

REMARKS BY PRESIDENT BOPP
AT THE OFFICERS' COUNCIL MEETING
on March 3, 1958

We meet for the first time without Al Williams and John Davis. I cannot say more about their contribution to the Federal Reserve Bank of Philadelphia or how much we miss them than Bob and I said a week ago at the farewell dinner. The important thing now is that Al and John retired with the conviction that this Bank would continue to progress. Both of them believe that Woodrow Wilson was right when he said in his first inaugural address: "We shall deal with our economic system as it is and as it may be modified, not as it might be if we had a clean sheet of paper to write upon, and step by step we shall make it what it should be."

Some people seem to think this means that Wilson felt he could have done a better job if he had had a clean sheet of paper to write upon. This interpretation is an obvious possibility. Nevertheless, I do not for a moment interpret his words in this way.

Think of our own situation. The decades of experience that are assembled in this room are a source of strength. I need mention only our next scheduled retiree to illustrate what I mean. If I were starting with a clean sheet of paper to construct this Bank from scratch, I probably would not now appoint Bill McCreedy to the staff because he will retire in a few months. Believe me, I am mighty happy that Bill will be around even for a matter of months so that we can profit from his experience and sage counsel. No, I would not want a clean slate. I interpret President Wilson's remarks to mean that if we had it all to do over again we would do some things differently, and that looking ahead we would still have some problems to solve.

Change is always difficult. The current apprehensions are magnified because changes have been relatively infrequent in recent years. As one looks ahead even to prospective retirements alone, not only of officers but of department heads and others as well, it is clear that changes will necessarily be more frequent; and some changes, while not necessary, are desirable for other reasons, such as to broaden experience.

Inevitably, the retirements of Al and John involved organizational changes. The first of these was the selection of Bob Hilkert and me as their successors. This choice was made by our Board of Directors with the approval of the Board of Governors.

Since I am in fact responsible for the remaining changes, I want to devote this session of the Officers' Council to telling you about them.

I begin with a few words about timing. As you know, the terms of the President and of the First Vice President expire on February 28, 1961. That is the reason our Board was able to persuade John to remain an extra year. I have known for some time that Al and John intended to retire last Friday. I also knew there was gossip and consultation as to their successors. Those of you who recall corresponding changes in other Reserve Banks will know that the System is not free of gossip that does not materialize. Certainly one does not assume authority before it is conferred in fact. The fact is that the Board of Governors confirmed our elections on January 9 - less than two months ago.

I want to tell you next about the procedure that was followed in reaching the decisions. Al Williams, John Davis, Bob Hilkert and I have spent many hours together on numerous occasions discussing the future of this Bank, and particularly the official staff. During these discussions Bob and I have asked many searching and probing questions. We know all of you, of course, but some better than others. We intend to get to know all of you better. Meanwhile, we did secure the judgments

of Al and John as to the strengths and weaknesses of each man.

In addition to these foursomes, we have had meetings of two or three of us during which I have secured from Al and John judgments of Bob's strengths and weaknesses as well as of my own. I am sure Bob has had similar discussions in my absence.

I want to make it perfectly clear, however, that neither Al nor John approves or disapproves of any of the decisions. They are not responsible for them and should not be held accountable for them.

Concurrently with these discussions, Bob and I spent uncounted hours analyzing the functions of the Bank, its organizational structure, the principles that should guide us in making new assignments, the qualifications of individuals to discharge the several functions, and so on. In the process we drew a good many organization charts before we reached definitive decisions. Bob agrees with the changes that were finally determined, but here again I want you to know that I am responsible for the changes. Had Bob and I disagreed, my vote would have been decisive.

Once the decisions were made, appropriate clearance was secured from the staff at the Board of Governors. Then on February 6 the Personnel Committee and subsequently the full Board of Directors of our Bank approved the changes. The approval followed full discussion of principles and reasons for decisions. The letter of formal approval that was necessary from the Board of Governors did not arrive until February 21, just ten days ago.

Meanwhile, Bob and I talked with individuals who would be affected directly by the changes, beginning with some of those whose new assignments did not require the formal approval of the Board of Governors. We have done this as expeditiously as we could, and yet we have taken as much time with each individual as he cared to spend. Incidentally, if at any time in the future any of you has a matter that you

wish to discuss with me or with Bob, feel free to do so. Such discussion is the most important part of our work.

This is the first opportunity I have had to inform some of you of the changes. It would have been presumptuous for me to call an Officers' Council before today, and there was not enough time to discuss the changes with each of you individually.

I turn next to the principles that governed the decisions. Two of them stand out. The first is that the Directors have placed upon me the responsibility for maintaining the strongest possible Federal Reserve Bank of Philadelphia. The second is that we all want the Bank to be an institution in which each of us can secure a maximum of personal satisfaction. These twin objectives are related. An individual who secures personal satisfaction from his work does a better job than one who does not. In the process he contributes to the strength of the institution. A strong institution, in turn, inspires individuals to gain personal satisfaction from contributing to its purposes.

The two objectives, however, are not identical. They may, indeed, conflict from time to time. Such conflict is not new in the Federal Reserve System. It arises at times with respect to the basic credit policy of the System itself. The general objective of that policy is to promote real economic growth with the maximum of employment and a stable level of prices. At times, however, achievement of the price objective may call for restraint when achievement of the employment objective may call for ease. A tough decision must then be made.

So it is with an organization and the individuals who comprise it. Indeed the problem is even more complicated because an increase in the personal satisfaction of one member may occasionally be achieved only at the expense of the personal satisfaction of another. I see no way out of this dilemma except to give priority to the institution with the justifiable expectation that it will produce the maximum satis-

faction for the entire group of individuals.

There is another dimension to this problem. It is time. The Directors appropriately hold me accountable for the strength of this Bank not only today but tomorrow, a year from now - by which time Bill and Ernie will be retired, - five years from now, and thirteen years from now when I reach retirement age. At the moment thirteen years seems like a long time. But it is less than the period I have already spent in the Bank and in some ways it seems only yesterday that I came here. You can understand why I took the ages of individuals into account in reaching decisions.

Finally, as I said earlier, although Bob and I know all of you personally, we know far too little about the interests of a number of you, or even what you actually do and how you do it. We want to reduce these areas of our ignorance as rapidly as possible. This fact also influenced the decisions. The principle we followed in this respect was to maintain a maximum degree of flexibility.

This brings me to the changes themselves. On January 1, you will remember Mr. Supplee succeeded Mr. Meinel as Chairman of the Board. That seemed an appropriate time to President Williams to change the secretaryship of the Board, especially since Bill McCreehy will retire later in the year. By relinquishing the secretaryship, Bill has been enabled to devote more time to giving advice from his great storehouse of knowledge and experience. We are also securing the advice of Ernie Hill before he retires.

At the same time that Dick Wilgus was made Vice President and Secretary, Jim Vergari was moved into operations and was placed in charge of the Collection function, the largest single function in the Bank. It was envisioned at that time that Jim would relinquish the Legal and Bank and Public Relations functions with the change of administration on March 1. The Legal function will be taken over by Doc Goodwin with the title of Vice President and General Counsel. John Bunting

will be responsible for Bank and Public Relations. For the present he will retain the title of Business Economist to indicate that we intend to continue to base our Bank and Public Relations activities on sound economic analysis.

Dave Eastburn will be - as the Board of Governors phrases it - the officer in charge of Research with the title of Vice President. Clay Anderson and Evan Alderfer have been designated Economic Advisers to indicate their function which will be to advise both Dave in developing our research program and me, with Clay accompanying me to meetings of the Federal Open Market Committee. Clay, Evan and John will continue to contribute articles to our Business Review. Bill James will be responsible for the Personnel function with the title of Personnel Officer. He also will take over the Cafeteria - which I am sure will be a severe blow to Hugh Barrie! Dick Wilgus will continue to be liaison officer with the Department Heads' Conference.

The Security Program which has been handled by a committee under Jim's chairmanship will become a line function with Jim in charge. Norman Dash will relinquish Cash to devote as much time as is needed - and that will be a lot at least until Operations Alert 1958 is completed - to the Security Program and, we hope, will have some time available for special assignments from Bob Hilkert and Jim Vergari.

The organizational changes have necessitated changes in office arrangements. In some instances the present designations are far from ideal and they should not be viewed as permanent. The problem of office space is just one part of a larger problem of internal housing which we intend to study in due course.

I move next to committees. Committee assignments give real opportunities for participation, for training, for learning, and other purposes. I envision a flexible committee system as to number of committees, size, and the individual memberships. A given committee might be enlarged for some ad hoc purpose and then

reduced again.

As to initial memberships, here are the assignments to existing committees:

(1) Discount Committee

Karl R. Bopp, Chairman	E. C. Hill
R. N. Hilkert	W. G. McCreedy
J. V. Vergari	C. J. Anderson
D. P. Eastburn	M. K. Goodwin
G. J. Lavin	R. P. Sudders, Secretary

(2) Personnel Committee

R. N. Hilkert, Chairman
W. G. McCreedy
J. V. Vergari
P. M. Poorman
W. A. James, Secretary

(3) Purchasing Committee

W. G. McCreedy, Chairman
R. G. Wilgus
P. M. Poorman

I am also establishing two new committees. In the near future I shall call the initial meetings of these committees at which time I will indicate in greater detail what I have in mind for each of them. I hold no particular brief for the titles but am suggesting descriptive names. The first is the Training and Rotation Committee. The job of this committee is to assure as far as is humanly possible that we discover and develop the talents of the people in this Bank. That is a brief but comprehensive statement. The membership will be:

Training and Rotation Committee

R. G. Wilgus, Chairman
E. A. Aff
H. W. Roeder
J. R. Campbell
W. A. James, Secretary

The second new committee will be the Operations Committee. I have observed on occasion that after discussion of a problem in Officers' Council it seemed to be

left dangling in mid air without disposition. Such problems can be referred to the Operations Committee. In addition, other operating problems arise - or do not arise - from time to time, occasionally crossing the departmental lines. Discovery of such problems as well as proposals for solutions to them can be developed by the Operations Committee. The membership will be:

Operations Committee

J. V. Vergari, Chairman
W. G. McCreedy
H. Barrie
W. M. Catanach
N. G. Dash, Secretary

I am designating a secretary for each committee because we will wish to maintain a formal record. It should be understood, however, that the secretaries are full-fledged members of the committees.

We are going to proceed with these committees as well as with other matters experimentally and with an open mind. For example, in view of what I said earlier concerning the allocation of space, we may find it desirable to create a committee on space.

At this point I have more questions than answers concerning some of our procedures. For example, our Board of Directors meets every first and third Thursday of the month and the Federal Open Market Committee meets every third Tuesday. We shall give thought to a rescheduling of the time and frequency of meetings as well as the general character of the Officers' Council and of the Discount Committee to prepare me more currently for these meetings.

I envision also that in preparation for the Conference of Presidents we might have get-togethers in my office of those officers and staff members who are knowledgeable about a particular topic on the agenda. In this way I can come to know more of you better and become informed on operations.

I would like to say also that I intend to visit various departments and

parts of the Bank from time to time. It is important for you to know what the purpose of these visits is and what it is not. The basic purpose is to get a better feel of this Bank as a human institution and the conditions under which we work.

I remember, for example, the last Christmas party for the night force. Bob and I walked through the Collections Department as we had done on numerous occasions before. On this particular occasion, however, we were suddenly struck with the difference between the atmosphere in the Ludlow Street section and that in the Ninth Street section. We went back and forth several times and it finally struck us that the difference in the atmosphere probably resulted from the difference in the color of the linoleum, that on the Ludlow Street side being darker than that on the Ninth Street side. It may be that nothing should be done about this or it may be that the real cause is something else. On the other hand, it may be that we can look into changing the linoleum in the Ludlow Street section. As I say, I do want to have a feeling of the conditions under which people are working in this Bank.

This will also enable me to become better acquainted with the staff and they with me so that they will know that I am here. An ancillary advantage will come in discussions with the Presidents of other Reserve Banks some of whom, as you know, have had their basic training in operations.

It is not the purpose of these visits to spy around. For example, they cannot give me a sound judgment as to the value of any individual to his department. It is not necessary, therefore, for anyone to appear busier than usual when I appear on the horizon.

I conclude with some observations on my experience as Director of Research, because it has broad implications throughout the Bank. Scarcely a month goes by that I do not receive several - or many - letters from close or casual friends or acquaintances who compliment me on articles in our Business Review. They compliment me because they presume to detect my thought and style in the article. The obvious truth is that

my customary contribution to an article has been - at most - to ask a question or two. Seldom have I written so much as a word of it. All of you know who the regular authors are - Dave, Evan, Clay and John.

Now an interesting facet of this experience is that each of these men is widely known in his own right. Not infrequently I receive a letter whose writer detects in an article by, say John, the skilled hand of Evan. I know Evan has received letters detecting his unique command of language in articles written by his colleagues. And so it goes around the entire group. A puzzling feature of this experience is that each of us is unique. Our thoughts and styles are not in fact alike at all. A master of style would detect the wide differences in a moment.

Why, then, do we have these cases of mistaken identity? Obviously, I cannot be sure I know the answer; but the question has intrigued me for a long time, and I have a strong hunch as to the nature of the answer. I think it is that readers have come to expect articles of high quality in our Review. Of course, we goof now and then. However, the expectation is based on experience. We do indeed publish a quality Review. What permeates all issues is a common spirit. It is this spirit that the readers identify, and they confuse it with style or thought.

We gain enormously because this is true. It means that each author can retain his individuality, his uniqueness, and yet be part of a group that has a common purpose.

The result of this is that when my friends read the Review, they attribute it to me. When Clay's friends read it, they attribute it to him, and so on with Evan, John and Dave. Now it is obvious that none of us could do the job alone. We need all the authors; and to write professionally competent articles, we need the help of many who seldom or never write for the Review. We need Frank Rehfuss, Ken Snader, and indeed the whole Research Department to do the job.

I am sure that this experience is not unique either to me or to the

Research Department.

My conclusion from it is that the Federal Reserve Bank of Philadelphia is precisely what the thousand members of its staff make it to be. If we become concerned primarily with receiving credit for each thing we do, not only will we fail but the Bank will become mediocre and there will not be enough credit for anyone to envy.

If, however, each of us tries to make the Bank a great institution, not only will we succeed but somehow we will become greater than we are alone because we will share the reflected glory of our colleagues.

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