Personnel Committee, reported that the Federal Reserve Bank of Atlanta was next to lowest of the twelve Federal Reserve Banks in the average annual salary paid employees. Further that four of the Branches of this Bank were included among the five lowest paid branches throughout the System. He med. comparisons also between the average annual salary paid by the Federal Reserve Bank of Atlanta and by three of the commercial banks of Atlanta.

Harris said that his Committee, after careful consideration of increased living costs and other factors, recommended that the salary of each employee of the Bank and its Branches be increased, effective November 1, 1946, by an amount equal to 101 of the first \$3,000 of his present salary, such increase not to be applicable to officers.

The Board voted the increase, at an annual cost to the Bank of \$232,000. 39

Shades of the old “Failed Banks” department arose in January, 1946. The New Orleans Branch Board reported the Calcasieu National Bank, Lake Charles, Louisiana, had gone into liquidation in September, 1934, but that the liquidator had been able to repay the depositors in full, plus 31 interest, and that there was on hand for distribution to stockholders a substantial given publicity because, in his opinion, it would be good publicity sum of money. President McLarin stated that this report should be to all banks if the public were apprised of the results of the liquidation of the Calcasieu National Bank.⁴⁰

The Federal Reserve Bank of Atlanta received a compliment on January 31 from Treasury Secretary Fred H. Vinson concerning a phase of its war—time activity. Wrote the Secretary to—President McLarin:

“I want to express to you personally my appreciation of the manner in which the Federal Reserve Bank of Atlanta has assisted the Treasury Department in developing, administering, and enforcing the Foreign Funds Control program.

“I am informed that from April 10, 1940, until the recent consolidation of the field work, your bank contributed actively in making the freezing control an effective weapon of economic warfare. Not only did the Federal Reserve Banks discharge important operating functions but they also effectively secured the full support and cooperation of the banks and financial institutions of the country upon which the success entire program ultimately rested.

“I am sure you will be interested to know that the Bankers’ Association for Foreign Funds Control adopted November 16, 1945, made the following appraisal of the effectiveness of its operations.

‘The effectiveness of these operations immeasurably advanced our cause, saved the lives of many American and Allied soldiers and civilians and was far more important in our overwhelming victory than can be measured merely in its financial—economic implications.

“Please extend to those employees of your bank who have participated in the Foreign Funds Control Operations my appreciation of the important role which they have played and my thanks for the fine job which they have done.”⁴¹

Throughout 1946 the transition from a wartime to a peacetime economy posed many problems for the Federal Reserve System.

The problem of margin requirements arose in January. Said Time Magazine on the 28th:⁴²

“The Federal Reserve Board last week fired another shot to bring down the high—flying stock market. It raised margin requirements to 1002, virtually put all stock buying on a cash basis. Twice in the last year the board has popped away. Last February it upped requirements to 502, in July to 75%. The bull market went right on. No one expected this pop would stop it. Reason: most stock buying has been on a cash basis for some time.

“In the two days of grace before the new rules became effective, the market had its busiest day in over five years. Trading was at the rate of 700,000 shares an hour, almost as much as had been traded in an entire day a year ago. Dow—Jones industrial averages rose to 205, fell off only when the steel strike became certain.

“Federal Reserve Board Chairman Marriner Eccles realized as well as anyone else that the soaring market was the result, rather than the cause of inflation. Said he:

'Speculation on credit was a minor factor.

The primary source of inflation . . . is the vast accumulation of currency and bank deposits . . . Too much of the cost of the war was financed through the creation of commercial bank credit and not enough was financed out of taxes and the savings of the public'.

“What must be done, said Eccles, is to balance the federal budget, stop selling Government bonds to commercial banks (which swells the supply of currency), and change the capital gains tax so that profits on speculation in stocks, real estate, etc., will be heavily taxed.”

Another thorny problem of the preferential discount rate the time was whether or not to retain on Government securities due or callable in one year or less. Treasury Secretary Fred Vinson was strongly for retaining it. Indeed, he wrote to President McLarin in late March. Among other things he said:

The elimination of the preferential discount rate at this time would be interpreted by the market as--and would, in fact be -- a first move in the direction of higher short—term interest rates. Higher short—term rates would raise the cost of carrying the public debt and would be of principal benefit to commercial banks, most of which are now enjoying very high earnings.

“Whether an increase in short rates would spread the longer—term rates could be determined only by the event — by which time it might be too late to avert serious unfortunate consequences, both to the cost of Government financing and to our hopes of achieving full production and full employment in the post war period.

“I should like to renew my request, made to you on previous occasions, that the Federal Reserve System refrain from eliminating the preferential discount rate on short—term Government securities at this time. This request is, of course, without prejudice to the possible elimination of the preferential rate at some future date when such action would be part of a whole policy oriented in the direction of continuing low interest rates, rather than, as it would be now, part of a policy directed toward higher rates... “43

The Federal Reserve Board thought otherwise and acted counter to Vinson’s recommendations. Reported Time Magazine on May 6:44

“The wind changes. Had it not been drowned by the tumult of Washington’s inflation wrangles, the voice of Federal Reserve Board chairman Marriner S. Eccles might often have heard quietly protesting the monetization of the public debt’. He did not like the way a large proportion of treasury borrowing had been financed by bank credit, which added to the supply of money, instead of by individuals, which contracted the supply.

“This week the board took a step toward practicing what its chairman preaches. It eliminated the preferential wartime discount rate which enabled member banks to borrow from the Federal Reserve banks of their short—term Government securities at 1/2 of 1%, use the cash to buy long—term Government bonds. This was highly profitable to the banks. But it kept pouring more money into the economy, and helped inflation. Dropping the preferential rate was a significant straw that showed how the financial wind is changing.

“U.S. Treasury Secretary Fred Vinson has long sought any change in the

Government's inflationary policies in general, the preferential discount rate in particular. He feared that a change would pull one of the props out of the Government bond market and raise the short—term cost of Government financing. The Federal Reserve Board convinced him that it would not (although prices of Government bonds dropped last week). So, in effect, the board has finally taken a small step towards shaping its policies for the needs of peace.

“Result of the board action will be to deflate the supply of money a little, check speculation in short—term Government securities.”

During the course of the June Board meeting in Atlanta, Chairman Neely asked Vice President V. K. Bowman to -discuss the plans of the Board of Governors for a renewal of the enforcement activities of the Federal Reserve Banks in connection with Regulation W, pertaining to consumer credit sales.

Bowman reported that in the view of the Board of Governors, the increasing supply of consumer goods, and the possibilities of inflation in the country required that the activities of the Federal Reserve Banks in the enforcement of Regulation W be intensified and made substantially uniform throughout the twelve Federal Reserve Districts. He also said that each Reserve Bank would now be required among other things, to investigate annually at least 10% of the total number of its individually licensed registrants, and that the Bank's staff of investigators had recently been increased to meet the schedule. 45

In October the Federal Advisory Council recommended that Regulation W not be revoked at once but that the Regulation be gradually modified as conditions permit and that the President rescind the Executive Order authorizing the Regulation not later than

March 15, 1947.⁴⁶

At about the same time, before a New England bank management conference in Boston, Federal Reserve Board Chairman Marriner Eccles said bluntly: "It can hardly be contended, with reason that the credit gates should be open now, though single payment loans, charge accounts, soft goods and minor durable goods might soon be freed from restriction. But major durable goods, accounting for the great dollar bulk of consumer credit, would remain under Federal Reserve control indefinitely."⁴⁷

Before year's end the Federal Reserve Board gave consumers something of a Christmas present by lifting wartime installment— buying restrictions on charge accounts and any article costing less than \$50. Controls were kept on durable goods (autos, washing machines, refrigerators, etc.) which comprise two—thirds of installment buying.⁴⁸

A number of operating practices were inaugurated or modified by the Bank during 1946. A suggestion system, largely worked out by Malcolm Bryan and involving prize awards to employees for usable suggestions, was readied for use. 49

The oft—recurring subject of donations to public projects by Reserve Banks was covered in a letter dated May 13 by the Board of Governors. It cited recent instances where Reserve Banks were called on to contribute to a park, a war memorial and a hospital. The Board expressed itself to the effect that such contributions were not for a purpose so directly related to the conduct of the affairs of the Federal Reserve Banks as to justify their being regarded as "necessary expenses" and therefore, they should not be made by the Reserve Banks. 50

During the late summer and fall a number of discussions had at Board meetings

relative to the agricultural policy-of Bank. No very definite conclusions were reached except that First Vice President Bryan recommended that the Bank should avoid the promotion of engineering practices in the field of agriculture and should devote its attention to new agricultural products, agricultural trends, and the agricultural outlook, in an economic, rather than a managerial or engineering, sense.⁵¹

The matter of shipping charges on coin and currency sent to nonmember banks was discussed. Reserve Banks had been absorbing such charges but, largely at President McLarin's urging, the operating circular of the Atlanta Bank was amended in November in an effort to abolish the practice of absorption of shipping charges. 52

The Sixth District Branch Banks received considerable attention during 1946.

At the March Board meeting a resolution of the Birmingham Branch Board was read, wherein consideration of a plan formerly employed, of inviting a member of the Branch Boards to attend the monthly meetings of the Parent Board, was discussed. As a result, the following resolution was adopted:

"In order to bring a closer understanding of the problems of the Sixth Federal Reserve District as they affect the operations of the Federal Reserve Bank of Atlanta and its Branches, each of the Boards of Directors of the Birmingham, Jacksonville, Nashville and New Orleans Branches of the Federal Reserve Bank of Atlanta should be invited to send one of their members to attend the monthly meetings of the Board of Directors of the Federal Reserve Bank of Atlanta under such plan of rotation of membership that is adopted by each Board."

Chairman Neely stated that he would inform the Chairmen of the Board of Directors of each Branch of this resolution and invite them to participate in these

meetings, beginning in April, 1946. 53

A result of the policy inaugurated above, were first—hand informal reports from Branch Directors of the progress and problems of their banks and territories.

The May Board meeting was marked by the presence of Directors James G. Ball, of Birmingham, V. Bratten Evans, of Nashville, and B. G. Chalkley, of New Orleans.

Messrs. Hall and Evans cited the rather pressing need for more space for their respective branches. Mr. Chalkley referred to the fact that as of January 1, 1947, the Managing Directors would no longer be members of the Boards of Directors of the Branches, and that at the May meeting of the New Orleans Branch Board consideration was given to the appointment of a new director and that the opinion was expressed that it would be beneficial to appoint on the Board a state member banker.⁵⁴

In June all four Branches were represented at the regular Board meetin— Messrs. Gordon D. Palmer, of Birmingham, Charles S. Lee, of Jacksonville, B. L. Sadler, of Nashville, and J. F. Mclae, of New Orleans. The first three all congested on congested working conditions and the need for more space. McRae reported that in South Alabama there had been an improvement in the prospects for applications for membership in the system on the part of nonmember banks. He stated also that the banks in Mobile were studying the problem of the elimination of the discriminatory effect of certain of their exchange charges. He also commented at some length on the effect the termination of the war had had on employment in Mobile and the shipyards in particular.⁵⁵

In September Director J. A. McCrary, Chairman of the Real Estate and Building Committee made a brief report on Branch space. Be said his Committee and the

Birmingham Directors were in agreement that the lot adjacent to the branch building was impractical as a site for a new building, but that his Committee had not yet had an opportunity to inspect the Greyhound Bus lot at Sixth Avenue and Nineteenth Street which was available for \$260,000.

McCrary also commented that his Committee was not inclined to favor a proposal for the rental of additional outside space for use of the Nashville Branch and reported progress in the preparation of architect's plans for an addition to the New Orleans Branch building. 56

In October Branch Directors Will Howard Smith, of Birmingham, and J. C. McCrocklin of Jacksonville reiterated the need for more space for their respective operations, though Mr. McCracklin expressed satisfaction that a lot had been purchased in Jacksonville.⁵⁷

The following month Nashville Branch Director B. L. Sadler reported that the Branch was performing its work adequately and that the construction of partitions in the Stahlman Building had proved advantageous from an operating standpoint. He also commented interestingly relative to ever-increasing business activity in Tennessee. Director John J. Shaffer, Jr., of New Orleans extolled business and agricultural conditions in Southern Louisiana, with emphasis on sugar production.⁵⁸

On the general subject of physical expansion, Director J. A. McCrary stated at the October Board meeting that while Branch Boards were urging action in acquiring new sites or expanding present quarters, his Committee (Real Estate and Building), had not taken as much action as might have been expected. He cited as the principal reason a provision in the Federal Reserve Act imposing a limitation on the amount that

might be spent on branch buildings. He expressed hope for an amendment removing or modifying such restrictions .59

In mid-December the by-laws pertaining to Branches were revised in several particulars, to take effect January 1, 1947. The significant changes, as outlined to the Board by General Counsel Pollard Turman, were:

- 1) a change in the title of the officer in charge of the Branch. The title was changed from “Managing Director” to “Vice—President and Manager”;
- 2) the inclusion of a paragraph providing for the appointment of a secretary of the Board;
- 3) the insertion in Section I (d) of a sentence authorizing the Board of Directors of the Branch at any regular meeting to fix a date for the next regular meeting;
- 4) the inclusion of a description of the duties and responsibilities of the officer in charge of the Branch; and
- 5) the amending of the Section relating to business hours, to enable the Executive Committee of the parent Bank to fix the business hours of the Branch from time to time as conditions warrant.⁶⁰

Comparing total assets and earnings of the Federal Reserve Bank of Atlanta between 1945 and 1946, little change is noted. Total assets declined \$58,057 to \$274,424,599,010 in 1946 compared to \$2,472,656,028 in 1945. Net earnings rose by

\$274,515.00 to total \$4,623,693 for 1946. 61

NOTES

Chapter 35

1. Garrett, Atlanta and Environs, II, 1004.
2. Minutes, Directors, XIV, 3768.
3. *Ibid.*, 3780.
4. *Ibid.*, 3833.
5. *Ibid.*, 3751, 3762.
6. *Ibid.*, 3755, 3763; Biographical Records of the Bank.
7. Minutes. Directors, XIV, 3755.
8. *Ibid.*, 3762; Biographical Records of the Bank.
9. Minutes. Directors, XIV, 3780.
10. *Ibid.*, 3786.
11. *Ibid.*, 3782.
12. *Ibid.*, 3810.
13. *Ibid.*, 3837 — 3838.
14. *Ibid.*, 3838 — 3839.
15. *Ibid.*, 3839; Biographical Records of the Bank.
16. Minutes, Directors, XIV, 3842.
17. *Ibid.*, 3844.
18. *Ibid.*, 3853 — 3859.
19. *Ibid.*, 3848.
20. Franklin M. Garrett, "Annals of the Trust Company of Georgia, 1891-1961," typescript, 11 vols. See biographical

volumes, 5 and 10.

21. Minutes, Directors, XIV,
22. Ibid.
23. Ibid.,3854.
24. Ibid., 3765.
25. Ibid., 3773.
26. Ibid., 3775.
27. Ibid., 3780.
28. Ibid., 3824.
29. Ibid., 3790.
30. Ibid., 3815.
31. Ibid., 3843 —3844.
32. Ibid., 3815 —3816.
33. Ibid., 3833, 3857, 3874.
34. Ibid., 3859,
35. Ibid., 3860.
36. Ibid., 3774.
37. Ibid., 3807 —3808.
38. Ibid., 3840, 3844.
39. Ibid., 3856, 3871.
40. Ibid., 3764.
41. Ibid., 3770 —3771.
42. Page 77, Col. 1.

43. Minutes, Directors, XIV, 3798.
44. Page 88, Col. 2.
45. Minutes, Directors, XIV, 3825 —
46. *Ibid.*, 3852.
47. Time Magazine, Nov. 4, 1946, p.
48. *Ibid.*, Nov. 25, 1946, p. 89.
49. Minutes, Directors, XIV, 3780, 3824.
50. *Ibid.*, 3819 — 3821.
51. *Ibid.*, 3833, 3843, 3850, 3856.
52. *Ibid.*, 3857.
53. *Ibid.*, 3784-3785
54. *Ibid.*, 3813
55. *Ibid.*, 3823.
56. *Ibid.*, 3843.
57. *Ibid.*, 3847.
58. *Ibid.*, 3863.
59. *Ibid.*, 3849.
60. *Ibid.*, 3864.
61. Thirty—Second Annual Statement, January 15, 1947.

Chapter 36

1947

Postwar readjustment, upon a worldwide basis continued through 1947. Peace treaties were discussed and some minor ones signed. Trials of German and Japanese war leaders were in progress; all U.S. armed forces were consolidated in a new Defense Department; the Marshall Plan began to implement European recovery; sugar rationing ended, and Jackie Robinson became the first Negro major league baseball player.¹

Locally the two governor controversy between Berman Talmadge and M. E. Thompson generated much heat — finally in favor of Talzndage; the Refoule murder case created a sensation. It was never solved. A campaign, headed by Major Hartsfield, to annex Buckhead and Cascade Heights to the city failed; A. E. Fuller became Fulton County's first manager; the first Negro city policemen were approved by city council, and the Ford Motor assembly plant at Hapeville was dedicated.²

The general climate in which the Federal Reserve Bank of Atlanta operated during the year is outlined in the Annual Report for that year:³

“Like all other business institutions in the country, the Federal Reserve Bank of Atlanta operated during 1947 in an atmosphere of economic tension and rapidly changing business prospects. The prevailing uncertainty grew of course, out of the wave, of inflation that gripped the country throughout the year, and with especial force in the latter half. In to the inflationary pressures that had been provided by the war-financing methods, the cashing of armed forces leave bonds in September, and the ending of consumer credit control in November aggravated the situation.

“Only toward the close of the year were any important steps, other than the purely voluntary actions of businesses and banks, taken to reduce the pressure that was being exerted upon prices. The Board of Governors of the Federal Reserve System by a change of policy agreed to the unpegging of short-arm interest rates and stated that it would support Government bond prices at or near par instead of at a higher level. Toward the year’s end therefore, money became a little tighter than it had been and banks began to exercise more caution in the making of loans. What further steps will be taken by the System or by other agencies of the Government will depend, of course, upon how the situation develops in 1948, and on how far Congress is willing to go toward giving administrative agencies and the monetary authorities additional powers to cope with the problem.

“Inflationary prosperity has, of course, been characteristic of the whole country. All regions, however, have not shared in the general prosperity to the same degree. The Sixth Federal Reserve District has been one of those which, although prosperous has benefited less than some of the others...”

Inflation and indeed, the whole postwar economic situation provided the basis for much thought and action by the Federal Reserve System during the year.

In mid—March Director of Research Earle Rauber reported on his attendance at a recent meeting of the Federal Open Market Committee. He quoted Dr. John Williams, of the Federal Reserve Bank of New York as saying that “Notwithstanding the recent good record of the labor unions in their forbearance to strike for increased wages, price, have continued to rise, and that, unless increases in prices can be arrested, labor will renew its demands for increased wages, beginning again a dangerous inflationary

spiral.”

At the same meeting Chairman M. S. Eccles pointed out that every important nation in the world except the United States is bankrupt and that the United States is the only nation in position to give assistance to the other countries. To the extent that the United States responds to the needs of the other countries of the world, the supply of commodities available for consumption in this country will be reduced in relation to the available money supply, with a tendency toward still greater inflation of prices. ⁴

In August Rauber spoke briefly to the Board on the economic outlook. He noted that the various “temporary props” to the Current situation have all been leveling off or have actually been declining with the exception of the fantastic excess of exports. Trouble may be expected in this country when foreign nations begin to restrict imports from the U.S. drastically U. S. drastically because of a shortage of dollars.

The larger part of our exports, he continued, have been going to war—enriched rather than to war—devastated countries. These countries, too, face a dollar shortage and will probably not be eligible for direct aid under the Marshall Plan. For, this reason the Plan alone will probably not be sufficient to prevent a very serious decline in exports late this year or early next year. The failure of this last prop under the current boom may be expected to have serious adverse repercussions on the domestic economy.⁵

On November 24, 1947 the Board of Governors of the Federal Reserve System in Washington issued a press statement entitled “Bank Credit Policy During the Inflation”. It read:

“Our country is experiencing a boom of dangerous proportions. The volume of bank credit has greatly inflated in response to the needs for financing the war effort.

Domestic and foreign demands for goods and services are exerting a strong upward pressure on prices in spite of the high volume of our physical production. These demands would be inflationary without any further increase in the use of bank credit, but the demand is being steadily increased through continued rapid expansion in bank loans, in addition to the other factors outside the control of the banking system.

“A substantial increase in production, agricultural as well as industrial, would be highly beneficial only take place slowly and to a limited degree. In industry, they are dependent upon corresponding increases in a supply of basic raw materials, plant capacity, and the number and productivity of the labor force. Therefore, a further growth of outstanding bank credit tends to add to the already excessive demand and to make for still higher prices.

“The Board of Governors of the Federal Reserve System, the Comptroller of the Currency, the Federal Deposit Insurance Corporation, and the Executive Committee of the National Association of Supervisors of State Banks are unanimously of the view that present conditions require the bankers of the country to exercise extreme caution in their lending policies. It is at times such as these that bad loans are made and future losses become inevitable.

“It is recognized that a continued flow of bank credit is necessary for the production and distribution of goods and services. The banks of the country have adequately met this important need in the reconversion period. Under existing conditions, however, the banks should curtail all loans either to individuals or businesses for speculation in real estate, commodities or securities. They should guard against the over—extension of consumer credit and should not relax the terms of

installment financing. As far as possible extension of bank credit under existing conditions should be confined to financing that will help cost production rather than merely increase consumer demand.

“The bank supervisory authorities strongly urge directors to see that their banks follow these policies and maintain adequate capital in relation to risk assets.

An addendum followed:

“The statement by the Federal and State bank supervisory authorities, entitled ‘Bank Credit Policy during the Inflation,’ was participated in. by the Board of Governors of the Federal Reserve System on the basis of its bank supervisory responsibilities. The statement obviously does not concern itself with the system’s functions in the monetary field nor its joint responsibilities with the Treasury respecting debt management.” 7

Caution, however, remained the order of the day insofar as Federal Reserve policy was concerned. Despite the hullabaloo over inflation, many a businessman knew that the threat of a recession was very real. No one wanted to swing the club on credit and risk killing the boom.⁸

Much discussion was had during the year as to the direction and form of the Atlanta bank’s agricultural policy. Finally, at the October Board meeting, Director J. F. Porter, Chairman of the Agricultural Committee, outlined the nature of a program that had been tentatively agreed upon by the Committee.

He said that the primary objective was to develop the interest and active support of the bankers of the District in Soil Conservation, improved pastures, and reforestation. There was general agreement as to the propriety of these objectives. It was the

consensus of those present that the program should not be competitive with the programs of the various governmental agencies interested in the promotion of the welfare of agriculture. It was also agreed that the Bank's program would be most effective if it were directed through the bankers rather than to the farmers themselves.

9

Director Porter, incidentally, had been honored in December, 1946, by the American Farm Bureau Federation at its annual convention in San Francisco, when he was the recipient; of the Federation's Distinguished Service Award.¹⁰

A number of official personnel changes took place during '47. Several new Branch Directors were appointed for three year terms, beginning January 1. For Birmingham, R. L. Adams, President Bank of York, York Alabama; Jacksonville, Max Loaner, President First National Bank of Homestead, Homestead, Florida and B.-S. Moody, Executive Vice President Manatee River Bank and Trust Company, Bradenton, Florida; for Nashville, W. G. Birdwell, Cashier Citizens Bank and Trust Company, Carthage, Tennessee; and for New Orleans, W. S. Johnson, Executive Vice President First National Bank of McComb City, McComb, Mississippi).¹¹

In February Chester C. Davis, President of the Federal Reserve Bank of St. Louis, and R. R. Gilbert, President of the Federal Reserve Bank of Dallas, were elected member and alternate member, respectively, of the Federal Open Market Committee representing the Reserve Banks of Dallas, St. Louis and Atlanta, for one-year terms, beginning March 1. 12

Two additional Branch Directors accepted appointments in April-- W.T. Bland for Jacksonville and Thad Bolt for Birmingham.¹³

On June 1, 1947 the Bank lost one of its most able and promising young officials when General Counsel Pollard Turman resigned to become associated with the J. K. Tull Metal and Supply. Indeed, for nearly a year, J. K. Tull, seeking a successor in his own flourishing business had had his eye on Turman. The two men were fellow Rotarians and residents of Brookwood Hills. Turman made no hasty decision but, finally, on June 2 reported for duty a few blocks down Marietta Street from where he had labored so effectively since 1939. He was later to return to the Bank part—time as a Class B Director. His progress at the Tull Company was rapid. In 1951 he became president and now (1967) serves as Board Chairman.¹⁴

At its May meeting the Board adopted the following resolution concerning Mr. Turman:

“Resolved, that the directors of the Federal Reserve Bank of Atlanta do hereby express to Mr. Pollard Turman their deep appreciation of his fine services to the Bank during the years of his service here, their sense of personal loss at his resignation, and their fond wishes for his success and happiness in his new endeavor.”

Mr. Turman responded by expressing his appreciation of the consideration that had always been shown him by the directors, his regret at the necessity of severing his connection with the Bank, and his hope for frequent opportunities of renewing his contacts with the directors individually.¹⁵

During the course of the same meeting the Board approved a recommendation of the Salary and Personnel Committee that Harold T. Patterson be appointed Counsel to the Bank for one year, beginning June 1, 1947, and that his salary be fixed at \$8,000 per year. Patterson attended his first Board meeting on June 13, where he was

introduced by Chairman Neely. The future President of the Bank expressed his pleasure of being present. 16

Harold Telford Patterson was born at Gainesville, Georgia in 1903. He secured his M. A. degree at the University of Georgia in 1925 and LL.B at Harvard in 1928. Admitted to the bar that same year, he practiced in Atlanta for several years and also served the First National Bank of Atlanta as a trust officer. His military career during World War II, most in the ETO, from 1942 to 1946 was distinguished and earned for him the Bronze Star and the Legion of Merit.¹⁷

In June the New Orleans Board acquired a new Director in the person of E. O. Batson, President Batson—McGehee and Company, Inc., at Poplarville, Mississippi.¹⁸

The August meeting of the Board was notable by the absence of Director E. T. George, the first meeting Mr. George had missed since he became a director on January 1, 1936. The absence was due to illness. At Chairman Neely's suggestion the following telegram was sent to the absent director:

"The directors have just assembled and as the first *tea of business for the day we all join in expressing to you our regret that you are not present. Personally we all miss you and will experience a distinct loss in not having the benefit of your keen analysis of the problems that will come before us. We regret extremely that this absence will break your perfect look attendance at all of our meetings as this is the first time you have not attended since you began serving the Federal Reserve Bank of Atlanta. It is the hope and prayer of all - of the officer and directors of this bank that your recovery will be rapid and that we will have the pleasure and privilege of having such a gracious and warmhearted colleague with us in September." 19

That, however, was not to be. Illness prevented Director George's attendance for the remainder of the year, at which time his term expired.²⁰

In May the Board took note of the death of Dr. P. H. Saunders, an original 1914 member, whose death occurred in New Orleans on April 12. In addition to serving the Atlanta Bank, Dr. Saunders was on the New Orleans Branch Board from 1915 to 1917 and again from 1918 to 1934.²¹

The Board took note of another death in December, that of Ronald Ransom, of Atlanta, who died on the 2nd. Mr. Ransom, a native of Columbia, South Carolina and an adopted Atlantan, was a lawyer from 1903 to 1922 and a banker from then on. From the executive vice presidency of the Fulton National Bank, whose trust department he organized, he was appointed to the Board of Governors of the Federal Reserve System by President Roosevelt in 1936. He served until incapacitated by his last illness. ²²

At its November meeting the Board, speaking through Director J. A. McCrary, paid Tribute to the ability of Chairman Frank Neely.

McCrary called attention to the fact that he had served as a director since the Bank opened in November 1914, and that during its 33—year history 39 individuals had served On the Board. He said that there was greater harmony among the present directors of the Bank than at any other time in its history and that, in his a, opinion, the Bank had in recent years done more progressive work than at any time in the past. A large measure of the credit for these accomplishments, said McCrary, belonged to Chairman Neely.

Mr. McCrary also pointed out that Neely had accomplished mOre in the civic affairs of Atlanta and Fulton County than any other living man and that, in his opinion, the

Chairman was entitled to be acclaimed the First Citizen of Atlanta. McCrary also called attention to the fact that Neely had recently been elected president of Rich's Inc., the largest department store south of Philadelphia, as successor to Walter H. Rich, deceased. This was indicative, he said, of the high regard and confidence in which the Chairman was held by his business associates.

Upon motion by Director McCrary, the directors extended to Chairman Neely, by a rising vote, their congratulations upon his accomplishments, their appreciation of his services to the Federal Reserve Bank of Atlanta, and their best wishes for his continued success.

Chairman Neely responded graciously.²³

During 1947 the Board of Governors in Washington set standards for certain expense items involving officers and directors.

Directors' fees for head office meetings were set at \$50; for branches, \$30. Transportation expenses were pegged at \$15 for each day or portion of day.²⁴

In March the following letter from Chairman Eccles went to the twelve Reserve Bank presidents:

"In order to remove any basis for misunderstanding as to the relation of the Board or any of its members to any special gatherings or luncheons, dinners or other occasions which may create expense for any Federal Reserve Bank or its branch that would not be incurred otherwise, no such arrangements shall be requested or suggested by any member of the Board or of its staff, except with the approval of the Board which will be communicated to such Federal Reserve Bank by the Board's Secretary or Assistant Secretary.

“In taking the above action the Board does not wish to imply that the officers and directors of your Bank would not be at liberty to arrange, on their own initiative, functions of the kind referred to above whenever a member or members of the Board and its staff are visiting in your district, if in the judgement of the officers and directors it would be in the interest of the system to do so.

“It will be appreciated if you will bring this matter to the attention of the appropriate officers of your Bank and branches.” 25

About the same time, on March 28, the Board of Governors issued a letter concerning officers’ salaries. Since it embodies the reasoning and philosophy behind the whole subject it is here with quoted in full:

“In connection with the lists of officers’ salaries submitted by some of the Federal Reserve Banks for the coming year the Board has had occasion to review System policies with respect to such salaries in the light of present conditions.

“Since the end of the war there has been a further increase in the cost of living and salaries at the Federal Reserve Banks have been increased to some extent in recognition of that fact. Revised personnel classification plans covering employees below officer rank are being prepared for application at all of the Federal Reserve Banks and one of the Banks has advised the Board that as soon as that task is completed it is planned to bring up to date the evaluation of official positions at the Bank, which may involve further adjustments either upward or downward in salary scales. Other Federal Reserve Banks will probably wish to follow a similar procedure and the Board of Governors feels that it would be desirable at this time to give the directors of the Federal Reserve Banks the benefit of its current thinking in the matter.

“As has been stated before, the Board, because of the special nature of the Federal Reserve organization, occupies much the same relation of Congress with respect to the Reserve Bank as the Civil Service Commission, the Budget Bureau, and the Comptroller General occupy with respect to agencies of Government that operate under Congressional appropriations. That this is true is more evident when it is realized that the surplus of the Federal Reserve Banks belongs to the Government in case of liquidation. The Federal Reserve System has much greater latitude in expenditures, including salaries, than would be the case under budgets approved by the Budget Bureau and appropriations made by Congress. The existing flexibility has great advantages that are appreciated not only by the -Reserve Banks and the Board but also to some extent by the various agencies of the Government, particularly the Treasury, which have been the beneficiaries of these advantages. This relative freedom emphasizes the responsibility of the board of Governors as well as the directors of the Banks for exercising such supervision and restraint as may be necessary to protect the System’s present autonomy. The Board’s letter of February 4, 1947 (S—958), with respect to the resumption of a budget procedure at the Federal Reserve Banks, stated that, as the agency of Government charged with responsibility for general supervision of the Reserve Banks, the Board should be able to demonstrate whenever necessary that it is in a position to and does adequately supervise expenditures of the Reserve Banks for salaries and other purposes.

“The relationship between the Congress on the one hand and the Board and the Federal Reserve Banks on the other is particularly important at the present time when the question of the earnings of the Federal Reserve Banks is of immediate concern to

the Congress and steps are under consideration for channeling excess earnings into the Treasury. Whether that is done by an interest charge on Federal Reserve notes or by some other method, Congress will have a special interest in the earnings of the System and in the salaries paid by the Banks.

“For reasons which have been discussed on numerous occasions in the past, it is the view of the Board that there are substantial differences between the responsibilities of officers of Federal Reserve Banks and officers of commercial banks which must be taken into account in fixing Federal Reserve Bank salaries. In the first place, operating officers of the Reserve Banks do not have to solicit business or compete with other similar institutions in order to continue in existence and maintain or improve their relative position in the community. They are not under pressing necessity of looking for sound loans or investments and reviewing them constantly for the purpose of making earnings sufficient to pay expenses and dividends to stockholders. They are not ordinarily affected by changes in management which sometimes happen to commercial banks due to dissatisfaction among stockholders or the competition of conflicting interests to gain control, nor are they subject to the risk of loss of status or position as the result of mergers or consolidations such as frequently take place in commercial institutions. Finally, the Federal Reserve Banks generally have carried their personnel through depressions with comparatively small curtailments of salary and in some instances with increases in salary so that the Federal Reserve Banks have relatively greater security and stability of income than officers of commercial banks.

“Furthermore, because of the public character of the Federal Reserve Banks, they cannot be expected to compete with salaries paid to executives by large

commercial banks and private industry. On the other hand, it is believed that Congress has recognised and approved as an established policy the practice that has been followed in the past of fixing salaries of the principal officers of the Federal Reserve Banks at a higher level than those in the regular departments and agencies of the Government and that this practice can be justified and should be continued.

“At the present time, however, the Congress has not shown any disposition to increase salaries of officers of the executive departments and agencies of the Government and in most cases these are limited to \$10,000 per annum. This is true notwithstanding the substantial increase in the cost of living and the loss of qualified people to the Government service because of low salaries. The Board questions the desirability of that policy and feels that the level of official salaries in Government should be increased. It believes, however, that as long as the Government evidences a policy of reducing expenditures wherever possible and of not increasing official salaries to meet the cost of living, the Board as the agent of Congress would not be justified in approving further general increases in the salaries of officers of the Federal Reserve Banks which are at a level in excess of \$10,000 because of higher living costs or because of a higher level of salaries in commercial banks and industry generally. It also believes that increases in salaries above that figure should be approved only in the relatively few cases where the officer has been given increased responsibility in a new, position or the quality of his services in the position which occupies is such that his salary should be raised in order to prevent inequities in relation to salaries paid other officers. In that connection it should be stated that there have been cases where an individual had developed in a particular position to a point where his services were

believed to be worth more than he was receiving, but where a larger salary for the responsibilities of the position was not justified and the salary could not be increased without getting it out of line with other salaries in the Bank or in the System. In such cases, if there is no vacancy in which the abilities of the officer can be used to greater advantage, the Reserve Bank may not be able to hold him unless he is interested in the System as a career and in the greater security provided by reserve Bank employment and the benefits of an adequate retirement system.

“It has been suggested from time to time that the Board adopt a classification plan for the officers of the Federal Reserve Banks which would provide a guide to be used by the directors and the Board in determining salaries. The Board is studying this matter and hope that before the annual review is made of official salaries in 1948 such a plan can be put into effect. A Statement with respect to the plan might be included in the Board’s annual report so that if Congress was not satisfied with the manner in which the Federal Reserve Banks and the Board were handling salary matters it could take whatever action seemed to it to be desirable in the circumstances.

“The Board will be glad if you will read this letter at the next meeting of the Board of Directors of your Bank and supplement it with such additional comments as you may wish to make in order that the directors may be fully acquainted with the reasons for the Board’s position.

“The Board wishes to assure your directors that it does not want to act arbitrarily on the important matter of salaries or to fail to take into account any points that should have consideration. It does believe, however, that the factors upon which decisions must be based are much broader than the salaries paid officers of commercial banks

and industry generally, the value of the services of an individual officer to the Federal Reserve Bank, or the danger Of an officer being attracted elsewhere by a higher salary, and that one of the primary considerations that must always be borne in mind is the public character of the Federal Reserve Banks and their relation to the Congress and its policies with respect to expenses including salaries.

“As you know, under a procedure established in 1939, the Federal Reserve Banks of New York and Chicago submit in March of each year salaries proposed by their directors for officers for the year beginning April 1; the Federal Reserve Banks of Boston, Philadelphia, Cleveland, and San Francisco submit in April proposed salaries of officers for the year beginning May 1; and the remaining Banks submit in May proposed salaries of officers for the year beginning June 1. The procedure contemplates that before formal action is taken by the directors On officers’ salaries there will be an informal consultation by discussion or correspondence for the purpose of ascertaining the Board’s views with respect to actions proposed by the directors and that after such consultation a formal submission will be made. This letter does not suggest any change in that procedure as it is believed it has worked satisfactorily and should be continued.

“A copy of this letter is being sent to the President of your Bank and you may wish to discuss it with him in the light of the discussions at the recent meetings of the Presidents and the Board in Washington.” 223

A Plan of Job Classification and Salary Administration for all employees was also in the works. At the August meeting Director R. C. Harris, Chairman of the Salary and Personnel Committee made a report. He informed the Board that the Atlanta Bank, in conjunction with the other eleven Federal Reserve Banks and the Division of Personnel

Administration of the Board of Governors, had developed a plan of Job Classification and Salary Administration.

- 1) to provide for effective administration of salaries of Reserve Bank employees by the Bank and by the Board of Governors and
- 2) to insure payment of fair and equitable salaries to employees.

All jobs below official rank, reported Mr. Harris, have been evaluated in terms of their relative difficulty and importance based upon a complete written description of each job. In evaluating the jobs, several factors were considered; such as, mental and physical requirements, skill, responsibility, supervision, working conditions, etc. These factors were divided into degrees and point values assigned for the purpose of determining total relative difficulty of one job to another.

Director Harris then stated that the officers and the Salary and Personnel Committee submit herewith a plan of 16 Grades, with a spread of 35 per cent between the minimum of each Grade. The salary range is to be from \$1200, representing the minimum of Grade 1, to \$7700, the maximum of Grade 16. For the present only 15 Grades will be used by this Bank.

The Board approved the plan.²⁷

The Board of Governors in Washington, in approving the Plan on August 28, said:

“...All employees now receiving salaries below the minimum of their respective

grades should be brought within the appropriate range as soon as practicable and not later than the end of this year. With respect to employees whose salaries are now in excess of the maximum of their respective grades, the Board approve, the payment of salary in the amount indicated opposite the name of each employee listed in the schedule submitted. Any increases in these salaries must have the prior specific approval of the Board.

“Under the plan, it is contemplated that there will be intermediate rates between the minimum and maximum for each grade and that a consistent policy of merit Increases within the grades will be adopted. Please furnish the Board with information regarding. the Bank’s policy in this respect.

“When it is deemed necessary, an employee may be temporarily assigned for a period not exceeding six months, without change in salary, to a position having a maximum lower than the salary he is receiving or to a position having a maximum. higher than he is receiving, without obtaining the approval of the Board. In all lists of employees submitted to the Board the names of such employees should be followed by the letters TA.

“Specific approval should be obtained as in the past for the payment of salaries to employees designated as Assistant Federal Reserve Agent, or Federal Reserve Agent’s Representative, and requests for changes in compensation f or these employees should include information on the grade and salary range of the employee’s position.

“Changes in the minimum and maximum salary of the grades must have prior approval of the Board, and requests for such changes should be accompanied by

adequate data justifying the proposed changes.

“It is urged that a definite assignment of responsibility be made for keeping the descriptions, specifications, evaluation, and grading of jobs current. The benefit, of this study should not be lost through failure to maintain the plan. As a necessary part, in the process of keeping the plan up to date, a survey of community rates should be made at least once each year...” 28

Three months later, in November, Director Harris called the Board’s attention to a substantial decline that had taken place in the number of the Bank’s personnel, and especially in the number of employees whose salaries are reimbursable, he also said that the Bank was continuing, from month to month, to make upward adjustments in the salaries of the employees, but that at the end of October the average salary paid the employees, including officers, was only approximately \$2250 per annum.²⁹

In December the following letter was approved for distribution to all employees:

“For more than a year the Board of Governors and the twelve Federal Reserve Banks have been working to develop and place into operation a Plan of Job Classification and Salary Administration.

“A detailed description was prepared for each job at the head office and branches to determine the required duties and responsibilities of the job, together with its relative difficulty and importance as compared with other jobs in the Bank and in other organizations within the local area. All jobs have been classified into grades, and salary ranges have been established for each grade. These salary ranges compare favorably with those being paid by progressive industrial, commercial, financial and

utility enterprises.

“The job descriptions were reviewed by a committee composed of officers and department heads to determine that appropriate grade levels had been assigned. This committee is continuously reviewing classifications in order to make certain ‘that all jobs are given the proper rating according to their relative difficulty and importance in relation to all other jobs. It is possible that some jobs will have to be downgraded while others will be upgraded, depending on the changes in the character of the work the Bank is called upon to perform, and the resultant change in duties and responsibilities required in a particular job.

“The work of job evaluation at this Bank is by no means complete, but we will by January 1, 1948, have every job graded and the person performing the duties of that job drawing a salary within the salary range of that grade. Your department head will be glad to discuss with you any details concerning the grade within which your job has been placed.

“We are convinced that the Job Evaluation Plan provides the Federal Reserve System with a sound program of salary administration. Under this plan the Job Evaluation Committee is charged with the responsibility of keeping informed as to the range of salaries paid by progressive enterprises in Atlanta and in out branch cities. We propose to maintain a salary structure equal to or exceeding that of local outstanding business concerns and progressive industrial enterprises, and at all times see that such salaries are fair and equitably based upon the value of the individual’s services and the quality of his performance.” 30

During the period immediately following World War II, the five day work week was

becoming more and more prevalent. At the April, 1.947 Board meeting President McLarin informed the directors that under the authority of a recent act of the Georgia legislature the Atlanta clearing house banks and other banks in Atlanta had decided not to open f or business on Saturdays except that in a week in which a legal holiday occurred on a day other than Saturday, the banks would 7 be open for business on Saturday of that week. McLarin stated that the change in the business hours of the banks would be made effective beginning April 26, 1947, and that the clearing house hank. would like to see the new business hours adopted by the Federal Reserve Bank at its head office. The President said the matter was being considered by the officers with particular regard to the effect Saturday closings might have on the operations of country member banks in the Atlanta zone which would remain open on Saturday.³¹

A month later President McLarin reported that all difficulties had been resolved and that the Atlanta Bank had adopted a five—day work week by remaining closed on Saturday, May 3. 32

Space requirements, particularly at the various Branches continued to be a problem throughout 1947.

In January Director J. A. McCrary, Chairman of the Real Estate and Building Committee reminded the Board of this need. He referred to the fact that new building sites had been purchased for Jacksonville and New Orleans Branches and that preliminary plans for additional construction at New Orleans had been completed. He stated that preliminary plans should be prepared promptly for new construction at each of the other Branches and also that the authorization of the Board of Governors for the purchase of building lots in Birmingham and Nashville should be obtained.

Chairman Neely emphasized the necessity for prompt action in the preparation of the preliminary plans so that actual work might -be begun as soon as conditions in the building industry would permit. 33

By years end plans were underway involving the physical plants of all four Branches. The architectural firm of Toombs and Creighton concentrated their fire on plans for Jacksonville since the need there seemed most urgent. Indeed, in October, plans involving an expenditure of approximately \$1,800,000 were approved for that Branch. Other expenditures approved at the same time were \$122,000 for Birmingham; \$120,000 for Nashville and \$386,000. for New Orleans.³⁴

In New Orleans a contract for the demolition of the building adjoining the Branch was authorized so that a loading platform could be erected, thus providing greater security for valuable shipments to and from the Branch.³⁵

The only construction project of the year concerning the Atlanta building involved the light court. A proposal to fill it in at an estimated cost of \$60,000 was authorized in February. 36

In the general field of operations 1947 saw a number of changes.

Early in the year the Board of Governors asked the Federal Reserve Banks to resume the submission of annual budgets, & procedure temporarily discontinued in 1942 upon the recommendation of the President's Conference, because of the difficulty of estimating in advance the cost of the various war activities the Banks were being asked to perform.³⁷

In March President McLarin reported on a meeting of the President's Conference and of the Open Market committee had recently attended in Washington. A number of

operating problems were discussed, all having to do with obtaining uniformity in the policies of the twelve Reserve Banks. McLarin said that the relationship between the President's Conference and the Board of Governors were more and more inclined to give recognition to the views of the presidents of the twelve Reserve Banks.

He also said that the agenda of the meeting included a discussion of ways and means of disposing of the extremely large profits of the Federal Reserve Banks. McLarin pointed out that while there was some disposition to request the Congress to reinstate the franchise tax, it seemed more likely that within the next few months the Reserve Banks would begin to absorb the costs of their functions that are performed for the Treasury Department, instead of obtaining reimbursement from the Treasury as now. The President also stated that such further adjustment of the profits of the Reserve Banks as might be necessary would probably be made by the payment of interest, at a rate to be established by the Board of Governors as provided in Section 16 of the Federal Reserve Act, on the amount of the outstanding Federal Reserve notes of each bank less the amount of gold certificates held by the Federal Reserve Agent as collateral security. 38

In May a report requested by Director R. C. Williams concerning a statement of the credit policy of the Federal Reserve Bank of Atlanta, was presented and adopted. Indeed, as Williams pointed out, member banks, as well as nonmember banks contemplating membership in the System, would like to have some definite assurances as to the amount of credit they might expect to obtain at the Federal Reserve Bank should it become necessary for them to borrow.

In the late 1920's and early 1930's the Federal Reserve Banks were criticized on

many occasions because of the strict limitations on their lending authority. By amendments to the Federal Reserve Act in 1932, 1933, and 1934, the lending powers of the Reserve Banks were substantially enlarged — to the point where they are now able to take care of the reasonable credit needs of their member banks. A member bank will be able to determine the amount of credit available to it at the Federal Reserve Bank of Atlanta if a lending formula is adopted and made known to the member bank.

Such a formula might be as follows:

“1. Lending on U.S. Government securities:

Direct and fully guaranteed—Loans will be made at par value of securities.

“2. State and Municipal bonds and warrants:

Loans will be made at 90 per centum of the intrinsic value. (The term “intrinsic value” as used in “ paragraph 2 and 3 may or may not bear a relation to the market value.)

“3. Bonds and warrants other than State and Municipal:

Loans will be made at 90 per centum of the intrinsic value.

“4. Customer’s paper:

Paper classified as “good” in the most recent examination report of the bank, and by a governmental examining authority-loans will be made on the basis of not less than 90 per centum of the face value of such paper.

“As a supplement to the above, and possibly of greater importance because the above has been a standing policy of the Federal Reserve for some time, member banks may understand that, under the provisions of Section 10b of the Federal Reserve Act,

Federal Reserve Banks are empowered to lend to any of their member banks upon the member bank's promissory note secured to the satisfaction of the Federal Reserve Bank. This provision of law enables a Federal Reserve Bank to make an advance to a member bank on a reasonable basis upon the security of any asset of the member bank, even though it may not be a type mentioned in the formula.

"It is the firm resolve of the Federal Reserve Bank of Atlanta that as long as a member bank has assets upon which to borrow, the member bank may not be compelled to close its doors because of its inability to obtain credit." 39

During the course of the June meeting of the Board, President McLarin acquainted the directors with a number of pending developments discussed recently in Washington.

He said that it was proposed to reduce the maximum number of days for which credit is deferred for the collection of cash items from three days to two days and that it was proposed also to have the Federal Reserve banks absorb the postage expense of reserve city member banks in their direct sending of checks payable in other Federal Reserve Districts.

McLarin also stated that the Reserve Banks would no longer accept short-term Government securities from non-member banks for safekeeping, but that no non-member bank would be required to withdraw from safekeeping any such securities now held. He said too, that agreement had been reached that the Reserve Banks would discontinue making claims for reimbursement from the Treasury Department for expenses heretofore allocated to Fiscal Agency Functions, in relatively small amounts, for services rendered in other departments of the bank.⁴⁰

In August Counsel Harold T. Patterson spoke briefly on various laws of interest that had recently been considered by Congress. He stated that a bill authorizing the Reserve Banks to spend not in excess of \$10,000,000 in the aggregate on all of their branches had been made a law; that the joint resolution of the two houses of Congress authorizing the continuance of Regulation W until November 1, 1947 had been approved; that Public Law 141 continuing the authority of the Reserve Banks to purchase not more than five billion dollars of United States securities directly from the Treasury had been approved; and that the bill authorizing the cancellation of the capital stock of the F.D.I.C. that is owned by the Federal Reserve Banks and the payment to the Treasury of the \$139 million—odd represented by this stock had become a law. 41

One clear evidence of growth in the operation of the Sixth District Federal Reserve Bank between 1941 and 1947 is reflected in the operation of the Check Collection Department. Indeed, the Bank considers its check—collection service to member banks one of its most important functions because of the numerous benefits that accrue to those banks making use of it.

During 1947 the Bank and its branches cleared 82,814,000 checks that were used by business and individuals to carry on their day to day business transactions, against only 48,730,000 in 1941. In addition to the city and country checks, 27,881,000 Government checks were handled by the department.⁴²

Total assets of the Bank as of December 31, 1947 stood at \$2,461,255,056.75. Net earnings for the year came to \$4,910,984.78, up \$287,291.48 from 1946. 43

An interesting comparison between two war periods is set forth in the Annual Report for 1947: 44

“The period between the end of World War II and the end of 1947 is only two months longer than that between the close of World War I and the end of 1920. For many reasons it is inevitable that comparisons would be made between the two periods. Conditions since the end of World War II have in many respects differed from those after the earlier war. Sixth District bankers at the end of 1920 found that their deposits were a fifth less than they had been at the end of 1919, despite an expansion during the war and the first postwar year at a percentage rate greater than that for the nation. The rate of decline in deposits was almost three times as great as that for the nation’s member banks as a group. This decline continued into the middle of 1922, when deposits were a third lower than their previous peak, though the national low point for member banks throughout the nation had been reached by the end of 1921.

“Instead of increasing in 1946, the first of the current postwar years, as they had in 1919, Sixth District total deposits declined at about the national rate. This decline, however, resulted from the use of excess Treasury balances to retire bank—held Government securities. Deposits of individuals and businesses continued to increase. In the second postwar year, instead of declining as they had in 1920, total deposits at District member banks rose reflecting further increases in privately held deposits, and at the end of the year they were slightly higher than they had been at the end of 1946.

“Of course the failure of the postwar recession to appear after World War II is one of the chief reasons for the nonrecurrence of a run-off in deposits. The different ways in which these deposits were created in the second period, however, is perhaps equally important. Private-credit expansion through bank loan was the primary cause of deposit expansion during World War I and its first succeeding year. To a large extent many of

the loans were speculative, especially those made to carry cotton, which had been rapidly rising in price. The fall in the cotton price from more than 40 cents to about a fourth of that amount within a few months' time reduced one of the most important sources of District income and left the banks vulnerable to a drain of their deposits to other areas.

During the recent war, on the other hand, deposit expansion was primarily the result of Government borrowing from the banks, as evidenced by their expanded security holdings. Since the end of the war, however, the further growth in privately held deposits has resulted largely from expansion of commercial bank loans. Moreover, the District was no longer so dependent upon cotton as the chief source of income, and comparatively few purely speculative loans have been made. In addition there is evidence that the District may retain many of its wartime economic gains, some of which were initiated before the war.

“Nevertheless there is still a resemblance between conditions in the latter half of '47 and those in the boom period following World War I. Bank lending was the chief factor increasing deposits as it had been in 1919, and there has been a similar period of very rapidly rising prices. Despite the resemblance, if caution is exercised by business generally and by bankers in limiting private-credit expansion and if the measures followed by the regulatory authorities are effective, a repetition of the conditions faced by Sixth District bankers after the first World War may be prevented.”

Notes

Chapter 36

1. The Life History of the United States, Vol. 12, p. 160.
2. Garrett, Atlanta and Environs, II, 1004.
3. Page 5.
4. Minutes, Directors, XIV, 3900.
5. Ibid., 3937
6. Ibid., 3965-3966.
7. Ibid., 3966.
8. Time Magazine, December 22, 1947, p. 67.
9. Minutes, Directors XIV, 3951.
10. Ibid., 3876.
11. Ibid., 3863.
12. Ibid., 3894.
13. Ibid., 3902, 3906.
14. Ibid., 3917; Biographical Records of the Bank; Franklin M. Garret, J. M. Tull, The Man The Company, (Atlanta, 1957), 43-44.
15. Minutes, Directors, XIV, 3917.
16. Ibid., 3916, 3923.
17. Who's Who in America, 1964-65, p. 1553.
18. Minutes, Directors, XIV, 3932.
19. Ibid., 3931.
20. Ibid., 3964.

21. Ibid., 3918, 3924; Biographical Records of the Bank; Who Was Who in America, II, 469.
22. Minutes, Directors, XIV, 3962-3963.
23. Ibid., 3955-3956
24. Ibid., 3890, 3895.
25. Ibid., 3903.
26. Ibid., 3903-3906.
27. Ibid., 3934-3935.
28. Ibid., 3941.
29. Ibid., 3958.
30. Ibid., 3968-3969.
31. Ibid., 3912.
32. Ibid., 3918.
33. Ibid., 3882.
34. Ibid., 3949.
35. Ibid., 3911.
36. Ibid., 3885.
37. Ibid.
38. Ibid., 3899.
39. Ibid., 3920-3921.
40. Ibid., 3929.
41. Ibid., 3937.
42. Thirty-Third Annual Report for Year Ended December 31, 1947, p. 28.

43. Ibid., 45.

44. Pages 17-19.

Chapter 37

1948

Events of world—wide import moved along rapidly during 1948.

The new nation of Israel gained its independence and Yugoslavia left the Stalinist camp. Harry Truman won a surprise re-election for the Presidency over Thomas E. Dewey; the Berlin Air-lift began to function; General Motors signed the first sliding-scale wage contract; the transistor was invented, and the Supreme Court ruled religious education in public schools unconstitutional. 1

On the local front the South's first television station, WSB-TV was dedicated in Atlanta on September 29; General Motors opened an assembly plant at Doraville in June, and Herman Taluadge was elected governor of Georgia. 2

In mid-January the Board of Governors of the Federal Reserve System in Washington sent a letter to the various Reserve Banks wherein current Board policies were outlined:

"...Open Market policy will continue in accordance with Chairman Eccles' testimony before the Congress. 'Under present and prospective conditions, it is not only desirably but essential, in the opinion of the Treasury and of the Reserve System, that the established 2 1/2% rate on long-term marketable Government securities be maintained."

"Federal Reserve holdings of Government securities on January 14 amounted to 21.9 billion dollars, of which 18.2 billion were bills and certificates.

"The gold inflow for 1947 was around 3 billion. It is expected that it will diminish year by at least one billion.

“The certificate rate is now 1 1/8% and it was therefore desirable to have the discount rate a little higher. As anti-inflationary measure, it may be desirable to raise the reserve ratio of central reserve cities at the proper time. The certificate rate will probably remain as it is now.

“Examination policy will encourage banks to exercise the greatest possible care in making new loans, particularly on mortgages. When banks increase their risk assets, higher capital ratios will be urged.

“The following are the legislative proposals in which the Board is interested: S.408, which would channel loans of the L.F.C. type through the regular banking system; -- installment regulation; --Bank holding company legislation; --the special reserve plan, which would immobilize certain bank assets as a basis for more reserves during the period while strong inflationary pressures continue without interfering with legitimate credit needs.

“Greater uniformity should be sought in Federal Reserve Bank budgets. Costs of functions performed at Reserve Banks vary considerably and should be scrutinized carefully in the light of reasonable standards and past experience. The Board is instituting a systematic review of budgetary expenditures by classes for the purpose of seeing what can be done...” 3

The economy came up for discussion and analysis at various Atlanta Board meetings during the year. In June Chairman Neely introduced Lloyd B. Raisty to the Directors, stating that Mr. Raisty had come back to the Bank as a Senior Economist, and invited him to discuss for the Directors current economic conditions.

Mr. Raisty then presented a report of economy trends, stating that the economy

was still in the inflationary stage of the postwar boom and that no important signs of the end of the boom are in sight. He emphasized the difference between theories of the forces that controlled the fluctuations of business activities, pointing out that those who have been fearing recession was just around the corner for the past two or three years have been mistaken on four principal counts:

“1. They have feared that high profits would work against high employment; in fact, however, high profits and high employment always go together and each generates the other.

“2. They have argued that rising prices were rapidly depleting the purchasing power of workers and would lead to a collapse of markets. On the contrary, however, rising prices have been a consequence of the abundance of purchasing power, and have not yet completely closed the gap between supply and effective demand.

“3. They have emphasized the certainty of postwar adjustments and have taken the 1920—21 price breaks as indicating the pattern of the current period. On the contrary, the current period has differed sharply from the post World War I period in three important respects: (a) excessive speculative buying has not developed, (b) easy money conditions have continued to prevail, and (c) foreign purchasing power has not collapsed.

“4. The pessimists have underestimated upward pressures generated by war-financed purchasing power and war-created shortages. In truth, it should have been recognized from the outset that a long period of adjustment was inevitable and that booms have as much self—energizing capacity as do depressions.”

In concluding his remarks, Raisty emphasized the continued inflationary effect of

new wage increases, income tax reductions, additional government spending for European aid and re-armament, continuance of easy money conditions, continued inability of production to satisfy active consumer demands, and the existence of a political mood weighted in favor of expansion.⁴

In September Mr. Raisty elaborated; reporting briefly on the then current inflationary situation and its background. He said that the current price distortions were nothing new in American economic experience, but that we have had a relatively greater price inflation in the current period than at any time in our previous experience. He made brief comparisons of the World War II inflation with those of World War I, the Civil War, the War of 1812, and the Revolutionary War. He then enumerated the steps by which our current inflation was brought about:

- “1) Excessive reliance on borrowing to finance the war,
- 2) Premature removal of wartime, anti—inflationary controls,
- 3) Encouragement of wage increases,
- 4) Encouragement of high farm prices, and
- 5) Reduction of income taxes.”

He asserted that the way was clearly open for further inflation, and that values have simply not yet adjusted to the wartime monetary expansion. The key to the situation, he explained, was the matter of restraining further monetization of the public debt. He mentioned the holding of Government bonds by the commercial banks, the insurance companies and by individuals that can be converted to cash or to bank deposits and thus add to effective purchasing power.

He said that the Board of Governors was endeavoring to hold down further

inflation through its available powers, namely:

- a) imposing consumer installment credit restrictions;
- b) permitting or encouraging a rise in the Interest rate on short—term governments;
- c) raising the discount rates at the Federal Reserve Banks;
- d) raising reserve requirements of member banks;
- e) urging voluntary restraints on bank and insurance company lending; and
- f) buying and selling Government bonds on the open market.

So long as the Government bond market was supported at par, Mr. Raisty said, he could see little possibility that the continued monetization of the Government debt could be avoided. This would mean, he said, further creeping inflation, but with no immediate possibility of a sudden collapse of the boom on the one hand or of a runaway or galloping inflation on the other.⁵

At year's end, in discussing the economic situation with the Board, Mr. Raisty emphasized the rather close relationship between the current economic outlook and Federal Reserve policy. Ever since mid-1947, he said, the Board of Governors has followed a carefully calculated series of moves to restrain inflationary pressures that were present in the economy. He mentioned:

CHAPTER 37 (continued)

(1) unpegging the interest rates on short-term Governments, (2) reduction in the support price of Government bonds, (3) retirement of over \$5 billion of bank-held debt through the use of Treasury surpluses, (4) raising of discount rates in January and again in August, (5) increases in member bank reserve requirements, (6) reimposition

of Regulation W, and (7) urging of voluntary restraints on bank lending.

Mr. Raisty said that in spite of a reduction in income taxes amounting to about \$5 billion, the aid-to-Europe program, the rearmament program, and the agricultural price support program, the measures restraint had apparently been successful; at least they had now been -accompanied by a distinct leveling off of the economy.

Among the signs of the success of the Board's policy Mr. Raisty listed: (1) the halt in price rises, (2) the decline in retail sales, (3) the slump in the stock market, (4) the decline in home starts, (5) the decline in the export balance, and (6) the lowered rate of expansion of bank credit.

He said that if the economy could stop at this point the developments for next year could be viewed with no fear of further inflation. Unfortunately, for such an outlook, however Raisty said that there were new factors in the economy that seemed to tip no balance in favor of some degree of further inflation. Among these factors, he mentioned (1) expanded Federal expenditures for military preparedness. European aid and agricultural price supports, (2) accelerated expenditures by state and local governments, (3) expansion plans of the utilities, railroads, oil companies, and other industries, (4) the current momentum of industry with its record production, purchasing power, and (5) certainty of fourth round of wage increases.

In summary, Mr. Raisty said the Board's monetary policy had been accompanied by a reduction in inflationary pressures for the year 1948, but the new factors, that would begin to exercise their full impact in 1949, threatened to upset the current trend toward stabilization. 8

Changes in the official family Sixth District Federal Reserve Bank during 1948

involved mostly directors, though 'there were two among officers. On June 1 Roy E. Milling, Manager of the Currency and Coin Department, was appointed Assistant Vice President, and Harold T. Patterson was appointed General Counsel. 9

Branch Directors appointed for three-year term beginning January 1 to fill vacancies were: Birmingham, W. C. Bowman, President, First National Bank, Montgomery; Jacksonville, J. W. Stands, President the Atlantic National Bank, of that city; Nashville, V. H. Hitchcock, President, First and Peoples National Bank, Gallitin, Tennessee; New Orleans, T. J. Eddins, President, Bank of Slidell, Slidell, Louisiana.¹⁰

In addition to the above, the following Branch Directors were appointed by the Board of Governors in Washington for three-year terms beginning January 1, 1948: Birmingham, J. Roy Faucett, Faucett Brothers, Northport, Alabama; Jacksonville, Marshall F. Howell, President, Bond-Howell Lumber Company, of that city; Nashville; Nashville, C. E. Brehm, Acting President, University of Tennessee, Knoxville; New Orleans, H. G. Chalkley, Jr.¹¹

A new class B Director was elected by member banks in Group 1 for a three-year term beginning January 1. He was Alfred Bird Freeman, a pioneer Bottler of Coca-Cola and Chairman of the Board of the Louisiana Coca-Cola Bottling Company at New Orleans. The new Director attended his first Board meeting in Atlanta on January 3. On this occasion Director Rufus C. Harris spoke of the contribution Mr. Freeman had made to the life of New Orleans during a 40-year period and cited him as a worthy successor to retiring Director E. T. George. 12

During January, W. T. Bland, of the Jackson Branch Board resigned after serving nearly a year. He was succeeded by Howard Phillips, Vice President and General

Manager, Dr. P. Phillips Company of Orlando.³

To the Open Market Committee for one year terms beginning March 1, were elected R. R. Gilbert, President of the Federal Reserve Bank of Dallas, as member, and W. S. McLarin, of Atlanta, as alternate.¹⁴

In June J. R. McCravey, Jr., resigned as Secretary of the Atlanta Board of Directors and was succeeded by Harold T. Patterson. In August J. Hillis Miller, President of the University of Florida, was added to; the Jacksonville Board for the unexpired portion of term ending December 31, 1948. In December W. G. Birdwell Nashville Branch Director, resigned.¹⁷

Another personnel change of interest to bankers throughout the country, occurred in February. Thomas B. McCabe succeeded Marriner S. Eccles as Chairman of the Federal Reserve Board. The change was reported by Time Magazine.⁸

“Amid the cheers of bankers and brokers, Harry Truman abruptly demoted Marriner Eccles from the chairmanship of the Federal Reserve Board last week. In the place of old New Dealer Eccles, the President put Thomas McCabe, Chairman of the Philadelphia Federal Reserve, Bank, President of Scott Paper Company (tissues). In politics McCabe is a Republican.

“Why did Harry Truman do it? His motives were not too obscure. Eccles' term on the board ran to 1958, but his chairmanship was about to expire (February 1). The small, greying boss of FRB had become increasingly irritating to Mr. Truman. Eccles had disagreed with Treasury Secretary Snyder on how to handle inflation. With his recommendation for tighter Government controls of banks and financing, he had stirred up the bankers and brokers. He was always treading on toes. He had also been

spotted paying occasional visits to Senator Bob Taft. The ax fell.

“Eccles head did not roll, although his neck was bruised. Magnanimously the President offered him the vice-chairmanship of the seven-man board. After wrestling with his pride, Eccles took it. He could still get in plenty of licks at his enemies. While McCabe was learning the tortuous ins and outs of the job, Eccles, the old hand, would continue to be the most influential member of FRB. Independently wealthy and doggedly independent, 57-year old Marriner Eccles would go on working at his teas of ‘capitalistic democracy.’ A Washington career had been punctuate but by no means ended.

“The career started 14 years ago. Eccles, a staunch Mormon, was also a staunch advocate of the theory that money is a tool to be used, not hoarded. As a young man in Mormon frock coat and silk hat, he had proselytized for the Latter-Day Saints along Glasgow’s Clydeside. As a Utah enterpriser, he had used the sizeable fortune inherited from his pioneer father to build a small empire of sugar, lumber and construction companies, and 28 banks throughout Utah and Idaho.

“But whereas he advocated Government spending in depressed times, Eccles has fought easy-money politics during the postwar inflation. He tried to keep the clamps on installment buying, favored high margin trading on the stockmarket, recommended the virtual doubling of reserve requirements in commercial banks. From Robert Taff, last week, he received this lefthanded accolade: Mr. Eccles may be a New Dealer but he is at least consistent.

“The man who took Eccles’ place was somewhere to the right of Eccless ‘unorthodox’ doctrines, though perhaps not as far as some loudly applauding bankers

thought. Thomas McCabe went to progressive Swarthmore College. He began his career at Scott Paper Company, became a super-salesman and finally president. He had held various Washington jobs, including that of deputy lend-lease administrator. McCabe, like Eccles, is concerned about ways and means to curtail credit. He also believes that great efforts should be made to control inflation. The difference between the two may be largely one of method. Amiable, smiling Tom McCabe gets along with people.”

During 1948 a number of decisions were made and matters discussed concerning officers and employees.

In January an age limit was established for Class L directors and directors of branches. Hereafter no director shall be appointed who is 70 or over or who would become 70 before the expiration of his term; None shall be reappointed who is 70 or over.

The matter of salaries received considerable attention during the year. Indeed, during periods of inflation salaries never seem to quite catch up with the cost of living.

The New Orleans Board had suggested periodic bonuses to employees to compensate for higher living costs. Director R. C. Harris, of Atlanta, Chairman of the Salary and Personnel Committee, commented in January on the salary policy that had been adopted by the Bank and pointed out that during December 1947, increases had been approved for 143 employees, of which number 33 were assigned to the New Orleans Branch. Harris also stated that increases in salary were being given from month to month and that it was the purpose of the Bank to bring about a still further increase in the average amount of salary paid. By comparison it was pointed out that the average

salary of employees (exclusive of officers) at the head office and branches, was \$2145 as of January 1, 1948, compared with \$1500 on January 1, 1945. 20

It was brought out at the April Board meeting that of all twelve Federal Reserve Banks, the average salary paid by the Atlanta Bank was lowest at \$2234. Director A. B. Freeman raised the question of bonuses to offset inflation. Director Lawrence Clayton, of the Board of Governors, who was present, responded. He said the bonus matter had been fully discussed over a period of about two years when the job evaluation program was in process of development, and that the Board of Governors and President's Conference had agreed that the new program would have sufficient flexibility to compensate for increases in the cost of living by increasing the basic salary paid without the necessity for supplemental payments.

In June, following the submission of his regular report, Director Harris commented that, in accordance with the job evaluation plan, the Personnel Committee was making every effort to increase salaries in order that this Bank might not be at the bottom level. He added, however, that salaries in other Federal Reserve Banks are not held static and, of course, as they increase salaries the effect of our raises is frequently offset. He congratulated Vice President L. M. Clark on the studies that had been made by the officers of the Bank in the evaluation of jobs within the range of identical work done in other enterprises within the city. He stated that the result of the evaluation studies show our salaries closely approximate the average paid by those enterprises. He also commented that similar studies were made at, the Cleveland bank and branches at Cincinnati and Pittsburgh. However, these studies were not done by the staff of the bank but by the Personnel Research Institute of Western Reserve University for a

specific fee. Harris said he felt that the study, made by our Bank officers was valuable and sufficient at this time. 22

Meanwhile, as provided in the by-lava, officers were appointed and their salaries fixed for a one-year period, beginning June 1: 23

W. S. McLarin, Jr.,	President	\$25,000
L. M. Clark,	First Vice-President	17,000
V. K. Bowman,	Vice-president	11,000
S. P. Schuessler,	Vice-President	9,000
J. E. Denmark,	Vice-President	9,000
James H. Bowden,	Asst. Vice-President	7,500
C. R. Camp	Asst. Vice-President	7,500
F. H. Martin,	Asst. Vice-President	6,000
I. H. Martin,	Asst. Vice-President	5,500
J. R. McCravey, Jr.,	Asst. Vice-President	7,500
Edw. Carr Rainey,	Asst. Vice-President	6,000
Roy E. Milling,	Asst. Vice-President	5,500
Earle L. Rauber,	Director of Research	9,000
Winslow E. Pike,	General Auditor	8,000
Harold T. Patterson,	General Counsel	9,000

Birmingham Branch

P. L. T. Beavers,	Vice-President & Manager	9,500
H. C. Frazer,	Asst. Manager	7,000
H. J. Urguhart,	Asst. Cashier	5,500

Jacksonville Branch

T. A. Lanford,	Vice-president & Manager	\$10,000
Crawford Clark,	Cashier	7,000
C. Mason Ford,	Asst. Cashier	5,000
J. Wyly Snyder,	Asst. Cashier	6,000

Nashville Branch

Joel B. Fort, Jr.,	Vice-president & Manager	8,500
E. R. Harrison,	Cashier	6,500
Robert E. Moody, Jr.,	Asst. Cashier	6,000

New Orleans Branch

E. P. Paris,	Vice-President & Manager	13,500
Morgan L. Shaw,	Asst. Manager	8,000
W. H. Sewell,	Cashier	6,600
Lawrence Y. Chapman,	Asst. Cashier	5,400
F. C. Vasterling,	Asst. Cashier	5,100

Director George J. White, Chairman of the Auditing Committee sounded a warning note on personnel early in the year. Following the dismissal of two money sorters at the Jacksonville Branch because of dishonesty, he said care should be taken to ascertain whether the family responsibilities of prospective employees are heavy in proportion to the amount of salary to be paid.²⁴

Space, particularly at branches, continued to be a problem during 1948. In February the Board of Governors outlined by letter its policy on building operations. Said the Board:

“...At the time the Federal Reserve Act was amended so as to permit, without reference to the \$250,000 limitation, erection of Federal Reserve Branch bank building, so long as the aggregate of costs incurred with the approval of the Board of Governors does not exceed \$10,000,000 for building proper, exclusive of the cost of vaults, permanent equipment, furnishings, and fixtures, assurance was given to the Banking and Currency Committee of Congress that no construction except of an emergency character would be undertaken in the immediate future...

“The limitation in the Federal Reserve Act does not apply, of course, to head office buildings, but it is believed the Board must follow a consistent policy in regard to building construction, whether at head offices or at branches of the Federal Reserve Banks. Except in the case of emergencies, the Board does not believe that extensive alteration or improvements to Federal Reserve Bank buildings should be undertaken, or new Federal Reserve Bank buildings constructed, in times of pronounced inflationary conditions or when there are substantial shortages of labor and construction materials. Accordingly, under present conditions, which in many respects are more acute than at the time the Board’s letter 5-871 of September 14, 1945, was written, the Board does not favor such construction unless the need therefor is of an emergency, as distinguished from an urgent, character.

“There is no objection, of course, to the employment of architects to prepare preliminary plans for contemplated head office and branch building construction or alterations. The Board should be informed, however, concerning the details of any agreements made with the architects for such plans, which agreements should include a provision that the Federal Reserve Bank is not obligated to retain the architect for any

work beyond the preparation of preliminary plans, but that if he is retained the payment for such work will be taken into account in the final fee. No commitment should be entered into for the preparation of detailed plans and specifications until the preliminary plans have been reviewed by the Board...

“The above does not relate to normal maintenance...or to minor replacements chargeable to the appropriate allowance for depreciations. However, alterations and improvements, including replacements, of a major character, and new construction, should not be undertaken without prior consideration by the Board.”²⁵

The Board did, however, on January 19, authorize the Bank to proceed with the preparation of final plans for a five-story building in Jacksonville on a site acquired in 1946.²⁶

In Nashville a proposal for providing additional space at a cost of \$30,000 was disapproved on the basis of non-urgency and the feeling that the expense was out of line with the space provided. It was felt that piece-meal plans should be abandoned in favor of the addition of -another floor at a more propitious time. An expenditure of \$8563 was, however, authorized in July, for enclosure of a light well on the third floor for a ladies' rest room. ²⁷

Building activities for 1948 were epitomized by Director J. A. McCrary in September when he stated that there is no building being carried on at this time; that the Real Estate and Building Committee is simply marking time until the Board gives the signal to proceed and that “I feel that probably it is a good thing that we are not building at this time.”²⁸

Other matters moved with more alacrity. In March the classification of member

bank was changed for the purpose of electing Class A and Class B directors. The changes provided that Group 1 will consist of banks with capital and surplus of \$1,500,000 and over; Group 2, \$300,000 to \$1,499,999, and Group 3, less than \$300,000. 29

By April, 1948, the Bank's Agricultural Policy was pretty well oriented. In making a report at that time, Director J. F. Porter, Chairman of the Agricultural Committee, expressed satisfaction with the programs progress, with its special emphasis on year round pastures and reforestation. Porter also said that his Committee believed that the Bank should guard against direct assistance to the farmers, in competition with a number of government agencies, but should rather direct its efforts toward engaging the interest of the bankers in the agricultural problems of their farmer customers. 30

Chairman Neely emphasized the importance of branch bank plans for agricultural activities. He pointed out that because of the wide degree of diversification of the types of agriculture throughout the states of the Sixth District, it was highly desirable to decentralize -the Bank's agricultural program so that the activities of each Branch would take into account the types of agriculture in its own area. The Chairman cautioned, however, that the Agriculture Committee of the head office directors should be contacted in the formulation of Branch agricultural programs. 31

Optimistic also, was Director Porter's report on agriculture to the September Board meeting. He said his Committee was making progress and that its work is beginning to find its place in the District. More and more requests for the Bank's agricultural economists to attend meetings are being received. Porter observed that in Tennessee the relationship between the Tennessee Banker's Association, the Farm

Bureau, and the Federal Reserve Bank is excellent. He also noted that at the agricultural dinner meetings, which we sponsored by the Federal Reserve Bank, he saw evidence of exceptional good will accruing to the Bank. Director Porter also expressed the feeling that during the coming year “we will be more certain of our steps and can work our a more pointed program.” He closed by observing that “our program of year-round pasture has created a great deal of interest in the District, and is progressing most satisfactorily.” 32

In his Annual Report for 1948, 33 President McLarin commented on changes in membership in the Sixth District. He wrote:

“Over the past several years membership in the Federal Reserve District has shown an almost uninterrupted gain. M the beginning of 1942 there was 317 members; at the end of 1948 there were 346.

“During the year 1948, the Sixth District had a net gain six members. Of the additions, two were newly organized National banks: The Loop National Bank of Mobile, Mobile, Alabama, which opened for business on March 17, 1948, and the First National Bank of Eufaula, Eufaula, Alabama, which opened November 1.

“Another addition was accomplished through the conversion of a State bank to a National bank, namely, the West Georgia Bank and Trust Company, Carrollton, Georgia, which on January 2, 1948, became the West Georgia National Bank of Carrollton. There was another conversion of a State bank to a National bank during the year, namely the American Trust and Banking Company, Chattanooga, Tennessee, which became the American National Bank and Trust Company of Chattanooga on October 1; in this case, the bank was already a member so that the conversion had no

effect on total membership.

“Four additions to membership came about through the admission of State banks. These were the Columbia Bank of Ybor City, Tampa, Florida, admitted on April 16; the Farmers and Merchants Bank, Forrest, Mississippi, admitted on April 30; The Beach Bank, Jacksonville Beach, Florida, admitted on May 17; and the Citizens Trust Company, Atlanta, Georgia, on October 1.

“There was only one bank that withdrew from membership during the year. This was the First National Bank of East Point, Georgia, which on November 19 converted to a state nonmember bank and now operates under the name of the Citizens and Southern Bank of East Point. It is affiliated with the Citizens and Southern National Bank, Atlanta, Georgia.”

Total assets and liabilities of the Federal Reserve Bank of Atlanta stood at \$2,481,281,131.62 on December 31, 1948, compared to \$2,431,838,323.59 on the same date a year earlier.

Net earnings for the year nearly doubled, however, \$9,644,194.93, compared to \$4,910,984.78 for 1947. All categories earnings increased, but the principal increases came from “earnings from U. S. Securities System account.” 34

The general economic climate in which the nation’s banking system operated during 1948 was described by President McLarin in his Annual Report for the year: 35

“The commercial banks of the country operated in 1948 under constant but moderate pressure from Federal Reserve and Treasury anti-inflation policies. Some of these measures were initiated in the latter part of 1947, and as 1948 progressed a clear pattern in the attack on the problem of inflation was revealed.

“At the initiative of the Federal Reserve authorities, an arrangement was made in October 1947 with the Treasury to use a portion of its cash surplus for the redemption of the System’s holdings of maturing issues of Government securities. By the end of fiscal 1948, partly in keeping with this arrangement, the Treasury had retired United States Government marketable securities in the amount of about \$8 billion. This action effectively offset the increase in bank reserves resulting from a continued inflow of gold.

“A joint statement was issued on November 25, 1947, by the Board of Governors of the Federal Reserve System, the Comptroller, of the Currency, the Federal Deposit Insurance Corporation, and the Executive Committee of the National Association of Supervisors of State Banks urging caution in extending bank credit during the ensuing year. The banks were asked particularly to discourage consumer loans, real—estate loans, and speculative loans of every type. They were also urged to a high degree of liquidity and to build up their capital structures. The American Bankers Association in 1948 threw its support behind these warnings, urging upon the country’s 14,000 banks the need for voluntary restraint in extending credit.

“On December 24, 1947, downward adjustments were permitted in Federal Reserve support prices for medium-term and long-term Government securities. On the longest restricted 2~ percent issues, the support price was placed at 100¾. Because of this adjustment, some uncertainty prevailed all through 1948 about the future support levels, an uncertainty that no doubt contributed to the restraining of unhealthy optimism.

“In cooperation with the Treasury, the Federal Reserve authorities continued the policy initiated in mid-1947 of permitting short-term Government securities to move toward higher yields. The effective rate on Treasury bills was permitted to rise from 3/8

of one percent to above one percent. At the same time, the yields on twelve-month Treasury certificates were permitted to increase from $\frac{7}{8}$ of one percent to $1\frac{1}{4}$ percent. These rises in the short-term rate were significant because banks were thereby encouraged to hold or invest their available funds in short-term securities rather than to put such funds in loans or other investments.

“The Federal Reserve Banks increased their discount rates twice during 1948. In January the discount rate of the Federal Reserve Banks on advances secured by Government obligations was uniformly advanced to $1\frac{3}{4}$ percent. In August the rate was advanced to $1\frac{1}{2}$ percent. These changes in the rate did not have the effect that similar changes had in the period following World War I. Discounts and advances of the Federal Reserve Banks during 1948 ranged somewhere between \$250 million and \$300 million, a degree of borrowing by member banks that was too small to give any material effect to the changing of the discount rate. The chief purpose, therefore, *a!* the rise in the discount rate was to equalize the cost of borrowed Reserve funds with cost of funds obtained through the sale of short-term securities in the market.

“Another part of the program of restraining bank-credit expansion was the raising of reserve requirements. Effective on February 27, 1948, the Board of Governors increased reserve requirements against demand deposits of central reserve city member banks from 20 percent to 22 percent. Effective June 11, 1948, such reserve requirements were raised another 2 percent, or from 22 to 24 percent. In September, 1948, pursuant to authority granted by the special session of Congress in July and August, the member bank reserve requirements were raised another 2 percentage points. This action established reserve requirements on net demand deposits of 26

percent for central city reserve banks, 22 percent for reserve city banks and 16 percent for country banks. At the same time, reserves against deposits for all member banks were raised from 6 percent to 7½ percent. In all, therefore, some \$3 billion in bank funds were immobilized by these changes.

“As a further measure to control inflation, the Board of Governors of the Federal Reserve System reissued its Regulation W, which imposed restrictions upon the use of consumer installment credit. These restrictions were designed to curb the use of credit in recognition of the fact that when goods and services are in relatively short supply at full employment levels an increase in credit merely serves to push prices higher without a corresponding increase in production.

“Both the Federal Reserve System and the Treasury continued to encourage individuals to invest their surplus funds in Government securities, thus clamping to some extent, the available purchasing power. This campaign proved to be relatively successful and by the close of the year the amount of United States Savings Bonds outstanding was about \$3 billion larger than at the beginning of the year.

“As an accompaniment to this concerted program of containing ~ inflationary pressures, the expansion of bank credit that took place in, the latter part of 1947 was largely avoided in the corresponding period of 1948. In fact, there was a general tightening of bank credit that was particularly noticeable in the, very field where tightening was most needed, namely, in lending to security and real estate buyers and to consumers.”

Notes

Chapter 37

1. The Life History of the United
2. Garrett, Atlanta and Environs, II,
3. Minutes. Directors, XV, 3986.
4. Ibid., 4026.
5. Ibid., 4043-4044.
6. Time, August 23, 1948, p. 63.
7. Ibid., February 2, p. 74; September 20, p. 85.
8. Minutes. Directors, XV, 4072
9. Thirty-Fourth Annual Report, 1948 ,p. 32.
10. Minutes. Directors, XIV, 3960.
11. Ibid., XV, 3975.
12. Ibid., XIV, 3972; XV, 3974.
13. Ibid., XV, 3984-3985.
14. Ibid., 3992.
15. Ibid., 4018.
16. Ibid., 4035.
17. Ibid., 4059.
18. February 9, 1948, p. 19
19. Minutes. Directors. XV, 3976.
20. Ibid., 3978.
21. Ibid., 4003.

22. Ibid., 4022.
23. Ibid., 4017.
24. Ibid., 3979.
25. Ibid., 3995-3996.
26. Ibid., 3987.
27. Ibid., 4033.
28. Ibid., 4041.
29. Ibid., 3996.
30. Ibid., 4004.
31. Ibid., 4015.
32. Ibid., 4041.
33. Page 29.
34. Thirty-Fourth Annual Report, 44-45.
35. Pages 10-12.

Chapter 38

1949

On the international front the year 1949 important and far-reaching developments. The North Atlantic Treaty Organization was set up; Chinese Reds proclaimed a People's Republic of China; Russia exploded an A-bomb; Indonesia became independent and West Germany was set up as a Republic.

In this country the Hoover Commission reported on government reorganization; a Point Four plan for economic assistance of underdeveloped nations was promulgated, and the minimum wage was raised from 40 to 70 cents an hour. ¹

Locally, the Chamber of Commerce launched an effective "keep Atlanta Ahead" program. Ninety new industries bought the city's total express system, and Georgia Tech pressed forward with its physical expansion program. On August 16 came the stunning news that Margaret Mitchell, author of Gone with the Wind, was dead. Struck by an automobile five days before, she never regained consciousness.²

During the course of the January, 1949 Board meeting of the Federal Reserve Bank of Atlanta, Lloyd B. Raisty, a member of the Bank's research staff discussed current business developments. The minutes of the meeting quoted his concluding remarks as follows:

"He believes that Government spending will continue to be the decisive factor in our economy. Added to this is the possibility that additional portions of the Government debt will be monetized. There will be continued pressures upon our material resources in preparing for defense and in purging our anti-Russian campaign. He believes that

worry that the current boom may burst in needless. When the turn comes it is more likely to be in the nature of a 'slow leak' rather than a 'blow-out.' If expansive factors can be checked through monetary measures, we should approach nearer to the nation's goal of stabilization than we did in 1948." 3

A couple of months later Thomas B. McCabe, Chairman of the Board of Governors in Washington, commented on the general state of business by letter to Atlanta Bank Chairman Frank Neely. Wrote McCabe:

"...The general state of business seems to be the major subject of conversation here in Washington, as it is in your part of the country and everywhere else. Although everyone hoped and prayed that a downward adjustment in prices would come, business and financial interests were not psychologically prepared for it. Perhaps the greatest lack of preparation was in the merchandising organization of business concerns, as they have grown weak from disuse of their weapons during the past nine years, while the emphasis has been placed and manufacturing output. Except for the very progressive concerns, I find that some of my business friends are in a state of bewilderment because their people have forgotten how to sell aggressively. I personally feel that in spite of the hardships being experienced in certain industries, we are going through a very healthy readjustment period. The Federal Reserve production index, which reached a high of 195 in October, declined to 191 in January and to an estimated 190 in February. The coal strike will, of course, result in lowering the previous estimates for March. I think that adjustments in many more businesses are imminent but I am optimistic enough to believe that the production index for the year will be reasonably satisfactory."⁴

Nineteen forty nine saw some official changes in the Sixth District Federal Reserve Bank, as had all previous years.

Branch Directors, elected on December 10, 1948, to fill vacancies created by expiring terms on the 31st, were:

Birmingham

D. C. Wadsworth, President. American National Bank, Gadsden, Alabama, to succeed M. B. Spragins.

Jacksonville

J. D. Camp, President. Brovard National Bank, Fort Lauderdale, Florida, to succeed J. S. Fairchild.

New Orleans

J. C. Bolton, President, Rapides Bank and Trust Company, Alexandria, Louisiana, to T. G. Nicholson.

Nashville

Parkes Armistead, President, American National Bank, Nashville, to succeed Edward Potter, Jr. Also, T. L. Cathey, President, Peoples and Union Bank, Lewisburg, Tennessee, to succeed W. G. Birdwall, resigned. 5

At the same time J. T. Brown was re-elected a member of the Federal Advisory Council for the Sixth District for an additional One-year term beginning January 1, 1949.

6

As the Board meeting of January 14, 1949, got underway, Deputy Chairman Rufus C. Harris took occasion to introduce and welcome Paul E. Reinhold, a new Class C director, appointed by the Board of Governors to succeed J. F. Porter, retired. Mr.

Reinhold, President of Foremost Dairies, Inc., Jacksonville, Florida, responded appropriately and expressed particular interest in the Bank's agricultural program. 7

In February President W. S. McLarin, Jr., was elected a member of the Open Market Committee for the ensuing year and Chester C. Davis, President of the Federal Reserve Bank of St. Louis, as alternate. 8

Only three changes in the official staff came about during the year. Effective August 1, J. R. McCravey, Jr., Assistant Vice President, resigned to become associated with the Bank of Forest, Forest, Mississippi, as Vice President. Effective October 1, W. E. Pike, General Auditor, resigned to accept a position with the First National Bank of Atlanta as Vice President. He was succeeded by R. DeWitt Adams, a 25-year employee and Manager of the Auditing Department, as Acting General Auditor.⁹

A tinge of sadness and some degree of nostalgia pervaded the December Board meeting as Chairman Neely called upon the Chairman of the Agricultural Committee, Director W. D. Cook, for a report.

Neely paid tribute to Mr. Cook's record of service as a Director for the past 15 years, his interest in agriculture, and his fine attendance record. He expressed regret that his association with Mr. Cook as a Director would end with this meeting.

Following his own report as Chairman of the Agricultural Committee Cook thanked Mr. Neely and stated that he had come on the Board after Eugene Black's death, and that he had served with three presidents, all of whom he had liked and admired very much. He said it was a source of deep satisfaction to him that, at the time he came on the Board in 1935, the country was in the midst of a terrible depression with salaries at the Bank cut to the bone, but that since that time he had seen the Bank

make progress and he was proud of its wonderful condition today. 10

A policy relative to participation by officers and employees of the Bank in civic and community activities was restated by the Board of Governors in a letter to Chairman Neely, dated December 27, 1948, and read at the January Board meeting. In part, it follows:

“...As you know, the Board in 1915 adopted a resolution to the effect that persons holding political or public office should not serve as directors or officers of the Federal Reserve Banks. Since that time, however, the Board has made numerous exceptions to its resolution in particular cases involving service in civic and community positions, especially where it appeared that the position was not political in nature and where it carried only nominal or no compensation. In most instances the office in question was appointive rather than elective. By way of illustration, the Board has stated on different occasions that it would interpose no objection to the service of officers directors or employees as members of a State planning board, a State conservation and development commission, a State park board or park commission, a State social security board, a State gaming commission, the planning board of a township, a town finance committee, and a town advisory board on parks and playgrounds. In a letter dated June 15, 1938, the Board made a general exception to its Resolution in the case of officers and employees serving as members of school boards or board of education.

“Although the 1915 Resolution applied only to officers and directors, the Board has taken the position that the principles involved apply also to employees of Federal Reserve Banks. However, the Board has stated that officers and employees of the

Banks should feel free to render public service of a non-political character if they are in a position to do so without interference with their duties at the Bank and if the position is free from party politics and involves no political activity in order to obtain or retain the position.

“It is hoped that the above will be helpful to you in indicating the position of the Board with respect to this matter. If you should require the Board’s advice with respect to any particular case we shall, of course be glad to consider it.”¹¹

Both salaries and the retirement system of the Bank came up for consideration during 1949.

In January minimum and maximum salary grades were increased by the following resolution:

“BE IT RESOLVED, That this Board approve the proposal submitted by the officers and recommended by the Salary and Personnel Committee that the minimums and maximums of the sixteen salary grades be increased from the present \$7,200 per annum, representing the minimum of Grade 1, and \$7,700, representing the maximum of Grade 16, to \$1,300 and \$8,500 per annum respectively, subject to approval by the Board of Governors.”¹²

The Board of Governors approved the Resolution but fixed the minimum for Grade 1 at \$1,320 rather than \$1,300 and added: “It is assumed that all employees whose salaries are below the minimum of their grades as a result of the structure increase will be brought within the appropriate range as soon as practicable and not later than March 31, 1949.”¹³

At the March meeting of the Atlanta Board, Director Cook called attention to the

very few changes in personnel in the Bank during the past month. He attributed this to (1.) general decline in business at this time; (2) the raising of salary levels to where they now compete with other enterprises in the District; (3) attractiveness of the benefits of our Retirement System; and (4) Saturday closing. 14

The Retirement System, touched upon by Director Cook was indeed liberalized in May. At the Board meeting the following changes, all of which had been approved:

1. Final Average Salary. The normal pension benefits to be calculated on the average salary for the five consecutive years of creditable service when salary was highest, instead of the present ten year average.
2. Service Pension Benefits. The normal service pension benefits to be fixed as one percentum of final average salary for each year of creditable service on a straight life basis; the additional prior service pension in lieu of annuity to be fixed as one percentum of the best 20 year average salary on a straight life basis disregarding any salary in excess of fifteen thousand dollars per annum; present members to be given the right to take the pension benefit payable in respect to creditable service rendered prior to the date of change upon a cash refund basis, upon specific request therefore; the pension for service accrued subsequent to the change to be on a straight life basis without such conversion privilege.
3. Minimum Pension Benefits. The minimum pension benefit to be fixed at \$32 a year for each of the last 20 years of service, on a straight life basis, instead of the present minimum of \$24 a year on a cash refund basis.
4. Limitation on Normal Pension. The present limitation of \$6000 on the maximum normal pension payable to be removed and a new provision substituted limiting the

regular retirement allowance payable to 75% of final average salary.

5. Active Service Death Benefit. The limitation on the maximum lump sum death benefit payable on death in active service to be increased from \$15,000 to \$25,000.¹⁵

No building operations were carried forward during 1949 in connection with the parent bank in Atlanta or the branches, though the kettle was kept boiling insofar as Jacksonville was concerned.

In his comments to the Atlanta Board during the January meeting, Jacksonville Branch Director Dr. J. Hillis Miller expressed keen disappointment over the negative position of the Board of Governors in Washington relative to the construction of a new Branch building. He stated that the present building does not represent the dignity or influence of the Federal Reserve System; it is inadequate in its facilities, and he feels that the Board is not permitting us to serve properly our member banks by refusing to permit the construction of the new building at this time. ¹⁶

A month later Chairman Howard Phillips, Chairman of the Jacksonville Branch characterized conditions in the Branch as “horribly crowded,” and expressed a hope for early approval of building plans.¹⁷

Building Committee Chairman J. A. McCravy and Architect Henry Toombs gave the matter their best attention during the year, but approval from Washington was not forthcoming. ¹⁸

The agricultural program of the Bank was being carried forward actively during this period. In an effort to streamline procedures the Agricultural Committee of the Board recommended a method whereby the Atlanta Bank’s approval of various projects

initiated in or through the Branches be written into the minutes and that the Branches be duly informed of these procedures:

- “1. In the first place, all such projects or programs should be submitted in writing to the Agricultural Committee and not directly to the Board of Directors.
2. The Agricultural Committee will, in turn, refer such projects to the Research Department for review and report.
3. The Research Department will then make its recommendations to the Agricultural Committee for its consideration.
4. The Agricultural Committee shall then report favorably or unfavorably to the Board of Directors for final action.
5. Whenever this Bank is involved financially or otherwise in any program, it is recommended that the Board suggest that this Bank’s agricultural economists be invited to participate in the planning from the very beginning.

“It was also decided that it would be desirable for this Bank’s agricultural economists to visit with the Branch Boards at their next meeting in order to explain this Bank’s policy and in this way perhaps forestall programs or projects that might not fit in with our general policy. The secretaries of State bankers associations should also be invited to these meetings to discuss this matter with the agricultural economists.

“This committee also recommends that the Board discontinue all appropriations as of the end of the year if a project has been carried over, as has been the case in Florida and Alabama. The continuation of the appropriation into the current year should

be dealt with on its own merits.” 19

A policy for handling frequent requests for financial and for a variety of educational programs and projects sponsored by various agencies throughout the Sixth District in the fields of banking, agriculture, community development, etc., was established by resolution of the Board in May

“1. All educational programs or projects, under whatever auspices, to which this Bank shall contribute financial support shall be directed primarily to the banks, and shall have for their purpose the enabling of banks better to serve their customers; the cementing of good relations between the Federal Reserve Bank and the commercial banks; the improvement of this Bank’s relations with the general public; and increasing knowledge and understanding of the purposes and functions of the Federal Reserve System.

“2. In the special field of Agriculture, this Board has adopted and hereby reaffirms a program which consists in the fostering of reforestation and year-round pasture improvement in the Sixth Federal Reserve District by any appropriate means along or in conjunction with other agencies.

“3. The Federal Reserve Bank of Atlanta, both Head Office and Branches will not carry its agricultural program directly to farmers, but rather to bankers working with and through agricultural committees of the various bankers associations, and utilizing whatever appropriate technical and professional assistance that may be available through cooperating agencies.

“4. The Federal Reserve Bank of Atlanta will not subsidize, in whole or in part, any program project, or part thereof, that does not conform with the foregoing

principles.”²⁰

In June a budgetary procedures policy was laid down by the Board in the following language:

“The Presidents of the Reserve Banks as the chief executive officers of their Banks are responsible for the preparation of the budgets, for the determinations of the amounts in the budgets as submitted to their Boards of Directors, and for the explanation and justification of these amounts.

“It is not the function of the Chairman or the Directors to manage the Bank, but it is their function to see that the Bank is well managed; it is not the function of the Directors to prepare the budget, but it is their responsibility to see that adequate budget procedures are established, that a proper budget is prepared, and that the Bank operates under the budget.

“With its responsibility under the law for general supervision of the Reserve Banks, it is a proper function of the Board of Governors to satisfy itself that appropriate budgetary procedures and controls are in effect throughout the System, and to review the budgets of the several Reserve Banks as adopted by the Boards of Directors.”²¹

With the termination of Regulation W in midsummer Chairman McCabe took occasion to write President McLarin as follows:

“With the termination of the authority for the regulation of consumer installment credit, the Board would like to record its appreciation of the contribution made by the Federal Reserve Banks and their Branches in the administration of Regulation W.

“The part of the Federal Reserve Banks in this connection has been a most important one. They have been helpful in their comments and suggestions regarding

matters of policy which has given the Board the advantage of practical experience in the field. They have also provided effective administration of a temporary regulation and, while many of the registrants and associations with which the banks have had to deal have not been in favor of consumer credit legislation, they appear to have a wholesome respect for the manner in which the responsibilities of the system were discharged in the field.

“For this cooperative accomplishment under difficult circumstances, the Board is indeed grateful and will be pleased if you will express its appreciation to the other officers and Directors of your Bank.

“With warmest regards...”²²

In his Annual Report for 1949 President W. S. McLarin, commented informatively on a number of the Bank’s operations. On the subject of “Capital Stock Issues” he wrote:

“At the close of the year, the paid-in capital stock of the Bank, owned wholly the by the member banks, amounted to 8.2 million, the largest amount since the founding of the Bank. During the year, capital stock amounting to \$23,550 was issued to new member banks acquired additional capital amounting to \$342,100.

“In accordance with the Federal Reserve Act, the Bank pays dividends out of its earnings to the member banks. Such dividends are limited to 6 percent per annum on the paid-in capital stock. Accruals during the year amounted to \$485,448, compared with \$465,488 during 1948. Although dividends are thus distributed by the Federal Reserve Banks, the Banks are not operated for the purpose of making a profit. On the contrary, they are essentially service organizations and derive no income from principal

service functions to member banks, such as the clearing and collection of checks and the supplying of currency and coin. The income which accrues to the Federal Reserve Banks is now derived primarily from their holdings of Government securities.”²³

On the subject of “Currency and Coin,” McLarin wrote:

“The amount of Federal Reserve Notes which the Bank put into circulation declined slightly during the year. The total of these notes in actual circulation on the last business day of the year was \$1,291 million, compared with \$1,329 million for the corresponding day of 1948, a net decrease of \$38 million for the year.

“The volume of currency and coin handled by the main office and branches changed moderately from that of the previous year. Receipts of currency and coin from commercial banks amounted to \$1,456 million, a decrease of \$9 million from the preceding year. Payments of currency and coin to banks amounted to \$1,158 million, an increase of \$20 million over those payments of 1948. The number of pieces of currency received and counted during 1949 was 261 million, one million more than the number during 1948. The number of pieces of coin received and counted was 297 million, an increase of 44 million pieces.

“An important task of the Currency and Coin Department is that of sorting currency received by the Bank. Three principal purposes are served in this operation. One purpose is to sort the currency according to its condition. Bills fit for further circulation are separated from those that are unfit. This separation is designed to keep the currency in circulation free of badly worn or soiled bills. It can be accomplished only by careful sorting of the currency coming into the Bank. Currency determined to be unfit for further circulation and subsequently redeemed during the year amounted to \$514

million.

“A second objective in currency sorting is to withdraw from circulation in the Sixth District the notes of other Federal Reserve Banks. The Federal Reserve Act provides that no Federal Reserve Bank may pass out notes issued through another Reserve Bank, under penalty of a tax of 10 percent of the face value of the notes so paid out. Accordingly, the notes of the other eleven Federal Reserve Banks are sorted out and are either returned to the Bank of issue or, if unfit for further circulation, are set to the Treasurer of the United States to be retired. Notes of other Federal Reserve Banks received and sorted out by the department during the year amounted to \$503 million.

“The third objective of currency sorting is to detect counterfeit currency. Counterfeiting took a decided spurt during 1949. The number of counterfeits received and detected by the currency handlers at the head office and branches far exceeded the number of such notes received in any previous year. The currency sorters detected a total of 873 counterfeit notes, which amounted to \$11,523. Counterfeit notes in the denomination of \$10 were the most frequently encountered. Currency is sorted in such a manner that the identity of the depositor can usually be determined. During the year, only 29 counterfeits could not be traced to the depositor. On these notes the Bank experienced a loss of \$330.24

On “Bank and Public Relations,” the President wrote:

“The Bank continued its program of cultivating closer relationships with bankers throughout the District and of participating actively in the promotion of the economic progress of the region. The provision of improved and expanded services to member banks was the paramount objective of the program.

“Representatives of the Bank and its branches made a special effort to meet and talk with officers of every commercial bank in the District. They wished to obtain personal assurance that the Bank was giving the best possible service to its member banks. They solicited suggestions for improvement of the bank’s facilities and services. They developed information regarding the views and attitudes of the commercial bankers on bank problems, both local and national. With the exception of a few unincorporated banks and small savings banks, every bank in the District was visited by these representatives and many banks were visited more than once. The number of such visits totaled 1522 for the year, 634 of which were to member banks and 888 to nonmember banks .

“Through the agricultural economists in its Research Department and other representatives, the Bank actively cooperated in organizing and promoting banker-farmer meetings. These meetings were worked out jointly with the agricultural committees of the various state bankers associations and the extension services of the state agricultural colleges. The purposes of these meetings was to acquaint bankers with the problem of a changing agriculture so that they might facilitate desirable shifts from less economic to as more economic use of agricultural resources .

“The bank and public relations program included other activities designed to promote public understanding of the purposes, policies, and operations of the Federal Reserve System. Representatives of the Bank made numerous speeches and informal talks, before audiences aggregating 7,500 people. Various luncheon meetings were held at the Bank and its branches, at which banking problems were considered. Tours

of the Bank and branches were conducted for bankers, businessmen, and college and high school students.”

President McLarin also reported upon a new service, called “Operations Survey Service.”

“In keeping with its primary role as a service institution, the Bank has inaugurated a new survey service. It now offers, without cost to its members, a complete survey and analysis, of bank operating procedures and methods. Such surveys include a thorough study of service charges and internal operations of the smaller banks. A detailed cost analysis is made of each operation, enabling the bank to compare its own costs with those of a typical bank of like size. Analysis is also made of service charges, and studies are made of systems, machines, and banking forms.

“The Federal Reserve Bank’s analyst made surveys of twenty-four individual commercial banks. These surveys proved to be of great value; most banks recognize the worth of a cost analysis and a knowledge of current developments in operational matters. The larger banks are able to keep abreast through their own trained personnel, but the smaller banks, working under limitations of both time and personnel, are not always in a position to make the needed studies. The Federal Reserve Bank is always happy to assist the smaller banks that are limited in this respect. Upon request of a member bank, the service is available as promptly as the working schedule of the analyst permit.” 26

On the subject of “Personnel,” the President wrote:

“In seeking to improve the quality of its service functions, the Bank gives particular attention to employee efficiency. Special attention was given to improvement

in standards and to employee training.

“The decline in total employment that has been underway since the end of the greatly expanded activity characteristic of the war years continued. At the end of 1949, the total number of employees at the head office and branches was 953. The lowest number since the all-time high of 1685 reached in July, 1944. During the course of the year. There was a net reduction of 75 in the total number of employees; separations numbered 214 and additions, 139. The annual rate of net turnover was reduced to 21.6 percent. There were 140 employees, which is 14.7 percent of the total, who had been in the service of the Bank more than twenty years and of this number 38 employees, or 4 percent of the total, had been with the Bank thirty years or more.

“The Retirement System of the Federal Reserve Banks is an important factor in the personnel program. In May, 1949, the rules and regulations governing retirement were amended to provide wider benefits. Also, the retirement allowances paid to those employees who had reached the age of sixty or more at the time of retirement and whose retirement was effective before the rule changes in May were recalculated under the revised rules and were increased accordingly.

“Salary scales are reviewed periodically to keep them in line with the scale of salaries paid by leading employers at the head office and and branch cities. On the basis of a salary survey made by the Personnel Department, the minimums and maximums of salary grades were adjusted upward by approximately 5 percent in January, 1949.

“Attention is given to employee welfare. The Bank services a group life insurance plan for employees. It pays two-thirds of the cost of a hospitalization and surgical

insurance coverage. It maintains employee cafeterias at the head office and at the Birmingham and New Orleans Branches. It maintains a full-time registered nurse at the head office and at the New Orleans Branch and a part-time nurse at the Birmingham Branch. With the cooperation of the local health officers, the Bank arranges for chest X-ray examinations of all employees. Medical examinations are also furnished to each employee.

“The Bank encourages participation in the educational courses offered by the American Institute of Banking by reimbursing the cost of tuition and of textbooks to employees who complete such courses. In 1949, it paid the expenses of eleven officers and department heads at the summer session of the Graduate School of Banking at Rutgers University.”²⁷

Total assets of the Bank decreased slightly in 1949 from 1948, the comparative figures being \$2,309,532,276.08 and \$2,513,968,835.70. Total earnings, however, showed an increase, \$16,879,948.56 for 1949, compared with \$15,218,700.15 for 1948. Net earnings also showed an increase, \$1,651,084.61, against \$1,383,465.83.28

President McLarin summed up economic conditions during the year when he wrote:

Federal Reserve authorities recognized the moderate weakening in the business outlook that faced the country in the early months of 1949. From a policy of restraining inflation, which governed their actions in 1948, System authorities changed to a policy of assuring credit and monetary ease.

“The change in policy was followed by a series of actions in the monetary and credit field. Restrictions on the use of consumer installment credit were modified by

successive steps in March and in April. Margin requirements on listed security trading and borrowing were reduced on March 30, 1949. In addition, on June 28, 1949, came the announcement from the Federal Open Market Committee of a change in policy. This announcement implied a program of easier money conditions and a continuance of the high liquidity that characterized the country's banking system. Implementing the new program was the series of actions extending from May to September, by which member bank reserve requirements were reduced 4 percentage points on net demand deposits and 2½ percentage points on time deposits.

“Whatever may have been the principal contributing factors, the month of July marked a turning point in the economy of the District and the nation. The forces of expansion gained a slight margin of strength over the forces of contraction. Economic activity entered an expansionary phase which continued for the remainder of the year, except for extensive labor stoppages in the steel and coal industries.

“The change in the District was impressive. In midsummer, textile mills generally called back their laid-off workers and added extra shifts. The iron and steel industries in the Birmingham area began operating on an expanded scale. The lumber and paper industries also experienced renewed activity.

“By the end of the year, the textile mills were operating at near capacity levels, and the heavy industries of the area were at work on a large volume of accumulated orders. Retail trade was also flourishing, with notable gains occurring in the sales of furniture stores, household appliance stores, and jewelry stores. A brisk Christmas trade enabled the department stores to end the year with only a slight loss in sale volume compared with that of the preceding year. Construction activity was generally at boom

levels. Residential construction in key areas of the District, in fact, had broken all previous records. Although the employment situation at the close of the year had shown marked improvement over the situation of midyear, manufacturing employment was still considerably below that of the end of 1948. In short, District business had weathered the 1949 recession with a minimum of damage and confidently looked forward to a continuation of the recovery into the first half of 1950.” 29

NOTES

Chapter 38

1. The Life History of the United States, Vol. 12, p. 160.
2. Garrett, Atlanta and Environs, II, 1005.
3. Vol. 15, pp. 4089-4090.
4. Minutes, Directors, XV, 4.108.
5. Ibid., 4059-4060.
6. Ibid., 4072.
7. Ibid., 4073.
8. Ibid., 4096.
9. Ibid., 4162; Annual Report, 1949, p. 43.
10. Ibid., 4192.
11. Ibid., 4076-4077.
12. Ibid., 4082.
13. Ibid., 4094.
14. Ibid., 4102.
15. Ibid., 4119-4120
16. Ibid., 4081.
17. Ibid., 4093.
18. Ibid., 4122, 4176, 4191.
19. Ibid., 4085.
20. Ibid., 4124—4125.
21. Ibid. 4139.

22. Ibid., 4157.
23. Annual Report, 1949, pp. 22-23.
24. Ibid., 24-26.
25. Ibid., 36-38
26. Ibid., 38.
27. Ibid., 40-42.
28. Ibid., 56-57.
29. Ibid., 12-13.

SECTION VI

Mid-Century

Chapter 39

1950

As the census takers completed their rounds at midcentury U. S. population broke the hundred million and a half mark and was finally tallied at 150,697,361.

Atlanta, in the midst of a long post-war building boom, reached a total of 331,314.

A period of intensive investigation began in Washington with the Hiss trial; the espionage conviction of Harry Gold and the Rosenbergs, the interstate crime investigations of Estes Kefauver and the histrionics of Senator Joseph McCarthy. At the same time Ralph J. Bunche won the Nobel Peace Prize, the first Negro to attain this distinction; President Truman ordered development of the hydrogen bomb. Peace treaties were signed with Japan and West Germany and in early summer, the Korean War began.¹

In connection primarily with the latter event, Research Director Earle L. Rauber directed his remarks to the Bank Board on September 8.

He began by calling attention to the grave uncertainties then confronting the country with respect to its military commitments. Being uncertain as to how far the nation will be called upon to live up to these commitments, it is difficult to forecast the extent of the military and industrial mobilization that will be necessary to meet the future situation. Looking at the immediate economic foreground, Mr. Rauber pointed to the fact that the Korean outbreak occurred at a time when a mild cyclical downturn had already begun. This downturn was evidenced in figures from industrial production,

civilian employment, freight car loadings and bank debits. The outbreak of the war, however, had the immediate effect of stimulating buying in the retail field. Consumer buying and inventory buying by business has now begun to pull up the indexes of industrial production and civilian employment. The effect of panic buying by consumers and inventory buying by business had the expected effect of raising markedly the wholesale price index and the index of consumers prices. The inflation thus far experienced has very definitely had its origin in private deficit spending financed by easy bank credit and easy consumer credit. War orders as yet have not been sufficient to bring about the price rises that have so far occurred.

Moreover, the Treasury's cash position will be on the deflationary side for fiscal 1951 and probably for fiscal 1952. For in both these years the Treasury is expected to have a cash surplus that could be applied to the retirement of United States Government marketable securities. In addition to the deflationary influence of the Treasury's cash income position the probable lag in consumer buying following the recent buying spree, the imposition of credit controls and higher taxes would also have the effect of mitigating inflationary trends. This, said Mr. Rauber, did not mean that there would not be some inflation, because various other factors would indeed tend to raise the price level. Some of these are rising costs incident to a tight labor supply; a resumption of consumer buying as incomes increase; certain commodity shortages such as building materials. Since there has been no letup as yet in construction; commodities for which private business might have to compete with Government stockpiling; commodities for which there might have to be some cutbacks in civilian consumption.

In conclusion, Rauber said that it is difficult to say whether this situation is good or bad for the country. If the degree of mobilization presently contemplated is just enough to deter Russian expansion the situation can be called good. If, on the other hand, we are over estimating Russian ambition and power then the situation would be bad because we would be penalizing ourselves beyond what is necessary, but if we are underestimating Russia's ambition and power then the situation would be bad because it might turn out to be tragically inadequate.²

Even as Mr. Rauber was addressing the Atlanta Bank Board, the Government pondered what to do to help check the new inflation. Said a current news magazine:³

"...The Federal Reserve Board was for raising interest rates to tighten credit. The other great fiscal arm of the Government, the Treasury, thought that this would be a treacherous stab in the back. As the nation's biggest borrower, it wanted cheap money and easy credit to keep down the cost of interest on the \$257 billion national debt.

"A fortnight ago, Treasury Secretary, John Snyder, reaffirmed his cheap money policy. He announced that the Government would keep its interest rate at 1¼% when it refunds \$13.5 billion in Government securities in September and October, biggest refunding at one time in history. In turn FRB approved a boost in the discount rate in the New York area from 1½% to 1¾% as a warning to Snyder. Last week Federal Reserve Banks across the U. S., upped their discount rates, thus putting pressure on bankers to raise their interest rates on commercial loans.

"Federal Reserve did not stop these. Last week its Open Market Committee lowered the price at which it would support certain classes of Government securities-- thus, in effect, raising the interest rate on them .

“If necessary FRB could go even further and order an increase in the cash reserves the banks are required to hold against their deposits; this would cut down funds available for loans. Nevertheless, the Treasury seemed in no mood to back down on its policy. Officials argued that a slight increase in interest rates would not check inflation. It was not enough to scare off borrowers. At the same time, a slight increase in Treasury’s rate would add considerably to the burden of carrying the national debt .

“To Federal Reserve officials, that seemed a lesser evil than permitting credit to non uncurbed. Another burst of inflation would hit consumers hard and also cost the Government, as biggest consumer of all, more than it would pay out in higher interest rates. New York Federal Reserve Bank President Allan Sproul had told Congress months ago that ‘the country cannot afford to keep money cheap at all times and in all circumstances, if the counterpart of that action is inflation, rising prices, and a steady deterioration in the purchasing power of the dollar’.”

Before the month was out the Board of Governors of the Federal Reserve System clamped down on consumer credit. On September 18 the ban went down on easy credit of “nothing down, three years to pay,” which some retailers were offering.

Said Time Magazine:

“...While the curbs of the new regulation W are slightly tighter than the credit controls which expired in June, 1949, they are much looser than World War II regulations. They do not apply to charge accounts, and purchases under \$100 are exempted from down-payment restrictions (but subject to payoff regulations). among the hardest hit will probably be used-car dealers, already feeling a slump in sales. Warned

the Reserve Board: the regulation will be tightened i-f conditions warrant.”⁴

The need came quickly. During the following month the regulations were materially tightened.⁵

Near year’s and the FRB scored a victory over the Treasury. Reported Time Magazine:

“For months the U. S. Treasury and the Federal Reserve Board have been squabbling over the Treasury’s cheap money policy. The Treasury which wants to keep down the cost of carrying the \$257 billion national debt, wanted to keep interest rates where they were. FRB wanted to raise them, to help check inflationary spending. Last week FRB won.

“The Treasury announced a new \$8 billion issue of 5-year notes at 1 3/4%, or ¼% higher than the rate on its last big long-term issue last August. Since the rate on Government bonds largely determines what private interest rates will be, the prospect was that all borrowers would soon find themselves paying a little more for new loans.”⁶

As in all past years some changes were made in the official family of the Atlanta Bank and its Branches during 1950.

New Branch directors named in December, 1949 for the new year were:

Birmingham

J. B. Barnett, President, First National Bank, Monroeville, Alabama and

A. M. Shook, President, Security Savings Bank, Birmingham, Alabama.

Jacksonville

N. Ray Carroll, President, First National Bank, Kissimmee Florida, and

J. E. Bryan, President, Union Trust Company, St. Petersburg, Florida.

Nashville

T. L. Cathey, to succeed himself for an unexpired term and Thomas D. Brabson, President, First National Bank, Greenville, Tennessee.

New Orleans

Elbert E. Moore, President, Louisiana National Bank, Baton Rouge, Louisiana and Percy H. Sitges, President Louisiana Savings Bank and Trust Company, New Orleans

At the same meeting an election was held for a Class A and a Class B director. It resulted in the choice of Leslie R. Driver for the Class A position, succeeding W. D. Cook, retiring, and Donald Corner as a Class B director to succeed himself. 8 J. T. Brown was elected by acclamation to serve another year as a member of the Federal Advisory Council representing the Sixth District.⁹

The new Class A director, Leslie R. Driver, President of the First National Bank, Bristol, Tennessee, was a native of Ohio, having been born at Basil in that state in 1888, and graduated from Ohio Wesleyan University in 1912. He served as a director of the Nashville Branch from 1944 to 1949 and held many civic offices in both Bristol and Johnson City, Tennessee.¹⁰

Membership on the Federal Open Market Committee for a one year term beginning March 1, 1950, rotated as usual, with Presidents Chester C. Davis and R. R. Gilbert of the St. Louis and Dallas banks serving as member and alternate member respectively.¹¹

In March the Birmingham Branch Board acquired the services of an educator, when Dr. John M. Gallalee, President of the University of Alabama was appointed by the Board of Governors in Washington for an unexpired term ending December 31,

1950.12

The unexpired term had been created on February 19 by the death of Director John Roy Faucett, a man described as “wise in judgment and unserving in his sense of loyalty.”¹³

In May, as usual, came the annual election of officers. All were re-elected and two were promoted. R. DeWitt Adams, Acting General Auditor, was appointed General Auditor and L. B. Raisty, Senior Economist, was appointed Assistant Vice President. Before the year ended F. C. Vasterling, Assistant Cashier, New Orleans, retired.¹⁴

At year's end two valued top echelon associates of the Bank left its service. George J. White, a member of the Atlanta Board since 1936, retired effective December 31, while J. T. Brown, representative from the Sixth District on the Federal Advisory Council for the past four years, declined to stand for re-election. He was paid a fine tribute for his good work by Chairman Neely and was succeeded by Paul M. Davis, Chairman of the Board of the First American National Bank of Nashville, Tennessee.¹⁵

The duties and prerogatives of a branch director came up for discussion at the March Board meeting when Director James C. Bolton, of New Orleans, in attendance, raised the question.

Governor Marriner S. Eccles, also attending as a guest, replied that there were no statutory duties set out in the Federal Reserve Act; that the establishment of branches in the Federal Reserve System came about partly from necessity and partly from political consideration; that under the functioning of the system today, other than supplying money in the areas, he doubted there was a great deal of necessity for branches. However, the branch boards of directors are deemed of much importance to

the system because, it was his feeling the branch boards should act as liaisons between the system and the general public. He felt that it was the function of the Federal Reserve Banks to feed proper material to the branch directors, and the function of the branch directors to establish good public relations for the Federal Reserve System.¹⁶

The Bank's retirement program was changed late in the year to coincide with an Amendment on August 28 of the Social Security Act. The Amendment extended the benefits of the social security program to employees of the Federal Reserve Banks beginning January 1, 1951. According, effective November 30, 1950, changes were made in the Bank's retirement system to integrate the retirement costs and benefits with those of the new coverage.¹⁷

The retirement program, incidentally, produced an interesting situation in New Orleans in mid-1950. A female employee had mistaken her age by 10 years at the time of her employment 25 years before. During the years she had steadfastly refused to become a member of the Retirement System and was, in fact, the only employee of the Branch not covered. As her true age of 65 approached she had a change of heart and approached management and asked if it would be possible for her to attain membership in the Retirement System and be retired with some form of retirement allowance. Though it was necessary for the Bank to contribute \$9,857.00 to the Retirement System to cover the employee, both the New Orleans and Atlanta Boards voted to do so. 18

Periodically the question of the holding of political or public office by directors and officers of Federal Reserve Banks had arisen. It did in 1950 and was settled by the following resolution:

“WHEREAS, it is the opinion of the Federal Reserve Board that persons holding

political or public office in the Service of the United States, or of any State, Territory, county, district, political subdivision, or municipality thereof, or acting as members of political party committees, cannot consistently with the spirit and underlying principle of the Federal Reserve Act, serve as directors or officers of Federal Reserve Banks.

“RESOLVED, That the Federal Reserve Board hereby expresses to the member banks its opinion that no such persons should henceforward be elected or act as directors or officers of Federal Reserve Banks; and prescribes as a condition of eligibility that candidates for election shall comply with the terms of this resolution.”¹⁹

During the November meeting of the Atlanta Board, Director Paul E. Reinhold pointed out that on December 10, 1943 a policy with respect to the election of Branch directors had been adopted but had not proven practicable. He moved that it be rescinded and the following be adopted as new policy on the subject:

- “1. Prior to the December meeting of the Board of Directors of the parent Bank, the President, after consulting with Directors residing in zones from which branch directors are to be appointed, shall submit to the Executive Committee the names of persons recommended for appointments as branch directors.
- “2. At the December meeting the Executive Committee shall submit to the Board of Directors names of the persons recommended to it for the positions to be filled.
- “3. This practice should not be interpreted to preclude the making of

additional nominations by the directors at the time branch directors are appointed.”

The motion was unanimously adopted.²⁰

As to personnel procedures and policy generally during the war year of 1950, President McLain wrote:

“Personnel procedures and policies were changed during the year to meet conditions brought about by the expansion of the armed forces and the enactment of new Federal legislation. Between the time the war broke out in Korea and the end of the year, twenty—one employees left the Bank and branches to enter military service. Accordingly, the Bank revived its wartime policy with respect to the rights of employees entering such service. Under this policy, employees other than those on a temporary employment basis, are accorded special treatment. Whether they enter upon duty with the armed services under the Selective Service Act of 1949 or voluntarily enlist, they are allowed re-employment rights following the end of their military service. Moreover, upon re-employment they may be restored to active membership in the Bank’s retirement system, with no loss of service for the period of military leave. In addition, they will be reimbursed for premiums paid on National Service Life Insurance policies not in excess of \$5,000 in coverage. Finally, if they have had at least one year of employment with the Bank, they are paid one month’s unearned salary upon entering military service.

“In response to the national defense effort, there was a general tightening of the employment situation, a tightening particularly noticeable as the year drew to a close. The rate of turnover increased in the second half of the year, making necessary an active employee-recruiting effort.

“...The enactment of new Federal minimum wage legislation, effective January 25, 1950, caused minor upward salary adjustments in the unskilled classification group. All salary grades were later adjusted upward on the basis of the regular annual salary survey made by the Personnel Department in September, 1950.”

Plans for the erection of a new building for the Jacksonville Branch went doggedly forward during 1950. Architect Henry Tombs completed his plans; bids were opened on September 8, the low bid for the entire job being \$2,258,050, and, during October, construction got underway. The target date for occupancy was set for early 1952.²²

The need for a new building in Nashville got no further than the discussion stage during 1950; The matter was discussed at the September meeting of the Atlanta Board by Nashville Branch Director W. Bratten Evans, who was in attendance. He informed the Board that the Branch had found a business lot on Fourth Avenue between Union and Church Streets which could probably be bought for \$300,000. The matter was referred to the Real Estate and Building Committee.²³

The Bank's agricultural program produced the following comments from the President in his Annual Report for 1950:²⁴

“For the past three years this Bank had had an active program that includes agricultural relations. This program was begun in recognition of the important role played by farming in the economy of the Sixth Federal Reserve District and of the desirability of assisting member banks in helping farmers to make needed changes in their farming methods. Activating the program is one of the many functions performed by the Research Department.

“The agricultural relations program is conducted in close cooperation with the agricultural committees of the State Bankers Association. One phase of such cooperation is represented by banker-former meetings which are sponsored by the State Bankers Associations, the State Agricultural Colleges and the Bank. During the year three such meetings were held in Florida, two in Alabama, three in Mississippi, five in Tennessee, and three in Louisiana. Most of these meetings was held on farms where the results of improved pastures, proper forestry practices, and sound bank credit could be demonstrated. The Bank also assisted in planning and conducting a number of form credit schools, in cooperation with the Georgia and Florida Bankers Associations.”

Upon the related subject of public relations Director Rufus C. Harris wrote a trenchant letter to President McLarin on May 29, 1950. It was read at the June Board meeting:

“I was interested in your report to the Directors of May 12, 1950 and wish to make the following further comments on the discussion on public relations. I do so because in this particular period I regard the problem as one of such unusual importance.

“With 351 member and 837 non-member banks in the Atlanta District, the need for bank and public relation is apparent. A lower average of membership in the Federal Reserve System in this area may be understood because of certain political and institutional backgrounds, ,but at the same time this situation reflects much ignorance and doubt regarding the operation of such a centralized banking institution.

“It is well developed that the Federal Reserve Banks throughout the country have not used any particular treatment of public relation problems, and the Atlanta Bank

certainly has a wide range of alternatives available to it and a tremendous challenge in the length and breadth of the area that may be served. Particularly is this true with regard to relations enjoyed by the Reserve Bank System and the State banking associations as the leading representatives for the non-member banks. State banking associations in this section of the country exert a minimum of influence on their supposed membership. This fact suggests the desirability and feasibility of a direct appeal to and contact with banks and business institutions using other media than the banking fraternity. Such an approach should not preclude use of the State banking associations wherever they are active and have a good leadership. Texas has long had an outstanding bankers association and Louisiana has recently elected a progressive younger banker as its president.

“Since it is neither practical nor desirable to seek political affiliations, recourse must be taken to other means of education including schools and advertising and public contacts, such as the radio, the newspapers, and public relations conferences as such.

“A very good point has been made in this discussion regarding the fact that public knowledge and awareness of the operations of central banking systems have changed materially in the generation that has come to accept reserve banking as a commonplace. The previous generation had the benefit of public discussion and appraisal as the Federal Reserve System was formulated and began its operations. Undoubtedly, this fact is significant, although it can easily be exaggerated. Spectacular government competition during the 30's and the exigencies of federal financing during World War II have served to cloud the primary responsibility of a reserve banking system. For these reasons the time is more than ripe for a reawakening of the public to

the potentialities of the reserve banking system despite the obscured transformation of its role in our economy.

“There is another matter. It cannot be assumed as your report suggests, that college teachers and their textbooks are supporters already of centralized banking and need no prompting. This complacent attitude is all too typical of the public relations of many banking institutions. While probably it is true that most economists and students of business subjects are familiar with the practices and policies of the Federal Reserve Banking System, it cannot be taken for granted that they always will support such a philosophy unless they remain a continuing part of the policy and practices in formulation, as they were in the monetary commission studies of the early 1900’s. This true regionally as well as nationally.

“It is not necessary to underwrite ‘junkets’ to Washington and New York, but more general participation on the regional level would be helpful mutually to both the banking system and its public relations and the college professor who is contributing to the general understanding of banking operations through his classes. Films and group visits are most acceptable media in the bank’s public relations program.

“In reviewing technical organization and responsibility assigned to this important phase of the banking operation the fact remains that bank and public relations remain as orphans, or at best stepchildren, and that in the fact of widespread public misunderstanding and outright banker resistance, this phase of banking should be elevated in importance and firmly established in a bank’s organization and operation.”

25

At years end bank and public relations, as actually carried out during 1950 were

reported by the President:

“Bank and public relations activities, as in previous years, were directed primarily to promoting efficiency in the Bank’s service functions and to a better understanding of them. Operating as it does within statutory limitations and prescribed responsibilities, there is no occasion for the Bank to undertake a program of new business solicitation and service advertising as is necessary with most business enterprises.

“The bank-visitation program occupies the most important place in the bank and public relations activities. The number of such visits totalled 1118 for the year, of which 548 were to member banks and 572 to non-member banks. Such visitations are more than simply courtesy calls; an effort is made to check on the efficiency, promptness and completeness of the Federal Reserve Bank’s services to the banking community.

In order to maintain close touch with banking developments of the District, the Bank takes an active interest in all meetings where bank problems are discussed. Representatives of the Bank and Branches attended all the principal banker gatherings in the District, totalling 38 for the year, including the annual conventions of the State Bankers Association. Representatives were also present at 211 other meetings where banking matters pertaining to the economy of the District were discussed. Fifty-five speeches and informal talks on various subjects were made by members of the Bank’s staff during the year.

“In its public relations, the Bank served as host for a number of important meetings. One such meeting was held for the purpose of promoting the sale of United

States Savings Bonds. Another was the joint reference of supervisors and trust men from the Sixth Federal Reserve District. There was a conference of reserve city banks for the purpose of discussing mutual problems, and sever meetings were held for the discussion of problems involved in administration of Regulations X and W. A3 part of this programs, members of the staff conducted a large number of tours, at the head office and branches, of visiting groups who were interested in seeing the various functional services of the institution in actual operation.

“The Bank continued its operations survey service, which was established in 1949. Cost analyses and surveys were made for 19 member banks an done non—member bank during the year. This service is available only upon application and is designed to supplement, and not to take the place of, any similar service that may be available in correspondent banking relationships. 26

During the years from 1945 expenses generally, in the operation of the Federal Reserve System, had increased quite materially. In March 1950, the Board of Governors expressed concern to each of the Presidents in a lengthy and detailed letter. The letter was read to the Atlanta Board of its April meeting.

Following its reading, Chairman Neely called attention to the fact that a detailed comparison of this Bank’s expenditures with those of the other Federal Reserve Banks had been compiled by Lloyd Raisty, of the Bank’s staff. Neely recommended that each of the Directors study it carefully.

Director Harris commented that, although the salary scale at this Bank is the lower of any of the Banks in the system, nevertheless, the percentage of increases which have been granted here is the fourth largest in the system.

President McLarin pointed out. that Mr. Raisty had been instructed to analyze this Bank's expenditures and those of the other Federal Reserve Banks from the viewpoint of the Directors rather than the officers of the Bank Raisty's analysis showed that this Bank is operated conservatively and that the operations are more efficient than are those of any other Bank in the system.²⁷

With the outbreak of the Korean War on June 25, 1950. The Bank's operating responsibilities expended considerably.

Pursuant to the Defense Production Act of 1950, September 8, the Board of Governors of the Federal System was authorized to act as fiscal agent of the United States in the making of guaranteed loans to finance contracts and to exercise consumer credit and real estate construction credit controls. In carrying out these new responsibilities, the Board re-instituted its Regulations W and V, referring to consumer credit controls and guaranteed defense loans, respectively, and issued an entirely new regulation, Regulation X, to establish restrictions on real estate construction credit. The Board, in turn, called upon the twelve Federal Reserve Banks to set up the necessary operating departments to administer these regulations.

In response to the Board's directives, the Bank made appropriate operating arrangements. Two additional operating departments were established to administer the consumer credit and real estate construction credit controls. Provision was also made to handle the V—Loan Program within the existing Discount Department.²⁸

One function, however, was dropped. Effective June 30, 1950, the function of acting as custodian for the Reconstruction Finance Corporation was discontinued. The service was discontinued by mutual agreement and at the request of the Corporation.

The notes, mortgages, securities, and supporting documents formerly held by the Bank as custodian were delivered to the Atlanta, Loan Agency of the R.F.C. or other offices, pursuant to instructions. The Corporation continued to clear checks through the Bank. The proceeds being credited to the account of the Treasurer of the United States in the same manner that deposits are accepted for other government agencies. It also continued to use the private wire system of the Federal Reserve Banks.²⁹

Because of the tremendous increase in the Federal debt as result of war financing, the issuance, redemption, and refunding of the various obligations became, during 1950, one of largest financial activities in the country. The Federal Reserve Bank of Atlanta, through its Fiscal Agency and Securities Department, played a very important part in this service function. 30

As the first Korean War year ended, on December 31, 1950, total assets of the Bank stood at \$2,364 ,73,765.67- up modestly from a year before. Net earnings, at \$10,369,734, were down over \$2 million from 949, reflected primarily in. the U. S. Government Securities--System Account. 31

In closing the "Business Background" Section of his 1950 Annual report, President McLarin made a modest prophecy. He wrote:

"...In spite of rigid controls and man power shortages, business as a whole should experience extraordinary levels of activity in 1951. Except for some inevitable failures in the banks of non-defense and non-essential industries boom conditions will characterize the economy. The banks will share in this pattern of business expansion and may anticipate a further growth in resources and deposits." 32

NOTES

Chapter 39

1. Life History of the United States, XII, 160.

2. Minutes, Directors, XV, 4279—4280.
3. Time, Sept. 9, 1950, p. 76.
4. Sept. 18, p. 93.
5. Time Magazine, Oct. 23, 1950, p. 89.
6. Dec., 4, p. 91.
7. Minutes, Directors, XV, 4190—4191.
8. Ibid., 4194.
9. Ibid.
10. Biographical Records of the Bank.
11. Minutes, Directors, XV, 4214.
12. Ibid., 4224.
13. Ibid., 4229.
14. Ibid., 4236—4237; Annual Report, 1950, p. 37.
15. Ibid., XVI, 4300,4306, 4307—a.
16. Ibid., XV, 4219,4221.
17. Ibid., XVI, 4303; Annual Report, 1950, p. 34.
18. Ibid., XV, 4235, 4236.
19. Ibid., 4271—4272.
20. Ibid., 4278.
21. Annual Report, 1950, pp. 33—34. The salary adjustments referred to provided for a minimum of \$1560 to a maximum of \$9,300 the 16 grades.
22. Minutes, Directors, XV, 4213, 4231, 4237, 4248, 4276, 4285, 4286, 4288.

23. Ibid., 4273.
24. Pages 34 and 35.
25. Minutes, Directors, XV, 4243—4244,
26. 1950, pp. 23—24.
27. Minutes, Directors, XV, 4224—4228.
28. Annual Report, 1950, pp. 17—18.
29. Ibid., 22—23.
30. Ibid., 29.
31. Ibid., 48—49..
32. Ibid., 14.

Chapter 40.

—1951—

The Korean War continued throughout 1951. Winston Churchill again became British prime minister, and the 22nd amendment to the U. S. constitution limited the presidency to two terms. During the year also, employment of women reached a new peak of 19,308,000 and the American Telephone and Telegraph. Company became the first corporation to have more than one million stockholders.¹

In commenting on the inflation that had come in the train of the Korean War. Economist Lloyd Raisty outlined to the Atlanta Bank Board in February the pattern of controls being developed for dealing with inflationary forces.

He, noted that one of the chief elements was the wave of accelerated buying on the part of both consumers and business. Occupying top place in urgency, scope and effectiveness as a means of checking this wave of buying, he said, as the President's suggested tax program. An increase in taxes was obviously the first line of defense against further price inflation. He explained, however, that the problem of checking inflation would not be solved merely by increasing taxes. There must be in addition sharp restraints on credit extensions; otherwise consumers and businessmen would make up the reduction in their incomes, occasioned by taxes, by increasing their borrowings. The current controversy between the Federal Reserve and the Treasury centered 'directly around this issue.

Continued Treasury financing on the fixed wartime- rate of 2½% on long term issues would tie the hands of the system in introducing uncertainty in the money market. Involved in the controversy was the principle of cheap money versus hard money. Assuming that the Treasury wins out in its financing program, a moderate inflation and a rise in public debt were inevitable.

New inflationary forces, Mr. Raisty, predicted, would appear as the gigantic mobilization program gets more fully underway. To deal with these forces, he said, we must have severely enlarged taxes, restraints upon personal and bank credit expansion, and an effective system of direct controls, such as allocations, priorities, price and wage ceilings, and perhaps even rationing. These controls, he said, would be forthcoming but not to the extent of completely stopping- price increases. A moderate but controlled inflation was thus in prospect, with business in major lines continuing at boom levels.2

The Treasury did not win out in its cheap money tight, thus assuring steps toward a sounder currency. Said a leading news magazine:3

“A notable battle in the war against cheap money—which is the real and basic war against inflation--has now been won. It was a defeat for Treasury Secretary John W. Snyder and for Harry Truman, who had backed Snyder’s cheap money policy against the advice of the nations best economic and banking brains.

“The key issue at stake was whether the Federal Reserve Board must bow to White House pressure and continue to peg, or support, the price of Government bonds above par, thus continuing to make available billions for credit inflation anytime the banks and insurance companies wanted to unload their bonds. Harry Truman had insisted that FRB continue the support policy, but had become alarmed at the uproar this had caused.

“Last week, with no peep whatever from the White House, FRB stopped supporting Government bonds. In effect, FRB served notice that from now on it will let the Government bond market fluctuate, and will support it at no predetermined level.

“The unpegging was apparently part of the agreement between FRB Chairman Thomas B. McCabe and Snyder on the terms of the Treasury’s new \$19.6 billion refunding bond issue, which is intended partly to freeze bank reserves-another point FRB wated. The new bonds will bear 2 3/4% interest, an increase of 1/4% over present

long—term bonds.

“The new bonds issued by the Treasury, which mature in 1980, can be acquired by turning in present long-term bonds paying only 2½%. But they can be converted or transferred before maturity only by exchanging them for marketable five-year notes bearing only 1½% interest. Since these 1½% notes will undoubtedly sell for a discount in the open market, anyone who sells the new bonds will take a loss. The Treasury apparently thinks the penalty will be big enough to keep bondholders from selling, thus freeze the bonds.

“When FRB pulled its peg, the long-term 2½% bonds, which had been supported above par, slumped to par. But FRB had picked a shrewd time to drop its support. It was the same day that Snyder announced the details of his new issue. Insurance companies and other big buyers liked the terms so well that they jumped into the market and prices steadied although down from the pegged level.

“With a free market in bonds, chances are that prices will, drop, thus interest rates will automatically rise. There is little danger that Government bonds will fall very far. If the market becomes ‘disorderly’, FRB will certainly start supporting the bonds again, since its job is to provide an orderly market.”

At about this same time a couple of important changes took place in the personnel of the Federal Reserve Board. Having won his point on Government bonds, Chairman Thomas B. McCabe resigned and returned to Chester, Pennsylvania to run the Scott Paper Company. In his stead President Truman appointed 44-year old William McChesney Martin, Jr., Assistant Secretary of the Treasury and former President of the New York Stock Exchange. Martin was sworn in on March 2, for an unexpired term of 14 years from February 1, 1942 and was designated by the President as Chairman for a term of four years. His expertise did much to heal, a widening breach between the Treasury and the FRB.⁴

Three months later Marriner S. Eccles, a 17-year veteran, resigned. As chairman, he reorganized the system through the Banking Act of 1935 and took the Government securities market out of the control of private bankers. He returned to Utah to run his family's banks, sugar factories and lumber mills.5

The new Chairman, Mr. Martin met with the Atlanta Board., for the first time on June 8. In closing his remarks on that occasion, he said he was particularly interested in having the directors come to Washington because the Board of Governors needs their help. The problem of sound money is always the concern of the system, and the Board of Governors is dependent upon the directors of the Federal Reserve banks in arriving at any intelligent solution. He said he felt that the Reserve System must be kept independent of the Treasury Department. We must at all times preserve the integrity of our money for the use of all the people regardless of any political party affiliations.6

Coincidentally with the key changes taking place in the personnel of the Federal Reserve Board, a key change took place in the official family of the Atlanta Bank.

On February 9 Chairman Frank Neal read a letter to the Board from President W. S. McLarin, wherein McLarin requested accelerated retirement, beginning February 28, 1951, rather than September 28, 1954, upon which latter date he would reach 65. He also requested full retirement benefits on the cashier date, which required an appropriation of \$37,359.00 to the retirement system. Both the Atlanta Board and the Governing Board voted approval and steps were taken so that each banking institution in the Sixth Federal Reserve District would be sent an announcement of Mr. McLarin's retirement.7

At its April meeting the Board adopted the following resolution:

“At the February meeting of the Board of Directors of the Federal Reserve Bank of Atlanta Mr. W. C. McLarin, Jr., submitted his request for retirement, effective March 1, 1951, after completing 35 years of service with the Bank.

“Mr. McLarin began his banking career in 1907 as a runner with the Atlanta National Bank and from there he went to the Atlanta Clearing House. In 1916 he left the Atlanta Clearing House to become associated with the newly created Federal Reserve Bank of Atlanta. His progress with the Bank has been marked by the many responsible positions he has held. For ten years he served in the Jacksonville Branch, first as cashier and then as managing director. In 1933 he was recalled to Atlanta and became successively assistant deputy governor, assistant vice-president, vice-president and first vice-president. Upon the death in 1941, of Mr. Robert S. Parker, he was elected president of the Bank.

“Mr. McLarin’s career with the Federal Reserve Bank was interrupted by World War I. He attended the First Officers Training School at Fort McPherson, where he received his commission. He served in France and Germany with the Eighth and First Divisions. He was separated from the service late in 1919 and resumed his work with the Bank.

“During Mr. McLarin’s tenure of office the Federal Reserve Bank of Atlanta and the banks of the Sixth Federal Reserve District have shown phenomenal growth. That this bank has been able to keep pace with the economic development of this district has been attributable in no small measure to the administrative and executive ability of Mr. McLarin. He has attacked the multitude of problems of his office with sound judgment and courage. His simple direct approach, his sincerity and complete honesty have excited the admiration of all who have been privileged to work with him, and have gained for the Bank the confidence of the banking fraternity in the integrity of its management and leadership.

“NOW, THEREFORE, BE IT RESOLVED, That the Directors of this Bank record their gratitude, admiration, and affection for W. S. McLarin, Jr., and express to him their appreciation of his 35 years of service to the Bank, of his sound and constructive administration as president, of the very enviable position to which he has led the Bank in the Federal Reserve System, and above all their appreciation of his loyalty and friendship, and their sincere regrets at the termination of their active association with him.

“AND BE IT RESOLVED, That this Board wished for Mr. McLarin health and happiness in an enviable retirement from a job splendidly done...”8

The selection of a successor to Mr. McLarin was delegated to the Executive Committee and Salary and Personnel Committee jointly, with power to act.

Losing no time the joint committee looked east a few blocks to the Trust Company of Georgia, where, since October 1946, former First Vice-President Malcolm H. Bryan had functioned successfully as Vice Chairman of the Board.9

Mr. Bryan was persuaded to return to the Federal Reserve Bank of Atlanta as President for the remaining portion of a five year term beginning March 1, 1951 at an annual salary through May 31, 1952, of \$25,000 per year. Both the appointment and salary were duly approved by the Federal Reserve Board in Washington.10

Meanwhile, on February 9, L. M. Clark was re-appointed First Vice-President for a five-year term, beginning March 1, 1951. His salary was fixed at \$15,000 per year from March 1, 1951 to May 31, 1952.”

President Bryan attended his first Board meeting as such on April 13.

He told the Directors of the deep feeling of satisfaction he had experienced in the large number of letters he had received congratulating him and wishing him success in his administration. Although he had no formal report to make to the meeting, he pointed out to the Directors that he expected to talk with them from time to time about the

financial affairs of the Bank as well as about internal operating problems.

On his first day at the Bank he visited each department and since that time each department head has briefed him on its work. He expects to begin his visits to the Branches next week, when he and Mr. Clark will go to the Jacksonville Branch on Tuesday. He feels that we have not dealt with the branches in the way that they deserve, and he wants to make full use of the influence and prestige of the men on the Branch Boards of Directors. He and Mr. Clark have made some definite plans, and hope to remedy this situation promptly.

The Administration of the Bank has been centered in First Vice-President Clark. This is no criticism of the previous administration, but it is Mr. Bryan's feeling that there has been heretofore a complete lack of liaison between the president and the first Vice president. Mr. Clark is being kept informed, and he will now contribute to the Bank those qualities which he is so capable of giving to its management. The world of the Bank in agriculture has been splendid, but Mr. Bryan has a definite feeling that there are also many other phases of commercial banking on which this Bank should be competent to give advice. It is his hope that the Bank may become competent and extend its service and influence into many of these fields.¹²

So, substantially did Economist Bryan express himself upon his return to 104 Manetta Street in the capacity of president.

There were, of course, other official changes, among both officers and directors during the year.

New Branch directors, taking office on January 1 were:

Birmingham: T. J. Cottingham, President.

State National Bank, Decatur, Alabama, succeeding, W. C. Bowman.

Jacksonville: Clement B. Chinn, President, First National Bank, Miami, President First National Bank, Miami, succeeding J. W. Shands.

Nashville: G. C. Graves, President, First National Bank, Athens, Tennessee, succeeding W. H. Hitchcock.

New Orleans: William C. Carter, President, Gulf National Bank, Gulfport, Mississippi, succeeding T. J. Eddins.13

An election for Class A and Class B directors for three-year terms beginning January 1, 1951, resulted in the choice of Roland L. Adams, President of the Bank of York, York, Alabama, by member banks in Group 3 for the Class A' spot, and the re-election of A. B. Freeman, Chairman of the Louisiana Coca-Cola Bottling Company, Ltd., New Orleans, by member banks in Group 1, in the Class B position.14

At the same time Paul M. Davis, Chairman of the Board of the First American National Bank, Nashville, Tennessee, was unanimously elected a member of the Federal Advisory Council from the Sixth District for 1951.15

R. R. Gilbert, President of the Federal Reserve Bank of Dallas and Malcolm H. Bryan were named member and alternate member of the Open Market Committee for a one-year term ending February 29, 1952.16

At its January meeting the Board passed resolutions of thanks and appreciation to George J. White, who retired as a Director on December 31, 1950, after 15 years of continuous service, and to James T. Brown, who had served in an unusually capable manner as Federal Advisory Council member for the Sixth District since September, 1946.17

Mr. Brown, President of the First National Bank of Jackson (Miss.) responded as follows:

“Friends:

“I have started this letter two or three times, but each time have been unable to get anywhere at all. When I commence to write and realize that I will not be going back to another meeting with you, something seems to swell up in my throat and

the words simply will not come. This is indeed a new experience for me. I never thought the time would come when I could not find language with which to express myself, but I must confess that I have. The plain truth of the matter is that if I were Demosthenes, Cicero, Daniel Webster and Patrick Henry all rolled into one, I could not adequately express my appreciation for the general resolution which honors me far beyond by just deserts. The action of the officers in joining in its adoption intensifies the emotion which so completely overwhelms me. All the gold in the Bank's vaults would not buy a single line of it. I shall keep it always as a token of the most pleasant association I was ever privileged to enjoy.

“With kindest regards and best wishes to all, I am,”¹⁸

Joe Frank Porter, of Tennessee, a Director of the Bank from 1937 to 1948, and who served also as deputy chairman for a number of years, died February 3, 1951. The Board passed resolutions of regret, pointing out particularly Mr. Porter's active interest in the Bank's agricultural program.¹⁹

In May Melvin McIlwain, Manager of the Service and Personnel Department of the Birmingham Branch, was appointed assistant cashier to fill a vacancy created when L. W. Starr was transferred to the Nashville Branch.²⁰

Two individuals, long associated with branch management in the Sixth District, passed from the land of the living in the Fall of 1951. George S. Vardeman, Jr., who retired as Jacksonville Manager in 1946, died September 30.

Joel B. Fort, Jr., of Nashville, died suddenly on October 17. He had been connected with that Branch since 1919, when he began work in the transit department. He moved to cashier in 1921; Managing Director in 1924, and to Vice president and Manager in 1947.

Robert E. Moody was elected to succeed Mr. Fort of Nashville. E. R. Harrison and E. C. Rainey were appointed Assistant Managers and L. W. Starr Cashier, of the

Branch.21

The Korean War was having an effect on employment at the Bank as elsewhere. Director Rufus C. Harris, Chairman of the Salary and Personnel Committee, made some interesting observations in January.

He stated that the Bank now has eight women employees making a salary of \$3900 or more, and that three of the eight exceed \$4000. The percentage of women to men employees, as of January 1 was 62.1%; in September, 1944 it stood at 78.9%. At Jacksonville, during World War II, the percentage went to 87. So far, said Mr. Ham's, we have lost 20 men to the Armed Services, of which 10 were from the head office. Only one of the ten held what might be termed a key position. Most of the employees have been young men who have volunteered before being called by their Draft Board. Harris concluded by commenting "we are not pushed at the moment for personnel, but the situation is gradually growing tighter".22

In April First Vice-President L. M. Clark reported that so far during the year the Bank had lost 34 persons to the Armed Services; has employed 29 and screened 147 applicants. He also said that a number of high school girls had been employed on an hourly basis and it was hoped that they would eventually desire permanent employment in the Bank. 23

At year's end there were 1098 officers and employees on the payroll, compared with 961 as 1951 started.

Other matters concerning personnel were touched upon in the President's year—end report. He wrote:

"...During the year a new group life insurance coverage was provided for the employees. The new protection is on a system basis and replaces the individual group life insurance which a majority of the Federal Reserve Banks had acquired for their employees.

"As in the part, the Bank encouraged study of advanced banking schools by its

key office members. Four of the staff members received their graduate diplomas from the Graduate School of Banking at Rutgers University. Two staff members enrolled in the banking schools of the South of Louisiana State University in 1951 in addition to the two who had enrolled for the 1950 session.

“A formal employee and executive training and development, program was instituted during the year. In addition to placing emphasis upon improved techniques for employee selection. The program provided for planned in-service training of key staff members as well as new employees.

“The training program involved assignment of certain staff members to the branch offices or to specific departments for the express purpose of acquainting them with new responsibilities and procedures; the institution of a rotation plan whereby key staff members would exchange duties for certain periods, and assignment of two staff members to member banks for brief training in commercial bank practices.

“Two formal instruction courses in Federal Reserve policies, procedures, and functions were also established. One of the courses was designed for staff members at the supervisory level and provided a reasonably comprehensive survey of the responsibilities of the Federal Reserve System. The other course was designed for new employees for the purpose of acquainting them with Bank operations.”²⁴

The ever recurring problem of space for Atlanta operations came to the fore in 1951.

As the year started Director J. A. McCrary, Chairman of the Real Estate and Building Committee, pointed out to the Board that the space problem had become acute and, in view of the load being placed upon the Bank because of the defense program, it was necessary to find additional space.

The Building Committee, reported McCrary, feels it would be most advisable for the Bank to acquire the Silvey Building. The structure next door of the corner of Spring

Street, which contains some 52,500 square feet of floor space. He stated that there is some doubt that the owner will sell; nevertheless it was the conclusion of the real estate agents handling the building that if an offer of \$275,000 were made for the property it might be obtained. He reported that the Executive Committee had approved the making of this offer, particularly in view of the fact that at the present time the Bank is renting two floors in the Building at \$15,000 per annum, which is better than 5% on \$275,000.25

A month later Mr. McCrary reported that the Silvey Building could not be bought, whereupon attention was focused upon the property east of the Bank. Known as 80-86 Marietta Street, the building on the site had long been occupied by the old Atlanta Georgian newspaper. Prior to that time the site was that of the old Austell mansion. When the Bank began its negotiations the building was vacant, but had recently been occupied by the Civil Aeronautic Administration. In fact, demolition of the building had begun in favor of an automobile parking lot.

At any rate the Bank's efforts were successful and the property was purchased in June from owner J. H. Taylor for \$300,000. It measured 81.9 feet on Marietta Street, with a depth of 207 feet.26

Throughout the year work went forward on the new Jacksonville Branch building. In January Director McCrary reported that the United States Fidelity and Casualty Company had agreed to pay \$200,000 for the old Branch building and the vacant lot next door; also that the sale would be consummated as soon as the new building was completed and occupied.27

While construction remained on schedule for most of the year, complication arose later and in December it was reported that because of difficulty in securing materials, notably doors, window jams and exterior limestone, completion would probably be delayed until July, 1952.28

Meanwhile, the quarters of the Nashville Branch, erected in 1921, had become

woefully inadequate. Numerous discussions were had involving additions and remodeling. Architect Henry Toombs spent a day in Nashville during June and made a thorough study of the situation. The net cost of a new building was estimated at \$938,000. In summary, the Real Estate and Building Committee reported:

“First — We recommend two gates across the adjoining 15-foot alley, to be used only when valuables are received and delivered from the Branch through the side door. This, of course, subject to securing authority from the City and adjoining property owners.

“SECOND- We recommend that we request the Washington Board to authorize the purchase of a new lot, and as soon as we have this tentative authority from the Washington Board that options be secured on several suitable lots from which a selection can later be made by the Nashville Board and this Board.”

The above recommendations were approved by the Atlanta Board.29

In November President Bryan reported that he, First Vice-President Clark, and Henry J. Toombs had met Governor Norton in Nashville on October 22, and had inspected a number of possible sites for the relocation of the Nashville Branch. They found that the price of real estate in downtown Nashville was entirely out of line with prices of similar property in other large cities in the United States, and that Governor Norton had taken a dim view of paying any such prices at this time. Mr. Bryan pointed out the possibility of a suitable lot being obtained in a proposed development near the State Capitol, which should be in line insofar as prices are concerned and which would certainly be an advantageous location. It will be several weeks, however, before it can be made certain whether or not this property will be available.30

There the matter rested for the remainder of 1951.

The Agricultural Committee, Chaired by Director Raul E. Reinhold, had a busy year. In reporting upon its activities in his Annual Report, President Bryan wrote:31

“Carrying out the programs initiated or fostered by the Board of Directors in the field of agriculture, and the Extension Service, Commercial bankers are able to learn firsthand the problems involved in the extension of farm credit, and are, therefore, better able to serve the credit needs of agriculture understandingly. These programs are also valuable to this Bank because they serve to improve relations with commercial banks and with the fundamental institutions serving this important segment of the economy of the Sixth District.

“Farm meetings sponsored jointly by the State Bankers Associations, the State Colleges of Agriculture, and the Branches of the Bank were held in all District states except Georgia--four in Mississippi in April, three in Louisiana in May, nine in Alabama in June and July, five in Tennessee in August, and three in Florida in September. In Georgia, two farm credit short courses were held in February--one at Tifton, and one at Athens.

“As usual members of the professional staff of the Research Department represented the Bank at Sundry meetings of bankers, business men and agriculturists. They also filled numerous speaking engagements, in addition to answering frequent requests from the public for information on a wide variety of subjects.

“Two publications of the Department, the Monthly Review and the Bankers Farm Bulletin, continued to command attention and respect, not only in this District, but throughout the nation. An extensive study of farm credit, appearing in three installments in the April, May and June issues of the Monthly Review, attracted much attention and was reprinted in pamphlet form to satisfy the demand for it.”

On a kindred subject, the President summed up for 1951:

“Bank and public relations activities were concerned with the development of closer relations with bankers of the region and with efforts to comply with requests from various public organizations and groups for information and services that arise in

connection with the Bank's operations. No program is maintained for the purpose of enlarging the Bank's responsibilities or directing public opinion or legislation.

"The Bank is much interested in improving its service functions for commercial bankers of the region. Its activities in this regard are closely identified with the operating and service functions of the Bank itself and have no other significance or purpose.

"During 1951, representatives of the Bank and its Branches met and talked with officers of every commercial bank in the District. With the exception of a few small banks and small savings banks, every bank in the District was visited one or more times. These calls numbered 1364 for the year, 630 of which were to member banks and 734 to nonmember banks.

"Representatives of the Bank attended all of the 140 principal bankers meetings in the District. In addition to these meetings, the Bank was represented at the State Bankers Conventions in each of the six states of the District, at the National Convention of the American Bankers Association, and the National Convention of the Financial Public Relations Association. During the year, Bank representatives also attended 103 other meetings where banking matters pertaining to the economy of the District were discussed.

"Public relations activities, as such, were conducted largely in response to specific public requests for assistance and information. That is to say, there was no planned program involving the promotion of meetings or the issuance of printed material designed to enhance the Bank in public favor. As in the case of other institutions, Bank representatives are frequently called upon to make public addresses on financial and economic affairs. In response to such requests, representatives of the Bank made 22 public speeches during the year to an aggregate audience of 13,000 people.

"In as much as the Bank and its Branches in large measure represent the financial heart of their region and conduct many and intricate operations, they are

frequently called upon by interested groups to conduct tours of their facilities. Requests for such tours are welcomed, particularly as they come mostly from groups of school children. Approximately 1000 individuals were conducted on such tours through the Bank and Branches in 1951.

“In response to numerous requests from school, civic and banking groups, the Bank has made available for public showing. Three sound films explaining the operations, purposes, and functions of the Federal Reserve System. One of the films, The Federal Reserve System, was produced by Encyclopedia Britannica Films, Inc., the Board’s staff assisting in the technical review of the script. The Bank has five prints available for showing. The second film, The Federal Reserve Bank and You, was produced by the Federal Reserve Bank of Minneapolis but is applicable to all Federal Reserve Banks. The Bank also has five prints of this film. A third film, A Day at the Federal Reserve Bank of Cleveland, was ‘also produced by an individual Federal Reserve Bank, and is equally applicable to all Federal Reserve Banks. The Bank has one print of this film available for public showing. During the year, 178 separate groups viewed one or more of these films.”32

The Federal Reserve, Banks generally were beginning to respond to public interest and curiosity concerning their operations.

A number of miscellaneous matters engaged the attention of the Bank’s officers and directors during 1951. Early in the year a committee was set up to arrange for the preparation of duplicate records. Its function was to analyze and study such records and to make certain that everything is prepared which would enable the Bank to operate should its main office or any one of its branches be destroyed.33

The inauguration of the Georgian sales tax later in the year created a penny problem which inspired the following “Memorandum to Member Banks:

“The demand for pennies caused by the enforcement of the Georgia Sales Tax

has in many business establishments resulted in inadequate supplies of copper cents, while in other business establishments and in the hands of individuals substantial excess supplies exist. Great quantities of these coins are known to be frozen in cash registers and vaults and in piggy banks and other hoards of home savings. To a certain extent, this unequal distribution of coins is true of all subsidiary coins in Georgia and elsewhere as well.

“At the request of the Director of the Mint, all banks are urged to assist in the collection of surplus pennies and other subsidiary coins. Many of your customers, particularly merchants, filling station operators, restaurant operators, and housewives, assuredly have on hand more supplies of coin, especially of pennies than they will ever need. A suggestion from you that they turn in such surpluses to your bank would assist materially in equalizing existing supplies of coin, which in reality are far greater in amount than ever before.

“Through the cooperation of all banks this coin-distribution problem can be solved quickly and effectively.”³⁴

The year 1951 was the first since the organization of the Bank in which the number of par-clearing banks in the Sixth District exceeded the number of parclearing banks.

At year's end there were 1216 banks in the District, of which 615 were on the Par List and 601 were not. Of the 615 on the list, 260 were nonmember state banks. There is little formality required with respect to the addition of a non-member state bank to the Par List. The only requirement is that the bank agree to remit at par for checks drawn on it when received from the Federal Reserve Bank.³⁵

As to earnings and expenses for the year, the President wrote:

“Current earnings for 1951 amounted to \$21,111,140, compared with \$14,712,490 for 1950. All but \$150,000 of the 1951 earnings were from United States

Government securities held by the System Account.

“Current expenses for the year amounted to \$5,384,700, some \$1 million higher than for 1950. Higher operating costs were characteristic of the year. The increase in expenses was primarily because of an expanded volume of operations, particularly in original cost of currency and increased shipping charges. Salary payments to employees were also substantially higher, but the increased salary costs reflected in part the net addition of 137 people to the working force.

“Expenses of the banks are directly related to the service activities. Salary scales are adjusted to those prevailing among the banking institutions in the cities where the bank maintains offices. The expenses are under strict budgetary control. Accounts are under constant audit review, not only by the bank staff of auditors but also by examiners directly representing the Board of Governors. These measures prevent waste, extravagance, and unauthorized expenditures.

“Of net earnings amounting to \$15,642,107, there was paid to the United States Treasury the sum of \$13,524,304, representing interest on outstanding Federal Reserve notes not collateralized by gold certificates.”³⁶

At years beginning it appeared that inflation might get out of hand. That it did not was set forth by President Bryan in his Annual Report for 1951:³⁷

“Probably the most important factor in the abatement of inflation was restrictive monetary action applied by the Federal Reserve System. In the latter part of 1950, the rates charged by the Federal Reserve Banks on borrowings were increased, and member bank reserve requirements were raised in the early part of 1951. Both measures affected the supply, availability, and cost of loanable funds. Then, on March 4, 1951, the announced, whereby a far-reaching modification in procedures for supporting the price of marketable Government securities was brought about. The accord was almost immediately accompanied by a reduction in the availability of funds

for credit expansion. Reinforcing the restrictive effect of these monetary actions was a more cautious lending policy on the part of commercial banks, inspired partly by voluntary credit restraint committees organized throughout the country.

“Whatever may have been the contributing factors, the inflation problem that appeared in such aggravated form at the beginning of the year seemed to be under control by the end of the year. The impact of the changed situation was notable in the District in the changes that took place in the financial condition of the Federal Reserve Bank of Atlanta and in that of the member banks. Resources of the Federal Reserve Bank increased only moderately. Although deposits of member banks increased substantially during the year, aggregate loan volume at the end of the year was almost identical with that at the beginning of the year.”

NOTES

Chapter 40

1. Life History of the United States, XII, 160.
2. Minutes, Directors, XVI, 4331—4332.
3. Time, March 19, 1951, p. 95.
4. Ibid., March 26, 1951, pp. 94—95; Minutes, Directors, XVI, 4336.
5. Time, June 25, 1951, p. 83.
6. Minutes, Directors, XVI, 4370.
7. Ibid., 4321, 4330, 4338.
8. Ibid., 4344.
9. Ibid., 4322.
10. Ibid., 4334—4335; H. T. Patterson to Franklin H. Garrett, October 27, 1967.
11. Minutes, Directors, XVI, 4322.
12. Ibid., 4348—4349.
13. Ibid., 4302.
14. Ibid., 4307—a.
15. Ibid.
16. Ibid., 4335.
17. Ibid., 4317—4319.
18. Ibid., 4327.
19. Ibid., 4326—4327.
20. Ibid., 4355.
21. Ibid., 4401, 4412.

22. Ibid., 4312.
23. Ibid., 4348.
24. Annual Report, 1951, pp. 36—37.
25. Minutes Directors, XVI, 4313.
26. Ibid., 4324, 4353, 4363; Hopkins' Atlas of Atlanta, 1878; City Directories, various years.
27. Minutes, Directors, XVI, ~lt313.
28. Ibid., 4415.
29. Ibid., 4340, 4342, 4361, 4373-4377.
30. Ibid., 4404
31. Pages 24—25. La
32. Annual Report, 1951, pp. 31—32.
33. Minutes, Directors, XVI, 4312. =5
34. Ibid., 4386—4387.
35. Annual Report, 1951, p. 16.
36. Ibid., 13.
37. Pages 10—11.

Chapter 41

1952

Throughout 1952 the Korean War was marked by intermittent truce talks. General Dwight D. Eisenhower was elected President and visited Korea to carry out his campaign pledge to end the war. The United States announced first successful tests of the hydrogen bomb and three-dimensional movies made their initial appearance.¹

Locally, the long fought—for plan of improvement for Atlanta and Fulton county became operative January 1. Long advocated by Mayor William B. Hartsfield. The plan added 118 square miles to the city and increased its population by approximately 100,000 ranking it 23rd in the nation.²

During the first quarter of 1952 Congressman Wright Patman, of Texas, became something of a hair shirt insofar as the Federal Reserve System was concerned. In reporting his activities, Time Magazine said:³

“Texas” Wright Patman is sometimes slyly called ‘the leading economist of Texarkona’, his home town. No professional economist, Lawyer Patman, a champion of small business, nevertheless makes a gallant effort to light his way through the jungles of Treasury short— term ‘ paper ‘ and Federal Reserve re—discount rates. Lask week, Patman ‘s critics adopted a more respectful attitude. Patman had just published the results (in two volumes totalling 1302 pages) of a broad poll of experts on U. S. fiscal and monetary policy.

“When Patman, as a member of the Joint Committee on the Economic Report, began his own special Subcommittee inquiry last year, he was primarily concerned about the Treasury’s partial surrender to the Federal Reserve Board’s drive for higher interest rates. Patman, who thought that the increase would be bad for small business, believed it was high time the President got power to make the independent FRB march

in step with the Fair Deal. With the help of plenty of genuine economists, he fired off one of the biggest questionnaires Washington had ever seen (34 pages, 245 questions) to everybody from the Treasury and the FRB to 1200 bankers, insurance executives and private economists. The questionnaire asked in effect: (1) What is U.S. fiscal policy? (2) Is it good?

“The result was so exhaustive that it will take even professional economists weeks to wade through all of its essays, graphs, appendixes and guesses. One thing, at least, was clear: out of the thousand experts consulted, scarcely any two were in agreement. As might have been expected, FRB Chairman William McChesney Martin insisted that the FRB had been right in pulling the peg on Government bonds (i.e., stopping rigid support), and that the FEB’s whole program of credit restrictions had helped check inflation. There was one surprise: Secretary of the Treasury John W. Snyder, at least on paper, was far closer to the FEB’s own position than his previous remarks had indicated.

“Instead of insisting that the FEE support Government bonds at par or above, Secretary Snyder claimed to seek only ‘a market in which prices and yields fluctuate within a moderate range over a considerable period...not...a ‘pegged market’ in which fluctuations are prevented.’ In short, he agreed with the way the FEB is now supporting the Government bond market.

“The biggest surprise came for Patman; not one of the experts would buy his theory that the President ought to have control over the FEB. Even John Snyder rejected it. Wrote he: ‘I do not suggest that the President should be given any (such) powers.’

“But if Patman had done nothing else, he had got all of the agreements- and justifications-out in the open, where his Committee can shoot at them next week when it opens hearings to try to bring the Treasury and FEB together in a coherent monetary

and credit policy.”

President Malcolm Bryan, along with other Federal Reserve System officers rose to the challenge. Bryan not only prepared careful answers to the Patman questionnaire but appeared before the Committee.

He told the Atlanta directors at their April Board meeting how his statement had been prepared. Also, a detailed account of his appearance before the Subcommittee and the nature of the questions that the members of the Committee had asked him, particularly Senator Douglas. He stated that he had hoped the members of the Committee would ask him some questions concerning the placing of the Federal Reserve System under the General Accounting Office. Although the Committee had gone into this matter with every witness who had preceded him on the stand, they did not ask him a question about it. Consequently, at the conclusion of his testimony he had asked for permission to submit a supplemental statement on this point.

It was Mr. Bryan’s appraisal that thus far in the hearings the Federal Reserve System has fared extremely well. However, he felt that the Committee might come out with a recommendation to the effect that the System should be placed, for auditing purposes, under the General Accounting Office.

Following President Bryan’s remarks, Director W. C. Bowman arose and stated that, in behalf of the Board, he would like to thank Mr. Bryan.

“First, for the statement he had prepared and submitted to the Patman Subcommittee. It had required an enormous amount of study, concentration, and expenditure of energy to prepare not only the statement, but himself, for an appearance before the Committee; that as a result of his ability, study and preparation Mr. Bryan’s testimony before the Committee; that as a result of his ability, study and preparation Mr. Bryan’s testimony before the Committee had been brilliant, and that he had received general acclaim not only from the members of the Committee, but from the Federal

Reserve System as well.

“Second, he felt that the Federal Reserve System was to be congratulated in having a man like Mr. Bryan to represent it on so important an occasion, and that the Board of Directors was proud of being able to supply such talent.

“Third, that Mr. Bryan should be congratulated upon the excellent manner in which he had set forth the principles of sound monetary policies and central banking.

“Fourth, that the minutes of this meeting show, as a matter of permanent record, the thanks and appreciation of this Board of Directors to Mr. Bryan for what he had done.”⁴

In June President Bryan reported to the Board that the Patman Subcommittee Report had been completed, and that he had seen a copy of it. He then discussed and criticized the Report. He said further, in confidence, that Senator Douglas has prepared a dissenting report, in which he hoped that Senator Flanders and Representative Woolcott would join.

Bryan also informed his Board that he had been asked to serve on an Ad Hoc Committee, with Governor Martin and Governor Mills to fully explore the present system of purchasing and selling Government securities by the Open Market Committee. This Committee has asked many of the leading brokers of the country to appear and discuss the matter in Washington and he, therefore, contemplated that he would be absent from the bank for a considerable period of time. The questions presented are highly controversial, and this assignment is not one he personally would have chosen. However, it is one of extreme importance to the Federal Reserve System and, having agreed to serve, he expects to devote his attention and energy to that service.⁵

Bank Economist L. B. Raisty made an economic forecast to the Board at its April meeting:

In general, he said, the defense program dominates the economy. The

production of clothing, textiles, and similar nondurable items did not gain during the first quarter of the year, nor did the production of passenger cars and household goods pick up to any extent. Gains in total output, in fact, have been confined primarily to defense orders.

Following the pessimism of February, some degree of optimism was beginning to assert itself as the quarter ended. It is thought that, with increased material allotment, the automobile industry may be able to increase production in the second quarter, but output of television and radio receivers and major household appliances is expected to continue below 1951 levels for some months to come. Gains, however, are foreseen in most softgoods industries, notably in shoe output and the apparel trades.

Although there is some slackness in the economy, continued Raisty, this slackness will be prevented from becoming serious by continued expansion in defense expenditures. Nor does it seem likely that the resumption of inflation is near at hand. In fact, it appears that some restrictions in the economic controls, notably in Regulation W, could well be granted without upsetting the current relatively stabilized situation.6

Regulation W, the control measure which fixed minimum down payments and installments on consumer goods, was indeed abolished within a month. FEB Chairman Martin had wanted to stick to the ruling despite a 6 percent drop in retail sales during the first 4½ months of 1952. But he was persuaded to lift it after the twelve regional chairmen warned him that, in their districts, prices were sliding, good moving sluggishly, and inventories piling up.7

Retailers were now free to fix whatever credit terms they chose, though some controls on business, notably Regulation X, which restricted credit for home building, remained.

A number of changes took place in the official family of the bank and its branches for and during 1952.

At elections held in November 1951, W. C. Bowman, Chairman of the Board, the First National Bank of Montgomery, was chosen by member banks in Group 1 as a Class A Director.8

The Board of Governors of the Federal Reserve System appointed the following branch directors, each for a term of three years beginning January 1, 1952: Birmingham Branch, Edwin C. Bottcher, Cotton and Dairy Farmer, Cullman, Alabama; Jacksonville Branch, J. Hillis Miller, President, University of Florida, Gainesville, Florida; Nashville Branch, H. C. Meacham, Agriculture and Livestock, Franklin, Tennessee; New Orleans Branch, Joel L. Fletcher, Jr., President, Southwestern Louisiana Institute, LaFayette, Louisiana.9

The Board of Directors of the Federal Reserve Bank of Atlanta also appointed four branch directors, each for a term of three years beginning January 1, 1952: Birmingham Branch, A. J. Goodwin, Jr., Vice President, The Anniston National Bank, Anniston, Alabama; Jacksonville Branch, G. W. Reese, President, The Citizens and Peoples National Bank of Pensacola; Nashville Branch, Sam M. Fleming, President, Third National Bank, Nashville, Tennessee; New Orleans Branch, C. M. McWilliams, President, Citizens Bank of Hattiesburg, Hattiesburg, Mississippi.10

For the first time in many years a change was made on the Industrial Advisory Committee, long composed of John E. Sanford, I. C. Milner, George Winship, Luther H. Randall and W. W. French. The latter, advanced in years and contemplating retirement from business, was replaced in February 1952 by Shannon M. Gamble, Executive Vice President, Standard—Coosa—Thatcher Company, Chattanooga, Tennessee.”

At its December, 1951 meeting, the Atlanta Board approved the appoints, effective January 1, 1952, of Harold T. Patterson, General Counsel, as Vice President and General Counsel, and of J. E. McCorvey as Assistant Vice President.12

In February, Malcolm Bryan and Delos C. Jones, President of the Federal

Reserve Bank of St. Louis, were nominated member and alternate member of the Federal Open Market Committee for the year commencing March 1, 1952. At the same time John L. Liles, Jr., was appointed a Vice President of the bank, effective March 1, 1952.¹³

During the course of the March meeting of the Board, the death, on February 16, of J. B. Barnett, a director of the Birmingham Branch, was noted. Director Donald Corner paid tribute to Mr. Barnett as one of Alabama's finest citizens, saying that he had gone into a small community and had strived to encourage the tenant farmer to become a home—owner farmer; that he had contributed much, not only to his county and community, but particularly to the economic well—being of the whole state. Mr. Barnett's son, J. B. Barnett, Jr., was appointed a director of the Birmingham Branch to succeed his father.¹⁴

During the spring of 1952 Mr. Corner was signally honored. His friends and employees gathered in Sylacauga, Alabama to pay him tribute for what he had done as an industrialist and philanthropist. Said the Atlanta Journal, editorially:

"A man's neighbors know him best -and honor from them is highest acclaim. When a great many of his neighbors also are his employees and still they praise him, he has gained an accolade that few men achieve. Such distinction was awarded Ronald Corner, industrialist and philanthropist, by his friends the other day in Sylacauga, Alabama.

"Mr. Corner is known throughout the country for his mills and the textiles those mills produce. He is known, too, for his insistence upon schools, churches, hospitals, playgrounds and every facility for good living in the communities where his mills operate. Nor does he transfer these obligations to others. For decades, he continuously has participated in the founding of schools, furthering of churches and the fostering of

hospitals and health programs.

“He was among the first men in the south who knew that profit was not in money alone. He recognized that sickly and illiterate men and women, puny and fretful children, were a trial to themselves and a burden to their community. He devoted himself to his business but dedicated himself to the betterment of the men and women with whom he lived as a fellow workman and neighbor.

“These people assembled recently to assure him that his devotion and dedication were successful. They reminded him that his prosperous mills are scattered over the south. They told him the more welcome truth that his neighbors have found him good and true and they wished to repay him openly with their declared love.

“Donald Corner is a director of the Federal Reserve Bank’ of Atlanta. He is a trustee of Emory University. He has scores of other honors; but those who know him best, testify that the friendship of his employees and associates is the reward he treasures most.”¹⁵

On May 9, 1952 occurred the usual appointment of officers by the Board for the ensuing year. In addition to reappointments, the following were given officer status:

<u>Name</u>	<u>Present Title</u>	<u>New Title</u>
Lloyd B. Raisty	Assistant Vice President	Vice President
E. L. Rauber	Director of Research	Vice President and Director of Research
E. C. Rainey	Assistant Manager of The Nashville Branch	Cashier at Head Office
Charles T. Taylor	Senior Economist	Assistant Vice President
Dowdell Brown, Jr.	Assistant to General Counsel	Assistant Counsel
Fred Breck	Manager, Service Department	Assistant Cashier ¹⁶
R. M. Stephenson	Gave official recognition to the title of Chief Examiner.	
Stuart H. Magree	Manager, Service Dept.	Assistant Cashier

Nashville Branch

The subject of officers salaries and a general analysis of that situation as compared with commercial banks attention at the March Board meeting.

Following a report of the salary and personnel committee, First Vice President Clark read to the directors a letter which Chairman Neely had received from the Board of Governors, dated February 26, 1952, regarding raises in salaries which might be awarded to official personnel, as follows:

“Your directors undoubtedly are thinking about the salary adjustments to be recommended for officers of the Federal Reserve Bank of Atlanta and the Birmingham, Jacksonville, Nashville and New Orleans Branches for the year beginning June 1, 1952.

“It is the Board’s understanding, from informal discussions with representatives of the Salary Stabilization Board, that there is justification for considering the Reserve banks as having a plan of salary administration which qualifies under existing stabilization regulations. Therefore, merit increases amounting to six percent may be granted in 1952 without specific clearance from the Salary Stabilization Board.

“Accordingly, the Board authorizes your Bank to increase officers’ salaries, other than for the President and First Vice President, by an amount not to exceed six percent of the aggregate of such salaries as of the payroll period ending nearest January 15, 1952, provided such increases do not bring the salaries above the established maximums.

“Any such increases should be effective as of the beginning of your regular salary year, June 1, 1952, and it will be appreciated if you will advise the Board of Governors promptly of the salary adjustments approved by your directors under this authority.

“The Board’s records disclose the following maximums for the official positions at your Bank as determined from reviewing the salaries paid between 1940 and January 25, 1951:

“Vice President, Vice President and General Counsel	\$13,500
Assistant Vice President	9,500
Director of Research	10,500
General Auditor	9,000

Branches

Vice President	14,000
Assistant Manager	8,800
Cashier	8,000
Assistant Cashier	7,000

“In addition to the merit adjustments which may be granted within the prescribed salary range, salary stabilization regulations permit further adjustments if general increases have not equaled ten per cent since January 15, 1950. From a review of the salary increases which you have given since that time, we find you have approximately \$8,000 remaining which could be used in addition to the six per cent.

Therefore, in the event you have an especially meritorious case which you feel warrants increasing an officer above the maximum for his position, the matter should be presented to the Board of Governors for its specific consideration.

“If an officer received an adjustment last year which placed his salary above the maximum, he cannot receive any further increase at this time because the amount by which the maximum was exceeded came under the ten per cent formula. However, an

officer who has not received any benefit from the ten per cent formula can, in accordance with regulations, be increased above his maximum once. For example, if an officer received an increase in salary last year from \$11,000 to \$12,000 and the former figure is the maximum for the category in which his position falls, the \$1,000 increase last year was charged against the ten per cent allowance. Since the officer has already been increased above the salary range, he cannot at this time receive a further salary increase.

“The Board of Governors desires to give your directors as much latitude in officers salary administration as is consistent with its responsibility under the Federal Reserve Act. In using the authority given by this letter, we hope you will concentrate on salary adjustments in the group of younger officers whose work merits a reward and who have definite potentialities.

“We are not unmindful of the situation with respect to the older officers, but we feel that pending the adoption of a permanent salary plan, the current maximums should be maintained if at all feasible.

“This plan does not include the President and the First Vice President, as their salaries will be considered by the Board of Governors at a later date.”

Mr. Clark stated that this letter was a great disappointment not only to Chairman Neely but to President Bryan, and that, for the benefit of the Directors, he would like to point out, from the standpoint of justice to the officers of the Bank, the Directors should provide a more realistic official salary scale.

Mr. Clark then pointed out the following facts:

1. Discrimination. Salaries of the officer group of the Bank have not kept pace with salary advances granted classified employees. Comparison of officer salaries for 1941 and for 1952, after adjustment for the decline in the purchasing power of the dollar revealed that the officer group on an average was receiving in 1952 78 percent of what

they received in 1941. This differential makes no allowance whatsoever for the increase in income taxes; it is simply calculated on the 50-cent dollar of 1952, in comparison with the 100-cent dollar in 1941.

Applying the same standard of measurement to salary scales in employee classifications 1 through 15, we find that Classes 1 through 4 are making higher salaries in 1952 than they did in 1941. In the remaining groups, our studies reveal that the various classifications are getting comparable salaries. Only in the officer group has the salary scale failed to keep abreast with the rise in living cost.

2. Career service. Federal Reserve Bank officerships represent a career service which is largely apart from competitive relationships and ordinary operating salary scales. The officers reach their post only after a long period of apprenticeship, and by the time they reach the senior—officer status they are usually too old to attract offers of employment from other institutions. Nevertheless, the duties and responsibilities of Federal Reserve Bank officers require the highest standards of integrity, capability, and technical knowledge.

The career—service nature of Federal Reserve Bank officerships is indicated by the restrictive character of their conditions of service. Among these conditions are the following:

- (1) Denial of opportunities for side profits or investments. A Federal Reserve Bank officer, except under strictly limited circumstances, may not accept outside employment, part—time employment, or remuneration of any kind. He is not permitted to engage in speculative activity. He may borrow from banks only under strictly limited conditions. He is debarred from freeriding opportunities in Government security issues.
- (2) A Federal Reserve Bank officer's position is not competitive. There are only twelve Federal Reserve Banks, and transfers from one bank to another are

exceedingly rare. The Federal Reserve Bank officer's employment is often of a specialized or highly technical nature, dealing with fiscal agency matters, supplying and receiving coin and currency, transit operations, and accounting and auditing operations, not having their counterparts in privately owned financial institutions which otherwise might bid for their services. Devoted to his job with the idea of making it his career and engaged in a function requiring high technical competence, but one that is unique in American business life, the Reserve Bank officer is peculiarly dependent upon consideration of justice and equality with respect to the adequacy of his salary.

3. Comparison with commercial bank officer. As compared with Federal Reserve officers, commercial bank officers have numerous advantages:

(1) A competitive situation. Commercial bank officers operate in a competitive market. A good loan officer in one bank can be a good loan officer in another bank; a successful business getter in one bank can also be a successful business getter in another bank. Since there are numerous commercial banks, over 1,200 in the Sixth District alone, commercial bank salary scales are on a competitive basis. To hold a valued officer, the bank must be willing to meet what the competition may offer.

(2) Bonuses. It has long been a practice of commercial banks to pay bonuses each year, the amount depending upon the profits made. For several years now, the commercial banks have paid substantial bonuses, representing an important supplement to the bank officer's regular salary.

(3) Extra profit opportunities. Because of the nature of their work, commercial bank officers are offered many opportunities for extra remuneration on or profitable investments. Balance sheets and operating statements of client companies are in the very nature of loan operations constantly passing before

bank loan officers for review, and potential strength as well as weaknesses are readily revealed, thus offering numerous opportunities for investment profits. During the war years, moreover, in connection with new issues of Government securities, commercial banks made it a usual practice to permit their officers participate in freeriding operations.

(4) More liberal expense allowances. Commercial bank officers especially of the larger banks, are usually provided with liberal expense allowances for the purpose of maintaining personal prestige and getting new business or holding old business. Although such allowances are not a source of profit to the commercial bank officers, they have a sharp advantage in this regard over Federal Reserve officers. The latter officers, because of rigid auditing controls, customarily travel at personal financial losses, and when it comes to entertaining visitors and commercial bank associates are customarily called upon to defray the necessary expenses out of their own pockets. Commercial bank officers also received such nontaxable remuneration as is represented by club memberships paid by their banks. Such memberships represent a proper business expense from the standpoint of the commercial bank, but they are not provided to officers of Federal Reserve Banks.

4. Summary. An increase in salary scales for the Federal Reserve Bank officer group, in summary, appears to be simply a matter of justice to the officers and a recognition of their status as members of an important career.

(1) Insofar as salaries are concerned, officers of the Federal Reserve Bank of Atlanta have been discriminated against in comparison with the employees of the Bank itself.

(2) For the most part, the officers hold positions that are noncompetitive with positions in the business world as a whole.

(3) As a general rule, Federal Reserve Bank officers will not be offered positions in the business world that would tend to establish a common scale of officer salaries.

The determination of the adequacies of officer salaries, therefore, offer peculiar problems.

5. Solution. We suggest that a workable and equitable solution to the problem would include the following considerations:

(1) Working out an officers salary scale that would at least place the officers in the same relative purchasing power situation they held in 1941, before the impact of inflation.

(2) Working out an officers salary scale that would place the officers of the Federal Reserve Bank of Atlanta on a basis comparable with that of the other Federal Reserve Banks of similar size.

(3) Working out a salary scale that would place the Federal Reserve Bank officers in a reasonable comparable position with that of officers of commercial banks, including bonuses and other remuneration customarily allowed commercial bank officers.

Following Mr. Clark's remarks, Chairman Neely said that as soon as Mr. Bryan has finished with the Patman Committee hearings it was his intention to get with him and work out a program which he expected to discuss at the Chairmen's Conference on May 5 and 6.17

Except for a few officer who had already achieved the maximum salaries for their classifications. The officer group as a whole received a 6 per cent increase, effective June 1.18

Meanwhile, in April, Director R. C. Harris reported to the Board that since the inception of the Bank's plan of job evaluation, two adjustments have been made in

salary grade minimums and maximums-one on January 15, 1949 and the other November 1, 1950. These adjustments were made in order to keep wages paid Bank employees in line with those being paid by comparable concerns in the cities served by the Bank. A salary survey of salaires paid as of February 1, 1952 showed that the salaries paid by the Bank were low. It was moved and passed that the fifteen salary grades should be increased so as to provide a scale beginning with Grade 1, minimum \$1,620, maximum \$2,160, to Grade 15, minimum, \$6,300, maximum \$8,200.19

Effective November 1, 1952, salary raises aggregating \$182,000 per year were granted to employees. Back in February Director Harris had pointed out that for the first time since World War II the number of Bank employees exceeded 1,100. During the war the total had risen to 1,685, but fell back in the postwar period to a low of 800.20

During this period of its history the Bank was becoming more and more involved with training programs for both officers and employees.

In June President Bryan declared that in accordance with the Executive Training Program he had discussed with the Directors, he expected to continue shifting personnel and giving various courses of training, and that when individuals are away from the Bank attending training seminars at educational institutions, he expected to continue their full salaries during their absences.21

About the same time Director R. L. Adams, Chairman of the Auditing Committee, reported on the General Auditor's excellent training program, under which branch auditors are brought into the home office for six weeks training periods, and members of the head office staff are sent to the branches to perform the functions of the branch auditors.22

Throughout the year, until its opening on October 17, work progressed without major delay or trouble on the new Jacksonville Branch building.

Plans for the opening had pretty well shaped up by early May. It was

contemplated that the Branch Boards would meet in Jacksonville on the evening of October 16; that a joint meeting with the Board of Governors would be held on Friday morning, followed by a luncheon at the George Washington Hotel, to which member and nonmember banks and their wives would be invited. The dedication ceremonies and the opening of the building to the public would be in the afternoon of the 17th, followed by an informal dinner Friday evening for members of the official family and member bankers. The program for Saturday would be one of relaxation and entertainment, consisting of a boat trip, a barbeque luncheon given by Director Reinhold, and a dinner by the Jacksonville Branch Board at Ponde Vedre in the evening. A special brochure and pamphlet was also contemplated. Later, the plans were expanded to include an open house for the employees and members of their families on the evening of the 16th.23

Everything was in readiness on the appointed days. The October Board meeting was held in the Recreation Room of the new building. All Atlanta directors were present except J. A. McCrary. Also present were the Branch directorates in full force; William McChesney Martin, R. M. Evans and J. L. Robertson of the Board of Governors in Washington and Robert F. Leonard and Ralph A. Young of the Washington staff; Messrs. Bryan, Clark, Raisty, Rouber and Patterson of Atlanta, and the four Branch Mangers.24

Chairman Neely expressed regrets over the absence of Director McCrary, who was ill. It was pointed out that Mr. McCrary was the oldest director in point of service (since 1914) in the Federal Reserve System and Chairman of the Atlanta Bank's building committee since its inception. Neely told the group that the pine paneling in the Directors' Room of the Branch building had been a gift from Mr. McCrary and a tribute by him to the Bank he had served so well for so many years.25

Somewhat later in the meeting Chairman Neely stated that the directors were

most anxious to hear from Chairman Martin of the Board of Governors, and, in order that he might have all the time he wanted, announced that all reports of committees and other usual business for -this meeting would be omitted.

Chairman Martin expressed his pleasure and that of the other Governors present at being in the meeting. He told the Directors that when he visited the Atlanta Board shortly after taking office he did not feel that he was sufficiently well acquainted with the System to speak for the Board of Governors. However, he now feels that he can speak for the System. He stated that at the present time the Federal Reserve System is truly an independent Federal Reserve System and is functioning as the primary bulwark of the free enterprise system.

He discussed the results of the Treasury's accord, which he felt were most salutary. He felt that at the moment the line against inflation is holding, and that the dollar has been stabilized. He stated that it was, however, possible that a group of supermen could make decisions in a sounder way than the market, but such supermen are not likely to be found. The greatest measure of freedom and initiative can be obtained by relying on the changes in prices arrived at in an orderly market, rather than in attempting to dictate terms. He stressed the fact that inflation can be ever more serious to the growth and development of the country than an enemy from without our borders, and that if we are to cope with the problems constant vigilance by all of us is absolutely necessary.

He then reviewed with the Directors his philosophy of the System and his feeling that if we are to remain objective we must constantly re-evaluate, re-assess, and re-determine its worth. Each Federal Reserve Bank and each Branch Office is a regional and local institution as well as a part of a nation-wide system. Central banking in the United States has been adopted to the requirements of a free people with a minimum of government interference. The twelve banks, through their Boards of Directors, are in a

position to report the views and interests of the particular regions to which they belong and, at the same time, they are administrators of nation—wide banking and credit policies.26

Among the “Thank you” letters received following the opening of the new building in Jacksonville and attendant festivities was one addressed to Chairman Neely from Ernest S. Haselden, of the Jacksonville City Commission. It read:

“I wish to take this opportunity to congratulate you and the -Board of Directors for the wonderful building you have placed in Jacksonville.

“We are indeed grateful for not only the building itself, but for the confidence you have placed in the state of Fonda’s economic future. You can be assured that the citizens of Jacksonville will do everything in their power to justify this faith in the future.”27

While the Jacksonville Branch acquired .an adequate new building in 1952, the Nashville Branch’s need for larger and better arranged quarters became more and more evident. Indeed, in January, Director J. A. McCrary stated to the Board that “Nashville is our next project”, and he hoped it would not be long before we would be able to proceed with a new building for the Branch.28

In June it was announced that the Nashville Board had approved and secured an option on contiguous pieces of property at the northwest corner of Union Street and Eighth Avenue, facing 331 feet on Eighth Avenue and having a depth of 175 feet for a total price of \$414,000. The Atlanta Board concurred, and, on September 4, the Board of Governors announced it would interpose no objection.29

Next up for space consideration was the Birmingham Branch. It was brought out at the March, 1952 Board meeting that vacant lots of 150 foot frontage and adjoining the Branch building, could be purchased for a total of \$202,500. In recommending the purchase at the May meeting, President Bryan said:

“It has long been evident that the Birmingham Branch would grow out of its present quarters, and, consequently the Bank has endeavored for a number of years to acquire additional property. However, until just recently, the immediate adjoining lot has been in the ownership of a family that refused to make or even, to consider an offer. The purchase is now possible by reason of ownership passing to the estate of the previous owner, and by reason of the indefatigable work of Mr. Thad Holt, Chairman of the Birmingham Board, in obtaining a meeting of the minds in the numerous heirs.

“The Birmingham Branch is now ‘chockablock’ with no room whatever for growth. Indeed, we are distinctly puzzled as to how we are going to get some new transit machines in the building. Unless, therefore, we can acquire additional property, we shall be compelled shortly to abandon our present building—rental space is now available in the neighborhood—an alternative that is unwise if it can be avoided.

“Abandonment of the present building would mean the abandonment of a site that is almost ideal in its relationship to the other banks in Birmingham, and particularly desirable from our standpoint because of its connection by tunnel with the net; Post Office. Such a change, moreover, would be quite expensive. The original cost of the building, plus capitalized additions, was just under \$400,000. The duplication of equivalent space on another site would undoubtedly cost a minimum of \$700,000, and probably nearer \$1,000,000; and, unfortunately, a sale of the building could recover only a minor portion of that sum because the design of the building (particular the location of the vaults) gives it only a minimum value: for office or other business use. The situation is thus simply that the present structure is very valuable in our hands and very much less valuable in the hands of prospective purchasers.

“Mr. Thad Holt, Chairman of the Birmingham Branch, has priced numerous other building sites in Birmingham, all of them less desirable from the standpoint of location, and has found their asking price to be greater than the price at which we are now

offered the immediately adjoining property.

“The present Birmingham building is soundly constructed, but numerous small changes need to be made to make it more efficient as operating space in view of the growth of business at the Branch. These changes, combined with the fact, that the building has for a good many years been to a considerable extent under—maintained, means that we should promptly undertake certain work that will probably involve the expenditure of 25 to 50 thousand dollars. I hesitate on these undertakings unless, by the acquisition of adjacent property. I can assure our continuity in our present location, for the changes, while they would represent needed improvements and betterments, would have no sale value in the event we are compelled to move.”30

Upon motion made and duly seconded, the purchase of the two lots at the prices offered was unanimously approved.

The final purchase of the property resulted in the acquisition of 125 feet since one owner held out for \$1,500 instead of \$1,200 per front foot for her 25—foot lot and the Bank refused to meet the increase.31

The principal physical improvement of the year in Atlanta was air conditioning of the Silvey Building at an approximate cost of \$32,829.00.32

The Bank’s agricultural program went forward actively during the year under the general direction of Director Paul E. Reinh9ld. It consisted primarily of forestry demonstrations, farm credit clinics, etc. in various parts of the District. An agricultural economist, Arthur Kantner, a Cornell graduate, was employed on July 1 to the services of Ellis Clark.33

The use of Brink’s service was begun during this period. First Vice President Clark reported in February that use of this service in delivering currency to banks in Macon, Augusta, and Chattanooga was proving advantageous because of the savings effected; that in December the Bank saved \$2,312 on the cost of shipments as

compared with registered mail shipments, and in January the saving was \$3,340.

Jacksonville began use of the service in January.³⁴

Budgetwise, the Bank had become a multi-million dollar enterprise. In September First Vice President Clark presented to the Directors the proposed budget for 1953 for the Bank and the Branches, compared with 1952. All items, except “repairs and alterations were up:³⁵

	Expenses Year Ended <u>June 30, 1952</u>	Budget for <u>1953</u>
Salaries	\$3,209,000	\$3,741,000
Fees	30,000	42,000
Retirement Contributions	324,000	363,000
Traveling Expenses	91,000	92,000
Postage and Expressage	1,197,000	1,412,000
Telephone and Telegraph	69,000	80,000
Printing and Office Supplies	345,000	413,000
Insurance	51,000	56,000
Taxes on Real Estate	91,000	133,000
Depreciation	43,000	231,000
Light, Power and Water	42,000	62,000
Repairs and Alterations	86,000	63,000
Outside Space Rental	45,000	85,000
Furniture and Equipment	314,000	490,000
Board of Governors	180,000	180,000
Cost of Federal Reserve Currency	626,000	830,000
All Others	<u>86,000</u>	<u>103,000</u>
	Total	Total
	\$6,819,000	\$8,376,000
	Recoveries	Recoveries
	<u>1,117,000</u>	<u>1,265,000</u>
	Net	Net
	\$5,702,000	\$7,111,000

At years’ end the Federal Advisory Council made an economic prediction for the near future. Said the Council:

“The Council believes the business and economic situation for the next three to six months will continue to be substantially the same as reported in October.

Unemployment is at a postwar low. Wages are at peak levels. Disposable personal income is at an all time high, and retail sales continue to be generally good. Industrial

production is up. Private capital expenditures and outlays for defense are large. However, wholesale and commodity prices, including prices of base metals, corn, cotton and meats, have shown some decline. The decline in basic commodity prices may be important because of its possible worldwide effect. Profits from many businesses may be lower; but the general business outlook for the next three to six months is good.36

NOTES

Chapter 41

1. Life History of the Unit&t1~States, XII, 160.
2. Garrett, Atlanta and Environs, II, 1007—1008.
3. March 10, pp. 91—92.
4. Minutes, Directors, XVI, 4465. The Federal Reserve System was not placed under the General Accounting Office.
5. Minutes, Directors, XVI, 4465.
6. Ibid., 4468—4469.
7. Time Magazine, May 19, 1952, p. 99.
8. Annual Report, 1951, p. 17.
9. Ibid.
10. Ibid., 17—18.
11. Minutes, Directors, XVI, 4430—4438.
12. Ibid., 4417; Annual Report, 1951, p. 18.
13. Minutes, Directors, XVI, 4437—4439.
14. Ibid., 4458—4463.
15. Quoted, Ibid., 4470—4471.
16. Minutes, Directors, XVI, 4480.
17. Ibid., 4451—4455.
18. Ibid., 4480.
19. Ibid., 4474—4475.
20. Ibid., 4436.
21. Ibid., 4492.

22. Ibid., 4498—4499.
23. Ibid., 4425—4426, 4449, 4464, 4473, 4497, 4504.
24. Ibid., 4511—4512.
25. Ibid., 4514.
26. Ibid., 4514.
27. Ibid., 4518.
28. Ibid., 4428
29. Ibid., 4428, 4484, 4504.
30. Ibid., 4472—4473.
31. Ibid., 4535—4536.
32. Ibid., 4430.
33. Ibid., 4499—4508.
34. Ibid., 4425, 4439.
36. Ibid., 4537.

Chapter 42

1953

Several events of 1953 were to have far-reaching and permanent effects upon civilization. The year marked an ever increasing use of automation and computers in industry. The tidelands oil controversy ended in favor of coastal states; a Department of Health, Education and Welfare was established; Earl Warren was appointed Chief Justice of the United States; Puerto Rico was given commonwealth status; Mt. Everest was conquered, and, in March, Joseph Stalin died.1

During the year the Treasury and the Federal Reserve Board worked toward a common goal to stop inflation by trimming the expansion of credit.

After member—bank borrowing hit a 21—year high in December, the Federal Reserve Board, in mid—January, approved the tightening of bank credit. Eight of the Reserve Banks, including Atlanta, boosted from 1 1/3 percent to 2 percent the interest rate at which member banks could borrow from them. Bankers were surprised not at the boost but at its timing. Most expected a boost in the fall of '52, when borrowing began to pick up.

In February, the FEB eased up on the stock market by cutting the required margin required of stock—market investors from 75 percent to 50 percent—back to where it was before Korea.3

Shortly before, on February 6, it was announced that all wage controls were eliminated and that many price ceilings were also removed. The announcement promised the elimination of additional price ceilings by April 30. Except in a few minor

instances, for the first time in two years the economy would be free from the restraints imposed by controls.⁴

Following the death of Joseph Stalin in March, Bank Economist L. B. Raisty, addressing the Board at its April meeting, commented on the international situation. Calling it “The Challenge of Peace”, he said:

“Probably the greatest uncertainty in the economic situation at the moment is what may happen as the result of the apparent reversal in Russian policy. It would seem that we are facing the grave danger of having peace break out, and having been so long accustomed to the artificial stimulation of war and defense spending we are wondering what may happen to us if we have to do without it

“The chief immediate threat to the continuance of a high level of business activity seems to be found in the softer attitude adopted by Malenkov following Stalin’s death. I think it would be unrealistic to jump off the deep end in anticipation of the coming of peace. We all know, of course, that our economy is highly vulnerable at many points and serious peace talks might well puncture the business balloon. It seems to me, however, there are two points of caution that we should keep in mind: (1) that the peace talks may not come to anything, and even if they do result in a peace in Korea they would not stop the cold war centering at Berlin; and (2) that there remains a possibility of our economy even without the stimulus of war; moving to even higher levels of production, purchasing power and employment. It may well be, indeed, that we can meet the challenge of peace as readily as we have met the challenge of war.

“When I say that we should keep in mind the fact that the peace talks may not amount to anything, I am thinking primarily not of the possibility of a business let down, but of a possible renewal of inflation. If the Korean peace talks should break down or if there should be a worsening of the military outlook anywhere, in Europe, the Near East, India, or Indo-China, we would be faced with the necessity of stepping up our military aid program and of sharply expanding our military forces.

“To achieve a balanced budget even under the current situation we are told we must have a cut in military expenditures of \$4 billion. If we face a situation that involved stepping up rather than cutting down military expenditures, we should probably have to finance the new situation on a deficit basis. At the same time, we would face a vast new wave of consumer spending set off by the renewal of fears of wartime shortages.

“International relations, therefore, still remain the key in the business outlook, and I still believe that sometime in the future we will come to a knock—down—drag—out war with Russia. In fact, I simply cannot imagine that we are even near the point where we can afford to let our guard down”⁵

A number of official changes at the Bank marked the passage of 1953.

At its meeting of December 12, 1952, the Atlanta Board appointed the following Branch Directors to serve during the ensuing year:

<u>Birmingham</u>	<u>Successor to</u>
John B. Barnett, Jr., President The Monroe County Bank	Himself
Monroeville, Alabama (Group 3) Frank M. Moody, Vice President The First National Bank Tuscaloosa, Alabama (Group 2)	A. M. Shook
<u>Jacksonville</u> Frank W. Norris, President Barnett National Bank	<u>Successor to</u> J. E. Bryan
Jacksonville, Florida (Group 1) J. Carlisle Rogers, Vice President The First National Bank	N. Ray Carroll
Leesburg, Florida (Group 2)	
<u>Nashville</u> James B. Sprouse, President First National Bank	T. L. Cathey
Springfield, Tennessee (Group 3) T. R. Keys, President	Thomas D. Bradson

Erwin National Bank
Erwin, Tennessee (Group 3)

New Orleans
Keehn W. Berry, President
Whitney National Bank
New Orleans, Louisiana (Group 1)
J. T. Brown, President
First National Bank
Jacksonville, Mississippi (Group 1)

Percy H. Sitges

Elbert E. Moore⁶

Mr. Brown, it will be remembered, had recently served most ably for several years on the Federal Advisory Committee.

As the Board met for its first meeting of the new year, on January 9, Deputy Chairman Rufus C. Harris announced sad news. Veteran Director John Alsa McCrary had died during the night of January 8. Mr. Harris commented that Mr. McCrary was the Dean of the Board of Directors, in fact an original 1914 Director, of the Federal Reserve Bank of Atlanta; that he was a constant advocate of the Federal Reserve System and an unflinching worker in behalf of the Federal Reserve Bank of Atlanta; and he knew that the news of his death struck a distinct and profound note of sadness for all of the Directors. The Directors then rose and observed a period of silence in respect to the memory of Director McCrary.⁷

Two new Branch Directors were appointed at the meeting, both for three—year terms, beginning January 1, 1953. They were Ernest J. Moench, President, Tennessee Tufting Company, Nashville, Tennessee, and Harry M. Smith, President and Manager, Winter Garden Ornamental Nurseries, Inc., Winter Garden,, Florida, for the Nashville and Jacksonville Branches, respectively.⁸

President Bryan then pointed out the need for an assistant secretary of the Board of Directors and that the position had been created. Dowdell Brown, Jr., was appointed to the post.⁹

In mid—January A. J. Goodwin, Jr., having resigned as Vice President and Director of the Anniston National Bank, also resigned as a Director of the Birmingham Branch of the Federal Reserve. He was succeeded in the latter position by Malcolm A. Smith, First Vice President of the Birmingham Trust National Bank.¹⁰

In February Delos C. Johns, President,, Federal Reserve Bank of St.Louis and R. R. Gilbert, President, Federal Reserve Bank of Dallas, were elected member and alternate member, respectively, of the Federal Open Market Committee for a one year term beginning March 1, 1953.¹¹

It was not until March that the director's chair left vacant by the death of J. A. McCrary was filled. On the 13th Deputy Chairman R. C. Harris announced that Pollard Turman had been elected a Class B. Director by member banks in Group 2.¹²

Turman, President of the J. N. Tull Company in Atlanta had previously served the Bank as Counsel from 1939 to 1944 and General Couns~1 from 1944 to 1947.

The death of former Director Ernest T. George, which occurred on Co April 3, was announced at the April Board meeting. Mr. George had served the Bank most ably for 13 years beginning June 6, 1934, first on the New Orleans Branch Board and then on the Atlanta Board. 13 Announcement was made in October of the retirement of a veteran officer of the Bank, effective. January 1, 1954. Earl P. Paris, Vice President and Manager of the New Orleans Branch, was first employed by the Bank 35 years previously as a clerk in the Auditing Department. After service as a bank examiner he was made General Auditor in 1930 and Managing Director of the New Orleans Branch in 1941. He was advanced to Vice President in 1947.¹⁴

Whereupon, on motion of Director A. B. Freeman, seconded by Director Leslie R. Driver, Morgan L. Shaw was elected a Vice President of the Bank and Manager of the

New Orleans Branch, both effective January 1, 1954.15

Shaw, a native of New Orleans, began his banking career there in 1931 as a clerk for the Canal Bank and Trust Company. Two years later, in '33 he switched to the New Orleans Branch of the Federal Reserve, where his progress was steady.16

On the occasion of the December meeting of the Atlanta Board, Frank W. Norris, a Director of the Jacksonville Branch, expressed sorrow in the fact that the Branch had lost two of its Board members by death during the year--Clement B. Chinn and Dr. J. Hillis Miller.17

An unusual number of matters concerning personnel were brought before the Board for action or as information during 1953.

Effective January 1 President Bryan, with the concurrence of the Executive Committee, employed Victor Tabaka, of Emory University, to examine the Bank's personnel policies. In addition Tabaka was to give attention to the manner of training and developing junior officers.18

An interesting personnel report was made to the Board at its April meeting by Director Pollard Turman. He informed the Directors that, as of March 1, there were 1208 employees of the Bank and Branches, with a total annual payroll of \$3,637,707. During March, 31 new employees were hired, with a total annual payroll increase of \$66,120, but 39 employees were separated from the Bank with a consequent reduction of \$80,940 in the annual payroll. This turnover resulted in a net decrease of eight persons and \$3,688 in payroll expense. He also pointed out that 124 employees received salary increases, and five were granted leaves of absence.19

On May 8, Personnel Committee Chairman R. C. Harris observed that in the opinion of the members of his committee and of the officers, never in the history of the Bank has the problem of securing beginner— employees been more critical than at the present time. Also, of no less importance is the existing problem of keeping those

employees who are above the beginning grades and are capable of advancement and promotion.²⁰

The situation changed rather rapidly within the month, for, on June 12, First Vice President L. N. Clark reported that for the first time in many months the parent Bank is finding it easier to procure new employees, although most of the applicants are just out of high school and are inexperienced.

Clark added that the Bank is now in the midst of a salary survey in Atlanta and the Branch cities, and he hopes to be able to show the Directors the result of this survey in the near future. Explaining how the survey is conducted, he pointed out that job descriptions of about 20 jobs in the Bank are forwarded to cooperating concerns with the request that they tell us what they would pay for the job. The responses have been excellent.²¹

No single subject received more attention from the Board of Governors and the Atlanta Board during 1953 than the formulation of salary administration covering salaries of officers of Federal Reserve Banks. What was primarily sought was a common basis for the determination of such salaries by both the Board of Governors and the individual Reserve bank boards.

The approach to the subject by the Board of Governors was inclined to be mechanistic, with, in the opinion of Frank Neely and Malcolm Bryan, too little accent placed on individual qualifications. Indeed, the feelings of the latter were set forth in a letter from Bryan to Governor Szymczak, dated February 6, 1953:

“...There is a theory of administration that says that the functions of an organization should first of all be grouped, tested for homogeneity, tested for conflicts of authority, tested for inclusiveness of authority at each level in the administrative hierarchy, and so on. The crux of this theory is that, once functions are organized on the tests of logic, men qualified to administer the functions should be selected and assigned. This theory of administration has a resemblance to the idea of

interchangeable parts in the field of mechanics it is a useful idea for many purposes, and is especially useful in the lower reaches of administration.

“Frank, however, feels that the theory is quite limited in the higher reaches of administration and that the assignment of functions in the upper administrative levels must almost totally revolve around the experience, interest, capacity, and judgment of the administrator; and the principle that must be used is that the chief responsible administrator — in the case of a Federal Reserve Bank, the President—must be held responsible for, and left free to create the most effective utilization of his deputies. Frank feels, as do I, that the adoption of any other principle by the Board in the higher levels of administration will simply result in the further bureau—cratization of the System and the Banks, and a consequent loss of efficiency rather than gain.

“What he says is that in higher administration ‘the man creates the job, not the job the man’. The man’s performance hardly depends at all on the statement of duties, responsibilities, and so on, but almost exclusively upon the character, capacity, interest, judgment, and willingness to assume responsibility of the individual. It is the individual who must finally be judged; and a statement of duties and responsibilities, at the level of creative administration, is only a minor aid; minor because judgment, which is indefinable, is so great a part of qualification at that level, because men at that level are not interchangeable parts, and minor because two administrators, in the same job, may turn in a wholly different type of performance, because they are different men, and, at the same time, each may turn in a distinguished performance....” 22

At the March meeting of the Atlanta Board President Bryan was requested to comment on the proposed plan for the administration of officer salaries. Bryan recalled to the Directors that he had sent to each of them two sets of documents, one being the so—called Szymczak report, and the other a report with regard to the salary procedure for officers which he recommends to the Board of Directors. This latter report differs

from the former in certain vital respects. It places the description of the duties and responsibilities secondary to the man and contemplates the adjustment of the duties to the man, rather than the reverse. Further, Mr. Bryan, observed, the plan which he recommends does not require a written statement of the strength and weaknesses of a particular officer, but involves consideration within the Bank only of promotability and an oral discussion of the capacities and capabilities, which he feels is a different approach from that contained in the Szymczak report.

Mr. Bryan then stated that, in his opinion, there were grave dangers in written statements of weaknesses, and they should be avoided. This does not mean, however, that there should be no consideration of an officer's weaknesses and inadequacies. Rather, these things should receive attention by the Board of Directors or its personnel committee.²³

The May meeting of the Atlanta Board brought more discussion of the salary matter. Director Harris reported with respect to a recent meeting of the Chairmen's Conference, in Washington on April 28, which he attended at the request of Chairman Neely.

Harris stated that at the morning session Mr. Ralph Young, of the staff of the Board of Governors, made an excellent talk on the economic situation in the country; also, the Chairman considered and discussed the matter of 'unfreezing' the salaries of President and First Vice President of the Federal Reserve Banks. On this problem, the views of Chairman W. N. Martin and those of the Chairmen expressed a common tone.

At the afternoon session the Chairmen took up the matter of salary administration of Reserve offices below the level of President and First Vice President. Governor Szymczak made an effective talk on the subject. Director Harris mentioned to the Conference the slight differences in the plan set forth in the Szymczak Committee Report and the plan suggested by the Board of Directors of the Atlanta Bank for its

officers. It was fairly generally recognized that the Directors of the Federal Reserve Banks must have discretion in fixing the salaries of officers and in adjusting the duties of, such officers to meet and fill the needs of the bank.24

On June 12, at the executive session of the Atlanta Board, Acting Chairman W. C. Bowman reviewed with the Directors an officer classification plan and proposed salary adjustments which had been approved by the Executive Committee. On motion of Director Turman, seconded by Director Adams, it was also approved by the Board. It follows :25

PLAN OF OFFICERS' SALARY ADMINISTRATION OF FEDERAL RESERVE BANK OF ATLANTA:

"It is proposed to the Board of Directors of the Federal Reserve Bank of Atlanta that the following plan of salary administration be adopted and that:

I. It is the policy of the Bank to have written statements of the duties and responsibilities of each official position.

A. The general content of the descriptions shall be:

1. General Function of Position. (A concise statement identifying the nature of the position in terms of its principal responsibilities.)
2. Supervision Exercised. (A listing of activities supervised and of the titles of immediate subordinates.)
3. Supervision Received. (Title of immediate superior and the amount of supervision received.)
4. General Administrative Responsibility. (Nature and extent of participation in a general administrative activities of the bank.)
5. Dealing with Others.
 - (a) Within the Bank (Nature and extent of dealing with others inside the, Bank)
 - (b) Outside the Bank (Nature and extent of dealing with others outside

the Bank. This would include membership on Committee.)

6. Other Duties.

(Statement of the nature and scope of other duties performed personally.)

7. Supplemental Information.

(A statement of any other pertinent information which helps to provide an accurate and complete understanding of the position.)

B. The description shall be reviewed at least once annually, not less than one month before annual salary adjustments.

1. The First Vice president shall be charged with the responsibility of forwarding to each office, at a suitable interval prior to the review, a copy of his job description for correction in the light of actual current assignments.
2. The chief officer in charge of personnel, together with such professional and outside consultants as the Board may authorize, shall review the review job descriptions for consistency and accuracy.
3. A Committee consisting of the President, the First Vice President, and the Chairman of the Personnel Committee of the Board of Directors shall be charged with final approval of the description, having particular regard to the correctness of the reported assignments.
4. The Chairman of the Personnel Committee of the Board of Directors shall report the conclusions of the review to the Board of Directors, together with such detail as he may deem appropriate.

C. No new official positions shall be created without the prior approval of a written statement of its duties and responsibilities by the Board of Directors.

II. It is the policy of the Bank to classify officers' positions.

A. The factors to be used in the classification shall be:

1. Preparation requisite to an adequate performance in the position.

(a) Education. (The level of education or formal training that would normally be required for most rapidly and effectively learning to assume the responsibilities and duties of the position being considered.)

(b) Experience. (The experience on the job related jobs that, for a person having the desired educational background, would normally be required to attain acceptable proficiency, knowledge and maturity of judgement in the position.)

3. Complexity.

(The number of responsibilities involving a high level of technical competence, or broad knowledge and experience, necessary, for an adequate performance in the position.)

4. Dealing with others, inside and outside the Bank.

(The number and character of the dealings that the position would normally have with the President of the Bank, the First Vice President, the Chairman of the Board, local and Head Office Boards of Directors, member and nonmember banks, the public, Government agencies, the Board of Governors, and the Board's staff.)

4. Judgment.

(The degree to which the position must make on-the-spot judgments; the degrees to which an incumbent's judgment is likely, because procedural checks are

lacking or because of the technical and complex nature of the subject, to be accepted without original or equally informed review; the degree to which judgment is exercised in giving counsel and advice, in the light of the actual current assignments of the position, that contribute to broader policy decisions and actions of the Bank and the System and the degree to which the position has judgment responsibility for operating methods and results, persons, and physical assets.)

- B. A review committee consisting of the President, the First President, and the Chairman of the Personnel Committee of Board of Directors, shall be charged, in the light of the actual assignments, with ranking the positions on each of the foregoing factors at least once annually, and, by the use of numbers or such other device as is convenient to the Committee, obtaining a composite of the factors. The Committee may, in its discretion, bring in other officers or Board members to assist.
 - 1. The Chairman of the Personnel Committee shall report at least once annually, at a suitable time prior to the Board's consideration of salaries, and in such manner as the Personnel Committee of the Board of Directors may prescribe, or results of the Committee's work.

- C. There shall be four official grades covering the Federal Reserve Bank of Atlanta and its Branches, the officers being placed in those grades in accordance with the ranking procedure set forth in II A.
 - 1. The salary range for each grade shall be established with a minimum

salary in the lowest grade suitably related to the nonofficial grades of the Bank and the maximum salary in the highest grade suitably related to the salary of the First Vice President.

2. The range of salaries in each grade shall be adjusted to permit recognition of minimum, adequate, and outstanding performance in grade.

D. The initial ranking, assignment of grades, and are set forth in an Annex to this Plan and are the Board of Directors as a part of the Plan.

E. The Board of Directors declares it the policy of the Federal Reserve Bank of Atlanta to administer this plan of classification upon the principle that the “higher the position, the higher and more general the level of ability required to discharge it.” It is, hence, the declared policy of the Board of Directors that men of greater general ability, who may not perfectly fit the formal, previously—effective position description, shall always be promoted in preference to men of lesser general ability, even though such men of lesser general ability may perfectly fit the formal, previously—effective requirements of the job classification scheme.

1. The Board of Directors, accordingly, direct the President of the Bank to relate his judgment, when recommending officers for promotion from one grade to another, principally to the general level of ability of the candidate recommended, and, in distinctly lesser degree, to base his recommendations upon seniority or particular technical skills. In having primary regard for general ability the Board also directs the President, when recommending promotions from grade to grade, to have primary regard to the candidate's prospective long-term value to the Bank and distinctly minor regard to the fact

that the currently effective written description of the position for which the candidate is proposed may not seem immediately to fit the candidate.

- (a) The President is thus directed from time to time to make, or to recommend to the Board, such alterations in particular position assignments as may be administratively indicated to create the most effective working team of officers and, when necessary, to make such reassignments of duties and responsibilities as will permit the selection for promotion of the men having the highest general ability.

III. It is the policy of the Bank to review annually the adequacy of the performance of each officer in each rank by a Committee consisting of the President, the First Vice President, and the Chairman of the Personnel Committee of the Board of Directors. The Committee may, in its discretion, be assisted by other Directors and, in the review of officers subordinate to them, by other officers of the Bank.

A. The Committee shall review the performance of officers with primary regard to their promotability to higher—level responsibilities or grades, and shall do so by means of a paired— comparison rating.

1. The name of every officer in each grade shall be paired with the name of every other officer in that grade.
2. The Committee, acting separately, shall underscore in each pairing the name of the individual who better deserves an affirmative answer to the following question:

“Which of these two individuals, judged on the basis of general ability, integrity, and character, is deemed to be more promotable to higher official responsibilities?”

3. The number of “firsts” given each individual in the pairing of individuals in the pairing of individuals in grade shall be tabulated and the officers in each grade ranked by the number of “firsts” they have received.
4. The Committee may meet, in its discretion, and discuss differences in their individual ranking.
5. The top two names in each grade shall be similarly paired and, in answer to the question indicated in No. 2 above, shall be similarly rated.
6. The Committee, in the case of specialists who have nonofficial positions but whose salaries fall within an official grade, shall include such nonofficial specialists in the paired comparison ratings for the appropriate grade.
7. The composite tabulation of the paired comparison ratings shall be retained in the security files of the President and be available only to the President, the First Vice President, and the Board of Directors.

B. The Personnel Committee of the Board of Directors shall meet with the President and First Vice President, at a suitable time prior to the annual election and salary determination of officers, and the President and First Vice President shall be asked orally to answer two questions:

1. “Are there any officers who, in your opinion, are not doing a minimum

satisfactory job?”

(a) If the answer to that questions is affirmative, the President shall be required to state his judgment of the appropriate solution, whether re—training, administrative reassignment of duties, transfer, retirement, or dismissal. Such cases shall be reported, by the Chairman of the Personnel Committee, to the full Board of Directors in executive session.

2. “Are there any strengths and weaknesses in any of your officers so notable that they have influenced your administrative organization of the Bank by causing additional assignments that would not be normal to the position or the subtraction of assignments that would be normal to the position?”

(a) Such cases shall be reported to the Board of Directors in executive session, in the discretion of the Personnel Committee, by its Chairman. In exercising its discretion the Personnel Committee shall have due regard to the fact that the Board will want to know of cases of outstanding strengths that may be future occasion of unusual promotions and to outstanding weaknesses that may be the future occasion of action that cannot be encompassed by administrative reassignment.

C. No written records or memoranda under III shall be retained in the files of the Bank or any of its officials except as provided in III A 4, and, as may be ordered from time to time, in the minutes of the Board of Directors.

IV. It is the policy of the Bank to include in each year’s budget estimates an estimated cost of the officer—payroll.

V. It is the policy of the Bank to extend the present practice of officers meeting with the Board when the Board is not in executive session.

A. Accordingly, the President is requested to arrange that all officers occupying positions in the top two official classifications shall, on some

suitable basis of rotation, meet with the Board of Directors on at least four occasions each year.

- VI. It is the policy of the Bank to continue and to extend its program of officer—training, with particular emphasis on officers of unusual ability.

FEDERAL RESERVE BANK OF ATLANTA
PLAN OF OFFICERS' SALARY ADMINISTRATION
OFFICERS' CLASSIFICATION AND SALARY SCHEDULE

Group A (Highest)

Salary Range \$12,000 to \$20,000

Position

Vice President and General Counsel
Vice President - Birmingham
Vice President - Jacksonville
Vice President- Nashville
Vice President- New Orleans
Vice President- Research
Vice President- Examination
Vice President- Fiscal Agency
Vice President- Credits

Group B

Salary Range \$10,000 to \$15,000

Position:

Assistant Manager — New Orleans
Assistant Manager — Birmingham
Assistant Manager — Jacksonville
Assistant Manager — Nashville
Vice President — Special Assignment
Cashier — Head Office

Group C

Salary Range \$8,500 to \$12,750

Position:

Assistant Vice President — Research
Assistant Vice President — Fiscal
Assistant Vice President — Service
Assistant Cashier — Service
General Auditor
Assistant Counsel
Assistant Vice President — Bank Relations

Group D

Salary Range \$7,000 to \$10,500

Position:

Cashier - Jacksonville
Cashier - Nashville
Cashier – New Orleans
Cashier - Birmingham
Assistant Vice President- Accounting and Card Checks
Assistant Vice President- Check Collection
Assistant Vice President- Currency and Coin
Assistant Cashier- Birmingham
Assistant Cashier- Jacksonville
Assistant Cashier- Nashville
Assistant Cashier- New Orleans

On July 6, 1953 the Board of Governors in Washington wrote to Deputy Chairman Harris as follows:

“This will confirm oral advice given your Bank today by Governor Robertson that the Board has approved your job evaluation and performance appraisal plans. It is evident that your Bank has put a large amount of work into the development of these plans and we appreciate the effort entailed in completing the job.

“Experience gained in the administration of the plans will in all possibility suggest modification from time to time in the various plans. In this connection, it is believed that the Board and the Reserve Banks will benefit from a periodic exchange of views as to the methods of evaluation and the manner in which the plans are administered.

“Your willingness to cooperate in the difficult task of developing executive

compensation and appraisal plans is appreciated.

“A copy of this letter is being sent to the President of your Bank...”²⁶

At its meeting on November 13, 1953, the Atlanta Board, under the new Plan of Administration of officers’ salaries, took action in fixing such salaries for the calendar year as follows:

President Malcolm Bryan \$30,000
 First Vice President L. M. Clark \$22,000

<u>Name and Title of Officer</u>	<u>Annual Rate In effect 11-1-1953</u>	<u>Proposed Salary</u>
Harold T. Patterson Vice Pres. and Gen. Counsel	\$16,000	\$17,000
John L. Liles,, Jr. Vice President, Birmingham	\$12,000	\$14,000
T. A. Lanford Vice President, Jacksonville	\$14,500	\$15,000
R. E. Moody, Jr. Vice President, Nashville	\$12,000	\$13,000
E. P. Paris Vice President, New Orleans	\$16,500	- 0 -
Earle L. Rauber Vice President, Research	\$12,500	\$13,000
J. E. Denmark Vice President, Examination	\$12,500	\$13,000
S. P. Scbuessler Vice President, Fiscal Agency	\$13,000	\$14,000
U. K. Bowman Vice President, Credits	\$15,000	\$15,000
H. L. Shaw Asst. Manager. New Orleans	\$12,000	\$14,000
H. C. Frazer Asst. Manager, Birmingham	\$10,500	\$12,000

S. C. Clark Asst. Manager, Jacksonville	\$10,000	\$10,500
E. R. Harrison Asst. Manager, Nashville	\$10,500	\$11,500
L. B. Rzisty Vice President, Special Assignment	\$12,000	\$12,500
E. C. Rainey Asst. Manager, Birmingham	\$10,500	\$10,500
R. N. Stephenson Asst. Vice President	\$9,500	\$10,000
Charles T. Taylor Asst. Vice President, Research	\$9,500	\$10,000
J. E. McCorvey Asst. Vice President, Fiscal	\$9,000	\$10,000
C. R. Camp Asst. Vice President, Service	\$10,000	\$11,000
Fred I. Breck Asst. Cashier, Service	\$8,500	\$9,000
DeWitt Adams General Auditor	\$9,000	\$9,500
Dowdell Brown, Jr. Asst. Counsel	\$8,500	\$9,000
J.H. Bowden Asst. Vice President, Bank Relations	\$10,000	\$10,000
I. W. Snyder Cashier, Jacksonville	\$9,000	\$9,500
L. W. Starr Cashier, Nashville	\$9,000	\$9,500
W. H. Sewell Cashier, New Orleans	\$9,500	\$10,000
F. H. Martin Asst. Vice President, Accounting and Card Checks	\$8,750	\$9,500

I. H. Martin Asst. Vice President, Check Collection	\$8,500	\$9,000
R. E. Milling Asst. Vice President, Currency and Coin	\$8,500	\$9,000
U.J. Urquhart Cashier, Birmingham	\$7,500	\$8,500
Melvin McIlwain Asst. Cashier, Birmingham	\$6,500	\$7,500
C. Mason Ford Asst. Cashier, Jacksonville	\$8,500	\$9,000
Stuart H. Magee Asst. Cashier, Nashville	\$7,000	\$7,500
L.Y. Chapman Asst. Cashier, New Orleans	\$7,500	\$8,500 <u>27</u>

Two changes in the By-Laws of the Bank, affecting officers, were made during 1953.

First Vice President Clark commented at the January Board meeting upon the difficulty experienced in the past in getting a quorum of the members of the Executive Committee on dates when it was necessary to fix rates of discount. While partly due to the illness of Director McCrary, Mr. Clark expressed his opinion to the effect that there should be two alternate members of the Committee and that the By-Laws should be so amended. The suggestion met with instant approval and Section I of Article II, pertaining to the Executive Committee was so amended at the same meeting.28

The other change came in May. Director Harris reminded the Directors that on April 28 a notice of an amendment to Section 3 of Article III of the By-Laws had been sent to them. He then observed that under the Section as then written, the Directors elect and fix the compensation of officers once a year at the May meeting of the Board. The proposed change would give to the Directors more latitude in the matter of the time

when salaries of officers, other than the president and the first vice president, may be fixed or changed by enabling them to fix or change the salary of any one, or more, or all of said officers at any other regular meeting of the Board of Directors, if such action is deemed advisable. The By-Laws were so amended.²⁹

At about the same time the subject of rotation of directors came up. It was covered in a letter to President Bryan from the Board of Governors, dated April 3, 1953.

“In its letter of January 9, 1953, the Board stated its views with respect to the desirability of a rotation plan for directors of Federal Reserve Banks and branches and announced that as a matter of broad policy it would not reappoint directors who had completed six years of continuous service except Chairmen of the Federal Reserve Banks....

“While the Board concluded in 1942...to dispose with a fixed rule as to the length of service of Class C directors, it stated that it would adhere generally to the policy of rotation in their service. This decision reflected in part the fact that elections by member banks of Class A and Class B directors had followed a practice of rotation only to a limited extent, with the result that the 1935 limitation upon the length of service of Board appointed directors had not been accompanied by a corresponding limitation upon the terms of elected directors.

“Over the years, member banks in some of the Federal Reserve Districts have voluntarily adopted procedures whereby Class A and in some cases Class B directors are elected on a rotation basis. Recently the Board reconsidered the whole matter in the light of the existing situation and has adopted the following statement of policy with respect to future appointments of Class C directors:

“Effective with appointments beginning January 1, 1954, the Board of Governors will follow a policy of rotation under which Class C directors will not be reappointed if

they have served two full terms of three years except that if a director, who has served more than three years as a Class A, B, or C director, is then designated by the Board as Chairman and Federal Reserve Agent, he may serve not to exceed one full three year term as Chairmen and Federal Reserve Agent for a total of not to exceed three full terms as a director.”30

During October several Board decisions were made concerning employees.

It was decided that leaves of absence with pay were in order for employees loaned for charity drives such as Community Chest, Red etc., provided that persons are selected with a view to their availability because of seasonal slack or other conditions pertaining to their regularly assigned function.

Director Turman, of the Salary and Personnel Committee, reported that because of the large increase in personnel records of those employees who have resigned or whose services have been terminated, it had been decided to initiate in Atlanta a program of microfilming such records. This procedure will eliminate the storage problem, but also make the records more accessible. It was contemplated that the procedure may later be installed at the branches.

Director Turman also commented on plans to convert from a semimonthly to a bi-weekly pay roll period. He observed that this move would be for the convenience of the employees as well as the Bank and would facilitate the administration of pay roll functions.

In concluding his remarks at the October Board meeting Turman remarked that the employee situation in Atlanta has improved insofar as the caliber of personnel available is concerned. Out of 24 persons employed at the head office in September, 1 were college graduates and 6 had had one or more years of college.31

Problems of insufficient space had recurred in Atlanta periodically since the Bank was organized in 1914. The matter came to the fore in 1953. During the course of the

February Board meeting President Bryan was asked to discuss proposals with respect to use and development of properties east and west of the present Bank building.

The President stated that when he returned to the Bank it was evident that there existed major problems with respect to the physical properties and proper accommodations of various functions of the Bank. The Silvey Building and the lot to the east of the Bank building were purchased with these problems and their possible solution in mind. At present the situation is such that we are totally out of vault and storage space and the need is desperate; further, we are unable to utilize our existing space properly. We also have the hazard and inconvenience of traversing a public street in going to and from the Silvey Building.

The President stated also, that after detailed study of what might be done toward the solution of these problems, he had interested Governor Evans and Robert F. Leonard of the Board's staff in coming to Atlanta and making an examination before we actually began the preparation of any specific plans.

Governor Evans and Mr. Leonard visited Atlanta and, after studying the situation, were thoroughly in favor of the erection of a building to connect the main bank building with the Silvey Building and the construction of a three—story basement structure on the East lot which would give necessary storage and parking space and which could be used for expanded operations should an emergency require it. Foundation and footings would be adequate to support a structure of many stories if needed.

At this point Architect Henry Toombs presented his plans for the proposed building program, which were approved.³²

In July, First Vice—President Clarke reported that the Board of Governors had authorized plans and specifications for the proposed construction of the east and west additions. At this point in the building discussions, Chairman Neely made a recommendation. He pointed out that the ultimate design may depend upon

circumstances and developments not now foreseen. Therefore it would seem more practicable and less expensive to have prepared a model with movable parts, such as an additional three stories on the proposed three story addition to the parent Banks building; and have pictures taken of this model, showing the various changes or additions that could be made. The Directors authorized the officers to have such a model prepared.33

With space requirements at Jacksonville having been taken care of in 1952, similar requirements at both the Birmingham and Nashville Branches came up for consideration in 1953.

At the November Board meeting Architect Henry Toombs exhibited to the Directors preliminary plans and drawings for a proposed 6-story addition to the present Birmingham Branch building. He pointed out that the addition would add 109,000 square feet to the present 21,000 and made a rough approximation of the cost, which came to \$3,082,000. Both the Executive Committee and the Board approved the plans, provided final costs do not exceed estimated costs.34

Meanwhile the situation at Nashville was receiving attention. During the June Board meeting in Atlanta, Nashville Branch Director G. C. Graves stated that he was happy to announce that the property of the Spruce Street Baptist Church had been acquired by the Bank on May 23. 'This acquisition, said Mr. Graves, completes the tract consisting of three lots on which the proposed new Nashville Branch building will be erected and will enable the Directors and officers to go forward with plans.

Three months later Nashville Director R. E. Moody Jr., was able to report that wrecking operations had begun. In November Nashville Director Sam M. Fleming reported that the interior at the present Branch building had been painted, except the lobby, and that it would be about three years before the new building can be completed.

The following month Mr. Fleming reported that all of the buildings on the site except the Spruce Street Baptist' Church (not available until May 15, 1954) had been torn down; that a fence was being erected and, that parking for Branch employees was available until actual construction of the new building began.35

The Bank's agricultural program during 1953, under the direction of Director Paul E. Reinhold, was an active one. During the course of the May Board meeting Reinhold stated that he would like to pay tribute to Dr. Rauber and his staff for the splendid work they had done in carrying on the program.

He pointed out that the program has been a vehicle for cementing better understanding and more pleasant relationships between the Federal Reserve Bank and the country banks in the district. The program has recently placed emphasis on the development of pastures and on forestry. Great strides have been made in recent years in the development of reforestation. One of the main themes of the program is to acquaint bankers with the financing needs of the farmer and the manner of providing for such needs by promoting co—operative consideration through the instrumentality of meetings between these two groups. The banker has learned, in general, that it takes about the same capital per man on the farm as it does in industry.36

At the same meeting Dr. C. E. Brehm, a Director of the Nashville Branch, discussed the transition of agriculture in the south in the last 25 years, pointing to the radical changes in methods and procedures. He stated that 25 years ago half of the people in Tennessee were engaged in farming, while now only approximately 16% are so engaged. The present economy seems to be forcing out the small and the marginal farmer and to be forcing consolidation. This means entirely different types of credit requirements than those prevailing a quarter of a century ago. Farming today is big business, and for successful operations requires a tremendous amount of credit.37

The year 1953 saw development and innovation in various operating practices in the Bank.

On April 10 First Vice President Clark reviewed for the directors recent developments with respect to shipments of coin and currency to and from the parent Bank and Branches by armored car.

He stated that the first delivery over-the-road was made in 1951 to member banks in the Atlanta Zone. There are now, said Mr. Clark, 16 regularly scheduled runs from the parent Bank and Branches at Birmingham, Jacksonville and New Orleans, with 143 member banks and 53 non—member banks being served in 121 counties. During the first quarter of 1953 a total of \$235,680,847 in currency and coin was transported to and from banks located outside Federal Reserve Banks and Branch cities, and \$9,848,500 to the Finance officer at Fort Benning, Georgia. During the first three months of 1953 the use of armored car services resulted in a savings to the Bank of \$35,812.36 over what the cost would have been if the currency and coin hauled by armored car had been shipped by registered mail.

Clark also reported that recently the officers at the bank had occasion to check the services and the care and diligence of the armored car companies with whom we had contracts, and, as a result, techniques and cautiousness have improved. Escort service is now in effect on all runs. The banks, both member and non—member, have expressed themselves as being strongly in favor of the operation.³⁸

A month later Mr. Clark announced that the Bank had purchased three coin wrapping machines, and had placed one at the parent bank, one at the Jacksonville Branch and one at New Orleans. It is hoped, he said, “that when we are able to procure additional machines of this kind we will then be in a position to meet the needs of all member banks for wrapped coins.”³⁹

In July Mr. Clark reported to the Directors on communications development, He stated that anew automatic teletypewriter communications network for the Federal Reserve Banks was placed in operation on July 6, after several testing periods. This network will cover approximately 11,000 miles "as the crow flies" and will bring the 12 Federal Reserve Banks and their 24 branches, The Board of Governors, and various offices of the Treasury in Washington within seconds of each other.

Through a switch center at the Federal Reserve Bank of Richmond, 46 stations in 37 cities throughout the nation will be brought together. Messages to be sent are cut on tape and placed in the transmitting machine, where they are picked up as the circuit comes around at a particular station, such as the Federal Reserve Bank of Atlanta. The delay in pick-up, according to Mr. Clark, is now running from five to eleven minutus. He then explained that this system will eliminate direct communication between the Atlanta Bank and its Branches, which existed while the former telegraphic equipment was in use. He said that if, for instance, the New Orleans Branch sends a message to the parent bank, such message will travel through the switching center 'at Richmond. He then added that he was somewhat skeptical when the new equipment was placed in use, but he has been pleased with its performance in the few days it has been in operation.40

Vice President Clark next discussed with the Directors the destruction of Treasury currency by the Federal Reserve Banks. He pointed out that up until July 1, 1953, the Treasury destroyed this currency and, on that date the operation was taken over by the Federal Reserve Banks. Heretofore, the currency was cut in half by the Federal Reserve Banks and the halves were shipped separately to the Treasury. However, now the money will not be so cut under present arrangements-rather, four holes will be punched in the bills with a punch in the form of a letter T, which has been specially assigned to the Atlanta Bank by the Treasury, and that we have requested permission

to punch a fifth hole on the portrait of the bills.

It is planned that we will install incinerators in the Atlanta office and at each of the Branches. In the meantime, a shredding machine has been ordered for use at the parent bank and, until the incinerator can be installed, each Branch (except Jacksonville) will ship the money to Atlanta, where it will be shredded and then burned in the city incinerator. Jacksonville will, for the present, store the unfit currency in its vaults.

With respect to the matter of the expense incurred in the process of the destruction of currency, Mr. Clark reported that the Treasury has agreed to reimburse the Federal Reserve Banks for a temporary period at the rate of 30 cents per 1000 bills destroyed. He then added that every safety measure that can be thought of is being taken to prevent loss in the process of the handling and destroying of the currency.⁴¹

The November Board meeting produced an interesting discussion relative to Post Office funds. It is quoted directly from the Minutes:

“Mr. Clark then commented with respect to the proposal recently made by the Treasury and the Post Office Department that the Federal Reserve Banks act as depositories of Post Office funds pursuant to Section 15 of the Federal Reserve Act. This proposal was discussed at a meeting held in Washington on November 10, attended by representatives of the Treasury Department, the Post Office Department, and The Federal Reserve Banks of Philadelphia, Atlanta, Richmond and Chicago. The funds of the Post Office are now kept in commercial banks. Because of competitive pressure for these funds and for other reasons, the Post Office Department desires to have the Federal Reserve Banks serve as depositories. By depositing its funds with the Federal Reserve Banks, the Post Office Department can obtain use thereof promptly,

with the Reserve Banks carrying the float.

“There are 41,000 Post Offices in the United States which remit to 12 Regional Post Offices. One of these Regional offices is located in Atlanta. The proposal contemplates that the remittances received by the Regional offices will be delivered by them to the Reserve Banks for immediate credit to the account of the Treasurer of the United States. The remittances will contain par and non-par checks, domestic and international money orders, paid U. S. Savings Stamps, Treasury checks and Government coupons. It is estimated that the Post Office Department will save approximately \$2 million a year in salaries. It was also estimated, however, that it will cost the Reserve Banks about \$1,500,000 to handle the work.

“The Federal Reserve Banks of Philadelphia, Richmond, and Atlanta have been selected to begin a pilot operation on January 1, 1954. The Regional Post Office in Atlanta serves the states of Alabama, Florida, Georgia, Mississippi and Tennessee. There are 3864 post offices in these states, and it is estimated that 2100 deposits are made each day by them. The average deposit is approximately \$550, about 18% thereof being currency. Each post office will be furnished with envelopes specifically pre-addressed to the Federal Reserve Bank. The Regional Post Office in Atlanta will place such envelopes in a special package with a notary lock and deliver one such package to the Reserve Bank each day. At the Reserve Bank, the envelopes will be opened, the cash will be verified and counted and routed to the currency and coin department; paid Savings Stamps and Coupons will be routed to the Fiscal Agency Department; and checks and money orders will be sent to the Check Collection Department. The total of deposits for each day will be credited by us to a designated symbol in the Treasurer’s account. Every remittance from each post office will be accompanied by a pre-punched card; and, other verification of the remittance from the particular post office, we will punch into the card the date and amount for inclusion in a

monthly report covering aggregate receipts from the post office.

“Mr. Clark then observed that’ it cannot be determined even approximately as yet what the operation will cost the Atlanta Bank. Further, all of the details are not yet known and the matter, as a whole, is on the agenda of the President’s Conference for consideration at the meeting to be held on December 14. It does not appear that it is practical to use the branches in this operation at the present time.

“Director Adams commented that if the program contemplates the removal of deposits of local post offices from banks in the smaller towns, such action might well have an adverse effect on such banks, not necessarily because of the loss of deposits, but from a public relations standpoint. Mr. Clark abserved in this connection that it was his understanding that it was not proposed that balances of local post offices would be withdrawn from commercial bank depositories at this time.”42

President Malcolm Bryan was not happy about the matter at all. To quote the Minutes again:

“President Bryan then stated that it appears that this program is a part of a whole plan, including other proposals, such as the destruction of U. S. Currency, to relieve the Treasury of expenses and enable it to submit a better, budget. There is, however, Mr. Bryan pointed out, a danger inherent in the assumption by the Federal Reserve Banks of the housekeeping functions of more and more governmental agencies. This danger arises from the fact that such assumption could readily result in a strengthening of the point of view that the Federal Reserve Banks should be brought under the supervision of the Bureau of the Budget.”43

Director Roland L. Adams reviewed with his associates, at the December Board meeting, a statement showing estimated earnings and expenses for the year. It follows:

Earnings	\$30,115,000
Expenses	<u>7,105,000</u>

Earnings before additions and deductions	23,010,000
Additions to earnings:	
Profits on U.S. Government	
Securities sold, net	110,000
All other additions	<u>7,500</u>
Total additions	117,500
Deductions from earnings:	
Reserve for registered mail losses	42,100
All other deductions	<u>97,700</u>
Total deductions	139,800
Net deductions from earnings	<u>22,300</u>
Net earnings	22,987,700 <u>44</u>
Pay U.S. Treasury (Interest on Federal Reserve Notes	20,100,000
Pay Dividends	656,000
Add to surplus (Section 7)	<u>2,231,700</u>
	22,987,700

Economist L. G. Raisty, at the same meeting, made a brief prediction concerning business for the coming year.

He said that the year 1953 would apparently go down in the record books as the year in which the boon set off by the opening of the Korean War reached its crest and began receding, or at least reached a high plateau through a process of "topping out".

He said that in 1953, as compared with 1952, gross national product would be apparently five percent higher, personal income five percent higher, construction activity six percent higher, industrial production eight percent higher, employment one percent higher, and unemployment average, 12 percent lower.

Mr. Raisty also said that the same basic factors that contributed to the high—level achievements in 1953 would, in his opinion, be present in 1954, namely, (1) stimulation of consumer spending through a tax and social security program designed to

achieve a wider distribution of income, (2) stimulation of business investment by a program of easy money, and (3) increasing total spending by a liberal extension of Government spending, notably for defense.45

One of the most noted retirements in the history of the Bank occurred as 1953 ended. Frank H. Neely, Chairman and Federal Reserve Agent since 1938, being about to reach the age of 70, stepped down. The special ceremony honoring Mr. Neely and held on December 11 was duly chronicled in the Minutes and the account is reproduced here as of historical importance in the annals of the Bank.46

SPECIAL CEPEMONY
HONORING CIAIRMAN FRANK H. NEELY

Deputy Chairman Rufus C. Harris in Charge

SPECIAL GUESTS: Mrs. Frank H. Neely
Mr. and Mrs. Benjamin M. Parker
Daniel, Even, and Nathan Parker
Mrs. Carlon Carter
Mrs. A. L. Mills
Mrs. Malcolm Bryan
Mrs. Lewis M. Clark
Mrs. Harold T. Patterson
Mr. Richard H. Rich
Mr. Ben Gordon
Mr. John E. Sanford
Mr. George Winship

DR. HARRIS:

MR. NEELY, LADIES AND GENTLEMEN:

While occasions such as this fill us with regret, they do offer u~ some pleasure. There are no limits to the regret we feel at losing the guidance of this great leader and friend. But it gives us pleasure to extol his services and express our limitless admiration for him. And so here we may be permitted to paraphrase Marc Antony by proclaiming that we come here not to bury Caesar but to praise him!

Such occasions are significant when they gain distinction from the vision and faith of the man whom they honor. They are most meaningful when they enable us to feel the force of his striking personality, permit us to understand better the conditions which confronted him, and allow us to observe the methods he employed to bring success to his work. This ceremony, we hope, will do this. But to examine fully these issues and reveal the total effect of Frank Li. Neely's endeavor in their resolution, would require more historical perspective and more depth of consideration than could be given in a day. We seek now to recognize only their existence, to speak briefly of the monumental work of the man, and to portray chiefly his influence in this bank and its community.

Mr. Neely is a native of this State, a product of its public schools and of its university education. He graduated from Georgia Tech in 1904. He began his professional career with the Westinghouse Electric Corporation in Pennsylvania. He returned to Georgia in 1909 where he practiced as a consulting engineer for several years. In 1915 the Fulton Bag & Cotton Mills Company appointed him to their board of directors and made him — when he was thirty-one years of age — engineer in charge of their operating and engineering functions. In 1924 he became General Manager of Rich's, Incorporated, where he has served continuously, and where he is now chairman of the board of this great establishment. He has helped to make it one of the foremost of its kind in the world.

But when the final chapter shall have been written on his total endeavor, it will be recorded, I believe, that his finest contributions to his generation will have been his service as a citizen of the community, state, and nation, and his exacting dedication to the promotion of ethical merchandising, opportunity in education, and national understanding of central banking.

His public leadership, which has entitled him to be described as the first citizen of

Atlanta, has been manifested in countless ways. He led in the mobilization of public opinion resulting, more than a quarter of a century ago, in providing necessary civic improvements and the successful bond authorization which they required. During the great depression he organized special relief commissions and following these, he served as the head of the Atlanta Community Chest for several years. He was the first chairman of the Public Welfare Department of Fulton County and in the Second World War-assumed the hugely responsible task of chairman of the War Production Board for the Southern Region. He was likewise named the first chairman of the Georgia Department of Commerce in 1949. The multi-million dollar public improvement program now under way in a Joint Atlanta—Fulton County arrangement found him as the Atlanta chairman. Always a leader in the promotion of education, he is entitled to credit for the establishment of many of the fine schools in the Atlanta area. As an officer in the great business establishment which he serves, he has played a leading role in the creation of the Rich School of Business Administration at Emory University and the Rich Laboratory of Industrial Engineering at Georgia Tech. He was named to the National Advisory Heart Council of the United States Public Health Service in 1951 where he served with peculiar understanding of its work. In the same year, he was named for the sixth time to a three-year term on the Board of Directors of the Federal Reserve Bank of Atlanta. These services and many more have been recognized by a number of honor and awards, among which have been election to honor societies and to the Presidency of the Georgia Tech Alumni Foundation. In 1952 he received the great honor of being awarded the Gantt Medal for distinguished achievement in industrial management. He now serves in a uniquely important capacity on an advisory committee to the Secretary of National Defense.

The record shows that Mr. Neely became Deputy Chairman of the Board of Directors of this Bank in 1937 and since January 1938, has served continuously as

Chairman of the Board. This is by far the longest service of any chairman in the history of the Bank. It is, moreover, the longest service of any chairman in any Federal Reserve Bank since the reorganization of the System in 1935. This is the statistical record. But his accomplishments and distinctions in the office has held are not recited by statistics of time and place. They are related by a record of his qualities of courage, imagination, mind, and heart. The Directors wish that some small part of that record stand forth in the permanent archives of this institution and have designated Mr. Bryan, the President of the Bank, to speak for them and the officers.

It is now my privilege to present President Bryan!

President Malcolm Bryan:

PRESIDENT HARRIS, GOVERNOR MILLS, MEMBERS OF THE BOARD, LADIES AND GENTLEMEN:

Mr. Chairman.

You will know that the assignment to speak for the officers and directors today is an opportunity that, if it had not been volunteered, I would have sought eagerly. Yet the assignment is not one that can be easily discharged; for it is difficult to bespeak adequately our affection, our admiration, and our respect.

The office of Chairman of the Board of a Federal Reserve Bank demands an unusual array of talents. There is, in its dual responsibility as Federal Reserve Agent, a vast financial responsibility exercised, to be sure, with assistance but with the responsibility on the Agent's shoulders. The office of Chairman cannot, under the law, be held by a banker, and yet the office requires for its best discharge the development of a considerable knowledge of banks and banking and financial processes.

The office is beset by a maze of sometimes exasperating relationships. The Chairman, as a principal representative of the Board of Governors in the District, must accommodate himself to the Governors' powers of supervision and examination and at once represent his own Board and the Reserve Bank to the Board of Governors, and, in

turn, the Board of Governors to the Bank and to the Board of Directors. To fulfill this obligation sometimes requires a level of diplomacy and understanding of the highest order; for the law is a good deal less than specific in its division of powers and responsibilities in many areas; and the difference between regional and national points of view oftentimes yields a difference of emphasis that must be accommodated through mutual tolerance and mutual education.

As the principal public representative of the system in a region, the Chairman must be impeccable in his business of affairs and in his character; and he must be possessed of a certain spiritual toughness for the very nature of the System's duties and responsibilities means that it will seldom be universally acclaimed, and the Chairman cannot expect a constant round of applause.

The Chairman must have a relationship to other Federal Reserve Banks through the Chairmen's Conference, and through the fact that a policy of one Bank will, almost inevitably, impinge on other Reserve Banks. As the chief officer of his Board he has a fundamental responsibility in representing his Board in obtaining the effective and efficient operation of the Reserve Bank, a responsibility that he must discharge in the absence of direct and individual administrative authority. At the same time, he is hardly helped in the measurement of efficiency and effectiveness by balance sheet and income accounts, which provide so excellent a guide in private business; for the law makes abundantly clear that the Reserve Banks are organized for public purposes and have responsibilities going far beyond the appropriate guidance of their income and expense accounts.

In short, the Federal Reserve System, which has been adapted to America's ample geography and regional diversity, and to the American genius for checks and balances, is one of the most complex organs of administration and policy ever put together---and I think well put together--by the American people. It is designed to bring

many minds, of the most diverse background of experience, authority and location to bear on the most complex problems. The Chairman of a Federal Reserve Bank is right in the middle of it all, and beset by responsibilities capable of testing any man's devotion, patience, intellect, and understanding.

Mr. Chairman, you have dealt with all these responsibilities in a way that should be forever memorable in the history of this Reserve Bank. Let me be as brief as possible, in order that I may not weary you with praises, but specific in order that the record may stand forth. First of all, receiving only an honorarium, and with no opportunity of personal emolument or advantage, you might have taken your Chairmanship as an idle honor, to be dealt with only formally, your duties adequately discharged by the great prestige of your name. Instead, you have shown a constant devotion, maintained a constant expenditure of time, energy, and ability that is unique in my experience and marks the greatness of a man who simply will not slack the job he undertakes. We have all seen you attend to the Bank's affairs, and march off to System meetings, when you were hardpressed in your many duties, and when other tasks would surely have been more to your liking. This has been devotion over and beyond any possible call of duty.

Let me note in this connection a couple of items. One is that the Federal Reserve System is not at all tongue tied or backward in inundating a Reserve Bank Chairman with a constant snowfall of reading matter on System and related affairs. It has been a never-ending source of amazement to me, Sir, to note the volume of material you found time to read in the midst of a busy life. Indeed, Mr. Chairman, it is in this connection that I wish here to report what is my only personal criticism of you. I will be a long time re covering from the stacks material and covering memos in green

ink saying, "Bryan, read this and tell me what is in it!" My complaint on this matter lies in the point that it took me a long time to discover a certain ill—usage in those memoranda, namely, that you had already read the material and knew very well what was in it and merely wanted to improve my mind by making certain that I read it.

Then let me comment on the way you have handled your post as the appointee and representative of the Board of Governors. It is too often true that a man takes his post as the representative of an appointing or electing authority as being discharged by acting merely as the servant of that authority. You have, beneficially for the System, felt that representation went far beyond so narrow a master and servant relationship to one that never failed in fair representation but also demanded of the representative a candid expression of advice and experience for the benefit of his principal.

The members of the Board of Directors, I know, will not mind my saying that a major contribution you have made is in the functioning of that body. You showed, Mr. Chairman, from the very first, a determination that the Board should also be informed both on the operating problems and practices of the Bank on on policy matters, so that the Board could function effectively. This determination has evoked punctilious operating reports, in the first place, comments on and evaluations of Bank and System policy, in the second place, and economic and financial reports in the third place.

Your insistence on these matters, in my observation, has often caused the officers to bestire themselves when a little lethargy would have been more comfortable. But your insistence on these and other matters, your organization of the Board into various committees, your encouragement of questions, and your unfailing good humor as a presiding officer; all these things, taking effect not so many years ago that they are likely to be forgotten, have contributed vastly to the history of the institution in permitting its Board to perform as a responsible, effective, and united body of men. All this has had a major effect in keeping the officers attending to their knitting with a closeness of attention that would hardly have been possible unless the Board functioned

harmoniously, objectively, and with information.

Mr. Chairman, when you came to the Bank only the Board of Governors and the Federal Reserve Bank of New York had ever, in the whole history of the Federal Reserve System, had a Research Department of any standing or authority or effective staff relationship to the institutions they served. Here in Atlanta the total Research Department consisted of one man, giving part time to the work, and one clerk-stenographer. The sole work of the Department consisted, as one man said, of putting a few bad statistics into worse prose. The Department had no relationship to the officers of the Bank or to the Bank's Board. It maintained no financial or banking library for the use of the District and the member banks.

Mr. Chairman, almost single-handedly, you persuaded your own Board, to use your own words, that knowledge is both power and confidence, persuaded the late Ronald Ranson, then Vice Chairman of the Board of Governors, and Marriner, Eccles, the then Chairman, and set out upon a program of improvement that was altogether startling in the light of preceding history. With that persuasion behind you, you demanded and obtained a thoroughgoing organizational overhaul of the Department, and demanded and obtained a live of performance that has never been perfect, but has represented a tremendous advance in the history of the Bank and the System.

Your representations on this matter in the Chairmen's Conference, and the example you set here in Atlanta, had a System-wide influence attributable directly to you but often overlooked. I think the record should be made. First in another Reserve Bank, where your then counterpart as Chairman, saw eye-to-eye with you, and then with approval and encouragement from the Board of Governors, your point of view was followed and imitated with startling rapidity in all of the Federal Reserve Banks. Indeed, this matter developed so rapidly and so well that a former Chairman of the Board of Governors once said to me, partly in irritation but mostly in good humor, "I went along

with Frank Neely on this business of improving the research department, but it has gotten out of hand. I never expected him to get good enough to have independent opinions." Be that as it may, if the regional Reserve Banks now go to System Conferences with an array of factual and not merely intuitive judgments of economic, monetary, and fiscal affairs, Frank Neely is due a lot of the credit for the imagination that inspired and the energy that enforced the development.

From the first days of your Chairmanship, Sir, you made a major contribution in the whole field of personnel policy, both from the standpoint of administrative and organizational practice, but also from the standpoint of personnel welfare. You understood from your own business experience and your own long consulting work the grave importance of personnel procedures that had been heard of in the Bank, to be sure, but placidly ignored in the Bank and largely ignored in the System. I refer to such things as the delineation of duties and responsibilities, job descriptions, job process descriptions for training purposes, the relationship of pay to the responsibilities and performance, and so on. At your insistence and admonition the personnel function which had, before your time, been scarcely more than the casual business of hiring people as they walked in, was thoroughly reorganized, separated from unrelated functions, and given leadership and understanding. This was in the nick of time because, if it had not been done, the war coming on and finally breaking in full force, we would hardly have functioned at all. Let me note that here again you left a mark on the System.

The Balderston Study of official compensation, and, indeed, the very creation of the Board of Governors' Division of Personnel was largely resultant from the insistent representations that you made in the Chairmen's Conference and to your friends at the Board of Governors, all of which, Sir, has had the curious and gratifying result that we now get from that body under the mantle of new discovery, suggestions, and

admonitions that you were--if you will not mind my choice of a word--yelling about some fifteen years ago.

Well, anyway, if the Federal Reserve Bank of Atlanta ceased to take pride that its wages were the lowest in the System and lower than other banking institutions, the major credit for a shift in that attitude and habit of mind belongs to you. If we now do anything at all in personnel and officer training, and we surely do less than we should, nonetheless, we play a better game largely because you insisted that a better game was possible and that we were capable of playing it.

Mr. Chairman, you were an engineer, and have been and are an administrator of rare talent and accomplishment, as your many deserved honors have attested. You have used this talent unstintingly in the operational and housekeeping functions of the Reserve Bank. You found the Head Office grimy and, more important, offensive to your organizational sense of a lack of orderly work flow and adequate and logical intercommunication of work and personnel between departments. I shall not soon forget, nor will many of my colleagues, the days in 1938 and 1939 when you were prowling the institution from cellar to garrett and asking all of the pertinent questions that appealed to your orderly and experienced mind about the flow of work, the equipment, the layout of the shop—and, in passing, making ungracious but pertinent fun of broken—down adding machines, over-age typewriters, and bedraggled and inefficient equipment generally.

It was sometimes hard to take, Mr. Chairman, and I would be deceiving you if I did not say, as I am sure is also true of my associated officers, that I have gone home many a night wishing that the man would only be quiet and let me rest. But it was all necessary, Sir, and we have been the gainers from your imagination, experience, and insistence in all of these fields. So if, together, we have in some spots the housekeeping arrangement and equipment necessary for an efficient and effective job, and if else

where we are at long last gaining those facilities, you deserve a major degree of the credit.

There is another matter in which your influence has been profound though intangible. I refer to the whole field of administrative practice and procedure. You have had, apparently, a life-long interest in both the practical arts and sciences of an administration, in which your own career has been so distinguished, but also, for some reason that I have never quite understood, in the theory of the administrative process and the appropriate forms of administrative organization. When you, Sir, went into business, there was foreclosed, which was a pity, a career as professor of administration and organization in some such place as M.I.T.

At any rate, Mr. Chairman, I have, with many of my other officers, been the beneficiary of your lectures, so often, alas, privately delivered. Sometimes a lecture in detail, sometimes a whole lecture in a couple of sentences: "How have you got this thing organized? Have you group related functions? Have you given this man the authority to do his job? Is the line of responsibility and authority clear and known? Have you got functions grouped at the same level of difficulty? What instructions have you given? Who checks up on that? Hadn't you better go see? And so on.

I have tired, Mr. Chairman, to be a good student in all of these matters. I have violated your administrative prescriptions twice in my career, once on a matter I have heretofore confessed and once on a matter that I think I managed to conceal. One had to do with the assignment of responsibility without authority and without the lines of responsibility and authority being known and understood. One had to do with the requirements of discipline in an organization. It is needless to say that my improvements on your prescriptions did not work. The best I could say for myself is that I was young at the time and that I learned.

Sir, you will not mind my humor if I say that to my dying day I will not forget the

lectures you have delivered. I suspect that when last remarks they will find me saying:

And I quote:

“What’s to be done?”

“How is it to be done?”

“When is it to be done?”

“Who is to do it?”

“Who is to check up and see that it is done?”

And then the family will go away saying, “Well, Mr. Neely sure made an impression on Papa, didn’t he?”

That, however, will not end the matter. For at that point I will arouse myself from my slumber and as a parting shot repeat with you the maxim of one of your own teachers” “it is better to do inefficiently the those things that must be done and need doing than to do efficiently those things that had better not be done at all.” With that I will finally go to my repose.

Sir, this is the record, told all too briefly and without the words that I would like to muster, words that would sing and convey to you our appreciation for all the things you have done, things from which the Bank and the South and the System have been the gainers. But I cannot recite a brief record without adding that you have never been petty or self-seeking; you have been unflinchingly clear on the fact that the public interest is a public trust. You have been patient and gracious in the face of frustrations, direct but gentle in admonition, generous in encouragement, unflinching in your good humor and courtesy. You have turned in, Sir, not merely on the objective record, but in the spirit of the accomplishment, which also counts, a very great performance.

Speaking for the Officers, Sir, I know I speak with universal approbation when I say that as your formal service comes to an end, we do not say good-by-but only au revoir. You have been at home at the Federal Reserve Bank of Atlanta. Here you have had so much of your life and being. Here you have given of yourself with such warmth and distinction to the modeling and forming of the institution. You will always be at home, and affectionately welcomed, in this place. We shall continue to want your

counsel and instructions.

May God bless and keep you.

Dr. Rufus C. Harris:

Ladies and Gentlemen, I am sure that we are all deeply grateful to Mr. Bryan for his very sensitive and brilliant interpretation of Mr. Neely's work and of his record.

Mr. Bryan has given a picture of our Chairman at work. He has told you of the indelible impression he made on the officers of this Bank, and has indicated the esteem in which he is held by them. In somewhat similar terms, Gaius Pliny, the Younger, in about the year 112 A.D. expressed appreciation of the Roman Emperor Trajan, under whom he served as Consul. He wrote in effect that "Above all we feel grateful to you because you allow the men whom you have appointed to act with proper power. You offer no dangers, no causes of fear to swerve your officers from their duty; they must listen to nothing against their will nor must they make decrees under compulsion. You see to it that the dignity of their office still remains. The consuls do not lose their security while they continue in power.....Is there any adequate return we can make for the benefits we have received? None, except that we can always remember that we served as consuls under you." These sentiments, Mr. Neely, as recorded nearly two thousand years ago by a grateful Roman officer, represent the spirit and the way your officers and fellow directors in this Bank feel in the gratitude of their service with you.

Mr. Neely's life, furthermore, has-been characterized by unique devotion to his family and personal friends as well as to the institutions he has served. As husband, father and grandfather he has gained the respect of his friends for these qualities of his life no less than he has earned from them their appreciation for his services to business and the community. More than merely knowing the chinks in his armor his family resides securely within it.

Mr. Neely, let it be said here in the presence of your family, friends, and

colleagues that you have discharged your complex responsibilities so well and so effectively that your associates have inscribed on the wall of this Board Room a permanent memorial in the following words:

“By unswerving devotion to the public interest and by his ability and leadership, he made an inspiring contribution to this Bank, to the South and to the Federal Reserve System.”

I will now ask your grandson, Daniel Parker, to unveil this inscription.

(Unveiling)

And now, Mr. Chairman, as we have so often asked before, will you speak to us?

Chairman Frank H. Neely:

I don't know how the things that have been said could have been conjured up in the minds of men were it not for the fact that, on one hand we have a great historian, and on the other hand we have a great friend and a man who has deep appreciation of any small help that comes his way.

These years have been full of action, full of interest. War, depression, all types of things have passed down through the time. And when you are on the firing line, as the Federal Reserve has been through all of those very difficult situations--depression, war, inflation--the intelligence, the understanding, the determination of the officers and directors and the man in this great southeast have all been pooled to produce the results that have been so satisfactory to the world at large and to America particularly.

I am prejudiced towards the South. Not because I think we here natively have any better abilities or intelligence than any other parts of the country, but because we have such great opportunities of further service to our country. Relatively, we are undeveloped.

Following the Civil War, it took fifty years for us to begin to come out of the devastation, financially and industrially, that we were left in, and the steps were slow, the time was excessive, and in the last twenty—five years we are just beginning to get that snowball acceleration which the growth of any big enormous area takes to make itself known and felt.

I think, Governor Mills, as the representative of the Board of Governors, that you can look to the Sixth Federal Reserve District, with the men that are here and the Board of Directors of all the banks and branches, and the officers, who are under the leadership of a man who has sterling character, native intelligence and the determination to do for others and make others do for themselves, a result which will not only be gratifying to the people who live here among us and to ourselves, but to you and the System and the nation over the whole twelve Federal Reserve Districts.

The tentacles that reach out and the tenures that reflect the economy throughout the banking system, the Federal Reserve System, the central bank, are little understood by the average person and businessman, and are just beginning to come into effect and into understanding. All of the indirect actions that affect people are least understood. I think the indirect actions of the Central Bank is least understood, but as we grow in our minds and understanding we will then begin to be a part of the System and its affect on our economy.

The greatest thing that we have done here is in the agricultural side of this Board of Directors. And I speak with great pride over the fact that the Agricultural Committees have not thought that the Sixth Federal Reserve District had one agriculture, but they soon learned that it had a dozen agricultures. Florida grows vegetables in the south on to the great citrus section and lumber sections, and pigs into Georgia, and on north to the great industrial area which is, and is to come, from the Tennessee Valley Authority and that area there.

So there is a lot in front of the Federal Reserve District--the Sixth Federal Reserve District--and all of it is going to stem from the men that you see in this room and their great opportunities to serve the community in which they live.

I can't express my appreciation for the things my two friends have said, because I think they drew on history and on their imaginations, and probably told a few lies along in some of their examples to impress in the record, and possibly on some of you, virtues, abilities which do not exist. But, in any event, I will take them all in good trust and in good faith, and I am particularly proud that on the wall here is left some imprint that will not be rubbed out soon, and I hope that occasionally Mr. Bryan and his associates will read this report and try to come to believe it. But part of it, I hope, is true and that part of it is of great satisfaction and gratification Mr. Chairman.

I thank you all for being so patient. I thank you all for being here, and it is a source of great satisfaction that after sixteen years I leave something on the wall of this institution that will not be easily wiped out.

Dr. Rufus C. Harris:

Mr. Chairman, our applause indicates to you the deep appreciation in which we hold you. And now may I, before adjourning this meeting, call to your attention the luncheon at the Capital City Club at 1:00 o'clock. Mr. Bryan would you care to make any announcement in connection with it?

Mr. Bryan:

If the group could assemble on the front steps of the Bank--which is the only place--we would like to have a group photograph. The photographers also want a picture of Mr. Neely, I believe standing next to these sentiments that have been inscribed in the wall.

Mr. Neely:

I will have to get a step ladder. That is really what I need.

Mr. Bryan:

Well we could provide that too.

Dr. Harris:

Before we find the step ladder, I will adjourn this meeting to convene at the Capital City Club at One O'clock.

CEREMONY AT
CAPITAL CITY CLUB

Deputy Chairman Rufus C. Harris Presiding

At the conclusion of the luncheon, Deputy Chairman Harris arose and extended a cordial welcome to the representatives of the Atlanta Clearing House banks and other distinguished guests present. He pointed out the significance of the occasion and the desire of the Directors to honor Chairman Neely. He expressed the good fortune of the Directors in having present Governor A. L. Mills, a member of the Board of Governors of the Federal Reserve System, and stated that it would be a great pleasure to hear from Governor Mills.

Governor Mills, in behalf of the Board of Governors, expressed deep appreciation for the services of Chairman Neely to the Federal Reserve Bank of Atlanta and to the System, stating that his wise advice and counsel have been most helpful to the Board of Governors in many of their problems. He felt that Chairman Neely had made a distinct contribution that would not soon be forgotten.

Following Governor Mills' talk, Deputy Chairman Harris stated that he had received a letter from Governor Szymczak and he requested that it be read at this time:

"BOARD OF GOVERNORS
OF THE

FEDERAL RESERVE SYSTEM
WASHINGTON, D.C.

M.S. Szymczak
Member of the Board

December 3, 1953

“PERSONAL

“Dear Frank:

“I don't know when I have been so distressed as I am at the present time, for if there is one place I should like to be on December 11th, it is in Atlanta at the Federal Reserve Bank attending the meeting of the directors of the Atlanta Bank and all its branches.

“Our association has been so long, so close, and so friendly that I should like to be in Atlanta on the eleventh to say 'hello' to you and to tell you what I think of you and your record. As you know, I have a deep sense of gratitude not only towards you, but also towards Rae. You have been my friends for a long period of time, and I am very, very deeply grateful for all the things you have done for me in one manner or another.

“You have been an excellent Chairman and director, not only in the Federal Reserve Bank of Atlanta, but also for the System as a whole.

“I am sure that we shall all miss you--I, particularly. Therefore, I just want to let you know that while I cannot be with you on the eleventh, I am with you, nevertheless, in spirit and shall continue to be with you, and with Rae, at all times in the future.

“Whenever you come to Washington, please hand your hat right here, and if ever I can do anything, in any way for you and Rae, I shall be more than happy to do it to show my gratitude. God bless you!

“Kindest personal regards and all good wishes,

“Cordially yours,

(Signes)

Matt

M. S. Szymczak.

“Mr. Frank H. Neely
Chairman of the Board
Federal Reserve Bank of Atlanta.”

Dr. Harris then called upon Dr. John M. Gallalee, Chairman of the Board of Directors of the Birmingham Branch, Mr. Marshall F. Howell, Chairman of the Board of Directors of the Jacksonville Branch, Mr. H. C. Meacham, Chairman of the Board of Directors of the Nashville Branch, and Mr. H. G. Clakley, Jr., in behalf of the Board of Directors of the New Orleans Branch. Each spoke in praise of Mr. Neely and the valuable service he had rendered to the Bank to their respective Branches.

Dr. Harris announced two presentations to be made to Mr. Neely. He called Mr. Donald Coiner the best love member of the Board and stated that it was the decision of the Committee that planned the ceremonies that Mr. Corner should make the first presentation to Mr. Neely.

Thereupon, Mr. Corner remarked that this occasion has given to the friends of Frank Neely, who have served with him on the Board, an opportunity to do something they have wanted to do for a long time--to express how much they have enjoyed the honor of working with him and under his inspiring direction. The memory of spoken words may fade away. So each of his friends in the System has written him a letter, and these letters have been placed in a book which he presented to Mr. Neely as another evidence and a lasting memorial of the love, loyalty and co-operation that can come from a group because of the wise and lovable leadership he has furnished. He concluded by saying,

“Let me say to you, Mr. Neely: May the Lord Bless you and Keep you; May the Lord make his countenance to shine upon you and give you peace--for that will ‘be the continued prayer of all of us.”

Following Mr. Corner’s talk, Dr. Harris called upon Mr. Pollard Turman to make the second presentation, saying that Mr. Turman was the youngest member of the

Board, and that it was the feeling of the Committee that youth should be adorned no less than age and given an opportunity to express the appreciation that all felt for Mr. Neely.

Mr. Turman said that those present today have heard some of the finest statements that could have been made about one of the finest gentleman they had ever known.

There has been today expressed the success that Mr. Neely has attained in business, in community life, in civic life, in charity, and in social ways. There is, however, one measure of success that is particularly apparent; and that is the respect, admiration, and the genuine affection for Mr. Neely possessed by those who have had the pleasure of working with him in the Federal Reserve work. The Directors and Officers of the Federal Reserve Bank of Atlanta and its Branches feel they have been personally enriched by their association with Mr. Neely, and have a deep devotion to him. To express this feeling in a tangible way, in behalf of the Officers and Directors, he presented a silver bown with the hope that it would be a constant reminder of the great joy experienced in working with him.

In order that he may have constantly before him the same inscription that appears on the panel in the Directors' Room, that language has been engraved on this gift in this manner:

“The profound respect and appreciation of the Federal Reserve Bank of Atlanta is recorded in these words, inscribed in the Directors' Room:

“In Tribute to Frank H. Neely
Chairman, Board of Directors --1938-1953

“By unswerving devotion to the public interest and his ability and leadership, he made an inspiring contribution to this Bank, to the South and to the Federal Reserve System.”

Thereupon, Mr. Turman presented the silver bown to Mrs. Frank H. Neely as the

“Chairman of the Chairman.”

Mrs. Neely, in response, expressed her deep gratitude, saying that it has been her privilege and pleasure to share Frank Neely’s life for nearly forty—six years, and now it is her extraordinary and ineffable privilege to see, and at the same time to share in, the devotion, admiration, and love of his colleagues and friends on this occasion.

Mr. Neely then responded to the presentations. He stated that he could not imagine what was in the wind when he was notified by President Bryan that he could not be out-of-town today. Nor could he imagine that the love and affection that has been shown by the presence of those in attendance, as well as the statements made by his friends, could possibly have been available to one man.

Through the years, Mr. Neely said, his efforts to make the Federal Reserve Bank serve the community and the southeast in a more telling manner have taken place under circumstances and conditions that at times were such as to make affection fly out of the window or be locked in a vault and not available to the public in general or the persons involved. All of this, however, he felt had been wafted away by those who have had a part in these beautiful ceremonies.

Mr. Neely expressed his deep gratitude for the attendance of all in the group, particularly those who had come from distant cities, and added that he was greatly impressed by, and very thankful for, the friendship and esteem shown him, and that it was his hope that all of the good wishes given to him will reflect back to all present, their families, and the entire southeast.

The ceremonies having been concluded, Deputy Chairman Harris personally thanked all present for having come, and declared the meeting adjourned.

CHAIRMAN (signed)

ASSISTANT SECRETARY (signed)

Chapter 42

1. Life History of the United States. XII, 160.
2. Time, Jan. 26, 1953, 83—84; Minutes, Directors, XVI, 4563—4564.
3. Time, March 2, 1953, p. 80.
4. Minutes, Directors, XVI, 4566
5. Ibid, 4586, 4588.
6. Ibid, 4530.
7. Ibid, 4540
8. Ibid, 4541.
9. Ibid, 4541
10. Ibid, 4553, 4569.
11. Ibid, 4557
12. Ibid, 4567.
13. Ibid, 4581.
14. Ibid, IVII, 4646.
15. Ibid.
16. Who's Who in America, Vol. 33, 1964—1965.
17. Minutes Directors, IVII, 4669.
18. Ibid, IVI, 4538.
19. Ibid, 4583.
20. Ibid, XVII, 4592.
21. Ibid, 4610.
22. Ibid, IVI, 4560, 4561.
23. Ibid, 4583—4584.

24. Ibid, XVII, 4595—4596.
25. Ibid, 4617—4624.
26. Ibid, 4629.
27. Ibid, 4665—4666.
28. Ibid, XVI, 4546—4547.
29. Ibid, XVII, 4592—4593
30. Ibid, XVI, 4580.
31. Ibid, XVII, 4644, 4649, 4650.
32. Ibid, XVI, 4563.
33. Ibid, XVII, 4629—4630
34. Ibid, 4659—4660.
35. Ibid, 4604, 4635, 4657, 4670.
36. Ibid, 4594.
37. Ibid, 4595.
38. Ibid, XVI, 4585. L3J
39. Ibid, XVII, 4600.
40. Ibid, 4631.
41. Ibid, 4631—4632.
42. Ibid, 4661—4662.
43. Ibid, 4662.
44. Ibid, 4673.
45. Ibid, 4675.
46. Ibid, 4676—4687.

Chapter 43

1954

The year marked the occurrence of a number of notable events, both national and international. Vietnam was partitioned; the U. S. Supreme Court declared “separate but equal” school facilities unconstitutional; white Citizens’ Councils were organized; the Senate condemned Senator Joseph McCarthy; the first atomic-powered submarine, U.S.S. Nautilus, was launched; the Air Force Academy was established; construction of the St. Lawrence Seaway was begun, and the Dixon-Yates TVA-area power contracts were challenged.¹

The economy remained for the most part constant and briste during 1954, though as always. The state of business was a subject of considerable discussion and prediction.

Bank Economist Charles T. Taylor, addressing the Atlanta Board on March 12, said:

“Certain business indicators have declined long enough for us to conclude that we are definitely in a period of business recession. Industrial production, which reached its peak the last of July, at the present time is probably 9 or 10 percent and manufacturing 8 percent. Since their 1953 peaks, retail sales tell about 6 per cent in the 6 months following July. The latest production figures for late February or early March are uniformly down from the comparable periods last year.”

“The evidence does not show conclusively, however, that we are in a worse situation than in 1948-1949. Personal income has declined only 2 percent; manufacturing employment so far has declined less than during the entire 1948-1949 recession period. Whereas prices declined severely in 1948-1949, for some months now they have been relatively stable.”

“If this recession, as commonly stated, is an inventory recession, further declines can be expected. It will probably be at least the middle of the year before the inventory liquidation will be completed, and this decline will be accompanied by a decline in industrial production. Also, there will probably be some weakening in prices. 2

In May, speaking to the Board, L. B. Raisty said that he was generally optimistic about the ability of the economy to maintain high levels of employment, purchasing power, and production. He concluded that the widely advertised recession had been very limited in scope and that the usual collateral developments in a recession had not been present.3

Meanwhile, Time Magazine,4 under the heading, “Government vs Recession, Should Something More Be Done?,” reported:

“Organized labor, most Democrats and some Republicans, are demanding that the administration ‘do something’ usually includes a boost in individual income tax exemptions, easier credit and a massive program of public works. But most of these worriers overlook what the administration has already done to combat a recession, notably in the fields of taxes and credit. Among the steps taken in the past year:

The Federal Reserve Board has cut bank reserve requirements. Thus expanding bank lending power by \$6 billion.

FRB has purchased short-term Government Securities from the banks in the open market. Thereby, increasing the banks’ lending reserves still more.

The rediscount rate, i.e., the rate of which banks may borrow from FRB, was cut last February; last week another cut (from 1 3/4% to 1 1/2%) was initiated in Chicago and okayed in Washington.5

The Treasury has done its financing, not with the long-term issues the Republicans had hoped to use, but with short term securities, to avoid siphoning off long—term investment funds for housing and other construction.

“As a result of all these measures, the interest rate on prime commercial loans has dropped from 2 3/4 to 2%. If needed, there is still more credit medicine in the bottle. The Federal Reserve, for example could increase bank lending power by another \$4 billion simply by cutting reserve requirements in New York and Chicago from 22% to 19%, to bring them in line with the lower requirements in other cities ...

Official personnel changes in the Sixth District for 1954 began on January 1, when four new Branch directors took office. They were:⁶

Birmingham

John Will Gay,
President First National Bank (Group 3)
Scottsboro, Alabama

Succeeded
T.J. Cottingham

Jacksonville

T.A. Davis,
President, Pan American Bank (Group 2)
of Miami, Florida

Clement B. Chinn

Nashville

W. E. Tomlinson,
President Hamilton National Bank
(Group 2)

G. C. Graves

New Orleans

Leon J. Minvielle,
President Peoples National Bank
(Group 2)

William C. Carter

Following the retirement of Frank Neely as Chairman at the close of 1954, his successor, Director Rufus C. Harris took office on January 1. President of Tulane University since 1937 and a Class C Director since January 29, 1938, the new Chairman was to serve his new office well.⁷

The vacancy thus created on the Board was filled by one of Atlanta's most articulate and able practitioners of the law and President of the Georgia Power Company, Harllee Branch, Jr. He was welcomed to his first Board meeting at the Bank

on January 8 and, in response to Chairman Harris introduction said that he was extremely flattered by, and is grateful for, his appointment to the Board and was delighted to have an opportunity to, serve and work with the other members on matters pertaining to the business of the Bank.”8

Also in attendance at the January Board meeting were three new Branch Directors, recently appointed by the Board of Governors in Washington. They were Adolph Weil, Sr., of Weil Brothers Cotton, Inc., Montgomery, Alabama, to the Birmingham Board; Frank B. Ward, Dean College of Business Administration, University of Tennessee, Knoxville, to the Nashville Board, and E. E. Wild, rice farmer, Midland Louisiana, to the New Orleans Board.9

Other changes at years beginning included the transfer of John L. Liles, Jr., to Atlanta and the appointment of Wallace N. Davis as member of the Federal Advisory Council from the Sixth District.

Liles had served most ably as Vice —President and Manager of the Birmingham Branch for some time past. He was transferred to Atlanta as Vice-President and Cashier. Wallace Davis, President of the Hibernia National Bank, New Orleans, succeeded Paul M. Davis, whose 3 year term expired.10

Under date of January 21, 1954, the Board of Governors filled two places on the directorate of the Jacksonville Board. The new appointees, for terms ending December 31, 1956, were J. Wayne Reitz, Provost. College of Agriculture, University of Florida, and McGregor Smith, President and General Manager, Florida Power and Light Company.”

On March 12, Malcolm Bryan was nominated as member of the Federal Open Market Committee, with Delos C. Jones, President of the Federal Reserve Bank of St. Louis as alternate, both for one-year terms.12

After 26 years of loyal service in the Nashville Branch, E. R. Harrison, Assistant Vice-President, retired on November 1. Other official retirements of the year included Assistant Vice-President C. R. Camp, of the Atlanta Bank and Director Paul E. Reinhold. Mr. Camp, a pioneer in the service, was employed on December 1, 1917 and was appointed an officer in 1928. He retired June 1, 1954. Director Reinhold's term expired with the year. As a Director he had been especially active and effective in connectbn with the Sixth District Agricultural Program.13

Other changes included the appointment of Robert M. Stephenson as Assistant Vice-President, New Orleans Branch in July, and the death of New Orleans Director G. M. McWilliams in November.14

A number of matters concerning officers and employees came to the fore during 1954. On January 1, it was announced that there were 1327 employees at the parent bank and branches and that the annual payroll then stood at \$4,209,375.15

In April the Executive Committee approved a change in the official title of the No. 2 man of each of the Branches from Assistant Manager to Assistant Vice-President. The change of title did not alter duties or official classification.16

In June the Board of Governors changed the classification of member banks in the Sixth District for the purpose of electing Class A and Class B directors to the following:

<u>Group</u>	<u>Banks with Capital and surplus of:</u>
1	\$2,200,000 and over
2	\$ 400,000 to #2,1999,199
3	Less than \$400,000

The classification was upward, occasioned by a large number of changes in the capital structure of member banks since 1948, when the last reclassification was made.17

The May meeting of the Atlanta Board was marked by the presence of Governor

J. L. Robertson, of the Board of Governors. During the course of his remarks Robertson discussed with the Directors how the Board of Governors operates.

It meets, he said, every morning at ten o'clock. Each member must be informed as to all of the activities of the Board and all matters and questions being considered by it. There is no longer a delegation of particular activities to any one member. The single exception to this is the case of bank supervision activities, of which he has charge at the present time.

He then explained the procedure followed in regard to the review of the reports of examination of member banks and in the handling of so-called problem cases. The Board, he said, operates on the principle that the Federal Reserve System should take care of all banks and allow none to fail because of ill liquidity. A stricter review of bank examination reports is now being made at the Board, and it has been noted that there has been some increase in problem cases in recent years.¹⁸

A letter, dated July 26, 1954, from the Board of 'Governors to the Chairman of all Federal Reserve Banks outlined a standard method concerning submissions of salary proposals for officers, as follows:

- "1. The amount provided in the annual budget for officers salaries should be supported by a statement indicating the policy upon which the budget total was determined, and which will govern the fixing of individual salaries. This statement should also include any other information helpful in explaining a significant difference between the amount budgeted and expenses during the current year for this purpose.
- "2. Salaries of officers to be effective January 1 of the forthcoming year should be fixed by the Board of Directors in time for the proposals to reach the Board of Governors not later than November 15 of the current year.
- "3. The List of such proposals should show for each officer: name, proposed

titles, present and proposed annual salary, and salary group; together with comments that seem pertinent concerning a proposed salary adjustments.

- “4. The proposals should also include a statement explaining any significant difference between the total amount that was included in the budget for officers’ salaries and the total proposed as of January 1 of the list in paragraph 3 above.
- “5. To the limited extent that it may be felt necessary to request approval of individual salary changes after the annual approval of salaries by the Board, the request should include the information called for in paragraph 3 above and the effect of the proposed changes on the budget. Requests for changes in salary ranges should contain a statement of the reasons for the proposed changes.
- “6. Whenever an officer is assigned to another position, his title or salary group is changed, or a major change is made in his duties, please advise the Board of Governors. In such instances, also please furnish a revised Description of the officer’s duties and responsibilities as early as convenient.
- “7. In order that information of the Board of Governors may be current, please furnish a copy of the Bank’s organization chart whenever it is revised.”¹⁹

The Executive Committee, on April 1, 1954, considered the matter of suitable recognition to be given to employees with long service records. Appropriations made in past years to cover activities of the Twenty Year Clubs, which consisted mainly of an annual dinner and the awarding of pins for long service were deemed inadequate. It was decided that suitably inscribed silver trays or similar permanent gift should be awarded to employees completing 25 or more years of service. The Committee authorized the officers of the Bank to expend, per eligible employee, not more than

\$60.00.

Director Pollard Turman reported in May that the Micro-filming of personnel records at the parent Bank had been completed. This project resulted in a considerable saving of space and has also increased the availability of the records. Turman also reported that a similar project was then being undertaken at the New Orleans Branch.21

In December First Vice-President Clark informed the Board that as soon as possible all personnel—pay roll records would be placed on an IBM system. This will, he said, result in a number of advantages, involving a more efficient production of reports, and a greater flexibility in personnel records.22

The recurring matter of Bank personnel holding public or political office became the subject of a letter from the Board of Governors, dated June 30, 1954, which defined policy in the premises. It read:

“From time to time questions have arisen regarding the holding of public or political office or service as members of political party committees by employees of Federal Reserve Banks. Thus far, the Board has handled these relatively infrequent cases by correspondence with the particular Reserve Banks affected. Recently the Board has had occasion to consider this matter again and feels that it should state generally the position it has taken in handling individual cases in the past; namely, that the principle of its resolution of December 23, 1915 prohibiting such political activities by directors and officers of the Federal Reserve Banks should be applied to employees as well.”

“The principle of the resolution is not intended to restrict the expression of personal political views in an individual capacity. On the other hand there is the additional consideration referred to in the Board’s letter of August 3, 1950 that, inasmuch as ‘the Federal Reserve Banks perform essential functions of a public nature relating, among other things, to the administration of national credit policies, it is

obviously desirable that a situation should not be permitted to exist which might be interpreted as associating the Reserve Banks with any political party or political activity'

"Officers and employees of the Federal Reserve Banks should feel free to render public service of a non-political character if they are in, a position' to do so without interference with their duties at the Bank and if the position is free from party politics and involves no political activity in order to obtain or retain the position."23

About the same time this policy was laid down Director Harlee Branch, reporting for the salary and Personnel committee, said that the labor market is very easy and that the Bank is able to fill almost all openings with desirable individuals. Also, for the first time in many months the Bank has a complete guard force.24

Another matter, of interest to employees, was reported upon by First Vice-President Clark at the December Board meeting. He said that "work is progressing on an employee magazine for the Bank, which will be entitled '6-F Messenger'. The staff of workers for the magazine has been appointed at each of the five offices, and the magazine will be of approximately twelve pages of slick paper, and will contain numerous photographs. It is expected to appear about January 15, and will contribute a great deal to our employee relations."25

The Atlanta building program began to shape up early in the year. During the February Board meeting Director Branch stated that Architect Henry Toombs presented to the Executive Committee a suggested proposal to provide additional office space by the erection of a 6-story building on the lot to the east of the Bank rather than by constructing on the west lot a building connecting the main bank building with the Silvey Building.

Toombs was asked 'to elaborate and pointed out that in addition to a 6-story building on the east lot, his plans also included a split-level open garage on the west lot,

enabling the parking of 130 cars and utilization of the garage space in the rear of the main building. Estimated cost was \$4,849,260.

The proposal was approved and the officers of the Bank were asked to instruct Toombs and Company to prepare a brochure covering the matter for presentation to the Board of Governors.26

On May 21, the Governors approved the preparation of final plans. Fred Breck, Assistant Cashier, was relieved of his administrative duties in order to coordinate the handling of matters pertaining to the building programs. He was directed to work through Vice-President Liles with a building committee, consisting of President Bryan, as Chairman, and all of the senior officers appointed to make final decisions upon the recommendations made to it.27

Plans were also affot for construction projects in both Birmingham and Nashville. It became necessary to modify the Birmingham project so as to provide for a 5-story addition, costing \$2,806,726, rather than a 6-story addition costing \$3,274,003. This was made necessary by limitations placed by the Board of Governors on authorized amounts I for construction projects throughout the system.28

In July, Director, .Frank N. Moody, of the Birmingham Branch reported that the Board of Governors had approved preliminary plans for the addition to, and alteration of, the building and expressed the hope that construction may be started in February or March of 1955. All necessary land had been secured.29

In September R. E. Moody, Vice President and Manager of the Nashville Branch reported to the Atlanta Board that the officers and employees of the Branch were much enthused over the prospects of a new building. At the same meeting plans for the building, as submitted by Architect Henry Toombs were approved.30

It was also announced in September that the Security Files Program of the Bank had been changed to afford more security in the handling of duplicate records. The

Executive Committee had approved the establishment of a records center on the campus of the Alabama Polytechnic Institute at Auburn, Alabama to handle the duplicate records of all five offices in the Sixth District, and authorized an expenditure of funds necessary for its operation not to exceed \$7500 per year.31

A number of miscellaneous matters engaged the attention of the Board during 1954.

Shipments by armored car were constantly increasing. Vice-President Clark reported in January that the service was expanded during 1953 and that 314 bank (including 103 non-member banks) in 184 cities are now being served, compared with 166 banks in 101 cities for 1952. Five major runs were inaugurated during the past year—two from the Jacksonville Branch and three from the New Orleans Branch. The amount of currency and coin shipped to and received from banks outside of Atlanta and Branch cities during the year totalled \$2,168,380.000. Approximately one-half of this amount was transported by armored car. Total savings during 1953, over registered mail, were \$100,554.50. It is not contemplated that any new major runs will be established this year, though some present runs may be extended or re-arranged in order to reach more banks.32

Mr. Clark next outlined the operation of the Post Office Deposit Unit, then staffed by 11 currency tellers and 3 supervisors. The Directors generally, and particularly President Bryan, felt that strictly clerical and accounting functions, as represented by the Post Office Unit, should not be assumed by the Federal Reserve Banks since such functions have no connection with central banking operation of the Banks and represent a hazard to the Banks losing independent control of their budgets. It was agreed that a letter should be written to the Board of Governors outlining these views.33

In May, Vice-President Clark gave the Directors a report on the local currency destruction program. The program was begun in July 1953. One incinerator has been pur-

chased and installed at the head office, at a cost of \$14,907.21. We began burning currency in this incinerator on April 5 of this year, said Mr. Clark. At the present time 900 bundles, composed of 1000 pieces in each bundle are being burned daily between the hours of 3 p.m. and 9 p.m. The timing is due to the fact that the heat produced by the operation of the incinerator is terrific. Clark further reported that on May 12 the Bank had on hand over 26,653 bundles awaiting destruction. Also, that the present burning program is such that we will be on a current basis in about 7 weeks.³⁴

Another matter about which Vice-President Clark enlightened the Directors was the service presently rendered by the Federal Reserve Bank of Atlanta in furnishing wrapped coin to member banks. He said:

“We have at the present time coin wrappint machines at the head office in Atlanta and also at the Jacksonville and New Orleans Branches. Installation at the other Branches must await the construction of new buildings. Experience has shown that these machines are extremely tempermental and frequently in need of adjustment or repairs.

“A service charge of 6 mills is made to member banks for supplying wrapped coin to them. While this charge has been reduced from 8 mills, that reduction in cost have not been accompanied by an increase in demands. The record shows that the idea of the Federal Reserve Bank furnishing wrapped coin was first proposed by (retired president) W. S. McLarin, Jr., and that he advocated this service being free. However, oddly enough, the Atlanta Bank was the last of the Federal Reserve Banks to install coin wrapping equipment. Further, none of the Federal Reserve Banks today furnish wrapped coin without charge.

“If the service were rendered free, there would be a temptation on the part of member banks to ship us their loose coins for wrapping and the cost to the Federal

Reserve Bank would be very large. Also, with present equipment, it is probably that we could not supply the demand. Further, many large city banks now wrap coin and furnish it to their correspondent banks, and if we undertook to furnish wrapped coin without charge, it is probably that we would be confronted with the complaint that we were disturbing correspondent bank relationship.”35

At the May meeting of the Board Director Pollard Turman reported that the program of writing detailed operating manuals for each of the operating departments, begun about a year ago by the Personnel Department, has now been combined with the project suggested by the Board’s Examiners for the preparation of operating manuals emphasizing protection and control. Part of the cost of the project and control. Part of the cost of the project is now being charged to the Planning function. The staff assigned to it will be enlarged so as to insure completion by August. In the past month, manuals for the Card Checks and Discount Departments have been completed, and the Accounting and CCC Custody Departments undertaken. The major job remaining is to prepare manuals for the Fiscal Agency Department.36

The time-honored, custom of reporting semi-annual dividend resolutions to the Board of Governors was modified by the following letter from the Board to President Bryan, dated May 27, 1954:

“For many years the Reserve Banks have submitted to the Board of Governors for approval certified copies of the resolutions of the directors authorizing payment of semiannual dividends. In view of the high current level of earnings of the Federal Reserve Banks and their substantial surplus accounts. The Board has decided that until further notice submission of the semi—annual dividend resolution may be discontinued. Continuing authorization is hereby given for payment of the semi-annual dividend.

“This does not affect the requirement that a statement be submitted by

December 15 of each year showing estimated earnings, expenses, and proposed valuation allowances, special depreciation on buildings and fixed machinery and equipment, and other unusual year-end adjustments. The provision in the Accounting Manual concerning 'Dividend Resolutions' will be revised accordingly."37

Estimated earnings for 1954 were submitted to the Board on December 11. The figures follow:38

Earnings	\$22,555,000
Expenses	<u>8,215,000</u>
Earnings before additions and deductions	\$15,340,000

Additions to earnings:

Profit on U.S. Government Securities sold net	\$28,000
All other additions	
Total additions	\$28,000

Deductions from earnings:

Reserve for registered mail losses	\$27,000
All other deductions	<u>50,700</u>
Total deductions	\$77,700
Net deductions from earnings	\$49,700
Net earnings	\$15,290,300

Pay United States Treasury

(Interest on Federal Reserve Notes)	\$13,123,620
Pay dividends	708,500

Add to surplus (Section 7)

1,458,180

\$15,290,300

At year's end Bank Economist Charles T. Taylor, by way of summerizing the business situation, said:

"The economy has demonstrated a great flexibility during the past year. The decline in Government expenditures did not have the predicted effect upon private spending. The ability of the economy to make such an adjustment can also be counted upon to counteract certain depressive factors that may be present. Next March or April, therefore, we should be able to look back on the record and find out that production had picked up, employment had risen, and that the inventory recession was over. This general improvement may perhaps only be mild, but at present improvement seems more likely than stability during the coming months."39

NOTES
Chapter 43

1. Life History of the United States, XII, 160
2. Minutes, Directors, XVII, 4724—4725.
3. Ibid, 4741.
4. April 26, 1954, p. 94.
5. The Atlanta Bank cut its rediscount from 1 3/4% to 1 1/2% on May 14.
6. Minutes, Directors XVII, 4671.
7. Ibid. 4688.
8. Ibid,
9. Ibid, 4689.
10. Ibid, 4689, 4696.
11. Ibid, 4708.
12. Ibid, 4724.
13. Directors Minutes, 1954, pp. 118, 165, 166. NOTE: Beginning in 1954 the format of the Directors Minutes was changed. The old format comprised 17 volumes, with numbered pages totaling 4753. The new format provides one separate volume for each year's minutes, with pages numbered for that volume only.
14. Directors Minutes, 1954, pp. 87, 133.
15. Minutes, Directors, XVII, 4691.
16. Ibid, 4729.
17. Directors Minutes, 1954, p. 91.
18. Minutes, Directors, XVII, 4740.
19. Directors Minutes, 1954, pp. 100-101.

20. Minutes, Directors, XVII, 4729..
21. Ibid,4738.
22. Directors Minutes, 1954, p. 166.
23. Ibid,90.
24. Minutes, Directors, XVII, 4746.
25. Directors Minutes, 1954, p. 166.
26. Minutes, Directors, XVII, 4707—4708..
27. Ibid, 4747.
28. Ibid, 4707.
29. Director Minutes, 1954, pp. 87, 117, 119.
30. Ibid, 104, 110.
31. Ibid, 107, 109.
32. Minutes, Directors, XVII, 4697—4698.
33. Ibid, 4698—4699.
34. Ibid, 4739.
35. Ibid. 4717.
36. Ibid, 4738—4739.
37. Ibid, 4744.
38. Directors Minutes, 1954, p. 167.
39. Ibid, 145.

Chapter 44

1955

As the decade reached, midpoint 'progress in many fields was made although there was much political ferment abroad. The Salk polio vaccine was developed and tranquilizers come into wide use. The AFL and CIO merged and the first presidential press conference was filmed for TV. Anthony Eden succeeded Churchill as British prime minister; a "Summit Conference" at Geneva produced little in the way of results, and the Peron dictatorship in Argentina was overthrown. 1

During the course of the first meeting of the Board of the Federal Reserve Bank of Atlanta for 1955, held on January 14, President Malcolm Bryan discussed certain general problems currently facing the System.

The economic situation, he said, raises a very grave question in the field of System policy. He recalled that from the end of 1952 until the middle of 1953 the System, by a policy of neutrality, undertook restraining action with respect to the economy. It ceased to add to bank reserve and let the demand for credit press against a non-increasing supply of reserves. As a result of this policy, money rates went up substantially and restraint in lending operations was apparent.

The System was able to follow this course because the accord with the Treasury had freed it of the necessity of supporting the Government Security market. Beginning in May 1953 the System reversed the course it had been following in anticipation of a change in the trend of the economy. It began adding to the supply of bank reserves by purchasing Government securities in the market, particularly Treasury bills. A reduction in reserve requirements was made in June 1954, freeing reserves previously frozen. A continued deterioration of the economy was noticeable, but not at the rate suspected in the spring of 1953. The effect of these steps taken by the System was that for a long

period of months, into 1954, the economy of the country seemed to hang on dead center. About two or three months ago, however, it appeared that a period of recovery was beginning.

The problem today, Mr. Bryan said, is whether the recovery is sufficiently deep and strong to warrant monetary action to prevent inflation. While the recovery seems to be general and good, there are, he observed, several facts which should cause us to view the situation with caution. The gross national product is five billion dollars off from last year. Unemployment has shown some increase recently. It is his opinion, Mr. Bryan said, that the situation calls for little or no restraint at this time, and that restraining action could readily nip the recovery in the bud and produce a countervailing deflation.²

The May 1955 meeting of the Atlanta Board was held in Birmingham. William McC. Martin, Chairman of the Board of Governors was present. He commented interestingly about several matters concerning the System. He said that few people realized how much the Board of Governors was dependent on the directors of the several banks and branches. "You know," he said, "that we learn much more from others than we can impart to them."

"I believe that money and credit are problems and opportunities that occur at the grass roots. The directors of the banks and branches are the grass roots of the Federal Reserve System. Through such reports as we have heard here this morning we profit greatly. We rely on the banks and on the Federal Advisory Council for advice and expression of points of view. My report, it seems to me, ought to be in the form of a report to you from the Washington level.

"The Board of Governors is excellent and I am glad, even though I had asked for a five-man Board, that we now have seven members---Difference of opinion and interpretation give strength to the System. I welcome them. We need differences of opinion

to winnow System policy. It is a compliment to the men in the System that no ill will has been engendered by these differences.

“In contrast to past years, we have been trying to operate as a board, with no special assignment given to any Governor. We prepare an agenda of all items to be brought to the attention of the members, and in our meetings I review each item, asking if any member has an objection. In this way we get the collective judgment of all. True, it slows things down a little, but I believe it is worth it.

“While commenting on the members of the Board, I am pleased to state that I have had four talks with the President. He agrees that we should select men for membership on the Board who know something about the System. This recognition by the President shows a desire to encourage the effectiveness of the System. It is the System that is important. It is up to us to iron out our differences for the good of the System.”

Chairman Martin then stated that the idea of an audit of the Federal Reserve System by the General Accounting office was not new.

“We must, however, be constantly alert. We should be independent in government, not independent of Government. It is extremely difficult to explain to the public that we are and have been audited carefully. Moreover, the fact that we are audited is hard to explain to the members of Congress. The bill to audit the Federal Reserve Banks from 1913 to date is now in committee with no apparent prospect of its being given life. A bill to audit the Open Market Committee is now in the hands of the Rules Committee and the outcome is uncertain.

“As you know, the comptroller General has received a letter from the Chairman of the House Committee on Government operation, ordering him to make an audit. we have met with the Comptroller-General and have pointed out to him that there are grave legal questions involved.

“In regard to the discount rates and current System policy, my own feeling is that we have been going through what is a re-evaluation of the basic principles in our economy. We need an economy of reward and risk.”3

A number of new appointments and changes in the official family of the Bank and its Branches were made and took place during 1955.

On November 12, 1954 the Atlanta Board appointed three new Branch Directors. They were James L. Niblack, President First National Bank, Lake City, Florida, to succeed G. W. Reese, J. R. Kellam, Jr., Executive Vice-President, Commerce Union Bank, Nashville, Tennessee, to succeed Sam M. Fleming, and P. L. Williams, President, Bank of Yazoo City, Mississippi, to succeed G. M. McWilliams, deceased, for New Orleans.4

On December 10, following the election of officers for 1955, Director Pollard Turman made two recommendations, both of which were implemented by the Board. First, the election of H. J. Urguhart as Cashier of the Birmingham Branch for the period from January 1 through June 30, 1955, at his present salary; it being understood that, for reasons of health, Mr. Urguhart will be relieved of his duties as cashier on January 1, 1955, and will, at that time be given a leave of absence with full pay for six months, ending June 30, 1955, at which time he will retire from the bank. Second, George W. Sheffer, Jr., was recommended for promotion from the position of Senior Examiner, at a salary of \$9000 per annum. He was elected.5

During the course of its meeting on January 14, 1955 an announcement was made to the Board that, on December 22 and December 23 the Board of Governors in Washington had designated Director Rufus C. Harris as Chairman of the Atlanta Board, and Director Harllee Branch as Deputy Chairman for 1955. Three Branch Directors, Messrs. Boltchcr, Reitz and Fletcher were reappointed, and a new Director was named for Nashville. He was Carter Myers, Vice-President, Knoxville Fertilizer Company Knoxville, Tennessee. Myers was appointed for a three-year term beginning January 1.6

Also, of the same meeting Deputy Chairman Branch called to the attention of the Directors the recent death of R. Clyde Williams, formerly President and Vice Chairman of the First National Bank of Atlanta and on the Board of the Atlanta Federal Reserve Bank from January 1946 through 1951. Also, the death of W. D. Cook, formerly Chairman of the Board of the First National Bank of Meridian, and also a Director for the Atlanta Bank from January 1, 1935 through 1949. Expressions of regret were voiced and resolutions prepared.7

Members of the Open Market Committee for the year commencing March 1, 1955 were named in February. They were Waltrous H. Irons, President of the Federal Reserve Bank of Dallas, as Member, and Delos C. Johns, President of the Federal Reserve Bank of St. Louis, Alternate.8

A signal honor was conferred upon Dr. J. Wayne Reitz, a member of the Board of the Jacksonville Branch when, in April, he was appointed President of the University of Florida.9

The New Orleans Branch suffered a loss on July 15, when Director P. C. Williams passed away following a heart attack. He had served the Branch since November, 1954 and was President of the Bank of Yazoo City, with which h had been connected since 1908.10 In August D. U. Maddox, President of the

Commercial National Bank and Trust Company of Laurel, Mississippi, was appointed to the vacant post on The New Orleans Board.”

In November, T. A. Davis, Jr, a Jacksonville Branch Director for nearly two years, resigned.¹² The December Board meeting brought an announcement that Leslie R. Driver, a member since January 1, 1950, and a member of the Nashville Branch Board from 1944 through 1949, would retire at years end. A resolution, presented by Director Turmen, read, in part, as follows:

“...As a director of this Bank, Mr. Driver rendered notable service as a member of the Research, Planning, and Public Relations Committee and as Chairman of the Agricultural Committee. He brought over forty years of broad and successful commercial banking experience to bear upon the many Sixth District farm credit and operations problems. His sympathetic understanding, enthusiasm and keen insight born of practical experience have been major factors in the Bank’s accomplishments in this field during his term of office...”¹³

During the year the Board discussed and took action on a number of matters concerning personnel.

First Vice—President L. M. Clark, at the January Meeting, recalled that in April, 1954, the Executive Committee had approved a change in the procedure for recognizing employees of the Bank and Branches with long service. The Committee discontinued appropriations to the Twenty-Year Clubs, and, in lieu thereof, authorized that every employee of 25 years or more of service be awarded a silver tray or some other permanent gift suitable inscribed. During December of last year the Bank for the first time awarded silver trays. Sixty—two were given to employees of the parent bank; 8 to employees of the Birmingham Branch; 13 to employee of the Jacksonville Branch; 13 in Nashville, and 21 in New Orleans. The total cost was \$5990. The recipients, Mr. Clark said, were delighted with the trays.¹⁴

During the year Director Pollard Turman, Chairman of the Salary and Personnel Committee made several meaty reports on personnel to the Board.

In April he reported that total personnel of the parent bank and branches was 1322 and that the annual payroll was \$4,325,495. He also reported that Floyd Greer had been appointed assistant manager of the personnel department. Also, that the department is conducting a study of the turn-over of all employees between January 1, 1947 and December 31, 1954, with particular emphasis on the reasons given for separation from the service. Preliminary figures indicated that in this period 2136 employees were separated. The leading reason was to accept another position, which was given, in 397 cases. In 314 cases the reason that the employee was leaving the city, and in 311 cases women left for maternal reasons. Of those separated from service 25% were 19 years of age and younger, and 80% were 30 or under. The parent bank had the highest turnover with 212%; this being caused in part by the situation in the CCC. Custody Department. The Nashville Branch was lowest, with 142% for the 8 year period.15

In reporting on Group Life Insurance in September Director Turnar stated that experience under the policy maintained by the Federal Reserve Bank Club, during the year ended July 31, 1955, was highly favorable. The underwriter, after setting aside reserves regarded by as adequate, returned to the Insurance Committee of the Club a refund of approximately \$8500, and has indicated that an additional refund may be made.16

The salary structure of the Bank was the subject of Director Turman's November report to the Board.

He reminded the Directors of previous reports made by him for the salary and Personnel Committee relative to the 1955 Salary Survey being conducted by the Bank at the head office and Branch cities. Also his recent comments concerning what effect

the amendment to the Fair Labor Standards Act, increasing the minimum wage to \$1.00 per hour on March 1, 1956 might have upon the Bank's Job Classification Plan.

The salary survey, now completed, continued Mr. Turman, disclosed that prevailing salary ranges of the Bank were somewhat under the market for similar jobs in other businesses. Accordingly a revised salary structure, reflecting the results of the survey, and establishing a new minimum rate for each job was prepared. It provided, among other benefits, that no person shall be paid an annual salary of less than \$2100. The new structure was approved by the Board.17

At midyear President Bryan reported to the Directors as to the status of the Bank's building program. He stated that the garage and the security entrance on the West lot in Atlanta are nearing completion. Work is also progressing on plans for a new branch building of Nashville and alterations and additions to the Birmingham Branch building. Work on the addition to the Head Office building has been temporarily suspended pending completion of the plans for the Branch buildings. The present schedule is to get all working drawings on the Birmingham building completed by the end of the month (July) and to obtain the Board of Governors' approval thereof and, possibly, to let the contract around the first of next year.18

The Jacksonville Branch, during 1955, reflected the booming Florida economy. Vice President and Manager T. A. Lanford, in attendance at the Atlanta Board meeting of March 11, reported that his Branch received during one day recently currency totalling \$12 million, and observed that this was the largest amount received in a single day in the history of the Bank. He reported also, that on March 7 reserves of member banks in Florida reached an all-time high of \$248 million.19

The Birmingham Branch began a policy on June 4, of closing on Saturday. Manager H. C. Frazer reported no adverse comment from member banks in the Birmingham zone.20

Activities in the general field of agriculture had been a part of the Atlanta Bank's operations and of its Branches almost from the founding of the Bank. Such activity in 1955 is typified by a report of the Agricultural Committee of the Board for the months of April—August, 1955:

“Agricultural activities for the past five months have involved participation by Mr. C. E. Clark, Mr. J. T. Harris, and Mr. Arthur Kantner in banker's farm credit clinics and in meetings of banker association committees to plan farm credit clinics for the future. In addition, Mr. Harris and Mr. Kantner visited bankers in various parts of the District to obtain information for articles in the Bankers Farm Bulletin.”

“Farm credit clinics were held in Alabama, Mississippi, and Louisiana in April and May. In August, Mr. Clark attended a meeting of bankers and college staff members in Alabama, where plans were made for the seven 1956 farm credit clinics and a farm credit conference in that state. At a similar meeting Mr. Clark attended in Tennessee, the bankers decided to sponsor fall meetings of county keg bankers and county agricultural agents. At those meetings plans for bankers farm credit clinics in April, 1956 will be made.”

“Florida bankers expect to hold four farm credit clinics in various parts of Florida during October of this year. Three of the clinics will deal with financial problems of farmers in localized areas; the fourth will be a forestry clinic.”²¹

Despite the fact that the inauguration of a Post Office Deposit Department had been greeted with little enthusiasm and much criticism by President Bryan and other Bank officials in 1953, the unit, by '55 was flourishing. Reported First Vice President Clark in April:

“During March the Post Office Deposit Department at the Bank broke all previous records both in dollar volume and in the number of deposits. The total dollar volume of deposits processed was 74,328,136, and the total number of deposits was 68,534.

Under the current program, deposits are received at the present Bank from Post—masters in seven states—North Georgia, North Carolina, South Carolina, Georgia, Florida, Alabama, Mississippi, and Tennessee. Of the twelve Federal Reserve offices processing Postmaster’s deposits, the Atlanta office handles the greatest number of deposits and processes the greatest number of individual items. More than 5100 Post Offices remit to the present Bank and the work is handled by nine clerks.”22

In an effort to rein in the economy somewhat the Federal Reserve Board raised the rediscount rate in early August. Commented Time Magazine:23

“From Washington last week the Federal Government reached out a firm hand to tighten the reins on the U. S. economy. Authorized by the Federal Reserve Board and its chairman, William McChesney Martin, Jr., the Federal Reserve Systems’ districts across the U. S. started boosting the rediscount, i.e., interest rate, to banks who borrow money from the Federal Reserve. Within 48 hours ten Federal Reserve Banks announced increases in their rates of $\frac{1}{4}\%$ to a total of 2% on loans. In Cleveland, where autos, steel and machine tools are rolling along at record rates, the increase was a full $\frac{1}{2}\%$, up to $2\frac{1}{4}\%$. Private bankers quickly passed on the new rates. By week’s end virtually every New York bank had increased its own interest rates for borrowers with top credit ratings from 3% to $3\frac{1}{4}\%$, the first rise since April, 1953, and as high a rate as business has had to pay in 22 years.”

“The tightening up of bank credit was part of a continuing effort to temper 1955’s optimism with economic horse sense. For several months, Eisenhower Administration economists had been carefully charting the accelerating business cycle. Their decisions: to ease off the accelerator and reach for the brakes. Like the cashier checks on housing loans and broker’s stock market loans, the braking was gentle. But it was a warning to expanding D. S. business.”

President Malcolm Bryan commented on the matter at the August Board meeting:

“The major problem confronting the Reserve Banks in taking this action as, with regard to the economy of the country at the present time. It appears that upon this occasion all of the Reserve Banks had recognized the problem and given it consideration and study and, in general, all had participated in a discussion of the subject. There was uniform agreement among the members of the Board of Governors, the Presidents and at the staff level that the situation was one in which the economy was pressing upon comfortable capacity...”²⁴

During the September Board meeting the Chairman asked General Counsel Harold T. Patterson to discuss a proposal of the Factory Insurance Association for a blanket policy of fire insurance and extended coverage of Atlanta, Georgia, covering the Head Office and all Branch buildings and contents thereof.

Mr. Patterson recalled that the Directors at their meeting in February, 1955, had given consideration to, and had voted to decline, a proposal for a similar insurance policy submitted by the Factory Mutual Association, and had requested the officers of the Bank to obtain from the Factory Insurance Association a proposal. Although the proposal of the Factory Mutual Association would have resulted in considerable savings in premiums, a majority of the Directors objected to the proposal because it would have necessitated the cancellation of all outstanding policies, which are being written through local agents in Atlanta and the Branch cities. The Factory Insurance Association's proposal would not, in effect, be subject to this objection, because those agents who represent companies making up the Factory Insurance Association will receive their proportionate share of the premiums paid for by the Factory Insurance Association policy. Further, the proposed premiums for a policy covering all of our office locations will effect savings on premium charges of as much as 50%. Mr. Patterson further stated

that the Executive Committee had considered the proposal, had voted for its acceptance, and now recommended it to the Board.

After discussion, on motion by Director Bowman and a second by Director Adams, the proposal for a blanket fire insurance and extended coverage policy on an insurable value basis as submitted by the Factory Insurance Association was approved and the Officers of the Bank were directed to put the proposal into effect.²⁵

The financial status of the Bank at the end of 1955 was set forth in a report at mid-decade:²⁶

“Total assets of the Federal Reserve Bank of Atlanta amounted to \$2,686 million at the end of 1955, representing a gain of \$56 million for the year. Primarily responsible for the overall gain in assets were increases of \$14 million in discounts and advances and \$65 million in uncollected cash items. Partly offsetting these increases in principal assets were declines of \$16 million in gold certificates reserves, \$9 million in System Account participation, and \$6 million in other cash.”

“Total liabilities of the Federal Reserve Bank of Atlanta increased by \$54 million. This over-all increase reflected a rise of \$11 million in Federal Reserve Notes of this Bank in actual circulation. Against these increases in liabilities was a decline of \$15 million in total deposit liabilities, of which member bank reserve accounts represent the major part.”

“At the end of 1955, the reserve ratio of the Federal Reserve Bank of Atlanta was 40.8 percent, against 41.4 percent at the end of 1954. The minimum legal reserve ratio is 25 percent.”

“Capital Accounts amounted to \$51,712,412 at the end of 1955, a gain of \$2,866,439 for the year. Responsible for \$1,489,250 of the increase was the enlargement of the capital paid-in account pursuant to statutory requirements governing capital stock subscriptions of member banks. As their capital accounts increase,

member banks are required to subscribe to additional stock in the Federal Reserve Bank equivalent to 6 percent of the increase and must pay one-half the subscription in cash to the Federal Reserve Bank.”

“Payments on capital stock issues for 1955 for this purpose amounted to \$1,400,750. An additional \$105,000 was paid in by banks admitted to membership during the year. There was a charge against the capital stock account of \$16,500 because of the withdrawal of one bank from membership.”

“Total current earnings for 1955 amounted to \$21,503,460.”

At its first meeting during 1955 the Board received some interesting historical figures from Director Roland L. Adams, Chairman of the Auditing Committee. He reported that since the organization of the Federal Reserve Bank of Atlanta the Bank had paid out cash dividends totalling \$3,128,193.00, and has also paid to the United States approximately \$9,000,000.00 in franchise taxes, and approximately \$97,000,000,000.00 as interest on its Federal Reserve Notes.27

At years end a dividend for 1955 in the amount of \$784,588.00 was paid.28

NOTES

Chapter 44

1. Life History of the United States, Vol. 12, pp. 160-161.
2. Directors Minutes, 1955, p. 5.
3. Ibid., 80-81.
4. Directors Minutes, 1954, p. 143.
5. Ibid., 163, 164.
6. Ibid., 1955, p. 2.
7. Ibid., 13.
8. Ibid., 32.
9. Ibid., 52.
10. 6-F Messenger, August, 1955, p. 7.
11. Directors Minutes, 1955, p. 100.
12. Ibid., 156.
13. Ibid., 168.
14. Ibid., 10.
15. Ibid., 58.
16. Ibid., 113.
17. Ibid., 154-155.
18. Ibid., 86; (F. 6-F Messenger, June, 1955, p. 4; Annual Report. 1955, p. 40).
19. Directors Minutes, 1955, p. 37.
20. Ibid., 94.
21. Ibid., 114.
22. Ibid., 60.
23. August 15, 1955, p. 66.
24. Directors Minutes, 1955, p. 102.

25. Ibid., 116-117.
26. Annual Report, 1955, pp. 35-37.
27. Directors Minutes, 1955, p. 10.
28. Annual Report, 1955, p. 38.

Chapter 45

—1956—

Nineteen fifty six was another year of roiled international waters. It was also a period of tight money in the United States. Ghana, Tunisia, and, Morocco set a pattern on the African continent by achieving independence. A revolt in Hungary was ruthlessly suppressed by the Soviets, and Egypt nationalized the Suez Canal. In this country independent gas producers were included under utility rate controls; the Federal Highway Act provided for vast road—building projects, and the Soil—Bank Act encouraged limited farm—aceraage production.¹

The first meeting of the Atlanta Board for the year, held on January 13, featured a discussion based on the current economic situation. To quote the minutes:

“The Board’s staff report was quite bullish regarding the outlook for 1956. This attitude is’ based on a rising tendency in prices, increasing activity board, growing personal income stemming from automatic wage increases which in turn will probably assert pressure for additional expansion in other sectors. Two elements of weakness in this optimistic staff picture were residential building and the automobile market.

President Bryan indicated that the presidents attending the meeting of the Open Market Committee meeting in general took a more conservative view of the outlook than did the Board’s staff; they were not nearly as bullish. President Bryan fully shared the views of the presidents. He then discussed those areas that the presidents viewed as actual or potential weak spots in the economy. Consumer credit repayments may well begin to exceed new loans in the not too distant future. The residential building situation is not encouraging and may be more difficult than previously thought. Again, the agricultural situation is a definite drag on the economy generally. Although purchases in farm areas have been maintained, it is doubtful they can continue at present levels much longer if

the current price cost squeeze remains unabated. The purpose of this discussion in Washington, of course, was to determine whether there is any need for further tightening of credit, either through Open Market Operations, an increase in the discount rate, or some other way. It was the unanimous opinion of the presidents and the members of the Board of Governors that the situation today did not call for further credit restraint.²

Less than three months later the Federal Reserve Board changed its outlook and took action relative to credit restraint. Reported Time Magazine:³

“Is the boom headed for a sharp upturn or a slide? For months the question has split official Washington. One faction, which includes President Eisenhower’s Council of Economic Advisors, worried that business was slowing down, kept a wary eye on such soft spots as autos and farm prices. But the Federal Reserve Board leaned in the opposite direction, convinced that the boom was still picking up speed so fast that it might get out of hand. Last week the Federal Reserve governors decided it was time to put more checks on credit and industrial expansion. With a flourish of his pen FRB Chairman, William the fifth time in a year, an increase in the discount rate for eleven of FRB’s twelve district banks, thus making it more expensive to borrow money.”

“In nine districts the discount rate was raised $1/4\%$ to $2\ 3/4\%$; the Minneapolis and San Francisco banks boosted their rates $1/2\%$ to 3% --highest rate in 22 years. Chicago prepared to follow suit.”

“The nation’s bankers promptly passed along to their customers the price increase on borrowed money. Big eastern banks hitched the prime rate from $3\ 1/2\%$ to $3\ 3/4\%$. On the stock market the change was taken in stride...”

“More than anything else, what finally made up FRB’s mind was the spring mood of optimism, cheering reports of first—quarter earnings, the big expansion plans of U. S. businessmen, the big spending plans of the U.S. Consumer...”

“Business borrowing is so high that last week alone, banks borrowed \$1,119,000,000 from FRB, up 14% in a week and almost 100% over the same week of 1955. All told, business loans were running more that \$5 billion ahead of last year. Real estate loans went up \$862 million over 1955 and consumer credit loans topped last year’s by almost \$1.8 billion, Steel— makers turned out a record, 10,921,000 tons of ingots and steel in March, but were still unable to catch up with orders.”

“Against the threat of higher prices, many a businessman borrowed money to build up inventories, thus put more pressure under both credit and prices. In March wholesale metal prices rose neary 1% over February, stood 11% higher than a year ago. With more price increases in the offing, FRB’s Bill Martin hopes to discourage marginal borrowers who can put off their spending plans, thereby balk more inflation.”

President Eisenhower, despite opposition from his own economic advisers, approved the Federal Reserve Board’s action in raising discount rates.4

The Atlanta Bank went to 2 3/4%. In commenting generally on the situation on April 13, President Malcolm Bryan said he felt that there are some long run fundamental aspects in the United States that could blow up into a first— rate economic debate if we do not watch out. Two of these actors are consumer and mortgage credit. Debt ratios show that people are spending at a faster pace than their ability to pay is growing. A element of danger lies in the equity markets, where capital values hay; rising for some time. On the basis of long—term trends, the equity market appears to be about 35% over—valued. A market that gets too high does not easily correct itself by declining to a normal trend line, but, instead, saturates widely and create hardships in the process. The President asserted a fourth component of potential peril resided in the expansion of productive capacity. Should this growth outgrow that of population, a serious readjustment would probably be necessary.5

In addition to the above, the Federal Reserve is confronted with several basic facts, according to Mr. Bryan. Agriculture is experiencing a radical cost—price squeeze. Wholesale prices are advancing across the board, except for foods. In six months or so this price increase will probably be translated into an equal or greater upward adjustment in the level of consumer prices. In addition, the country is encountering an insatiable demand for credit; unemployment is negligible; radical upward adjustments in wages appear to be in the making, that, in turn, will exert still further pressure on prices; and finally capital issues are going into banks.

In view of the foregoing, the duty of the Federal Reserve Bank seems clear, Mr. Bryan said. It must have courage to act at the time developments are occurring, rather than to wait, even though by acting the System will be criticized severely from many sources. The President was doubtful as to what the action would accomplish, but pointed out that Director Branch had expressed the view that the rate increase would have a definite and positive impact upon the economy.⁶

President Bryan was an accurate prophet. Commented Time Magazine on June 4:⁷

“The Federal Reserve Board, as it has so often been in the past, was under bitter attack last week. The ruggedly independent agency, which in 1951 was roundly belabored as an “engine of inflation,” was now just as severely criticized as a boom toppling instrument of deflation largely because of its credit-tightening action. Amid the growing furor over credit, Texas Representative, Wright Patman called for a full-dress congressional investigation to find out if the Federal Reserve has pinched credit too tight...”

“There is no doubt that credit is tight-and getting tighter. Many banks are turning down loans that they would have gladly accepted last year. Unfortunately, the pinch is

harder on small than big businesses. But as FRI Chairman Martin points out, to be effective, credit controls must hurt.

What worries businessmen, whose memories of 1954's recession are still fresh, is that FRB's credit brakes might have too harsh an effect on the economy, curb the industrial expansion that is now taking up the slack left by the auto industry. But FRB is watching the situation closely, and is ready to change at the first real sign of trouble. With its many monetary tools, it does not necessarily have to make money cheaper by relaxing the discount rate in order to ease credit. It may simply expand the money supply by stepping up purchases of Government securities on the open market, or reducing member-bank reserve requirements. Economists look for the Federal Reserve to start easing credit again soon, possibly in June or early July.

That in fact, is what happened. After two months of seesaw argument and close study, the Federal Reserve Board took another sounding of the U. S. economy and gently started loosening its credit reins. In the biggest buying since March, FRB went quietly into the open market, added \$196 million to its holdings of Treasury bills (maturing in 90 to 92 days), thus released more banks funds for loans to business. As one result, the highly sensitive Treasury bill interest rate dropped from 2.77. to 2.6%.8

Nevertheless, the economy continued to build up steam. On September 3, Time again reported.9

"In the midst of unsurpassed prosperity money was scarcer in the U.S. last week than at any time since the depression. Major U. S. banks, struggling to meet the massive demands of business for plant expansion, increased the prime rate from 3 3/4% to 4%. By upping the price of money to the highest level it has reached in 23 years, bankers hoped to stretch available credit to satisfy the pyramiding requirements of established customers. Smaller businessmen will be paying at least 5% for loans,

while many companies that have not set up lines of credit may find they are unable to raise money at any price.”

“As anticipated the Federal Reserve Board in. midweek followed the commercial banks’ lead by authorizing five district banks (New York, Chicago, Philadelphia, Richmond, and Cleveland) to hike discount rates for the sixth time in 17 months. The rate is expected to reach a uniform 3% (up from 2 3/4%) this week,¹⁰ raising the bankers cost of burrowing to a 23-year high.”

“By boosting the price of money and keeping it scarce, the FRB hopes to steer the economy through the twin reefs of industrial overexpansion and wage-price inflation. The demand for loans is outstripping the supply because record levels of employment, wages, spending, business investment and construction are straining U. S. credit resources more heavily than they have been pressed since 1929 .

“Most bankers are confident that inflation can be pinched off without telling the boom. Says FRB Chairman William McChesney Martin, Jr.: ‘I have faith in the future of this country. The road ahead is clear. The only question is: Shall we be irresponsible and drive along that road at 90 m.p.h. with one hand on the wheel? Our recent action was one o of a series of moves indicating our faith in the economy, but warning some people not to go too fast.”

At about the same time Atlanta Bank President Malcolm Bryan said that he now believes that the last rate increase had some restraining influence. Nearly all banks report denying funds to marginal borrowers. In some cases bankers are reviewing the plans of their borrowers and insisting upon a reduction in the scope of expansion or the elimination of fringe items. Despite the reports and the fact of some restraint as a result of the System’s actions, Mr. Bryan stated that in view of the present situation the degree of restraint did not appear unwarranted.

Meanwhile the year 1956 saw a number of official personnel changes both in the Atlanta Bank and its Branches. During the course of the December 1955 Board meeting Director W. C. Bowman reported that, in accordance with procedure established September 8, 1950, the Executive Committee had given consideration to the appointment of Branch Directors to fill those vacancies that will occur as the result of expired terms and to fill the unexpired term of T. A. Davis. The following were appointed for 3 - year terms:12

Birmingham Branch

Appointee

Robert H. Cleckler, President

First National Bank of
Childersburg, Childersburg, Alabama

E. W. McLeod, President

The Morgan County National Bank
of Decatur, Decatur, Alabama

Succeeded

John. B. Barnett, Jr.

Frank H. Moody

Jacksonville Branch

Linton E. Allen, Chairman

First National Bank at Orlando
Orlando, Florida

W. E. Ellis, Chairman and President

Commercial Bank & Trust Company of
Ocala, Ocala, Florida

James C. Garner, President

Little River Bank & Trust Company
Miami, Florida

Frank W. Norris

J. Carlisle Rogers

T. A. Davis, Jr. Resigned

Nashville Branch

Stewart Campbell, President

James V. Sprouse

The Harpeth National Bank of
Franklin, Franklin, Tennessee

C. L. Wilson, President

T. R. Keys

The Cleveland National Bank
Cleveland, Tennessee

New Orleans Branch

H. A. Pharr, President

Keehn W. Berry

The First National Bank of Mobile
Mobile, Alabama

William J. Fischer, President

James T. Brown

Progressive Bank & Trust Company
New Orleans, Louisiana

At the same meeting Chairman Rufus C. Harris announced that William C. Carter, Chairman and President of Gulf National Bank, of Gulfport, Gulfport, Mississippi, had been elected by member banks in Group 2 as a Class A director of the Federal Reserve Bank of Atlanta to succeed Leslie R. Driver, and that the remember banks in Group 3 had re-elected Donald Corner, of Birmingham, as a Class B director. Each will serve a 3 - year term, beginning January 1, 1956.¹³

Officers elected for 1956, in addition to President Bryan and First Vice President Clark, were:

Harold T. Patterson, Vice President and General Counsel

John L. Liles, Jr., Vice President and Cashier

H. C. Frazer, Vice President, Birmingham

T. A. Lanford, Vice President, Jacksonville

R. E. Moody, Jr. Vice President, Nashville

H. L. Shaw, Vice President, New Orleans

V. K. Bowman, Vice President, Credits

Earle L. Rauber, Vice President and Director of Research

J. E. Denmark, Vice President, Examiner

S. P. Sehuessler, Vice President, Fiscal Agency

L. B. Raisty, Vice President, Special Assignment

J. E. McCorvey, Assistant Vice President, Head Office Fiscal

Charles T. Taylor, Assistant Vice President, Research

E. C. Rainey, Assistant Vice President, Birmingham

T. C. Clark, Assistant Vice President, Jacksonville

W. H. Sewell, Assistant Vice President, Nashville

R. M. Stephenson, Assistant Vice President, New Orleans

DeWitt Adams, General Auditor

Dowdell Brown, Jr. Assistant Vice President, Head Office, Loans and Discounts

Brown Rawlings, Assistant General Auditor

Fred I. Breck, Assistant Cashier, head Office

J. W. Snyder, Cashier, Jacksonville

L. Y. Chapman, Cashier, New Orleans

L. W. Starr, Cashier, Nashville

George W. Sheffer, Chief Examiner

F. H. Martin, Assistant Vice President, Head Office Accounting and Card Checks

I. H. Martin Assistant Vice President, Head Office
R. E. Milling Assistant Vice President, Head Office, Currency and Coin
Melvin McIlwain, Assistant Cashier, Birmingham
Um. A. Wailer, Assistant Cashier, Birmingham
C. Mason Ford, Assistant Cashier, Jacksonville
Stuart H. Magee, Assistant Cashier, Nashville
R. M. Junca, Assistant Cashier, New Orleans¹⁴

The first 1956 meeting of the Atlanta Board, held on January 13, was marked by deserved tributes to recently retired Chairman Rufus C. Harris, indeed, Dr. Harris, whose retirement became effective December 31, 1955, opened the meeting. He said:

“There only remains for me the assignment of calling this meeting to order and of presenting to you the new members of this Board, and my successor, your new chairman. But before making the presentations, I wish to take a moment to express my thanks to all of you, my associates on this Board; to the District, whose help, interest and friendship I have had in this assignment which has made it pleasant and worthwhile. My chief expressions of obligation, and there is much that I owe to many, should be addressed first to my predecessor, Frank H. Neely, from whom all of us draw so much inspiration and understanding; and then to the President of this Bank, Malcolm Bryan, whose unfailing loyalty and intelligence constitutes our largest bank asset. Indeed, that which I have chiefly sought to do has been to provide an operating Board of Directors worthy of his unusual leadership.”¹⁵

The former Chairman then introduced the new members on the Atlanta Board: William C. Carter, Chairman and President of the Gulf National Bank of Gulfport, Mississippi, H. G. Chalkleg, Jr., who is prominent in farming, cattle raising and rice growing in Louisiana, then the new Chairman of this Board, Walter M. Mitchell, who is

Southern Representative of the Draper Corporation. Mr. Mitchell is a vice president and director of his corporation. The new Chairman, Dr. Harris, continued, has identified himself with the fine movements in Atlanta's community life. Among other things, he is a past president of the Atlanta Rotary Club.16

At the conclusion of his remarks, the Directors rose in a standing ovation to Dr. Harris. He then turned the chair over to his successor, Mr. Mitchell.

Director Pollard Turman took the floor and expressed the feelings of the Directors, officers, and employees at the Bank. He lauded the retiring chairman and stated that Dr. Harris was already on the Atlanta Board, when he, Mr. Turman, was first employed by the Bank in 1939. In 1949, Dr. Harris was made deputy chairman. He also served with distinction as Chairman of the Board's salary and personnel committee. He has retired from the Board under the rotation system established by the Board of Governors.

Dr. Harris has a unique three-way approach to problems, said Director Turman. (1) He has a deep and sincere interest in those with whom he associates; (2) He approaches every problem with intelligence and basic "horse sense"; and (3) Dr. Harris displays a fine sense of humor about everything he does. These traits he skillfully applied to the problems of the Federal Reserve System. The members of the Board and others, Director Turman continued, have benefitted immeasurably from their association with the former chairman.

To the above remarks, Dr. Harris replied:

"Through the remarks of Mr. Turman each of you has been exceedingly generous and gracious in your words and actions of commendation regarding the nature of my service to the Atlanta Bank. To each of you who have heard these words and accept them, and to each one in the system who has worked with me for these many years I am profoundly grateful and feel greatly in your debt. A young lady

who attended and inbibed freely at a cocktail party told her hostess upon leaving, 'I feel a lot more like I do now than when I came in!' Her sentiment, if not her condition, represents so well my own sentiments here after these eighteen years of service at this Bank." 17

During the course of the same Board meeting (January) it was announced that Harlee Branch, Jr., had been appointed Deputy Chairman Atlanta Bank for 1956 by the Board of Governors. Also, Corner J. Kimball, Chairman of the Board of Directors of the First National Bank of Miami (Florida) was elected to represent the Sixth District on the Federal Advisory Council, succeeding Wallace H. Davis.18

Near the close of the meeting President Bryan discussed the fact that the position of assistant secretary of the Board of Directors has been used as a part of a training program for certain employees. He then asked that the Directors appoint Basil A. Wapensky, Assistant Secretary of the Board to succeed Assistant Vice President Dowdell Brown, Jr. After comment on the fine job done by Mr. Brown, Mr. Wapensky was named Assistant Secretary of the Board.19

At the February Board meeting it was announced that the Board of Governors had appointed two new Branch Directors. They were C. J. King, Jr., Vice President, King Lumber Industries, for New Orleans, and John E. Urguhart, President Woodward Iron Company, for Birmingham. Both were appointed for terms ending December 31, 1958.20

The same month, February, was marked by the retirement from the Industrial Advisory Committee, of John E. Sanford, a member since 1934. Mr. Sanford, President of the Armour Fertilizer Works, retired from that post and from business in 1955 and was thus ineligible for reappointment to the Committee under the provisions of the Federal Reserve Act.21

A notable retirement from the Atlanta Bank's staff took place as of August 31. David E. Moncrief, Assistant Federal Reserve Agent for 14 years, ended a career of 37 years with the Bank on that date. "Mr. Monty," as he was affectionately called, joined the Bank on January 15, 1919 as a clerk in the Federal Reserve Agent's Department. Five years later he became manager of the department's Research Division. In 1933 he was transferred to the Statistical Analysis Department (predecessor of the Research Department) where he was Division Manager and Editor of the Monthly Business Review. He had been Assistant Federal Reserve Agent since May 8, 1942.²²

Year's end was marked by the retirement of Alfred Bird Freeman, a Class B Director of the Bank since 1948 and President of the Louisiana Coca-Cola Bottling Company at New Orleans. A resolution honoring Mr. Freeman, and adopted on December 13, included the following paragraph:

"His associates on the Board of Directors as well as the officers of the Bank hold Mr. Freeman in high esteem. They have been inspired and have profited through contact with him. His comments reflected the thinking of a mature and wise man. No one needs more than a few moments with Mr. Freeman to appreciate the keenness and logic of his mind. It has been a pleasure to see how with great good humor and quiet dignity he could screen aside irrelevancies and lay base the real issues involved in complex problems. Mr. Freeman will be sorely missed.²³

At intervals throughout the year Director Pollard Turman, Chairman of the Salary and Personnel Committee of the Board made some informative reports to the Board concerning personnel.

In January he reported that as of January 1, there were 1326 officers and employees at the head office and branches combined. This was a decrease of three from a month ago. During this period, 20 new employees were hired, and 23 separations from service occurred. At an annual rate, the salary roll on January 1, 1956,

amounted to \$4,500,386, a net increase of \$54,840 from the December 1, 1955 level. The Bank increased salaries of 265 individuals--233 employees and 32 officers. The latter increases reflect the action taken by the Board of Directors in November of last year, which was subsequently approved by the Board of Governors. The action taken in November regarding employees was designed to bring salaries up to the requirements of the new minimum wage law, which goes into effect on March 1, and also to meet the prevailing community salary scales.24

The following month Turman reported that the employment situation is tight in Atlanta, as well as the Branch cities. The shortage is more acute for competent women clerical workas than it is for men. The Personnel Department is definitely experierencing difficulty in filling requirements of the Bank.25

In July he cited some figures depicting the growth of the Bank's work force over the years. As of July 1, 1956, the number was 1339, a year ago 1334, two years ago 1337, and five years back 1042. As to sex distribution, on July 1 of this year 39.3% of all employees at the five offices combined were male and 60.7% were female. This is a continuation of a trend that has been going on for some 15 to 20 years.26

At the same time First Vice President Clark informed the Directors that on July 1 two employees celebrated their 40th anniversary with the Bank. They were W. Earl Miller, Manager of the Accounting Department at the New Orleans Branch, and Leo H. Volker, of the Card Check Department of the head office. These are the first employees in the Bank's history, reported Mr. Clark, to attain this service record.27

During the November Board meeting Director Turman announced that the Bank had made two changes in its policy concerning the employment of women. These changes, which are described below, are intended to reduce turnover, provide a more stable staff, cut training costs, and increase the available pool of applicants:

1. Age Requirements-Heretofore young girls were employed almost exclusively for positions in operating departments. Hereafter, women up to age 40 will be hired if they are otherwise qualified for the job. This, of course, does not mean that young women will no longer be hired. Instead, it simply indicates that an elder woman will not be rejected deliberately on account of age.

2. Educational Requirement-Heretofore all clerical employees were required to have a high school education. From now on, however, an otherwise qualified woman will not be considered ineligible just because she does not possess a high school diploma. Again, this does not mean that women without high school diplomas will be sought deliberately. Rather, it means that a diploma will not be a mandatory requirement for employment at the Federal Reserve Bank of Atlanta.28

Other matters of significance to personnel arose during the year. Director Turman announced in January that because of favorable experience under the Aetna plan available to each employee would be increased from \$3000 to \$4000. The increased amount of coverage was made available to all employees who desired it regardless of size of salary.29

In March, First Vice President Clark commented upon and explained the Bank's Charity Parity Plan to the Directors. This plan was designed to eliminate the need for the many separate time consuming drives made throughout the Bank for the various worthwhile Charities under the Charity Parity Plan, employees would authorize the deduction of a fixed percentage from their pay checks to be distributed among the several charities. At an election held recently to adopt the plan, 70% of the officers and employees voted in favor of it. Clark expressed the hope that the percentage would soon be increased to 80 or 85%.30

After considerable discussion in early June the Atlanta Board voted to increase President Bryan's salary from \$30,000 to \$35,000 per year and that of First Vice

President Clark from \$22,000 to \$25,000. In addition to a feeling that the two officers salaries were out of line with the compensation being paid commercial bankers holding similar positions, the Board wanted to assure Mr. Bryan a retirement income of at least \$12,500 per year.³¹

Building construction activity during 1956 focused upon the Nashville and Birmingham Branches.

No actual construction work was done on the proposed Nashville Branch building during the year, although discussions, begun in April, culminated in approval by the Board of Governors of a low bid for a new building in a total amount of approximately \$2,835,000. This bid was submitted by the Southeastern Construction Company, a North Carolina Corporation.³²

Things moved along faster, in Birmingham. Steel was unloaded on the site in early May. Branch Director John Will Gay reported on June 8 that the Birmingham Directors "are highly elated over the progress being made." In September Adolph Wail, Sr., of the Birmingham Board noted that the underpinning was about 60% complete and the caisson work about 40% finished. The contractor has run into an unforeseen wafer and rock problem. Construction will be further delayed, said Mr. Vail, because the delivery date for some of the necessary steel has been moved up, from December to March.³³

A number of important operating matters came up for discussion by the Board during 1956.

In commenting on the Annual Report, President Bryan said, on February 10:

"The Bank has a definite policy regarding the Annual Report. For most years only a balance sheet is prepared; however, every four or five years a report is prepared in some detail covering the financial and economic developments in the south. This more elaborate report should be of interest to the Board of Directors, as well as to the general

public. The current report is largely devoted to a general economic review of the south over the last decade or two..."35

At the same meeting First Vice President Clark commented on armored car operations. He said that the amount of money so transported to and from the Atlanta Bank and Branches and member Branches and non-member Banks in 1954 amounted to \$1,474,554,000; in 1955 the total increased by 15% to \$1,700,632,000.

Calculated savings on shipments during 1954 amounted to around \$202, 000, and in 1955 to \$342,000, a gain of 69%. Mr. Clark pointed out that although it is impossible to determine exactly the amount of savings, quite an accurate and reliable estimate can be made. Savings represent the difference between payments made to armored car companies and the cost of shipping by mail and express. We served 359 banks in 1955, an increase of six over the 1954 number. In 1955 72% of the total dollar volume of shipments to and from out-of-town banks were made by armored car, in comparison to 66% in 1954. A considerable saving was effected through the use of armored car services in transferring \$132.3 million of surplus currency from the Jacksonville Branch to the remaining four offices.36

In order to achieve more efficient operation, the Post Office Deposit Unit, comprising nine employees and occupying 1200 square feet of space, was moved, in early March from the third floor to the portion of the space then occupied by the Personnel Department. The move placed the Post Office Unit adjacent to the Currency Department on the first floor and provided easy access between the two. It also permitted the discontinuance of one guard and made it possible for the officer In charge of the Currency Department to interchange the currency sorters of the two-departments.

The Personnel Department was moved to the third floor into space formerly used as a Conference Room and the Administrative Reference Section. The latter was relocated in the Service Department and on the first floor. The third-floor area from

which the Post Office Unit moved was converted to a Conference Room and space for Federal Reserve Examiners when making an examination of the Bank.37

During the course of his remarks at the May Board meeting President Bryan commented on the fact that various conflicting reports on the operation of the discount window, but that some banks are borrowing from the “Fed” on a more or less permanent basis and, in effect, are relying upon central bank credit as a substitute for equity capital—a delicate problem.38

Bryan elaborated the matter at the June meeting. In his mind, he said, among the important -factors to take into account are, (1) the Reserve Bank must not create the impression that the discount facilities are unavailable to member banks, and (2) nor must the feeling be created in the public mind that discounting is improper. Such an attitude, if developed, could cause profound difficulties, particularly during a general economic decline and might lead to disaster if the public looked upon a borrowing bank as one that is “broke”.

As a result, the President stated, he has taken a rather liberal attitude toward discounting. He cited several instances in which he thought that borrowing was improper. In one case, a banker borrowed to help underwrite a new government issue; in another Federal Reserve funds were -used to enable a bank to solicit business outside of its normal trade territory. On the other hand, there are definite legitimate needs for funds, and this Bank has not questioned such borrowers. Included in this category are loans for seasonal needs, loans to meet temporary reserve adjustments or to help banks experiencing deposit run—offs. Discounts for these purposes, the President. emphasized, were, in his judgement, entirely appropriate. He also thought that this Bank had an obligation to stand by member banks, regardless of the length of time involved, if there is clearly demonstrated a legitimate borrowing need.39

Another shipping innovation was gathering momentum in 1956. First Vice President Clark, at-the September Board meeting, stated that the Bank is always seeking more efficient methods of operation and less expensive ways to get work done.

Thus armored cars as a partial substitute for registered mail and express a number of years before.

In accordance with this general principle, about a year ago, the use of Greyhound buses was begun for transporting cash letters to a few member banks and to the Jacksonville Branch. Since then the head office and the Jacksonville Branch have expanded the operation with satisfactory results as to delivery and costs. Thus, during the first eight months of this year, the Jacksonville Branch alone enjoyed a saving of \$3842 by shipping cash letters by bus instead of by mail and express. The Branch ships cash letters to 18 banks in its zone. The Head Office is saving at an annual rate approximately \$5400 through the use of bus transportation. Annual savings for the two offices combined therefore amounts to nearly \$10,000. Clark emphasized that there is a narrow limit to the extension of this kind of service because bus schedules in most instances are not as good as those for mail and express, and also because of inadequate pickup service at most naval bus stations. In addition, some areas cannot be served at all by bus.⁴⁰

At year's end Mr. Clark, reporting to the Directors on December 13, presented some interesting growth figures, comparing 1956 with 1952.

Currency: A gain of 5.67% in volume. In 1952, 317,000,000 pieces of currency were handled. In 1956, 335,000,000.

Coin: In 1952 the Bank sorted and counted 404,434,000 units. In 1956, an estimate of 631,044,000, a gain of 64%.

Check Collection-City Checks: A gain of 22% Checks processed in 1952 totalled 24,000,000, against 30,000,000 in 1956. Dollar volume increased from \$24 to \$31 million.

Check Collections-Country Checks: A 30% increase in number of items and 48% in dollar amount--97,000,000 units compared with 127,000,000. Banks on the par list

had increased from 615 to 709.

Treasury Checks: A total of 47,000,000 were processed in 1952. In 1956, 57,000,000, representing a 12% gain.

Postal Money Orders: A total of 31,000,000 to 34,000,000,. In money volume, \$550 million to \$629 million.

U. S. Savings Bonds₁, Series E: In 1952 the Bank issued 2,400,000 savings bonds. In 1956, 4 million, a gain of 71% in volume.

General Comment: In all these volume operations, there has been a consistent growth year by year from 1952 through 1956. Generally speaking, we have been able to handles this increased volume with less than corresponding gains in number of man-hours and in number of employees. This implication for the future is that we will be called upon to provide personnel, equipment, and space for a steadily enlarging volume of operations.

At the present time we are operating in a relatively tight labor market, which means that we are experiencing an unusually high rate of turnover and time to time are having to operate on an overtime basis because of inadequate staffing and inadequate employee training. We are also running into difficulty in getting an adequate number of machines, particularly in check collection operations. These machines are produced for a limited market, and our orders for additional equipment must be made in the face of delayed deliveries, running as long as a year and a half.

Space requirements for our operations in Atlanta, Birmingham and Nashville go quite beyond the space actually available; and the situation will be achieved only when we can complete the building operations at these offices that are now contemplated or are under way.41

Total assets of the Federal Reserve Bank of Atlanta showed a slight decline, \$2,657,973,348 on December 31, 1956, compared to \$2,686,409,267 on December 31,

1955. Earnings for 1956, however, rose sharply-\$22,964,183 compared to \$14,416,253 for the preceding year.⁴²

During the course of a presentation in December on “Economic and Financial Developments in 1956,” Dr. Earle L. Rauber closed with the following:

“...Today we face a difficult problem. The crisis in the Middle—east (Suez) and throughout the world has not yet affected our economy. Whatever the immediate outcome, in the longer run spending of all funds is likely to increase because of the disturbed foreign situation. Our ability to produce goods and services will then be strained still further. Some persons, of course, believe that our economy has begun to slow down and that monetary policies designed to stimulate rather than to curb spending are now in order. The evidence for such a conclusion, however, is not clear. The taste of the Federal Reserve System in the present conjuncture seems, therefore, to be one of watchful waiting--allowing credit neither to expand beyond our ability to produce goods, or even to shrink to the point where our productive resources waste away in idleness. This is a difficult job and we shall heed all of our wisdom and more than our share of good luck to pull it off.”⁴³

Chapter 45

1. Life History of the United States, Vol. 12, p. 161.
2. Directors Minutes, 1956, pp. -16-17.
3. April 23, 1956, p. 102.
4. Time Magazine, May 7, 1956, p. 35.
5. Directors Minutes, 1956, p. 89.
6. Ibid., 89-90.
7. Page 97.
8. Time Magazine. June 11, 1956, p. 90.
9. Page 66.
10. The Board of Directors of the Atlanta Bank authorized the discount rate increase to 3% on September 14.
11. Directors Minutes,. 1956,-p. 163.
12. Ibid., 1955, pp. 177-178.
13. Ibid., 179.
14. Ibid., 183-183.
15. Ibid., 1956, p. 2.
16. Ibid., Mr. Mitchell was born in Cordale, Georgia, August 22, 1901 and graduated from Georgia Tech in 1923. He is active in both the American Cotton Manufacturers Association and the Cotton Manufacturers Association of Georgia.
17. Directors Minutes, 1956, p. 3.
18. Ibid., 5, 11.
19. Ibid., 17.
20. Ibid., 26.

21. Ibid., 42.
22. 6-F Messenger, September 1956, -p. 4.
23. Directors Minutes, 1956, p. 228.
24. Ibid., 11.
25. Ibid., 30.
26. Ibid., 137.
27. Ibid., 139.
28. Ibid., 199.
29. Ibid., 11.
30. Ibid., 61.
31. Ibid., 130, 148.
32. Ibid., 79, 140, 152, 156, 195, 202, 213.
33. Ibid., 110, 153; 6-F Messenger, June 1956, p. 11, August, p. 3.
34. Such a report was issued covering 1955 operations.
35. Directors Minutes, 1956, p. 45.
36. Ibid., 31-32.
37. Ibid., 61.
38. Ibid., 102.
39. Ibid., 126.
40. Ibid., 159.
41. Ibid., 216-219.
42. Annual Statement, February 1, 1957.
43. Directors Minutes, 1956, p. 230.

Chapter 46

- 1957 -

The world was catapulted into the “Space Age” in 1957 when Russia launched, first man-made satellite. Harold Macmillan succeeded Anthony Eden as British prime minister; racial riots occurred in Little Rock, Arkansas; the Civil Rights Act provided for federal regulation of voting; President Eisenhower extended the “Truman Doctrine” to the Middle East, and the AFLCIO expelled the Teamsters for comoption.1

The year likewise saw the beginnings of a recession, which extented into 1958. Indeed, as the year began, President Bryan commented on the economic situation and monetary policy at the January Board meeting in Atlanta.

He first discussed a proposal for the establishment of a National Monetary Commission, pointing out that the Administration very likely will support such a measure and, in fact is preparing a bill that would allow the President of the United States to appoint nine members to such a commission. Bryan expressed the hope that the commission members would include distinguished and outstanding citizens.2

The last time the United States saw a monetary, commission in action was in the first decade of this century. The results of the labors of that commission formed the basis for drafting the Federal Reserve System Into being. Such a commission, if created, would hold extensive hearings covering the whole problem of monetary policy, a mondate for the Federal Reserve, the relationship and control of our banking system as opposed to that of the savings and loan association, the entry of insurance companies into the capital markets, and so on. Bryan felt that an orderly hearing on the entire subject is important for the nation today.

The area of monetary policy and the structure of American Financial institutions are now more and more in the public eye. Without a monetary commission to review and investigate the matter from a broad point of view, we would more likely get erratic and piece-meal legislation.³

President Bryan then discussed the present economic situation and the related and extremely difficult policy problems confronting the system. There is considerable evidence that the current boom may be coming to a turning point and an end. Several industries have excess capacity now and others are approaching that point. In addition, American business in general is in a highly illiquid position; liquidity in the banking system too has deteriorated noticeably. These factors may betoken an end to the boom in, perhaps, another six to eight months. On the other hand, the economic outlook is clouded by the fact that for every bad sign apparent one can find another that seems to have an equal or greater weight on the side of continuing boom. Despite signs presaging a slowdown in the future, the immediate outlook is inflationary. Thus, labor is in short supply; by and large the capital goods boom is continuing; a fantastic amount of State and municipal issues are flowing onto the market; and inflationary pressures generated by the wage-price spiral started last summer still exist.

The immediate outlook then, Bryan emphasized, is for continuing pressure upon the economy, with activity at capacity levels generally. The problem boils down simply to this: "how should the Federal Reserve deal with the situation?" This is a great problem, both from the point of view of the philosophy of approach as well as the perils of economic prediction, one concludes that the System should operate on the basis of what it actually sees now, rather than on the basis of what it thinks the future will bring. Applying this principle, it is clear that the Federal Reserve cannot afford to relax in the face of existing inflationary pressures.

The whole problem of policy now, indeed, is whether the restraint on the economy

today is sufficient to prevent the price level from rising further, Bryan said. This is a difficult question to answer, and one that is complicated by the fact that the capital markets are nervous, so much so that the Federal Reserve could easily create a panicky situation if it is not extremely careful in the course it chooses to follow. The difficulty is compounded further by the lagged effects of monetary policy and by the fact that the first impact of monetary policy is on the Government, a primary, large, and necessitous borrower.

The President stated he did not know what the outcome of all this would be. He hoped that the Directors at both the head office and the branches would be extremely alert and call attention to factors that may be of significance in this time of crisis. He cautioned that the situation could change radically and quickly, and that judgment cannot be based entirely on statistics, which always reflect past history. The system needs help in the present situation, including up-to-date observations on the drift and direction in which the economy is moving. Concluding, the President said he personally could not see his way clear to relaxing credit policy at this time.⁴

Coincidentally Time Magazine commented on the problem under the heading "A Call for a 'Broad National Inquiry'".⁵

"The time has come to conduct a broad national inquiry into the nature, performance, and adequacy of our financial system." Thus, in his State of the Union message last week, President Dwight D. Eisenhower formally approved an increasingly debated project: a sweeping study of the nation's complex financial system - something along the lines of the Aldrich inquiries of 1908, which led to the formation of the Federal Reserve System.

"The immediate reason for such a study is the rising chorus of complaints about FRB's tight credit policy. The Administration itself is becoming increasingly worried over apparent inequities in the tight-money policy, fears that the credit pinch may hurt

housing and small business too much without putting enough pressure on big business. Bankers, business men and economists alike think an inquiry is long overdue, not only into FRB's present policies but into the whole U. S. financial system, public and private. Members of the American Bankers Association and such experts as Alton Sproul, retired president of the Federal Reserve Bank of New York, have recently called for a study. A month ago an advisory panel of bankers and economists to the Senate Banking Committee backed the idea. Last week Texas Representative, Wright Patman introduced a resolution into Congress calling for a sweeping look at the whole credit problem."

"The basic question is whether drastic changes should be made in the methods used by FRB to control credit to match drastic changes that have taken place over the years in the U. S. financial system. When the Federal Reserve was first set up in 1913, it was envisioned as a central bank to provide the nations main money supply and credit control. Since then, through the Federal Reserves member banks have amassed assets of \$176 billion, so many other financial institutions have grown up that there is an enormous pool of lend-able funds outside the Reserve's jurisdiction. Non-member commercial banks control assets of \$31 billion, while life insurance firms and savings and loan associations have \$135 billion to lend or invest as they choose. In addition, some 20 Government agencies, from the Veterans Administration to the Small Business Administration, have taken on important financial duties independent of the FRB. As a result, some economists fear that the nation's many credit operations are not well enough controlled or coordinated, could get out of hand and form the boom into a disastrous bust..."

"Actually, the strongest reason for studying the U. S. financial system in 1957 is that on the whole it is working so well. Despite complaints over tight credit, FRB feels that its controls are leveling off the boom to the point where credit will ease, possibly

within the next six months. Thus, instead of the usual pattern of crash investigations and crisis changes, the study could progress at a careful pace, with plenty of time to make any changes needed to strengthen the system for the future.”

Inflation continued. In June, President Malcolm Bryan, during the course of his remarks to the Board, said:

“The Federal Reserve System is in difficulty. It is the only instrumentality of the Government fighting inflation, and it is waging a losing battle. The value of the dollar has fallen off four per cent in the past twelve months. This is having a dangerous effect on the confidence of the American people, and may be stimulating the rush of manufacturers to invest in plant and equipment. Building costs have risen at a rate of six per cent compounded annually, since 1946. Thus, one who obtains money at five per cent to guild has a net negative interest cost. This cannot go on for any length of time. The cost of borrowing is going up, and banks seem to be policing their loans in a reasonable manner. Money is not being eased. One thing that might be accomplished by making it even tighter would be to disastrously embarrass the principal borrower - the Treasury. Thus, it seems that nothing more can be done effectively in the field of monetary restraint. With corporate and Treasury issues scheduled during the summer further restraint would cause a convulsion in the economy and the the Reserve System would be compelled to supply credit, thereby losing control.”⁶

Report Time Magazine on August

12:

“To many businessmen, worried about soft spots in the economy. The nation’s bankers last week gave solid reassurance of the continued strength of the boom. The demand for credit for expansion of all kinds is still so great - and money so tight - that Manhattan’s Bankers Trust Company boosted its prime rate for loans from 4% to 4½%. Banks around the country soon followed. Two days later the Federal

Reserve Board approved a boost in the discount rate by four of its twelve distinct banks from 3% to 3½%. The new Fed rates, highest since 1933, were designed to bring the Fed's scale more in line with commercial loan rates and to discourage bankers from borrowing from the Fed to increase their loans to clamoring private borrowers."

"The Fed had hoped to put off its increase. The seventh since April, 1955 (when the rate was 1½%) until fall to make it easier for the Treasury to refinance the \$8.1 billion debt coming due in September and October. But the increase in prime rates, plus the fact that borrowings from the Federal Reserve System had soared from \$553 million to \$1 billion in one week forced the Fed's hand. This seemed solid evidence to the Federal Reserve Board that the real danger is still inflation - and the boom still has plenty of steam in it..."

Later in the year the Fed reversed itself. Reported Time on November 25: "After 2½% years of tramping hard on the nation's credit brakes, the Federal Reserve Banks last week lifted its foot. FRB Chairman William McChesney Martin Jr., and his board approved a cut in the discount rate from 3½% to 3% by Federal Reserve Banks in New York, Richmond, Atlanta, and St. Louis. The remaining eight districts were expected to follow soon. Next day the stock market reversed: its bearish decline of recent weeks and U. S. businessmen everywhere breathed a sigh of relief."

"Under different circumstances the Federal Reserve might have chosen some less spectacular method, such as open-market operations to increase bank reserves and ease credit. It chose a hot cut in the rates it charges member banks on loans as a dramatic signal to businessmen that it has changed its policy. The increasing worry of

economists is not the state of business which has formed clamorously sour in recent months...”

At year’s-end, the same magazine, discussing, “Business in 1957, said:

“Across the U. S., 1957 will be remembered as the year with the dip at the end.”

“After racing ahead at close to 100% for much of 1957, production of all manufacturing industries dipped to 82% of total capacity. Between August and November, production measured on the Federal Reserve index dropped six points to 139. Steel skidded to less than 70% of capacity, though total production estimated at 113 million tons for the year, almost matched boom year 1956.”

“Oilmen, grumbling about refinery stocks of 437 million bbl., one of the highest early winter surpluses in history, chopped back production 5%. Appliances, autos, machine tools all felt a slowdown. Private housing starts dropped 10% to less than 1,000,000 new houses. For the first time since 1947. And, as freight-car loadings fell 16% at year’s end, railroads were in such a fever to cut rising costs and bolster sagging profits that the Pennsylvania and the New York Central, giants of the industry, talked longingly of merger.”

“Around the nation, there was a sprinkling of layoffs and forced ‘vacations;’ Chrysler shut down major plants for the years last two weeks, laid off some 60,000 workers. Ford another 35,000. As the jobless rose to about 3,700,000 in December (2,500,000 in December 1956), economists speculated that unemployment might hit 4,500,000 by mid-winter...”

“The flight path ahead is clear. Yet the U. S. economy, like the first missiles themselves, may experience some failures and disappointments before it gets on the upward track again. For many companies, the initial months of 1958 may produce sharp production cuts, painful layoffs and lower profits. But if the fall is sharp, the bounce back

may be even faster. For better or for worse, defense spending will quickly provide new thrust for the lagging business pace. Beyond, there is the many-sided U. S. economy, in which a fall .in one industry is often balanced by a rise in another. Autos may slump next year, but the enormous highway programs, which started slowly in 1957, will pick up momentum, producing new demands for men, machines, and materials in 1958. Railroads are down, but housing has already had its recession and since it was on the way up at year s end, should pick up some more next year. Overlaying all, there is the mighty U. S. populace, whose growth is estimated at the rate of about 2,000,000 new consumers each year, and whose appetite, even in the record year with the dip at the end, knew no bounds.”7

As in all previous years, 1957 brought a number of official changes to the Atlanta Bank and its branches.

New Branch Directors taking office on January 1, were:

Birmingham:

John R. Downing, Brewton, Executive Vice President
Citizens & Farmers Merchants Bank, succeeding John
Will Gay, of Scottsboro

Nashville:

Jo. H. Anderson, Knoxville, President Parte
National Bank, succeeding W. E. Tomhinson, of
Johnson City.

New. Orleans:

J. Spencer Jones, Hammond, La., Executive Vice President, the Citizens National Bank
in Hammond, succeeding Leon J. Minvielle, of New Ikenia.8

At the same time William A. Waller, Jr., whose promotion from Assistant Cashier to Cashier at the Birmingham Branch took effect.9

“On March 1 Dean S. Poden, Board Chairman, King Hardware Company was appointed as a member of the Industrial Advisory Committee, succeeding I. C. Mimer, who had recently retired from business.10 In October the By-Laws of the Bank were amended so as to continue the Industrial Advisory Committee as a committee of three members rather than five, but for the present it was to continue as a four-member committee until the death or disqualification of any one of its members, after which it would be limited to three.”

The Federal Open Market Committee, commencing March 1, 1957, was comprised of Malcolm Bryan as member and Watrous H. Irons, President of the Federal Reserve Bank of Dallas, as alternate member.12

During the March meeting of the Board, First Vice President Clark explained that the creation of a new Methods and Systems Department had resulted in a number of personnel shifts and that one had been the transfer of Basis A. Wapensky to the Bank and Public Service Department to fill a vacancy created there. In view, of this and because of a Board policy to use the position of Assistant Secretary for training purposes, Clarke recommended that Wapensky be relieved of his duties as Assistant Secretary and that George H. Hibbert, Assistant to Counsel, be appointed to the position. It was so voted.13

Effective July 1, Theodore (“Ted”) Walter, connected with the Bank since 1950 and until recently Manager of the Fiscal Agency Department, was promoted to the rank of Assistant Cashier.14

A notable retirement of the year was that of V. K. Bowman, whose service to the Bank extended back to 1918.

At the Board meeting on December 13, after calling upon the Directors to pose for

photographs, Chairman Walter Mitchell announced that Vice President V. K. Bowman was about to retire after 39 years service.

Director Pollard Turman mentioned that he had worked with Mr. Bowman on Section 136 loans and V-loans during the war, forming a close attachment. He extended his best wishes. First Vice President Clark said that he had worked with Mr. Bowman for more than 39 years and had come to value his opinions and suggestions highly. Mr. Bowman's expressions "What's the trouble?" and "How can I help?" were always welcome. Mr. Clark regarded him as a personal friend as well as an officer and associate and wished him a long and happy retirement. President Byran said that Mr. Bowman was a man of rare distinction who was always cooperative. Director Carter related how in 1932, as the assistant cashier and credit officer of a small Florida bank, he had taken his vacation to come to Atlanta to confer with Mr. Bowman and had spent 10 days with him. Director Carter said that he had the highest respect for Mr. Bowman, now as then. Vice President Bowman responded, stating that his 39 years with the Bank had been years of study and learning. Although he was the only "Yankee"¹⁵ in the Bank in 1918, he was pleased with his reception and was glad to consider that all of the directors and officers and employees of the bank were his friends.¹⁶

Death struck three times during the year and removed two retired officers and a retired director.

Edwin R. Harrison, former Assistant Vice President at the Nashville Branch, died May 5. "Uncle Ed," as many called him, began his banking career in 1905 as a runner for the American National Bank of Nashville. He affiliated with the Federal Reserve in the same city in 1928.¹⁷

Alfred Bird Freeman, of New Orleans, until recently a director, died on November 3, while, on Thanksgiving morning, November 28, Maximilian B. Well-born, the Bank's first Chairman of the Board and Federal Reserve Agent, later Covenor, died at the

advanced age of 95.19

A number of matters of importance concerning personnel came up for attention during the year. At its beginning a report by Salary and Personnel Committee Chairman Pollard Turman disclosed the following statistics:

Officers and employees at the five offices numbered 1334 on January 1, 1957, a decrease of five from the previous month. Presently there are 575 at the head office, 165 at the Birmingham Branch, 247 at Jacksonville, 132 at Nashville and 215 at New Orleans; During the month 184 salary increases were granted, amounting to a total .of \$40,700.00. Also during that period, 26 employees were hired and 31 separations from service occurred. Turman also called attention to the 26.7% turnover rate for the head office for 1956. This compared favorably with a rate of 22.8% for 1955 and with the comparable 1956 rates for the leading Atlanta banks.20

A new schedule of fees for Atlanta directors was inaugurated on January 11, when the fee was raised from \$50 to \$75 and the subsistence allowance from \$15 to \$20 per day for directors coming from a distance. The fee for Branch directors was raised from \$30 to \$50 for regular Branch meetings and \$75 when attending a meeting of the present bank or an officially called meeting in Washington. Subsistence allowance the same as for Atlanta directors.21

In July the Bank's retirement system was liberalized after a thorough study by a firm of consultants, Industrial Relations Counselors Service, Inc. President Bryan summarized:

"The proposed plan (it was approved July 12) would require no contribution by employee on the first \$4200 of their salaries. This would include about 80%. of this Bank's employees. On salary amounts above \$4200, the employee would make a 4% contribution. The benefits will not be substantially changed. An employee at age 65 and having 30 years service, should obtain about 50% of his salary. Benefits for lower

salaries employees on retirement will run up to about 55%, while benefits for higher employees may be only 40% of their salaries. To put the plan into effect this Bank must agree to increase its contributions for current employment from 7.07% to approximately 9.2% of the annual payroll, according to the actuary's calculations based upon current experience. This will amount to an additional current contribution of approximately \$107,000.00 per year. Also, \$410,380.00 will be required in a lump sum to take care of accrued liability for past services. "22

Salary schedules also came up for consideration during 1957. On September 13, Director Turman stated that the Executive Committee felt that, because of the increased cost of living during the past two years (5.5%), and especially because the non-official salaries in the Bank are impinging upon the official salary grades should be changed and the following classifications be adopted in hew thereof:

	Present Minimum and Maximum	Proposed Minimum and Maximum
Group A	\$12,000 to 20,000	\$13,000 to 22,500
Group B	\$10,000 to 15,000	\$11,000 to 17,500
Group C	\$ 8,500 to 12,750	\$ 9,000 to 12,000
Group D	\$ 7,000 to 10,000	\$ 8,000 to 12,000

A month later the Executive Committee approved the above scale with minor upward changes:

Group A	\$14,000 to \$22,500
Group B	\$12,000 to \$18,000
Group C	\$10,000 to \$15,000
Group D	\$ 8,000 to \$12,000 <u>23</u>

Salary scales for employees received attention also. Minimum and maximum grades of job classification were increased effective December 2 which provided for a

9.5% increase in maximum salaries.24

On September 13, along with the proposal for new official salary scales, a new official position was created and two officers were promoted, all to be effective January 1, 1958.

The new position, to be known as "Director of Personnel," as placed in Group C of the official salary structure. Edgar M. Vallette was promoted from Manager of Personnel to Director of Personnel.

The two promotions involved J.E. Mc Carvey and Brown R. Rawlings. The former was advanced from Assistant Vice President to Vice President, from Group B to Group A; the latter from Assistant Cashier to Assistant Vice President. Group C to Group B.25

The twin subjects of membership in the Federal Reserve System and bank and public relations came up for air in 1957.

At the January Board meeting, President Bryan noted that in the past the Directors have queried him as to why there were not more member banks in the Sixth District. According to the record, only one-third of the banks in the District are members of the Federal Reserve System. The President referred to material he had accumulated on the subject including the history of the System, and information on the probable mistakes made by the Atlanta and other Reserve Banks, action upon orders of the Board of Governors to conduct a "holy war" to increase membership and bring about a universal par clearance system. Memories are a long time getting over violence and intimidation employed during the System's early years to attain those goals.26

Between the January and February meetings, Bryan mailed a report entitled "Problems of System Membership in the Sixth Federal Reserve District" to each Director. It was largely a statement of the historical events leading up to the present day situation. It elicited much discussion at the February meeting.

Director William C. Carter said he was amazed at the poor public relations policy

followed by the bank and the system in the early years. He has felt for some time now that the system should expand or improve its public relations program in order to increase membership. He suggested the institution of a campaign to this end. One step, he thought would be to allow member banks to count vault cash as a part of their legal reserve requirements.

President Bryan agreed generally with the above comments, but stated that many of the ways to make the system more attractive to non-member banks would require legislation. The Atlanta Bank for years has tried with little or no success almost every device known to encourage membership.

Bryan then discussed why he personally would want to be a member of the Federal Reserve System, even at the cost of some money and the inconvenience of filling out reports and the like. These costs should be regarded as insurance premiums because of the fact that the Federal Reserve System is the only agency in the Nation that can turn non-cash assets into cash. History has repeatedly demonstrated the need for precisely this service. When times are good city correspondents can satisfy the need of the county banks approximately as well as the Federal Reserve can. It is when times are bad that the insurance factor comes to the rescue of banks. A second reason for joining the system is related to bank failures. While the record of member bank failures is bad enough, it is far worse for non-member banks. And a third reason for system membership is that large national accounts generally insist on doing business with member banks. Thus, a banker has a far better chance of getting the deposit of a big national concern if his bank is a member of the Federal Reserve System. Moreover, studies have clearly indicated that the growth of member banks has been substantially greater than that of non-member banks throughout the country.

Commenting on the question raised by Director Carter, President Bryan agreed that vault cash should be considered as a part of legal reserves. Non-member banks have an advantage in this respect over member banks, in that they can count not only vault cash but balances on deposit with their correspondents as well. Thus, non-member banks get a two-way coverage in so far as correspondent balances are concerned in that their deposits serve as a part of their legal reserves and at the same time the deposits are used as clearing accounts. A member bank, on the other hand, might well be required to maintain two balances - one at the Federal Reserve and another with a correspondent for the purpose of clearing non-par items. The President concurred in the views expressed by Director Carter that correspondent banks are rapidly reaching the point where they will not be able to take care of the needs of their non-member correspondents. This will be especially true, of course, during a period of readjustment, in which case a city bank might be in as much trouble as its country correspondent.

Director Adams indicated that his bank joined the system in part because of the insurance feature mentioned by Mr. Bryan, and also because of the prestige attached to membership. Unfortunately, many members did not open after the depression. Then, even the Federal Reserve Bank was hamstrung in regard to its lending ability. Today the system can lend against any assets a bank has, thereby strengthening the argument and reason for membership.

Bryan then discussed his views regarding the use of the discount window of the Federal Reserve Bank of Atlanta. So long as he is president he will do everything possible to keep open the doors of any member bank that is reasonably well run. Referring to the comments by the Federal Reserve Bank Examiner regarding the alleged lenient lending policy, the President said that in the past few years he has admonished four banks for using improperly the resources of the Federal Reserve Bank

of Atlanta. He emphasized that he has not, and does not want to throw a scare into member banks by asserting that the use of the discount window is something immoral. To do so might under certain circumstances, precipitate a run on borrowing banks. Consequently, he has run the discount window with considerable leniency. The President went on to say that the present economic situation monetary policy has first impact on government securities. If a reserve bank refuses to lend, it forces member banks to take huge losses in their government portfolios at a time when we are saying that the banks need more capital. The use of the discount window, of course, can be abused. He cited a couple of cases of continuous borrowers, who were substituting Federal Reserve credit for equity capital.

Jacksonville Branch Manager Linton E. Allen thought that Mr. Bryan's remarks should be brought to the attention of the banks in those states where the growth of non-member banks is great and where simultaneously the potential hazards facing such banks are not too apparent. President Bryan replied that this actually was being done every time an officer of the Federal Reserve Bank has an opportunity to talk with non-member bankers.

The April Board meeting produced quite a discussion relative to bank and public relations.

Chairman Mitchell read a statement from the March Report of Operations telling about a System Conference on bank and public information. "It was apparent," he read, "that the bank relations and public information programs varied substantially from bank to bank, with possibly New York and Atlanta at either extreme." He asked which extreme Atlanta represented.

This led to an extended discussion of the Bank's public relations program, in which the following views, in substance, were expressed:

First Vice President Clark stated that the Bank's present practice is to visit a

commercial bank if for any reason a visit is desirable, or on any special occasion. Visits are made at bank openings, or when banks move into new quarters, or when it is necessary to confer with a bank's management about discounts or supervisory matters. The Federal Reserve Bank of New York has six employees continuously visiting commercial banks. Atlanta has done this in the past to some extent. The visits were sometimes will received and sometimes not. While calls may create good will, they also take up the banker's time. The Bank is still visiting member banks, but is not conducting a definite program of visitation.

Several of the Directors expressed the view that the Bank's public relations with other banks should be improved. Director Carter felt that the Bank should employ three or four people full time to call on member and non-member banks. These calls should be made with the motive of being helpful to the banks, especially non-member banks. Other Directors pointed out that personal contacts, were invaluable and more effective than letters of telephone calls.

Director Turman said that visiting to improve relations should be done by the top officers of the Bank, since they have authority to act.

Director Chalkley suggested that the Directors and Branch Directors should also make more frequent calls upon banks. Some of the Branch Directors present favored this, stating that they would welcome such an opportunity to show interest in the smaller banks. Other Branch Directors present felt that the relations with bankers could be improved by inviting bankers to the Branches to obtain their suggestions for greater cooperation and to achieve further understanding.

Subjects that might be discussed during personal calls included ways in which the Federal Reserve could help improve the operations of a commercial bank, and methods of making service charges on accounts instead of exchange charges. Others pointed out that the calls would tend to improve also the relationships of the caller's own

business, and would offer an opportunity to “sell” this Bank’s warmth and interest.

Several Directors felt that the chief purpose was to reach not only the banks, but also a broader segment of the public; and to supply information on the System’s functions. Vice President Rauber mentioned that it was necessary to create public support for the System’s function of monetary control. In the field of public information, he said the Bank cultivates relations with professors and students of banking and economics in the schools, colleges, and universities by supplying material, making talks, and taking part in seminars. Bank officers make speeches to civic groups whenever possible; President Bryan’s speech to the Atlanta Rotary Club on obtaining support of public opinion for Federal Reserve policy was recalled.

First Vice President Clark pointed out that the Bank supplies films to public groups and schools, and also sends its currency exhibit to any member bank requesting it.

Director Chalkley mentioned that he had given a copy of the Board’s Consumer Installment Credit study to a banker who had asked for information on the subject. The Chairman said there was probably someone in every bank who would be interested in this study. It was also suggested that the Bank might inform its member banks as to proposed changes in banking laws.

Several of the Directors mentioned the success of the agricultural conferences in providing helpful information to the banks. The Bank also sends representatives to most conventions and group meetings of bankers.

In view of the discussion, Chairman Mitchell requested that the Directors hear a short report of the activities of the bank and public services department at a later meeting. He also suggested, subject to the objection of any Director, that he should appoint a three-man committee to consider the matter of improving the Bank’s public relations.²⁸ There were no objections.

The discussion was continued at the May meeting:

Chairman Mitechell presented Vice President Lloyd B. Raisty, who submitted a written report on the Federal Reserve Bank of Atlanta's activities in bank relations and public services, and also summarized the principal points of the report orally.

As a central banking mechanism, the Federal Reserve System has several objectives in its relations with banks and the public: (1) to bring about public understanding of its role in the economy; (2) to keep the System informed of the attitudes of the public; (3) to acquaint, bankers with its services; and (4) to clear up misunderstandings of the System's policy.

The emphasis of the program is primarily on bank visits, film showings, currency exhibits, and public information through the Research Department. The Bank has two monthly publications, maintains a research library, answers inquiries for information, and sends out speakers with their expenses paid.

Bank visits have been in the program for a long time. Visits by special representatives, by officers, and by Branch Directors have been tried in an attempt to work out the best method of conducting the program. During World War II no bank visits were made. After the war, the program was re-established and visits were made to each bank in the District. In 1953-54 the Board of Governors asked for a review of the Bank's budget for these expenses. The management of this Bank was dissatisfied with the results of routine visits made on a schedule, with the visitor stopping for a few minutes and then moving on to the next bank. This was not producing results. The program was shifted to visits only with a special purpose in view, such as a discussion of check collection problems, going on the par list, membership procedures, reserve balances, and shipment of checks by but; Commercial bankers usually want to see senior officers; special representatives were often criticized as being bank employees having nothing else to do.

The following tabulation shows the recent history of the bank visitation program:

<u>Fiscal Year</u>	<u>Number of Banks</u>
July 1, 1956 through	
March 31, 1957	392
June 30, 1956	477
June 30, 1955	263
June 30, 1954	500
June 30, 1953	732
June 30, 1952	1,217
June 30, 1951	1,232
June 30, 1950	1,469
June 30, 1949	1,563

Mr. Raisty pointed out that all banks are not eligible for membership or the par list. In 1949 there were 351 member banks in this District; now there are 392 member banks. The fact that membership has increased in each year since 1949 indicates that the bank relations problem is not being neglected. Factors other than personal relationship often deter banks from seeking membership; such as additional regulation and loss of exchange charges. The Federal Reserve Bank of San Francisco makes fewer visits than this Bank does; most of the other banks do visit more than we do.

In 1956 this Bank's officers made 174 speeches to an estimated total of 16,176 people. Atlanta is almost at the top of the list in this field. Also, in 1956 Bank representatives attended 356 different meetings of hankers, at which a total of 79,00 other bankers were present. This Bank has \$10,000 in its budget for the support of the farm credit programs, and Atlanta is the only bank sharing such costs. Atlanta ranges near the top in supplying films that deal with what the System is doing. There were 44

showings in April. The Bank has 38 prints and 14 different titles. Sixty-one bank tours were conducted in 1956 for a total of 1,240 guests. There were 10 tours conducted last month for 176 students. Georgia Railroad Bank & Trust Company of Augusta, Georgia, sent all of its employees on a tour of the Bank when that bank observed a State holiday. The currency exhibit shows the history of the United States currency, is set up in twenty frames, and is valued at \$4,000.00. It is now being displayed in a public school. Not all Reserve Banks have such an exhibit. The reference library is available to bankers and students. The Monthly Review has a current circulation of 9,500, and the Bankers' Farm Bulletin a circulation of 2, 700 copies per month.

The Bank's educational and information service supplies 136 professors and 23 colleges with publications of other Federal Reserve Banks, and the Board of Governors sends them the Federal Reserve Bulletin.

Using salary expenses for public information and bank relations functions, last year Atlanta's amount of \$158,000 was considerably less than New York's amount of \$817,000. However, the St. Louis, Minnesota, and Dallas banks spent less than this Bank did. The other Reserve Banks are doing much the same as this Bank, some having unique features; San Francisco conducts central banking seminars; Boston holds annual stockholders' meetings; New York employs a staff for visitations, seven of whom make calls and eight are service representatives, giving technical advice. This latter program was tried by this Bank, but was dropped when the larger banks criticized it as competing with services they provide.

Mr. Raisty's conclusion was that the program as presently conducted was reasonably effective within the limits of the appraisals by the Board of Governors and this Bank.

BANK RELATIONS

STUDY COMMITTEE:

Chairman Mitchell stated that he had appointed a Bank Relations Study Committee, consisting of

Harllee Branch, Jr.	Chairman
Wm. C. Carter	
Roland L. Adams	

And instructed them to make a study of bank relations and report back at their convenience. Director Branch accepted this appointment, and said that the study would require considerable contact with the Bank's officers. Because of his previous commitments and the absence of Director Adams, it would be early Fall before the Committee could begin its study.29

On the same general subject, the Board, at its November meeting, referred to a discussion at the joint meeting of the Board of Governors and the presidents of the Federal Reserve Banks on October 1, 1957 concerning expenditures by the Federal Reserve Banks for membership dues.

Chairman Martin and the Board felt that some of these dues, such as for membership in Rotary Kiwanis, and similar service organizations, were not appropriate for the Federal Reserve Banks. Director Adams said that this statement, coming at a time when the system was seeking better public relations, was a blow to that program. Mr. Patterson, the Secretary, said that the matter had been considered by the Executive Committee in May and that the Committee had submitted a strong statement in support of such expenditures. Director Bowman said that his own bank paid civic club dues for many of its officers and employees, finding that these clubs stimulated civic interest and good citizenship. Director Branch moved that the Chairman write a letter to the Board of Governors stating that this Bank would abide by whatever ruling the Board reached but questioning the wisdom of curtailing expenditures for service club dues and

expressing the hope that the Board would revise its views. It was recommended that the matter be put on the agenda of the Chairman's Conference in December.30

During the course of the Conference Chairman Martin raised the question. He pointed out that the amount involved was not great, but the question was one of propriety.

In the discussion Atlanta Chairman Mitchell expressed his view that it was a step backwards to lose these contracts with the business community and that the Federal Reserve Banks should take a more active part in the business community than the Post Office does for instance. All but one present were in favor of a judicious use of service club memberships, though the Conference was unanimously opposed to the Reserve Banks making any contribution. It was the view of the Board of Governors that Federal Reserve Banks may continue to make expenditures for civic and service clubs dues so long as each Bank's Board of Directors finds that such payments are worthwhile.31

The Bank's two principal construction projects of the year, an addition to the Birmingham Branch and a new building for the Nashville Branch, went forward, though in the case of the former, haltingly.

During the early part of the year foundation problems, water and weather caused a loss in construction time at Birmingham, plus additional expense of \$40,000.00. By summer structural steel was in place. Then, in the fall, an unauthorized strike of the construction trades for new labor contracts further delayed matters. The largest date for completion, late 1958, remained uncertain.32

Progress at Nashville was less checkered and proceeded steadily to a target date of late 1958.33

Meanwhile, studies were being made as to the adequacy of the Atlanta headquarters. As in the past, they were being outgrown.

At the February Board meeting President Bryan noted that Mr. Persina, the Board

of Governor's consulting architect, as well as the Board's Division of Bank Operations, have both indicated that it might be desirable to investigate the general adequacy of the present location of the Head Office before starting construction. The aim would be to ascertain whether it is worthwhile to rescue the present building through renovation or to start a new at another location. Studies to this effect are now being undertaken, the President said.

In May, Bryan reported that the Division of Bank Operations of the Board of Governors and Architect Persina had requested the Bank to review the problems of building of the present site in Atlanta. The officers have been making the review, and the President believed that the Bank should stay at the same site. The disadvantages and costs of moving seem to outweigh any possible advantages. Nor does it appear feasible to destroy the present building.

The following month Bryan told the Board that in addition to the steady flow of general administrative problems, the question of continuing operations at the present location in Atlanta has been studied and considered. The conclusion reached is to remain in the same place. In about two months he will recommend a more extensive program for rehabilitating the present building.³⁴

In December Chairman Mitchell called upon the Bank's architect, Henry Toombs, to explain to the Board the preliminary plans for the building program at the Atlanta office.

Mr. Toombs said that the plans called for the construction of a new building on the vacant lot to the East of the present building; this building will be six stories high, with two basement floors, and provision of foundation and utilities to accommodate seven additional floors should they be desired in the future. The building will front 100 feet on Marietta Street and will extend back 150 feet to Wall Street. It will have a new vault and a security entrance on Wall Street. The plans also call for rehabilitation of the

present building which is rapidly approaching obsolescence. The lobby and Director's room will remain, but the other space will be made more useable, and new air conditioning and utilities will be provided. The plans should meet the Bank's space requirements for the next 40 to 50 years. The front of the existing Bank building will be unchanged while the facade of the new building will be a simple background for the architectural detail of the present building. The plans include no change of the Federal Reserve Annex, or Silvey Building. Only the rear and front offices of the new building will have exterior windows. There will be connections between the floors of the new and present buildings permitting a free flow between the two. Chairman Mitchell mentioned that the officers and the Executive Committee, in action taken at its meeting on December 12, 1957, recommended approval of the plans.

On motion, seconded and carried, the architect's revised detailed plans and specifications for the proposed East building, and his preliminary plans and outline specifications for a major renovation of the existing main office building and its coordination with the proposed East building, were approved, as recommended by the Executive Committee; and the officers of the Bank were instructed to forward the plans and specifications, with supporting data to the Board of Governors for review, with a request that the Bank be authorized to proceed to obtain detailed plans and specifications for the renovation of the existing main office building.³⁵

A new department began to junction at the Atlanta Bank on February 1, 1957. In announcing and describing it, the 6-F Messenger said:³⁶

"Created to lift some burdens from the shoulders of existing departments and to centralize the performance of one junction that up to now has been relatively informally carried out in the several departments of the Bank, a new department came into existence in 6-F on the first of this month."

"Named the Methods and Systems Department, the new entity will take over from

Auditing the responsibility for the review of operating procedures. This review determines whether procedures conform to established policies and practices.”

“Methods and Systems also will take over the preparations of job descriptions and job procedures and manuals, a junction that has been carried out by Personnel.”

“The new department will assume the junction of studying and evaluating job methods and procedures for the purpose of promoting efficiency.”

“In his January 31 memo announcing the new department, President Malcolm Bryan noted that this latter junction is new in the sense that it has heretofore, for all practical purposes, been exclusively performed in the operating departments.”

“Other duties may be assigned to this department in the future, said Mr. Bryan.”

“Methods and Systems will work in close cooperation with Auditing in the review of operating procedures and with Personnel where the job description program affects the job evaluation program.”

“Chief officer of the Methods and Systems Department is Assistant Vice President, Emory Mc Corvey, whose most recent prior assignment was in Loans and Discounts.”

“Second in command is Brown Rawlings, now Assistant Cashier, who was transferred from his post as Assistant General Auditor. In Auditing he had directed the review of operating procedures now to be carried out by the Methods and Systems Department.”

“Messrs Mc Corvey and Rawlings will operate the department under the Federal supervision of 6-F’s President, Mr. Bryan and First Vice President, L. M. Clark.”

For the benefit of the Directors during the course of the April Board meeting Mr. Clark reviewed the organization and Functions of the Bank Examination Department.

This department is under the supervision of Vice President J. E. Denmark and Chief Examiner George W. Sheffer, Jr. It has an office staff of seven employees, and a

field staff of 17 examiners and trainees. The department supervises and examines 70 State member banks, varying in size from \$450,000 to \$190,532,000 in resources. The department conducted 76 examinations in 1.956, half of which were conducted jointly with State examinations. An examination of a small bank many require the services of an examiner and an assistant examiner for two days, while an examination of the larger banks requires the entire staff plus men borrowed from other departments of the Bank for a period of three weeks. State member banks are ordinarily examined once each year except in special situations.

The examiners determine the general condition of a bank through (1) appraisal of its assets, (2) appraisal of its management, and (3) checking for compliance with applicable statutes and regulations. The department has many additional duties, such as processing condition reports, supervising bank holding companies, investigating applications by member banks for trust poqers and applications by state member banks to establish branches. The department also investigates applications to organize member banks in the. district, making a report on the need of the bank in the community. The management, as well as its business expectations.37

Director H. O. Chalkley, Chairman of the Board's Agricultural Committee, during the course of the January, 1957 meeting, introduced for construction a proposal concerning one aspect of the Bank's agricultural program.

Under it, the Bankers Association in each of the District states would be invited to have a representative attend the meetings of the Board of Directors to present reports on the agricultural meetings held in their states, in which the Federal Reserve Bank of Atlanta participates. Each of the six State Associations would have the opportunity of making one report a year to the Directors. These reports would be given once every two months. The purpose of the suggestion is to obtain additional information as to the success and effectiveness of the farm meetings.

The Directors then discussed the proposal. It was emphasized that each Association would make only one report a year. Director Bowman raised the question of whether the Federal Reserve Bank could pay the expenses of the visiting representative. It seemed the general consensus that the Associations themselves should and would absorb any expenses incurred, in view of the fact that the Federal Reserve Bank makes an important contribution to the farm work.

Director Turman suggested that the matter be left in the hands of the Board's agricultural committee; if the Association are willing to pay, find; if not, let the Reserve Bank do so. Director Bowman concurred and suggested that the President ascertain whether anything in the law or the regulations would prevent the Reserve Bank from absorbing the expenses involved in such a program.

Director Chaltheley moved to invite on a final basis representatives of the State Bankers Associations to attend meetings of the Board. It was approved and Chalhley was designated to put the plan into operation.

An insight into the Bank's growth and operation is provided by Vice President Raisty's presentation of the budget for 1958, which was adopted as presented:³⁹

"Our total budget for 1958 is \$9,765,580, which is \$1,252,141 above what we will apparently spend for this year. This is an increase of 14.71 percent. Of the increase, about \$500,000 is related to equipping the new buildings at Birmingham and Nashville. And about \$600,000 is related to salaries, representing merit and promotional increases and additions to the staff."

"The biggest item in point of amount is what we are scheduling for employees salaries. For 1958, we budget \$5,350,824, which is \$579,030 more than for 1957. This is an increase of 12.13 per cent."

"Our salaries have been budgeted according to a uniform formula. We have

taken our annual salary schedules in estimated effect as of the end of 1957 and projected them through 1958. The increase of 12.13 percent covers upward salary adjustments that appeared justified on the basis of our September surveys of competitive relationships in the labor market and covers our best estimate of what our total merit and promotional increases will be as recommended on an individual basis by supervisors and department heads. About 32 per cent of the increase is designed to cover the salaries of necessary additional employees required to handle the expected growth in volume of activity.”

“Here is a summary of the number of people we expect at each office for the two budget years:”

	<u>1957</u>	<u>1958</u>	<u>Change</u>
Atlanta	552.92	549.84	-3.03
Birmingham	163.74	185.92	&22.18
Jacksonville	266.96	290.15	&23.19
Nashville	132.30	141.45	& 9.15
New Orleans	<u>220.27</u>	<u>230.00</u>	<u>& 9.73</u>
Total	1,336.19	1,397.36	&61.17

“Where we have shown substantial increases in salaries by function, notably Provision of Space, Personnel, General Service, Currency and Coin, Check Collection, Accounting, and Research, the increases are essentially a matter of providing for anticipated enlarged volume of work, changes in assignments, and merit and promotional increases.”

“With respect to Research, Public Information, and Bank Relations in particular, I should say that under “Meetings” we have scheduled \$22,325 for 1958. This item in the budget specifically covers the \$10,000 allocated to the Branches at the rate of \$2,500 each for the agricultural, forestry, and farm credit meetings that we have customarily

held.”

“Aside from salary increases by formula and provision for additional salary cost by function, there is not too much change in budget amounts for expenditure by object. We show an increase of \$114,434 for F. R. Retirement Contributions; this is related to an important liberalization in the retirement program. In Federal Reserve currency, we have budgeted \$225,000 for 1958 against \$300,030 in 1957. This is essentially a guess. It is something that is beyond our control, depending upon demand for currency and Government policy on printing currency.” “For 1958, we budget \$703,802 against \$237,282 indicated for 1957 in furniture and equipment purchases. The difference of \$466,520, or an increase of nearly 200 per cent, is explained by provision we have made for equipping the new buildings scheduled for completion in 1958 at the Birmingham and Nashville Branches. These equipment needs are itemized in detail in the Birmingham and Nashville budgets. Anticipated expenditures for this purpose represent informed estimates but with no commitments on prices of the individual items. Purchase needs, however, have been carefully reviewed by senior management, and the budget lists of purchases represent the best estimate possible at this time.”

“For 1958 compared with 1957, the major changes are found in the enlarged expenditure for salaries and retirement contributions and in the substantially larger purchases of furniture and equipment relating to our building operations. On almost every object of expenditure, however, we have budgeted increases in an anticipated further growth in the volume of our various activities. The only objects of expenditure for which we indicate a decline for 1958 against 1957 are in rental payments, original cost of Federal Reserve currency, and assessment and expenses of the Board of Governors.”

“In brief, we are submitting for your approval a budget that is 14.71 percent greater than what we will apparently spend for 1957. We submit this budget to you as

one that represents the combined judgement of all those engaged in its preparation as to what our expenditure needs will be for 1958.”

Total assets of the Bank were up slightly over 1956 as 1957 ended. They stood of \$2,677,225,215 compared to \$2,657,973,348. Net earnings, however, were up sharply, \$31,534,699 for 1957 compared to \$22,964, 182 for 1956.40

Chapter 46

1. Life History of the United States, Vol. 12, p. 161
2. Directors Minutes, 1957, p. 12
3. Ibid.
4. Ibid, 12-13
5. January 21, 1957, p. 76
6. Directors Minutes, 1957, p. 83
7. Time, Dec. 30, 1957
8. Directors Minutes, 1956, p. 223
9. Ibid., 203
10. Ibid., 1957, p. 27
11. Ibid., 116.
12. Ibid., 28
13. Ibid., 29
14. 6-F Messenger, July 1957, p. 2

15. He was born in Albion, Illinois
16. Directors Minutes, 1957, p. 132; 6-F Messenger. Dec., 1957, p. 2
17. 6-F Messenger, May 1957, p. 3
18. Directors Minutes, 1957, p. 112
19. 6-F Messenger, Dec. 1957, p. 12
20. Directors Minutes, 1957, p. 8
21. Ibid., 15
22. Ibid., 68
23. Ibid., 103, 112
24. Ibid., 125
25. Ibid., 104
26. Ibid., 11-12
27. Ibid., 30-32
28. Ibid., 54-56
29. Ibid., 62-64
30. Ibid., 119-120
31. Ibid., 138
32. Ibid., 4, 36, 58, 96, 121; 6-F Messenger, May, 1957, p. 5; July, 6.
33. Directors Minutes, 1957, pp. 5, 73, 97, 121; 6-F Messenger, May. 1957, P 4;
July
34. Directors Minutes, 1957, p.p. 20, 68, 82
35. Ibid., 134
36. Feb. 1957, pp. 3-4; Cf. Directors Minutes, 1957, p. 26
37. Directors Minutes, 1957, p.54
38. Ibid., 9

39. Ibid., 114-116
40. Forty-third Annual Statement, Jan. 31, 1958

Chapter 47

- 1958 -

Nikita Khrushchev became Soviet premier in 1958 and an Algerian rebellion the same year resulted in Charles De Gaulles return to power in France. The year saw also the orbit of the First American artificial satellite and the beginning of commercial jet air service. And from this year drain iron the U. S. of its gold reserves.1

It was likewise a year of relative recession. Dr. Earle L. Raubor, Vice President and Director of Research addressed the directors of their January meeting on "The Business Outlook:"

While some have called it "the longest boom in history," we have really been undergoing a succession of booms. In 1946---49 there was at inventory boom; in 1950-53, a wartime boom; in 1953---55, a housing boom; in 1952-55, an automobile boom; and the most recent boom, from 1954 through 1957, has been in spending for plant and equipment. This sequence has led to the notion of a "rolling readjustment" from one boom to another. Such adjustments are possibly only in times of general shortage, when a decline in one sector releases a stimulus to another part of the economy. general economic conditions are no longer the same and now may be characterized as follows:

1. High inventories at all levels of the economy could become burdensome.
2. High debt commitment and illiquidity mean that little reduction in income can be sustained.
3. Inflexibility of the price and wage structure prevents adjustments by these means.
4. Agriculture is sick and farm income is down.
5. Exports are declining.

6. There is an excess of productive capacity; production was only 78 percent of capacity at the first of 1958.

Under these conditions local declines are easily generated in both business and agriculture. The tight money policy and cutting the budget in 1957 led to such local effects. Debts are now becoming more and sales, new orders, production, and profits are declining. When businesses are forced to economize, the downward spiral picks up speed.

In times when there are no general shortages of goods, a rolling readjustment is not possible; localized declines have effects on the whole country, and a strong stimulus will come from the consumer or from state and local governments when incomes are falling and revenues declining. The proposed increase of \$2 billion in the Federal Government's budget, raising the total to \$74 billion, may not be enough to provide a general stimulus. By the time the budget authorization for spending becomes translated into demand for goods and service, the \$2 billion may be too little and too late.

This recession is the result of the inflationary binge we have been on; and it is not likely that more inflation would sober up the economy. Instead of a rolling readjustment we face a heavy listing of the economy although probably not enough to capsize it. However, the longer the listing continues the more probable it is that the economy might capsize.

In this situation the Federal Reserve System can do very little. It cannot make borrowers already burdened with debt borrow more, nor can it make lenders loan their money to these who are, becoming poor credit risks.

President Bryan said that the shift in the rate of discount was a recognition of the recent changes in many economic factors, a change that was not yet of alarming proportions. The rate change itself has little effect except on a few borrowing banks,

However, it indicates a shift in the public posture of the System away from restraint; in the face of a slightly deteriorated situation it seemed appropriate to make this shift when the boom appeared to be at an end. System policy, he felt, should be flexible and should not be used to punish an economy already exhibiting signs of illness. The Open Market Committee has not flooded the country with money but has made some purchases, slightly more than usual, so as to allow banks to meet seasonal loan demands. If this had not been done, the seasonal demand would have tightened the money supply further.

Two points of view are now being expressed in System debates. The first emphasizes the dangers in present conditions; the second is that the present recession, although continuing, shows signs of not going very far or very deep. The figures of last week were mixed and seemed to show that the economy was continuing downhill but without acceleration or panic.

The System is confronted with a difficult policy choice in this situation of short-run deflation, complicated by the facts that employment is falling while prices are rising, and of long-run inflationary pressure for new capital and sales. The System must choose means of meeting the short-run problem without making the long-run inflationary problem more difficult.

So far there have been several direct results of the System's action:

(1) the reaction of the security markets has made possible the sale of new issues of corporate bonds; (2) the banks that were moving in a restrictive way have responded dynamically and are now making loans more liberally; and (3) people have not become frightened, and so the action taken may be sufficient.

Time Magazine, in commenting on the state of business in March, said:²

"Before the White House announced its anti-recession program last week, the Federal Reserve Board aimed another and more familiar counter punch at the

recession. For the third time in four months, FRB cut the discount rate. Reserve banks in New York, Chicago, Philadelphia and Atlanta reduced the rate from $2\frac{3}{4}\%$ to $2\frac{1}{4}\%$, Most of the other eight central reserve banks will soon follow; the cuts are expected to lead to lower interest rates and boost loans and business expansion.”

“There was little doubt that businessmen were holding back. For the first time in almost three years, the total of loans outstanding in New York City banks fell below the year-ago level. One reason for businessmen’s caution was that a fresh batch of government statistics showed somewhat more gloom than cheer. Manufacturers sales for January dropped by \$400 million, new orders slumped by \$900 million, and order backlogs dipped by \$1.6 billion—the 13th straight monthly decline. Manufacturers’ production went down even faster than sales. Result: inventories were cut \$600 million in January and \$300 million the month before.”

“On the bright side, department store sales, hit hard by mid-February snow storms, bounced back in the week ending March 1 to rise 1% above the same week last year. And in the last eight days of February new-car sales jumped 27% above the rate at mid-month.”

“Consumers had plenty of money, but they were saving rather than spending it. Savings were up 10% over last year.”

Late in the year the discount rate went up again. In November President Bryan recommended to the Executive Committee that the Atlanta Bank follow five other Reserve Banks in raising the rate to $2\frac{1}{2}\%$.

He went on to say that the recovery evident early in the summer was still going ahead although it was spotted and not uniform. Automobiles, textiles, and several other industries are not yet in good health. However, the indices of industrial production and of Gross National Product have recovered about 50% of their losses. Short money rates in the market have been three-fourths per cent above 2 percent; this difference has

invited banks to make free use of the discount window.

He felt that the chief economic problem was not whether the recovery would continue--it will continue at a slower rate into the next year—but is the long-run problem of whether or not we have the character to maintain a sense of monetary discipline. The Government faces a \$13 billion additional deficit next year, and the new Congress may have new spending schemes but little inclination to raise taxes to cover them. If the national budget is out of control, the System can do little to stop inflation.3

Official personnel changes in the Atlanta Bank and its Branches were not as numerous during 1958 as in some former years.

At its December, 1957 meeting the Atlanta Board appointed the following Branch directors to serve 3-year terms beginning January 1, 1958:4

Birmingham

Gen. John C. Persons,
Chairman First National
Bank Birmingham

To succeed
Malcolm A. Smith

Jacksonville

C. B. McLeod
President Bank Of Crestview
Crestview, Florida

James L. Niblock

Nashville

P. D. Houston, Jr.,
President First American
National Bank, Nashville

J. R. Kellam, Jr.

New Orleans

D. V. Maddox,
Laurel, Miss.

Himself

In February, 1958, the Board of Governors in Washington announced its appointments of Branch Directors for the Sixth District. They Were: 5

Birmingham

Selden Sheffield, Cattleman, Greensboro, Alabama

Nashville

V. S. Johnson, Jr., Chairman and President, Nashville
Aladdin Industries, Inc.
W. N. Krauth, President and General, Nashville
Manager Colonial Baking Company

New Orleans

Frank A. Godchaux, III, Vice President, Abbeville, Louisiana Louisiana State Rice Milling Company

Meanwhile John A. Sibleg, Chairman of the Trust Company of Georgia in Atlanta was elected as a member of the Federal Advisory Council, representing the Sixth District.6

At the same time, January 10, a new official position was created, Economic Advisor to the President. President Bryan said that the job of keeping the President informed was becoming more demanding and the volume of his correspondence had increased. Other Reserve Banks have similar positions with official status. On motion of Director Turman the new position was approved at a salary of \$11,000 per year, with Thomas R. Afkinson as first incumbent.7

Afkinson's first connection with the Bank had been in May 1946 as a statistician in the Research Department. Later that year he was promoted to the position of economic analyst. Late in 47 he left the Bank but returned in 1952 and of late had handled special assignments for President Bryan.8

Watrous H. Irons, President of the Federal Reserve Bank of Dallas and Delos C. Johns, his St. Louis counterpart, were elected as member and alternate member of the Federal Open Market Committee for terms of one year beginning March 1 1958.9

On June 28 John R. Downing, a Director of the Birmingham Branch, died, lie was

succeeded by R. J. Murphy, Vice President of the Citizens-Farmers and Merchants Bank, of Brewton, Alabama, of which Mr. Downing had also been an officer.10

In September Director Joseph T. Lykes, of the Atlanta Bank, announced that he would resign as of December 31. An election held in November, to fill the position, resulted in the choice of McGregor Smith, a Director of the Jacksonville Branch.

Meanwhile, Vestus L. Crow, formerly administrative assistant at the Jacksonville Branch, was promoted to the official position of assistant cashier on July 1.12

Two months later, on September 1, Assistant Vice President, Roy E. Milling retired. Connected with the Bank since 1917, he had been associated with currency and coin operations for most of his long service. 13

Director Pollard Turman and First Vice President Clark both made reports to the January Board meeting on the subject of personnel.

Turman reported that the number of employees at all offices of the Bank had decreased from 1394 to 1389 during the last month of 1957. However, as a result of 195 salary adjustments effected during the same period, the Bank's payroll, expressed as an annual rate, rose from \$5,177.00 to \$5,201,000.14

Mr. Clark noted that the Bank had handled 17 million more checks in 1957 than 1956. Improvements in mechanical equipment made it possible to handle this additional volume without a great increase of personnel. He also noted that on December 27, 1957, the Bank's assets reached an all-time high of \$2,804,000,000, then dropped on December 30 as member banks got out of debt, but rose again on January 3 to \$2,864,000,000.15

In May Director Turman reported that 15 employees of the Banks were then attending advanced schools of banking; ten at Louisiana State University, two at Rutgers, two at Wisconsin, and one at Harvard. A number of interesting facts and figures relative to general operations were noted during the year.16

In March Mr. Clark gave a run down on banks in the District. He said the total number came to 1308. Of this number 736 were on the par list, while at the end of 1955, only 680 of 1266 banks were on the par list. The difference then was 94 banks; now par banks exceed the number of nonpar banks by 164. The process of getting banks on the par list is a slow one. New banks have nearly all agreed to remit at par. Merger; of banks have helped too. About one or two requests to be entered on the par list came in each month.17

A report by Director H. G. Chalkley, Chairman of the Agricultural Committee during the May meeting is fairly typical of its defivities at this time:

“The Committee discussed the proposed program for the banker’s farm credit clinics to he held in Louisiana on May 5, 6, and 7. The theme for the programs will be ‘Youth’s opportunities in Agruculture and Related Occupations.’ The Committee approved the proposed programs and the spending of funds, previously allocosted for them.”

“Committee members also reviewed the progress of the National Rural Development Program started by the USDA in 1955. This program, led by a committee headed by True Morse, Under Secretary of Agriculture, was developed to help farmers with very low farm incomes earn a better living. Availability of credit is sometimes a factor in providing such help. Our committee discussed efforts being made to improve the use of credit in rural development.”

The Agricultural Committee also discussed problems connected with doing effective agricultural research for our rapidly changing farm economy.18

The general subject of security and related subjects was reported upon by First Vice President Clark in April and again in July.

In April he said that during the first quarter of the year 227 counterfeit bills had been detected; 220 of these were \$10 or \$20 Federal Reserve Notes, and this was

three-fourths of the total number detected during all of 1957.

The counterfeits were distributed among the Bank's officers as follows: Atlanta, III; Jacksonville, 57; Nashville 28; New Orleans, 22; Birmingham, 9.

A survey of armored car shipments, showed that the volume of currency shipped increased from \$1,793,000,000 in 1956 to \$1,878,000,000 in 1957. These shipments were made at a cost of \$371,000 under registered mail rates in 1956; in 1957, this savings was \$396,000. Armored car deliveries are made to 70% of the member banks. The banks prefer door to door delivery, at less risk. Cost of this service is closely watched.¹⁹

In July Mr. Clark commented in general on the Bank's operating procedures, pointing out that errors sometimes occur from a failure to comply with instructions. The Bank's management is constantly reviewing operational procedures to improve efficiency and security. He listed some of the more important steps that have been taken in recent months along this line:

1. The General Auditor has increased the frequency of his audits of cancelled stock in the vault.
2. The vault custodian's procedures have been revised,
3. New procedures have been instituted for the Purchase and Sales unit of the Fiscal Agency Department.
4. Combination locks are being installed on the grille door of the main vault; it was formerly controlled by a single key.
5. An inserting and mailing machine in the Withheld Tax Unit has reduced costs of handling tax receipts.

\$50,000,000 of currency, \$60,000,000 of savings bonds, and a large stock of unissued Treasury Department securities have been placed under the General

Auditor's Seal.

7. Intrax (facsimile transmissions) equipment is being used to handle wire transfers of funds and requests for money shipments for member banks.
8. Treasury currency is now being cut lengthwise before incineration,20

An incident occurred at the Jacksonville Branch during the late summer which indicates the constant vigilance with which the Bank conducts its operations.

An employee substituted a dollar bill of his own for an unissued silver certificate bearing a winning number, had entered it in a television contest known as "Top Dollar," and had won a prize of \$5000. The Auditing Committee reported that President Bryan and General Auditor DeWitt Adams had handled the matter well; they were at Jacksonville to make an investigation of the facts, The employee did not accept the prize from the television network. Mr. Bryan felt that the employee error in judgement was the result of haste in attempting to meet the program's deadline and of his feeling that the bank was not being deprived of any value, since the employee knew that the bank is not is the business of trading on numismatic value or entering prize contests. Employees in the money room tend to regard money as an ordinary commodity. The bank was at no time short. No disciplinary action other than verbal admonition was taken.21

In May, reviewing the first quarter's operations of the Postmaster's Depository Unit, Mr. Clark said that the Bank's unit led the nation in volume of receipts, in amount of cash handled, and in the number of currency pieces received. Five thousand third and fourth class Post Offices are served by this unit. On May 6, a typical day, the unit received 82,000 items and \$495,000 in cash.22

A spirited discussion relative to bank relations was a feature of the May Board meeting.

Chairman Mitchell said that for over two years the Directors had discussed the matter of obtaining better bank relations and had considered various methods of doing so, The formation of a stockholders advisory committee is being suggested to be composed of two members from each of the three bank groups in each of the five zones of the Sixth District. The 30 members of the committee might meet twice each year. He called on Mr. Bryan for his comments upon the plan.

Mr., Bryan said that in his experience with the bank since 1938 the question of the relationship of the bank to its stockholders has been one that every president has had to deal with. Member banks are constituents, in a sense. In the past, two or three other Federal Reserve Banks have experimented with stockholders meetings. They were successful only in the Boston District which is comparatively small with one central city. A stockholders meeting in Atlanta would probably be a rump session attended only by nearby bankers. An advisory committee representing the stockholders would provide a flow of information and comment- both to and from this bank.

The bank might have a stockholders advisory committee selected from each of the groups of banks in each of the zones, A committee of 30 could be selected with the member banks' approval by having the secretary of the. Directors and the Branch Boards ask for the member banks' suggestions and selecting as members the persons most frequently mentioned. The members would rotate their service. The committee would be similar in function to the Federal Advisory Council and would expand the bank's contacts beyond those afforded by the Branch Boards. The committee might meet once or twice a year either with the Board of Directors or with the Branch Boards in the zones. The president would be able to ask for their confidential opinions without offending other banks. The committee could meet with the Directors in the morning and have its own meeting in the afternoon at which the members would be free to comment upon and criticize any phase of the bank's operations or policies.

Director Chalkley said that this might be a means of making a better explanation of the bank's functions; he noted that the FDIC seems to have an excellent publicity.

Director Lykes felt that a meeting of 30 bankers might be unwieldy although a committee having such functions would be helpful.

Director Branch thought that the plan was a good idea; he suggested that before the member banks are told about the plan it should be carefully worked out, especially as to the functions of the committee. The results of the survey would then be more favorable. The committee should eventually be provided for in the bank's by-laws.

Director Adams said that he was in favor of the plan.

In reply to Director Carter's question as to how the committee members would be selected, Mr. Bryan said that a questionnaire would be sent from the Branches and Head Office to the member banks asking for their suggestions. This would spread activity and interest in the Reserve Bank over a broader area than may be reached by the directorate. Annual turnover of the committee would also tend to broaden interest in the bank.

Director Turman believed that much could be accomplished by such a group, He suggested that the opening letter should be quite specific in terms so as to show no ulterior motive in establishing the plan.

Director Corner felt that the plan would help the bankers to become acquainted with each other and with the operations of the Reserve Bank,

Director Carter said that he wished to see a letter explaining the details of the plan to the Directors so that the Board would have an opportunity to make a few suggestions before adoption of the plan. Mr. Bryan said that this would be done.23

Building operation in both Birmingham and Nashville went forward during the year, both to a conclusion, The former was completed and occupied in late October.24

While the new building in Nashville was being finished, the old Branch building at 228-230 Third Avenue, North, was sold to Martin and Cochran, a partnership, for \$107,500. The move to the new quarters was effected during the four days from November 14 through 17.²⁶

All was in readiness for a combined meeting of all of the Sixth District Boards of Directors on December 12 and for a formal opening. The event was described by the 6-F Messenger: ²⁷

“The Nashville Branch’s new building was formally welcomed into the Sixth Federal Reserve District’s economic structure in ceremonies held on Friday, December 12.”

“The celebration of the event began the evening before, when the Nashville Clearing House banks played host to the Directors of the Bank and its Branches at a dinner at the Belle Meade Country Club.”

“The big day began at 8:00 a.m. with a breakfast in the new cafeteria for current and former Directors of the Bank and Branches, and their wives.”

“At 9:30 a.m., the Boards of each Branch met separately to conduct their regular, monthly meeting, and business, then at 10:30 the Boards of the Bank and Branches held a joint meeting in the Cafeteria. Among the distinguished guests were representatives of the Board of Governors of the Federal Reserve System.”

“At noon, members of the Research staff presented a report on ‘Economic Recovery and the Sixth Federal Reserve District.’”

“The luncheon which followed in the Iris Room of the Hermitage Hotel, honored representatives of banks served by the Nashville Branch. Mr. Walter M. Mitchell, Chairman of the Bank’s Board presided. The highlight of this luncheon was an address by Honorable Charles N. Shepardson, member of the Board of Governors of the Federal Reserve System.”

“The dedication ceremonies began at 3:00 p.m., with Frank B. Ward, Chairman of the Nashville Branch’s Board of Directors, presiding. After an invocation by the Rev. Priestley Miller, of the Harpeth Presbyterian Church in Nashville, the building was formally presented to the Nashville Branch by 6—F’s President, Malcolm Bryan, and accepted by the Branch’s Vice President and Manager, Robert E. Moody, Jr.”

“On the following day the officers and employees of the Branch were hosts to the general public from 1:00 p.m. to 4:00 p.m.”

During the course of the Board meeting in Nashville, First Vice President Clark presented a short history of the Branch. It follows:

“The Nashville Branch was organized on October 21, 1919 housed in a few small offices on the third floor of the former First National Bank Building. The Branch opened its doors for little more than thirty—nine years ago. The first manager was Currey, who is expected to be with us at the luncheon.”

“For three years the Branch operated in rented quarters. In December of 1922 the Branch moved into the building on Third Avenue, North, which was home for the next thirty—six years. This slide shows the present building which will be the proud home of the Branch to come.”

“In 1919 the Branch’s payroll listed a total of 21 employees. In 1940 the number of employees was 41. In 1945, the number was 190. The growth of the RFC custodial duties was largely responsible for this rapid increase in personnel. Today the personnel of the Branch numbers 155.”

“For the full year of 1930 the Branch processed 5.3 million pieces of coin. The volume by 1958 had jumped fifteen—fold to 78.4 million pieces. As to currency, the number of pieces received and counted went from 15.7 million in 1930 to 35 million this year. In 1920 the Nashville Branch paid out \$22 million of currency and coin to banks in its zone. Receipts for that year from commercial banks totaled \$27 million. In 1958

currency and coin payments amounted to \$191 million and receipts to \$185 million—the combined volume was 7 times greater than that of 1920.”

“A similar development occurs in the volume of check clearings at the Nashville Branch. In the first twelve months of operation, the Nashville Branch processed 2.6 million items. These checks were valued at \$746 million. By comparison, in 1958, the Branch processed more than ten times as many checks--28.0 million items, totaling \$8.5 billion. The Branch currently handles in an average month approximately as many items as it did during the entire first year of operation.”

“The population serves as a criterion of a community’s demand for economic goods. Tennessee’s population, shown by the upper line on the chart, has increased at a fairly constant pace. The Nashville Branch now serves approximately 3 million Tennesseans through the commercial banking system.”

“Population in the Nashville metropolitan area had advanced at a faster rate than that of the State. Nashville’s population numbered 118,000 in 1920. The latest estimate puts it in excess of 375,000.

“The top line of this chart represents the total number of banks in the Nashville Zone. At the end of 1923, the peak year, there were 397 banks in the Nashville Zone. The number declined thereafter and sharply during the early depression years, due to closings and mergers. Since 1944 the number of banks has slowly climbed and stands at 195 today. Of this number 68 are member banks. The member bank trend parallels fairly closely that of total banks.”

“This chart shows the Nashville Zone banks broken down into par and nonpar categories. Since 1920, one year after the establishment of the Branch, the number of par banks in the Zone has exceeded the nonpar banks. At latest count, there were 165 par clearing banks in the Nashville Zone. These par banks hold 97 per cent of the total

assets of all banks in the Zone.”

“As of October 1958, slightly more than one—third of the total of 195 banks in the Nashville Zone were members of the Federal Reserve System. The Branch’s proportion is higher than the District average. Moreover, better than 80 per cent of the banks in Nashville’s Zone are on the par list. The Branch par score tops that of any of our other offices and exceeds by a wide margin the District average of 56 per cent.”

“We have seen that the number of banks in the Nashville Zone has diminished over the long run. By no means, however, does this imply a decline in banking as a business. This chart presents data for the entire State of Tennessee. The panel to the left shows that the number of banks declined rather substantially between 1919 and 1940 and since that date has remained fairly constant. Total bank assets, on the other hand, shown on the right—hand panel, increased notably in the same period. The 533 Tennessee banks doing business at the end of 1919 had assets of \$467 million. Although the number of banks was reduced nearly one—half by mid—1958, total bank assets then amounted to \$3.1 billion, a sixfold gain since 1919. A similar development is apparent from this chart giving banking data for the Nashville metropolitan area.”

“To sum up my statistical report points repeatedly to the dramatic progress experienced at the Nashville Branch. Routine internal operations have been profoundly affected by outside activities. While, the long sweep has been upward, the Branch’s activity has naturally followed the main business tide through the eras of boom, bust, and boom once, more.”

“In these beautiful and utilitarian quarters we can confidentially predict that the Nashville Branch will continue its march in the forefront of progress.”²⁸

With the completion of the Birmingham annex and the Nashville building, the directors turned their attention to New Orleans. Indeed, for some years they had been

seriously concerned with space limitations in the New Orleans Branch building at Corondelet and Common Streets, occupied since 1923.

To that end a choice piece of property, comprising 65,282 square feet, adjoining the old City Hall—three parcels, situated in Square 220 of the First Municipal District, bounded by LaFayette, Corondelet and Poydras Streets and St. Charles Avenue, was purchased. The Federal Reserve Bank of Atlanta was high bidder at \$750,000. The purchase was made on December 5 and confirmed by the Council of the city of New Orleans on December 11. Thus the way was cleared for adequate quarters for the Branch.29

Total assets of the Federal Reserve Bank of Atlanta stood at \$2,813,787,331 on December 31, 1958, an increase of \$136,652,116 over the same date in 1957. Current net earnings for the same period showed a relatively small decrease \$28,898,585 for 1958, compared with \$31,323,826 for 1957.30

NOTES

CHAPTER 47

1. Life History of the United States, Vol. 12, p. 161.
2. March 17, p. 96.
3. Directors Minutes ,1958, p. 102.
4. Ibid., 1957, p. 142-143.
5. Ibid., 1958, p. 13.
6. Ibid., 5
7. Ibid., 6
8. 6-F Messenger, Feb. 1958, p. 2.
9. Directors Minutes, 1958, p. 18.
10. Ibid., 67; 6-F Messenger, August 1958, p. 9.
11. Directors Minutes, 1958, p. 18.
12. 6-F Messenger, July, 1958, p. 2.
13. Ibid., Sept. 1958, p. 2.
14. Directors Minutes 1958, p. 6,
15. Ibid., 7.
16. Ibid., 47-48.
17. Ibid., 28,
18. Ibid., 38.
19. Ibid., 39.
20. Ibid., 68-69.
21. Ibid. 77.
22. Ibid., 48-49.

23. Ibid., 50-51.
24. Ibid., 36, 49, 65, 73; 6-F Messenger, July, 1958, p. 9.
25. Directors Minutes, 1958, pp. 58-59,
26. Ibid.; 102; 6-F Messenger, December 1958, p. 3.
27. January 1959, p. 4.
28. Directors Minutes, 1958, pp. 112.414,
29. Ibid., 91, 103-104; 6-F Messenger, January, 1959, p. 3.

30. Forty-fourth Annual Statement, January 16, 1959.

Chapter 48

— 1959 —

Economically, the last year of the 50's brought improvement. Alaska and Hawaii became the 49th and 50th states of the union. Atomic submarines were equipped with Polaris missiles; "compact" automobiles became popular; synthetic penicillin was developed; Russian satellite Lunite III orbited the moon and Fidel Castro became dictator of Cuba.¹

Both Advisory Council member John A. Sibley and President Malcolm Bryan expressed views on the economic situation as the year began. Their remarks follow:

Mr. John A. Sibley, member of the Federal Advisory Council representing the Sixth Federal Reserve District, reported that the Council found little change in the economy at its last meeting on November 17 and 18, 1958. The recession was hardly mentioned; rather the discussion was about how far inflation had proceeded and what forces might stop it. It was felt that the Federal Reserve System was going through an historic period with the problem of whether any group of men could size up economic forces and take steps to prevent both recession and run-away inflation. He observed no air of infallibility; the Board of Governors seemed to be seeking facts for the basis of their decisions.

The Council discussed the point reached in recovery and whether the economy was still recovering; the Consensus was that the recovery would not continue so rapidly through the first six months of 1959. The psychology of business is optimistic. The Council viewed the step-up in capital expenditures as a part of sound business development and not in anticipation of further inflation. It was felt that the Federal Reserve System was providing sufficient credit under present conditions to meet the developing needs of business. The Federal Reserve's chief problem as seen by the

Council was whether inflation could be controlled under conditions of deficit spending by the Government and wage increases without higher productivity.

Mr. Byran said that all banks had reported at last week's Federal Open Market Committee meeting a feeling of optimism on the business outlook. It was notable that two Districts, Philadelphia and Cleveland, which had been seriously depressed, had reversed their views following evident business increases. The coal industry in West Virginia and Pennsylvania continues in a depressed state. Also unemployment is running high in Detroit and this is difficult to contend with; the automobile industry can not absorb the the number of people it formerly employed. Building construction and consumer expenditures have both been of tremendous assistance in halting the slide-off in the economy. Business in the Sixth District has been following the rising national averages. The growth factor has been better than in most areas.

Mr. Bryan took an optimistic view of the economy but was deeply discouraged as to prospects in what he felt would be a crucial year. Thus far it has been possible to excuse inflation, blaming it upon war conditions, But now unless Congress can balance the budget by its actions in a period of great prosperity, it is doubtful that this will be done for many years. He felt that the Government might incur a substantial deficit and that this piled on to increased private expenditure would be likely to produce further inflation. He also felt that there would be some form an investigation of the Federal Reserve System and its monetary policies. Charges have been made that System policy brought on last year's recession and the question of information leaks may be looked into. Congress will not vote to abolish the System but it could be destroyed in effectiveness by other measures, such as putting the System under the appropriations control of Congress. This would place control of monetary policy in the appropriations and banking and currency committees of Congress.

In the matter of leaks of information, it is charged that banker representatives on boards of directors and the Federal Advisory Council obtain insights or tip-offs on Federal Reserve policy, and that the Federal Open Market Committee is so large that leaks are inevitable. As to the first charge, Mr. Bryan said- that he had never known of any banker who had used information acquired in the conduct of System affairs to his own advantage, nor had he even heard gossip about such conduct. As to the size of the Federal Open Market Committee, he felt this was a real problem. All told, 50 or 60 men are present at each meeting and, counting staff personnel advising those who attend the meetings, perhaps 125 people are in a position to sense the direction of Federal Reserve policy. While there has been no evidence of a leak, there is an attitude that public officials are guilty until proved innocent, and it is difficult to prove that there have been no leaks when so many persons are involved. If fewer people were involved, there would be a greater degree of secrecy but the policy making process would be deprived of information, advice, and weight of opinion from different individuals in different parts of the country.

Actually, any informed person following published business statistics, including those published weekly by the Federal Reserve System on what it is doing, could sense the probably direction of monetary policy. Such policy is not reversed every week but may continue without substantial change for as long as 20 months.2

On March 13 the Atlanta Bank increased the discount rate from 2½% to 3%.³ Again, on June 1, after extensive discussion the rate was jumped to 3½%. The factors supporting this move were the sharp recovery shown in the Gross National Product, an increase in member bank borrowing and an expansion in borrowing from member banks. There was also some disturbance in capital markets because of uncertainty as to the future of interest rates, and an adverse situation in the continued gold outflow. The only question was whether to let the rate increase lag as was done in 1956-1957, or to try to keep ahead of the boom. The System was probably too cautious then and the boom got out of hand. In June of 1959 industrial prices were moving steadily upward. It seemed best to get ahead of any wild boom. New York, Chicago and four other Reserve Banks had already acted before Atlanta. It was felt that the 3½% rate could be maintained provided the recovery does not turn into a speculative boom.⁴

Up again went the discount rate in September. Commented Time Magazine:⁵

“Tightening money last week sent the Federal Reserve discount rate to 4%---the highest level in 24 years. It was the fifth such increase since the Fed set the discount rate at 1 3/4% in the 1957—58 recession as an aid to recovery. W In abandoning the 3½% level that had held since last spring, the Fed’s purpose was to narrow the abnormal gap between the cost of Fed money to member banks and the rate at which the banks could lend money to their customers. After commercial banks upped the rate to their best customers from 4½% to 5%, the interest spread rose to 1½%. Moreover, for several weeks the old discount rate was actually below the going market rate on U.S. Treasury Bills, creating an opportunity for banks to borrow from the Fed and make a neat and riskless profit by investing in Government Securities...”

The Atlanta Bank lost no time. At its Board meeting of September 11, it was voted to increase the discount rate from 3½% to 4%, effective September 14.6

Several official changes took place at the Bank and its Branches during 1959. On December 12, 1958, the Atlanta Board named the following Branch Directors to serve three-year terms beginning January 1:7

<u>Name and Business</u>	<u>Group of Banks Represented</u>	<u>Successor to</u>
<u>BIRMINGHAM BRANCH:</u>		
George W. Hulme Senior Vice President First National Bank Alexander City, Alabama	3	Robert M. Cleckler President First National Bank Childersburg, Alabama
Marshall Dugger Vice President and Cashier First National Bank Tuscumbia, Alabama	2	E. W. McLeod, President First National Bank Decatur, Alabama
<u>JACKSONVILLE BRANCH:</u>		
Roger L. Main Chairman and President Florida National Bank of Jacksonville Jacksonville, Florida	1	Linton E. Allen Chairman and Director The First National Bank Orlando, Florida
J. N. Greening Vice Chairman The First National Bank of Bradenton Bradenton, Florida	2	W. E. Ellis, President and Chairman The Commercial Bank & Trust Company of Ocala Ocala, Florida
<u>NASHVILLE BRANCH:</u>		
Clarence A. Whelcher President First Farmers & Merchants National Bank Columbia, Tennessee	3	Stewart Campbell President The Harpeth National Bank Franklin, Tennessee
W. E. Newell, President The First National Bank Kingsport, Tennessee	2	C. L. Wilson, President The Cleveland Nat'l Bank Cleveland, Tennessee

NEW ORLEANS BRANCH:

W. P. McMullan, President
Deposit Guaranty Bank
& Trust Company
Jackson, Mississippi

1

H. Austill Pharr
President
The First National Bank
Mobile, Alabama

Wallace M. Davis, President
The Hibornia National Bank
New Orleans, Louisiana

W. J. Fischer, Chairman
Progressive Bank & Trust
Company
New Orleans, Louisiana

In February Delos C. Johns and Malcolm Bryan were elected member and alternate respectively to serve on the Federal Open Market Committee for one year, beginning March 1.8

Effective the same date Assistant Cashier Theodore Walter became Assistant Vice President and J. T. Harris added the words Assistant Cashier to his title of Manager of the Fiscal Agency Department.9

Early March brought death to a noted retiree and to a Branch Director. George W. McElroy, Captain of the Guard from March 1, 1947 until his retirement in March 1958, died on March 2, 1959. McElroy, a native Atlantan, was discharged from the United States Army as a sergeant 1st Class in February 1920. He made a permanent connection with the Bank in October 1922 as a member of the Guard Force. Said the 6-F Messenger 10 on the occasion of his death:

“... Atlantans have many fond memories of the Captain and his ready smile. He had many tales to, tell, including some about the panicky days of the early thirties when he escorted emergency air shipments of currency to banks suffering a ‘run.’ In those days, airplanes were not carpeted, air-conditioned, luxury liners they are today; what ‘air-conditioning’ they had was of a different sort.

“Captain shares these and other experiences with his many friends at the Bank and it saddened them all to know they can look forward to no more visits from him.”

Two days after Captain McElroy’s death, Jacksonville Branch Director J. Neal Greening passed away. He was succeeded on May 8 by A. L. Ellis, Chairman, First National Bank of Bradenton.”

During the course of the May Board meeting First Vice President Lewis M. Clark arose and said:

“Mr. Chairman:

“Mr. Chairman, may I make a statement to this Committee.

“In July I will reach my 65th birthday. Under our Retirement System this represents the retirement age for all officers and employees, except the President and First Vice President who are permitted to serve out the term for which they have been elected. My present five-year term will not expire until March 1, 1961. At the time of my election for the present term, President Bryan was kind enough to say that he hoped I would serve out this term even though I would reach 65 prior to the end of the term. I told him at that time if my health remained good and all other things were equal, I saw no reason why I should not stay until March 1, 1961.

“I have discussed my present situation with Mr. Bryan and he is sympathetic with my decision to ask for retirement at the end of this calendar year. Three things have caused me to reach a decision to retire prior to the end of my term. First, Mrs. Clark suffers from an aggravated sinus condition which was worse this past winter than ever before. If she has a recurrence of this trouble next winter, I want to be free to try to find a place where she can get some relief. Second, under our Retirement System no additional benefits accrue to a member beyond his 65th birthday. Upon investigation, I learned it would be to my advantage financially to accept retirement according to schedule, that is, August 1 next. However, I would like to continue serving to the end of

the year, rounding out 41 years of service with the bank. Third, we have only one daughter, who is married to an Army career man, and the prospect of their ever living near Atlanta seems remote. Therefore, if we visit with our grandchildren while they are young, we must go to see them. We would like to have more time to do that.

“I repeat that President Bryan is sympathetic with my decision and has agreed to my retirement as of December 31, 1959. I hope you gentlemen feel the same way and will accede to my request.”

On motion of Director Branch, the Committee accepted with deep regret but full understanding the retirement of Mr. L. M. Clark in accordance with his wishes as expressed in his statement. The Chairman appointed a committee to draft an appropriate resolution of appreciation to Mr. Clark for his long and distinguished service to the Federal Reserve Bank of Atlanta.¹²

More than seven months later probably the largest crowd ever to assemble in the Atlanta Banks cafeteria wedged in on December 30 to shake the hand of Lewis N. Clark. His co-workers had gathered to wish him a happy retirement and to present him with appropriate gifts. In his farewell speech Mr. Clark thanked them for the cooperation they had given him over nearly 41 years—which cooperation had made his job easier and more satisfying.¹³

On November 20, 1959, the Board appointed Harold T. Patterson First Vice President and General Counsel for the unexpired term of Mr. Clark ending February 28, 1961 and fixed his salary for 1960 at \$23,000 per annum.¹⁴

On August 17, 1959, the Board of Governors announced the appointment of Gerald L. Andrus, President New Orleans Public Service, Inc., as a Director of the New Orleans Branch for the unexpired portion of a term ending December 31, 1961.¹⁵

Another official career of nearly 41 years ended on August 31 with the retirement of S. P. Schuessler, Vice President in Charge of the Fiscal Agency Department. Follow-

ing previous business and banking experience, Mr. Schuessler joined the Fed on November 30, 1918 as a clerk in the Auditing Department. In May 1919 he transferred to Fiscal Agency and devoted the next 40 years to it. Schuessler had also served as a member of the Advisory Committee of the Fulton County Bond Commission since January 1949.16

The terms of Directors Harlee Branch, Jr., and Roland L. Adams expired with the year 1959.

At the December Board meeting Chairman Mitchell presented a framed certificate of service to Deputy Chairman Branch, expressing his appreciation for Mr. Branch's contribution to the Board. Branch responded that he felt his contributions had been outweighed by the value of his own experience which he regarded as a stimulating opportunity for service combined with pleasant fellowship.17

Mitchell awarded a similar certificate to Director Adams, commenting that through his work with the Auditing Committee and his almost perfect attendance record he had made a real contribution.

Adams replied that he was leaving with a warm feeling of friendship for each member of the Board and Officers of the Bank. He said that the reason for his reputation as a crusader for increased serviced to member banks was to make System membership more attractive and thereby to strengthen the System with the addition of more state banks, which become members by choice. Seventy percent of the banks in the Sixth Federal Reserve District are nonmembers. He said he was not disturbed by the lack of immediate results in Washington but felt that increased services by the Reserve banks would come eventually just as counting vault cash as reserves had been achieved after 40 years.18

At year's beginning Director Pollard Turman, Chairman of the Salary and Personnel Committee reported that total personnel stood at 1419 and that the annual

payroll had reached \$5,513,000. Also, that arrangements for group hospitalization and medical insurance had been concluded with Aetna Life Insurance Company as underwriter.19

In July First Vice President Clark gave an interesting report on check handling. He said that all five offices at the Bank had handled 23 million checks during the month of June. Each of these requires only a fraction of a second to handle; however, many items must be handled a second time when they are returned. The Jacksonville Branch now handles the largest number of return items hut the New Orleans Branch has the highest percentage of total volume of checks handled. Return items are an expensive operation. The Atlanta office incurs \$15,000 per year in salary costs for this purpose. The volume of return items in the Sixth District over the past ten years has increased 150 percent. The increase by offices is as follows:

New Orleans	185	percent
Atlanta	165	percent
Jacksonville	161	percent
Nashville	121	percent
Birmingham	126	percent

Forty percent of the return items are drawn upon nonpar banks and this Bank returns these. Thirty—nine percent of the items are returned because drawn on insufficient funds and the remaining 21 percent of the items are returned for various reasons such as faulty endorsements or missing signatures. With the greater use of checks, the percentage of return items to the total volume of checks is slowly increasing.20

On September 11, Secretary Harold Patterson called the attention of the Board to the following communication: Telegram from Board of Governors to President Bryan, dated August 10, 1959:

“Section 601 of the Act of Congress approved August 21, 1958, which was published in the 1958 Federal Reserve Bulletin at Page 1059, repealed Section 13-B of the Federal Reserve Act, effective one year after the date of enactment of that act. Therefore, after August 21, 1959, the Federal Reserve Banks are not authorized to make loans and commitments for industrial or commercial purposes, and Regulation S is, accordingly, terminated effective at the close of business August 21, 1959.”21

During the same meeting Messrs. Clark and Bryan made interesting comments concerning operations:

Mr. Clark noted that on September 9 the Bank's Federal Reserve note circulation had reached a peak of \$1,524 million. He felt that this was some indication of the volume of business being transacted in the Sixth District.

In processing postmasters' deposits the Bank led all other banks and branches in volume for the second quarter of this year. The Bank handled 140,000 deposits in this period; the Cincinnati Branch of the Federal Reserve Bank of Cleveland ranked second with 97,000 deposits. Atlanta received 89,000 deposits containing cash; Richmond was second with 71,000 cash deposits. Atlanta also led in the number of coins, checks, money orders, and stamp albums processed. This unit receives remittances from postmasters in seven southern states. The Post Office Department reimburses the Bank for most of its costs. Each year the officers of the Bank look forward to receiving the General Auditor's analysis of the Bank's currency operations, on a comparative basis. During the fiscal year ending June 30 the Bank's five offices handled 326,220,000 pieces of currency. The Jacksonville Branch ranked first in pieces handled per error, averaging 2,434,000 pieces of currency for each error of \$1 or more. In the detection of counterfeit bills during this same period the Nashville Branch led the other offices by letting no counterfeits pass. Among all offices only 10 bills were passed up for a loss of \$250.

President Bryan commented that whether we should engage in depository functions for other branches of the Government is a subject often considered. The Treasury is now insisting that the Reserve Banks handle additional matters involved in the collection of income taxes, as a fiscal agency function. Although the Treasury urges that the Reserve Banks can do the work at less cost, nevertheless the Banks become involved in the functions of the departments of Government, and it may be said that the departments are seeking to avoid the necessity of asking for Congressional appropriations, to some extent. Director Turman added that it was difficult to determine whether the Bank would be merely accepting deposits or participating in a Government agency's own administration. There appears to be no limit to the load that might thus be imposed upon the Reserve Bank. 22

Throughout its history the physical facilities of the Federal Reserve Bank of Atlanta and its Branches have never remained static. This was true in 1959.

On May 8, Henry Toombs, of Toombs, Amisano and Wells presented contract drawings and specifications for the addition to renovation of existing buildings in Atlanta, which were approved.23

On December 1 ground was broken for a new Atlanta Office Building. The occasion was described in the 6-F Messenger:24

GROUND IS BROKEN FOR NEW ATLANTA OFFICE BUILDING

L. H. Clark, First Vice President, was standing at the head of the driveway at the Atlanta Office one day back in the spring of 1951 when a member of the Bank's staff came by. They exchanged pleasantries, in the course of which Mr. Clark disclosed that he was about to depart for Washington, D. C.

"I'm going up there to convince the Board of Governors that we need this lot to build on," he commented.

And, with a sweep of his arm, he indicated the lot on which the old Atlanta Georgian building had stood, just east of the Atlanta Office.

A parking garage operator was planning to build a garage there. The lot had already been cleared.

Mr. Clark, accomplished his mission. On May 23, 1951, the Board let the Bank know it would interpose no objection to our purchase of the lot. On the following day, we contracted to buy it.

The courses of true building programs never run smooth, however. It was not until Tuesday, December 1, 1959, that a building contractor moved in to put something on the lot.

The eight-and-a-half-year interval was filled with continuous work toward the day when that could happen. The growth of the South's economy, changes in banking technology, the urgent need for new buildings at Birmingham and Nashville, all necessitated constant revision of careful plans, and postponement of the day when ground could be broken.

The past summer and fall have been filled with the final revision of plans their approval by our Board of Directors and System's Board of Governors, the obtaining of bids on the job, the approval of the low bid by the Directors and Governors, the signing of the contract, the last minute arrangements, and finally, the entrance of the great excavating machines.

The lot was turned over to the low bidders, the Batson-Cook Company, on Monday, November 30th.

The next day, people on the west side of the building suddenly began asking each other why the floor was jiggling. Those on the east side knew, they could just look

out of the windows and see. A one—yard power shovel with a two-ton wrecking ball dangling on a wire rope from one of its snaggle teeth was battering down the driveway walls.

There was something almost playful about the effortless way the power shovel swung the heavy “headache pill,” making solid masonry seem about as substantial as a shadow.

The building has been shaking off and on ever since, as the power shovel and its teammates, an end-loader and a bulldozer, have broken up asphalt, concrete, and solid ground, and have loaded the resulting rubble into a possession of dump trucks.

It is with a somewhat wistful eye that some employees, who now take trolleys to work, survey the lot on which they used to park their cars. The Bank was always glad to let them park on the lot, since it would have been nothing but empty space otherwise. And it was with regret that the Bank recently notified some of them that circumstances required the ending of that privilege. After all, no one would really want to park on the lot with that power shovel and Caterpillars gnawing the ground out from under them. However, for those who now have no parking place, it was the end of a privilege that never exists even temporarily for most downtown workers.

The ultimate reward, of course, will be a brand new building, about which more will be said as construction progresses. The present schedule calls for the completion of the new building in December, 1961. Renovation of the old building should be finished a year later.

The new addition to the Birmingham Branch was completed on May 1 and officially dedicated on May 8.²⁵ On the latter occasion a joint meeting of the Boards of Directors of the Atlanta Bank and Branches was held in the new building. First Vice President Clark during the meeting, gave an interesting resume of the growth of the Birmingham Branch. He said:²⁶

“Instead of commenting upon the Operation Report for the month of April, I would like to take a few minutes for a review of the Birmingham Branch’s operating history and to compare ‘what was’ with ‘what is.’

“This splendid building is the fruit of a seed planted forty-one years ago. This Branch opened its doors for business on August 1, 1918, the third Branch of the Federal Reserve Bank of Atlanta to be created.

“The Birmingham Branch, of course, was established for the purpose of serving commercial banks in its zone and through them the people and businesses of Alabama.

“This chart showing population trends gives some idea of the magnitude of that task, By official count, in 1920 Alabama’s population stood at 2.3 million. Since then the state’s population, given on the upper line, has climbed gradually but unflinchingly. Today there are 900,000, or 38 percent, more Alabamians than in 1920.

“The rate of population growth in the Birmingham Metropolitan Area (that is, Jefferson County) outstripped that for the state as a whole. Birmingham’s population more than doubled between 1920 and 1958. Latest estimates place the count at 650,000.

“The expansion of commercial bank assets offers some clue to the progress made by Alabama in banks aiding individuals, business agriculture and government. The right-hand segment of the chart shows that assets of Alabama’s 358 commercial banks totaled only \$235 million dollars in 1919, one year after the opening of the Birmingham Branch. Resources, however, rose rapidly and without interruption thereafter. The gain was especially impressive in the war decade of the forties when assets jumped threefold and passed the billion dollar mark.

“Notice that while assets soared, the number of banks in operation, appearing in the left-hand panel, sank drastically. The net result of the rise in assets and fall in

number of banks is that the average bank in 1959 is a great deal bigger than its counterpart of the past.

“It is interesting to observe that the \$235 million dollars of assets in 1919 would be equivalent to \$393 million dollars in 1959.

“This chart paints much the same scene for the City of Birmingham, Assets, on the right, climbed dramatically in vivid contrast to the more than 50 percent cutback in the number of banks in operation. The number has remained virtually unchanged since 1940, as the panel to the left indicates. More than compensating for the reduction in bank numbers has been the pronounced expansion in total resources.

“Shown on this chart are the number of banks in the Birmingham Zone divided into par and nonpar groups. Nonpar banks, the broken line, outnumbered par banks from the day the Branch opened until 1946. Since then, the par bank lead has broadened year by year. As of April 1959, par banks held a two to one edge over their nonpar competitors. Two-thirds of the banks in the Birmingham Zone are on the Federal Reserve par list, a proportion considerably higher than for the Sixth District as a whole.

“There has been an impressive rise in Alabama’s population, banking resources, and an increase in the number of par banks. From these facts we can see that Alabama’s economic progress has been outstanding in the last forty years. Growth, in turn, has spurred the demand for bank services and the Birmingham Branch has felt the impact.

“The Birmingham Branch at the outset had two major jobs, clearing checks and providing currency and coin. This chart shows the long-term expansion in city and country check clearings at the Branch. The number of items processed (pictured in the upper line) grew from 4.3 million in 1920 to 30.6 million in 1958.

“As the chart shows, the number of items processed remained fairly constant, at

close to 5 million, for the first fifteen years. Beginning in 1933, the volume started a rise that has lasted to the present.

“The lower line on the slide indicates that the dollar value of city and country check items cleared by the Birmingham Branch followed closely the general pattern observed for the number of items processed. The Branch cleared \$1.3 billion dollars worth of checks in 1920. Following the turning point in 1933, the dollar volume picked up speed rapidly. Last year’s \$10.3 billion dollar volume was ten times as large as that of 1920. The great growth in check clearings summarized on the chart testifies to the huge expansion in economic activity in Alabama.

“Closely related to check activity in our Money Department work. This chart shows in the upper panel the number of pieces of coin received and counted by the Birmingham Branch, and in the lower one similar data for currency.

“The expansion in coin handled overshadowed that of currency. Coin processed went from 7.8 million pieces in 1930 to 76 million in 1958. This means that for every piece of coin processed in 1930, the Branch is handling 10 today. The number of pieces of currency processed trebled between 1930 and 1958.

“The bar charts indicate that the greatest expansion occurred in the war and post—war years. Since 1950 the volume of coin processed doubled, whereas currency advanced approximately one-sixth. A rising population, sales taxes, coin vending machines all have contributed to a steady demand for coin.

“Despite improvements in equipment, the Birmingham Branch found it necessary to enlarge its personnel force in order to accommodate the increases in money and check activity. This slide indicates that when the Branch opened in 1918, only twelve employees, including officers, were needed to do the job. The number tripled by 1930 and leaped further during World War II. As of today, the Branch has 207 employees.

“By no means do the money counting and check clearing duties account

exclusively for the advance in the number of employees. The two departments performing these jobs employ approximately 40 percent of the Branch's personnel. The remaining 60 percent is engaged mainly in fiscal agency, accounting and general service work. The fiscal and accounting functions largely explain the jump in number of employees in the 1940's.

"As I began, I conclude--with the spotlight on this lovely building. In these few moments, we have travelled 41 years through time in an attempt to relate 'what was' to 'what is.' The thread linking the past with the present, we may call 'growth.' The volume of work performed by the Branch grew directly in response to the pressing demands of commercial banks, but more fundamentally and indirectly, in response to community wants.

"I confidently predict that in this inspiring, attractive, and above all, useful and efficient home, the Birmingham Branch of the Federal Reserve Bank of Atlanta will continue providing outstanding services to the banks, businesses and people of the State of Alabama.

Total assets of the Federal Reserve Bank of Atlanta stood at \$3,042,275,454 on December 31, 1959. This compared with \$2,813,787,331 one year earlier. Net earnings for 1959 were up substantially over 1958--\$37,770,104 27 against \$28,898,585.

NOTES

Chapter 48

1. Life History of the United States, Vol. 12, p. 161
2. Directors Minutes, 1959, pp. 8—10
3. Ibid., 29
4. Ibid., 66—67
5. Sept. 21, 1959, p. 92
6. Directors Minutes, 1959, pp. 84—85
7. Ibid., 1958, p. 111
8. Ibid., 1959, p. 21
9. 6—F Messenger, March, 1959, p. 2
10. Ibid., 4
11. Directors Minutes, 1959, pp. 24, 26, 49, 51
12. Ibid., 50
13. 6—F Messenger, Jan. 1960, p. 9
14. Directors Minutes, 1959, pp. 109, 112
15. Ibid., 76
16. 6—F Messenger, Sept. 1959, pp. 3—4
17. Directors Minutes, 1959, p. 120
18. Ibid., 121. The vault cash decision came in December. In reporting on the “State of Business” in its issue of December 14, page 88, Time Magazine said: “...But the Federal Reserve Board also eased money to take care of the usual extra demands around Christmas by permitting member banks to count

a percentage of their vault cash as reserves, thus in effect adding some \$1.4 billion in lending power...”

19. Directors Minutes, 1959, p. 5
20. Ibid., 72—73
21. Ibid., 76
22. Ibid., 80—81
23. Ibid., 49
24. Dec. 1959, pp. 4—5
25. 6—F Messenger, June, 1959, p. 3
26. Directors Minutes, 1959, pp. 53—56
27. Forty—Fifth Annual Statement, Jan. 20, 1960

Chapter 49

1960

The present decade, which was to witness the 50th anniversary of the Federal Reserve System, dawned with the international pot boiling as usual. Cuba was in turmoil, and the Soviet-Chinese Communist ideological rift began. New Orleans had an integration crisis and riots and anarchy were the order of the day in newly independent Congo. John F. Kennedy was elected President of the United States and campaign debates were seen for the first time on TV. The U. S. Census gave the U.S., including Alaska and Hawaii a population of 179,323,175. Average per capita income in this country set a new record high of \$2,218.1

As the year began the Board of Governors of the Federal Reserve System sent to the Atlanta Board of Directors a telegram outlining the condition of the System.

It follows:

“Preliminary figures received from the Federal Reserve Banks indicate that during the year 1959 their current earnings amounted to \$886 million, an increase of \$144 million compared with 1958. Earnings on U. S. Government securities were \$123 million more than in 1958, reflecting the combined effect of substantial increases in average yield and average holdings. Earnings from discounts for member banks were \$28 million, compared with \$7 million in 1958.

“Current expenses in 1959 were \$144 million, \$7 million more than in 1958, leaving current net earnings of \$742 million, up \$137 million from 1958. Net additions to current net earnings amounts to \$98 million, resulting almost entirely from the discontinuance of certain reserves for contingencies. With such additions, net earnings were \$840 million before dividends and payment to the U.S. Treasury.

“Payments of statutory dividends to member banks amounted to \$23 million. Payments to the U.S. Treasury as interest on Federal Reserve notes totaled \$911

million. These payments consisted of all net earnings after dividends and after provision for building up surplus to 100 percent of subscribed capital at those banks where surplus account exceeded the level of subscribed capital (which is twice paid-in capital).

“The 1959 payments to the Treasury reflect a conclusion reached by the Board, after consultation with the Federal Reserve banks, that the maintenance of a surplus at the level of subscribed capital would be appropriate in the light of present circumstances. It was therefore decided to change the recent practice of adding approximately 10 percent of the annual net earnings of the Federal Reserve banks to the surplus accounts, and to pay to the Treasury the amounts by which the surplus accounts exceeded subscribed capital.”2

At the same meeting, which occurred on January 8, President Bryan commented interestingly:

He said that the bank’s operations had been routine but that there had been a considerable improvement in efficiency during the past year. This was partly the work of the Methods and Systems Department but was also attributable to the fact that employees are staying with the bank long enough to learn their jobs. When the bank’s turnover rate was at 30 percent, a study of the currency and coin operation showed that where it took two years for an employee to reach maximum efficiency it could be determined that the cost to the bank whenever an employee left was about \$1,000.

Mr. Bryan discussed the economic results of the settlement of the steel strike and what monetary policy should be followed. He felt that the settlement would be seriously inflationary in its ramifications with other industries, and that this would make it difficult for the System. Present policies are having restraining effects because there are more reports of borrowers unable to get funds and of bank loans being controlled. The rising interest rate restrained some types of borrowing. However, in the face of

continued loan demand and several months of boom conditions a grave question is raised. The point is that the System has not lowered either the money supply or banks' reserve positions; in fact, a modest growth has been permitted. The effects of restraint have proceeded from an exceedingly large demand for funds and in some a lack of supply.

In the Sixth District borrowings from this bank have outpaced the borrowings of member banks in the rest of the country. Sixth District banks hold about 5 percent of the country's banking resources. However, their borrowings on a daily average basis have been running at about 15 percent of borrowings by member banks in the whole country. Borrowings have been rising for the last three quarters of 1959 and are still high. The reasons for this are that the banks have expanded their loans rapidly and have been slow to liquidate their investments. Many Sixth District banks hold longer maturities in their portfolios than do other banks in the nation. Also, deposits have leveled off for the past several months in the District. The result has been that considerable numbers of banks have had to borrow in relatively large amounts. He mentioned this so that any of the Directors in their conversations with bankers might emphasize that a bank's investment portfolio is a secondary reserve rather than an investment to be carried by means of borrowing from the Reserve Bank. Also, the President is having to make some collection efforts with a few banks and there may be some repercussions from this. It is the bank's policy to accommodate short adjustments in reserve positions or seasonal movements of funds within the District, and to lend to any bank that is in trouble because of events beyond its control. But the Reserve Bank cannot lend to allow an interest rate override between the member bank's loan rates and those of the Federal Reserve. Director Bowman remarked that it was difficult to put pressure upon bank's whose borrowings were out of line. Many of them feel that their loans are well-secured and that they should not be criticized for legitimate borrowing. They do not

realize the inflationary potential of increasing their Government security portfolio through borrowing from the Reserve Bank.³

The February Board meeting saw more meaty comment by the President.

Mr. Bryan said that the officers comprising the Administrative Committee at the Head Office are taking steps to improve liaison with the Branches for the purpose of preventing errors. No major blunders have been committed and there have been no instances of major financial loss or embarrassment to the bank. Despite the good record, however, it is felt that there is need for a program that will keep all personnel aware of the circumstances that lead to errors and to the need for diligence and care in, the sensitive areas of operations.

Mr. Bryan commented briefly on actions taken by the Executive Committee with respect to borrowings by certain member banks. To the directors who have been appointed to the Board recently it might appear that there has been some change in the bank's policy regarding borrowings by member banks. Mr. Bryan emphasized that the policy has not been changed and may be summarized as follows: first, we will lend with almost no restrictions to a bank that gets into genuine trouble; second, we will lend to a bank to permit them to adjust their affairs in response to seasonal factors; third, we will not continue to lend to a bank when it is obvious that Federal Reserve credit is being used as a substitute for depositors' money or for shareholders' capital.

Mr. Bryan stated that we are now in another of those periods in which the determination of the proper policy for the Federal Reserve System is exceedingly difficult. The upward trend in the economy has been less than was expected in the late fall. It is too early to know whether the present period of uncertainty represents a slight seasonal slump that will soon be overshadowed by the general increase in business activity or whether it signals some fundamental change. The picture should become much clearer within three or four weeks.

The most dramatic development has been the substantial easing in the money market. This has not been confined to any one class of securities but has affected all fixed-income securities. It would be easy and natural to attribute this decline to action by the Federal Reserve System. Mr. Bryan stated that it seemed rather clear that the easing is not attributable to action by the Federal Reserve System but to other forces in the money market.

In evaluating the current economic situation we are forced as always to rely upon scattered and isolated bits of information. The statistical data upon which we are forced to rely is always somewhat out of date by the time it becomes available. To cite a few of the bits of information, there has been a rather dramatic collapse in used car prices, some indications that the inventory boom is slowing up and a weakness in retail sales in some areas of the country. There is no evidence to indicate that economic activity in the District differs in any important respect from the rest of the nation. There is some evidence, however, that the District boom may be losing some of its pep and steam. In this connection we should remember that this area has had a long sustained period of rapid growth. If it is true that the rate of economic growth in the District has slowed somewhat, it does not mean that the long-term outlook is less favorable. We have every reason to expect further substantial growth in the economy of the District.⁴

Again, on April 15, President Bryan pointed the way:

Congressman Patman is about to call up for committee hearings a bill to increase the membership of the Board of Governors to twelve, to abolish the Open Market Committee, and to vest the powers of the Open Market Committee in the Board of Governors. Chairman Martin will testify and Mr. Patman wants four or five Presidents and several Chairmen of Federal Reserve Banks to testify.

The economic situation has been troubling to everyone considering it in the Open Market Committee meetings and in the System. While it is difficult to get a clear picture,

there have been massive changes in various segments of the economy. This Bank has just completed projections through the remainder of the year of the components of Gross National Product. A rather slow growth is predicted; by the end of the year the Gross National Product may be about \$150 billion. The latest reports, moreover, for the end of March and the first part of April seem to be quite good. Inventory build-up seems to be about at an end. The steel industry is slowing down, but a great many other industries are trending upward. The second quarter may well show a substantial, but not spectacular, increase in total volume of American business. System policy, in a situation of poor visibility, has been to sit steady in the middle of the boat and not rock it either way. In consequence of the reports submitted to the directors, there seems to be no reason to advocate a change in the discount rate. Borrowing by member banks in the District has decreased considerably but still remains at a rather high percentage of the total System discount. The banks in the District are apparently in a somewhat less liquid position than the banks in the country generally. Mr. Bryan said he did not think the situation alarming, but it does mean most banks are fresh out of money. With a rapid expansion of loans in the District, most banks are in a tight position.⁵

In June the Federal Reserve Banks, including Atlanta, lowered the discount rate to 3½%.⁶

It was lowered again in August. Reported Time Magazine on the 22nd:

“In a move to give the U. S. economy a gentle push, the Federal Reserve Board last week took three steps to ease credit and encourage business expansion by making money cheaper and more plentiful. The three:

“1. The ... discount rate was lowered ½% for the second time within three months bringing it down to 3%, lowest rate since May of last year.

“2. The reserve requirement of central reserve city banks, now 18% of their net

demand deposit obligations, will be lowered to 17½% on September 1 as a step toward complying with last year's congressional act that all central reserve city and reserve city rates must be identical by July 28, 1962. Last week's action narrows the gap to a percentage point.

"3. 'Country banks'--those not in central reserve and reserve cities--can count as part of their reserve requirements any vault cash they have in excess of 2½% of their net demand deposits. Present rate: 4%. Reserve city and central reserve city banks can use all vault cash over 10% of net demand deposits, the current 2%, in meeting reserve requirements.

"The change in reserve requirements will enable banks to create some \$3.6 billion in new credit, a move partly designed to meet seasonal demands, e.g., farmers borrowing for fall harvesting, merchants stocking up for fall and Christmas. The reserve changes and the lowering of the discount rate, taken together in the long run, should bolster the whole economy."

Reporting again on Federal Reserve Board activities on November 7, Time said:

"For bankers, businessmen and consumers, the Federal Reserve Board last week had a Christmas present well in advance of Christmas. To supply more cash and credit for the Christmas shopping season, FRB added \$1.3 billion to the lending power of its 6200 member banks by allowing them to count all cash on hand as reserves. It also lowered the minimum reserves permitted big-city banks from 17½% to 16½% of deposits.

"This was FRB's third move to ease credit in a year, and many businessmen thought it was overdue. The critics think that FRB has moved too slowly to get business moving, and that its previous moves have not been particularly effective while it has cut the discount rate from 4% to 3% in two installments this year, the prime rate for loans

has only dropped from 5% to 4½%...

“The FRB insisted that the new credit easing was a routine seasonal matter, but bankers and economists viewed it as a measure clearly designed to aid the static economy. One reason for FRB’s caution is that it wants to avoid any sharp change in interest rates lest it step up the U.S. outflow of gold to nations with higher interest rates. Even more important, FRB is moving slowly because, like everyone else, it is unsure about where the economy is going--and whether it needs a nudge or a big push of easier credit...”

During the course of a conference of Chairmen and Deputy Chairmen in Washington on December 1 and 2, FRB Chairman William McC. Martin commented on the economy.

He pointed out that it was actually healthier than it was a year ago. There is now less gambling in the stock market and the deadline in the market has not been disastrous. With the nation’s increased productive capacity it is no longer necessary for manufacturers to build up large inventories. He noted that salesmanship has improved. The economy is not yet under any forced growth, but Chairman Martin felt that if the 4¼% limitation on government bond interest rates had been removed, the money shortage earlier this year could have been averted and interest rates would have been lowered by free market action...”7

A number of official personnel changes took place in the Atlanta Bank and its Branches during 1960.

In November 1959, General John C. Persons, Chairman of the Board, The First National Bank of Birmingham, was elected to represent the Sixth District as a member of the Federal Advisory Council for the year 1960, succeeding John A. Sibley.

New Branch Directors elected at the December, 1959, Board meeting, were.9

Birmingham

Frank A. Plummer,
President, Birmingham
Trust National Bank

to succeed Gen. John C. Persons

Jacksonville

Leonard A. Usina,
President,
Peoples National Bank
of Miami Shores

to succeed James G. Garner

Nashville

D. L. Earnest,
President,
Blount National Bank
Maryville, Tenn.

to succeed Jo H. Anderson

New Orleans

Frank A. Gallagher,
Executive Vice President,
Jeff Davis Bank & Trust Company
Jennings, La.

to succeed J. Spencer Jones

Also effective January 1, though announced December 23, 1959, were two Jacksonville Branch promotions. Vestus L. Crow, a Federal Reserve employee since 1929, was advanced to Cashier, while Billy H. Hargett, employed in 1949, was made Assistant Cashier. 10

Early in the year Vice President and General Counsel Harold Patterson, because of increased duties, requested to be relieved of his duties as Secretary. Accordingly, on January 8, George Hibbert, Assistant Secretary, was promoted to Secretary of the Board of Directors. Brown R. Rawlings was named Assistant Secretary to the Board.”

In February Otis Batson, a former director of the New Orleans Branch, died on the 4th. On the 12th Malcolm H. Bryan was elected a member of the Open Market Committee, and Watrous H. Irons, alternate member for the year beginning March 1, 1960.¹²

The Bank lost a valuable officer in mid-April when Vice President and Cashier John L. Liles resigned to accept an appointment as Vice President of the Birmingham Trust National Bank. Mr. Liles, a native of Shelby County, Alabama, lived in or near Birmingham for many years and was thus, so to speak, returning home. He had been connected with the Bank since 1947.¹³

To fill the vacancy, Brown R. Rawlings, Assistant Vice President, was upped to Vice President and given supervision of Personnel, CCC Custody, Currency and Coin and the Methods and System Departments. The Service Department, formerly under Mr. Liles, was transferred to Vice President J. Emory McCorvey. Mr. Rawlings, like his predecessor Mr. Liles, had also come with the Bank in 1947 and likewise as an agricultural economist.¹⁴

Rawlings tenure as Assistant Secretary to the Board was necessarily brief. At the April Board meeting President Bryan reminded the directors that the position had been created for the purpose of giving special training to some of the Bank’s promising junior officers and employees. He further stated that such training would not at this time be of benefit to another junior officer. He therefore recommended that Reba Fletcher, Administrative Assistant to the President and First Vice President, be elected Assistant Secretary. Miss Fletcher was so elected and thus became the first woman in the history

of the Bank to brave a full session of the Board of Directors. She reached this milestone in the annals of the Bank on April 15. Her service with the Bank began on November 1, 1944.15

Saturday, July 30, 1960, brought to a close the life of William Sanford McLarin, Jr., President of the Bank from April 13, 1941 to February 28, 1951, whose career with the institution began July 17, 1916 as chief clerk in the Transit Department. He had been retired since February 28, 1951.16

Two promotions to official status took place in September. On the 6th Edgar M. Vallette, Director of Personnel, was transferred to the Methods and Systems Department as Assistant Vice President. On the 28th Beyrl Howard, formerly Building Consultant became Assistant Cashier and took over as officer in charge of several Service Department functions. He continued as consultant in connection with the building program.17

A distinguished career with the Bank came to a close on November 30 with the retirement of Dr. Earle L. Rauber, Vice President and Director of Research since June 1952. Indeed, his career with the Fed began April 1, 1943, when he joined the staff of the Atlanta Bank as Senior Economist. Dr. Rauber was born at Cordopolis, Pennsylvania and secured his Ph.D. at the University of Chicago in 1930.18

In commenting upon his retirement the 6-F Messenger said:18

“...Dr. Rauber has the valuable talent, greatly appreciated by readers, of writing lively and easily understood articles in what many consider a dust-dry field. His articles are always readable, often humorous, and not only informative but educational in the broader sense.

“His stature among his fellow economists is great. The Bank’s President, Mr. Malcolm Bryan, himself a respected economist, describes him as having ‘that rare gift of being able to clear away what is ephemeral and discern what is significant about the

current economic scene. A collection of his writings has been published under the title, The Genie in the Bottle...

“An ardent, well-equipped and highly skilled photographer, Dr. Rauber probably will rank among our most active retirees as he pursues his hobby.”

The terms of two of the Bank's most active directors came to a close with the end of 1960. They were W. C. Bowman and Pollard Turman. On the occasion of their last meeting, December 9, Chairman Walter Mitchell awarded both certificates of service. Director Bowman responded that he regarded his nine-year service as a privilege and would miss the fine associations he had known with the directors. Director Turman stated that he had enjoyed the opportunity of serving with the directors present and felt that the matters handled by the directors had been stimulating and informative.19

Successors to Bowman and Turman were George S. Craft, President, The Trust Company of Georgia, and W. Maxey Jarman, Chairman, General Shoe Corporation, whose terms began January 1, 1961.20

A number of matters concerning personnel which occurred during the year are worthy of note.

In reporting to the Board on June 10, Director Pollard Turman said that the personnel rate of turnover at the bank was currently 5¼%, compared with 6%, 9½%, 7¾% and 6¾% at commercial banks in the Atlanta area. The Bank's rate was considered favorable. 21

In October, again reporting as Chairman of the Salary and Personnel Committee, Turman pointed out as being of special interest the fact that the Bank's total employment showed a decrease from 1444 on September 1 to 1415 on October 1. At the same time First Vice President Patterson reported that certain operations in the Bank had been reviewed, either by the Methods and Systems Department, by new

people on the job, or by existing employees, to determine whether the manpower was proper for the job. As a result, the reduction in personnel has been rather dramatic-and no lessening of efficiency in operations had been noted.22

On the subject of longevity, Patterson noted later in the year, that if the whole Federal Reserve System there were 420 employees having more than 40 years service, and that of this number 18 were employees of the Atlanta Bank.23

Since its establishment many years before, the Bank's cafeteria had been a lunch-only operation. Beginning February 8, 1960 breakfast was added. Said the 6-F Messenger:24

"Atlanta employees who have been in the habit of bucking the breakfast crowd at short-order shops or drug store dyspepsia dispensaries need no longer subject themselves to this ordeal..."

On the operations front the year broke some new ground.

Effective January 1 the reserve for contingencies account was closed and \$5,598,000 from that account was transferred to Profit and Loss and \$831,697.43 from Profit and LOSS, a sum sufficient to bring surplus to level of subscribed capital (\$90,305,800). 25

Effective May 1 a separate Data Processing Department was created from the Central Tabulating Unit, or Machine Tabulating Unit of the Fiscal Agency Department. At the same time President Bryan reported to the Board that the Methods and Systems Department had A major study under way to determine the feasibility of installing a small electronic computer.26 The electronic age was invading the Bank.

During the course of the May Board meeting the First Vice President commented interestingly on the Bank's detection of counterfeit bills. An experienced currency sorter will sort from 30,000 to 40,000 pieces of currency a day, and to detect a counterfeit bill while working at top speed requires a great deal of skill. He told of a

currency sorter at the head office who found three counterfeit \$20 Federal Reserve notes so nearly perfect that the local Secret Service office judged them to be good. The notes were sent to the Bureau of Engraving and Printing in Washington, where a number of minute defects were pointed out. A currency sorter usually reaches top speed after about two years of training, and it is a considerable loss when one leaves the Bank.27

As to public relations, Mr. Patterson pointed out in September that the Bank maintains a library of 19 different films, of which the Head Office and Branches hold a total of 81 copies. These are made available to member and nonmember banks, colleges, high schools and other groups throughout the Sixth District. The films are loaned free of charge except for the minor cost of postage for returning the film to this Bank. The officers of the Bank feel that the films are one of the most valuable and successful tools in the Bank's public relations program. In 1958 the films were shown 526 times to 104,472 people; in 1959, 761 times to 269,871 people, and through August, 1960, showings have been 20% greater than in 1959.28

In February Director Donald Corner reviewed the policies and programs that had been sponsored by the Agricultural Committee since 1947. He stated that the program was initiated under the leadership of former Director J. F. Porter. The principal objectives of the program have been to work with the agricultural committees of the state banker's associations in acquainting bankers with farmers' financial needs and to promote and encourage bankers in rural areas to assist in the improvement of agriculture. Corner said that in his opinion the money invested in the program has yielded good returns.29

During the October Board meeting Lloyd B. Raisty, Vice President, presented the budget of estimated expenditures for 1961. Copies of the complete budget had been mailed previously to the Directors, and a summary was handed to the Directors at the

meeting, a copy of which is filed with the Secretary.

The budget estimated for 1961 totals \$11,277,479, 7 representing an increase of 4.3 percent over the budget submitted for 1960. Salaries have been budgeted rather strictly. Employees' salaries are estimated at \$5,719,459 for 1961, 3.97 percent higher than estimated for 1960. The salary budget was originally set 7 percent higher than for 1960, but was arbitrarily adjusted down to 4 percent, the actual increase in 1960 over 1959. The percentage increase for each office for employees' salaries is as follows: Atlanta, 3.97 percent; Birmingham 2.8 percent; Jacksonville 6.5 percent; Nashville, 2.0 percent; and New Orleans, 3.0 percent. Jacksonville is scheduling an increase in the number of employees of 12 over last year in recognition of the continuing expanding volume of activity in that office. A limit has been set on the number of people that may be employed at the Head Office and Branches, based upon the maximum number of employees hired at any office during 1960.

The substantial decrease of 53 percent in legal fees is the result of an allowance made in 1960 for the possibility of legal services that might be required in connection with the building program. The actual dollar decrease is \$2,500.

The rather large increase of 68 percent in furniture and equipment is primarily in furnishing the new addition to the Atlanta building. Mr. Raisty pointed out that all furniture that can be reconditioned will be used in the new building. A large part of the increase, approximately \$56,000, is for furnishing the new Infirmary and Executive and other offices.

The budget was approved.30

Two major construction projects in connection with Atlanta headquarters were in progress during 1960, one of which was completed.

Between July and the close of October four decks were added to the Bank's parking garage.31

The new office building addition to the east, adjoining the Rhodes Building had taken definite shape by year's end. Steel was up and major concrete pouring had been virtually completed. The contractors reported that the structure was approximately one third completed, though the work was actually six weeks behind schedule.32

Preparations were completed during 1960 for the construction of a new New Orleans Branch Building. It was contemplated that the building would comprise four stories with 127,000 square feet of floor space, and that the estimated cost would be \$4,445,000. A bid in the amount of \$57,777 was accepted early in the year for the demolition of the Sewerage and Water Board Building, which occupied the building site.33

In commenting on the New Orleans project the 6-F Messenger said:34

"Another forward step has been taken on the long road that will lead to a new building for the New Orleans Branch. On March 4, 1960, the Bank entered into a contract with National Lumber and Demolishing Company, Inc., for razing the old Sewerage and Water Board Building which occupies a portion of the new building site.

"The contractor commenced work on March 14... The building will be removed down to the first floor slab and the basement will be left intact for the time being..."

The job was delayed. Manager Morgan Shaw of the New Orleans Branch reported to the Atlanta Board on December 9 that the building had been razed even though the contractor had exceeded the time set by 82 days.35

At the close of business, December 31, 1960, total assets and liabilities of the bank stood at \$3,091,775,650. Net earnings for the year came to \$50,034,760, compared to \$37,770,104 for 1959.36

NOTES

Chapter 49

1. Life History of the United States, Vol. 12, p. 161
2. Directors Minutes, 1960, p. 2
3. Ibid., 9—10
4. Ibid. , 16—17
5. Ibid., 32
6. Ibid., 53—56
7. Ibid., 102
8. Ibid., 1959, pp. 109—110
9. Ibid. , 116
10. 6-F Messenger, Jan. 1960, pp. 2, 3
11. Directors Minutes, 1960, P. 6
12. Ibid. , 12, 15
13. Ibid., 30, 32, 34; 6-F Messenger, April, 1960, p. 2
14. Directors Minutes, 1960, p. 34; 6-F Messenger, April,
15. Directors Minutes, 1960, p. 35; 6-F Messenger, April 1960, p. 5
16. 6-F Messenger, August, 1960, p. 2; Biographical Records of the Bank
17. 6-F Messenger, Oct. 1960, pp. 2-3 Ibid., Dec. 1960, p. 3; Directors Minutes,
1960, pp. 85, 94
18. Dec. 1960, p. 3
19. Directors Minutes, 1960, p. 103
20. Ibid., 72, 95
21. Ibid., 49
22. Ibid., 81

23. Ibid., 99
24. Feb. 1960, p. 5
25. Directors Minutes, 1960, p. 5
26. Ibid., 33; 6—F Messenger, April, 1960, pp. 2—3
27. Directors Minutes, 1960, p. 42
28. Ibid., 72
29. Ibid., 15
30. Ibid., 83
31. Ibid., 91; 6—F Messenger, July 1960, p. 4
32. 6-F Messenger, Dec. 1960, p. 6
33. Directors Minutes, 1960, p7, 10, 20
34. April, 1960, p. 6
35. Directors Minutes, 1960, p. 99
36. Forty-Sixth Annual Statement, January 25, 1961

Chapter 50
-1961-

The Space Age received great impetus in 1961. Soviet Cosmonaut Yuri Gagarin became the first man to orbit the earth, while Alan B. Shepard, Jr., first American in space, rocketed 116.5 miles up during a 302 mile trip.

The Communists sealed off East Berlin with a wall; President Kennedy established the Peace Corps and ended diplomatic relations with Cuba. The 23rd Amendment gave District of Columbia residents the right to vote in presidential elections. A Federal budget of \$80.9 billion set a peacetime record.¹ At the first Board meeting of the year, on January 13, President Bryan was not too reassuring in his views of the economy.²

He noted that the national economic situation is continuing to deteriorate. How far will the deterioration go? His guess was that the situation would stabilize and turn around, probably in the first quarter of the year, but that the turn-around would not be visible before the second quarter, possibly later.

Dramatic things could happen that would change the foregoing estimate. A further deterioration could occur in international affairs. A wide-open break in the equity security markets could precipitate a crisis that would be capable of making the downturn much more severe.

As most of the Directors know, the System began responding to the economic deterioration as early as March of last year when it was confronted with a highly illiquid

structure of banking as sets and with tight money in the sense that a great many loans were being refused and the going rates of interest were up. The System responded with a gradual increase in the reserves supplied to the banking system. Total reserves, over the whole period from March to the year end, have been rather dramatically increased, so that they are now in line with the long-run trend line, including a growth factor. The banks used those reserves to pay their debts and, although still rather illiquid, the banks are not in debt.

The economic situation in the South, and particularly in this District, does not appear to be doing quite as well as the nation as a whole. Mr. Bryan said that where declines have occurred, they are slightly more than the national slowing down, which now seems to be faint, should continue and be augmented, and if anything is done to assist or increase the slowing down or to diminish the importation of extra-regional capital and skills, then the South will be hurt for many generations to come. A plant that does not come here does not eliminate employment opportunities and the wealth the South might have had for a day or a month or a year, but for decades.

A considerable part of the accomplishment in the South in the past has come from the importation of capital and skills and management from outside this region. Foreign nations or foreigners seeking plant locations or opportunities to invest their capital--and there is much offshore capital invested in the South--or other Americans from outside the area seeking the same opportunities are not much concerned with our social opinions. They are concerned with our ability to govern ourselves and maintain law and order. If the governments of our states are so illadvised and so oblivious to order, the investment of that capital or the location of that plant with us is dangerous; for

all rational men know that a mob turned loose on one man, or on one class of men, or on one property, or class of property can also be turned loose on another man, or other men, or other properties. A failure in the south to maintain law and order can cost bitterly in the job opportunities and the wealth that we so much need to increase if the people are to be well served.

Mr. Bryan then discussed briefly the gold problem. This country's gold losses for 1958 were in excess of \$2, 200 million; for 1959, in excess of \$1, 000 million; and since the beginning of 1960, over \$1, 900 million. For the first time, moreover, there seems to be some indication of a flight from the dollar. Recently, instead of foreigners holding their dollars in working balances and investing them in the United States--inshort, financing the American economy--they have begun taking a part of their dollars in gold. The difficult remedy is clear enough. Americans must either spend less abroad, whether for merchandise imports, tourist trade, purchased services, grants-in-aid and loans, capital exports, or foreigners must spend more in the United States on those and other accounts. Probably the remedy must be found under every heading. American exports must be made more attractive; tourism in the United States must be made more attractive; grants-in-aid and loans must be diminished; foreigners must reduce their restrictions against American goods and services; and they must take up more of the burden of developing underdeveloped countries.

In commenting on the economy in early March, Time Magazine said:³

"To help boost the economy, the Federal Reserve Board last week unlimbered an old fiscal weapon that President Kennedy and many liberal economists have long wanted restored to the nation's anti-recession arsenal. The Fed announced it would

begin buying U. S. notes and bonds at longer maturity. By entering the long-term market, the Fed can shorten the supply of bonds, push prices up-- and thus help nudge yields lower. Since Government bond yields tend to set the tone of all interest rates, this policy would be expected to push long-term rates down, make money cheaper and thus encourage business expansion. At the same time, the Fed and Treasury hope to keep short-term rates from slipping, lest this encourage short-term investments to go abroad, thus step up the gold outflow. The action represents an about-face from the 'bills preferably' policy under which the Fed since 1953 has done most of its buying and selling of securities in the short-term market, i. e. , U. S. Treasury bills.

“Last week’s policy switch also represents a sharp about-face for William McChesney Martin, 54, the shrewd, conservative chairman of the FRB. During World War II and the early postwar years, the Fed was little more than the Treasury’s valet, pegging bond prices to keep interest charges--and the cost of the war--low for the Government. Though the policy was fine for wartime, in peace it made the Fed, as one-time chairman, Marriner Eccles, complained, an engine of inflation. Finally in 1951 the Fed rebelled, refusing to support the price of Treasury bonds. In the ensuing Fed-Treasury accord, the Fed reasserted its independence, got out of the long-term market.

Addressing the Board on June 9, President Bryan said the Federal Reserve System is presently maintaining a posture of monetary ease. The free reserve figures of the banks of the country have averaged \$500 million rather constantly, fluctuating a little above and a little below that amount. Excess reserves have been \$550 million to \$650 million. There has been, therefore, a situation of real monetary ease; but in spite of this

ease there has been in the past few weeks a rather sharp upward movement in the yields of Government and corporate securities.

Such an increase in yields would not normally be expected in an easy money situation; it is not justifiable in terms of the current money situation, as such. Apparently it is an anticipatory movement based on the judgment of investors regarding, first, a prodigious Government deficit in the last six months of this calendar year--a deficit that, each time it is estimated, tends to become greater. It was formerly assumed that the budget for the fiscal year 1962 would be approximately in balance; now it appears that there will be a substantial deficit even for the fiscal year. So apparently the Government will have to be in the market absorbing large amounts of the savings of the country.

A second factor that has partly accounted for the change in the posture of the market is the economic recovery now under way. No one knows how fast it is going, what the duration will be, or the amplitude of the upward fluctuation. Nearly all investors, however, are anticipating a large volume not only of Government marketings but also of corporates. Banks are therefore shortening the maturity schedule of their bond portfolio. The result is that rates have gone up sharply in spite of the posture of ease.

What is the Federal Reserve System doing in the long-term market? The System began operating in the long-term market and long rates went down for a while. Many economists said this proved that the market could be nudged down. It does not seem, however, as if the nudging was as successful as it was supposed to have been. We are now going through a change in the arguments for our operation in the long market. First, the argument was that the System should operate on the basis of nudging; now it is on the basis of cushioning. The two arguments given a push in the

direction the fundamental monetary situation indicates and in the direction the market wants to go anyway. The argument is always used in a situation in which it is assumed that the yields on securities should go down, but, because of some stickiness of imperfection in the market goes the other way the argument shifts: you should stand athwart of the direction in which the market naturally wants to go, that is, up in yields. So you cushion the movements.

Good arguments, although not necessarily conclusive arguments, may be made for both nudging and cushioning. Notice that nudging means increasing the speed of the movement of the market in the direction in which it wants to go. In increasing the speed, the amplitude of the fluctuation will probably be increased. Cushioning is just the opposite: the speed of the market movement is diminished and therefore the amplitude of its fluctuation is diminished. Following through on both arguments--nudging when the market ought to go down and cushioning when the market is in fact going up--is likely to get us, by a sort of ratchet action, a great distortion in yields. Pegging necessarily follows, or the policy must be abandoned.⁴

As in all the previous years of its history, some official personnel changes took place in the Atlanta Bank and Branches during 1961.

New Branch directors, whose terms began January 1 were:

Jacksonville

Godfrey Smith, President, Capital City National Bank, Tallahassee, Florida, succeeding C. B. McLeod.

Nashville

D. W. Johnston, Executive Vice-President, Third National Bank, Nashville, succeeding P. D. Houston, Jr.

New Orleans

Giles W. Patty, President, First National Bank, Mend , Mississippi, succeeding D. U. Maddox.

Five new officers assumed their new posts on January 1.

Charles T. Taylor was named Vice President and Director of Research. He was formerly Assistant Vice-President. Edgar M. Vallette was promoted to Assistant Vice-President, in charge of Methods and Systems. He was previously Director of Personnel. George Hibbert moved up from Senior Assistant to Counsel to Assistant Counsel; Harry Brandt advanced to Assistant Cashier in the Research Department from Senior Economist, and Jeffrey Wells, former Administrative Assistant was made Assistant Cashier in charge of Data Processing.6

On February 2, a new post, that of Director of Training was created. First holders was Basil A. Wapensky, Manager, Bank and Public Services Department. In describing the new position, President Bryan said that the Director will deal with all phases of training from determination of training needs through the planning of programs to meet these needs to the ultimate implementation of those programs at all levels of the Bank's organization below the official level. He will be concerned not only with training within the Bank, but also with facilities outside, such as A. I. B., night schools and colleges, the banking schools, and special programs sponsored by educational institutions, industries or professional associations.7

Effective March 1, Messrs. W. H. Irons, of Dallas, and D. C. Johns of St. Louis, were elected member and alternate of the Federal Open Market Committee for a one-year term. 8

Also effective March 1, Messrs. Malcolm Bryan, President, and Harold T.

Patterson, First Vice-President and General Counsel, were elected to new five-year terms.⁹

Something of an executive vacuum had developed by mid-1961. It was outlined to the Board by President Bryan on July 14:

With the resignation of Mr. Liles and the retirement of Mr. Clark, the Federal Reserve Bank of Atlanta has been shorthanded by a vice president. The workload thus put upon Mr. Patterson and myself has been excessive.

It has been obvious to Mr. Patterson and to me for some time that a remedy needs to be effected. Accordingly, we have decided to break the problem down into two phases. The first phase is to re-create the post of vice president and cashier.

Mr. Patterson and I are today bringing our joint solution to the problem in phase one. That is, we are jointly and strongly recommending that the Board of Directors re-create the office of Vice President and Cashier. This recommendation is designed to take off the shoulders of the First Vice President and, to a much lesser extent, the President, a burden of detailed operations within the established policies of the Bank. In making our recommendation we have made three assumptions about which, we believe, there can hardly be any question. These are:

1. That the man who takes the job must, if he is to be successful, possess superior operating knowledge gained from long experience in the Federal Reserve Bank.
2. That he must be able to command the esteem and respect of vice presidents and other senior officers, especially those whom he must supervise.
3. That he must possess self-confidence and other personal attributes necessary to arrive at decisions, within the established policy of the Bank, with dispatch.

It seems to Mr. Patterson and me quite obvious that Mr. McCorvey possesses these requirements. He has had 36 years experience in nearly every operating department at the Head Office and he possesses self-confidence.

Mr. Bryan described in general the duties that would be assigned to the Vice President and Cashier.

General Job Specification and Operational Directive:

The Vice President and Cashier should serve as vice president over certain assigned functions. In that capacity, he would have no function not exercised normally by an operating vice president and described in his job description.

In addition to the above assignment, he should be expected to be the first avenue of consultation to other operating vice presidents on matters in which (a) they desired consultation or (b) a problem cut across the lines of authority of two or more vice presidents.

- (1) In this capacity, he should have the authority to determine an issue if policy had been clearly established on the problem. He should, however, be expected to inform the first vice president and the president of problems involving the establishment of new policy; problems of a touchy character that might involve relations with the Board of Directors; the public; member banks, the Treasury; and the Board of Governors.
- (2) He should ordinarily bring such problems to the attention of the president and first vice president at the Administrative Committee meeting but should have ready access to the first vice president and president at all times. Where disagreements with other vice presidents occur, he should inform the first vice president or the

president of the disagreement in order that they may proceed to make such investigation and judgment as seems to them wise and proper. The organizational chart should be redrawn to show the consultative relationship to the other operating vice presidents. It should show the vice president and cashier as reporting to the first vice president.

The vice president and cashier should be the chief expense control officer of the Bank. In that capacity, he should review all functional and operating expense reports measuring us against other Federal Reserve Banks and officers; call the attention of the first vice president or the president to any areas in which this Bank is out of line; investigate the causal reasons; and, after discussion with the first vice president and the president, undertake such remedial measures as are deemed appropriate.

He should be the senior officer present in the absence of both the first vice president and the president.12

Year's end on the official front was marked by the retirement of Board Chairman Walter Mitchell and Directors Donald Corner and William C. Carter. All had served the Bank well and received framed certificates of service at the December, 1961, Board Meeting. 13

At midyear the Executive Committee in a joint meeting with the Salary and Personnel Committee reviewed with the officers of the Bank proposed changes in the salary structures for Atlanta and Branch offices. The Executive Committee approved the proposed change and recommended its adoption by the Board of Directors.

Chairman Mitchell asked Brown R. Rawlings, Vice President, to summarize the reasons for the changes. Mr. Rawlings stated that each of the twelve Federal Reserve

Banks has a system of job classification and salary administration. The grades have an arrangement of approximately 35 per cent between the minimum and maximum rates of pay. The salary rate at which the particular grade is set is determined by the prevailing market wage rates in the community. A salary survey is conducted each year from which representative wage rates are obtained from firms in Atlanta and in the Branch cities. The most recent survey was made April 15, 1961. It was found that upward adjustments would be necessary to bring the salary structures in Atlanta, Birmingham, and New Orleans to a level comparable with prevailing wage rates of those communities. The proposed increases are as follows: 7.6% for Atlanta; 6.9% for Birmingham; and 4.4% for New Orleans. At Jacksonville and Nashville no change need be made except that an arbitrary.

He should have the same relationship to the Branches that he does to the operating vice presidents at the Head Office. Branches should be shown on the chart as reporting both to the vice president and cashier and to the first vice president. There should be an explanatory footnote indicating that Branches report to the vice president and cashier on matters of (a) information; and (b) matters clearly involving an interpretation of established policy. They should report to the first vice president or president on matters clearly involving determination of new policy. In the large shadow land between established and new policy the vice president and cashier should take up the problem with the first vice president or president.

The staff vice presidents, i. e. , the Vice President in Charge of Research and the Vice President in Charge of Examinations, should not report to the vice president and cashier but continue to report, as now, to the first vice president, and, when necessary,

to the president.

Supervision received: In ordinary course, the vice president and cashier should report to the first vice president, who should be expected to keep the president informed. He should, however, have access to the president at all times, and, in the case of disagreement between the first vice president and president, should accept his direction from the president. 10

Following the President's remarks, J. Emory McCorvey was elected Vice-President and Cashier at \$17, 000 per year.11

Mr. McCorvey was a veteran in the service of the Bank, having begun his career 36 years before as a clerk in the Check Collection Department and, after a varied career, both in the Atlanta Bank and at the Jacksonville and Nashville Branches, achieved officer status in 1952 as Assistant Vice- President. He was advanced to Vice-President in 1958. Mr. McCorvey was a native of Montezuma, Georgia.

Operation was examined by our currency and coin mangers and Mr. Patterson said he was happy to report that during the forth quarter of 1960 the cost per thousand pieces was reduced to 64 cents and the number of pieces handled per man hour increased to 3,193. Unless the other Federal Reserve Banks have improved their operations considerably, the Atlanta Bank will move from 12th place to 3rd or 4th place in the System. On December 20 the Bank received a letter from the Board of Governors to the effect that about \$28.4 million of the statutory limitation of \$30 million on building proper costs of Federal Reserve Bank Branch buildings had been expended. The remaining unallocated balance of \$1.6 million is not sufficient for either of the two major projects under current consideration, namely, new buildings at New Orleans and

Denver. Consequently, the Board contemplates taking up with the Congress at an early date the question of obtaining legislation to repeal or increase the present limitation on costs of Branch building proper costs. A letter has been sent to the Board of Governors enclosing our estimate for the District. A reasonably accurate estimate was available for the new branch in New Orleans—the total cost to be approximately \$4.5 million. No additional expenditures are anticipated at Nashville and Birmingham before 1975. The branch building in Jacksonville was constructed in 1952 and unfortunately was not built with a foundation sufficient to add more than one light floor on top of the present building. There is a space in the rear of the present building measuring approximately 35 feet to the property line on which a six-floor addition could be constructed. If Florida continues to grow at the present rate, in the next ten to fifteen years approximately 140,000 additional square feet of space will be needed. The question was left open as to whether the construction would be in Jacksonville or Miami, or partly in one place and partly in another. An overall figure of \$5,729,600 was submitted which, it was felt, would take care of the required new construction in Florida.

In April Mr. Patterson reported that during the past 12 months staff members of the Bank made 83 speeches to approximately 10, 000 people, telling the story of the Federal Reserve System. The recession which began to show up in the Fall and the outflow of gold from this country created a considerable demand for speakers on these subjects. 16

On the Agricultural front the year's theme was "The Role of the Banker in Agricultural Marketing." In the development of this theme, it was brought out that improved production, so noticeable recently, has not been balanced by adequate

marketing methods. It was suggested that bankers should encourage their producer customers to give more thought to the solution of marketing problems. 17

At the May Board meeting in Atlanta Vice-President Patterson, in commenting on private banks, said that March 24, 1960 was the last date on which new private banks could be established in Georgia. Four of these were registered in Atlanta and, of 85 private banks in the United States, 54 are in Georgia. Private banks are not subject to examination and their deposits are not insured. Two private banks have actually opened in Atlanta; the local banks have refused their accounts and the Federal Reserve Bank has had a problem in collecting checks sent in from other Federal Reserve Districts. Arrangements have been made to have these checks picked up over the counter for cash.18

That the "computer age" was becoming more and more important to the Bank is indicated by a report to the Board by President Bryan on May 12:

"The bank is expecting to acquire an IBM 1401 computer by the end of this year and is engaged in training the operating personnel and devising programs for numerous records to be kept by the machine. Mr. Raisty will report at the June meeting of the Directors on the prototype electronic check handling equipment now installed in five Federal Reserve Bank offices. After a System committee's studies have been computed the bank expects to install its first check handling unit by the third quarter of 1962. Other units will be placed at the branches later. Check handling is well on the road to mechanization and the next thing to be handled by electronic equipment is sorting currency by fitness, denomination and other standards. Although a process was demonstrated at Georgia Tech 15 years ago little interest was taken until recently when

a System committee was activated to consider these development"19

In June Mr. Raisty reported on the high-speed check handling equipment installed on a pilot basis at five of the Federal Reserve Banks. The equipment is costly and to some extent will involve substitution of machines for people, thus changing in part the employment pattern of the Bank. The automation process in check handling is a mechanical process actuated and guided by electronic mechanisms. The high speed equipment sorts and lists checks, for example, at speeds of 20 per second, 1,200 per minute, or 72, 000 per hour, as compared with 2,000 items per hour by top operators on the present low-speed equipment. One high-speed sorter and lister can, therefore, do the work of 36 top proof machine operators.

The electronic process is based upon numbers and symbols printed in magnetic ink. The numbers can be read, thus offering visual proof of the inscribed amounts. The principle of magnetic ink imprinting has been adopted by banks throughout the country under the sponsorship of the American Bankers Association. All the high-speed printers use this basic process as developed originally by the Stanford Research Institute.

The Federal Reserve Banks have the major transit operation in the nation. Pilot installations were established during the latter part of 1960 and in early 1961 at the Federal Reserve offices of Boston, Philadelphia, New York, Chicago and San Francisco. Mr. Raisty exhibited pictures taken at each of the installations and discussed the principal features and costs of each. All manufacturers were invited to submit equipment, but only five had equipment to offer during the testing period.

Mr. Raisty said he had been sufficiently impressed with the capabilities of the various installations to believe that check sorting and listing operations will eventually be

performed in large part by high-speed check handling equipment. The principle of magnetic ink character recognition has been proved to be a practicable success in actual performance with live checks. Tentatively, it is anticipated that an installation of high-speed equipment will be made at this Bank in the third quarter of 1962. Similar installations will then be made as rapidly as warranted at the four branch offices. Good progress has been made in the Sixth Federal Reserve District with getting the transit number-routing symbol encoded with magnetic ink on bank checks. A survey made on May 31 of outgoing checks indicated that of the 821 par banks in this District, 55 percent have made a beginning at preprinting their checks.

Assistant Counsel Hibbert discussed some of the legal aspects of high speed check handling. Approximately the same rules and consequences will be brought into play with the new machines as with the present slow speed methods, with one important difference: once a bank encodes the amount of the check, from then on all the way through the check collection process and until it is posted to the customer's statement, the amount that is printed or encoded on the check will govern its handling.

There will first be a problem in establishing which bank did the encoding. Mr. Hibbert commented that the legal rule would probably be that the first bank having the equipment to print in magnetic ink the amount of the check will be the one considered responsible. The classic instance of transposition or making counter errors is when a check is illegibly written for \$20. 00, or is it written for \$70. 00? If the handwriting is poor, "twenty" may appear as "seventy," and it is difficult to tell the correct amount. Operators have trouble with these now and may make errors in encoding them.

From these human errors of transposition and misreading instances of checks

being over-encoded may occur, meaning that the bank on which a check error is made at this office, we will have to remit the over-payment. If a bank further up the line encodes incorrectly, the check will be referred to it. Also, in cases of over-encoding, a bank may become liable for injuring a customer's credit, if the customer had enough money in his bank to cover the check as originally written, but not to pay the over-encoded check.

If the routing symbol has not been correctly read, the check may be delayed because it was sent to the wrong bank for payment. A bank giving credit for the check, thinking it has already been paid, will not want to take it back when it has been dishonored and returned later than was expected.

In collecting checks we have already gotten into some of these situations, and we anticipate that they will not be very different when the high speed machines are in use.20

Mr. Patterson informed the Board on July 14 that the Bank recently had the opportunity of purchasing a gold coin collection consisting of \$20, \$10, and \$5 gold pieces, with a total face value of \$745. The majority of the coins were minted at San Francisco and Philadelphia, two coins at the Carson City mint, and one at the Charlotte mint. Bids in the amounts of \$1,450, \$1,485, and \$1,600 were obtained from three local coin dealers. The Bank, Mr. Patterson went on to say, has previously accumulated gold coins of the Cahlonega mint and the collection was purchased at the highest bid in order to start a gold coin display. Many of the other Federal Reserve Banks have complete sets that are in constant demand for display by member banks. 21

A couple of months later Patterson discussed briefly with the Board the Bank's

experience with counterfeit bills.

In the period July 1, 1960 through June 30, 1961, 342, 296, 000 pieces of currency were handled at the Head Office and Branches. Of that number, 469 counterfeits were detected and 15 were passed up, at a loss to the Bank of \$291. The Jacksonville Branch had an exceptional record in that out of almost 125 million pieces handled, only two counterfeits were missed. Nashville detected all counterfeits out of a total of 33,616,000 pieces handled; Birmingham handled 34,334,000 pieces and missed one counterfeit; New Orleans, in 67,004,000, failed to detect five counterfeits; and seven counterfeit bills out of 82,464,000 pieces passed undetected at the Head Office.²²

Progress was made during the year on the addition to the Atlanta Office Building. Commented the 6-F Messenger in May:²³

“With all of the siding now in place, and the windows almost all in place, the general appearance of the Atlanta Office’s new addition will change littler from now on.

“The process of putting glass in the windows is scheduled to begin early in June. This will make possible the finishing touches on the interior.

“Plastering is complete on the third, fourth, and fifth floors. The terrazzo flooring has been poured on the fourth and fifth-floor corridors and in under way on the third floor. Ceramic tiles are in the restrooms on the second, third, fourth, and fifth floors.

“Floyd Nicklas, the Resident Engineer, reports there is no change in the moving date predicted last month by Beyrl Howard, Assistant Cashier. We should be in in November...”

There were some construction delays. During the course of the Board meeting

on December 8, Vice-President Patterson informed the directors that the move into the new addition was set for December 15-16.24

Meanwhile an era ended on July 28, when the massive door to the currency vault in Atlanta was closed for the last time in its old location on the first floor of the main building.

The Currency and Coin Department's stock-in-trade had been kept in that location since 1921, when the original building, completed in 1918, had acquired its second major addition. After the vault was cleared of money, the storage lockers within it were removed, then the thick, concrete wall was drilled away to free the door.

On Friday evening, August 18, the small emergency door and the big door—which weighed some 29 tons—began a difficult journey through holes in floors and walls to its new location.25

The other active Sixth District building program of the year concerned New Orleans.

By April preliminary plans for the new Branch building had been submitted and drew enthusiastic comment. Contract drawings were under way in December and a decision was made that month for a limestone exterior, that material being more compatible with other buildings surrounding LaFayette Square.26

Business at Jacksonville had, for the past several years, been increasing rapidly. At the October Board meeting Chairman Mitchell asked First Vice-President Patterson to comment in some detail on the proposed purchase by the Bank of property adjoining the Jacksonville Branch, as approved by the Executive Committee. Mr. Patterson said the officers of the bank were authorized by the Board of Governors to go up to

\$200,000, if necessary, for the purchase of the property. After lengthy negotiations between the leasehold and fee owners, our offer of \$175,000 was rejected. Instead, these interest have proposed a lease to the bank with option to purchase and rentals graduated upward. The bank would lease the property from the present owners at a net annual rental of \$12,000 for at least two years and would then have an option to acquire the property at a price of \$200,000. The lease-option arrangement is said to afford tax advantages to the sellers. The bank's officers believe the offer is also advantageous to the bank, in that the income realized from the property during the lease period would about offset the rental payments and add little to the cost of the property over \$200,000. The property has about 15,5000 square feet of leasable space. A tenant is occupying 5,000 square feet at a monthly rental of \$500, and the other leasable part, although larger in size, is currently rented on a month-to-month basis of \$200. Present gross income is \$8,400 a year, and operating expenses are about \$3,426.27

The important subject of budgets provided some interesting and informative discussion during 1961. In March Vice-President L. B. Raisty summarized the budget estimate for the year 1960 and the actual expense incurred for the five offices. The amount budgeted for total net expenditures was \$10,809,233; actual expenditures were \$10,706,367, a deficit of \$102,866. The major variation is in the amount budgeted for employees' salaries of \$5,747,859, and the actual expenditure of \$5,441,215. The under-budgeted expenditure for salaries occurred because of a number of factors. In 1960 the volume of activities was less than anticipated; the labor market was somewhat easier; a number of economies were made in operating procedures. Some functions were over-budgeted. For example, expenses for Commodity Credit Corporation

operations were \$60,110 less than the amount budgeted. Because of the favorable price situation in 1960, farmers took advantage of the purchase program rather than the loan program so that the bank's CCC activities dropped off. In the 1961 budget, measures were taken to reduce the possibility of over-budgeting for salaries. Another item that was under budgeted, and completely beyond the control of the bank, was the original cost of Federal Reserve currency. Mr. Raisty said the Bureau of Engraving does not follow any prescribed schedule for printing and handling of Federal Reserve notes. Also, in 1960 the Bureau was carrying out a program of stockpiling currency for security purposes and this accounted for the large expense for currency.

The net expenditure for the five offices of the Sixth District was \$10,706,367 as compared with total earnings of \$60 million. Out of the \$50 million of net earnings some \$46 million was paid to the U.S. Government as a tax of Federal Reserve notes outstanding. The budget is an estimate of expenditures; it does not necessarily mean that the amount will be spent. Economies are achieved and planned expenditures are reduced wherever possible.28

In September Mr. Bryan presented the budget of estimated expenditures for 1962. Copies of the complete budget had been mailed previously to the Directors, and a summary was handed to the Directors at the meeting, a copy of which is filed with the Secretary.

Total estimated expenditures for 1962 of \$11,513,741 will exceed those for 1961 by \$566,132 increase, \$142,260 represents unemployment taxes to be incurred by the Bank for the first time (Congress last year brought the System into the unemployment compensation program beginning in 1962) and \$58,111 represents an increase in

property taxes. Mr. Bryan noted that included in the figures for purchase and rental of furniture and equipment is the rather substantial sum of \$252,000 for rental and possible purchase of a computer which, he believed, would save the Bank money in the long run. Under the present system of accounting, such items appear in the budget as expense items rather than as capitalized items. If these combined items are not taken into account, the budget increase is approximately \$114,000.

Heretofore the budget has been missed, insofar as wages and salaries are concerned, principally by reason of employee turnover. Resigning employees are usually replaced by new employees at lesser wages. A formula has been devised to take into account the turnover situation and it is believed this method will give a tighter budget. Also, a strict limit was placed on the total number of employees at the Head Office and at each Branch, reducing the number of employees considerably. Unfortunately, from the standpoint of control of the budget, the result of each salary survey have shown this Bank to be behindhand as compared with competitive firms. Accordingly, the salary structure has been increased rather continuously, and as was noted in the Salary and Personnel report, the Bank has 60 less employees but higher wages for the remainder.29

As of December 31, 1961 total assets of the Federal Reserve Bank of Atlanta stood at \$3,156,477,771, an increase of \$64,702,121 over the same date a year earlier. Net earnings for 1961 were \$40,804,234.30

NOTES

Chapter 50

1. Life History of the United States, Vol. 12, p. 161.
2. Directors Minutes, 1961, pp. 9-10.
3. March 3, 1961, p. 83.
4. Directors Minutes, 1961, pp. 54-56.
5. Ibid., 1960, p. 28.
6. 6-F Messenger, January 1961, p. 3.
7. Ibid., February 1961, p. 4.
8. Directors Minutes, 1961, p. 18.
9. Ibid., 19, 21.
10. Ibid., 69-71.
11. Ibid., 72.
12. 6-F Messenger, July 1961, p. 2.
13. Directors Minutes, 1961, p. 111.
14. Ibid., 63-64.
15. Ibid., 6-7.
16. Ibid., 37.
17. 6-F Messenger, Nov. 1961, p. 5.
18. Directors Minutes, 1961, p. 44.
19. Ibid., 45.
20. Ibid., 56-68.
21. Ibid., 65.
22. Ibid., 77.

23. Page 10
24. Directors Minutes, 1961, p. 108.
25. 6-F Messenger, Aug. 1961, p. 6; Sept., 4-5.
26. Directors Minutes, 1961, pp. 37, 44, 56, 64, 106, 108.
27. Ibid., 89.
28. Ibid., 26.
29. Ibid., 78.
30. Forty-Seventh Annual Statement, Jan. 25, 1962.

Chapter 51
—1962—

The headlines for 1962 recited an attack by Communist China on India in the Himalayas; rioting failed to prevent the enrollment of a negro student at the University of Mississippi, the first in its history; Russian missiles in Cuba were withdrawn after a firm American stand; John H. Glen Jr., became the first American to orbit the earth; Telstar satellite used for worldwide communication tests, and, on May 28, New York Stock Exchange shares lost \$20.8 billion in value, greatest 'one-day drop since 1929.¹

The state of the economy always an important barometer for Federal Reserve activity, was reported upon at midyear by President Bryan, based primarily upon Open Market Committee meetings:

“The meetings of the Open Market Committee the last few times have been extraordinarily interesting and rather dramatic. Dramatic is perhaps the wrong word, because the meetings are conducted with extreme decorum and the comments are’ soft—voiced. This last Tuesday the meeting was interesting because there was a great diversity in the reports from the Districts Ordinarily these reports from the Districts are essentially uniform in appraising the direction of the economy. One district may go ahead a little faster than another, but they are all generally moving in harness.

This time it was notable to me and to the others that there was a considerable disparity that I can best describe in this fashion: the reports from Districts that are chiefly

in agriculture or light industry were reasonably optimistic. These Districts, Atlanta, Dallas, Kansas City, Minneapolis; for example, were apparently moving forward, not rapidly, but still, moving forward. On the other hand, those Districts that were characterized by heavy industry, particularly characterized by the heavy metal working industries, gave a different expression in their reports. Cleveland was genuinely pessimistic. Their steel industry obviously is down; fore-closures on houses are up; the unemployment rate is up; and automobile sales are down. Chicago, St. Louis, and Philadelphia were pessimistic. About the only conclusion that could be made was that we are having some churning and diversity of direction in the Districts.

The System, of course, is confronted., as I have said to you before, with a new situation. In the postwar world, the System has had a pattern of action, and the pattern of action has been just about as simple, I should say, as the pattern of central bank action under the classical gold standard. We did not have to pay any attention to our gold balances because they were ample. So what we did was this: every time a recession appeared, we would, through the open market operation, proceed to fill the banking system with reserves; we would dramatize the move by lowering the discount rate.. The commercial banks were always confronted with eager borrowers; the net effect of the whole operation was -to expand the :money supply; and so the economy shortly recovered from its recession.

When the economy got down to a low level of unemployment, and when we got into a situation in which prices seemed to be rising rapidly, we would put the opposite series of steps into effect let the borrowings press against the reserves of the banking system; and we would raise the discount rate.

It was a beautiful system for central banking. It was a system that was so beautifully simple anyone could operate it. It was about as simple as the classical gold standard when central banks protected their gold position and the sanctity of exchange rates, no matter how much distress was produced and how much people yelled.

Now we are confronted with a situation in which our postwar pattern won't do, and I personally do not know what pattern of action we are going to develop. I do not know; I can't really guess, because I am not sure there is any really logical pattern of action. We are confronted now with a situation in which we have in most industries a substantial over—capacity, in which the industrial production index is but barely moving upward, and unemployment is hanging at figures that are politically unacceptable to the Administration. If we were to follow our classical pattern of action, classical for the postwar period, we would be increasing the reserves of the banking system at this time and lowering the discount rate. But we are inhibited in our freedom of action by the circumstance that our balance of payment is so bad, and we have lost so much gold that we dare not take the kind of action that we would ordinarily take, lest we precipitate and encourage a further gold outflow, which I am afraid is in any event inevitable.

We can illustrate our difficulties by a recollection of Canada—Canada lost 50 per cent of its gold reserves in a matter of not too many months. When we finally joined with the Bank of England, the International Monetary Fund, and the Ex-Im Bank and went to the rescue of Canada, that country had about a billion dollars left. If we had lost an equivalent share of our gold reserves, we should have lost a little better than \$8 billion out of a total of a little over \$16, and we should long since have had to suspend the gold cover for our currency. The net of it is that we are inhibited in a situation that

domestically would apparently call for ease; we cannot take the further easing steps that otherwise probably would be taken; we cannot do that because of the balance of payments situation.

The balance of payments situation is not of our making. We are also inhibited by the circumstance of fiscal policy, which, to put it mildly, it being very imprudent. We are therefore trying to protect the country against politically-determined balance of payments deficits and against politically-determined loose fiscal policy by monetary means. To be quite honest with you, and I should like for these remarks to stay reasonably close to this room, just how we remedy an effect without remedying the cause is more than I can understand.

I will leave you with four questions that I do not know the answers to. Some of the answers will undoubtedly appear -in time. (On one or two I have a suspicion of the answers. But to say that I actually-know the answer would be to mislead you.

1. Is it reasonable to assume that an adjustment in values as massive as has been exhibited in the equity markets, here and abroad, can occur without at the same time supposing that these adjustments will have equally massive effects?
I ask this question under the general canon of logic that the effect is proportionate to the cause.
2. How can we expect to make a decisive contribution to the balance of payments problem when the decisive and not self-correcting elements of that problem, to wit, military expenditures and grants-in-aid, are not amenable to the interest rate instrument that we are using?
3. How are we to assume that we can, with the interest rate instrument, curtail

American investment abroad, the while not curtailing it domestically?

4. How are we, in the end, to reconcile fiscal policy and monetary policy?"

At this point, President Bryan left the meeting.2

Came October and the Federal Reserve Board exercised a power it had not used for eight years. It authorized its member banks to reduce their minimum reserves on savings deposits from 5% to 4%. The Fed's move--partly designed to make credit easier by adding about \$4.6 billion to the funds that the nation's banks are free to lend--might not actually succeed in putting much more money to work; most banks were already having trouble finding enough borrowers. But it reflected the fact that William McChesney Martin, the Fed's calm, conservative chairman, was concerned that a recession might be on the way.3

He was not alone. Since Last spring, the U. S. economy had made little forward progress. Industrial production in September remained unchanged (at 119% of the 1957-59 average) for the third month in a row and durable goods sales were also stuck at the same level for the third straight month. Retail sales declined from August to September--partly because personal income failed to rise for the first time in eight months. All this was sharply reflected on Wall Street where the Dow-Jones industrial average fell 13.30 points in one week.4

At year's end the economic picture looked brighter--certainly to President Bryan--who commented at the December Board meeting in Atlanta:

"The economy has been troublesome to the Open Market Committee and the staff as far as trying to predict it. We had a tremendous stock market break and we have had a sort of ups and downs situation in the economy. Now business sentiment has

taken a great stride forward, the stock market has been booming again, and everybody feels good. My impression is that sentiment has more than caught up with the statistics. Now, whether the statistics conform to the sentiment or the sentiment to the statistics, I cannot predict. I am going to guess that we have good business certainly during the first half of the year /1963/. Beyond that I will not go. I think it is going to be good during the whole year.5

With the expiration of Chairman Walter M. Mitchell's term of office at the close of 1961, a new, but well-known and able actor was introduced upon the stage of the Federal Reserve Bank of Atlanta as Chairman.

He was Jack Tarver, President and General Manager, Atlanta Newspapers, Inc. , since 1957. The new chairman, by profession, a journalist, was born in Savannah, Georgia and was educated at the State University and at Mercer. After long editorial experience, he moved into management when the Atlanta Constitution and Atlanta Journal were merged in 1950, at which time he was made Assistant to the President of the resulting corporation.

The new Chairman attended his first Board meeting on January 12, 1962, upon which occasion he was introduced by his predecessor, Walter Mitchell. The meeting, incidentally, was the first to be held in the Conference Room of the Bank's new addition.

6

Two other new directors took office on January 1. They were D. C. Wadsworth, Sr., President, American National Bank of Gadsden, a Class A Director, and James H. Crow, Jr., Vice President, the Chemstrand Corporation, Decatur, Alabama, a Class B Director.7

Branch directors, whose terms began with the new year were:

Birmingham

W. H. Mitchell, President, First National Bank, Florence, Alabama. John H. Neill, Jr., President, Union Bank & Trust Company, Montgomery, Alabama.

Jacksonville

J. T. Lane, Chairman, The Atlantic National Bank, Jacksonville, Florida. Harry Fagan, President, First National Bank, Fort Myers, Florida.

Nashville

Harry M. Nacey, Jr., President Hamilton National Bank, Knoxville, Tennessee. Travis Mitt, President Farmer's National Bank, Winchester, Tennessee.

New Orleans

Lewis Gottlieb, Chairman, City National Bank, Baton Rouge, Louisiana. John Oulliber, President, National Bank of Commerce, New Orleans.8

General John C. Persons, who had served most acceptably as Member Federal Advisory Council, Sixth District, declined another term. He was succeeded by John Finley McRae, President, Merchants National Bank, Mobile, Alabama.9

Malcolm Bryan and Watrous H. Irons were elected member and alternate member, respectively, of the Federal Open Market Committee for a one-year term beginning March 1, 1962. 10

Meanwhile, some junior officers were coming along. Effective January 1, 1962 Harry Brandt, formerly Assistant' Cashier, was promoted to Assistant Vice President. He continued as officer in charge of the Research' Department in Atlanta and Associate Economist on the Open Market Committee.11

Basil A. Wapensky, formerly Manager of the Bank and Public Services Department, entered the Bank's official ranks as Assistant Cashier. He continued as Director of Training and as Secretary to the Conference of Presidents of the Federal Reserve Banks. His appointment was effective January 1.¹²

During the course of the October Board meeting Chairman Tarver took occasion to congratulate Director Monroe Kimbrel upon his election as president of the American Bankers Association. President Bryan noted that Mr. Kimbrel was the first director to serve simultaneously on the Atlanta Board and as president of the ABA.¹³

Effective November 1, 1962, Messrs. William H. Thomas, and Marvin Stewart were appointed Assistant Cashiers at the Birmingham Branch. Thomas had been connected with the Branch since 1935 and Stewart since 1956.¹⁴

Three months previously, on August 6, the Birmingham Branch had lost a valued officer in the death of Assistant Cashier Melvin McIlwain. "Mac," as his many friends called him, started with the Branch in 1929 as a messenger and was promoted to Assistant Cashier in 1951.¹⁵

Repercussions of the Supreme Court's school desegregation decision of 1954 were widespread, through compliance as to desegregation generally, was slow.

The matter, as to both facilities and employment was taken cognizance of by the Atlanta Board on January 12, 1962. The minutes, pertaining to that subject are herewith quoted:

"Mr. Bryan handed the Branch Directors as file for their reading and information. At Chairman Tarver's request, Mr. Bryan spoke to the Directors about the problem covered in the file. His remarks follow:

Mr. Chairman, the Head Office Directors have received the file, and it was discussed with the Branch Managers who were present at the Manager's Conference on yesterday.

We have intergrated the cafeteria facilities here as a result of a permission of the Executive Committee more than six years ago. It would have cost us a substantial sum of money to have had separate but equal facilities, and further, the facilities of both races would have been substantially reduced in their comfort characteristics.

Some time ago I announced the integration.of the Cafeteria. In that memorandum I explained that the rest room facilities would be in part public rest room facilities, though in minor part, and that the remaining rest room facilities would be separate but ewual. That produced a protest from J. Francis Pohlhaus, Counsel of the Washington Bureau of the National Association for the Advancement of Colored People, and a communication from the Board of Governors.

Members of the Board of Governors were deeply disturbed, and there were some members, a minority to be sure, who felt that the Board of Governors should immediately write the Atlanta Board of Directors and demand a full integration of the Bank. In facing this problem, I have had to realize that the Federal Reserve System, although separate from the Executive Branch of Government, would be placed in a most difficult position if the matter continued to be agitated.

The Board of Governors asked me to consult with this Board in any appropriate way. I have on two occasions talked to the Executive Committee about the problem; I have struggled with it a great deal. To put the matter briefly, it seems to me rather unfair to this Board to ask it to give me a directive behind which I might temporarily hide.

Consequently, I am suggesting that the Directors leave the problem of the rest room facilities, and related matters, to me as the responsible administrative officer of the Bank, relying upon my judgement, which I will try to exercise in a wise and intelligent way.

If the Board of Directors decides to take that course, I will try to find some discreet language to reverse the order pertaining to the rest room facilities. I cannot actually contend at the present time that facilities are equal, and I am afraid I am in difficulty about such a contention even when we attain a completed remodeling of the old building. That takes, to some extent, the Board of Governors and the Board of Directors off the hook, leaving the problem to me.

I might say that I am not nearly as concerned about the cafeteria as about the rest rooms as I am about certain other problems. It is in relation to those other problems that I want to stand firmly. As you know, there is some agitation that business institutions should employ the same proportion of Negroes and Whites as the two races are in the total population. I must say to you that we will put the Negro employees through precisely the same tests of ability, responsibility, personal acceptability, and all other matters that make an employee a good or poor one; we put White applicants and employees through the same tests.

Director Smith:

I do not think a long, drawn-out discussion will change what I think the answer will be and should be. This is a matter that involves personnel relations of employees of this Bank and relations of this Bank with the Board of Governors. I think it is entirely President Bryan's responsibility, and I therefore move that the matter be left in his

hands to be handled in the way he thinks best.

Director Chalkley:

I second the motion, but with this amendment: I want the President to know that we stand behind him, and if we can assist him in any way, we will do so.

Director Jartnan:

I further second the amendment, but with an added comment: I do not see any reason why this Board should be taken off the hook, as implied in Mr. Bryan's language. We should assume any responsibility that has to be assumed, and we certainly want to be behind the President in any way necessary.

Director Smith:

Mr. Chairman, I accept the amendments offered by Directors Chalkley and Jarman. They are to the effect that President Bryan has the full support of the Board of Directors,

Chairman Tarver then placed the amendments and the motion before the Board of Directors. The motion as amended was unanimously adopted.

Nashville Branch Director V. S. Johnson inquired if Mr. Bryan proposed to adopt a policy of basing employment upon ability and other attributes with no discrimination as to color or race.

Mr. Bryan replied as follows:

I do not believe I can support a discriminatory policy. For many years this Bank and some of the Branches have used certain standard tests of clerical ability, typing, and others; the batteries of tests are not tricky in any sense of the word; they have been designed for use in industry. Last year, with agreement of the Branch Managers, these

tests were made uniform at the Head Office and the Branches. I will make a statement to the Directors later in some detail about the tests we use and our employment policy. They now consist of a test of general intelligence, both timed and untimed, the Minnesota Clerical Aptitude Test, and one or two others.

A consulting firm in management and psychology established norms for our various jobs. We can show that those norms are used throughout the nation by other firms. To be quite honest with you, this was done for two reasons. I had a sensitivity which was shared by Mr. Patterson and Mr. Rawlings and certain other officers that we were not doing as good a job of employment screening as we should be in regard to both races. We had never previously applied these tests to Negro porters, cleaners, and maids. They were employed on the assumption that these were dead end jobs. About eight or nine months ago, I gave the order that the tests should be applied across the board. This is being done, and with appalling results. We have had some difficulty, though not much, in recruiting White personnel that meet our standards. The norms for porters and cleaners' jobs are at a standard that, just offhand, would seem to be satisfactory just slightly above the dull normal intelligence quotient. You must remember that a Negro porter and cleaner has to be able to recognize valuables and in some ways to be a fairly responsible person. However, we are going to have to drop the norms for these jobs because we are having no applicants who can pass the Thur stone general intelligence test beyond the second, third, and fourth percentiles. These Negroes claim they are college graduates; they claim they have had three years of college; they claim they have graduated with honors from Negro high schools, but they cannot pass the tests. We do have a few Negroes in the Bank, not more than four or five I would say,

who have been extraordinarily responsible people; they have worked hard, faithfully and loyally; some have gone out and taken training at one school or another. I think that I must give these people a chance to take the tests.

We have had a couple of policies since before I came with Bank in 1938. One of them is that we have always tried to promote from within. Some professional jobs, of course, must be filled from outside. A second policy is that our Personnel Department does not employ a person; it qualifies a person, but the actual decision to employ is made by the department. We do that as many companies do for the simple reason that we want a person to feel a sense of responsibility to the department that must supervise his work. With those limitations, I think that I must have a policy that if a Negro is genuinely qualified on the basis of every objective test we can give him, including personal responsibility and acceptability, we cannot deny him employment merely because he is a Negro. I realize that in some of the Branches the problem is more profound than in Atlanta. That is why I do not want an issue made of the matter until we have some time to see how the environment develops in our Branch cities.

Mr. Bryan then asked the representatives from the Branch Boards of Directors if they felt this file ought to go to all members of the Branch Boards, so that they will be completely aware of the events at the Head Office.

The Branch board representatives unanimously agreed that the file should be mailed to all Directors of the Branches.

Mr. Tarver said he felt the action to be taken by Mr. Bryan gives a breathing spell, which is needed, before the Branches are integrated. It is not wise, he said, to rush integration across the board at this time in areas where all circumstances are not

known.

Director Jarman remarked that the Branches should not be encouraged to be too dilatory in the matter. It is much better to have made progress before the NAACP makes the first move.16

Director Craft said that he has had previous conversations with Mr. Bryan about informing the personnel people at the major commercial banks in Atlanta as to the actions taken by the Federal Reserve Bank of Atlanta in this problem, He repeated his request, and Mr. Bryan replied that he would hold a meeting at this Bank of representatives from the commercial banks.

President Bryan requested that a copy of the entire file previously mailed to the Directors, and presented at the meeting today, be attached to and made a part of the minutes of this Executive Session.17

Again, on March 9, President Bryan commented substantially as follows:

I shall make a brief report on the integration of the Bank. The Directors have been informed that this Bank received a protest on the segregation of the rest room facilities. In consequence, I desegregated the entire Bank with notice to this Board, There have been no apparent difficulties. I believe the actual usage of rest room facilities is about 99 per cent separate.

Since desegregating the Bank, a Negro female employee has been transferred from the night cleaning force to fill a clerical vacancy in the Fiscal Agency Department, She has approximately 12 years total service with the Bank. She has two small children and wanted to be at home with them in the evenings, and therefore applied for a job as a messenger in order to get on the day service, The messenger job

being filled, she was given our battery of clerical aptitude tests, which she passed with entirely satisfactory scores. She was retested by an outside firm and again passed with complete satisfaction. A job involving running a stencil machine, some typing and filing was open in the Fiscal Agency Department. The department was willing to have her and the immediate supervisor, one of our experienced people, was willing to take her. Accordingly, she has now completed her third week in the department and she has been received on the whole with great courtesy by our white employees. Such small discourtesies as have been shown her have been minor items, such as not speaking. This has caused the girls in her particular section to rally to her support and defense, and I expect that she will be one of the best trained clerks in the Bank. I think it will be of some interest to you that she says the only real discourtesies that have come to her have been from members of her own race, apparently the result of an element of jealousy. I will mention briefly other correspondence regarding integration of the Federal Reserve Banks that the Board of Governors has received and which will be kept in my personal files:

Letter dated February 15, 1962, addressed to William McC. Martin, Jr., Chairman, Board of Governors, from Charles C. Diggs, Jr., Member of Congress, House of Representatives;

Letter dated February 21, 1962, addressed to Merritt Sherman, Secretary, Board of Governors, from John G. Feild, Executive

Director,

The President's Committee on Equal Employment Opportunity, Washington 25, D. C.;

Letter dated March 8, 1962, addressed to Charles C. Diggs, ,Jr., House of Representatives, Washington 25, D. C. from Chairman William McC. Martin, Jr.;

Letter dated March 8, 1962, addressed to Malcolm Bryan, President, Federal Reserve Bank of Atlanta, Atlanta, Georgia, from Merritt Sherman, Secretary, Board of Governors.

The Board of Governors, of course, is trying to avoid a mandatory order to the Federal Reserve Banks. However, since we are the fiscal agent of the Government and have many contractual relationships with it, such an order is largely irrelevant. We are covered under the general order pertaining to contracts with the Government.18

Previously in a very brief report on February 9, President Bryan said that on January 17 he had called a meeting of all officers, managers, and many of the assistant managers and supervisors in order to discuss integration problems of the Bank, Afterwards, he issued an announcement to all employees that all facilities would be equally available to both races. Bryan further reported that he was not aware of any incidents and that he was well pleased with the conduct of both races.19

Commenting generally on personnel aside from the integration problem, Vice President Harold Patterson, in July, said that the operations of the Bank had been relatively smooth. One of the Bank's major projects, however, is building up junior men to succeed senior management through a continuous training program in all phases and aspects of the work. The future officer and manager levels particularly trouble management. Strategic transfers, looking to a more varied experience are, said Patterson, an important part of the Bank's training program.20

In September Patterson had occasion to comment on guards:

'We are proud of the fact that our guards are not just men in uniforms. Each of these men *must* qualify every year with his handgun, and must practice throughout the year. To stimulate interest and to keep up morale in the guard force, we have an annual handgun championship contest. A team from each of the Branches competes, individually and by teams, and an appropriate trophy is awarded after each annual match.'

"The match will be held this year on September 22 at the River Bend Gun Club outside of Atlanta."²¹

The entire subject of salary scales underwent much discussion, change, and adjustment during 1962. Board meeting Minutes, including executive sessions thereof for September, October, and November mirror the situation. On September 14:

SALARY AND PERSONNEL CCX~MITTEE:

Director Smith, Chairman of the Committee, reported that the Committee had considered the recommendation of the officers of the Bank for changes in the minimum and maximum salaries in the salary structure of all five offices. The salary structure refers to the minimums and maximums established for each of the sixteen grades into which all non-official jobs are classified. He stated that the 1962 salary survey indicated a need for an increase in the minimum and maximum salaries of the lower grades at all offices to bring these salaries closer to prevailing labor rates for comparable jobs. In addition, increases are required in the middle grades at the Jacksonville and Nashville branches, as is a small increase in all grades at the New Orleans office. If the salaries of all employees were to be increased to the midpoint of the new grades, the cost to the Bank would be about \$183,000, or 3.3% of payroll as of September 1, 1962, but this

will not be done immediately. Salary increases for individuals will continue to be given according to merit, after review of job performance. The cost to the Bank of increasing the salaries of all employees to the minimum rate of each salary grade will be about \$15,000 per year, and these increases will be undertaken immediately. He stated that the Salary and Personnel Committee had approved the proposed changes in salary structure. The proposed structures are set out below:

Atlanta-Birmingham						
Grade	<u>-New Orleans</u>		<u>Jacksonville</u>		<u>Nashville</u>	
	<u>Minimum</u>	<u>Maximum</u>	<u>Minimum</u>	<u>Maximum</u>	<u>Minimum</u>	<u>Maximum</u>
1	2600	3120	2600	3120	2600	3000
2	2600	3240	2600	3240	2600	3120
3	2700	3420	2700	3420	2640	3300
4	2800	3780	2765	3735	2700	3600
5	3160	4240	3160	4260	2830	3820
6	3640	4900	3555	4795	3260	4400
7	4150	5590	3960	5350	3685	4975
8	4660	6280	4385	5915	4135	5585
9	5180	6980	4810	6490	4585	6190
10	5725	7715	5250	7090	5065	6835
11	6300	8480	5800	7800	5560	7500
12	6870	9260	6400	8600	6070	8190
13	7515	10125	7000	9500	6610	8920
14	8150	10990	7700	10400	7200	9700

15	8860	11940	8400	11300	7900	10700
16	9610	12950	9200	12400	8600	11600

Director Smith then reported that the Bank had a net loss of 7 employees during the month of August and that the number of employees—1,376 on September 1-- was 8 less than the number a year ago. Annual rate of payroll was 6,035,970, up \$4,715 during August. The Committee reviewed leaves of absence granted and found them to be in accordance with the policies already established by the Board of Directors.

Director Smith moved that the report of the Salary and Personnel Committee be adopted, and that the proposed changes in salary structure be adopted by the Board, subject to the further approval of the Board of Governors, to become effective on October 1, 1962. The motion was carried. 22

Salary Structures - Grades 12 through 16;

Mr. Smith reported, that at the last Director's meeting, new ranges in the salary structure for grades 1 through 16 were approved. Since that time, however, in order to meet competition for professional and semiprofessional personnel, management of the Bank had found it necessary to recommend an increase in the salary ranges for grades 12 through 16. The immediate effect of the amendment to the salary structure in those grades would be an increase for five employees, totaling \$1,130 for the year. The Executive and the Salary and Personnel Committees have reviewed the amended structures, set out below, and have recommended approval by the Board of Directors.

Director Smith moved that the proposed amendment to the salary structures for Grades 12 through 16 be adopted by the Board, subject to the further approval of the

Board of Governors, to be come effective on December 1, 1962. The motion was carried.

PROPOSED SALARY STRUCTURES

EFFECTIVE DECEMBER 1, 1962

ATLANTA -BIRMINGHAM - NEW ORLEANS

<u>Grade</u>	<u>Minimum</u>	<u>Maximum</u>
12	6,900	9,300
13	7,700	10,500
14	8,600	11,600
15	9,500	12,900
16	10,600	14,400

JACKSONVILLE

<u>Grade</u>	<u>Minimum</u>	<u>Maximum</u>
12	6,600	9,000
13	7,600	10,200
14	8,600	11,600
15	9,500	12,900
16	2310,600	14,400

NASHVILLE

<u>Grade</u>	<u>Minimum</u>	<u>Maximum</u>
12	6,500	8,700
13	7,500	10,100
14	8,600	11,600

15	9,500	12,900
16	10,600	14,400

Again on October 12

Chairman Tarver said the Executive Committee at its meeting on October 11 and the Salary and Personnel Committee in a meeting at 8:30 a.m. on October 12 had reviewed the proposed slate of officers for 1963, new officer grade ranges, and proposed salaries. The Chairman asked President Bryan to present his recommendations to the Board of Directors.

Mr. Bryan distributed to the Directors copies of Chairman Martin's letter, dated October 5, 1962, as follows:

The Board has recently reviewed compensation levels and procedures for promotion of officers of the Federal Reserve Banks. After careful consideration of recommendations and suggestions, the Board believes that the following revisions in policy, effective January 1, 1963, should materially assist the Banks in appropriately compensating their official staff, retaining younger men with potential for future advancement, and attracting from outside the System competent additions, when necessary.

In reviewing the existing salary ranges of officers other than the President and First Vice President, it is apparent that upward movement in non-official salary structures has resulted in compressing the ranges of official salary structures. Keeping in mind criteria used since the Plan of Salary Administration for Federal Reserve Bank Officers was adopted, the following Group A maximums are established:

New York	\$35,000
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Chicago and San Francisco	30,000
Other Banks	27,500

If revised officer group ranges are considered desirable by the Board of Directors of a Federal Reserve Bank, the Board of Governors is prepared to consider a request for such changes, to be effective January 1, 1963. The

Salary administration plan provides that the minimum of the lowest salary group would be related at the bottom end to community rates. This has generally been interpreted as a level approximating the midpoint of Group 15 of the employees salary structure applicable to the Head Office in each District.

Also, the officer salary administration plan adopted in 1953 included the provision that the maximum of any salary group generally should not be more than 50 per cent above the minimum. This principle still appears feasible, and its use would provide considerable room for future salary adjustments. The expanded ranges in the various salary groups should not be used up rapidly; instead, the Board encourages a general policy that would result in a conservative upward adjustment of individual salaries. To this end, it suggests the following specific guide lines to be used by Boards of Directors in fixing salaries for officers and submitting them for Board approval:

1. Basis of Increase and Rate of Progression. Increases for official staff should not be automatic but strictly on merit.
2. Selectively. The Board believes that careful selectivity should be exercised and suggests that in any given year no

more than 40 per cent of the officer staff at each Reserve Bank should receive salary increases. This would be exclusive of promotions, which are customarily accompanied by appropriate salary adjustments. Unusual situations will occur, and at such times supportable exceptions will be given consideration.

3. Annual Review. The Board continues to believe that, except for increases incident to promotions, requests for approval of salary changes should be made at the time of the annual review; at other times, only under justifiable circumstances.

Approval of the Board of Governors is, of course, required for all individual salary changes for officers. Salaries of officers to be effective January 1 of the following year should be fixed by the Board of Directors and submitted to the Board of Governors not later than November 15 of the current year. These proposals should include for each officer: name, title, salary group, present and proposed annual salary, and applicable comments.

Mr. Bryan also distributed copies of a letter just received from the Board of Governors, dated October 11, 1962:

Chairman Martin's letter of October 5, 1962, regarding the Group maxima to which officer salary structures at the Federal Reserve Banks might range also included guide lines to be used in fixing salaries of officers. Recognizing that there are a number of problems in official salary administration resulting from the new maxima and the application of the guide lines, it seems desirable that you submit informally to the Board a list of increases that are contemplated on January 1, 1963, for the officers of your

Bank, other than President and First Vice President.

The Board's Committee on Organization, and Building Plans (previously identified as the Committee on Organization and Building Plans) comprised of Governor Mitchell as Committee Chairman, Governor Balderston, and ,Governor King, believes that preliminary review of this informal list would be helpful. In submitting the list, you may be interested in the view of the Committee members that, if new salary ranges are proposed and approved for your Bank, it would not be important at this time to bring up to the new minima all of those salaries that are below.

In addition to reviewing the informal salary list, the Committee will also be happy to go over with you any plans you may have for budget expenditures of an exceptional nature. Discussions could be held when you are in Washington at any time following receipt of your list of salaries contemplated. Arrangement of a time for meeting with the Committee may be made by telephoning Governor Mitchell's office or by letter addressed to this office.

After the Directors had reviewed both letters, Mr. Bryan submitted to the Directors a recommendation of officers for 1963, new officer grade ranges, and proposed salaries. He also reviewed the plan of officer salary administration formerly adopted by the Directors and its administration this year as related to his recommendations and the above communications from the Board of Governors. Mr. Bryan reported that his recommendations had been thoroughly considered by the Executive Committee yesterday and by the Salary and Personnel Committee this morning with Mr. Kimbrel present. He also reported that his recommendations had been reviewed by Mr. Craft, Chairman of the Audit Committee. Both committees, as well as

Hr. Craft and Mr. Kimbrel, had recommended approval of the Board of Directors.

It was the consensus that while the recommendation violated for this transitional year the 40 per cent suggestion of the Board of Governors, it was a conscientious job on the part of Mr. Bryan both as to amounts and selectivity.

Upon motion, seconded, and unanimously passed, the Directors approved in full Mr. Bryan's recommendations and further recommended that should the Board's Committee on Organization, Compensation, and Building Plans wish a conference on the subject, Chairman Tarver and Mr. Smith, as Chairman of the Personnel Committee, be present if at all possible. Mr. Kimbrel also volunteered to go if the Chairman felt his presence would be of any help.24

The matter of salaries was continued at the Board meeting of November 9:

The Chairman called the Board of Directors of the Federal Reserve Bank of Atlanta to order, and it went immediately into Executive Session. Mr. McGregor Smith, Chairman of the Personnel Committee, reported on the conference that Mr. Bryan and he had had with the Board of Governors' Committee on Organization, Compensation, and Building Plans on October 30, 1962. The report was approximately as follows:

The conference was pleasant, but the discussion was vigorous. We were invited to lunch with the Committee prior to our meeting and were treated with great courtesy. The people present were Governors Balderston, Mitchell, and King; Hr. Bryan and Mr. Johnson, Director of the Division of Personnel Administration. Mr. Tarver, who had planned on being present, was regrettably absent on account of illness.

Mr. Bryan started by saying that he sympathized with the Board of Governors, which could not avoid passing on salaries and needed an orderly method of procedure.

He believed in selectivity. He also said that a statistical device such as the 40 per cent rule had some appealing possibilities. He added, however, that the essential problem that he had, as leader of the Bank, and that the Board of Governors had, as the controlling body, was the matter of equity. He added that equity in regard to a salary needed to be thought of in terms of a man in a job in an institution in the light of his performance; that there was no substitute for such considerations, tedious as they might be, and that thereafter the 40 per cent rule had to be judged in the light of what a Bank was adjusting to and from in the way of salaries. He said that if the Federal Reserve Bank of Atlanta was out of line on the upside with comparable Federal Reserve Banks then we had no case.

Mr. Bryan then distributed to the Committee certain materials: (1) a dot map showing the distribution of salaries within the new ranges; (2) a record of increases by officers from 1956 through the proposals for 1963; and (3) a record showing the same data adjusted for a change in the consumer price index, which had increased 9.8 per cent in the interval. He also distributed some maps that I had made on the basis of the same material.

The dot maps showed that even with the proposed 1963 increases we should still be well below the proposed minimums for most officers. The array of salary increases from 1956 showed that Mr. Bryan had developed a high degree of selectivity in the amount of the increases for his various officers; and that, when adjusted for the cost of living, the increases had been nominal in many cases.

I had the feeling that the Board members were a little startled by the thoroughness with which we were prepared for the discussion. At the end of Mr. Bryan's

presentation, I spoke to his point about our comparability with other Reserve Banks and repeated that, if we were out of line, with higher salaries than other Federal Reserve Banks in our group, then we had no case. That implied question was not answered satisfactorily. Later, Mr. Johnson gave me a brief glance at same figures for the Dallas and St. Louis Banks. He seemed to think that we were about in line with Dallas but were on the low side in comparison to St. Louis. I told him I would like to take a better look some time in the future.

At any rate, the issues quickly became apparent. One was with regard to our salary brackets, which had been adjusted to maximums that were 50 per cent over the minimums for each group of officers, and the lowest grade related to the midpoint of the nonofficial Grade 15. Mr. Bryan explained this and, in effect, got the reply that we need not pay any attention to that rule.

Closely related to the same point was a problem interjected by Governor King. He argued that we should not go to the maximums the Board had allowed but should go up to the maximums in stages. Mr. Bryan pointed out that the new maximums would be known from one end of the System to the other in a matter of a few months. He said that he was simply compelled to recommend to his Board that it adopt the full maximums allowable by the Governors even though they were not presently used, nor prospectively used at any time soon. Governor Mitchell agreed with Mr. Bryan; but the point was reverted to on several further occasions in the course of the discussion.

Mr. Bryan asked if there was any feeling on the part of the Governors that any of the salaries he had proposed were out of line with the responsibilities of the men in the positions. That brought on a great deal of talk, the net of which was that the Board

of Governors did not want to pass on the individual merits of the officers. Both Mr. Bryan and I thought this was excellent; but I failed to see how the 40 per cent rule would force selectivity unless the Board wanted to go into the mechanism of rating the officers and seeing to it that Mr. Bryan was exercising selectivity in his increases.

An interesting point was a statistical discussion that was provoked when Mr. Bryan observed that the 40 per cent rule was further limited by the Board's desire to pass on salaries of officers only once a year. It looked, as he said, as if an officer could expect an increase every two and a half years under the 40 per cent rule but that the rule was further limited by the once-a-year factor. Governor King denied any such limitation; and under close questioning by Governor Mitchell, Mr. Johnson said that most Banks recommended salary increases whenever an officer was promoted, regardless of the time of year in which the promotion fell; the Atlanta Bank was the only one following the opposite policy. Mr. Bryan replied that he would be glad to follow the general policy, but that material from the Board had indicated many times that the Board wanted to pass on salaries only at the year end. Hence, when a new officer was created, or an officer was promoted at the Atlanta Bank, we had followed the policy of recommending no change in his salary until the Governors would have the opportunity of considering salaries of officers all in one batch.

Another point of interest came up when Governor Balderston observed that we didn't want to increase the pay for time servers. Mr. Bryan said that he thought there was a sharp distinction to be made between two classes of officers, one a small group of brilliant men who were going to move up through the grades, and a large body of competent, experienced men, often carrying a heavy load of detail work, who were

simply not suited for promotions to posts of high command. He said that in his judgement more frequent and smaller increases was the proper, policy in such situations.

That brought on discussion. Governor Balderston seemed to think that Mr. Bryan, and I supported him on the point, had something. It has been my experience that large and infrequent increases are only appropriate in the case of a limited number of top officers, that more frequent and much smaller increases are more appropriate for officers who are merely doing a competent job but doing that job without imagination or promotability.

In any event, the meeting, though vociferous all around, was pleasant. Finally, after more than two hours, we got up and ran for the plane. Governor Mitchell concluded the meeting by saying, "Well, we've got a case, but it is not as good a case as I wish we had." Mr. Bryan and I left the meeting with the conviction that we had lost the argument, largely because eight other Banks had had their interviews previously and the Governors had held tight to their rule and did not want to reverse themselves.

My own net judgement is that the Governors had not done their homework well as they should have. I grant that the 40 per cent rule, whatever its merits, might have been appropriate for some Reserve Banks in the beginning year; 20 per cent might have been appropriate for some, and more than 40 per cent appropriate for others. The Reserve Banks, I am sure I correctly sensed, were not starting even; and the Governors simply had not done enough study to know what was appropriate for each Reserve Bank at the year of beginning the 40 per cent rule.

I also had the feeling that the Governors, with the best intentions in the world,

had some very inappropriate ideas about salary administration.

Just as a witticism, I will say that I thought Mr. Bryan was doing himself no good by arguing with the boss. He enjoyed it though, and I enjoyed it and my observation is intended to be only amusing.

Mr. Tarver called on Mr. Bryan. Mr. Bryan expressed his great pleasure in the circumstance that the Board of Governors had increased the maxima. He also expressed his sympathy for the problem of the Board of Governors, which they are required by statute to confront in passing on the salaries of Reserve Banks. He then read into the record the letter of November 7, 1962, from Mr. Martin relating in some part of the 40 per cent rule:

The Board's Committee on Organizations, Compensation, and Building Plans has now reported to the Board on its series of discussions with the Presidents of the Reserve Banks relative to officer salary proposals for 1963. Its report indicates that the salary guidelines in the Board's letter of October 5 appeared to work satisfactorily except that most Banks reported difficulty in remaining within the limitation of 40 per cent of staff for salary increases in any given year.

On the basis of the Committee's report, the Board believes that some easing of the original 40 per cent guideline is called for in the first year of operation of the new procedure. Therefore, the limitation on merit adjustments to become effective in 1963 only is being raised to 45 per cent, of the officer staff, exclusive as provided previously, of increases related to concurrent promotions.

It also appears desirable in this transitional year to exclude the positions of General Auditor and Assistant General Auditor from the 45 per cent calculation. That is,

in arriving at this percentage, these positions would not be included in either the total of officers or the total of merit increases granted. The base figure used in determining the 45 per cent maximum would, of course, include officers who might receive promotional increases.

The Committee reports that the salary conferences with the Presidents were most productive in clarifying various issues involved in official salary administration. It found them especially helpful to its understanding of the problems involved and believes we are moving toward an improved combination of on-the-spot responsibility and the over-all salary supervision required of the Board by the statute.

Mr. Bryan explained that he had reworked the salary list to conform to Mr. Martin's letter of the 7th; that the revised salary list had been reviewed carefully by the Executive Committee at its meeting on November 8, 1962, and by the Personnel Committee just prior to this meeting. The salary list was distributed to the Directors and examined by them.

Mr. McGregor Smith then arose to say that he thought a good job had been done with the revised salary list and with the ranges. Accordingly, upon motion by Mr. Smith, seconded by Mr. Chalkley, the Directors adopted, subject to the approval of the Board of Governors, the following grade ranges, elected the following officers, and fixed the salary of each for 1963 in the amount set opposite his name:

Group and Range

A(Min.: none - Max. : \$27,500)

Title

Proposed Salary

1963

J. E. McCorvey

Vice President & Cashier \$21,000

Morgan L. Shaw	Vice President — New Orleans	20,000
R. E. Moody, Jr.	Vice President – Nashville	20,000
T. A. Lanford	Vice President – Jacksonville	19,500
Brown R. Rawlings	Vice President	19,500
J. E. Denmark	Vice President	17,600
Henry C. Frazer	Vice President – Birmingham	16,500
Lloyd B. Raisty	Vice President	16,000
Charles T. Taylor	Vice President and Director Of Research	16,750
De Witt Adams	General Auditor	15,750

B(Min.: none - Max.: \$22,500)

E. C. Rainey	Asst. Vice President Birmingham	15,200
W. H. Sewell	Asst. Vice President Nashville	15,400
R. M. Stephenson	Asst. Vice President	15,750
Harry Brandt	Asst. Vice President	15,000
George W. Sheffer	Chief Examiner	15,000
Theodore Walter	Asst. Vice President New Orelans	14,500
Beyrl E. Howard	Asst. Vice President	14,250
Dowdell Brown, Jr.	Asst. Vice President	14,000
T. C. Clark	Asst. Vice President Jacksonville	13,500

Group and Range

C(Min.: none - Max.: \$19,000)

L. Y. Chapman	Asst. Vice President New Orleans	13,500
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George Hibbert	Assistant Counsel	13,000
C. Mason Ford	Assistant Vice President	12,000
Vestus Crow	Cashier-Jacksonville	12,750
Edgar M. Vallette	Asst. Vice President	12,500
L. W. Starr	Cashier-Nashville	11,500
Win. A. Wailer, Jr.	Cashier-Birmingham	11,500
J. T. Harris	Asst. Vice President	12,500
F. H. Martin	Asst. Vice President	11,000
Fred I. Breck	Assistant Cashier	10,600
<u>D(Min.: \$10,000 - Max.: \$16,000)</u>		
Billy Hargett	Asst. Cashier – Jacksonville	10,500
Jeffery Wells	Assistant Cashier	10,500
James B. Forbes	Assistant General Auditor	11,250
Basil A. Wapensky	Assistant Cashier	10,500
Fred Millsaps	Assistant Cashier	11,000
R. M. Junca	Asst. Cashier - New Orleans	10,000
I. H. Martin	Asst. Vice President	10,500
Carson Branan	Assistant Cashier	10,500
Stuart H. Magee.	Asst. Cashier – Nashville	9,500
William Thomas	Asst. Cashier – Birmingham	10,000
Eric Hingst	Assistant Cashier	10,000
Marvin Stewart	Asst. Cashier – Briiningham	9,500

At this point Mr. Bryan withdrew from the meeting.

Chairman Tarver, continuing in Executive Session of the Board of Directors, informed the Board of Mr. Martin's letter to him of October 5, 1962, regarding the salaries of presidents and first vice presidents, which is set forth below:

As you know, there has been considerable discussion of the adequacy of compensation for Presidents and First Vice Presidents of the Federal Reserve Banks, and the Board of Governors has been reviewing its policy with respect to these official salaries. After careful consideration of recommendations and suggestions, the Board believes that the following revisions in policy, effective January 1, 1963, should materially assist the Banks in appropriately compensating their top officials.

The favorable experience under the Plan of Salary Administration for Federal Reserve Bank Officers, used since 1953 for salary administration of officers other than the Presidents and First Vice Presidents, encourages the utilization of salary ranges to provide a framework for the guidance of the Boards of Directors in proposing salary adjustments for those two officers. The salary range concept is a departure from the manner in which these salaries have been handled in the past; however, its use would provide greater flexibility in administering compensation in those positions. Accordingly, the Board has established the following minimums and maximums:

<u>Bank</u>	<u>Presidents</u>	<u>First Vice Presidents</u>
New York	\$50,000-\$75,000	\$30,000-\$40,000
Chicago and San Francisco	40,000-60,000	27,500-35,000
Other Banks	30,000-45,000	25,000-30,000

In using these ranges to fix compensation for new appointees in the future, Directors are not precluded from appointing a President or First Vice President at an

initial salary higher than the prescribed minimum; but it is anticipated that new appointees, other than in exceptional cases, would be started at the minimum of the applicable range.

With respect to salary progression, it is contemplated that each Bank may initiate meritorious adjustment not oftener than at three-year intervals, except that for new appointees they may be proposed at the end of two years following appointment. For President at New York, Chicago, and San Francisco, the maximum increase at these intervals will be not more than \$7,500; and at the other nine Reserve Banks, \$5,000. For First Vice President, the maximum increase will be \$2,500. Increases for incumbent officials, where considered desirable, are to be made effective January 1, 1963, not to exceed in amount the maximum one step increases stated above. These guide lines for merit adjustments may be modified for supportable exceptions. Board approval is, of course, required for all individual salary changes for officers.

A separate letter is being sent to the Presidents of the Federal Reserve Banks regarding salary ranges and their application for officers other than the Presidents and First Vice Presidents. A copy of that letter is enclosed. The Board will be glad to discuss the general subject of compensation with the Chairmen and Deputy Chairmen at the time of the Conference to be held on November 29 and 30.

After discussion, the Board voted to fix the salaries of the President and First Vice President for the year 1963 as follows:25

President	\$40,000
First Vice President	\$27,500

Vice President Patterson reported on the subject of insurance during the

course of the December Board meeting.

He said that in April the Directors approved the Bank's discontinuing purchased insurance covering fire and allied risks and authorized the officers of the Bank to negotiate with such other Federal Reserve Banks as might be interested in entering into a Loss Sharing Agreement to cover such risks. The formal agreement has been completed.

The Reserve Banks of Philadelphia, Cleveland, Minneapolis and St. Louis reported Patterson, do not want to discontinue purchased insurance for fire and allied risks. New York, San Francisco and Richmond are self-insuring such a loss sharing agreement if the other interested Federal Reserve Banks at the present time. San Francisco and Richmond are willing to come in on are willing to do so, and "New York will come in if we want them."

Under the proposed agreement we would bear the first \$100,000 of any such loss. The remainder of any such loss would be borne by the Federal Reserve Banks in the same proportion that profits of the Federal Open Market operations are shared. Under the present loss sharing agreement, to which all of the Federal Reserve Banks are parties, we share the losses on a basis of the percentage that our surplus bears to the combined surplus of all Federal Reserve Banks. That Loss Sharing Agreement covers losses that we may incur in shipments of currency and coin and any losses that may exceed the \$5000,000 we carry as a banker's blanket bond. All of the banks will probably come in on the fire agreement except Philadelphia, Cleveland, Minneapolis, New York and St. Louis.

Patterson further reported:

“We will continue to carry our builder ‘s risk insurance on the new west building until such time as that building is complete and turned over to us. We can then put it under 24-hour guard coverage and fire inspection service. This fire agreement contemplates that we will employ engineers to make periodic fire inspections of the premises estimated at a cost of \$450 a year. The present replacement value of our buildings for insurance amounts to about \$19.5 million. The present premiums that we are paying amount to about \$7500 per year.”

The Directors authorized the Federal Reserve Bank of Atlanta to enter into the Loss Sharing Agreement covering fire and allied risks with one or more of the other Federal Reserve Banks.26

On the public relations front the Bank was making wide use of films. In 1960 the Bank’s films were shown 977 times; in 1961, 1,656. There were 37,551 viewers in 1960. The figure increased to 108,079 in 1961. Of this latter number, approximately 40,000 were estimated to be on one TV showing. Excluding the TV show, the number of viewers still increased by 80%. during the year. Three new films were added to the film library and the Board of Governors has approved a system expenditure of \$125,000 by all the Federal Reserve Banks for a new film on the Federal Reserve System.27

Discount window operations and discount procedures received trenchant comment from President Bryan as he reported to the Board on February 9:

I wish to begin a series of remarks that may run over three or four Directors’ meetings on a general subject that is of considerable concern to bankers: The handling of our discount window and our discount procedures.

Some time ago, the Reserve Bankers Association undertook to explore this

topic and as a matter of fact took up the question with the System asking for a conference on the matter. The result was that as chairman of the President's Conference I appointed a high-level committee of System people, called the Committee on Eligible Paper, which is to report on our lending practices, the Idea of eligible paper, and related matters. After that, I think we shall probably confer with the reserve city bankers and other interested people.

The problems that have come up are related in general to these topics:

First, is the borrowing from a Reserve Bank a privilege, as we say, or a right?

The second topic that has come up relates to whether or not the concept of eligible paper has any meaning at the present time.

Another topic that has come up is related to this point--namely, do the Federal Reserve Banks administer their discount window under the same general procedures?

The reason for these questions is clear. The banking system came out of World War II in a highly liquid position. Banks had no lack of short-term securities; they had no lack of cash; they came out of the war period with large excess reserves. Banks had low ratios of loans to total liabilities or to total assets. Now, however, with the intervening years, banks have come to a much less liquid position. They have moved vast amounts of their securities into the hands of nonbanking holders; they have increased their loans radically, so that their loans to deposits ratio or loans to total assets ratio, whichever one you want to take, is high. Not only that but they have gone in for the making of term loans in considerable volume. The net is that a good many of the banks have become worried for fear that they might be refused credit in the discount window of a Federal Reserve Bank, and they have become bothered because so many of their loans are not

“eligible” paper.

Today I want simply to make one comment on the matter of eligible paper and secondly, to talk about the general policy of this Bank. I have talked on the policy of this Bank to the Directors on one or two occasions before, but that has been years and years ago, and I think that with some new members on the Board, I should repeat myself.

First as to eligible paper. At some point in these talks I want to speak a little of the banking theory that underlay the concept of eligible paper, a concept that was written into the Federal Reserve Act and still has a vestigial existence in the Act. At the present time, though I think I want to confine myself simply to this remark. The law was amended in 1935, so that at the present time the Federal Reserve Banks can lend on any sound asset of a commercial bank. It does not have to be eligible paper. There is this difference, however, Mr. Carter Glass, when that legislation was proposed, insisted, and the Congress followed him, on writing into the law the provision that if paper was not “eligible,” it should carry a half- per cent penalty rate, a rate one-half per cent above the discount rate which applies to eligible paper. In consequence, you will see in our rate schedules that we publish a discount rate, which is three per cent. A fundamental question, therefore, is whether there should be in the Act a penalty rate for loans on these so-called non-eligible but sound assets.

I want to discuss that in considerable length at some point. Here I will merely make one remark. Nearly all banking crises in history have been preceded by a long period in which banks have increasingly committed their funds to long-term capital lending. In the Twenties they did it by what I call the 20-year, 90-day loan, which was

renewed again and again and never liquidated.

Long-term capital commitments are not at all improper as a matter of lending. The difficulty in the banking system is that it borrows short. After all, its deposits are borrowings. These deposits are, whether time or demand, actually all payable on demand. Therefore, if banks borrow short and lend long, the banking system can get into difficulty, and repeatedly has done so in our history. The real question, therefore, is whether the half-per cent rate, which is just a little nudge to the banking system to keep itself in reasonable short and wholly collectable commitments, is an appropriate penalty or it is not. My inclination, I must say, although I am eagerly going to wait for the report of the Committee on Eligible Paper, and the Committee may have a different opinion, is that while we need to make a good many changes in our definitions of eligible paper, the penalty rate on non-eligible assets, so-called, is an appropriate admonition to the banking system to stay as liquid as it can manage.

Let me shift gears a moment to talk about the policy of this Bank. We are governed by Regulation A of the Board of Governors which in general terms sets forth our lending policy. It is then up to me to administer the Regulation to the best of my understanding. The Regulation sets out in merely general terms that the lending on eligible paper shall be for what economists call real bills, not finance bills; that it shall take care of banks that are in difficulty because of a run-off of deposits either by virtue of a national economic calamity that affects the whole banking system, or a local situation ~ which the bank must be given time to adjust its asset position. The Regulation also contemplates that we help banks in meeting some of their seasonal problems, which we do. In Florida, for example, bank deposits used to have an

enormous seasonal fluctuation. Regulation A contemplates that a bank, knowing that it is operating in an environment of seasonal fluctuation, shall make some effort to provide for its own seasonal problem, but nevertheless we do step in and try to assist them.

I want to say flatly that no bank has ever been refused a loan nor refused a renewal by the Federal Reserve Bank of Atlanta during my experience with this Bank. I haven't looked up to see if we have ever in our history refused a loan or renewal, but I do know that in 1920 banks were pressed to repay, and I do know that until the law was changed in the early thirties we had to refuse some loans because of the circumstances that a bank could not offer eligible paper. However, in the more than twenty years I have been here we have never refused a loan or a renewal. My impression is that this is true of the other Federal Reserve Banks.

Now, what do we do? We try to do this. We make our loans. We follow the bank's asset position and what it is doing with the money. If a bank is caught in a deposit run-off, we do not raise any question whatsoever. We give it all the time in the world. If it is caught in a seasonal pattern, we raise no question except this: when the pattern of borrowing goes beyond six months out of a year, we conclude that that is enough for a seasonal pattern. Therefore, at that time we begin making inquiries. The letters, however, are not rough at all. We generally do not write until after the bank has been in continuously for six months or more. The letters get a little insistent that the man put his house in order in this sort of situation, namely, when the bank is using our money as a substitute for capital and deposits. But even that has an amendment to it. In other words, if we find borrowing money from us at three per cent and investing it in long-term securities simply in order to get the rate differential we disapprove thoroughly because the bank is using

its Reserve Bank credit as a substitute for capital and deposits. We will seasonally permit him to expand loans, however, with our money when we know the policy of the bank and when we do know the borrowing is to finance a seasonal problem. We have occasionally carried banks for a long time in a situation in which their investment portfolio has been depreciating, and since we have lived for many years, more than a decade, in a period of rising interest rates, most banks have had at one time or another a depreciated situation in their investment portfolio. I have felt that it is no part of my duty, and improper as a central banking practice, to use central bank credit to finance an expansion of a bank's investment portfolio purely in order to obtain the rate differential. I have by the same token been extremely gentle in refraining from forcing them to sell assets that have been already acquired in good faith and that would have to be sold at a loss. I have allowed them in many instances to go on with their borrowing continuously until they got run-off s in their invested assets.

That is about the situation as I want to outline it today, except that I will make to this Board of Directors the same statement I did in the early Fifties: No reasonably well run member bank in the Sixth Federal Reserve District, so long as I am President, will ever have to close its doors because the Federal Reserve Bank will not lend it money. I will keep them all alive if they make any pretense at all of being reasonably well run, and my difinition of being reasonably well run is liberal.

I will go on with this subject in subsequent meetings from time to time.28

On March 29 and 30, 1962, thirty-one professors of money and banking representing two dozen different colleges and universities in the Sixth District came to Atlanta to attend a seminar on Central Banking presented by the Research Department

at the home office.

The theme of the program was “The Formation of Monetary Policy and Its Execution”. Chairman of the Seminar was Charles T. Taylor, Vice President and Director of Research. President Bryan spoke on “Limitations of Money Management”. Other speakers on the Bank’s staff were Harold T. Patterson, Harry Brandt, Assistant Vice President; and Al Johnson, Financial Economist.

Guest speakers from outside the Atlanta Bank were Woodlief Thomas and Ralph Young, Advisors to the Board of Governors; Charles A Cooinbs, Vice President, and Robert W. Stone, Assistant Vice President, both of the Federal Reserve Bank of New York, and B. V. Ratchford, Vice President and Director of Research of the Federal Reserve Bank of Richmond.

Special guests included Winfield V. Rieffer, former Assistant to the Chairman of the Board of Governors, and Earle L. Rauber, former Vice President and Director of Research of the Atlanta Bank. The 31 professors who attended were chosen from 62 applicants by a selection committee of educators and economists.

The Bank sponsored the seminar as a contribution to the quality of teaching of money and banking and related subjects in the South. Areas discussed were the aims and objectives of monetary policy, considerations in policy formation, current policy problems, and the translation of policy decision to action.²⁹

The computer age was tightening its grip upon the Bank. In January an IBM 1401 computer was rented. After a trial period it was ascertained that the machine performed many of the Bank’s functions admirably. Therefore, on July 1 it was purchased for \$230,526.³⁰

Certain other operations of the Bank were affected by Federal Legislation and external factors generally during 1962.

On October 1 the Board of Governors directed the following statement to all Federal Reserve Banks. It was read to the Atlanta Board on October 12:

“Authority to regulate the exercise of trust powers by national banks was transferred from the Board of Governors Of the Federal Reserve System to the Comptroller of the Currency on Friday, September 28, when the President signed Public Law No. 87-722.”

“The signing of this law marks the successful culmination of several years’ effort, supported by the Federal Reserve System, to simplify the supervisory responsibilities relating to trust activities of national banks. Since national banks are supervised in other respects by the Comptroller of the Currency, it was logical that the regulation of their authority to act as trustees should also rest with that Office.”

“With the passage of Public Law No. 87-722, the authority of the Federal Reserve Board, first, to permit national banks to operate trust departments and, second, to issue regulations governing the operations of trust departments of national banks automatically terminated. This authority, along with supervision of national banks’ trust departments, will be exercised by the Comptroller of the Currency.

“State charicterized banks are also affected to some degree by this new legislation. All banks operating common trust funds will hereafter be required to comply with regulations issued by the Comptroller of the Currency rather than the Federal Reserve Board if they wish to qualify for certain tax exemptions applicable to the operations of common trust funds.”

“The transfer of authority became effective immediately upon the signing of the Act, and pending applications by national banks for authority to exercise trust powers will be acted upon by the Office of the Comptroller.”

“It is understood that the Comptroller of the Currency on September 29 issued a new regulation (which replaces the Board’s Regulation F-- ‘Trust Powers of National Banks’) to implement the Comptroller’s new authority.”³¹

An exchange of letters in September between Eliot J. Swan, Chairman, Committee on Miscellaneous Operations, Conference of Presidents of the Federal Reserve Banks and J. Edward Day, Postmaster General, outlined Current feeling on the currency shipment situation. swan to Day, September 24:

“As indicated in our discussion with you on August 31, 1962, the Conference of Presidents of the Federal Reserve Banks considered the question of currency shipments by registered mail and armored car of its meeting September 10. The consensus of the conference may be expressed in these terms”:

“The Federal Reserve Banks will work cooperatively with Postal authorities toward a reduction in the magnitude of currency shipments by registered mail. In doing this, the Reserve Banks will seek to extend the use of armored cars where additional facilities can be made available and it is feasible to utilize them. The Reserve Banks will also study the patterns of shipments from Banks to the Reserve Banks, seeking to reduce the exposure traceable to incoming shipments.”

“It should be noted, however, that the Federal Reserve Banks cannot control incoming registered mail shipments either as to amounts of individual shipments or as to their subsequent accumulation on specific postal runs. Also, it is apparent that there

will be a considerable number of currency shipments, both to and from Reserve Banks, for which the only reasonable method of transportation will be through Post Office facilities. It is expected that these shipments will continue to be handled by the Post Office, since they are essential to trade and commerce in the many areas concerned.”

“The Federal Reserve Banks are continuing to examine the matter, looking toward expansion in the use of armored car services to the extent practicable within the framework of efficient and economical administration of the Reserve Banks . .

“Please be assured of our concern over the existing situation and of our desire to be of as much assistance as possible.”³²

Day to Swan, September 26:

“I am glad to have word from you that at its meeting of September 10, the Conference of Presidents of the Federal Reserve Banks decided to work cooperatively with this Department toward a reduction in the magnitude of currency shipments by registered mail. Please be assured that our Transportation, Inspection Service, and Regional personnel will be available to assist in any way possible in your study of the patterns of shipments between banks and the Reserve Banks.”

“Plans which we have been making and instructions which have recently been issued require that our Regional and Inspection Service personnel in the field will also make a study of the values involved in registered mail shipments on all media of transportation. They will probably be contacting your people for needed information.”

“Among other features, our new instructions contemplate that not more than \$100,000 in currency should be accepted for registration by any post office from any one financial institution for dispatch on a single highway post office or star route trip, or

a combination railway post office and highway post office-star route trip or the reverse. Moreover, the aggregate amount of registered shipments of currency dispatched by all post offices on a single highway post office or star route trip should not exceed \$500,000. Where ever there are indications that these limitations might be exceeded mailers will be contacted and encouraged to split their shipments between trips, or days of the week, or to use alternate routings.”

“The measures which have been taken during the past month, and which will be taken as a result of the revised instructions are greatly -strengthening the protection of registered mail.”³³

Several years before the bank had begun a program of emergency preparedness planning. The Cuban crisis, in the fall of 1962, brought the whole matter sharply into focus. J. Emory McCorvey, Vice President and Cashier, in charge of emergency programs at the home office and four branches, was asked to review the situation at the November Board Meeting:

Mr. McCorvey’s remarks were substantially as follows:

We began an immediate review of our emergency preparedness program to determine steps that would be necessary to get it in a state of readiness so that should the need arise, plans could be immediately activated. Our authority for supervising banking institutions during an emergency and for working with the military was derived from the Board of Governors, and its authority is by Executive Order through the Secretary of the Treasury.

Should the Board of Governors receive an appropriate alarm certain of their members together with cadres of key personnel will leave Washington by automobile on

pre-determined routes and proceed to a relocation site. There they have housing and other necessary facilities. An elaborate communications system has been constructed in these quarters and is housed in a room that is well guarded and well sealed by lead plates for protection from radiation and fallout. Provisions have been made for an interim Board of Governors and System Open Market Committee. The Board has a relocation site, an alternate relocations site, and a records center.

In giving Federal Reserve Banks the authority to proceed on their own, several fundamentals had to be considered. One was that we must develop a plan not only according to our District but a certain uniformity with other areas must also be considered. The authority was granted that, should a Federal Reserve Bank be out of communication with the Board of Governors or should the Board become inoperable in Washington or at the relocation site, the Reserve Bank would operate with complete autonomy. A Federal Reserve Bank would serve not only its own District but would serve any area or District of any other Federal Reserve Bank that becomes inoperable. The Sixth District is bounded on one side by the Richmond District, on the other by St. Louis, and at the southern end by the Dallas District.

To operate this Bank, we have created a records center in Auburn, Alabama, which is staffed by one full-time and one part-time employee. The records center is operated continuously and is on a current basis for day to day work. Also in the records center are copies on film of our permanent records and a set of records for the System Open Market Account and the System Retirement Account.

Our relocation office is at our Nashville Branch; our alternate is at the Jacksonville Branch. The military now has stated that these two cities, along with every

city in this District, are critical areas, but at the time these relocations offices were selected, they were not so designated. Our feeling is that with five offices and a records center, and following the law of probability, some one of our offices should remain operable. We will operate from the Atlanta office as long as we can; when that is not possible we will use the Nashville office; if that is inoperable, we will use the Jacksonville office, and on down the line so that we would use any or perhaps all of the offices that remain.

A succession of officers has been set up to operate the business of the Bank in the event of an emergency. Each man on the list has a sealed copy and if and when there is need, he will break the seal and proceed to the appropriate relocation office. To supplement the working staff, certain groups of people at each of our offices have been issued Civil Defense cards and vehicle markers to enable them to travel within the District to whatever point they are needed, provided, of course, travel facilities are available.

Our general responsibility during an emergency is to assist banks in the continuation of their activities and whenever possible to re-establish banks so that they may continue to perform monetary functions. We have included in our emergency circular, which has been distributed to all banks, member and nonmember, certain other factors that are uniform throughout the country and with all Reserve Banks. We hope to be able to continue the check collection operation. In this District we have agreements with certain banks located in different communities to serve as our check collection agent banks during an emergency or crisis, and they have been furnished forms necessary to do this work. We had no difficulty in getting them to cooperate with us. Present plans

call for the immediate credit of all checks during an emergency even though there may be knowledge that the banks on which the checks drawn are full inoperable or are no longer in existence.

Another provision in our plans is for the distribution of currency. There has been diversity of opinion as to what should be done. Some Federal Reserve Banks have pre-positioned currency in commercial banks in different areas of their Districts in the hope that those banks would be able to serve the communities in which they are located. Certain other Banks have decided to wait and after attack, perhaps to designate certain banks as cash agent banks, or perhaps, those that remain would serve this purpose. We have not yet done either, or we may do a combination of the latter, but we reason that by having five offices we probably would be able to operate out of the reserves of currency carried in our vaults and would have far fewer risks. We would not stand to lose a lot of currency by blast or thermal damage or have it isolated by heavy radiation. If the attack should happen, then we could determine in the post-attack period whether we have available currency to issue or distribute, or where we would need to stock a bank with currency. Then we could select the areas and we think better serve the District.

Under the complete autonomy delegation, we may have to establish a market for Government securities, as well as deal in, buy, issue, sell, and trade not only Government securities but also the special certificates of the Treasury. We shall also be called upon to act as Fiscal Agent: The handling of matured coupons and securities; the servicing of agents that issue and pay U. S. Savings bonds; to function withheld taxes and the Treasury Tax and Loan Accounts. Last but not least, we are required, insofar as

we can, to maintain liquidity and to create and provide adequate credit whenever it is needed for essential purposes, using great latitude and discretion.

Basically that is our program. One other important function concerns the protection of our personnel in our five offices. Unfortunately, our present buildings are not equipped specifically with areas to house people for an indetermined period of time. Because of the Cuban crisis, however, we have put on a crash program. We have provided areas stocked with food, water, and other essentials of life so that at all five offices we can house and protect people for a limited time. We are proceeding to equip these areas so that shortly we hope to be able to protect them for a minimum period of two weeks, as suggested and required by the military authorities.

The Chairman asked what effect the limited emergency has had on currency operations. Mr. McCorvey replied that we failed to get the rush for currency over the District that we expected. Our heavy demands were in Florida, through the Jacksonville Branch. There are many pay rolls for the armed forces stationed there and for personnel on ships docking at Florida ports. Those ships were coming and going at all hours of the day and night, and Mr. Lanford had to be in his office at odd hours and usually times to accommodate them and to meet their demands. It is suspected that there has been some hoarding in Florida. Certain heavy withdrawals that did not appear to be for military purposes seemingly have increased, but it has not yet become a District-wide problem.³⁴

As 1962 opened the new east wing of the Atlanta headquarters building had been occupied and some remodeling was going for3 ward uneventfully on the old columned building. Then, in February, an unexpected bombshell descended. It resulted

in an entirely new plant for Atlanta headquarters. The matter was reported to the Board on March 9 by President Bryan:

I have another item I am reluctant to report. I mentioned it briefly to the Executive Committee. It is an embarrassing matter, but I think in the end it can be resolved satisfactorily and will cost us no more money than would have cost us if we had undertaken to make the explorations originally. When the contractors began work on the old building and began uncovering some footings, beams, columns, and structural members, they gradually found that the original structural drawings contained a good deal of fiction. Beams and columns were not of the size they were supposed to be; workmanship was bad. The point that alarmed me particularly was that a couple of the footings were, in effect, nonexistent.

On February 27, Mr. Patterson and I met with the contractor, the architect, and the structural engineer for the architects. The engineer stated that he was not willing to take professional responsibility for the building unless we determined what the actual situation was with respect to the extent of the structural defects. The general contractor was upset, of course, but confirmed the structural engineer's statement. He said the situation was alarming. Since I was in no position to over-ride the engineer, we had to follow the architect's advice. Accordingly, the architect halted construction work on the old building on February 28, 1962. Mr. Patterson and I immediately toured the old building to see visually what the engineer was talking about, and it seemed to us, after the inspection, that the decision was the Only correct one. In the meantime, the engineer and his men, and the Law Engineering Testing Company, have begun testing the strength of the concrete and uncovering a considerable number of the footings. We

hope that a remedy of the situation will not be too difficult. The columns can be strengthened with flanges and various devices.

On March 10, 1962, at our request, the Board's consulting architect, Eugene E. Witherell, inspected the building with us. A change in our contract will finally have to be approved by the Board of Governors, and we felt it wise to have their man view the situation and agree on the explorations that should be done.

The work stoppage results in great inconvenience and additional expense to Batson-Cook Company, the general contractor. The delivery of materials and the scheduling of the use of labor and equipment are based upon an interrupted building program. We have had a problem in determining how we should handle the contract on the building. I would like to read to you a letter, dated March 8, 1962, addressed to Henry Toombs, of the firm of Toombs, Amisano and Wells, architects, in which Cliff C. Glover, Executive Vice President, Batson-Cook Company, general contractor, sets out their proposal:

In response to your verbal request, we have endeavored to determine what this ordered delay in our work is costing us and our subcontractors. As we told you, an accurate figure at this time is impossible as many things yet undetermined will affect it. We have been able, however, to substantiate the \$8,000-\$10,000 per week bracket we mentioned to you and we believe that the \$8,000.00 figure is a minimum.

A wage change is coming up June 30 and again December 31; length of the delay will fix the amount of the higher priced labor required to complete. Amount of expense in unloading incoming materials, providing proper storage for them during the shutdown and the high costs that could develop from possible escalation in material

prices represent other unknowns at this time.

Anticipating widespread structural changes and the resultant effects these will have upon maintaining our construction costs and schedule after operations are resumed, we recommend that this contract be changed by separating it into two parts leaving that applicable to the addition as a lump sum amount, and changing existing building to a cost-plus fixed fee basis.

This agreement could provide earlier resumption of work actually allowing us to proceed while investigation is still under way. We could start on any particular item of strengthening or on finish work as rapidly as areas are cleared and details are worked out even if only one sheet of details at a time were made available. We are convinced that this would assure earlier occupancy as well as reducing the weekly expense of the continuing delay.

Under existing conditions, agreeing on costs of additional work will be most difficult as each change must be previously estimated, checked and approved by various people before work can start. We do not think it practicable to carry on extra work on time and material basis along with our lump sum operations.

You realize that replacing, patching, shoring, underpinning, Guniting or what-have-you will work hardship on us. All of this work with attendant interferences will cripple efforts to get along with our work. We must be continuously shifting our efforts from one spot to another to allow strengthening work to proceed or to await final instructions. We anticipate, too probable changes, rerouting, etc., required in mechanical work which will necessitate more intricate coordinating and layout work by our engineer.

Contract amount for existing building up through Change Order No. 9 amounts to \$1,448,659,32. This includes our fee of \$59,270,000. We propose that the entire work in the existing building be performed on the basis of cost plus a fixed fee of \$59,270.00. After much thought and study we believe that this is the only practical way of handling the remaining work to be done under the present circumstances. It is our considered opinion that it would be impossible to determine with any degree of accuracy the cost of the many intricate and minute changes that will be involved in The restoration of the old structure. In addition to the actual cost of these changes it will. be almost an impossible task to determine the effect these changes will have on the work covered by the original contract in connection with the alterations.

The effect of it is that (1) the portion of the contract that relates to the old building would be done on a basis of cost plus fixed fee of \$59,270, and (2) that any changes in the contract relating to the old building would be done at cost with no fee for the contractor. Mr. Patterson and I tend to think that this is the only practical approach. Obviously, we could have discovered this situation ahead of time only be evaucation and dismantling of the old building. The Bank would have had to be relocated in rented quarters; there would have been vast operating enefficiencies from scattering offices in different locations. The fact that we did not have an early discover, in my judgement, will cost no more money ultimately than we shall have now with the repairs. Relocation of the Bank and dismantling of the old building, I believe, would have cost us a great deal more.

I shall appreciate any comments the Directors may care to make. If the Directors tend to agree with us without agreeing on details, I shall be happy if you could

approve the proposal of the general contractor in principle, leaving to the Executive Committee, which we can assemble quickly, the approval of an actual amendment to the contract when that comes up.

Upon motion by Director Chalkley, seconded by Director Kimbrel, the Directors authorized the Bank to proceed with the negotiations within the general framework of the proposal by the general contractor in the letter as quoted herein. The motion was carried.35

Again, in April:

Mr. Bryan spoke as follows:

Gentlemen, you have been informed, as has the Board of Governors in Washington in a general way, of the situation of our building. We were suddenly confronted with the engineer's statement that he simply would not take responsibility for the old building until he tested the structural strength of some of the members of the old building--beams and columns. The contractor felt that the visible evidence indicated the wisdom of stopping all further demolition and all construction. So the engineer began making a series of tests by coring the columns, using what is called a Swiss Hammer and ultrasonic measurements. He presented on April 10 a long and detailed report and a set of conclusions.

Mr. Patterson and I, since it was evident that we were confronted with a serious situation, decided that we would bring into consultation with our engineer Paul Wentworth, a partner of the firm of Moran, Proctor, Mueser, and Rutledge, structural engineers in New York, whom this Bank has used on one other occasion in designing the underpinning of our new addition. He looked over the structure and the calculations

Mr. Tindel, our engineer, was makine. Then, at a conference on April 4 with Mr. Patterson and me Mr. Wentworth was extraordinarily discouraging about the possibility of repairing the beams and columns. The following is an excerpt from a file memorandum I wrote covering the conference:

“Mr. Wentworth led off the discussion by talking about the problem of repairing the beams and columns. His views were negative. My understanding of what he said was about this:

“That the bonding of concrete and of steel would be incomplete, so that the weight would either be resting on the old part of the column or on the new part of the column. Then, we would be under the necessity of cutting U ~ beams loose from the existing columns and thus get a ‘discontinuity’ the structural stress of the building.”

“The general over-all effect of what Mr. Wentworth said was that he fle we would simply be spinning our wheels to try to save the structural numbers of the old building. Mr. Tindel said that his calculations were not complete but that, insofar as he had gone, we had no safety factor at all in the old building; he agreed with Mr. Wentworth; he added that in his judgment the old building would of necessity need to be torn down.”

I immediately informed Mr. Farrell of the Board’s Division of Bank Operations and Mr. Witherell, the Board’s supervising architect. After hearing what I had to say, Mr. Witherell said he was disappointed but not surprised, considering his own view of the building. Now, having received the engineer’s report and his conclusions just yesterday afternoon, I have not had a chance to get them into the hinds of the Board of Directors

or the Board of Governors. Mr. Tinder's report is a recital of the deficiencies in the various structural members and the damage. I will not read all of his conclusions, preferring to put that full report in your hands, but some of his comments are:

"...There are 289 columns throughout the building that have less than one per cent reinforcement. In air study, we did not reduce the capacity of the columns because of this requirement."

"Column steel, especially steel subject to high creep stress, must be held firmly in its designed position by ties. Since all column bars are tied with a single hoop, columns with more than four vertical bars are not adequately tied. Additional ties would be required to provide lateral Support for all bars not placed in the corners of the single hoop."

"The ACI Code requirement that the h/t ratio of columns subjected to bending shall not exceed twenty is to prevent buckling of the column. Many of the third floor columns have buckled."

"Our computations were based on the assumption that all members are reinforced as shown on existing drawings and that all reinforcing steel was properly placed. Visual inspection of many members where the reinforcement is exposed indicates that this assumption is not valid. Also, if we assume that the quality of concrete workmanship reflects the quality of reinforcement workmanship, we could not be certain about anything regarding the placement of steel."

"The quality of concrete workmanship throughout the building is inconceivably poor and many members have been badly damaged during previous alterations. Our examination of members for workmanship and defects was limited to

the exterior surfaces of the members but undoubtedly the same quality of workmanship exists throughout the members. We attempted to evaluate the effect of workmanship and defects in our study but, in reality, an evaluation of many members is impossible and would be questionable for all members.”

“Approximately 80% of all columns cored have concrete strengths less than the design strength. The petrographer’s examination of concrete cores revealed some reaction, leaching and patination which have weakened the concrete. Also, he found a considerable amount of foreign matter throughout the concrete which would reduce the strength. Because of the type core breaks, the voids between the aggregate and mortar and the aggregate segregation, we feel that improper mixing and placing of the concrete is the major cause, of the low strengths. However, as stated in the petrographer’s report, the reaction, leaching and patination will continue to weaken the concrete.”

“Because of the many noncompliances with existing Codes, the questionable nature of the reinforcement, the quality of workmanship, the concrete strengths which will continue to weaken, the percentage of deficient members and the magnitude of the deficiencies, we do not believe the columns and footings can be adequately and satisfactorily strengthened or reinforced to serve the purpose for which they are intended.”

“The structural inadequacy of the columns and footings could not have been determined by the existing structural drawings. When conditions of an existing building are such as to leave doubt as to the adequacy of the structure, Building Codes permit load tests to determine its adequacy. In a sense, the building had been load tested by use for many years and computations alone would not have been sufficient justification to

have condemned the building. There were no indications of structural inadequacies until the structural elements of the building were exposed and their condition determined.”

“Several of the third floor columns have failed and have been replaced by shores. Many of the third floor columns have buckled and several have cracks in the Marietta Street face. Because some of the column cracks have developed since our original inspection and the roof of the 1919 and 1917 additions slope toward Wall Street, we feel that the roof of the building is moving toward Wall Street. In our opinion, the weakened conditions of the columns, the many visible failures and the tendency of the roof to move represent a very dangerous condition and we recommend that immediate action be taken to relieve the load on the third floor columns.”

Gentlemen, I will have the entire report in your hands promptly and in the hands of the Board of Governors and its supervising architect. The Board’s supervising architect is having an engineer from the General Services Administration check our engineer’s report this week. Thus, we will have a three-way check on the recommendations.

I would like however, if you are willing, for you to empower the Executive Committee to let us go ahead and render the building safe by getting some weight off the third floor columns. This would also be with approval of the Board of Governors. We are in a situation now in which we are heavily covered, and the contractor is covered, by insurance against catastrophes, but our insurance does not, of course, cover us against our own negligence, and we are on notice that the building is dangerous.

I need not conceal from you that these developments are deeply disappointing. They are going to change a building program that we thought was extraordinarily

modest to one that is going to be a good deal more expensive. Just how we deal with it I don't know.

Chairman Tarver said Mr. Bryan has been deeply concerned about the building situation, and he appreciated that concern. However, plans for the building were drawn up forty years ago, when no doubt the city administration and the building code were more lenient. There was no way of knowing the true condition of the building until the beams and columns were uncovered. Director Chalkley moved that the Board follow the recommendation of President Bryan and give the Executive Committee the authority to act in the building situation.

Chairman Tarver seconded the motion, but recommended that the motion carry with it a vote of confidence in Mr. Bryan in the decisions to make.

Director Chalkley accepted the amendment offered by Chairman Tarver, whereupon the Chairman placed the motion and amendment before the Board of Directors. The motion as amended was unanimously adopted.³⁶

Again at the May Board meeting:

BUILDING:

At this point, Henry Toombs, of the firm Toombs, Amisano & Wells, entered the meeting.

Mr. Bryan said he had previously mailed to the Directors a letter (a copy with attachments, is filed with the Secretary); in it he said he was prepared to recommend Scheme No. 2. Mr. Toombs is also prepared to discuss Scheme No.1 today. In that scheme, the present building would be taken down and put back up essentially as it is. Mr. Bryan did not recommend Scheme 1.. The old building had many defects in the way

of wasted space that were acceptable in a relatively cheap remodeling job but would not be acceptable in a new building. In the meantime, with the approval of the Executive Committee, he had authorized the contractor to go ahead with demolition of the old building.

Mr. Toombs presented to the directors a rendering in perspective of Scheme 2, stating that the new building would be of the same size as the existing old building, but with far more utility. Another important factor in the proposed new building is that the first three floors extend over the entire area of the property, giving the necessary size for departments on the lower floors. Above these floors, there is excellent depth for the building, leaving space in back that may serve temporarily as additional parking space, but in the main will serve as a future potentiality for growth in that the size of building could be increased, It provides a possibility that no other scheme could inexpensively provide.

Mr. Toombs said he thought the treatment as set out in Scheme 2 also produces a handsome building. The idea of using the existing columns of the present building is interesting and unique. The columns are well detailed, and will be used as a peristyle in the space between the two units of the building to make a dignified and interesting entrance, carrying over the traditional aspect of the old building to the design of the new building.

The new building will be office space primarily. The lobby space will be smaller; the woodwork of the old Board room will be used in the new. The building will be set back to agree with the other, permitting us to carry over the slight garden.

A general discussion of the scheme followed. Chairman Tarver said there had

been discussion the Executive Committee meeting on May 10 as to whether the columns would fit the context of the streamlined new building. There was some feeling they would be a conversation piece, if not a controversial item. In reply to a question from Director Jarman, Mr. Toombs replied that he strongly recommended the columns.

Director Craft said he objected to the design. He has high regard for the judgements of Mr. Toombs, Mr. Bryan, and the other Directors, but in his opinion, this scheme was trying to do the impossible. He felt the old building should be built as it was, or the building should be designed to fit in general with the present design of the new building or with what is now proposed as a counterpart.

Director McGregor Smith said that if the final decision were his, he would not place the columns at the entrance.*

Mr. Toombs said he was confident the building, as in Scheme, would be interesting. It represents a unique opportunity in that there are 16 handsome marble columns with beautiful Corinthian capitals which the Bank possesses, and which would cost several thousand dollars each. These columns have been there a great many years; they are unique on Marietta Street; and they can continue to be used in almost exactly the same place in a different way. Mr. Toombs said he was positive everyone would like the scheme when it is completed. He pointed out an additional factor: the arrangement of the columns is almost centered at the head of Cone Street, meaning there would be a motif at the end of the street of prominence and of size and of character.

Director Jarman said that in his opinion, the columns are the best part of the design. There is a trend in architecture today to getting away from the severe functional

effect; the trend is toward more of a softening effect. These columns take away from the strictly functional effect. Director Kimbrel said the use of the columns was a unique treatment, and he approved the use of the columns. Director Cheatham said he preferred the columns, and Director Chalkley's opinion was that the building would be severe without them.

The Chairman stated that he felt Mr. Toombs had the support of the Directors. His initial reaction to the design was negative. A quasi-public institution such as the Federal Reserve Bank would be vulnerable if it spent money on something like this. But the Bank is saving money; any other architectural effects to relieve the severe design would be expensive.

*See amended statement of Director Smith at page 77, meeting of June 8, 1962.37

Mr. Bryan remarked that rather than say to the Board of Governors there is not unanimous action of the Directors, he would prefer to defer any action at the present time. He would simply notify the Board that the old building is being demolished.

The Chairman said he felt the Board should act, as there was need for moving ahead. He said he had confidence in Mr. Toomb's judgement as an architect.

Director Craft said that as a member of confidence in the President, in the management of the Bank, and in the architect, he would withdraw his objection

Upon motion made and seconded, the Directors approved in general Scheme 2 leaving specific details to Mr. Bryan and the architect. The motion was carried unanimously.

Mr. Bryan said he needed certain other authorities in order to go ahead with Scheme 2. Batson-Cook Company has proposed to accomplish the work of erecting the new building and demolishing the old building, closing out remodeling subcontracts on the old building, making a new temporary entrance, maintaining our utilities, protecting our machinery and other work as necessary, on a reimbursement-of-cost basis, plus a fixed fee of \$175,000 for all the projects. Mr. Bryan said in general he believed in letting low-bid, lump-sum contracts, but he thought Batson-Cook's proposal was reasonable, and he had confidence in his firm. The cost plus fixed fee basis seemed to be the only practicable solution in view of the situation.

The motion was made, seconded, and carried, approving negotiations with Batson-Cook Company for termination of the existing contract and for a new contract to construct the building on a cost-reimbursement basis, plus a fixed fee of \$175,000.

On May 28 the Federal Reserve Board approved the above and authorized further planning of the new building addition on the basis of Plan No. 2. 39

On July 13 Vice President, Patterson reported that almost hourly conference had been held during the past two months with contractors, subcontractors and material men in trying to work out equitable settlements of respective obligations with respect to the old building. By this time it was about 60% wrecked and a contract with Batson-Cook Company was signed for the new building on the basis heretofore reported to the Board.40

Again, on September 14, Patterson Reported:

"The building program is moving along rapidly. The architect and engineer have been able to keep abreast of the planning so that the work has not had to be stopped.

Excavation is proceeding, piles have been shipped, and we should be able to begin pile driving about October 1.”⁴¹

On October 12:

“Construction of the West building is on schedule. Pile driving is expected to end in approximately a month and the structural plans are complete. The architects will have the final plans for the entire building ready about the first of the year.

At year’s end, on December 14, Patterson reported that the book value of the old building that had to be wrecked amounted to \$272,970, and it was thus written off. The cost of alterations to the old building prior to the decision to rebuild and the cost of demolition of the old building amounted to \$759,250. That figure included architect’s and engineers fees, testing, the delay expense incurred while the engineers where trying to decide whether we should proceed with alterations, plus cost of demolition.⁴³

Meanwhile additional real estate was purchased in Jacksonville and Birmingham and building plans for New Orleans were completed.

Vice President Patterson reported upon the Jacksonville matter on June 8.:

“The purchase of a lot adjacent to the Jacksonville Branch was completed last week. The lot fronts 70 feet on West Ashley Street and is 105 feet in depth. The Bank would have liked to have acquired an additional piece of property, but it is under Long-term lease to Western Union and was not available for purchase. There is a parking strip of 35 feet, which, together with the new lot will provide adequate space for future expansion. If Florida continuer to grow as it has in the last five years, there will undoubtedly have to be provision for additional space. Although the transaction was complex, it had been well worked out in advance of closing time. The property had a fee

simple owner, a 99-year lease on the premises, a mortgage on the leasehold interest, plus two subtenants in possession. The Bank will rent it for a period of 80 years at a graduated rental, but it has the option to acquire the fee simple title at the end of two years which we expect to do. The purchase price is \$200,000 and the rental for the first two years is \$12,000 per year.”44

In November the Federal Reserve Board, in a letter to the Atlanta Bank, interposed no objection to the purchase of property in Birmingham at a cost not to exceed \$60,000. The lot, 50 foot in width, was adjacent to Federal Reserve property fronting on Fifth Avenue, was purchased for future expansion and present parking.45

At both the March and November Board meetings in 1962, Vice President L. B. Raisty gave interesting and informative budget reports. At the former meeting he presented an experience report on the 1961 budget: He explained the purpose for which the Bank spent approximately \$10,800,000 in 1961 and how the expenditures compared with amounts budgeted for various items. Net Expense for the combined offices was budgeted in 1961 at \$11,277,479; actual net expenditure was \$10,843,838, an under expenditure of \$433,641, or 3.85 per cent. Operating expenses were budgeted at 3.89 per cent in excess of what was spent. Nonoperating expenses, namely, the cost of Federal Reserve Currency and the assessment for expenses of the Board of Governors, were over budgeted by \$105,317. The Bank has no control over these two items. Mr. Raisty cited four instances of substantial over budgeting in operating expenses: Salaries, furniture and equipment, printing, stationery and supplies, and expenses reimbursable or recoverable. The over budgeting in salaries of 4.81 per cent was occasioned by several factors. Volume of activity was overestimated in some

instances; salary increases provided for were not made as anticipated; there was a sustained emphasis upon achieving greater efficiency, upon more intensive utilization of employee time, and upon modification of procedures. Included in purchases of furniture and equipment, certain items of equipment were budgeted for but were not purchased as scheduled. The Atlanta office had the problem of furnishing the new office building which was not completed until late in the year, resulting in a substantial number of bills for equipment that were not received until after the close of the year and thus were not charge out and paid until early 1962. The difference of 6.59 per cent in the budget for printing, stationery and supplies was largely due to more extensive use of bank-owned printing facilities and to overestimates of volume of activity. In expenses reimbursable or recoverable, there was a difference of 8.03 per cent. Many of the Bank's activities are of a Fiscal Agency character and the costs of such activities are reimbursed to us by the United States Treasury or other Government agencies. Overestimation of salaries or other costs of these functions correspondingly results in overestimates of reimbursements for them. In general, the overestimate in recoveries was occasioned by a somewhat lesser volume of activity than had been anticipated, *i* sustained program to reduce costs and, in Commodity Credit Corporation activities, an unanticipated decline in volume of work.46

In November the proposed budget for the first half of 1963 was discussed.

Mr. Raisty said the Board of Governors had changed our budgetary procedure. There are to be two budgets each year. A budget report form, showing total expenditure by departments or functions for the budget period compared with the base period, is all that is required. Explanations accompanying the budgets are confined to explaining

significant changes in total functional expenditures, provided such changes exceed \$5,00 in amount. In addition, an explanation is required of changes in the number of employees in Grade 12 and above. If some rate of expenditure is to be changed because of new procedures or substitution of machines for people, or for any other reasons, the Board of Governors wants some explanation of the changes in the budget document. The Board does not require a presentation of the budget estimates by object as required heretofore.

In accordance with the new procedure, our budget is a single page for the Bank as a whole, showing a functional comparison for the base period as against the budget period for the average number of employees, total expenses, and change in expenses in amount and per cent. We have a sheet similar to this for each of the five offices.

Summaries of the budget for the first half of 1963 were handed the Directors, and copies are filed with his Secretary.

Mr. Raisty reported that during the period from January to June of 1962 our actual net expenses were \$5,714,130. For the budget period January-June 1963, net expenditures are budgeted at \$6,118,898, an increase of \$404,768 for the budget period over the base period. Figures for the first half of 1963 are based upon actual experience in the first half of this year.

Mr. Raisty reviewed each item in the budget and in summary said the estimated budget for the first half of next year contemplates no major change in procedures. Increases that have been provided for in expenditures by object or by function arise primarily from:

- (1) provision for additions to the official staff;

- (2) substantially enlarged charges for depreciation on the newly completed building at the Head Office;
- (3) allowance for additional postage and armored car charges;
- (4) additional equipment rentals for proof machine encoders in Check Collection;
- (5) substantially larger payments relative to Federal Reserve note issues; and
- (6) allowance for additional employees to handle an increased volume of activity and allowance for upward employee salary adjustments.⁴⁷

At years end assets of the Federal Reserve Bank of Atlanta stood at \$3,331,185,457. Total earnings for 1962 came to \$56,604,052, producing a net of \$44,574,436.⁴⁸

NOTES

Chapter 51

1. Life History of the United States, Vol., 12, p. 161.
2. Directors Minutes, 1962, pp 81-83
3. Time, Oct. 26, 1962, p. 89
4. Ibid

5. Directors Minutes, 1962, p. 150.
6. *Ibid.*, 1, 2; Biographical records of the Bank.
7. Directors Minutes, 1961, p. 109.
8. *Ibid.*, 107.
9. *Ibid.*, 114.
10. *Ibid.*, 1962, p. 24.
11. 6-F Messenger, January 1962, p. 3.
12. *Ibid.*
13. *Ibid.*, Nov. 1962, p. 6; Directors Minutes, 1962, p. 97.
14. 6-F Messenger, Dec. 1962, p. 3.
15. *Ibid.*, Sept. 1962, p. 2; Directors Minutes, 1962, p. 93.
16. Directors Minutes, 1962, pp. 13-16.
17. *Ibid.*, 17.
18. *Ibid.*, 36-37.
19. *Ibid.*, 24.
20. *Ibid.*, 84.
21. *Ibid.*, 93.
22. *Ibid.*, 90-91
23. *Ibid.*, 105-106
24. *Ibid.*, 110-113.
25. *Ibid.*, 126-134.

NOTES

Chapter 51

26. *Ibid.*, 143-144.

27. Ibid., 7.
28. Ibid., 25-28.
29. Ibid., 33; 6-F Messenger, May 1962. p. 3.
30. Directors Minutes, 1962, p. 84.
31. Ibid., 98.
32. Ibid., 99.
33. Ibid., 100.
34. Ibid., 119-121.
35. Ibid., 37-40.
36. Ibid., 47-50.
37. Director McGregor Smith requested consent of the Directors to amend his statement made at the last meeting of the Board regarding the proposed design of the new building. He said that he had given the matter much thought and wished to go on record as supporting the present proposed plan. Consent granted and entered in Minutes.
38. Directors Minutes, 1962, pp. 61-63.
39. Ibid., 69.
40. Ibid., 84.
41. Ibid., 93.
42. Ibid., 107.
43. Ibid., 143.
44. Ibid., 73.
45. Ibid., 103-116.

46. Ibid., 35-36.
47. Ibid., 122-123.
48. Forty-Ninth Annual Statement, Federal Reserve Bank of Atlanta, January 31, 1964.

Chapter 52 1963

Nineteen sixty-three witnessed much global violence and unrest. President John F. Kennedy was assassinated in Dallas, Texas and was succeeded by Lyndon Johnson; racial violence flared in Birmingham, Alabama; Pope John XXIII died and was succeeded by Paul VI, and a “hot line” phone connection was opened between Washington and Moscow to reduce risk of accidental war. France vetoed Britain’s application to join the Common Market, and the Supreme Court legalized peaceful sit-in demonstrations.¹

At its initial meeting of the year, on January 11, the Atlanta Board heard some gratifying figures as to System earnings for 1962. Reported the Governing Board from Washington:

“Preliminary figures received from the Federal Reserve Banks indicate current earnings of \$1,048 million in 1962, an increase of \$107 million compared with 1961, reflecting an increase in average holdings and a higher average yield. Earnings from discounts and advances were \$4 million, compared with \$3 million in 1961; and earnings on foreign currencies amounted to \$4 million.

“Current expenses in 1962 were \$176 million, \$15 million more than in 1961, leaving current net earnings of \$872 million, or \$92 million more than in 1961. A negligible net deduction from current net earnings left net earnings before dividends and payments to the United States Treasury at \$872 million, compared with \$784 million in 1961.

“Payments of statutory dividends to member banks amounted to \$27 million. Payments to the U.S. Treasury as interest on Federal Reserve Notes totaled \$799 million. The remaining \$46 million of net earnings was added to surplus accounts in order to bring them up to the level of subscribed capital.²

During the course of the same meeting President Bryan offered some comments on the economy:

Mr. Plummer mentioned the relative stability of demand deposits and the skyrocketing of savings deposits. The jump in savings deposits has been in part a response to the increased interest rates paid to savers. In some part the increase has resulted from transfers out of demand deposits, but a good deal

of the increase is not accountable by transfers either from other savings institutions to the commercial banks or out of demand deposits. It has confronted the System and the members of the Federal Open Market Committee, plus all of the theoreticians, with a rather extraordinary definitional and conceptual problem.

For a long time the money supply has been conventionally defined as consisting of demand deposits and currency. Savings deposits were treated essentially as investment assets of the savers. You could draw drafts on them and banks did not require the 30-day notice for withdrawal as allowed by law. But it seemed clear that savings deposits were not part of the money supply.

There are many people who feel that what the Federal Reserve System should look at chiefly is the money supply as a criterion of policy. We should supply reserves that will create this "appropriate" money supply. The System has been confronted, then, with the problem of a skyrocketing of savings deposits and very modest increases in demand deposit. 'Query: is not some portion of this savings deposit figure to be considered a part of the money supply? This tidal wave in savings deposits has given us a problem that I confess we have not solved, namely: What criteria are we to use for changing the adequacy of the reserve base and the performance of the money supply? The System by policy has tried to keep the banking system of the country supplied with sufficient free reserves that it could respond by expanding loans and investments. I think our policy is justified by the result; the banking system has responded.

There is a curious thing I might comment on, and I can't explain it. In late May there was a savage break in the equity securities market. Breaks of that magnitude in the equity securities market customarily have had rather prompt repercussions in other markets. The real estate market has generally collapsed within three to six months after such a drop in the stock market, and the commodity markets have shown a similar performance. This time those results have not been apparent. There was considerable emotional disturbance and a good many people were hurt badly. For some reason, though, the American people, unlike their behavior in 1929 and in 1937-38, did not panic. Part of that may be attributable to the circumstance that lending on equity securities is

undoubtedly much sounder basis now than it was then. The Board of Governors and the margin requirements have undoubtedly had a great effect. Also, the American people may have taken comfort in the circumstance that they were not afraid of their bank deposits, and thus we had no repercussions in the banking system. There were no runs on the commercial banks. It is a rather puzzling phenomenon—one we have not experienced before.

As to the proposed tax cut and the anticipated deficit, the savings of the American people are enough, and the excess capacity is enough, so that the amount of deficit could be absorbed temporarily. What it does do that in the long run, I think, is corrosive to our economic system and is a disaster is that it simply and inevitably means the transfer from the private sector of the economy to the Government spending sector of a greater and greater portion of the Gross National Product. If that continues as a fixed philosophy, it is, in my opinion, inevitably ruinous.

There is one other aspect. When you expand the spendable income of the people through a deficit of this sort, you create additional imports, which in turn makes our balance of payment problem greater and the more difficult to solve. I might say that according to the latest figure I have our free gold is down to less than \$4 billion. We may have had a slight improvement in the past few days by a return flow of currency, but by the same token, we will lose gold, perhaps as much as a quarter of a billion dollars in the first quarter of this year, and I think the tax cut and deficit increase our problems. We have not lost gold in the past few weeks, but as deposits and currency have increased, the requirements of gold cover have also increased.³

Again, in March:

I think the business situation is really quite good, everything considered. At the Open Market Committee meeting this week the reports from most of the districts were cautious and somewhat pessimistic. A couple of the districts reported great ebullience, chiefly California. It seems to me that the figures for this District were following the national trends. I am thrown a little off by the optimistic reports given here today. The reports may be right, however, because statistics are always behind-hand. I am quite glad to hear the reports.

I thought the chart show today was altogether excellent. It put well the sort of conundrum with which the System has been faced. It is probably true that we could have done a little more to stimulate the domestic economy by forcing additional bank reserves into the banking system. Those reserves, however, would have gone to the banks in the form of demand and savings deposit; and the banks would have had an expense of operation. They would have been forced to try to use the reserves we supplied; it is in that way that we might have had some additional economic stimulation. I think we would have gotten the stimulation, however, only at the expense of deterioration in the quality of loans and by creating substantial distortions in the economy.

The main problem facing us domestically is unemployment. My own view, and I think I can support the point though I will not try to argue it here, is that unemployment is largely the creation of other national policies that in effect price labor out of the market, on the one hand, and makes it attractive for certain classes of people to avoid employment. An analysis of the figures shows that the unemployed are largely confined to youngsters who are in many cases dropouts from schools and other hard-core groups. I do not believe they can be put into employment at the wage rates that are now legally necessary in our interstate commerce. I do not believe they can be put into employment, without skill, and education, when our relief policies, both state, national, and local, are such as to create for the unemployed person in the country a standard of living that is well over that of a fully employed person in some of the really advanced countries of the world. In the fact of that situation, I do not believe monetary policy can correct unemployment.

We have been faced also with the balance of payments problem. As you have seen, we have made some progress on the balance of payments problem, but our gains, if they really exist at all, are not nearly in proportion to the size of the adjustment we must make. We have been urged to tighten up monetary policy in order to take care of this balance of payments problem. If you follow the charts of interest rates of several countries of the world, you see how much tightening up we would have to do in order to accomplish an interest rate correction of this balance of payments problem. It would be savagely deflating on the economy to make a tightening of money rates, in any such

magnitude. We have done two things. We have tried to avoid the very low rates on short-term securities that we have had in other periods of unemployment. We have done this by making our Open Market purchases in other than Government bills. If you followed the results of that on the chart, you see that we have created a very narrow spread between the short and long rates. That policy, in my judgment, is in great trouble, and I may as well say to you very frankly I think it has contributed everything it can contribute. As Mr. Ralph Leach, Senior Vice President of the Morgan Guaranty Bank in New York said when he was in Atlanta recently, the inevitable result, despite the Treasury fighting against it, is a pressure to unfund the national debt. That is to say, why venture money long if you can get nearly as much short? The next thing we have done to try and help the balance of payments is go into a foreign currency operation of which we have authorized swaps of well over a billion dollars. What that means, of course, is that when we utilize these swap agreements we are going short of a foreign currency. That language is startling but accurate: we are in a short position. We have not utilized anything like the full amount of our swap agreements, but on one occasion, the figure of our actual short position was something like \$200 million, and the short position is now standing at, I think, about \$90 million. I am referring to the FRS short position; the Treasury's is in addition.

This currency operation is designed, of course, to stop speculative runs against our currency. It cannot, as was well said in the chart show, do anything at all to correct the fundamental imbalance of our payments. It can lean against a sudden gust of wind, but what weather forecaster can know when the sudden gust of wind is the advance token of a tornado. Then you do not lean against it; you run for the cellar if you are wise. Like Mr. Martin, I do not know when the crisis is coming, but we are appreciably closer to it.⁴

Change in the official family of the Bank during the year were about normal.

New Branch Directors, elected on December 14, 1962 for 3-year terms beginning January 1, 1963 were:

Birmingham

A. Calvin Smith, President, First National Bank Greenville, Alabama.

Jacksonville

Arthur W. Saarinen, President, Broward National Bank, Ft. Lauderdale, Florida.

Nashville

R. S. Walling, President, First National Bank, McMinnville, Tennessee.

New Orleans

J.R. McCravey, Jr., Vice President, Bank of Forest, Forest Mississippi.⁵

Watrous H. Irons, President of the Federal Reserve Bank of Dallas, and Harry A. Shuford, President of the Federal Reserve Bank, St. Louis were elected member and alternate member, respectively of the Open Market Committee for one-year terms beginning March 1, 1963.⁶

On June 14, during the course of an Executive Session of the Atlanta Board, President Bryan and Director H.G. Chalkley, Jr., Chairman of the Auditing Committee, reported their conclusions that the Auditing Department needed to be strengthened, not as a criticism of General Auditor Adams, but as a matter of giving him strong, capable and dynamic assistance. They further reported that after a thorough review of the personnel of the Bank, and after informal discussion with the Board of Governors, it had been decided to nominate an outstanding member of the Examinations Department, Richard Sanders, to the post of Associate General Auditor at a salary of \$15,250 per annum, in the Grade A of their Scale, The action was approved.⁷

The new officer, Mr. Sanders, was born in Dayton, Ohio and began an active and varied banking career in 1929 with the National City Bank of New York. Before becoming a member of the Atlanta Bank's Examination Department in 1951, he had also seen service with the Fed in both New York and Philadelphia and the Oneida National Bank and Trust Company of New York.⁸

Meanwhile, in Birmingham, H.C. Frazer, Vice President and Manager of the Branch since 1954, and a veteran of 40 years of varied and distinguished service, retired. He was succeeded by Edward C. Rainey, Assistant Vice President and Manager since October, 1963. Mr. Rainey, also a veteran in the service, joined the Atlanta Bank in 1932. William A. Waller, Jr., Cashier of the Branch since 1957, moved up to Assistant Vice President and Cashier of the Birmingham Branch.⁹

Another notable retirement of the year was that of I. H. Martin, Assistant Vice President, at the end of February. Mr. Martin, a veteran of 43 years of service, was operating officer in charge of the Check Collection Department in Atlanta. A native of Buford, Georgia, he entered the service of the Bank in 1920 as an operator in the old Transit Department. Upon Martin's retirement, Fred Milsaps, Assistant Cashier, took over as officer in charge of Check Collection.¹⁰

During the June Board meeting in Atlanta, the death of former Director Donald Comer, which occurred on May 23, was noted. A **lending** textile manufacturer, he had served outstandingly as a Director of the Atlanta Bank from April 17, 1946 to December 31, 1961. For 9 years previously he had served the Birmingham Branch as a director.¹¹

On December 13, as the term of Director H. G. Chalkley, Jr., was drawing to its close on the 31st, he was presented with a framed certificate of service by his fellow directors. The certificate recited that it was given "in grateful appreciation of his distinguished service to the Federal Reserve System as a Director of the Federal Reserve Bank of Atlanta January 4, 1956 – December 31, 1963, Deputy Chairman, 1960 – 1963, and a Director of the New Orleans Branch for more than thirteen years. It is presented as a testimonial of his excellent contribution in advancing both the interests of the Bank and the economic progress of the Sixth Federal Reserve District."¹²

The fact that personnel was being maintained upon an even keel is indicated by Director McGregor Smith's December report. He said that the number of Bank employees on December 1, 1963, was 1392, one more than a month ago, and 22 more than a year ago. The annual rate of salary was \$6,483,985 compared with \$6,443,880 on November 1, 1963, and \$6,073,665 on December 1, 1962.¹³

There were a number of interesting developments on the operations front during the year.

In connection with methods and systems and the use of data processing equipment, the Board heard the following report at its February meeting:

Chairman Tarver said the Executive Committee at its meeting on February 7 had approved the acquisition by the Bank of a 1420 IBM Bank Transit System, a high-speed computer for processing checks. He requested Duane

Hoover of the Methods and Systems Department to discuss in brief the study that was done at the request of President Bryan to determine if such equipment would be feasible for this Bank.

Mr. Hoover said the Study Group, comprised of three of the staff from the Methods and Systems Department and the Assistant Manager of the Check Collection Department, began its work in September 1962. The first portion of the study consisted of the collection and analysis of the data required to determine the requirements of an economical and satisfactory check handling system. These requirements and other pertinent data such as end point volumes and routing symbol percentages were submitted to the five major producers of high-speed check processing equipment. Proposals were submitted by Burroughs, IBM, General Electric, National Data Processing, and National Cash Register. The proposal of the various manufacturers were evaluated and the claims of the manufacturers concerning equipment performance were compared with actual performance at various installations throughout the country. In this connection the study group visited a number of major installations in order to study the equipment in operation. The major points of consideration in evaluating the high-speed systems were: monthly rental, maintenance, downtime, item passes per hour, Federal Reserve Bank experience, system support and programming, number of pockets on the sorter, educational facilities, manpower requirements for the system, multiple tape listing systems, versatility, parts storage, ease and quality of balancing, and the back-up that would be available in Atlanta.

In December 1962, the study group reported as follows:

- (1) The installation of a high-speed complex would be economically feasible by the last quarter of 1963; and
- (2) The IBM 1420 Bank Transit System was the most suitable one for this office.

In reply to questions from the floor, Mr. Hoover said it is believed that approximately eight people, including a supervising programmer, will be able to operate the system. With allowance for growth potential, the Check Collection Department should be able to operate with some 15 fewer individuals than at present. Mr. Hoover pointed out that this meant effective, not rated, passes of

some 50,000 checks per hour. A proof machine operator effectively can do 1,100 checks an hour. The difference will be one to forty in terms of speed.

Mr. Rawlings added that the Bank will contract for the rental of the 1420 IBM Bank Transit System at a monthly rental of \$6,250, with request for delivery on November 1, 1963, and will enter into an option-to-purchase agreement on the system six months prior to delivery, paying an option deposit of \$3,000 at that time. The option will not be exercised until six months after installation of the equipment, when the officers of the Bank will present the matter to the Executive Committee again for consideration before purchasing the equipment.¹⁴

In reporting on armored car operations, Vice President Patterson reported to the Board in April, that since such operations began in 1951, calculated savings through December 31, 1962, over the use of registered mail reached \$810,000,

He likewise reported an accident. Armored Car, Inc., in New Orleans, which also serves part of Alabama, had a fire loss of \$444,885 enroute to a delivery to the Birmingham Branch. The truck caught fire because of an underbody gasoline leakage. Part of the money being carried was damaged. The unsalvageable currency was taken directly to the Treasury Department in Washington for Credit. All loss was covered by insurance.¹⁵

At its May meeting the Board of Directors heard an informative account of Open Market Committee operations.

Vice President Harold Patterson reported that, on April 16, he was privileged to attend a meeting of the Federal Open Market Committee in Washington with Mr. Bryan and hear the discussions and observe the actions taken. He and Hugh Helmer, First Vice President of the Federal Reserve Bank of Chicago, then went to the New York Federal Reserve Bank and spent the next ten days observing operations at the trading desk and the management of the Open Market Account. The manager's task is to carry out the Federal Open Market Committee's policy instructions within an environment of smoothly functioning financial markets.

Patterson's report continues:

At 9:15 each morning two officers of the Securities Department go to the 10th floor conference room to meet with one or two representatives of a Government securities dealer firm. Each morning representatives of three firms are scheduled to appear on a rotating basis, one after the other. At these conferences the dealers comment on market developments and on any matter of interest to the firm. The Reserve Bank officers listen and ask questions.

When these conferences are over, shortly after 10:00 a.m., the Fiscal Assistant Secretary of the Treasury calls the Manager to compare notes on the outlook for the Treasury's cash balance at the Reserve Banks. They estimate the amount that needs to be transferred from the Treasury Tax and Loan Accounts at commercial banks to the Reserve Banks in order to maintain a fairly stable working balance for the Treasury, or the amount needed to be redeposited from the Reserve Banks with the commercial banks to minimize any disruptive effects on member bank reserve positions.

At 11:00 a.m., there is the conference call, which is a three-way hook-up that enables the account manager to review developments with representatives of the Board of Governors in Washington and one of the Federal Reserve Bank Presidents currently serving on the Federal Open Market Committee. Discussion includes a general description of the state of the Market; new corporate issues coming on the Market or ones that are on the Market and how they are moving; dealer needs for financing; the rates being charged dealers by New York bank; Government securities in inventory at the various dealers; rates at which Federal funds are trading; reserve projections for the following weeks; and what, if any, the manager's action should be for the day. Participants in Washington and at the Reserve Bank may report additional information to the manager and express their views as to the appropriateness of his proposed action. At the conclusion of the conference call, the manager will indicate his tentative course of action, which will be to take no action, or to supply or absorb reserves.

These operations are continuously addressed to two objectives. The first is the work-a-day one of heading off stresses imposed on the monetary mechanism by seasonal, regional, or accidental shifts in the money flows. The second is the basic long-run goal of promoting a healthy domestic economy.

Mr. Patterson said he and Mr. Helmer also visited C. J. Devine and Co., one of the largest dealers in Government securities in New York, and observed the operations there. On two other days they visited with the manager of the Foreign Department of the New York Federal Reserve Bank. In this department they observed the conduct of Open Market operations in foreign exchange by the Federal Reserve Bank in cooperation with the U.S. Treasury and foreign central banks. While these operations are not deemed a solution to our balance of payments problem, they do help guard against swings in exchange rates that might disturb unduly the international financial markets.

Mr. Patterson said the staff of the New York Bank was infinitely patient and helpful and that he came back with a better understanding and greater sympathy for the people who are entrusted with these most important operations of the System.

Discussion from the floor followed Mr. Patterson's remarks. Mr. Bryan commented, as to how soon the strategy of the Open Market Committee becomes evident, that the strategy can become pretty well understood over a period of time. But the period of time would have to be probably two or three months, not the three-week interval between Open Market Committee meetings. Any one who wanted to discern our policy could take our weekly statements and could, by calculating the level of free reserves and the amount of our buying and selling, come to an idea of our strategy. He would need to know, however, a couple of other things: whether there was a seasonal factor involved, for instance. Suppose a financial observer found us selling securities in January and February. He could not conclude that we were attempting to tighten reserves because if he were aware of the seasonal factor, he would know that there is a heavy inflow of currency that creates bank reserves in those months and that, in all probability, we were simply offsetting the reserves thus created.

Then there is another reason why an observer could not determine strategy in a three-week period. Suppose the Open Market Committee gave an instruction that they wanted to aim at a target level of \$300 million of free reserves during the next three weeks. The Board's staff and the New York Bank's staff do their best to project on a day-to-day, week-to-week basis what

the free reserves are going to be in the absence of System intervention. But the task is almost impossible on a day-to-day or week-to-week basis. Reserves are affected by fluctuations in float—checks in process of collection—and by fluctuations in Treasury balances at the Federal Reserve Banks. All of these erratic factors, which fluctuate in large magnitudes, could confuse a financial observer in a brief interval of time. If he looks at the figures over a two or three month period, however, and he finds, say, that in December we averaged \$525 million of free reserves, on a weekly average basis, and in January, on the same basis, we averaged \$400 million of free reserves, and in February we averaged \$350 million of free reserves and in April \$300 million, he could make a conclusion that would be valid.¹⁶

In July Vice President McCorvey described to the Directors the Bank's emergency preparedness program:

We have developed a manual of instructions, which has been distributed to the officers of the Bank; an order of succession of management in case of an emergency has been established; and a Records Center is in operation at Auburn, Alabama. The Nashville Branch has been designated as our relocation site with the Jacksonville Branch as an alternate site.

Although that program fully meets the requirements of the Board of Governors, we have been working in recent weeks to strengthen it. We now have a plan for the interchange of vital records between all offices. Should we be hit heavily, our plan is to use any one of our five offices that might remain after an attack. There is already a trained staff at each office, necessary equipment and supplies, and this supplementary program will, at a minimum cost, provide records by which we would be able to perform the fundamental operations required of us. A weekly dispatch will be made from each office to each of the other offices of a series of envelopes; each envelope will contain a code number that will identify the contents. Every department that performs work for which we need records will, once a week, make the necessary copies, either by a copying machine, or by use of carbon paper. For volume records, such as our custody and collateral accounts and outstanding withheld tax receipts, listings will be made by the computer and will, because of their size, be sent periodically, such as once a month, rather than weekly. In some cases,

such as custodies, copies of the listings made for the auditors during an audit will be used. With this supplement to the present system at the Records Center in Auburn, we could be current almost to the day; if Auburn were knocked out, we would be at best probably only 60 days behind current records. With any previous warning of as much as one day, we could of course become current in our duplicate records program. It is estimated that the cost will run between \$5,000 and \$7,000 per year. This program will be implemented in the near future, and we believe it will add to our security program.

Mr. Bryan added that we have come to the conclusion that any existing office will have to operate as the Reserve Bank for all five offices. Accordingly, we wanted it so that any office could immediately pick up and go forward.¹⁷

Construction of the new building in Atlanta moved forward during the year despite some work stoppages.

In February Vice President McCorvey was able to report that the driving of pilings and the pouring of pile caps and grade beams had been completed on the West building, as well as the pouring of concrete for the sub-basement coin vault. Practically all of the sub-basement concrete walls around the perimeter of the building had been formed and poured to the basement level, and pouring of columns from sub-basement to basement floor had been finished. Plumbing lines beneath the sub-basement floor had been installed, and fine grading of the sub-basement sub-grade was well advanced, with a portion of the sub-basement base slab poured.¹⁸

On March 8 Architect Henry Toombs, meeting with the Board discussed the entrance of the new building and displayed models of the front of the structure and of the bronze eagle that will surmount the center column. The eagle will have a wing spread of 14' 6". An American sculptor, Elbert Weinberg, then working at the American Academy in Rome, made the small model and had offered to do the complete sculpture it commissioned. Cast in Rome, the price was \$22,000 f. o. b. New York, New Orleans or Savannah – in the country twice as much.¹⁹

At this point the contractor predicted completion of the West building by February of 1964, even though progress had been considerably hampered by bad weather since December 15.²⁰

By August the last of the concrete had been poured and exterior marble was about in place. Unlike the East building, supported by a steel skeleton, the West building utilized reinforced concrete construction. Over 8,000 cubic yards of concrete were used.²¹

At years' end building progress was reported by the 6-F Messenger:

"Scheduled completion date of the West building in Atlanta is for May. Materials used in the building make it a local international structure; the outside marble is white Cherokee from Tate, Georgia; the inside marble is travertine from Italy; the granite base of the building came from Stone Mountain, and the bronze eagle that will adorn the front is being cast in Italy by an Italian sculptor..."²²

Progress was slow in New Orleans, site of the Bank's other construction project of the year.

As the year began revisions in the plans and specifications were being made. On March 8, at a regular meeting, Architect Henry Toombs described the building-to-be to the directors.

He explained that, being next to the old City Hall building, the new building would not compete with it architecturally. It is set back from St. Charles Street in order to provide a terrace in front. The terrace will be paved with terrazzo, and will have planting areas for shrubs and trees, a flagpole, benches, and a row of trees along the front of the terrace. To reflect the character of New Orleans, the terrace will be enclosed by a metal fence, and light standards spaced around the terrace area will provide lighting. A paved parking area to be located in rear of the building will have space for 50 cars.

The building will be approximately 150' x 180' in size and four stories in height with a penthouse for mechanized equipment. Because of the high level of ground water in New Orleans, no basement has been planned. The exterior of the building will be of limestone, with a granite base.

Inside, the lobby and corridors will have terrazzo floors. The corridor walls will be marble; the lobby walls will be paneled. A modest amount of wall paneling will be provided in executive areas.

To minimize the handling of currency and coin, this department will be on the first floor with the security truck entry and garage. The second floor is

planned for the administrative area, Fiscal Agency, Auditing and Accounting departments. The third floor will accommodate the Check Collection department, conference room, and files and records. On the fourth floor will be the cafeteria, officers' dining area, boardroom, Personnel department, and miscellaneous service areas.

The final cost estimate for the building and site work is \$4,850,407 compared with an original estimate of \$4,592,563. The \$257,844 difference was occasioned by several items. One major item was an increase in structural cost of \$120,000, caused by an increase in design live load from 75 pounds per square foot to 100 pounds per square foot deemed necessary by the engineers.

The cost of the building alone gives a unit cost of \$2.46 per cubic foot, or excluding vault costs, \$2.26 per cubic foot. The estimated cost per square foot is \$24.26 compared with a little over \$33 per square foot for the Atlanta East building.²³

At years' end 6-F Messenger reported:

"At New Orleans, the foundation piling is being driven and should be completed in about 60 days; structural framing should begin around the first of February."²⁴

Recent inauguration of better budget practice was the subject of a report to the Directors in May.

Lloyd B. Raisty, Vice President, said the preparation of two budgets a year has enabled the Bank to budget expenses more closely. Net expenses for the base period, or actual expenses in the second half of 1962, amounted to \$6,338,231; the amount budgeted for the second half of 1963 totals \$6,225,778, or a decrease of only 1.177 percent. He noted that postage and expressage includes an increase in actual postage expense of \$11,097 because of the new postage rates, and an increase of \$4,753 in other expense. The latter item consists primarily of payments to armored car companies because of a general expansion in runs and more particularly in Tennessee where in September of this year a program of currency delivery and pick-up will be inaugurated with commercial banks. In the last half of 1962, we had an unusual expenditure in printing and supplies in connection with the Cuban war scare when many emergency circulars and other literature were issued. So

there is a decrease of \$5,015 in the amount budgeted for this item this year. Furniture and equipment purchases show a decrease of \$347,503, over half of which was charged to purchases last year in relation to our building program. Also, the Bank purchased a computer which was paid for in the second half of 1962 and will be nonrecurring item this year. The amounts shown for Federal Reserve currency and assessment for expenses of the Board of Governors are noncontrollable items.²⁵

At years' end total assets of the Federal Reserve Bank of Atlanta stood at \$3,433,141,935, up from \$3,331,185,457 a year previously. Net earnings for 1963 totalled \$50,899,965, an increase of \$6,325,529 over 1962.²⁶

¹ Life History of the United States, Vol. 12, p. 161.

² Directors Minutes, 1963, p. 2.

³ Ibid, 10-11.

⁴ Ibid, 31, 32.

⁵ Ibid, 1962, pp. 144-145.

⁶ Ibid, 1963, p. 18.

⁷ Ibid, 61.

⁸ 6-F Messenger, August, 1963, p. 3.

⁹ Ibid, April, 1963, pp. 2-3; Directors Minutes, 1963, pp. 18-19.

¹⁰ 6-F Messenger, May, 1963, p. 6.

¹¹ Directors Minutes, 1963, pp. 57-58.

¹² Ibid, 105-105.

¹³ Ibid, 102.

¹⁴ Ibid, 20-21.

¹⁵ Ibid, 39.

¹⁶ Ibid, 47-49.

¹⁷ Ibid, 68-69.

¹⁸ Ibid, 17.

¹⁹ Ibid, 24.

²⁰ Ibid, 27.

²¹ 6-F Messenger, August, 1963, pp. 5-9.

²² Page 9

²³ Directors Minutes, 1963, pp. 23-24.

²⁴ Page 9.

²⁵ Directors Minutes, 1963, pp. 49

²⁶ Forty-ninth Annual Statement, January 31, 1964.

Chapter 53

- 1964 -

As the Federal Reserve Banks reached their 50th year of service in 1964, world headlines presented the age-old potpourri of tragedy, sadness, progress and elation. During '64 Prime Minister Nehru of India died; three civil rights workers were murdered in Mississippi; race riots occurred in Harlem and other northern urban areas, and Alaska suffered severe earthquake damage. On the other hand the Supreme Court ruled that districts in state legislatures must be "substantially equal" in population; the New York World's Fair opened; President Johnson's war-on-poverty program passed Congress, and Ranger VII took close-up photographs of the moon.¹

President Bryan was optimistic as he addressed the Atlanta Board in January on the economy:

It seems to me that this District is enjoying an excellent level of business and an expansion of economic activity that seems to be fairly general throughout industry and agriculture. Moreover, whole the [sic] Sixth District seems to be doing a great deal better than the nation, the reports at the Federal Open Market Committee lasts week were on the while [sic] optimistic. The Presidents and their research staffs found little to complain about except in one or two Districts. The Philadelphia District had by all odds, I thought, the most pessimistic of the reports.

It is possible to show that the rate of expansion may have slowed down some over the past few months. We certainly had a considerable hesitation in November, perhaps as a result of weather conditions and the assassination of the President, but December seems to have spring back and there is no evidence, so far as I could determine, that we are at or close to a turning point in the economy.

The problem of monetary policy is a difficult one. I may as well be perfectly frank - you can read it in the newspapers and magazines that comment on these things - there are at least two schools of thought in the System with regard to policy. One is that we should pay complete and total attention, and I am stating this in an extreme way, to the unemployment figures. The unemployment figures are, I will say, uncomfortably high. The other school of thought is that we can easily run into considerable degree of

inflation, and I would like to speak just a moment to the difficulty of these two points of view.

First, so far as the employment figures are concerned, they are subject to a great deal of distortion and a great deal of misuse in my opinion. For example, if you take the percent of the labor force, you have one figure; if you take the percent of insured unemployment, you have another figure. In this District in November, for instance, we had the lowest level of insured unemployment since September, 1953 - ten years ago. The problem on the figure for percent of the labor force is that nobody quite understands what the labor force is, so that once you get a percent, the meaning is not clear.

I am convinced that we cannot take the unemployment figure as an exclusive criterion for monetary policy. I say that because if I were to choose among these alternatives that Mr. Taylor listed here today, I would say that a great many of the unemployed are, in fact, unemployable in relation to the present level of skills that the market demands. I would also say that figures on total capacity are almost meaningless in an economic sense because the figure includes not merely economically efficient capacity but also capacity that cannot be used except in terms of an inflating price level. Accordingly, I do not myself take the position that we can use the unemployment figures, as I said before, as anything remotely like an exclusive guide to policy.

The Federal Reserve System has been accused of tight money. Personally, when I review the figures not merely as to free reserves but the expansion in total reserves, the expansion in non-borrowed reserves. The expansion of the money supply, both total money supply and demand deposits and currency, I come to the conclusion that the Federal Reserve System has not been tight. As a matter of fact I think it has been easy."²

A month later, Governor Balderston, down from Washington to attend the February meeting of the Atlanta Board, said:

I would like to discuss with you the current problems facing the System. We are in our fiftieth year, and it appears it will be a remarkable year, one of excitement and challenge. In speaking of our policy problems, we have had now for a long while the task of balancing our domestic and international goals. On the domestic side, growth without inflation; on the international side, restoring the balance of payments, so that we will be able to pay for our investing, lending and spending abroad.

On the second of these, the international, I think perhaps the dollar is more highly regarded than it was a year ago by those who hold short time claims against us. I refer, of course, to the central banks of Britain, Europe, Japan, Canada. I think the dollar is better. But the situation in Europe makes one ponder whether our magnificent trade surplus of the moment can be maintained.

Europe is suffering from inflation again. The rise in Italian prices this last year is illustrative of what I mean. So Italy, France, and others are perhaps less competitive than they were. Germany, which has not inflated as yet, though she is fighting it, has increased in her competitive power. This means to me that Europe will resist imports from us more than she otherwise would, and when her agriculture is restored, she won't be so inclined to take our agricultural exports.

Europe has really suffered from inflation in the past. People of middle age in those countries have in their consciousness something we don't have. In comparison with the gold value in 1934, the Italian lira is worth 2 cents; the French franc, 3 cents, the German mark, 4 cents; the pound, 57 cents; and even the Swiss franc, 71 cents. Our dollar, thanks to gold held, is still 100 cents. What I am suggesting is that one of the outside forces that will bear upon our own policy making is the changing situation in Europe, which I think Europeans with their memories of hyperinflation in the past will fight vigorously. A Britisher once observed to us in Washington, "As long as you people inflate faster than we do, Britain has nothing to fear about her ability to export." I use that to illustrate we had better be watchful of our own situation.

On the domestic side, we are having a great discussion both within the Board, within the Federal Open Market Committee, and among the academicians as to the relative weights to attach to the several goals: the maximizing of employment, the minimizing of unemployment, and the minimizing of price instability. Some of our academic friends urge us to keep pressing bank credit upon the economy as long as unemployment is as unsatisfactory as it is, saying that they would take the risk of greater price instability than we have had. I am, of course, pleased as you doubtless are, with the behavior of wholesale prices in the last half-decade. Aside from critical materials like tin, I do not at the moment see much to worry about there.

When it comes to consumer price behavior, that increase of 7.6 percent in five years is not frightening, but it isn't to be ignored. I think it enters into wage negotiation and in that way affects our unit costs and our ability to compete, especially in that part of

our economy which is open where things produced here must compete with the things produced elsewhere in the hard, realistic world. In this steady climb of consumer prices, and it is steady and continuous, year in and year out, month in and month out, you have the cost of services, I do not know what the solution is. I would merely remind you that the cost of services in five years has risen 12.5 percent and in 1963 it rose 2.9 percent. I know those services are no the same as to quality as they used to be - the medical service is better - but still the upward price creep keeps on.

There are those who believe and I personally believe, that the achievement of a satisfactory balance among these goals is our greatest policy problem. I just cannot agree with the econometricians who say that policy can be settled by looking back at the past, correlating this with that, and then determining that we have a single goal. If we just set our automatic pilot in some automatic fashion that does not require human judgment and good sense, we can lower our unemployment, our unhappily high rate of unemployment, by just shooting toward that goal alone. It seems to me that our confidence in price behavior in the future is vital to the confidence which leads investors to believe that the investment pasture in the United States is green enough to merit their interest and greener, in fact, than the investment pastures elsewhere, say in Australia; that unless the investment picture here is kept attractive, you do not have the underpinning for technological advance.

These differences of objective and the weights assigned to the different goals divide us in the Board as they have through time, only now the financial writers have become alert about it. The issues divide the FOMC, which just indicates to me that Congress displayed a lot of wisdom when it decided that for this country, at least, it would be better to have a Federal Reserve Board instead of a single governor as does the Bank of England and other central banks. It would be better to have an FOMC instead of centering everything in one individual with or without advice of others. I think if you center decision-making in one person, in one place, the only mistakes that can be made are major ones.

We have in this fiftieth Anniversary year some other problems that are a real threat. In the supervisory area, Washington is giving a bad image to the country. We have discordant rulings by the several Federal Agencies in the area of bank supervision where there ought to be cooperation between the Federal agencies themselves and the Federal and state agencies.

We are now under investigation by the House Banking and Currency committee. Much of the investigation is out of context. The purpose is to put us under the General Accounting Office and appropriations control. A bill has been introduced to abolish the FOMC and to make the Board of Governors entirely subservient to the administrative branch of Government.

All of that brings me to what seems to me the greatest System weakness of recent time and that is our inability to get the country to understand, first, why the Fed should be independent, and second, why its policies are needful. A lot of our former directors did communicate with Chairman Martin after receiving copies of his testimony. I think what is needed is not just a flurry of letters. It seem what is needed is for those who believe in the System, those who would be happy to speak and write in defense of sound money and of the System itself, to work fairly continuously now through these critical months. It will take a lot of communication day in and day out, week in and week out, with people of stature and influence in our various communities for the loss of prestige and understanding that I think we have suffered in the last few years to be reversed. I suspect the things that the country would really be willing to go to bat about is sound money, the protection of the integrity of the dollar, so that the people's savings may be protected. I think that there may be more response to that point than to what you might call the political science debate. I believe in the independence; I don't give in on any one of the points that will endanger that independence, but it seems to me that the sound dollar is better and more understandable rallying point than is independence.³

Both Chairman Tarver and President Bryan agreed that Governor Balderston had covered the situation brilliantly.⁴

A number of Sixth District changes in official personnel took place during the 50th anniversary year.

The following Branch Directors were appointed for 3-year terms beginning January 1, 1964:

Birmingham

John A. Hand, President, The First national Bank of Birmingham.

Jacksonville

William H. Dial, President, First National Bank of Orlando.

Nashville

William F. Earthman, President, Commerce Union Bank, Nashville.

New Orleans

I. Y. Fotte, President, First National Bank of Hattiesburg, Hattiesburg, Mississippi.⁵

In February, 1964, Mays Montgomery of Athens, Alabama, Manager of the Dixie Grain Company, Inc., was appointed a Director of the Birmingham Branch.⁶

In February also, Harry A. Shuford, President of the Federal Reserve Bank of St. Louis, and Malcolm Bryan, were elected member and alternate member of the Federal Open Market Committee for one year beginning March 1.⁷

On May 27 Birmingham Branch Director Jack W. Warner resigned because of the growth of his company and consequent demands upon his time. He was succeeded in December by Eugene C. Gwaltney, Jr., Vice President and General manager of Russell Mills, Inc., Alexander City, Alabama.⁸

Meanwhile promotions and officer retirements took place. Effective January 1, 1964, W. M. Davis, Duane L. Hoover and Arthur H. Kantner became Assistant Cashiers. Davis served as Senior Economist and Manager of the Research Department, Hoover as Manager of the Methods and Systems Department, and Kantner as Senior Economist, Research Department.⁹

July 1 saw the retirement of J.E. Denmark, Vice President in charge of the Bank Examination Department. A veteran of 32 years service, he first joined the Bank on a "temporary" basis in February 1932, having previously been connected with the Bank Department of the State of Georgia. His first assignment at the Fed was as a clerk in the Failed Banks Department. This department was gradually phased out and Denmark, whose "temporary" connection had become permanent, served successively as Trust Examiner, Assistant Vice President, General Auditor, and finally in June 1947 was promoted to Vice President. His wife, Dr. Leila D. Denmark, a well-known pediatrician, was named Atlanta's Woman of the Year in 1953.¹⁰

To succeed Mr. Denmark, Robert M. Stephenson was promoted from Assistant vice President to Vice President in charge of Bank Examination. At the same time George W. Sheffer, Jr., Chief Examiner, was given the additional title of Assistant Vice President, and J. Lyle Hardin, Supervising Examiner, was elected to the official position of Assistant Chief Examiner.¹¹

On March 9, 1964 one of the Bank's oldest friends passed from life. Haynes McFadden, 82, had been instrumental in Atlanta's successful bid as the site for a Federal Reserve Bank. The same year, 1914, he became owner and publisher of The

Southern Banker, a magazine with a solid reputation in banking circles. Mr. McFadden never lost interest in the Fed and for years had lunched with the Atlanta directors on Board meeting days - the last time in February.¹²

A report by Director McGregor Smith, Chairman of the Salary and Personnel Committee, in October, revealed that the number of employees, 1351, on October 1, compared with 1392 on year ago, 1384 two years ago and 1412 five years ago. Chairman Tarver said he felt the decrease in the number of employees, even though operations had expanded, was due not only to automation but also represented a tribute to efficiency of management in the operation of the Bank.¹³

In the course of this report to the Board in October First Vice President Patterson cited security measures the guard force and the first Negro member thereof. He said:

"Of importance in our operation are our security measures. In 1957, we began holding an annual shooting match between the guard forces at our five offices. Each office sends a team of four men to either Jacksonville or Atlanta, the only offices having facilities for these matches. Average scores have risen from 73.8 in 1957 to 84.6 this year. New Orleans won the match held in September this year with a score of 4351 points out of a possible 4,800.

"An important development has taken place in our guard force. One of our messengers, a Negro, whose mother worked for the Bank 19 years ago, requested a transfer to the guard force. He is a quiet, well-mannered person and seems to be well liked by all employees who have had contact with him. He was given the required tests and passed all of them except the marksmanship test. He was transferred to the guard force on the provisional basis that he qualify in marksmanship. His first shots frightened him but his ambition and persistence resulted in his qualifying during the first month. He has practiced voluntarily almost daily and in the past two week has tied for eight place out of a total of 38 guards. He has been well received by the members of the guard force and we are glad this transition was made without incident."¹⁴

Agriculture in the Sixth District, long an active interest of the Bank, was the subject of a report in January by Director D.C. Wadsworth, Jr., Chairman of the Agricultural Committee.

In summary of the year 1963 he said that during the year the Bank, through its branches at New Orleans and Jacksonville cosponsored with colleges of agriculture and state bankers associations seven bank credit clinics. This Bank contributed by paying

the cost of the luncheons and the Bank's agricultural economists appeared on the programs. The three meetings held in the New Orleans' zone were attended by 1011; four held in the Jacksonville zone were attended by 505. The total cost to the Bank was approximately \$3,259. In addition, the agricultural economists attended and participated in a program sponsored by the Georgia Bankers Association and the Georgia College of Agriculture.¹⁵

The new John F. Kennedy half-dollars were commented upon by First Vice President Patterson at the March meeting:

"We will receive our first shipment of 1,500,000 Kennedy half dollars at the end of next week and distribution will be made on March 24. The Treasury Department has asked that the coins be distributed to both member and non-member banks. To effect an equitable distribution, the allotment to each institution will be based as nearly as practicable upon the total deposits of the ordering bank as of the call date, June 29, 1963. On half-dollar will be allocated per \$12,000 of deposits. Non-member banks will follow the usual procedures of ordering coin through their correspondent member banks. No payments will be made over the counter to the public or to employees of the Federal Reserve Bank."¹⁶

Even as Patterson spoke an acute coin shortage was developing throughout the country. He elaborated that subject to the Board on June 12:

"The other important matter this past month has been dealing with the steadily worsening coin shortage. The Board of Governors sent out a letter to each Federal Reserve Bank asking that we review the situation in the Districts and write them of our findings. We are receiving coins from the Mint, but we are receiving practically none from banks, so that the source of our coin dwindles almost daily. The whole matter threatens to become a national disgrace. For instance, we have only \$202,000 in coin in our vault today, and we could pay that out by nightfall and not fill the orders we have."

Mr. Patterson read parts of Mr. Bryan's letter of June 4 to the Board, covering estimated needs for the next two years, our rationing procedures, payment of premiums to obtain coin, and steps to alleviate the shortage. A copy is filed with the Secretary.

Congress last year authorized building another Mint at Philadelphia, and the House has approved the appropriation for it. However, the Senate has not yet approved the appropriation, and if this were done today it would be three years before operations could begin. The Denver Mint is now working on a three-shift basis, five days a week;

the Philadelphia Mint is on a two-shift day, seven days a week. The other Reserve Banks and the Board are urging the Treasury to contract with manufacturers for some of the minor operations, such as rolling the metal and punching slugs.

Treasury officials say the banks are hoarding coin supplies, but the truth is that the growth of all the factors mentioned by Mr. Bryan has increased the need for coin. One bank in Florida offered Kennedy halves to anyone who would bring in 48 cents. In two days it obtained 25,000 pennies. We don't have enough Kennedy halves to encourage banks to make such an offer.

The Board of the Philadelphia Reserve Bank met last week and voted that each member would write to the Pennsylvania senators and congressmen and ask for action on the coin shortage. Mr. Bryan made a statement to the press last week on the shortage. Two years ago he would not have done this, but now the shortage is feeding on itself and can no longer be concealed.

Some retail concerns are putting out scrip. The Treasury approved as long as it is used by the issuing company, but the difficulty is that the scrip will be taken to the bank for deposit, and some banks will accept it, or some other merchants will accept it, and the issuer has gone into the currency business. Other suggestions are to use postage stamps without glue as currency, or to print fractional currency.

"We had a meeting last week of the Atlanta bankers, who suggested that perhaps we should make a patriotic appeal to the public to turn in the contents of their piggy banks and sugar bowls. These are only palliative methods.

"We felt that some patriotic appeal from this headquarters would help at such time as we can get the Administration in Washington to make an appeal. Then we could become a part of it and put all our efforts and resources behind it. The only real answer is to flood the country with enough coin to meet demands."¹⁷

While coin was short progress was made in other directions. The recently installed high-speed check handling systems in the Head Office and in Jacksonville were proving successful. Mr. Patterson reported that as additional banks go to full encoding, more and more items will be put on the systems. There will be an excess of employees in the Check Collection Department but turnover there is high and replacements will undoubtedly not be required. Excess employees would be transferred to other department needing additional help.¹⁸

Improvement in operational procedures have marked the entire history of the Federal Reserve System. The following from the Minutes of the November Board meeting is a case in point:

Mr. Patterson said the Directors had received the Operations Report of the Bank for the month of October, 1964. A matter pending before the System that may be of interest to the Directors is a proposed book entry procedure for the safekeeping of Government securities. In lieu of giving a further report, Mr. Patterson requested Mr. McCorvey to give a resume of the proposed procedure.

Mr. McCorvey's remarks:

The proposed book entry procedure, while a new concept to us, is not entirely new. In some European countries it has been in existence for several years. In West Germany, about 85 percent of the subscribers to West German Governmental securities have accepted this concept.

The proposed book entry procedure is an economy measure, directed at removing from the vaults of the Federal Reserve Banks all definitive or physical securities held in custody. The Reserve Banks at this time hold approximately 600,000 and 700,000 pieces of Government securities. Some represent unissued Treasury stock; most of them, however, represent Government securities held in custody directly for member banks as an accommodation. Some are held as collateral, pledged to secure Treasury Tax and Loan Accounts, and to secure cash advances; many of them are held to secure municipal officials and Government agencies and, perhaps, Government officials. In this office alone we have securities pledged to over 200 different Government and municipal officials.

When we accept a security and put it in the vault, we are then engaged for many months and years in processing that security. We verify it, count it, and periodically we cut the coupons and remit the proceeds at maturity. The auditors, examiners, and Fiscal Agency personnel all check and verify the security many times. In addition, at maturity the security is withdrawn from the vault, consolidated with others of the same issue, arranged, listed, canceled and shipped to the Treasury.

Under the new concept, the Federal Reserve Banks, if they so desire or if they wish to effect a complete utilization of the potential economies inherent in the system, can perhaps eliminate all of their custody receipts. For example, in Atlanta and our Branches at present we issue a receipt for every pledge or for every deposit, putting

only one issue of securities on a receipt. If the book entry procedure is adopted, we hope to be able to eliminate the individual receipts and to establish a so-called Security Account. A bank, for example, would get a statement from us listing all of its securities that were held for any and all purposes and coded to indicate those that were book entry procedure, those under which we hold physical securities such as municipals, corporates, industrials, Federal Agencies, etc., and further coded to indicate the manner in which they are pledged. We could operate under that procedure and eliminate many thousands of dollars in preparing receipts, maintaining files, etc. If we can get the cooperation of our member banks and public officials, we think it will result in considerable savings to the Treasury.

Another advantage is the elimination of the verifying and processing, canceling, and shipping of coupons amounting to approximately 1,300,000 pieces per year. Coupons are hard to handle; they are small; they have to be counted by hand. It is a rather costly operation. To give a better idea of the savings and how the Treasury will benefit, it has been stated that printing costs of securities will be reduced in the amount of approximately \$135,000 a year. The Treasury Department has said it costs eleven cents to print one Treasury bill, thirteen cents for a Treasury certificate of indebtedness, 46 cents for a coupon bond having 60 coupons, 25 cents for a Treasury note, and of course, they have many other types of securities.

We have been told that if the procedure is approved, it will be mandatory for all Federal Reserve Banks. The individual Banks will be allowed, however, to develop their own system. At the present time we are going on the premise that we will try to realize the ultimate in saving by using the computer in the Head Office and by eliminating several thousands of individual receipts we issue every day. Our Branch offices have a considerable volume also. Unfortunately, they are not equipped with computers, but even by manual operation they still should be able to effect considerable savings.¹⁹

The Bank's two building projects moved forward during the year, the Atlanta building to a conclusion. Insofar as New Orleans was concerned Vice President Patterson reported on April 10:

"The construction of the New Orleans Branch building is proceeding with some delays caused by bad weather. The building will be about two and one-half times the size of the Branch's present structure."²⁰

In reporting to the Board on March 13, Patterson commented on the new Atlanta Building:

“The West building probably will be available for occupancy by the latter part of May. The Boardroom will be restored as it was in the old building. Four columns are now in place in front of the Bank and it is hoped that fifth column and the eagle will be in place during the early part of June.”²¹

The eagle was delayed a couple of months though on June 12 Patterson made another informal report to the Board:

“Much of our time has been spent during the last month in relocating and moving into the new building. The Directors’ Room has been preserved as it was, except that we had to replace the right-hand wall where we formerly had windows. I am particularly happy about the quality of the acoustics in this room. We will hold System and Executive Committee meetings in the ante-room across the hall.”²²

One month later the First Vice President was able to report:

“All departments are now located in this building.”²³

The eagle soared aloft on Thursday, August 27. Reported The Atlanta Journal on that occasion:

A 16-foot ton-and-a-half cast bronze eagle Thursday was raised to the top of a 48-foot free-standing pedestal in front of Atlanta’s new Federal Reserve Bank building, signifying completion of the \$8.5 million structure.

The eagle arrived here Wednesday from Rome, Italy, where it had been cast by Elbert Weinberg.”

“The pedestal on which the art work was placed has a 37-foot column resting on an 11-foot base. The column is the center one of four in front of the bank building, and is the tallest of the group.”

“Malcolm Bryan, president of the Federal Reserve Bank, said it commissioned Mr. Weinberg in 1961 to do the work which is the largest cast bronze eagle in the nation.”

“Mr. Weinberg used a model of the then under construction building to aid him as he experimented with sizes and postures appropriate to the position the eagle would occupy.

“The completed casting was shipped from Leghorn, Italy, three weeks ago, and arrived in Jacksonville, Florida, where it was transported by special truck to its permanent site.

“Mr. Weinberg, who was born in Hartford, Connecticut, has two other pieces of sculpture in Atlanta. They are “Eve” in front of the Peachtree Palisades Building on Peachtree Street, and the “Cat and the Fiddle” at Lenox Square.

“Mr. Weinberg’s work also is represented at the Museum of Modern Art in New York and the Yale Art Museum in New Haven, Connecticut, among other museums.

“Toombs, Amisano and Wells, of Atlanta, are Architects for the new building. General contractor is Batson-Cook Company of West Point, Ga.

“Mr. Bryan said that the pillars forming the court of the structure were saved from the former building which had stood on the site.”

On September 11 Vice President Patterson reported to the Board that only the fallout shelter remained to be completed in the Atlanta building. The eagle has been mounted on the central column, and the lettering on the building will be emphasized with gold leaf. The formal opening has been set for October 9, date of the next Directors meeting. He further reported that the Branch Boards would be included in the meeting and the William McChesney Martin, Chairman of the Board of Governors would attend. Also, that a number of Atlanta bankers have been invited to a luncheon and dedication ceremony and that Senator Talmadge and Congressmen Stephens and Weltner of the House Banking and Currency Committee would attend.²⁴

The formal opening of the new building was preceded by an Open House for the same 950 employees of the Atlanta office and their families. This pleasant occasion was held during the early evening hours of October 7 and 8 and was featured by guided tours, refreshments in the cafeteria and showing of a 27-minute color film, Money on the Move – the Federal Reserve System today.²⁵

As scheduled, the formal dedication took place on the 9th floor following the regular October Board meeting and lunch. Some special guests present, other than those already named, were three former chairmen of the Atlanta Bank – Frank H. Neely, Rufus C. Harris and Walter M. Mitchell; Mayor Ivan Allen, Jr. and Fulton County Commission Chairman, Harold McCart.²⁶

Following appropriate remarks by Chairman Martin, President Malcolm Bryan, whose retirement lay only a year away, said:

“Mr. Tarver let me thank you and the members of the Atlanta Board and Mr. Neely, Mr. Harris, and Mr. Mitchell, former Chairman, and all former members of the Board during the long years when this building was a-planning... Mr. Martin, let me thank you and the members of the Board of Governors for the approvals and reviews that were so necessary to this building... a structure of exquisite beauty and utility, that is now entrusted to the staff of this Bank and that now becomes a pride to the System, to the Federal Reserve Bank of Atlanta, and to the people of the United States.

“I share with all my associates the most profound sense of obligation for your efforts and for your confidence, which have been inspiring. I know that every man and woman who now has and will hereafter have to do with this noble house will fully share my sense of gratitude and appreciation.

“This structure has been planned to possess the graciousness of great beauty and, at the same time, with an emphasis that is especially American – representing in some sense the genius of our country – also planned to possess a maximum of operating efficiency and maintenance economy. But nothing of beauty and efficiency can be wrought without long planning and meticulous skill in the execution.

“So I want at this time to thank Mr. Henry Toombs, the architect, who has labored so assiduously, and successfully at his planning tasks. He has so well appreciated the fact that the structure with which he was charged should satisfy not merely the pride of our people, but, in addition, satisfy the requirements for an uttermost efficiency in this institution’s operating functions. Let me thank his associates, Mr. Wells and Mr. Nicklas.

“For the execution of the plans, let me thank Mr. Davis and Mr. Beck, representing Batson-Cook Company, the general contractor. Without the skill of that company, acquired in long years of experience, and the skills of the many sub-contractors who have worked with them, the plans for this building, however, grandly conceived, could not have been realized in the stone and steel and in all the things that give plans their embodiment. I would be remiss if I did not mention that the general contractor, his men, and his associated sub-contractors have dealt in material things with a sense of pride and devotion, which is of the spirit that goes far beyond the manipulation of material things. Without that spirit nothing is ever well or nobly done.

“There are so many others who deserve thanks – Mr. Weinberg for his admirably conceived symbol of our country – the eagle; Mr. Bond for the admirable decorating and furnishing of the principal rooms and for his scrupulous adherence to a dire admonition

– that he rescue and utilize every stick of furniture that we previously possessed. And I must thank the city officials of Atlanta, who have at all times cooperated so cordially with the architects and builders. But I must not weary you with praises.

“Let me now simply accept this building and declare it officially in commission. I know that this building, as with a man, will one day grow old. As with a man, so this building will one day feel the weariness of the years. That is an inevitable destiny.

“It is our taste, of course, regardless of its present newness of the eventual fatigue of its years, forever to cherish this structure in its material aspect. But it is doubly our task to see that the spirit of this institution shall not ever grow old, that devotion to duty shall be forever cherished, and that the public interest shall be forever served. And so, ladies and gentlemen of the Atlanta staff, in accepting this building for our particular care, I charge us all with the responsibility of treating this gracious edifice quite gently, as something dearly beloved; but I also charge us all, the more especially, with the continual remembrance that it is the spirit, the competence, and the character of what is here done that is, in the end, the matter of paramount importance.”²⁷

The new building and the Bank’s fiftieth anniversary were the subject of editorial comment by The Atlanta Journal on October 9:

“Half a century ago the Federal Reserve System was instituted to strengthen the nation’s financial structure.

“Certain cities were selected as headquarters for Federal Reserve Districts. Thanks to determination and a spirited group of citizens, Atlanta is one of the fortunate few.

“That this is headquarters of the Sixth Federal Reserve District means a good deal. It has been important in establishing Atlanta as capital of the region.

The Federal Reserve Bank of Atlanta now has new and more efficient quarters on the old Marietta Street site. The new building symbolizes the growth of this area. We are pleased that there was a need for expansion and delighted with the distinctive new building.

“This bank is one of our prime assets. We congratulate all concerned on the occasion of the dedication of new quarters to the greater glory of the district.”

¹ Life History of the United States, Vol. 12, p. 161.

² Directors Minutes, 1964, pp. 8-10.

³ Ibid, 16-19.

⁴ Ibid, 19.

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- ⁵ Directors Minutes, 1963, pp. 101-102.
- ⁶ Ibid, 1964, p. 12
- ⁷ Ibid, 16.
- ⁸ Ibid, 55, 96.
- ⁹ 6-F Messenger, Jan. 1964, p. 3.
- ¹⁰ Ibid, Aug. 1964, pp. 4-5. Directors Minutes, 1964, p. 63.
- ¹¹ Directors Minutes, 1964 p. 63.
- ¹² Ibid, 29; 6-F Messenger, May 1964, p. 2.
- ¹³ Directors Minutes, 1964, p. 79.
- ¹⁴ Ibid, 82-83.
- ¹⁵ Ibid, 7.
- ¹⁶ Ibid, 29.
- ¹⁷ Ibid, 59-61.
- ¹⁸ Ibid, 44.
- ¹⁹ Ibid, 88-89
- ²⁰ Ibid, 38.
- ²¹ Ibid, 29.
- ²² Ibid, 59.
- ²³ Ibid, 68.
- ²⁴ Ibid, 74.
- ²⁵ 6-F Messenger, Oct., 1964, p. 2.
- ²⁶ Atlanta Journal, Oct. 8, 1964.
- ²⁷ Quoted, 6-F Messenger, Nov. 1964, p. 5.

Chapter 54

Epilogue

During the four years since the attainment of its 50th anniversary, the Federal Reserve System has continued its useful forward march. In the Sixth District men and buildings have come and gone though basic concepts and policies developed slowly through the years have remained.

Malcolm Bryan, president of the Bank since April 1, 1951, retired October 1, 1965. He was succeeded by Harold T. Patterson, first vice president. Patterson was, in turn succeeded by Monroe Kimbrel, who had moved into the newly created position of senior vice president in June.

In noting Mr. Bryan's retirement, The Atlanta Journal commented editorially on September 19:

"Back in the twenties a bright young couple came to Georgia from Illinois. Their names were Nan and Malcolm Bryan. He taught economics at the University of Georgia and she was busy with many off and on-campus activities, including the University of Georgia Press.

"This couple found Georgia so congenial they stayed right on. He taught, advised and administered and she brought up a son and a daughter and found outlets for her energy through the means provided by the church and social agencies for volunteer workers.

"He is indeed an extraordinary man (and she is an extraordinary woman). Individually and together they brought excellence to the things they have done.

"Now Malcolm Bryan is retiring as president of the Federal Reserve Bank of Atlanta, a post he has filled with distinction and an organization he has enriched with his many fine and unusual qualities.

"The Bryans are intellectuals in the good, solid sense of the word, so his retirement should not mean a retreat into a cave for them. It should mean instead, that freed at [sic] the marble mausoleum in Marietta Street the Bryans, both Nan and Malcolm, may return to the larger life they led before."

Coinciding closely with President Bryan's retirement and 30 days after the Coinage Act of 1965, the nation's first clad coins and the first coins to bear a 1965 mintage date were struck at the Philadelphia Mint on August 25. They were 25-

cent pieces, with a pure copper core clad with an alloy of 75 percent copper and 25 percent nickel.

By late October the Bank had received at its five offices \$4, 400,000 worth of the new clad quarters. The Bureau of the Mint authorized their release for general circulation on November 1, and by the end of the month Atlanta and the Branches had paid out \$7,200,000 worth. Clad coins had come to stay.

Nineteen sixty-six saw the new bank building in New Orleans completed and occupied. The old structure, the year before, had brought \$2,450,000 when placed on sale.

In Atlanta, a bronze bust, one and one half times life size of former President Malcolm Bryan and erected by Henry J. Toombs, was placed on the first floor in the main corridor adjacent to the lobby. Edwin I. Hatch, President of the Georgia Power Company, was appointed to a three-year term as a Class C. director, beginning January 1. He succeeded Jack Tarver, as Chairman and Federal Reserve Agent two years later.

An unusual but pleasant ceremony was performed in February when I. Carl Milner was presented a Certificate of Merit for his services as a member of the Bank's Industrial Advisory Committee from March 1935 to February 1957. When the committee was active, it consulted with the Discount and Credit Department and passed on loans to individuals, corporations, and so on under Section 13 (b). The committee and the section of the Federal Reserve Act which created it were abolished. The last occasion of its kind was performed by Vice President and Cashier Emory McCorvey, with First Vice President Monroe Kimbrel lending his presence and moral support.

A change in vacation policy, effective May 1, brought good cheer to all employees. Ten years service now meant to the average employee a three-week's paid vacation. Quarter century employees continued to receive a full month.

April 18, 1967 brought to a close, after a long illness, the life of former President Malcolm Bryan. Said the editor of the 6-F Messenger on that occasion: "...As one whose full life as a banker, administrator, public servant, teacher, scholar, husband, and father spilled over into so many areas and touched so many other lives in a profound way, Mr. Bryan's death will surely bring to a host of persons a keen sense of personal loss..."

His long-time friend Harold Martin put it more intimately in The Atlanta Journal and Constitution for April 23:

“The headlines called him a banker, but Malcolm Bryan wasn’t a banker in the sense the layman understands the term. He was, instead, a teacher, a man with the power to take the complex and difficult science of economics and make its principles clear to anybody from bankers themselves down to the dumbest freshman sitting bemused on the back row of a college class room.

“That is where I first knew Mac Bryan. More years ago than I like to think about, he was a young assistant professor at the University of Georgia and I was that bewildered character on the back row.

“He was very young then—not much older than some of us he taught. But he had something that only the great teachers have—the quality of taking a dry, dull subject and making it love and glow. There were about three professors at the University at that time who had that quality—Dr. Boccock in Greek, Dr. Robert Park in Freshman English, and Young Mac Bryan, who taught Economics I and Money and Banking.

I don’t remember now much about what he said, but I do remember this: he had a way of organizing his points—A,B,C,D in logical order—so that at the end of the class I walked out of there feeling I was as great an economist as Adam Smith himself, or Maynard Keynes.

“His interest, however, lay far beyond the limited field of money and banking. They covered the whole incredibly difficult subject of world economics.

“And it was his nature, and perhaps his burden to see this subject in terms of man’s total effort, not only of the tokens he played with which he called money, but in terms of his brains and his imagination, and his ability to apply both to the development of the resources of land, sea, and air to their utmost capability.

“He was by instinct a cautious man, a pay-as-you go, look-before-you-leap sort of man with an ingrained disbelief that any good thing could be had without effort. Because of this, the wild, free-swinging economy that has marked the country’s great growth for the past quarter century has caused him some concern; and his great contribution, I think, as he quickly moved out of the college class room to counsel bankers and government with his calm, clear, cautious logic, was

to do what he could as a Federal Reserve banker, to keep the country from careening off the cliff of economic disaster.

“All of this may make him sound like a cold man, a dull man, a stuffy man, a throw-back to the age of the economic dinosaurs. He wasn't. He was an F.D.R. liberal in a time when most men who dealt with money were not. And for all his impatience with the world's foolishness, he was a warm and lovable human being with a great roaring laugh that I will long remember, now that he is gone.”

One of Atlanta's pioneer businessmen was John Silvey, who entered the dry goods trade on Decatur Street before the Civil War. The firm prospered and became exclusively wholesale. The founder died in 1897 and a move to Marietta Street was made in 1912. There, on a southeast corner of Spring Street was erected a six-story reinforced concrete structure, embellished with pleasing brick and terra-letta exterior detail. The John Silvey Company went out of business during the 1930's and for a period of years following, the Marietta Street building was rented to various tenants.

Meanwhile the older building's next-door neighbor to the east, the Atlanta Federal Reserve Bank, was having growing pains. More space was badly needed. Accordingly, in December 1951 the Bank leased the entire building for five years with an obligation to purchase at the end of that period if the lessor died before the lease expired. As it happened the lessor did die during the lease period and on December 21, 1956, the Bank purchased the property. Repairs and remodeling made it livable for some time for Research, Bank Examination, Legal, Bank and Public Services, CCC Custody, Currency Verification's incinerator, and storage uses.

When the Bank's new building was completed in 1964, the Silvey Building was abandoned. Demolition began in December of 1966 with the result that, although Atlanta lost another landmark, it gained a beauty spot in the form of a planted terrace.

Nineteen sixty-eight brought some important changes in the Atlanta Bank executive suite.

The six-year term of Jack Tarver as Chairman and Federal Reserve Agent expired with the year 1967. He was succeeded on January 1 by Edwin I. Hatch, President and Chief Executive Officer of the Georgia Power Company.

Soon thereafter President Harold T. Patterson announced that he would take early retirement effective January 31. A noted Atlantan, Patterson joined the Fed as counsel in June, 1947 and became vice president and general counsel in January 1952. On January 1, 1960 he was named first vice president and general counsel, and finally, in October, 1965, following Malcolm Bryan's retirement, he moved into the presidency.

In describing Harold Patterson's successor, Bill Hughes, Business Editor of The Atlanta Journal, wrote n January 28, 1968:

"Monroe Kimbrel, a colorful figure in Georgia banking circles for more than 20 years, will become president of the Federal Reserve Bank of Atlanta next Thursday (Feb. 1).

"The weekend announcement by Edwin I. Hatch, Chairman of the Board of the Atlanta Bank since January 1, said Mr. Kimbrel would succeed Harold T. Patterson, who announced his retirement a week ago.

"Mr. Kimbrel, known since his college days by the nickname 'Bones,' has been on the Atlanta Reserve Bank staff since June of 1965 when he was appointed senior vice president. He had been a director since 1960.

"Formerly chairman of the board of the First National Bank of Thomson, Ga., where he began his banking career in 1946, Mr. Kimbrel became the youngest man to serve as president of the American Bankers Association when he was elected to that post in 1962.

"That association prompted some debate when Mr. Kimbrel was advanced to the no. 2 post at the bank, first vice president. Five months after joining the staff, U.S. Rep. Wright Patman, Texas Democrat, who heads the House Banking Committee, charged that Mr. Kimbrel's association with the ABA might constitute a conflict of interest with his Federal Reserve responsibilities.

"The Texas congressman, who frequently has been critical of the ABA, said Mr. Kimbrel's appointment was 'like putting a goose to guard the seed corn.' Officials of the Fed, representing the Board of Governors—which had to approve Mr. Kimbrel's appointment to the bank presidency—replied that they were 'absolutely satisfied' with his qualifications... .

"Mr. Kimbrel becomes the 10th man to fill the highest administrative post of the Atlanta Reserve Bank since it was created in 1914. He follows directly in the

footsteps of Mr. Patterson who also was formerly first vice president before taking the top post in 1965.

“Before that the president was Malcolm Bryan, who was one of Mr. Kimbrel’s professors at the University of Georgia from which he was graduated with honors in 1936.

Mr. Kimbrel, who was a credit examiner with the Farm Credit Administration for nine years before joining the Thomson bank, also was chairman of the Bank of Fort Valley before assuming the Federal Reserve post.

“A graduate of the Stonier School of Banking of Rutgers University, Mr. Kimbrel headed the Georgia Bankers Association six years before being elected to the helm of the 13,000-member ABA. He became well known in banking circles by serving in a number of committee assignments in the national organization.

“Mr. Kimbrel, who lives at 620 Peachtree Street, N.E. is married to the former Nita Matlock of Thomson. They have two children... .”

To fill the No. 2 spot, the first vice presidency made vacant by Mr. Kimbrel’s promotion, the Bank picked Robert E. Moody, Jr., of Nashville. Reported The Atlanta Constitution on January 29:

“Robert E. Moody, Jr., of Nashville, Tennessee has been named first vice president of the Federal Reserve Bank of Atlanta.

“Moody will take his new post Feb. 1, according to an announcement Sunday by Edwin I. Hatch, chairman of the Board and Federal Reserve Agent. Moody has been vice president and manager of the Fed’s Nashville Branch since 1952. He was appointed to his new position by the board of directors with the approval of the Federal Reserve System’s Board of Governors in Washington, D.C.

“As first vice president, Moody will hold administrative responsibilities for the Atlanta office and the branches of the bank in Birmingham, Jacksonville, Nashville, and New Orleans.

“Moody began his career with the Federal Reserve Bank in 1925 and has had broad experience in its varied operational activities.

“Moody is a native of Tuscumbia, Alabama and attended Tech High School in Atlanta. He received his B.C.S. degree from Georgia State College. He has also

attended Rutgers University and Harvard University for special courses in banking

....

He is married to the former Doris Booth, of Griffin, Ga. They have a daughter, Mrs. F.M. Moran, of Franklin, Tenn.”

Years before, in 1923, when the Bank was young, Atlanta artist Wilbur G. Kurtz was commissioned to execute a portrait for the Board room. It depicted the signing of the Federal Reserve Act by President Woodrow Wilson in 1913. In addition to the President, other dignitaries were shown, including the then Representative Carter Glass, of Virginia; Representative Oscar W. Underwood, of Alabama; and Secretary of War Lindley M. Garrison.

In late 1967 officials of the Woodrow Wilson Birthplace Foundation acquired the painting from the artist’s grandson, Henry Kurtz, Jr., an employee of the Bank. It was presented as a memorial to the late Senator Glass and now hangs at the Woodrow Wilson birthplace in Staunton, Virginia.

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