

# **Vignettes of Dallas Fed History on the Eve of Our Centennial**

**(With Grateful Reference to George Dealey and a Tip of the  
Hat to Ebby Halliday, W.F. Ramsey, and Fed and Ginger)**

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*Remarks before the Dallas Historical Society*



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Dallas, Texas  
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*The views expressed are my own and do not necessarily reflect official positions of the Federal Reserve System.*

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Thank you, Max [Wells], for that kind introduction.

We are on the eve of the Federal Reserve’s 100th anniversary, the third and longest-lasting central bank in the history of the United States. And this year, we are celebrating the 20th anniversary of this wonderful building. Thank you, Ebby Halliday, for joining us. Ebby, you are two years and nine months older than we are! It is a pleasure to speak history to a woman who has lived it.

**George Dealey: Patron Saint of the Dallas Fed**

This is probably the only Reserve Bank that owes its location to the local newspaper—in our case, the *Dallas Morning News*.

After Congress passed the Federal Reserve Act in December 1913 and President Wilson signed it, cities around the nation immediately started competing to be the home of a Federal Reserve Bank. The act established a Reserve Bank Organization Committee to select “not less than eight nor more than twelve” cities to host a Reserve Bank. The secretary of the treasury, comptroller of the currency and secretary of agriculture were designated to serve on that committee.

Dallas, Fort Worth and Houston all expressed interest in a Reserve Bank, as did New Orleans. Across the nation, more than 40 cities wanted a Federal Reserve Bank.

Among Texas cities, Dallas was the odds-on favorite. Fort Worth made a pretty good effort, despite having only 73,312 residents—some 5,000 less than Houston and well short of the 131,278 of the population of Dallas. However, Fort Worth’s representative may have been tripped up by being a tad parochial: He noted that they had 13 rail connections. Asked by a member of the Reserve Bank Organization Committee if one of those connections was to Dallas, the spokesman replied, “Yes, but we seldom use it.”

But no Texas city had the inside lead held by New Orleans: At the time, it was the 15th-largest city in America, had a population over three times larger than Dallas and had an active financial community centered on Mississippi River commerce. Besides, any official worth his salt would have rather been wined and dined at Galatoire’s or Antoine’s than at any eatery in what was then Little—rather than Big—“D”.

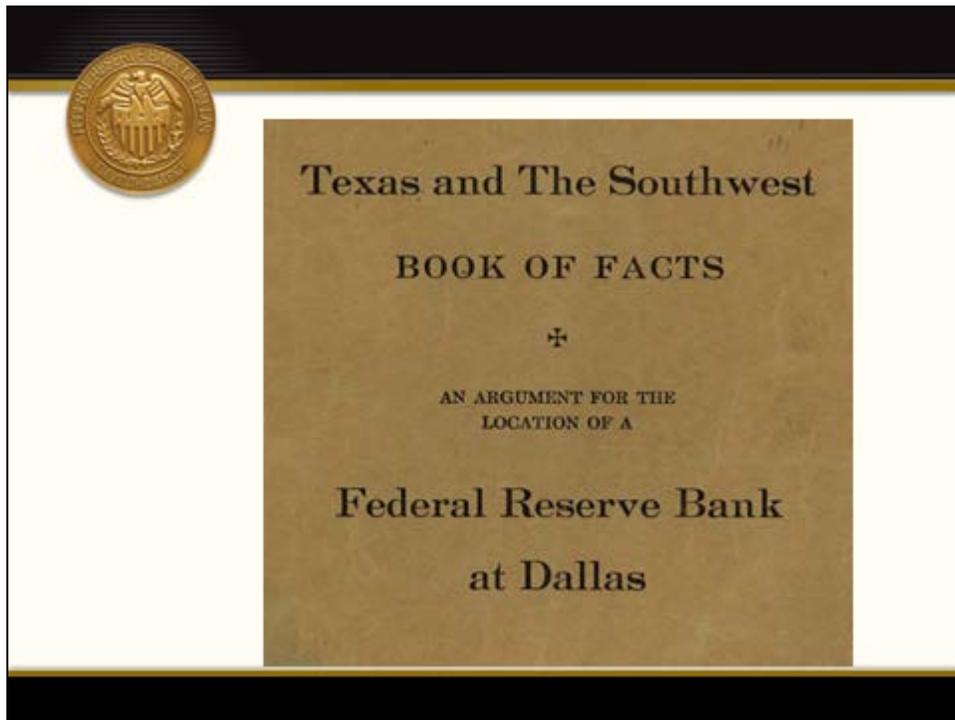
Dallas, however, had something that New Orleans did not have—a force of nature named George Dealey. Mr. Dealey was the publisher of the *Dallas Morning News*. In manner and character, he was quite the polar opposite of New Orleans’ “*laissez les bon temps rouler*” ethic. Dealey lived by the dictum that “men who exist get overrun by men who act.”<sup>1</sup> When he learned of the potential of hosting a Federal Reserve Bank, he enacted a no-holds-barred action plan to secure the franchise for Dallas.

## Much Ado About McAdoo

Dealey organized a pro-Dallas rally in Washington. He encouraged studies to make the case for our city. He lobbied the Reserve Bank Organization Committee. These were the visible parts of his campaign. He applied his most effective techniques sub-rosa: He adroitly harvested his friendship with an influential member of the Wilson administration—Postmaster General Albert Burleson—with an eye to ultimately convince the secretary of the treasury, William McAdoo.

Burleson was a native Texan, with whom Dealey often corresponded through coded telegrams, using names like “Mercury” and “Tacitus”—the Dallas Historical Society has those original telegrams, along with other artifacts relating to our founding, on hand tonight. Thanks to a man named Otto Prager—the postmaster of Washington and a loyal former Dealey employee—Mr. Dealey heard that Burleson would be traveling by train from St. Louis to Dallas. So he dispatched *Dallas Morning News* reporter Tom Finty and Dallas Clearing House executive Howard Ardrey to St. Louis. There, they boarded the train and “accidentally” ran into Postmaster General Burleson. By the time the train arrived in Dallas, Burleson was convinced that our city deserved a Federal Reserve Bank.

At Dealey’s urging, Burleson contacted Treasury Secretary McAdoo and argued the merits of selecting Dallas, backed up by this document here, pulled together by the Dallas Chamber, the Dallas Clearing House and the Dallas Cotton Exchange.



“Our argument,” the document summarized in its cover memo, “is particularly developed for the City of Dallas; the largest city west of the Mississippi River, and south of the Missouri, with unexcelled railroad facilities and mail service; the telegraph, telephone and express development ranking with the seven largest cities in the United States. We present for your distinguished consideration a city now the acknowledged market of the Southwest, the distributing and financial center of the most progressive and rapidly developing section of the United States.”<sup>2</sup>

Perusing this document, one gets a glimpse into Texas bravado and the art of promotion: As I mentioned, there were only 131,278 people residing in Dallas versus 339,075 in New Orleans.<sup>3</sup> But, the document noted, Dallas had grown by 116 percent between 1900 and 1910 and by 41.7 percent in just the four years from 1904 to 1909—versus a measly growth rate of 18 percent for New Orleans in the decade and a decline of 3.6 percent during the same four-year period. “Within 100 miles of Dallas,” the document claimed, “there are 1,486,041 people which is 24,582 more than there are within 100 miles of Kansas City.”<sup>4</sup> Kansas City and St. Louis were both considered shoo-ins for hosting Federal Reserve Banks, so the document went on to note that “Dallas has the largest telephone development per capita of any city in the United States” and “leads the world in the manufacture of cotton gin machinery and in the manufacture of harness and saddlery” and “sells more goods ... than either St. Louis or Kansas City, and particularly surpasses them ... in automobiles, cement, drugs and groceries ... hats and caps, machinery, paper, petroleum products [and] paints and oils.”<sup>5</sup>

Our own Bob Strauss could not have contrived a more aggressive sales pitch. Ebby Halliday could not have packaged it and sold it more skillfully. And even Lyndon Johnson couldn’t have more adroitly harbored and then played the trump card that Dealey and Burleson held deep in their pockets: Treasury Secretary McAdoo. They knew his preferences and style and honed their message to him, so much so that when the hearings were over, McAdoo remarked privately that, “Whoever prepared this brief did a damn good job and knew what the word ‘brief’ means.” Secretary McAdoo was not only a key player on the Reserve Bank Organization Committee, he was married to Woodrow Wilson’s daughter. He decided for Dallas and, voilà, we were selected as the headquarters for the 11th of 12 Federal Reserve Districts.

George Dealey had secured his legacy as patron saint of the Federal Reserve Bank of Dallas. Little did he know at the time what a big “dealey” that would be.

### **“Buy a Few Chairs and Pine-Top Tables”**

The Dallas Fed received its “certificate of organization” on May 18, 1914. The initial instructions from Secretary McAdoo to each Federal Reserve Bank were also brief: “Buy a few chairs and pine-top tables. Hire some clerks and stenographers, paint ‘Federal Reserve Bank’ on your office door and open up. The way to begin is to begin. When you make a start, everything will be smoothed out by practice.”<sup>6</sup>

I think of McAdoo every time I wrestle with the 2,000 pages, 16 titles, 38 subtitles and 541 sections of Dodd–Frank. Were the mandates we receive from Washington these days so simple and clear!

The Dallas Fed bought a few chairs and tables, hired a staff of 27 at an average pay of \$30 a month, and on Nov. 16, 1914, opened for business in a space rented at 1309 Main St.—presumably painting “Federal Reserve Bank” above its office door. The Bank did not have its own vault, so it borrowed one about the size of a phone booth from a local bank. Today our vault is the size of a five-story building and occupies 571,590 cubic feet.

The Dallas Fed’s 27 employees worked hard to make loans to member banks and began implementing a system to process checks totally from scratch. They also began putting Federal Reserve Bank notes and Federal Reserve notes into circulation, eventually replacing National

Bank notes, which was the currency of the day. Here is an example of a National Bank note issued by Frost National Bank of San Antonio; we dug it out of our vaults just last Friday, and it is similar to other bank notes that will be on exhibit in our foyer. It is signed in Indian ink by the Frost Bank cashier and its president, Joe Frost, the uncle of Tom Frost, who served on our board of directors from 1988 to 1993. Today, Frost Bank is the third-largest commercial bank headquartered in the region, and its stock has consistently outperformed an index of publicly traded banks nationwide; it is supervised by the Dallas Fed.



Here is one of the first Federal Reserve Bank notes put into circulation following the Federal Reserve Act.



You will notice the “11-K” that is printed on its face. The letter “K” is the 11th letter in the English alphabet; hence, this is a “Dallas” or “Eleventh District dollar.” To this day, dollar bills ordered and circulated by the Dallas Fed feature prominently the letter “K” on their face, surrounded by two concentric circles. The outer circle says “Federal Reserve” and “Texas,” and the inner circle says “Bank of” and Dallas.”



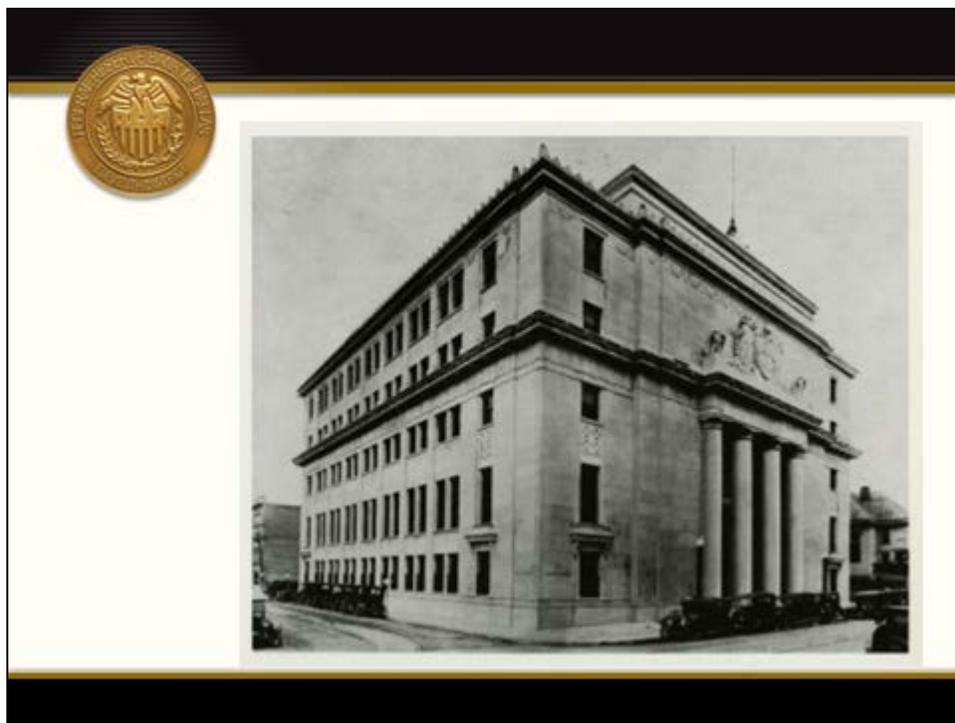
### **World War I, the 1920s and Ramsey’s Leap**

As World War I heated up, the Dallas Fed worked with the Treasury Department to help fund the war by selling Liberty Loan Bonds. That required the Bank to expand its vault space, construct additional teller cages and lease temporary offices in nearby buildings. By all accounts, the war bond effort was successful as the proceeds of sales filled the existing vault to capacity.

When our El Paso, Houston and San Antonio branches were established, employees moved from Dallas to those cities so those branches could serve customers as soon as their doors opened. Having a Federal Reserve office contributed greatly to the industrial growth of El Paso, Houston and San Antonio.

The El Paso Branch was the first to open, on June 17, 1918. There wasn’t much between Dallas and Los Angeles, and a Federal Reserve office was needed to distribute cash to commercial banks in the southwest. Our El Paso Branch still serves as a cash distribution center—along with a cash depot in Phoenix.

After a six-year stay at a second home on Commerce Street, the Dallas Fed constructed its own building at 400 S. Akard St. in 1921.



This solid, ornate building would be our home for 71 years, until the building we are in tonight opened in 1992. The Akard Street office had the distinction of being one of the first—if not *the* first—building west of the Mississippi to have air conditioning. I suspect that perk made the Dallas Fed a popular place to work. And its architecture made for an imposing structure. The city of Dallas has designated that building a historical landmark. It sold just last week to San Francisco-based Digital Realty Trust Inc., which cited its “large floor-plates, high ceilings, and robust floor loading making it an attractive alternative for customers in the Dallas area looking

for high quality data center space.”<sup>7</sup> No one can say that the Federal Reserve doesn’t build things of lasting value.

In 1920–21, the nation experienced a brief depression. One of my favorite stories of the period occurred in May 1921 at the Security National Bank, not too far from where we are dining this evening. A rumor spread that the bank was in trouble, and it suddenly was being overrun by panicked customers withdrawing their money. They called the Dallas Fed for help. Just in the nick of time, the chairman of the Dallas Fed, W.F. Ramsey, showed up in an armored car with guards and hauled a quarter-million dollars into the lobby where everyone could see it. Ramsey jumped on a desk and shouted across the crowded lobby that there was \$30 million more sitting in the Fed’s vault down the street, so they could quit panicking. That ended the bank run.

I tell that story to our current chairman, Herb Kelleher, and his eyes sparkle. I can just see him doing the same thing, except he would more likely have declared that there were 30 million bottles of Wild Turkey down the street, so they should quit fretting and join him for a drink!

In a sense, what Ramsey did at that bank in 1921 is pretty much what the Federal Reserve did in 2008–09 to prevent a collapse of the financial system. Rather than having Ben Bernanke or me and my counterparts in the 11 other Fed banks running in to banks and jumping up on desks, the Fed created lending facilities such as the term auction facility, the primary dealer credit facility and the term securities lending facility, to stem the fear and panic that threatened global economic collapse. Those actions were a little more sophisticated than what W.F. Ramsey did in 1921, but the concept is pretty much the same. Money and banking, in the end, is a confidence game, and our job at the Federal Reserve is to preserve confidence.

Ultimately, the 1920s turned out to be a prosperous decade for the Eleventh District and its banks. In 1927, deposits in the district reached \$1 billion, up from \$312 million in 1914.

### **Fed and Ginger**

Over time, the Dallas Fed developed a reputation for providing reliable, high-quality services to its member banks, acting primarily as a supplier of currency and coin, and providing centralized check-clearing operations. A bundle of checks would arrive at the Bank, and employees would spend the night sorting them by hand. Check clearing was particularly monotonous work, so the employees in the check department would make their own entertainment: Back in the 1920s, night check employees would sing while doing their jobs. One employee was such a good singer that his coworkers encouraged him to hit the stage. So this fellow, a man named Jack Culpepper, worked up an act and hit the vaudeville circuit under the stage name of “Jack Pepper.” Soon, he was joined by another vaudevillian, a dancer named Ginger. They got married and performed as “Ginger and Pepper.” Unfortunately, the marriage didn’t last long, and Ginger found another dance partner. His name was Fred Astaire. Her name, of course, was Ginger Rogers. Poor Jack Culpepper’s career never recovered—neither at the Dallas Fed nor on the dance stage. But in his honor, here at the Bank we refer to the most famous of dance duos as “Fed and Ginger,” for if it hadn’t been for our own Jack Culpepper, Ms. Rogers would never have found Mr. Astaire.

### **The Great Depression: *Plus ça change ...***

During the Great Depression, our employees rallied and did their part to serve the Eleventh District and the nation. Here is what my predecessor from the period, R.R. Gilbert, wrote in his memoirs:

“During the early months [of 1933], northern and eastern states had experienced widespread banking difficulties with deposits declining sharply, increased hoarding of currency and gold ... and many bank failures. This condition became progressively worse and on March 6, [President Roosevelt] issued a proclamation directing all banking institutions in the country to observe a ‘bank holiday.’ ... On March 13, the reserve banks and all licensed member banks in the 12 Federal Reserve districts were authorized to reopen. ... 574 member banks out of a membership of 588 applied to this bank to re-open. 515 were licensed then and by the middle of April, 16 additional banks were licensed. The 43 remaining banks were not licensed to reopen. ... During succeeding weeks ... reserve bank officials made every possible effort to help those institutions get their affairs in order to permit their reopening. Some of the banks were placed in the hands of ‘conservators’ [and] some were consolidated with other institutions. ... The Banking Act of 1933 was passed shortly and ... the Federal Deposit Insurance Corporation (FDIC) was set up which materially assisted in restoring public confidence in the banking system.”<sup>8</sup>

During this time, Congress also authorized the Federal Reserve to lend to individuals, firms and corporations to promote economic activity under exigent circumstances. *Plus ça change, plus c’est la même chose*. The Fed used this same authority during the 2008–09 financial crisis to help prevent another Great Depression. And Congress passed the Dodd–Frank Act to restore public confidence in the banking system. We shall only know with the passage of time if Dodd–Frank, and the implementation of its dictates by regulators such as the Federal Reserve, will do the trick.

### **The “Keepers of the Bank”**

It is important to bear in mind that after a financial crisis of grand proportions, it takes time for the economy to heal. The Depression worsened after the Banking Act of 1933 and the establishment of the FDIC. The worsening economy affected the Dallas Fed’s culture, sometimes in ways that would be unimaginable today. For example, as the national unemployment rate rose to 25 percent, the bank instituted a policy to expand job opportunities for married men who were supporting families. That policy mandated that no married woman was allowed to work for the Bank or its branches. A similar policy today would most definitely be frowned upon by my first vice president and chief operating officer, Helen Holcomb; by my chief financial officer, Meredith Black; the head of supervision and regulation, Ann Worthy; and Joanna Kolson, the senior vice president who oversees our vaults and facilities. And I am certain it would become the subject of immediate litigation by our in-house attorney, Sharon Sweeney. Not long ago, the *Dallas Morning News* wrote a fine piece on “The Keepers of the Bank,” highlighting the fact that we have more women in senior leadership positions at the Dallas Fed than just about any other major business in Dallas.<sup>9</sup> I am very proud of the remarkable women, and men, who are my partners in operating this Bank.

### **World War II to Date**

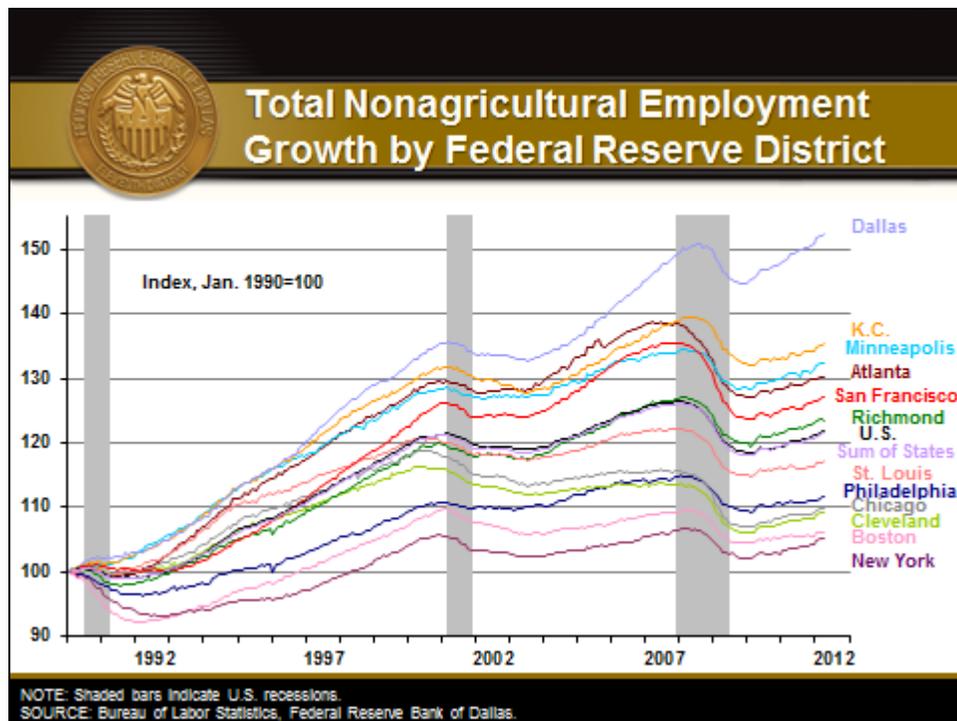
As the night is long, I will not go much further down memory lane, except to point out that during World War II, 270 Dallas Fed employees served in the military, including the chairman of the board, Jay Taylor, who served as a major in the U.S. Army. Employees entering military service were guaranteed reemployment, restoration of retirement benefits and one month’s salary upon return. In the years following the war, the Bank instituted health benefits, a formal vacation

policy and a 40-hour workweek. We have always been a community and nationally minded institution and have been at the vanguard of many progressive changes in personnel policies.

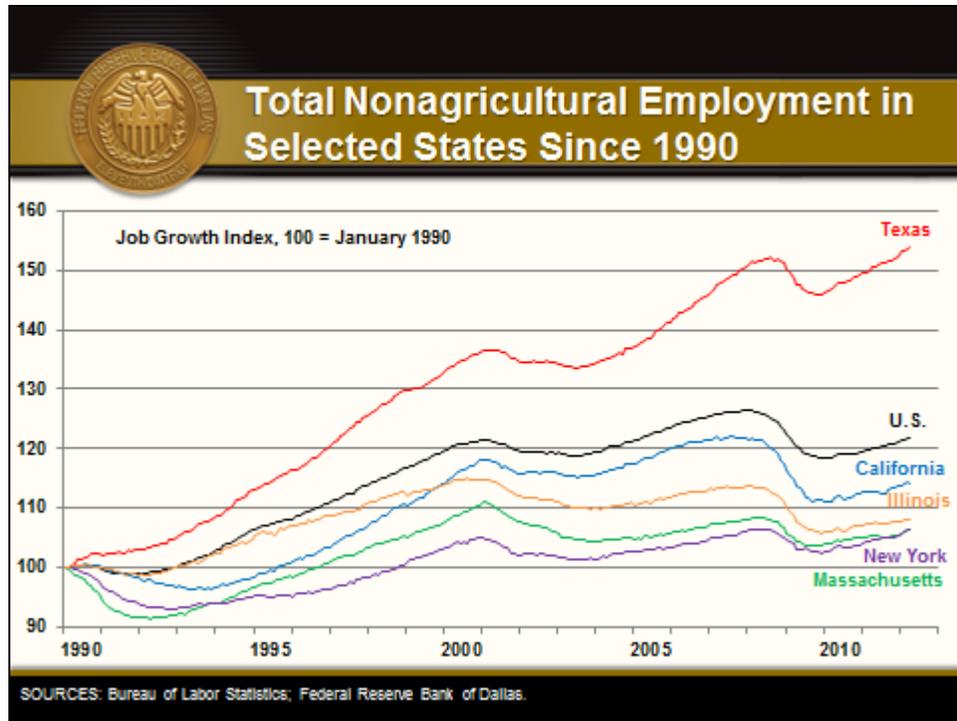
### George Dealey’s Dream Realized

To wrap up, I’ll skip ahead to the present. When the Dallas Fed opened, there were 27 employees; today we have 1,350. The Bank had \$21.8 million in assets after its first year in business; we closed last year with a \$113 billion balance sheet. In the last census taken before the Fed’s founding, Dallas was the 58th-largest city in America and Houston was the 68th. Today, Houston proper is the fourth-largest American city and Dallas, the ninth—and we do have an active railroad connection with our dear friends and collaborators in Fort Worth. Texas is now the second-largest state with over 25 million residents.

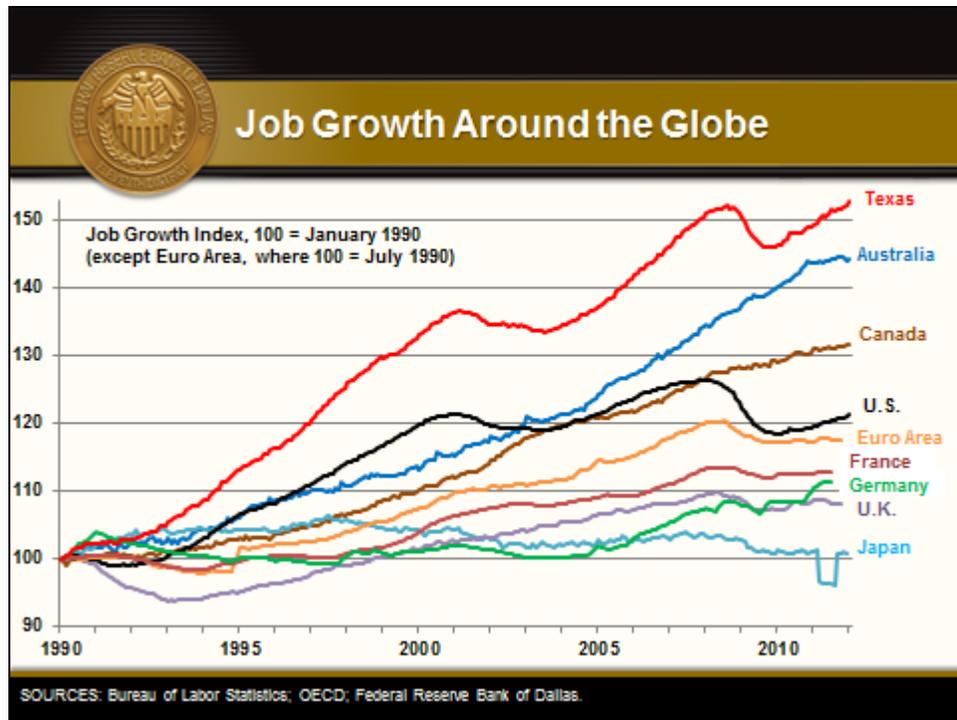
The Eleventh Federal Reserve District has outpaced the other Federal Reserve districts in employment growth and growth of output.



Texas—which accounts for about 96 percent of the Eleventh District’s economic output—is by far the leading exporting state and has the nation’s second-largest manufacturing base. Our state produces more oil than Norway and almost as much natural gas as Canada despite having only 2 percent of our workforce employed in energy production and mining and related services. That 2 percent, plus the other 98 percent of our state’s workforce, has experienced growth that has far outpaced the rest of the nation for the past two decades and longer.



We've even outpaced the major global economies in job growth, as well as the great resource-intensive countries of Canada and Australia.



We've come a long way from just leading the world in the manufacture of cotton gin machinery and of harness and saddlery, and selling more hats and caps than Kansas City or St. Louis. If anything, George Dealey's chutzpah and the hyperbolic presentation made by the Dallas

Chamber, the Clearing House Association and the Cotton Exchange to Secretary McAdoo and the Reserve Bank Organizers of 1913 was understated. Texas has become one of the most powerful pistons in the economic engine of 21st century America. It took great vision to imagine that 100 years ago.

As history buffs, you are all familiar with T.R. Fehrenbach, who wrote the classic *Lone Star: A History of Texas and the Texans*. Let me quote from that great book: “The Texan ethic and Texas society rewarded enterprise. ... Work was the real virtue. We chose this land; we took it; we made it bear fruit.”<sup>10</sup> George Dealey and his friends chose this city, took the Federal Reserve franchise and made it bear fruit. I couldn’t be more blessed than having the privilege nearly a century later to lead this enterprising Bank and represent the hard-working, virtuous citizens of the Eleventh Federal Reserve District in the policy forums of the Federal Reserve System.

Thank you all.

### Notes

<sup>1</sup> See *Lone Star: A History of Texas and the Texans*, by T.R. Fehrenbach, New York: Macmillan Publishing Co., 1985, chapter 15.

<sup>2</sup> “Texas and the Southwest Book of Facts: An Argument for the Location of a Federal Reserve Bank of Dallas,” by C.W. Hobson (Dallas Chamber of Commerce), R.H. Stewart (Dallas Clearing House Association) and S.W. King Jr. (Dallas Cotton Exchange), 1914.

<sup>3</sup> The population number for Dallas comes from “Texas and the Southwest Book of Facts”; the population for New Orleans comes from the 1910 census.

<sup>4</sup> See note 2, page 5.

<sup>5</sup> See note 2, page 5.

<sup>6</sup> “Upon a Strong Foundation: A Historical Perspective and a Future Outlook for the Federal Reserve Bank of Dallas,” Federal Reserve Bank of Dallas, 1992.

<sup>7</sup> “Dallas’ Historic Old Fed Building Sold,” by Steve Brown, *Dallas Morning News*, June 21, 2012.

<sup>8</sup> “Federal Reserve Bank of Dallas ‘Items’: 50th Anniversary, 1914–1964,” November 1964, page 5.

<sup>9</sup> See “Keepers of the Bank,” by Cheryl Hall, *Dallas Morning News*, Oct. 10, 2010.

<sup>10</sup> See Note 1.