

May 20, 1954

Internal Memorandum

Interview at Brookings Institution in Washington with Mr. Chester Morrill

Mr. Morrill who had worked when he first went into the Board with Mr. W. P. G. Harding said that Mr. Harding was truly an administrator. He was an active and energetic person whose effect on the Board was to get things done. His administrative temperament was rare among Board members.

Mr. Carter Glass was "defender of the System" in Congress. That was his great contribution. He was a man of limited concepts and it is perhaps not too much to say that those limited concepts acted at times to obstruct necessary attempts at modification. Nevertheless, no matter what the Board might think or want, Glass was to Congress the final authority. Mr. Glass believed that the Federal Reserve Act was basically sound and that most changes in it were wrong. He had a marvelous memory and a thorough understanding of the Act as it was originally framed. He believed in an orthodox type of operation which should be preserved at all costs from people who wanted to tamper with the money supply. He believed that the Federal Reserve Banks must be always in a liquid state and that frozen assets were always wrong. He believed that paper must be self-liquidating and that the banks must not deal in any other kind than perhaps the 90-day commercial paper or the 6 to 9 months agricultural paper.

When Hoover came in and wanted the discount base widened, Glass saw dangers in this desire and did his best to counteract it.

(Mr. Steagall whose name is on one of the Federal Reserve modifications was strictly a political figure. He had no banking sense, but his sole measure of whether a thing should or should not be done was to be found in its political sense. He bowed to what Mr. Glass wanted if there was no political interest in it for Mr. Steagall, otherwise, he acted as politics dictated. Mr. Steagall came from Alabama and he

became chairman of the Congressional Committee on Banking and Currency only through seniority. In his later days he wanted very much to be chairman of the Federal Reserve Bank of Atlanta which carried a salary of \$20,000 a year. He never got this.)

The author of the Federal Reserve Act in the literal sense of that phase was H. Parker Willis who acted as the technician for Mr. Glass. However, the Act went back further than his own writing and its origins are found in 1909 in the work of a Pujo Committee and in European practise as well as in ideas developed by the Aldrich Commission. Mr. Willis did the job of borrowing from these various sources and filling in, but, the ideas incorporated in the Act as he wrote it came largely out of older hearings. Many details were borrowed.

The main controversy of the time of the Act's creation swirled around whether there should be set up the central bank or a system of central banks. The central bank was an older idea of the Republicans and it came out of the Aldrich hearings. Mr. Glass, Mr. Willis and Mr. Wilson were the architects of the system idea. This latter was a Democratic idea and in line with Democratic party ideals. Their decision was mostly a political decision taken for political motives and carried out for political reasons. Mr. Glass could not stand the idea of letting the Republicans get credit for what was basically an old desire, but was pushed to fruition under a Democratic administration.

Senator Robert L. Owen, then blind, played an important part as chairman of the Senate Banking Commission. Some of his ideas went into the Act. His own distinction was not in the field of <sup>authorship</sup> officeship, but in the drive that put it through and in the subsequent history. The original Act was called the Owen-Glass Bill. In his later days Senator Owen was wrapped up in the desire to defend his own record and he kept calling on Mr. Morrill to redress the record in his favor.

Mr. Adolph Miller had come to Washington as Assistant Secretary of the Interior. He always felt that he had had part in the consultations that led to

the creation of the Federal Reserve Act. However, he had never been in any field excepting academic life until he came to Washington and there was little proof for this claim. Mr. Miller was always the teacher and his general attitude was as one on a platform speaking to students elevated above the audience. He was not too constructive and he was very dogmatic. He played an important part in the legislation which led to the determination that records should be kept and made public on policy actions. He was responsible for the requirement that the reasons for action be stated, but, this did not include the keeping of records of reasons against. Mr. Morrill drew up this piece of legislation. The majority believed that Mr. Miller's desire was to put the majority on the spot. He himself was famous for waiting to see what the majority said and then taking the negative point of view. His own sensible reason for this piece of legislation was that actions and reasons were important in the economic life of the country and that people ought to know about them. It was an educator's idea. Also he thought that the recording of the reasons and the action would be a guard against hasty and ill considered moves. Frequently, however, in practise the actions of the Board were written up well after the fact and it is not impossible that the reasons for them were invented in the writing. Mr. Morrill is of the opinion, however, that this provision did have an effect on tempering discussions and hasty decisions.

The same practice prevailed in the Open-Market Committee.

The famous war between Mr. Miller and Mr. Strong was in reality a conflict of policy. Mr. Miller thought that Mr. Strong was inclined to usurp the Board's powers and to put himself up as the Governor of the Central Bank, thus, reducing the Board and the Governors of the Board to second place. Intellectual conflicts between the two men were inevitable. Mr. Miller was never an administrator or a moving force, but, he resented the competition of Mr. Strong who was both things.

Up to a point Mr. Glass had high respect for Mr. Strong, but, when Mr. Strong began to dominate the System either in fact or in appearance, Mr. Glass put in an amendment giving the Board special oversight of foreign operations which had been the field in which Mr. Strong had been most active.

Mr. Miller was active in the discount-rate controversy of the 1920's. (Was this 1920 or 1929?) He thought that the New York Bank and the New York bankers were wrong in their attitude.

Mr. Miller was a moving factor in the "Direct Pressure" movement. He had certain correspondence with the New York Times on this. (Look this up.)

In 1931 Mr. Miller and Mr. George James were the defenders of the status quo. Mr. Hamlin was failing. Mr. Eugene Meyer was not entirely satisfied with the record of the Board, but he was an administrator. Mr. Meyer's chief desire was to weaken the force of the coming depression. He did not have the support of others on the Board and he moved in direct opposition to Mr. Glass. Mr. Meyer wanted the type of operation later assigned to the Reconstruction Finance Corporation administered by the Board of Governors, but, in this, he could get no support. Up to the time that the RFC was created Mr. Meyer had spent all his effort in encouraging individual initiative. Mr. Morrill traveled with Mr. Meyer in 1926 when cotton went down to three cents. At that time Mr. Morrill tried to get cotton people into action to support their own economy rather than to persuade the government to do it, but he failed in this and gradually became convinced that government action was the only thing which could possibly save the situation.

The Banking Act of 1933 was Carter Glass' own Act. The Banking Act of 1935 was the creation of Marriner Eccles. The 1933 Act was the outgrowth of a 1930 resolution by Mr. Glass calling for an investigation of the banking system. The Glass attitude was then curious. He held hearings and got H. Parker Willis back to write the Act of 1933. Bankers throughout the country were vigorously

against this. Somewhere along the line Mr. Glass came to believe that the Board was siding with the bankers and against him. He became very secretive during the drafting of the Act. The various drafts that were made in preparation were kept away from the Board. The tension was not resolved until early in 1932. The bankers were so opposed to the coming Act that they held night conferences. Mr. Glass called these conferences the banking school and thought that the Board was responsible for them. Mr. Meyer tried to make it clear that he and the Board were having none of that, but were intent only to get the best possible legislation. He was specially proud of the unanimous report of the Board on the Act of 1933 which was hammered out in night sessions in the Board rooms. Mr. Parker Willis played a tremendous part in the drafting of this new Act up to March 1932 when Mr. Meyer exposed his weakness as a draftsman and Mr. Glass then called on Mr. Morrill to help in Willis' place.

Mr. Eccles came to the Board in November 1934 first as Governor and then as Chairman. Eugene Black, Sr. had died. J. J. Thomas of Nebraska served for six months as acting Governor. Mr. Eccles became Governor under a specific program which he had submitted to President Roosevelt and Roosevelt had approved. This program formed the framework of the 1935 Banking Act. It went through under New Deal enthusiasm and pushed by the personal drive of Eccles. Mr. Glass was against it. Mr. Eccles did confer with the bankers and the Act contained some phrases of compromise with them. The American Bankers Association finally agreed to the essential points of the 1935 Act, though they had opposed the 1933 Act. (See interview with Mr. Frederic Curtiss on Eccles activity in the 1935 Act). As in evidence of bankers' approval Ronald Ransom of the Legislative Committee of the ABA went on the Board. Later, however, he changed his mind and his attitude. Mr. Eccles was an administrator. He was not a college man. He had a fine mind, excellent in analysis and in the skills that go into business. Some time in his career he

began to devote attention to national policy. (See Eccles' book "Beckoning Frontiers"). He found himself out of sympathy with the Hoover idea and even with the early Roosevelt point of view. He had considerable influence in changing the latter. He felt that the depression could be cured only by spending money, but, it must be spent for something and not merely for boondoggling. The question was a matter of "how".

In the Board Mr. Eccles was constantly pulling ahead of other Governors in thinking and in the leading of all discussion. He scrutinized every detail of the internal Board operation.

When Eccles came to the Board they were still in the old Treasury building. (Check dates on their moving into the Washington Shoreham and one other building). Not until 1937 did they get into the new building.

George R. James came from Memphis, Tennessee. He is not likely to have left any papers. He was a wholesale drygoods man by occupation and thought of himself as the representative on the Board of the South. In those days the Board members acted as representatives of regions. Mr. James belonged to the old school. His favorite subject was the detrimental effect of the automobile in building Detroit. In his mind the horse, the mule and hay were the basic elements of any economy. He was wrapped up in organic fertilizer and <sup>hence</sup> the automobile with its use of gasoline and its influence in doing away with the horse and the mule were <sup>to him</sup> serious elements in the decay of the country. Mr. James took an active part in the internal administration of the Board. The Board was then divided into two member committees and the man named first on one of these committees became its chairman. He dominated personnel and budgetary matters and was inclined to play favorites. He had a great respect for authority and as Mr. Meyer then embodied authority in the Board he had a great respect for Mr. Meyer. In response Mr. Meyer sponsored the re-appointment of Mr. James to the Board. Mr. James was a man who reacted for or against ideas

and actions, but who spent no time studying. He took Meyer's word in the main.

Mr. Morrill himself kept no diary and took away no official papers. He refrained from taking out confidential papers because he did not believe that that should be done.

Mr. Morrill suggests that we hunt for the high points in Mr. Hoover's book insofar as it concerns the Board. He makes certain assertions but some of them are not entirely accurate. Mr. Miller was called on by Mr. Hoover to read the articles in Collier's magazine which later became chapters in the Hoover autobiography and Mr. Miller was asked to comment. However, the situation was that at that time Mr. Miller and Mr. Roosevelt were also friends and to comment on the Hoover book meant possibly to alienate Mr. Roosevelt, therefore, Mr. Miller never answered Mr. Hoover's request.

This was a period when Mr. Miller's eyes were going bad and he could not read. Mr. Morrill read the Collier articles to him.

Mr. Morrill was appointed by Mr. Meyer as Secretary of the Board against the somewhat dubious acquiescence of Mr. Miller. The process of getting acquainted with Mr. Miller was very slow. The latter respected Mr. Glass so that after 1933 when Mr. Morrill and Mr. Glass became friends, Mr. Miller began to be more friendly. When the paper work of the Board increased after 1935 Mr. Morrill became more useful to Mr. Miller and hence on a better ground of friendship. Mr. Miller and Mr. James found it impossible to get along. Mr. Miller and Mr. Goldenweiser did not get on very well. They clashed most vividly on economic history.

The moving from the Treasury was a hard business. Miller, Hamlin and James loved the old Treasury building and wanted to stay there. The Act said that the Treasury should provide quarters for the Board. However, when Mr. Morgenthau came in, very autocratic and quickly extending the organization of the Treasury, he asked that the Board move from its quarters, which were on the same floor with the

Secretary of the Treasury, and take offices one floor down underneath the Secretary. This was a demotion in the minds of Mr. Miller and Mr. Hamlin who became very angry and then consented to the idea of getting quarters of their own. They then moved out to the Washington building and Mr. Glass sponsored a bill and saw it through Congress which would allow them to build a building of their own.

Mr. Miller became chairman of the Building Committee with Mr. James who, being in second place, took no part in it. The present building of the Federal Reserve Board is due in no small part to Mr. Miller. Roosevelt, Ickes and the Fine Arts concurred in Miller's ideas. Dean Meeks of the Architectural School at Yale became the Board's adviser and a competition was set up to which nine of the leading architects were invited. The French architect, Paul Cret (?) won. Mr. Miller and Mr. Morrill between them worked out the concept of the building. Mr. Morrill was particularly interested in the use and functioning of the building and also sat in on esthetic decisions. Mr. Cret was granted the gold medal of the International Institute of Architecture for the design.

In spite of the fact that Mr. Miller was dropped from the Board after 1935 he continued to give his time to the work of getting the new building in shape.

Mr. Eccles was inclined to push out the older Governors of both Board and banks. He regarded these men as dominated by Mr. Glass unaware of change as operators rather than thinkers. Mr. Eccles wanted younger men in. His approval of re-appointments was restricted to men under 65. At that time there were four of the Board members who were in the late sixties. They were men of the old school thinking and their ideas were not compatible with new ideas. Mr. Hamlin could not work as hard as Mr. Eccles desired. Mr. James lived in the past. Mr. Miller thought as Mr. Glass thought. There was some difficulty in removing these men because Mr. Roosevelt was counted as a friend both by Mr. Miller and Mr. Hamlin. Mr. Eccles



convinced him on the matter of age. (Was this about the time of the court-packing problem?) Mr. Roosevelt said he would make no appointments over 60.

Mr. Miller took his removal or what amounted to removal well. Mr. Hamlin was kept on as special counsel at the same salary. Mr. James took his removal very hard and went back to Memphis where he died within a short time. Mr. J. J. Thomas threatened to make so much trouble with Congress that he was appointed Chairman of the Federal Reserve Bank at Kansas City.

Mr. Eccles asked the Board for comments on the Banking Act of 1935, but got none which were useful. This made him feel there was no one on the Board who knew as much as he did.

Mr. Morrill is a neat white-haired man, very shrewd, eyes set close together. He says that students usually take their "truth" from reports which are made to show this official attitude or that. They miss the personalities which had so vivid an effect on decisions. Hence, he believes in the value of this Committee's project, but he doubts that we will get very far with the present makeup of the Committee. He thinks that Mr. Sproul and Mr. Burgess will uphold what was done in the bank and will tend to derogate what was done by the Board, that Mr. Martin will tacitly go along with these opinions but will refrain from comment. Mr. Morrill was speaking confidentially in this.

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Postscript: Chester Morrill said that Hamlin in his diaries mixed personal with Board business. He was far from accurate as he grew older. His diary notations can be taken as leads, but the facts should be verified later.

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