By Francis Gloyd Awalt, 1895–1966

ACTING COMPTROLLER OF THE CURRENCY
U.S. TREASURY DEPARTMENT, 1932–1933

Recollections of the Banking Crisis in 1933

According to a key participant, members of both the outgoing and incoming administrations worked side-by-side during the banking crisis of 1933. Their concern was not politics, but rather the search for a solution to the nation's financial problems — even though relations between President Herbert Hoover and President-elect Franklin D. Roosevelt were not so amicable. Thus, the resultant banking holiday and Emergency Banking Act were not sole products of either the Republican or the Democratic administrations but the results of pragmatic, cooperative attempts to meet and solve the crisis.

Editor's Introduction

The following portion of the reminiscences of Francis Gloyd Awalt was brought to our attention by Raymond Moley, head of Franklin D. Roosevelt's famous "brains trust," who worked closely with Acting Comptroller Awalt during the Banking Crisis of 1933.[1]

Awalt was born in Laurel, Maryland, in 1895, and graduated from Baltimore Polytechnic Institute in 1914. After receiving a law degree from the University of Maryland in 1917, he began practice with the firm of Marbury & Finch in Baltimore. He served in the Field Artillery's Reserve Corps during 1918 and in 1919, became assistant general counsel and then general counsel of the Baltimore Ordnance Claims Board. In 1920, he was chief of the award section of the Board of Contract Adjustment.[2]

Awalt joined the United States Treasury Department in 1920, serving as special assistant to the Secretary of the Treasury until 1927. In 1922, he began his long association with the office of the comptroller of the currency in the position of second deputy comptroller and general counsel. Awalt moved into the office on a full-time basis in 1927 when he was appointed first deputy comptroller and general counsel.[3]

In September 1932, Comptroller John W. Pole resigned, and President Herbert Hoover asked Awalt to take the position. However, he declined to accept the patronage job during the waning months of the Republican administration, but agreed to serve as acting comptroller in the interim.

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[1] The editors wish to express their appreciation to Milton Friedman and Henry Ford II for reading and commenting upon this article.

[2] New York *Times*, December 13, 1966, an obituary of Francis G. Awalt.

[3] *Ibid.* Unpublished reminiscences of Francis G. Awalt in the possession of Francis G. Awalt, Jr., 2. The editors thank Mr. Awalt for his permission to publish this portion of his father's reminiscences.

Awalt stayed in the post until President Franklin D. Roosevelt appointed J. F. T. O'Conner comptroller in 1933, when he returned to his previous position.

Awalt resigned from government service in 1936, and returned to the practice of law. Drawing on his experience in the comptroller's office, he specialized in banking cases with the firm of Awalt, Clark & Sparks. He was a member of the American Bar Association and served as chairman of the committee of the District of Columbia Bar Association to set up a code of conduct for Congressional investigations.

Awalt served as acting comptroller for only about six months, but these were six of the most dramatic and demanding months the office was to see. Although President Hoover spoke confidently in public of "the strength of our banking system," Awalt called it a "fairweather" system in his annual report to Congress in 1932. He wrote that mismanagement, excessively low capitalization, and lax state regulation, along with changing economic and social conditions, caused American banks, which had functioned well enough in good times, to be unable to meet the conditions of economic depression resulting in the loss of billions of dollars to the American people.[4]

Awalt was among the bolder spirits in the Hoover administration who were urging the President to take action, and in the recollections which follow, written on the twenty-fifth anniversary of the crisis in 1958, he describes the hectic days during the banking crisis of March 1933. Awalt begins with a detailed account of an important aspect of the beginning of the crisis, the unsuccessful attempt to prevent the imminent collapse of the two major Michigan banking groups through cooperation with a recalcitrant Henry Ford. Awalt then goes on to describe the activities, in which he played a significant role, that led up to the banking holiday, including a view of the stiff dealings between Hoover and Roosevelt.

Perhaps most significant, Awalt covers in some detail aspects of the drafting, passage, and implementation of the Emergency Banking Act of 1933. He describes in particular the origins of two important sections of the bill, Titles II and III, showing that not only were they not drawn up by New Deal Democrats, but also that they predated by some time Roosevelt's accession to office.

Awalt also outlines the problems encountered in implementing the bill, deciding which banks should be reopened and which liquidated, a problem which fell almost entirely on his shoulders and which was handled well enough to earn Roosevelt's "most sincere gratitude" for the "remarkably wise and competent manner in which you carried on the duties of Acting Comptroller in the heart of the banking crisis."[5] But perhaps the highest compliment comes from New Dealer Raymond Moley who worked with Awalt all through those eventful days: "In the most distinguished sense of the term, Francis Gloyd Awalt was a professional career man."[6] The following narrative by this professional public servant adds enough to our knowledge of these important months in American history to make it a significant historical document.

[4] Arthur M. Schlesinger, Jr., *The Crisis of the Old Order, 1919–1933* (Boston, 1957), 474; New York *Times*, December 31, 1966.

[5] Awalt reminiscences, 2.

[6] Raymond Moley, *The First New Deal* (New York, 1966), 217.

Recollections of the Banking Crisis of 1933

On numerous occasions I have been requested by my friends, and particularly by my son, to write my story of the banking holiday. I had intended to do this in a book of some length, but time passes so quickly that I thought it best to write this short version so that some record might be made of the picture as I saw it. . . .

. . . The high point of bank failures was reached in 1931 when the total failures for that year reached 2,290. Of this number, 1,772 were non-member banks of the Federal Reserve System, with deposits of $983,316,000. In the fall of 1932, there had been a leveling off in failures. This led Comptroller of the Currency John W. Pole to advise President Hoover that, since conditions were better, he felt it was no longer necessary to withhold his resignation and return to private life. Actually, this was but a lull in the storm, as history shows.

I became Acting Comptroller in September 1932, and after the election in November, it was quite evident that the situation was worsening. It seemed to me that the incoming President should be apprised of the critical banking conditions with a view to formulating some plans and, particularly, to the appointment of a strong Secretary of the Treasury. With this in mind, I had a long conference with Senator Pat [Bryan Patton] Harrison of Mississippi, in whom I had confidence, and urged him to lay the situation before Mr. Roosevelt. He afterward informed me that he had done this, but I got no comfort from his report.

The Detroit Episode [a]

What proved to be the straw that broke the camel's back occurred in Detroit, Michigan. Sometime in 1930 a drain approaching the proportions of a run began on the large banks in Detroit. In a period of about two and one-half years prior to February 11, 1933, about $250,000,000 was withdrawn from the First National Bank of Detroit, and large sums were also withdrawn from the Union Guardian Trust Company and the Guardian National Bank of

[a] Because of the personal involvement of Henry and Edsel Ford in this event, Henry Ford II, chairman of the Board of the Ford Motor Company, was asked and agreed to examine Awalt's account of the Detroit episode. In a letter to James P. Baughman on March 14, 1969, Chairman Ford stated: "The reminiscences appear to be a significant addition to the historical record of these events. However, I should like to call to your attention that Mr. Awalt's memoir differs in some respects from the account published in Allan Nevins and Frank Ernest Hill, *Ford: Decline and Rebirth 1933–1962* (New York, Charles Scribner's Sons, 1963), pp. 11–15. I believe the Nevins-Hill account is correct as far as it goes." Mr. Ford's comments on specific points will be found in the footnotes that follow which are identified with letters.

Commerce. In order to meet these withdrawals, the First National Bank was compelled to liquidate practically all of its liquid and unpledged assets, and the Union Guardian Trust Company was compelled to borrow from the Reconstruction Finance Corporation and from the Ford interests. Mr. Edsel Ford was Chairman of the Board of the Union Guardian Group.[b]

In January 1933, the run was continuing without abatement, and the Detroit banks were losing from $2,500,000 to $3,000,000 each week. The banks could not continue to pay out money at this rate without further borrowing.

Two banking groups were dominant in Detroit: the Detroit Bankers Company Group, and the Union Guardian Group or Ford Group. The Detroit Bankers, formed in 1930, owned all of the stock of the First National Bank of Detroit, the Peoples Wayne County Bank (later merged), all of the stock of the Detroit Trust Company, eight suburban banks in Michigan, and all of the stock of an investment affiliate known as the First Detroit Company. The Guardian Detroit Union Group, or holding company, held the stock of the National Bank of Commerce, the Guardian Union Trust Company, and a number of other banks, one in Flint, Grand Rapids, Battle Creek, and Jackson.

The Guardian Trust Company attempted to borrow further funds from the Reconstruction Finance Corporation. In order to accomplish this, Henry Ford was asked to subordinate some of the amount owed to the Ford interests to a new loan. He refused to do this,[c] and it seemed obvious that, if the Guardian Trust Company could not meet withdrawals, a chain reaction would occur in the group and spread. It was thought wise to send someone high in the administration to Detroit to confer with Ford. Those chosen were Arthur A. Ballantine, Under Secretary of the Treasury, and Roy D. Chapin, Secretary of Commerce. A meeting was arranged with Mr. Ford by President Herbert Hoover.

The Ford interests had on deposit $7,500,000 at the Guardian Trust Company, about $17,500,000 at the Guardian National Bank of Commerce, and about $25,000,000 at the First National Bank of Detroit.[d] Secretary Chapin and Mr. Ballantine met with Mr. Henry

[b] Edsel Ford was a director of the Union Guardian group. Ernest C. Kanzler was chairman of the board. Henry Ford II to James P. Baughman, March 14, 1969; Nevins and Hill, *Ford: Decline and Rebirth*, 12n.

[c] The Ford family and company had already advanced a total of $12,000,000 to the Guardian group, and Edsel Ford had initially agreed to subordinate the $7,500,000 on deposit with the Union Guardian Trust. Ford to Baughman, March 14, 1969; Nevins and Hill, *Ford: Decline and Rebirth*, 12, 12n.

[d] Mr. Awalt's statement of the amounts of Ford money on deposit with the two major bank groups appears to be incorrect. Ford to Baughman, March 14, 1969. Nevins and Hill

Ford, Mr. Edsel Ford, and Mr. E. G. Leibold in Mr. Ford's office at Dearborn at 10:00 A.M. February 13, 1933. This was a legal and a banking holiday since Lincoln's birthday fell on Sunday, February 12.

According to the signed report of Secretary Chapin and Mr. Ballantine, Mr. Ballantine stated they were there to discuss the acute situation existing with reference to the Union Guardian Trust Company of Detroit and a plan which had been worked out to enable the trust company to remain open. Mr. Henry Ford stated at once that he knew about the plan and that he would not agree to do what he understood had been proposed he do, but that he would be glad to discuss the situation.

Mr. Ballantine then stated that the difficulty was: that the Union Guardian Trust Company had deposit liabilities of some $20,500,000; that it already had a loan with the Reconstruction Finance Corporation to the amount of some $15,000,000, secured by the pledge of assets; and that the remaining free assets of the bank subject to pledge were of the face value of some $6,300,000, with a loan value of not exceeding $5,000,000. A plan had been worked out under which the Guardian Group would pay into the trust company, or some company to be formed, assets of a loan value of some $3,600,000, so that a loan of $8,600,000 could be made by the R.F.C. for the purpose of furnishing funds to the trust company.

This loan was to be a part of the larger loan aggregating about $23,000,000, the purpose of which was to provide further liquidation for the Guardian National Bank of Commerce and certain units of the Guardian Group. This larger loan had been agreed upon with representatives of the Guardian Group as sufficient for the purpose of the needs of the other units. However, Mr. Ballantine called attention to the fact that this loan would leave a gap of some $11,000,000 to $13,000,000 in the assets of the trust company, and to make this up, it was proposed to subordinate the deposit liabilities of the trust company to the amount of at least $9,000,000, thus leaving a balance of some $4,000,000 to be supplied by new cash. It was also necessary to have $2,000,000 in cash to furnish the capital for the mortgage company it was proposed to organize, which would be the actual applicant for the R.F.C. loan and a vehicle for the proposed financing transaction.

As part of the transaction the deposit liabilities of the trust company would be assumed by the Guardian National Bank of Com-

show $32,500,000 on deposit with the Guardian banks and $18,000,000 with the Detroit Bankers. *Ford: Decline and Rebirth*, 12n.

merce, which would receive from the trust company cash assets to make good the liabilities so assumed. Ballantine pointed out that this plan had been formulated on the basis that the deposit liabilities of the trust company to the Ford Company, in the amount of $7,500,000, would be subordinated and that, in addition, part of the new cash required would have to be supplied by the Ford interests. He said that those having given consideration to the plan felt that so worked out, it would enable the trust company to continue as a trust company and the Guardian Group to continue its banking activities.

Mr. Ford stated at once that he would not subordinate the $7,500,000 deposit liabilities held by the Ford Motor Company. He stated that he had said some two or three weeks earlier that this might be done, but he had not fully understood the plan. In any case, his determination was that he had changed his mind and that he would not do this.

Mr. Ballantine stated to Mr. Ford that his decision would make any plan for saving the trust company impossible. He further stated that, if the trust company could not be saved, it was the opinion of those who had considered the situation that the Guardian banks would be forced to close. The consequences of this would be to throw great pressure upon the First National Group and upon all the other banks in Michigan, and that pressure would probably very soon extend outside of the state.

Mr. Ford reiterated that he would not agree to make the subordination of the Ford deposits in the trust company. He further stated that if the trust company was not kept open, he would immediately, on Tuesday morning, withdraw from the First National Bank the Ford deposits of $25,000,000. Mr. Ballantine asked whether he had understood Mr. Ford correctly. Mr. Ford said that he had, and that Mr. Ballantine was free to immediately report his position to the R.F.C. and those working in Washington in connection with this situation.

Mr. Ballantine then stated that it seemed clear that the Guardian Group could not survive, that the withdrawal of the Ford account from the First National Bank of Detroit would make it very much more difficult to preserve that bank, and that if that bank could not survive, it was difficult to see how any Michigan banks could be kept open. This, he stated, would cause vast distress in the State of Michigan as there were nearly 1,000,000 bank depositors representing the source of support of as many as 3,000,000 people. All these people would be subject to loss and suffering, and the business of the state would be vastly hampered, if not paralyzed. The situation so resulting could not be confined to Michigan and would probably communicate itself to neighboring states, and some reflection would be felt among banks elsewhere. He said that if similar results developed throughout the nation, the consequences would have an effect not only on business, but on the lives of the people and on social developments which it was very difficult to foresee.

Mr. Ford then went on to say that he did not think Mr. Chapin or Mr. Ballantine understood the situation at all. He said that this trouble and this effort to talk him into the plan came from sources which they did not know about. When questioned, he stated it was part of the operation of the same source which had brought about the strike at the Briggs plant for the purpose of harming or destroying his business. He stated he felt it was due to some of his competitors, or some of the people back of them.

Mr. Chapin then told Mr. Ford that he desired to talk to him as a fellow manufacturer (Hudson Motors), with whom he had had good relations for many years. He felt that he and Mr. Ford were in the same position as they each had independent companies. Mr. Ford said that that was so, except for the fact that Mr. Chapin's stock was listed on the stock exchange. Mr. Chapin said that as a manufacturer he felt that the consequences to the industry, of the tying up of the banks in Michigan, would be to add immensely to the already serious difficulties of the business. He pointed out that while some years ago it had been thought that automobiles were in the class of consumers' goods, during the period of the depression it had become clear that old cars could be retained longer than had been anticipated, and that under present conditions the purchase of new automobiles was regarded almost as a capital expenditure. He said that such purchases, even for low priced cars, required the expenditure of relatively large amounts, and that if the people of the country were made still further short of funds, they certainly would drastically curtail purchases. He said that it was very hard for him, as a manufacturer, to contemplate such a development and that he could not see how Mr. Ford could possibly want to face such a situation.

Mr. Ford said that great adverse financial development might have a very bad effect upon the industry but that, even if the effect were so bad that his company would be destroyed, he would proceed to start a new one and believed that he could again build up a business, as he still felt young. Mr. Chapin then spoke to Mr. Ford about the immediate effect upon the local situation, saying that he believed that Mr. Ford must feel a deep interest in the future of Detroit and its people. It would seem a very strange thing for Mr. Ford, in effect, to turn his back on the course which he had pursued and fail to help stave off the threatened adversity.

Mr. Ford said that the people here, and all people, might have to go through the experience of a crash. The general effect would be that everybody would have to get to work a little sooner, and that might be a very good thing. In any event, it had to come. There were further pleas made to Mr. Ford, but he said that he would not subordinate, or in any way contribute, a single dime, as he felt that the principle was wrong. He stated that he felt he had already done everything he should to help the trust company.

Mr. Ford at times approached the point of irritation and suggested that Mr. Ballantine and Mr. Chapin might be making threats. They told him they were not trying to and were certainly not threatening, but that they felt it was their absolute duty to point out to him with the utmost clearness what was believed to be involved in this situation and his decision.

Mr. Ford stuck to the point that the crash had to come and stated that the only terms on which he would subordinate his deposits to the trust company would be to receive from them endorsed notes which would be absolutely good. Mr. Chapin remarked that Mr. Ford always claimed the right to change his mind, and he hoped he would think over most carefully all they had said and let them know if there was any change that day. Mr. Ford remarked that the trust company was dead anyhow. Mr. Chapin said that Mr. Ford should reflect on the point that the corpse might communicate disease over a very extensive area.

Mr. Ballantine and Mr. Chapin reported their conversation to those working on the plan in Detroit. It was suggested by Mr. Melvin A. Traylor, President of First National Bank of Chicago, that the result might be that banks over wide areas, if not generally, might have to go on a clearing house certificate basis, and wanted to know whether Mr. Ford fully realized this point. It was thought that it had been covered, but Mr. Ballantine called Mr. Liebold in regard thereto. He also asked Mr. Liebold if he was absolutely right in his understanding of Mr. Ford's withdrawing his entire deposit from the First National Bank, and Mr. Leibold stated that that was certainly what Mr. Ford had said. At about 4:30 that afternoon, Mr. Leibold called and said that there had been no change in Mr. Ford's position in any respect. That message appeared to entirely end any hope of saving the trust company through Mr. Ford.

A meeting was called in the office of Mr. Eugene Meyer, Chairman of the Federal Reserve Board, with respect to the Detroit situation early on February 13. There were present members of the Board, members of the staff of the Board, myself, and, at times, members of my staff. As information came in from Detroit, telephone conferences were held with various officials, including Mr. Jesse Jones of the R.F.C. It was apparent that the situation was so serious that a joint meeting should be held. Such a meeting was held in the board room of the R.F.C. at which were present, in addition to R.F.C. Board members and staff, Governor George L. Harrison of the Federal Reserve Bank of New York, members of the Federal Reserve Board, Mr. Floyd Harrison, Administrative Assistant to Mr. Meyer, Mr. Chester Morrill, Secretary to the Federal Reserve Board, Mr. W. P. Folger, Chief National Bank Examiner, and myself. After some discussion Senator James Couzens and Senator Arthur H. Vanderberg were invited to join the conference, since not only was the State of Michigan involved, but also because Senator Couzens, through his long association with Mr. Ford, might prove to be of some help with Mr. Ford in working out the situation.

The question of a banking holiday in Michigan was discussed as well as what could be done in lieu of such a holiday, such as the issuance of clearing house certificates as was done in the panic of 1907. I was at that time against a banking holiday in Michigan. I felt sure it could not be localized and that it would spread to other states. I knew we had a situation entirely different from the panic of 1907, which was a money panic, when the certificates were used generally for clearance between the banks themselves. In the situation we were facing, the question of soundness of assets was present, and clearing house certificates could not be issued in the same way as in 1907. Moreover, many places where it would have been necessary to issue the certificates had no clearing house.

I advocated, under the circumstances, that clearing house certificates, if they were issued, be issued on a partial basis, depending upon the value of assets of the various banks. That is, one bank up to 80 per cent of assets, another 60 per cent, etc., or that we go on the scrip plan called the "Broderick" or "New York Plan." I was generally opposed on this except by Governor Harrison, who, much to my surprise, supported me. However, as further word came in from Detroit, it became evident that the issuance of certificates was not possible in any limited time. The key to the situation was Mr. Ford, and there need be no issuing of clearing house certificates, or declaring of a bank holiday, if he could be persuaded to go along with the plan which had been discussed with him that day.

Thereupon, Senator Couzens was requested to talk to Mr. Ford by telephone. He did, and urged Mr. Ford to go along with the plan submitted to him. Mr. Jones and I listened in. I was particularly interested in finding out whether or not Mr. Ford would state that he would withdraw his deposits from the two national banks if the trust company did not open the following day. Mr. Ford again so stated. He also made it very plain that he would not go along on the plan proposed. At the resumption of the conference, I told the conferees that I had no choice under such circumstances but to refuse to let the two large Detroit banks open the next day because I could not let Mr. Ford have preference to the detriment of the other depositors in those institutions.

Constant contact was being kept with Mr. Ballantine in Detroit, as well as with Mr. John McKee, then Chief Examiner for the R.F.C., and Mr. A. A. Layburn, Chief National Bank Examiner of that Federal Reserve District. Mr. McKee had been sent to Detroit about February 9, to head the team of examiners going over the assets of the two groups of banks, and he had worked out the plan for the Guardian Union Group which was presented to Mr. Ford.

In substance, the Guardian Group's free assets, at face value, were $67,947,481.09. The loan required for the group was $49,438,679.89. The trust company had a loan of $14,760,953, so that the new loan would be $34,677,726.89.

Total loan	$49,438,679.89
Ford's Subordinated Deposit [1]	7,500,000.00
Balance	41,938,679.89
Loan Value Approved	37,762,000.00
	4,176,679,89
Capital Required	2,000,000.00
Cash Needed	6,176,679.89

The Detroit Clearing House had been advised of the situation and was meeting. The Governor of the State had been called into the Clearing House meeting, and, after Senator Couzens talked with Mr. Henry Ford,[e] the meeting was advised of the discussion

[1] This is the subordination to which Mr. Ford would not agree.

[e] Nevins and Hill conclude that Senator Couzens played a significant part in the blocking of reorganization plans. Ford to Baughman, March 14, 1969. "Either Ford or Couzens could have met the crisis, or the two jointly could have done so. The clash of personalities

through Mr. Ballantine and urged to prevail upon the Governor to declare a banking holiday in the State. Governor William A. Comstock declared a banking holiday for Michigan about 1:00 A.M., February 14, after the request for such a holiday was placed in writing. The holiday declared was for a period of only eight days, but it was later continued up to the date of the beginning of the national holiday – March 6. Needless to say, Mr. Ford was unable to withdraw the funds in the various banks prior to the banking holiday.[f]

The Banking Holiday

At approximately 10:00 P.M., March 2, 1933, I was requested to attend a meeting of the Federal Reserve Board in the office of the Chairman, Eugene Meyer. I was not a member of the Board. The Board, various members of its staff, and Secretary of the Treasury Ogden Mills were present. There was under discussion a letter from President Hoover calling attention to the Trading with the Enemy Act of 1917, and to the fact that under its provisions he had authority to declare a banking holiday. He requested the Board's judgment in the matter and asked for a form of proclamation. The subject of the guarantee of bank deposits in the emergency was also mentioned.

Mr. Mills and Mr. Meyer were of the opinion that a banking holiday must be declared, pointing out that many of the banks throughout the country were, for all practical purposes, closed. The drain on the remaining open institutions would probably be disastrous, and the fact that the New York savings banks were, the following morning, to put into effect a sixty-day withdrawal provision, would further weaken the situation.

Mr. Adolph C. Miller and Mr. Charles S. Hamlin, both members of the Federal Reserve Board, felt that the Trading with the Enemy Act could be invoked to prevent further withdrawals for hoarding and that the situation would clear up, making a holiday unnecessary. I saw no way out but a holiday.

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blocked action." Couzens had a large fortune based on the sale of Ford stock which he had received as a director of the company until 1915 when he resigned after a clash with Henry Ford. Nevins and Hill, *Ford: Decline and Rebirth*, 13, 13n, 14.

[f] After the bank closings, Henry and Edsel Ford worked to reestablish normal banking services in the Detroit area. Ford to Baughman, March 14, 1969. On February 24, 1933, Henry and Edsel Ford offered to provide the entire capital needed to create two new banks but they reserved the right to select the officers and directors of the banks. Both the First National and the Guardian group rejected the plan. However, a new bank, the Manufacturers National Bank of Detroit, was organized and began operation in August in which the Fords held a controlling interest. Nevins and Hill, *Ford: Decline and Rebirth*, 14–15.

In the course of the discussion, Secretary Mills stated that President Hoover was prepared to declare a banking holiday for three days, March 3, 4, and 5. But first, he wanted assurances that the incoming administration would agree to call Congress in to extra session on Monday, March 5, to pass the necessary emergency legislation, some of which had been prepared with the balance to be drafted in the interim. Secretary Mills then proceeded to state that unless such an agreement could be reached, it would not be possible for President Hoover to declare a holiday, since to declare a holiday and not be assured that Congress would be called to pass the necessary legislation might be fatal.

A number of phone conversations were held between the two administrations. Unfortunately, Mr. William H. Woodin, Secretary of the Treasury-designate, was in New York, and Mr. Roosevelt was at the Mayflower Hotel in Washington. Thus, Mills would talk to Woodin in New York, Woodin would call Roosevelt in Washington, and then to Mills, and Mills would confer with President Hoover. Under the circumstances, it was not possible to get together. Mr. Roosevelt suggested that President Hoover declare a holiday until Saturday noon and said that he would take the further responsibility. Mills was unwilling to see this done. The then-Attorney General, William DeWitt Mitchell, had advised President Hoover that the authority under the Trading with the Enemy Act was weak, a mere shoe string, and the President should only act in the emergency provided all consented and provision was made for emergency legislation.[2] Two drafts of a form of proclamation were prepared by the Attorney General in consultation with the General Counsel of the Federal Reserve Board, Walter Wyatt. At 2:00 A.M. Mr. Mills attempted to reach President Hoover by phone, but was told he had gone to bed, so the meeting ended.

March 3, 1933, might well be called the day of the big gold rush. The Federal Reserve Bank of New York at the end of the day had lost over $200,000,000 in gold through wire transfers, gold earmarking, and exports, and $150,000,000 in currency. It was short about $250,000,000 in reserves. The situation at the Federal Reserve Bank of Chicago was critical, and orders from its larger Chicago member banks for about $100,000,000 in gold aggravated the situation.

The Chicago bankers knew that the Federal Reserve Bank of New York would have to rediscount with Chicago, which meant

[2] All actions taken and rules, licenses, orders, and proclamations issued by President Roosevelt or Secretary Woodin after March 4, 1933, pursuant to the Trading with the Enemy Act, were approved and confirmed by Section 1 of Title 1 of the Emergency Banking Act of March 9, 1933.

that the gold would leave Chicago, go to New York, and then possibly out of the country. They sought to prevent this situation by ordering the gold for the Chicago banks. Some harsh words and ruffled feelings developed during this incident. It was, of course, quite obvious that the Federal Reserve Banks could not stand the pace and that something drastic had to be done.

Mr. Woodin had arrived in Washington and I met him later in Mr. Mills' office. Professor Raymond Moley joined Mr. Woodin there. The question of whether President Hoover would issue a proclamation for a holiday was still unsettled. Conferences were held continuously. During the day there had been prepared for consideration by the Federal Reserve Board a proclamation for a holiday, under Section 5 of the Trading with the Enemy Act, with regulation of cash and exchange dealing. There was also prepared, as an alternative, a joint resolution of Congress, on the possibility that Congress might act on such a resolution that night. The full Board and its staff met about 10:00 P.M. and, although some of its members left about 2:00 A.M. on March 4, Governor Meyer and most of the staff did not leave before 4:00 A.M. I spent my time between Mills' office, my own, and the Board meeting. Mr. Ballantine, Mr. James Douglas, Assistant Secretary of the Treasury and later Secretary of the Air Force, and Mr. Woodin were in and out of the meeting.

When the Senate adjourned, the possibility of enacting the joint resolution was out, and neither the outgoing or incoming administration could get together on the proclamation. The deadlock remained the same as the day before. Mr. Roosevelt felt that President Hoover had ample authority under the Trading with the Enemy Act to take care of the immediate situation, and he refused to make any commitments or assume any authority until noon of March 4. President Hoover would not sign a proclamation unless Mr. Roosevelt said he was agreeable and would agree to call an extra session to enact emergency legislation. Mr. Hoover was acting on the advice of Attorney General Mitchell, although some of his advisers felt he should go ahead and take the chance, and the Federal Reserve Board sent the President a letter advising him of the great necessity to act. This letter, however, was not delivered until about 2:00 A.M., March 4.

In the meantime, Secretary Mills advised the Board that there was no chance of Mr. Hoover declaring a national holiday, and the only thing left was to persuade the governors of the states where Federal Reserve Banks were located to declare a holiday. This was a large order to accomplish before the banks were to open the following morning, but Governor Meyer and his staff attacked the problem. My recollection is that the Governor of Illinois would not declare a holiday unless the Governor of New York acted first. Governor Herbert H. Lehman of New York, when first approached, would not declare a holiday since he had not been asked by any responsible authority in the state. Governor Clyde L. Herring of Iowa assented at once, as did Gifford Pinchot, of Pennsylvania, when located in Washington about 5:00 A.M. Mr. Meyer has recently reminded me that it was impossible to get Governor Pinchot to answer the telephone or to answer the door. They finally sent a fire engine to the house, and it succeeded in rousing him.

Holidays were declared in New York, Illinois, Massachusetts, Pennsylvania, New Jersey, and elsewhere. Since March 4 fell on a Saturday, the banks in most states were closed, or operating on a restricted basis. None of the Federal Reserve Banks opened for business. In the District of Columbia it was a legal holiday, being Inauguration Day.

Drafting the Emergency Banking Act

After breakfast on March 4, I attended a conference called by Secretary Mills in his office to discuss the basis of some plan of approach to the problem of reopening the banks. Present were Mr. Ballantine, Mr. James Douglas, Mr. Parker S. Gilbert, a partner in the New York banking firm of J. P. Morgan & Company, and Dr. Emanuel A. Goldenwiser of the Federal Reserve Board staff. At this time no proclamation had been issued, but it was apparent Mr. Roosevelt had no other alternative except to issue one, and Mr. Mills was looking ahead.

Two main questions confronted us: (1) what banks could be opened quickly in order that the country might function; and (2) how to keep them open. We had no positive knowledge of the condition of the state banks, especially those which were not members of the Federal Reserve System. As to the national banks, which numbered 5,938, we had reasonably accurate information. But, since examinations were made twice a year for most banks and the economic situation had changed materially in the crisis, we could not, at this stage, be accurate in knowing the exact condition of all of them.

I estimated that about 2,200 national banks which were liquid could be reopened at once, and meet all demands made on them.

This figure was about 400 too low. We designated these banks as Class A. Class B banks were the banks that had to be bolstered in some way. We knew some would not open at all, or only if reorganized, and we designated these as Class C. We figured the state banks did not have proportionately as large a number in Class A.

As a result of this conference, the afternoon was devoted to setting on paper a possible plan – Mills dictating, with Dr. Goldenwiser and me sitting in. Mr. Mills addressed a letter to Mr. Woodin at the Carlton Hotel. With this letter he enclosed the typewritten draft of what he termed a "tentative outline of a possible line of approach to the solution of our banking problem." He further stated in the letter that the outline was sketchy and "susceptible to a number of variations," but that it would furnish a basis for "discussion at the meeting tomorrow." He advised Mr. Woodin that he would be home all evening March 4 in case Mr. Woodin desired to call him.

The outline stated that, since the problem was nation-wide in character, no solution was possible without national action, and that the "first and immediate step that should be taken would be to put all banks on the same closed basis by means of a national proclamation." Further, the reopening of banks that could be reopened should probably be staggered in point of time. The objectives were: (1) to deal with the immediate situation by furnishing the people a credit or currency medium through which they could carry on their necessary transactions; (2) the reopening of the banks of the country; and (3) their reopening on such a sound basis as would insure against a recurrence of the then collapse.

The outline then suggested the reopening at the earliest date of all Class A banks and the furnishing to them of currency adequate to meet all demands. It was further stated that, after a brief interval during which the public, by experience, would unquestionably find out that these banks were able to meet all demands which would go a long way toward restoring confidence, those banks in Class B should be reopened on a sound basis. In order to do this, it might be necessary to scale down deposits and furnish capital which, if not available from private sources, would be furnished through the purchase of preferred stock by the Government.

The meeting scheduled for March 5, 1933, had been called by President Roosevelt and Secretary Woodin. It had been suggested to Woodin that it might be helpful to have several representative bankers at the conference. Joseph Wayne, Jr., President of the

Philadelphia National Bank, Melvin A. Traylor, President of the First National Bank of Chicago, James R. Leavell, President of the Continental National Bank of Chicago, Daniel A. Wing, Chairman of the Board of the First National Bank of Boston, George I. Davison of the Hanover Bank of New York and Chairman of the New York Clearing House, and John M. Miller, Jr., President of the First and Merchants National Bank of Richmond, attended.

In addition to the above, and the members of the Federal Reserve Board, there were present: Senator Carter Glass, Congressman Henry B. Steagall, Jesse Jones, George L. Harrison, Jim Douglas, Arthur Ballantine, Homer Cummings, Attorney General of the United States, Adolph A. Berle, Jr., one of the brains trust, Arthur Mullen, Democratic National Committeeman from Nebraska, and Walter Wyatt. Why Arthur Mullen was present, I never knew. So far as I know, he offered no suggestions, but he did listen attentively. Raymond Moley was not at the meeting but, at least part of the time, he was in the Treasury in another room and was consulted by Berle, and probably others, from time to time.

Many things were discussed, but the only agreement reached was to recommend the banking holiday. A draft of the previously prepared proclamation was used as a basis for the one to be signed by the President, and with a few minor changes was approved by Cummings and signed by the President late at night on March 6, 1933. This proclamation covered the period from March 4 to March 9, both dates inclusive. A new proclamation was issued by the President on March 9. The national emergency under this later proclamation was continued until further proclamation by the President.

Conference continued on March 6. Mr. Mills was more in the background, but in close touch; Parker Gilbert was still more in the background, and it became increasingly evident that a J. P. Morgan partner was not wanted around. Shortly after noon, Mr. Mills asked me if I thought the conference was getting anywhere. My answer was no. He stated that he felt the same way, and he proposed to have a few people in his office and work out something concrete.

When I arrived at his office, I found Dr. Goldenwiser and Mr. W. R. Stark, Chief of the Section of Financial and Economic Research of the Treasury. The discussion centered around the basis of the plan sent to Woodin on March 4, i.e., opening the banks which were or could be made, on the basis of their assets, one hundred per cent liquid, or Class A banks. It was estimated on a conservative basis that around 2,500 national banks and 2,500 state banks, could be thus opened. Mills first suggested these banks use scrip, where necessary. Dr. Goldenwiser suggested that, inasmuch as the necessary machinery, the Federal Reserve System, was available, it should be used to furnish currency. This suggestion finally crystalized into the plan for the banks to borrow on anything they might have with the Federal Reserve System to issue Federal Reserve Banks notes against the borrowings.[3]

It was necessary that, as far as possible, banks be opened to afford every community with some banking service, and it was suggested that where banking facilities were absent, the Federal Reserve Banks make direct loans. In the course of those discussions, various other persons were called in on particular phases, or to discuss the suggested plan. Eugene Meyer, Walter Wyatt, Floyd Harrison, Chester Morrill, Secretary of the Board, Edward L. Smead, Head of the Statistical Division of the Board, Leo Paulger, Chief Examiner of the Board, Parker Gilbert, and W. P. Folger were among those present. At 2:30 A.M., March 7, the plan was in definite form. Adolph Berle had sat in on the drafting from about 11:00 A.M. on.

Tuesday, March 7, was spent in a discussion of the plan and the general form of the legislation. The Mills' plan was finally adopted, although later modified in scope to include a larger number of banks. Late that night, or rather early the morning of March 8, I sent a telegram to the twelve Chief National Bank Examiners asking them to wire in before 6:00 P.M., a list of all national banks divided into groups. In the meantime, the Legislative Counsel and some of his staff met in the Treasury with Arthur Ballantine, Walter Wyatt, and some of his staff, to draft the legislation, which was finally enacted as the Emergency Banking Act of 1933.

The Background of Titles II and III

The act was divided into five titles. The first reaffirmed and approved actions previously taken, amended the Trading with the Enemy Act as to currency or bullion payments, hoarding, etc., and gave power to require the calling in of gold and the regulation of banking. Title II, known as the "Bank Conservation Act," dealt with the appointment by the Comptroller of the Currency of Conservators and the reorganization of national banks. Title III covered

[3] Despite Woodin's statement to Raymond Moley, as published in Mr. Moley's book *After Seven Years*, that Woodin grasped the idea of the Federal Reserve System furnishing currency while playing his guitar, it was passed on to him by Mills in the plan sent with his letter of March 4, but he would not have told Moley the origin at that time.

the issue of preferred stock for banks. Title IV covered loans by Federal Reserve Banks to banks and others, and the issuance of Federal Reserve Bank notes. Title V dealt with an appropriation to make the Act effective.

One of the interesting facts in connection with this Act was that some portions of the Act had been drafted months before. Title II, the "Bank Conservation Act," was lifted in full from a draft of an act which I had under lock and key in my office. The Comptroller's office had been experiencing difficulty in getting one hundred per cent of the creditors and stockholders to agree to reorganizing banks which had closed. In most cases, a small minority could block a reorganization. It occurred to me that, using the theory of the bankruptcy law, a law could be drafted covering this situation. Walter Wyatt confirmed my opinion, and I asked him to cooperate in the drafting of such a law. I locked up the finished draft, and it was not taken out until the banking crisis, there being no opportunity for its enactment into law prior to that time.

Several persons have been given credit for the idea of preferred stock [which became Title III of the Emergency Banking Act]. Actually, the credit for the idea of preferred stock belongs to Franklin W. Fort, then President of the Lincoln National Bank of Newark, New Jersey, formerly a Republican Congressman and a member of the Banking and Currency Committee of the House of Representatives. In the early part of March 1932, Mr. Fort talked with President Hoover and suggested the possibility of the issuance of debentures or preferred stock for banks, calling attention to the inability of raising private funds for common stock carrying double liability. Mr. Hoover seemed favorable and suggested that he talk to the then Comptroller of the Currency, Mr. John W. Pole.[4]

[4] Strange as it may seem to some, both Mr. Hoover and Mr. Mills were both greatly interested in new ideas and were not as conservative as one has been led to believe. But both were hammered hard by the New York financial thinking. It was only natural that Mr. Hoover should turn to the Chairman of the Federal Reserve Board, Mr. Eugene Meyer, and to Mr. Mills on any new financial ideas advanced. But the Federal Reserve Board was in large measure dominated by the Federal Reserve Bank of New York, through its brilliant Governor, George Harrison, a disciple of Benjamin Strong, his predecessor, who followed the same line. Moreover, Mr. Mills was in constant contact with New York bankers, such as Winthrop Williams Aldrich, Chairman of the Board of the Chase National Bank of New York, George I. Davison, of the Hanover Bank of New York and Chairman of the New York Clearing House, and others. To my way of thinking, New York had too much to say in the shaping of policies.

One of the instances of Mr. Mills' thinking is illustrated by the fact that in the fall of 1932 he was considering the effect of going off the "gold standard," and how it could be accomplished. In 1918 Milton Elliott, then counsel for the Federal Reserve Board, had the thought in mind that at some future time the government might desire to place an embargo upon the export of gold and at that time he talked to Walter Wyatt, then a member of his staff, and to Magruder Wingfield, one of Mr. Wyatt's assistants, as to how this might be accomplished. The result was that in amending the Trading with the Enemy Act, certain wording was placed therein which could be relied on to accomplish this purpose.

In June 1932, Dr. Adolf Miller, then a member of the Federal Reserve Board, spoke to

Mr. Fort did talk to Mr. Pole and handed him a two and one-quarter page memorandum on the subject. Mr. Pole objected to the suggestion, at the time, because he feared the effect on public psychology of still further legislation in the assistance of banks on top of the creation of the Reconstruction Finance Corporation which came into being on January 22, 1932. Early in January 1933, Mr. Fort took up the subject with me, the then Acting Comptroller of the Currency. We discussed the matter over lunch at the Willard Hotel, and I thought well of the plan, but pointed out that if it was possible to get the R.F.C. to become interested in the matter, more could be done for the banks then by relying on the sale to private investors.

A luncheon conference was arranged for the following day at the Powhatan Hotel with Mr. Charles A. Miller, then Chairman of the Board of Directors of the Reconstruction Finance Corporation, at which the matter was discussed by Mr. Fort and me. Mr. Miller seemed favorably impressed, but stated that he would take the matter up with the Board of Directors. He subsequently reported that they seemed lukewarm to the plan. I then discussed the matter briefly with Mr. Ogden Mills, Secretary of the Treasury, who stated that if I thought well of the plan, he would suggest that the legislation be drafted.

Prior to the conference with Mr. Miller, Mr. Fort had worked out a revised memorandum of his ideas, which was delivered to Mr. Miller and me. A copy was also sent to Senator Glass with a letter from Mr. Fort. Following Mr. Miller's suggestion, I requested Mr. Walter Wyatt to cooperate in drafting a bill. This was done and I placed a draft of the bill in the safe for future use.

Subsequently, Mr. Melvin Traylor called at the Comptroller's office in Washington and discussed the question of capitalization of the First National Bank of Chicago. He agreed that more capital

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Mr. Wyatt about the possibility of placing an embargo on gold, or the hoarding of gold, and whether there was any authority to accomplish this purpose or to go off the gold standard. He requested a memorandum. Mr. Wyatt, in talking with Governor Meyer of the Federal Reserve Board, mentioned the matter, and Governor Meyer suggested that no memorandum be given, but that the matter be answered verbally. Mr. Meyer, in making this comment, stated that the President was so jittery that if he had a memorandum which showed him he had the authority, he might exercise it.

Subsequently, in the fall of 1932, Mr. Ogden Mills spoke to Mr. Wyatt about the matter, and Mr. Wyatt advised Mr. Mills that the Trading with the Enemy Act would accomplish the purposes. Subsequently, when the question came up of the closing of the banks, Mr. Wyatt, having already looked into the matter from the Trading with the Enemy Act, was of the opinion that that Act could be used and had sufficient authority in it to control the entire situation, and an executive order was prepared on the basis of the Trading with the Enemy Act for the signature of President Roosevelt, all being quite contrary to the statements that have been made that Attorney General Cummings, or someone in his office, dug up the authority with the Trading with the Enemy Act to close the banks.

was needed, but that common stock bearing double liability could not be sold to the public. I asked him whether or not he would be able to sell preferred stock if there was a law allowing preferred stock, and he said he could. This led to an immediate conference between Mr. Traylor, Mr. Mills, and me, at which it was decided that Mr. Traylor would see Senator Glass concerning the introduction and passage of legislation which would permit the issuance of preferred stock. The afternoon of Mr. Traylor's visit to Senator Glass, Senator Glass called me on the telephone and requested a draft of legislation on preferred stock. I immediately sent Senator Glass the draft which had been prepared, but which did not include the R.F.C. purchasing feature. The legislation was not introduced by Senator Glass. No further action was taken with respect to the matter until the draft of the Emergency Banking Act, which incorporated therein the formerly prepared draft on preferred stock, with certain changes, including the right of the R.F.C. to purchase such stock.

Reopening the Banks

All during the day of March 8, 1933, telegrams were coming in from the twelve Chief National Bank Examiners giving the grouping of the banks. The geographic position of the banks under the plan adopted was most important. To test the spread, it was decided to place colored pins on a map of the United States, showing their location.

I had previously asked several lawyers who were familiar with bank work to come to Washington as a patriotic duty and help in the emergency. J. P. Dreibelbis, later Assistant General Counsel of the Board of Governors of the Federal Reserve System and Senior Vice President of the Bankers Trust Company of New York, John S. Sinclair, President of the Federal Reserve Bank of Philadelphia, and Kenneth C. Royall of North Carolina, afterward Secretary of War and now senior partner in a New York and Washington law firm, immediately responded. Dreibelbis' first job was to stick the colored pins in the map, which we had borrowed from the Federal Reserve Board. He worked all the night of March 8 and, in the morning, the map was taken to the White House for President Roosevelt's inspection. The President thought it great.

While the banks showed a fair geographical distribution, it was obvious that the country would still be paralyzed unless we could open more banks. We could, if we obtained the necessary legislation. I appeared as the only witness before the Banking and Currency Committee of the Senate, which met at 2:00 P.M., March 9. It was a very solemn occasion. Senator Glass explained and sponsored the bill. Very few questions were asked. One, I remember well, was how many national banks we could open with and without legislation. My answer was about 5,300 with, and 2,600 without. The Senators were inclined to object; Senator Couzens said that it would not necessarily help the Michigan situation, and Senator W. M. McAdoo felt that the currency features were not broad enough – he wanted more freedom for the issuance of currency. The bill was reported and quickly passed the Senate; it had at that time already passed the House.

As was natural in a crisis of this nature, Congress was willing to give the executive what he thought necessary. It has always seemed to me that the shock of the banking holiday was largely responsible for the executive getting most of the legislation he wanted for many days to come.

In the meantime, from March 6 on, various regulations were prepared and issued, designed to permit the shipment, transportation, and delivery of food or food products, and to keep the nation going. Arthur Ballantine and Jim Douglas were principally in command of this operation with help from the Comptroller's office and the Federal Reserve Board.

On March 10, the President issued a statement to the press announcing that banks would open, progressively, on Monday, March 13, Tuesday, March 14, and Wednesday, March 15. Those located in Federal Reserve Cities were to be opened first, those in cities where clearing houses were located second, and all others third. At this juncture we still did not know what banks would be opened. A matter of procedure was in dispute between the Treasury and the Federal Reserve Board.

The Secretary of the Treasury was to issue the licenses for the opening of the banks belonging to the Federal Reserve System, both national and state. Mr. Woodin and I wanted each Federal Reserve Bank to approve the opening of each of these banks in their respective districts, but Eugene Meyer and his advisors were opposed, feeling the responsibility was on the Treasury, and they did not want the Federal Reserve Banks to shoulder such responsibility.[5] The argument waxed hot and bad feelings were engendered.

[5] Mr. Floyd Harrison and Mr. Chester Morrill were conscientious, brilliant public servants, and their loyalty to the Chairman of the Federal Reserve Board, Mr. Eugene Meyer,

On its face, the difference of opinion seemed silly, but it had real significance. No one knew how the public would react when the banks opened. If they demanded their money, they either had to have it or the reopening would be a failure. It was felt that the various Federal Reserve Banks must back the reopened banks to the hilt, and that it was no time for any conservative head of a Federal Reserve Bank to exercise his conservatism, should demand be made for currency. We reasoned, therefore, that if the Federal Reserve Bank agreed to a reopening of a particular bank, it would necessarily be forced to back it one hundred per cent.

The Treasury was finally successful in getting its way. In addition, the reopening of national banks was recommended by the Chief National Bank Examiner in the particular district, by an assistant in the Comptroller's office, and by me.

One vivid illustration of the necessity for the Federal Reserve to be in harmony and to recommend the opening of banks is shown by the situation surrounding the reopening of the Bank of America (National Trust and Savings Association, San Francisco, California). This bank, controlled by Transamerica holding the stock of banks throughout the Pacific Coast, had deposit liabilities of over $600,000,000. In the report of examination completed in July 1932, the examiner had commented in part:

> A continuation of existent economic conditions and the present management will place this bank in jeopardy, nor may relief be expected from any of the affiliate corporations, all of which have problems of their own.

Prior to the time of the consideration of the opening of the various banks, a new examination report had been made, and it was on the basis of this report that the bank was allowed to open. However, it was quite obvious that with the huge amount of deposits which might be withdrawn and the slow assets in the bank's portfolio, it would be necessary that the Federal Reserve Bank of San Francisco furnish it with all available funds upon reopening to keep it open. It was also quite obvious that if the bank did not open,

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was unquestioned. They became known as his "watchdogs," and everything presented to Mr. Meyer was looked over by them for what I considered to be matters which could in any way embarrass him. Consequently, when the Treasury was insisting on its plan to have the Federal Reserve Banks recommend the opening of particular banks in their respective districts, both Harrison and Morrill were zealously attempting to protect Eugene Meyer, and the Federal Reserve System, from any embarrassment or future criticism. Part of their technique, which they claimed to be usual, was to have a stenographer present when Secretary Woodin desired to discuss something, to take down verbatim anything he said. Mr. Woodin resented this and finally told me he would refuse further to go to the Federal Reserve Board to discuss the matters pending, and it was up to me to go in his place. I was just as irritated and made my position very plain. We finally dispensed with the stenographer.

such banks as the Continental National of Chicago should not open. The effect on our economy, and on the entire situation from Chicago west, would be disastrous.

Since the report of examination did not show the bank to be insolvent, I was determined that it should be reopened. But, I could not take that chance without the Federal Reserve Bank of San Francisco backing us. Mr. Woodin fully understood the situation and agreed with me. We had visited President Roosevelt, and the President had taken the position that he knew nothing about the situation and that it was a matter for our determination. But he agreed that if we felt the way we did, we should do our utmost to persuade the Governor of the Federal Reserve Bank of San Francisco, Governor Calkins, to recommend the opening of the bank and to stand by it.

Mr. Woodin and I returned to the Treasury and to Mr. Woodin's office, where we were later joined by Professor Moley. We first talked to Governor Calkins by phone around 6:00 P.M., our time, with respect to the matter. He was adamant that the bank should not be opened, and he continued this position until about 2:00 A.M., our time, when he finally agreed to recommend the opening of the bank. This session was a long one, but Moley did not seem to feel the tension and slept from time to time on the couch in Woodin's office.[6]

During the course of the evening, Senator William G. McAdoo and Senator Hiram Johnson of California sat for sometime in the Secretary's outer office. We could give them no assurances as to what would be forthcoming; certainly, we told them, the bank would not be opened because of political pressure. This was not done in any case of which I know. The statement contained in Marquis James' *Biography of a Bank; The Story of Bank of America N.T. & S.A.* that the Bank of America would not have opened except for the intervention of the Hearst interests, is, I believe, absolutely incorrect. Certainly, I never knew of any Hearst intervention, and the President indicated nothing of the sort.

On Saturday, March 11, I was requested by Secretary Woodin to accompany him to the White House to confer with the Presi-

[6] The long hours and continuous pressure on all of the staff involved was enormous. Sleep was practically unknown to many of us. My usual routine was to arrive home in the morning, around seven, get a hot toddy, prepared by Mrs. Awalt, sleep for at least an hour, have a shower and return to the Treasury. Without Mrs. Awalt's warding off the telephone calls, which came in constantly during the brief period I was home, I undoubtedly would not have survived.

dent. Upon our arrival there we found Governor Adolph Miller of the Federal Reserve Board who had also been summoned to take part in the conference.

The President asked us to be seated around his desk and explained that he wanted to read to us the speech he intended to deliver to the nation on the following evening, Sunday, March 12. Woodin was seated to the President's left, Miller directly across the desk, I to the President's right, and Louis M. Howe was in back of me on the sill of a window overlooking the south portico of the White House.

Mr. Roosevelt read the speech, turned to Woodin, and asked him what he thought of it. Woodin replied that he thought it was great. He then asked Miller his reaction, and Miller replied that it was an excellent speech and would accomplish its purpose. The President then asked what I thought of it and I, not knowing the President's disposition too well, rushed in, as a fool where angels fear to tread, and said that it was a fine speech, but —. This was as far as I got when the President snapped "But what?" I told him that he had stated we would open only sound banks and, in our hurry to complete the program, there might be some exceptions. He stated in no uncertain terms that that was what we were going to do, "open only sound banks." I had nothing more to say.

The state banks which were not members of the Federal Reserve System were turned back to the state authorities to open. Many of us felt this was a mistake, but it was impossible to handle them with our limited knowledge, in the time allotted.

Having the power to supply currency and the right to subscribe to capital, we felt we could go further than the original Mills' Class A banks and, in general, take in those which were not insolvent and which had assets upon which they could borrow at the Federal Reserve banks. The needed capital funds we expected to put into them later. Mills by this time was definitely out of the picture. He was anxious to be of help in the emergency, but the wall of hostility toward him had closed in so tightly that he told me he knew he was not wanted.

We then entered the phase of the reopening the banks on a staggered basis and the reorganization of as many as could be opened in the quickest possible time. This proved to be a tremendous job and required the expansion of the Comptroller's office to twice its normal size. The problems were complex, but wherever possible reopenings were made and reorganization was accomplished, all of them on a sound basis. One of the first problems was the creation of a new bank in Detroit and the paying out of a large percentage of frozen deposits through the aid of this new instrumentality and the help of the R.F.C.