

Internal MemorandumInterview with Mr. Charles J. Rhoads at Bryn Mawr

Mr. Rhoads, who was the first governor of the Federal Reserve Bank of Philadelphia, is the only one of the original governors now alive. He is a man of 83 but still tall, active and very alert. He belongs to an old Quaker family which came over to this country with William Penn and settled in a part of Pennsylvania occupied mostly by people of Welsh ancestry. His family have been makers of leather belting for seven generations.

Mr. Rhoads lives on a 50-acre farm not far from Bryn Mawr College with a stone house built about 1700, a series of delightful formal gardens laid out by his wife, his own cows, chickens and spring water tasting of iron. He grows all his own vegetables, and, in general, lives the life of a cultivated and delightful country gentleman of wide experience and fine taste.

Mr. Rhoads was a trust officer of the Girard Trust Company when the Federal Reserve Act was passed. He claims that his appointment to the first governorship of the Federal Reserve Bank came about by accident. He was talking with the president of the Girard Trust Company and expressing some indignation that a prominent banker, who had been offered the post, would not take it. Asked if he himself would accept it, he said, "Certainly," and within a short time his appointment arrived from Washington.

He said that he went into the job entirely green, knowing nothing more about banking than the trust business of the company with which he had been working, but, said he, everybody else was in the same boat with the possible exception of Ben Strong and Paul Warburg. It was his impression that Strong had been working in connection with the Aldrich Committee, and Warburg, of course, had European experience in central banking behind him.

Mr. Rhoads' admiration for Warburg goes very deep. Apparently, the two men were temperamentally somewhat alike, and Mr. Rhoads had a regard for the older man's wisdom which still continues. He quoted Paul Warburg as saying, "Never let your short-term money get to unmanageable proportions. You must refund." And he drew various

examples to prove how few people remember that. He spoke in particular about the present Treasury, which in his opinion has too large a proportion of short-term paper out. He also spoke of the French who found themselves so flooded with short-term paper in the 1920's that when they should have refunded in 1926, they found it quite impossible.

One detail should be added to Mr. Rhoads' account of his appointment to the governorship as "by chance." His father was the first president of Bryn Mawr College, and Woodrow Wilson got his first training as a professor at that institution. The Rhoads family and the Wilson family were warm friends, and Mr. Rhoads remembers Woodrow Wilson as a much admired and very brilliant young professor, when he himself was considerably younger. Politically, the two men did not belong to the same party, but this early association undoubtedly played a part in the recognition, by President Wilson, of <sup>when</sup> the name ~~XXX~~ the appointment came up and may have had to do with his speedy acceptance of the name.

Mr. Rhoads said that the first business of the newly opened Federal Reserve Bank of Philadelphia was the acceptance of the dues of the newly made member banks. He remembers a week in Washington shortly after the banks opened which must have been the first Governors' Conference and which apparently was a session devoted to mutual education of the various representatives. Of this conference, Mr. Strong was Chairman and Mr. James Curtis of the New York Bank was Secretary. All the new problems of the newly created Federal Reserve Banks were laid on the table and discussed at that session. Mr. Rhoads remembers only a few of the people present. Mr. Strong, whom he seems to place in a position apart, was the most knowledgable man there. Otherwise, he remembers Governor Seay of Richmond, Governor Aiken of Boston, Governor Kains of San Francisco, Governor McDougal of Chicago. The rest are dim in his mind.

Asked if he recalled Joe Zach Miller of Kansas City, he said that he remembered him but that Mr. Miller made no particular impression.

After the week's sessions, the recommendations of this first meeting of the Governors' Conference were taken to the Board.

Mr. Rhoads regarded Mr. Warburg as the strong man of this group, but he also thought that Mr. Delano was valuable. He had no particular regard for Mr. Hamlin, He thought that Adolph Miller was not particularly valuable when he started but that he became more so as the years went on and that he did show a capacity for learning, which has not been credited to him by other people. Mr. Rhoads and his wife motored in California with Mr. and Mrs. Miller at one time, and he too remembered a didactic and determined man who was quite sure that he knew the answers to every question.

Mr. Rhoads stayed with the Federal Reserve Bank of Philadelphia only for four years. He left because, being a Quaker, he was also a pacifist and was not happy in the position of selling war bonds. He went into Quaker Relief and served with the Friends Service Committee in Europe during the rest of the war.

At the time of the first Liberty Loan he remembers that the Philadelphia Federal Reserve Bank <sup>found itself</sup> short \$100,000. The Secret Service arrested a man for stealing that amount, but Mr. Rhoads did not believe that the man was a thief and bailed him out. Later a bank in Bethlehem, Pennsylvania found two of the new \$100,000 bonds stuck together, and the man who had been thought to be a thief was dramatically freed. # Mr. Rhoads said that in the beginning there was very little enthusiasm for the new Federal Reserve Bank in Philadelphia. National banks had to join. Very few state banks joined. There was competition between the clearing house and the new bank, and as the clearing house in Philadelphia played a very important role in the city, this competition made for frictions. However, the conflict with the new Federal Reserve Bank gradually died away, and the clearing house shed the functions which had been taken over. However, this did not mean the end of trouble. In 1929 the old schisms were reopened. It was extremely difficult to get clearing house members, members of the Federal Reserve System, and non-clearing house members together to formulate any kind of a policy on which they could all agree. In the beginning there was a constant tendency of certain banks to overborrow and to refuse to keep up their reserves. They were irked by the controls which the new Act imposed on member banks, and they had no hesitancy in making their irritation

known.

Mr. George Norris was a friend of Mr. Rhoads, an active and good Democrat. He was approached and promised the Comptrollership of the Currency under McAdoo, but something slipped. He started the Federal Land Banks and laid out their administration.

John Skelton Williams, who was actually appointed to the Comptrollership under Woodrow Wilson was "the only man I ever knew who could strut sitting down." This phrase has been mentioned to me before, and it was apparently common among men who, like Mr. Rhoads, did not like Williams.

Of McAdoo Mr. Rhoads said that he came tinged with the reputation which gathered around his promotion of the subways under the Hudson. Apparently, a lot of people lost money in this. In Mr. Rhoads' opinion, Mr. McAdoo mishandled the railroads during the war. Nevertheless, he was a personality to be recognized and a partner of George Franklin and Joseph Cotten. (More can certainly be gathered on these points.)

Of W. P. G. Harding Mr. Rhoads said that his memory was that he was a political appointee and something of a professional southerner, but it was obvious that he learned the job as he went along.

One story of a moment of tight money is worth noting. A moment came at the Girard Trust Company when money grew very tight, and currency was hard to come by. Mr. Morris, head of the Girard Trust Company, told Mr. Rhoads that Bethlehem Steel always paid their workers in gold, and that he should get in enough for a month or so. The question was where such an amount of gold for weekly payments could be obtained. Mr. Wayne of the American Express, who <sup>was</sup> ~~is~~ a friend, told Mr. Rhoads that he knew of a gold supply which could be had for a very small premium, 1/3 of a cent per hundred dollars. It was the American Express Gold Hoard in Canada which was thus opened to the Girard Trust Company's use. They moved immediately to get it into Philadelphia and were thus able to provide the Bethlehem Steel with sufficient gold currency to pay their men.