

ADDRESS DELIVERED AT DINNER ON FEBRUARY 26, 1941
AT PALMER HOUSE, CHICAGO, ON RETIREMENT OF
GEORGE J. SCHALLER AS PRESIDENT, FEDERAL
RESERVE BANK OF CHICAGO

It is a privilege and a pleasure to be here tonight to speak on behalf of the other Federal Reserve Banks of the accomplishments of the second Governor of the Federal Reserve Bank of Chicago and its first President.

In order to do this it is necessary to review the history which he has had a part in making. It can only be described as a tumult of event following startling event which required clear thinking and a steady purpose, and this he has given in the guidance of this bank and the System. I can speak of these things because I was in the System at the very beginning when it started on its unblazed trail. I worked with Mr. ^sBothworth, the first Chairman, who was followed by Bill Heath and later by Eugene Stevens, until in the reorganization of 1935 the duties of the Federal Reserve Agent were transferred largely to the Federal Reserve Bank. I was with Governor McDougal at the beginning and went through strenuous times with him. I remember Deputy Governor McKay as one of those who with Mr. Attebery at my bank and Mr. Hendricks of New York had a great deal to do with starting and developing our check clearing system.

As you all know, 1933 was a momentous year in banking. Events and changes in the law came thick and fast. The Act of March 9 was passed. In May, what was known as the Thomas amendment, was put into effect and the President was given the right to fix the weight of the gold dollar and the silver dollar. All coins and currency were made legal tender and for the first time the Federal Reserve Board was given the right to change reserve requirements. In June the Banking Act of 1933 was passed which set up a Federal Open Market Committee composed of one representative from each of the twelve banks and for the first time provided that the Board of Directors of the several banks had to act in

accordance with the directions of ~~their~~ committee. Prior to that time there had been an Open Market Committee, not specifically authorized in the law but holding meetings and suggesting action which the Governors took back to their Boards of Directors and was followed out by those boards or not followed out in their discretion.

Then followed the Banking Act of 1935 which changed the name of the Federal Reserve Board to the "Board of Governors of the Federal Reserve System" and changed the title of "Governor" to that of "President". It may be of interest to recall that at that time the old Board was composed of Henry Morgenthau, Jr., Secretary of the Treasury, J.F.T. O'Connor, Comptroller of the Currency, Marriner S. Eccles, J. J. Thomas, Charles S. Hamlin, Adolph C. Miller, George R. James, and M. S. Szymczak. This is the Board as it existed on August 23, 1935 when the Act of 1935 was passed and when the Board was reorganized as of February 1, 1936 the Secretary of the Treasury and the Comptroller were left off of the Board and its members were Jos. A. Broderick, M. S. Szymczak, John K. McKee, Ronald Ransom, M. S. Eccles and Ralph Morrison. Since then Mr. Proderick has been succeeded by Mr. Ernest G. Draper and the vacancy of Mr. Ralph Morrison, who resigned shortly after his appointment, has never been filled. An act providing for the insurance of deposits was first passed on June 16, 1933. It was entirely revised and really rewritten in the Act of 1935, and, to become effective March 13, 1936, the present set-up of the Open Market Committee was established. This was to consist of members of the Board of Governors and five Presidents of the Federal Reserve Banks, elected by the banks which were placed in zones. Chicago and St. Louis elected one man and the first member of this committee was Mr. George Schaller. The next year St. Louis was given the representative and since then we have served alternately. That means that George Schaller has represented the Federal Reserve Bank of St. Louis on that committee just as I have had the privilege of

representing the Federal Reserve Bank of Chicago.

The very ~~meaning~~^{purpose} of these acts of Congress and changes indicate the turmoil in which the banking situation was and the efforts being made on the part of Congress to meet the situation.

It has been the practice of the Federal Reserve Bank Presidents to hold conferences throughout the year and, if I remember correctly, it was at one of these conferences that we first got to know George Schaller. At that conference in 1934 there were present Governors Norris, Seay, Newton, Geery, Calkins, McKinney, Harrison, Young, Fleming, Schaller, Hamilton and Martin. I give the full list because of those we sat with at that time all have left the System, some by death, except Young, Fleming, Schaller, Hamilton and Martin, and when George Schaller and George Hamilton and I finish our terms, of those men sitting in the Presidents' Conference at that date there will remain in the System only President~~s~~ Young of Boston and President Fleming of Cleveland.

We have seen George Schaller in action at the Presidents' Conferences and have seen him in discussions in regard to the Open Market Committee. We remember when reserve requirements were raised 50% in August, 1936, and another 50% in 1937, and decreased April 16, 1938. The Board of Governors had full responsibility for this action, but it was discussed with the Presidents.

In dealing with so many of these questions there has been no certain solution. We knew that the economy needed correction if that could be done and there were times when as many as three methods of action would be proposed. It was necessary to adopt that plan which seemed best, knowing that there were certain to be repercussions and feeling that the disorders occasioned would be the least to follow ~~any~~^{the} one of the three ~~plans~~^{adopted}. There was certain to be criticism. The question of timing was always difficult. I believe it does not take much imagination to know that in the discussion of vital things of this

kind men's nerves become frayed and we were all liable to be tired and irritable. I wish to say that I never knew George Schaller to lose his temper and the fact is that after our disagreements and sometimes vigorous words, after the night's sleep we came together feeling closer to each other than ever before. You knew that your team was good and that every man in his place was giving the best he had.

This recital of history from the last month of 1933 up to tonight, which after all covers the major episodes, gives you a good idea of the part the President of the Federal Reserve Bank of Chicago has played in an effort to better our economic structure. We of the Federal Reserve Banks appreciate the part he has played, for he has played it well and now when we come to the time when the Federal Reserve System must lose his services it would be sad did we not know that he is in such physical shape that he can enjoy leisure or work as he likes to the full.

It was Woodrow Wilson who said that "in these modern days the only patent of nobility is achievement", and by that standard your second Governor and first President is a nobleman of the highest rank.