March 9, 1954

Internal Memorandum

Interview with Mr. Joseph P. Dreibelbis

Mr. Dreibelbis, now with the Bankers Trust Company where he is Vice President, came originally from Dallas, Texas. He was assistant office counsel of the Federal Reserve Bank of Dallas from 1922 to 1927. In that post he had to deal with bad bank loans during the depression of 1920-21. He says that the bad agricultural situation, which preceded the banking holiday and the crash of 1929, really began in the West during the 1920's.

From 1927 to 1936 Mr. Dreibelbis was in private practise but on bank business. His firm was counsel to the Dallas Bank.

Mr. Talley, who was responsible for Mr. Dreibelbis getting into bank business in the first place, had left Dallas for the Bank of America. From there he went to R.F.C. He borrowed Mr. Dreibelbis as of November 1, 1932 "for six weeks"; the borrowing was continuing for another six weeks. At the end of that time Mr. Awalt, then acting Comptroller of the Currency, asked Mr. Dreibelbis to come in for an interview. Mr. Dreibelbis left his overcoat at the R.F.C., expecting that this would be a short interview; he never got it back for three weeks. He stayed on in the Comptroller's office until November, 1933; during that time he had reorganized some 1250 banks and had gone through the whole bank holiday.

The State banking holidays, which preceded the Federal holiday were called on all sorts of reasons. They started in Nevada with the Waynefield banks, then spread to Idaho, Louisiana and Kentucky. In Louisiana it was commonly said that in hunting for a state event which could be made a banking holiday without it calling that, Mr. Huey Long, who was then running the state, fell back on the birthday of Jean LaFitte, the famous pirate of the Gulf, as the reason for the celebration.* In Kentucky the Governor delcared

* See end of interview for further information on this story

a day of thanksgiving, which was turned into the banking holiday in fact.

Mr. Dreibelbis then repeated the story which is now becoming familiar, that Mr. Hoover was still in the White House, as President, and Mr. Roosevelt in the Mayflower Hotel. Mr. Hoover is said to have asked Mr. Roosevelt whether he concurred in the need for a banking holiday. Mr. Roosevelt said that he would not oppose it but neither would he give it his approval.

The Federal Reserve Board started on Friday to call the various Federal banks. The responses were very different depending on the city. Mr. McKinnon in Dallas said that he would not close. That day he got a ten million dollar wire transfer from Pittsburgh and was told that a plane was on the way to collect the cash. He closed his bank.

The inauguration was Saturday, March 4, 1933. The news of the coming holiday leaked to the newspapers on Sunday. On Sunday night Mr. Roosevelt gave his famous fireside talk, in which he announced the holiday.

In the Treasury, where the Office of the Comptroller of the Currency was, there were two committees working, one on the highest level and the second a committee of operating men including Mr. Chester Morrill, Mr. Floyd Harrison, Mr. Walter Wyatt and Mr. Dreibelbis. The second committee was the working committee which issued draft regulations and sent them up to the high command for approval. This they did for three days. They then moved to the secretary's office and became a committee to interpret their own regulations.

The Emergency Banking Act was passed on Wednesday or Thursday. So far as Mr. Dreibelbis knows there was only one copy of it, and that was in the pocket of Carter Glass. The Emergency Banking Act was put together out of various legislative ideas which had been thought up previously. The actual work was done by Mr. Walter Wyatt with paste and a pair of scissors.

The first opening of banks after the week's holiday took place in the Federal Reserve cities on Monday, then other cities followed and the country banks.

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The requirement was that a license be issued by the Secretary of the Treasury on the recommendation of the Federal Bank of the District. This applied only to member banks. The incident was full of hurt feelings and politics. There was more than a suspicion that some banks were opened which perhaps should not have been opened under a strict ruling. (See a memorandum of a conversation with Mr. Pitman of Boston on this.)

Men worked most of the night for a long time. Cots were set up in the Comptroller's office where they could sleep. The night before the licensing started, Mr. Dreibelbis went home at 3 A.M.; he had in his pocket a list of banks classified according to the degree of soundness as A, B, and C banks. Pins were put into a map to show the extensive banking services that would be operating throughout the nation if this plan were carried out. The map which was in Mr. Miller's office at the Federal Reserve Board was stolen by interested people.

It is Mr. Dreibelbis' opinion that a big mistake was made in looking at values as if the conditions then prevailing were going to continue. He thinks that not enough leeway was given for banks which were temporarily insolvent but which, when the market began to rise, would be back on their feet again.

Outside of the member banks, the state banks were turned back to the state for licensing. West Virginia, for example, opened all the banks in that state, and let them go bankrupt as they would according to their own circumstances. There was an attack by a bank in Jamestown, New York, on the Comptroller's office for some activity in giving or refusing a license but, in the main there was very little litigation.

A bank in Miami, Florida,* which Mr. Dreibelbis describes as 110% liquid, sent in one telegram after another asking difficult questions in an effort to stay open. Meanwhile, a run began in a suburb of Miami on the postal savings bank in the post office; they sent word into the Miami bank asking for cash. The President of that bank whose name was Mr. Romp, put cash into a suitcase and went down to the

*Feb. 17, 1955 This story was repeated with trimmings by Malcolm Bryan, Pres. Fed. Res Bank of Atlanta and his vice president, Lewis Clark.

post office. The report was that a negro preacher seeing him come in with a suitcase in hand, spoke up to the waiting line, "Niggers, you might as well go on home; Mr. Romp he done save the Government".

By and large, Mr. Dreibelbis believes that the banking crisis was well-handled but he was not sure that it need ever have happened. Canada, which had similar difficulties, set up no such elaborate system and got through.

Mr. Ogden Mills was not in office at that time. (Check this.) Mr. Ballantine stayed on, so did Mr. James Douglas and Mr. Gloyd Awalt.

In November 1933, Mr. Dreibelbis went back to his law firm. In 1936 he came to Washington where he served until 1945.

He suggests that Mr. Robert Milford of the Baltimore Branch was head of the reorganization committee acting on banks and was also in charge of the Dawes loan. He might be useful. Mr. Gibbs Lynes of Stamford was Deputy Comptroller of the town and might have either papers or a useful memory.

Mr. Dreibelbis agreed with other witnesses of that banking holiday that it was not the money asked for over the country by worried depositors which made the trouble, but, the big wire transfers for corporate accounts.

He says that the power of Government to close the banks and the power of the Treasury to licensing their opening was never importantly challenged. The same act, that is the Emergency Banking Act, which then was put into action and behind which there was so little precedent, was later invoked to stand behind Regulation W.

Mr. Dreibelbis will be glad to talk another time.

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