PSF FEDERAL RESERVE [redacted]

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149

Subject File "F"

PSF
Fed. Reserve

THE WHITE HOUSE
WASHINGTON

Carl Vrooman Ill.

Mannel Minn.

Dean Phillips Iowa.

Prof Jones. — Phila.

PSF
F.R

United States Senate

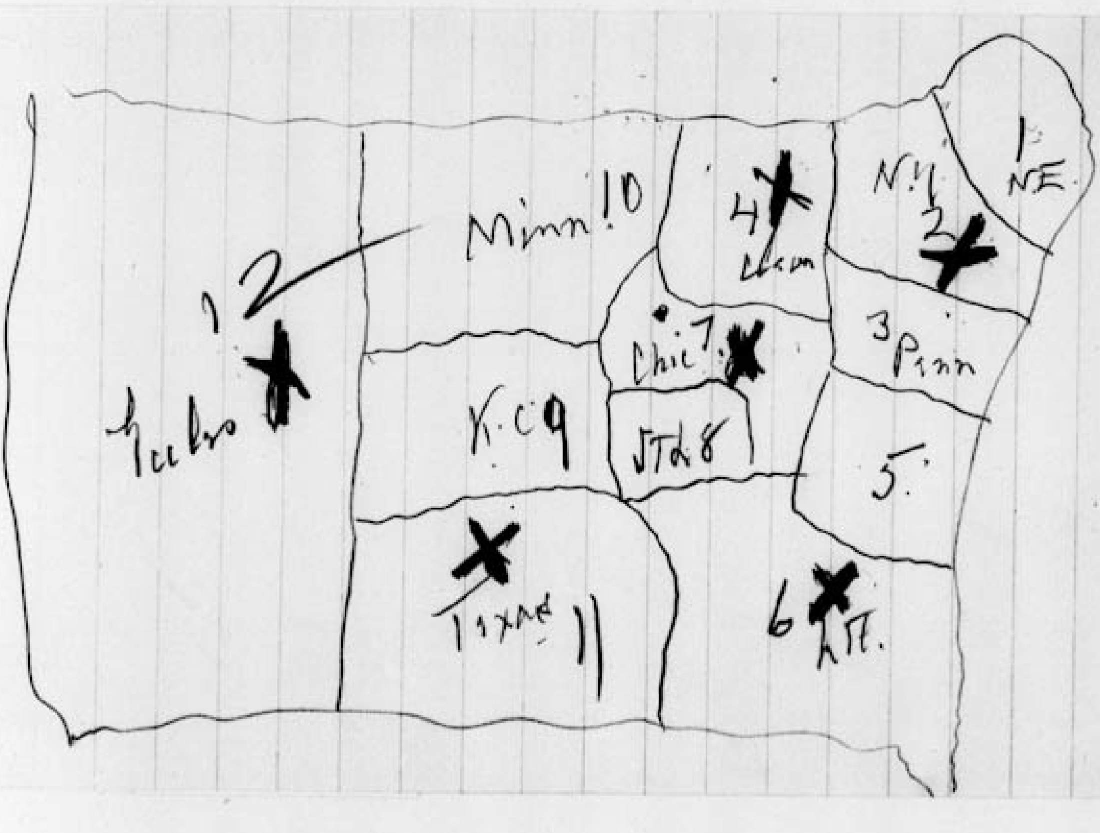
MEMORANDUM

My dear Franklin:

John Garner thinks Morrison would be a good "farmer member" of the Board of Governors of the Federal Reserve System and Jesse Jones thinks he is utterly unfit. Both Garner and Jones agree that John H. Shary, Mission, Texas, would make an outstanding man for the place. Extensive farmer, about 52 years of age, highly intelligent and fine character. Jesse also thinks R. J. Stuart, of Oklahoma City, would measure up completely. Either of these men, with the others discussed, would make up a Board which you could confidently rely on.

Hastily yours,
Carter Glass.

PSF
Fed. Reserve



PSF Fed. Reserve

Ethan P. Wescott (Collingswood, N.J.), son of Judge J.W.W. (who nominated Wilson) feels he has not had a square deal re Camden postmastership. He stood first on the Civil Service list, but the Civil service law was evaded entirely.

Under these circumstances, it is hoped you can find some place where he can serve your administration — say in the department of Justice — as Marshall, District Attorney, or otherwise.

He has always been a loyal supporter of yourself. In fact his original support, as against Al Smith, is what made him persona non grata with the Democratic Machine in N. J. and being defeated him for the postmastership.

Irving Fisher

In Washington
more than N.Y.
Has 120 offices
in U.S. Spends
more than
8 months out
of N.Y.

Pamphlet of Fed Reserve

PSF
F.R.B

Heimann, Henry Herman Democrat Age, 44

Legal Residence	:	Flint, Michigan, Federal Reserve District No. 7.
Would Replace	:	(M. S. Szymczak is from District No. 7; as Heimann's office is in New York, he might be appointed from District No. 2.)
Biography	:	Born, Aviston, Ill., Sept. 26, 1891; student, St. Mary's (Kan.) Acad., 1905-08; LL.B., St. Louis U., 1914; auditor, Kawneer Co., 1917-19, asst. treas. and credit mgr., 1919-21, treas. 1921-27, v.p. same and 4 affiliated cos., 1927-30; executive manager, Nat. Assn. of Credit Men since 1930; ex-pres., of same; Chrmn. Dem. St. Com. of Michigan, 1928-30; delegate, Democratic Conventions of 1928, 1932; member, exec. com. of Bus. Advisory Council, Dept. of Commerce; vice-chrmn. Industrial Com., N.R.A.
Comment	:	Suggested by Sec. Roper; Sen. Glass, letter of Oct. 21, 1935, to President: "It is my very definite conviction that Mr. Heimann would prove a most useful and desirable member." (See attached memo., supplied by Sen. Glass.)

Mr. Henry H. Heimann was born in Missouri in 1891. His father, now dead, was of German descent, and his mother who is still living is an American of Irish descent. There is no Jewish blood in Mr. Heimann's veins.

For two years he attended St. Mary's College at St. Mary's, Kansas, where he took the liberal arts course. He then transferred to the University of St. Louis where, after two years, he graduated, having completed the course in business administration, accounting and economics. He then attended the law school of St. Louis University, securing his degree in law, after which he was admitted to the Missouri Bar. He is a member of the American Bar Association.

In 1916 he went to Niles, Michigan, to do some auditing work for the Kawneer Company, manufacturers of store equipment. At first his work was entirely on auditing and accounting, but subsequently he took charge of cost work and then credit work, until he finally was made vice president of the Kawneer Company in charge of sales and finances. As he worked in the credit end of that business he became active in the work of the local and National Association of Credit Men. In due course he became a director of the National Association of Credit Men and subsequently, in 1931, was elected president of this national association. Two months after his election as president, he resigned the presidency of the association and the vice presidency of the Kawneer Company in order to become secretary, treasurer and executive manager of the National Association of Credit Men on full time basis. He has continued in that capacity ever since.

During N.R.A. he served as a member of the Industrial Advisory Board of N.R.A. Later he became (and remains) a member of the Business Planning and Advisory Council of the Department of Commerce. For some time he served as secretary to the council. In January 1934 he was appointed director of the Shipping Board of the Department of Commerce, in which capacity he served for four months while on leave of absence from the credit association.

Mr. Heimann is a Democrat and, while he has never served in an elective public office, he is not inexperienced in politics. He is extremely well grounded in business and economic subjects and is a profound student of business and economics. He is a prolific writer on these subjects and, to some extent, a speaker. He is held in highest regard by credit and business men throughout the country, and has been sound in the doctrines he has enunciated. He is pleasant socially, and an extremely good mixer.

Mr. Heimann is married and has one daughter. He maintains his residence in Niles, Michigan. As a matter of fact, Mr. Heimann's duties keep him in New York most of the time, but he is a registered voter in Michigan, which might be an important factor in any consideration of his name. It would appear to be a safe statement that business in general would react extremely favorably to the appointment of a man like Mr. Heimann.

MEMORANDUM

The legal division has been requested to furnish an informal opinion as to whether Mr. Henry H. Heimann (executive secretary of the National Association of Credit Men) whose residence is in ~~Flint~~ Niles, Michigan, and whose main office is in New York City, may be appointed at large or from some Federal Reserve District other than the one in which he resides or the one in which he has his office.

Section 10 of the Federal Reserve Act provides in part that "In selecting the members of the Board, not more than one of whom shall be selected from any one Federal Reserve district, the President shall have due regard to a fair representation of the financial, agricultural, industrial, and commercial interests, and geographical divisions of the country."

It is beyond challenge that the intention of Congress was that the ablest men available who were representative of the country should be eligible for appointment. The law therefore appears to have been worded with this objective in view as is indicated by the following statement which Senator Glass made on behalf of the Banking and Currency Committee of the House in his report on the original Federal Reserve Act (No. 69, 63d Congress, First Session, page 43):

> "The provision that the President in making his selections shall so far as possible select them in order to represent the different geographical regions of the country has been inserted in very general language in order that, while it might

> not be minutely mandatory, it should be the expressed wish of the Congress that no undue preponderance should be allowed to any one portion of the Nation at the expense of other portions. The provision, however, does not bind the President to any slavish recognition of given geographical sections."

It will be noted that the law states with reference to appointees "not more than one of whom shall be selected from any one Federal Reserve district" and that among other things the President shall have "due regard to a fair representation of the different commercial, industrial and geographical divisions of the country". There is nothing in this language to prevent the President when seeking to carry out the intention of Congress as to finding the ablest, most representative appointees, to designate these appointees from given districts. All that the law contains is a prohibition against designating more than one appointee from the same district. In other words, there is nothing in the law to prevent the President from designating an appointee at large especially if, as in the case of Mr. Heimann, he is representative of the country at large. Indeed, the intent of Congress to have as appointees competent and representative men would be carried out by appointing Mr. Heimann at large or from some district other than the one where he resides or the one in which he has his office. Or if it is considered preferable, Mr. Heimann may be selected from the Fifth District, which includes the District of Columbia, since he has frequently resided here and been occupied at his Association's office here in the discharge of his duties, which in fact, radiate to all parts of the country. Moreover, he has repeatedly been stationed in Washington, not only in connection with his Association's work, but in connection with his membership on the Business Planning and Advisory Council of the Department of Commerce and as a director of the Shipping Board under the Department of Commerce.

It will be noted further that the law does not state that an appointee must live in or have his office in the district from which he is appointed. Hence only by narrowly construing the language of the law could it be argued that Mr. Heimann must be appointed either from the Chicago district or from the New York district when as a matter of fact, since he became executive secretary of his Association in 1930, with its branches in virtually every state in the Union, he has been more representative of the country at large than of any one district. Furthermore, were he to be selected either from the Chicago or New York districts, the question of whether he was representative of the one or the other would be more open to argument than to have him designated at large or as "selected from" the District of Columbia.

It has repeatedly been evidenced that Congress has not desired so to draft laws as to make them "minutely mandatory", but that on the contrary, Congress whether by law or by custom, has recognized that the President's first concern should be to obtain the services of the best men provided that they are representative and that these considerations should outweigh the accident of geography. Thus, while it has been an unwritten law from the beginning of the Republic that the different sections of the country should be represented on the Supreme Court, the Senate, far from questioning, was glad to accept the appointment of Mr. Justice Cardozo of New York although two New Yorkers, namely, Chief Justice Hughes and Mr. Justice Stone, were on the bench at the time of the appointment. In other words, the fact that Mr. Justice Cardozo was eminently qualified and representative of the country at large rather than of the section in which he had spent his entire life was rightly the guiding consideration, and the accident of his geographical location was not permitted to stand in the way of the choice of a conspicuously desirable member of the Court.

Similarly, Mr. Heimann's [redacted] qualifications should be the primary consideration, and not the accident that his home is in Niles and his main office in New York, especially in the face of the fact that there is no prohibition in the law barring his appointment either at large or as from some other district.

PSF: Federal Reserve System

From the Atlantic Monthly
December, 1933

Paula

ECONOMIC CONSEQUENCES OF THE NEW DEAL

By William Trufant Foster

What next under the N. R. A. campaign? Can we consolidate our gains and thrust the line forward in new sectors? Or have we rashly taken territory which we cannot hold? Will the next need of a vigorous offensive find us with most of our shells fired and the rest duds?

The answer to these questions may depend on whether we distinguish in time between those phases of the N. R. A. which can be relied on, year in and year out, and those phases which are effective, if at all, only as emergency measures.

We know, in any event, that the emergency which confronted the new President called for an immediate, bold offensive. Such action was imperative, because the policy of inaction had brought us to the verge of despair. To go forward, however, in accordance with long-range planning was impossible: there were no plans. We had always been content to plan to plan sometime in the planless future. Meanwhile, Laissez-Faire had been the orthodox religion; and the most respectable of economists and bankers had been its high priests. Slowly, reluctantly, we had lost our faith in the Lazy Fairies. We had discovered that, in times of stress, each rugged individual, pursuing his own profit, is not guided by an Invisible Hand to act for the common good. In reality, he acts for the common harm. Each rugged employer, each rugged banker, each rugged short-seller, each rugged consumer, each rugged boss of a trade-union local, so acts for his own protection, when conditions are bad, as to make conditions worse. That, we found out, is the ragged part of rugged individualism.

We began to realize that bankers, producers, and consumers could have dealt a crushing blow to the depression, any day, by collectively using their fighting powers. That, however, was precisely what they were not able to do. For we had intentionally framed a so-called Federal Reserve System which could not function as a system; we had formed forty-nine banking groups, incapable of collective action, each demanding the inalienable right of having as many bank failures as it pleased. At the same time, we had intentionally forbidden producers to act for the common good by joint agreement; and we had provided ourselves, as consumers, with no agency for collective action except the one agency which had thus far refused to act - namely, the Federal Government.

That is why there was neither program nor precedent to enable the new President to deal adequately with the crisis which confronted him on the day of his inauguration.

To start recovery, however, nothing more was needed than a program which would appear sufficiently promising to change the mental attitude of the nation. Every physical necessity was at our command, and had been every day of the depression; every productive resource that we possessed at the heights of prosperity - men, materials, machines, money - everything. We were certain, therefore, to go ahead, at least temporarily, if we thought we could. Mr. Roosevelt first made us think we could. He then proceeded to act on ten basic, permanently sound principles. If he retains the courage and the power to follow through on these ten principles, and if he avoids policies which clash with them, the New Deal may bring a New Era, welcomed even by the most scornful of the Laissez-Pharisees.

II

These are the ten principles: -

1. Every government, in formulating a national economic plan, should start with the needs and capacities of human beings, not with financial statistics. Under the Old Deal, the procedure was the reverse. It began with financial statistics. Then, when the custodians of these statistics incidentally observed the sad spectacle of ten million human beings who were eager to work but could find no work to do, the custodians concluded regretfully that nothing could be done about it. For, behold the statistics! That was the Law, and Mellon was its Prophet.

Under the New Deal, we start with the victims of statistics. We observe that they are eager to work, that there is plenty to work with, and that they are yearning for an opportunity to enjoy the wealth which they could readily produce if they had a chance. Then, and not until then, do we take a look at the paralyzing financial statistics: money in circulation, so much; interest on debts, so much; tax-exempt securities, so much; tax receipts, so much; hoarded money, so much; sterile gold reserves, so much; commercial bank loans, so much; and the rest. Whereupon we conclude: 'We made all these statistics; we can change them.'

2. For, we have discovered, no recovery measures can be even temporarily successful unless they do something to financial statistics. Every major business depression is a monetary phenomenon. It is the result of the wrong volume and rate of flow of currency and bank credit. The flow is right only as long as the money income of the consumers who want to buy is such that they do buy, at the current price level, the increased output of consumers' goods. Adequate consumer income is the crux of the problem. A business depression accompanied by a sufficient flow of consumer purchasing power is no more possible than a prolonged drought accompanied by abundant rain. Consumption regulates production. This truth was rescued from obscurity about ten years ago. Since then it has become the foundation of the demands of organized labor, the byword of the man-in-the-street, and the second principle of the New Deal.

3. The third principle is that consumer purchasing power is subject to collective control. Neither currency nor bank credit

grows on bushes, or falls like manna from the skies. The flow of money is not a result of natural law. Money does not manage itself. Every currency is a managed currency. The only question is whether it is managed intelligently, or the way we have managed it in the past. The New Deal boldly takes the novel position that man, who invented money supposedly for his own convenience, can now make money serve his convenience. He can see to it that money finances consumption, and thereby he can make certain the financing of employment and production.

When, however, money has been mismanaged, and the country has suffered from rapid deflation, it is a proper function of the government to bring about counter-deflation - thus reducing the real burdens of debtors and preventing wholesale repudiation of debts; restoring, in the process, the dollar values of most of the assets of banks, building and loan associations, and insurance companies; protecting consumers' savings; and at the same time establishing the only conditions under which business as a whole can operate at a profit.

Early last May the President said in a radio address, "The administration had the definite objective of raising commodity prices to such an extent that those who have borrowed money will, on the average, be able to repay that money in the same kind of dollar which they borrowed." Early in July the President reiterated that purpose. "Revaluation of the dollar in terms of American commodities," he said, "is an end from which the government and the people of the United States cannot be diverted." The policy was sound. The subsequent slump in business and in confidence did not occur until it became clear that the government had, in fact, been diverted from its announced policy.

4. There are two chief means of getting the additional purchasing power into the hands of consumers: gifts, in the form of charity, doles, and bonuses; and wages. Of these two ways, wages is far the better, because that is the only way to strengthen morale and increase production. Wages can be paid out only through private works or public works. When there is no hope of an increase of private works, through private initiative, the only possibility is increased public works, or public aids to private works.

5. The volume of currency and credit used for this purpose should be large enough to meet the needs of a country with a proved productive capacity of ninety billions. The objective is to create additional real wealth to the value of at least thirty billion dollars a year, wealth which we are now losing, solely because we are not employing the productive resources at our command; in other words, to produce each year enough additional real wealth to pay off the total national debt. No smaller objective is defensible.

After wages have fallen off nine billion dollars, federal appropriations of a few hundred millions cannot be expected to restore consumer buying. That fact was emphasized before the Senate Committee on Finance when it was timidly considering the first feeble R. F. C. bill. The aim of the whole counter-deflation program is to prime the pump of private business. Half priming the pump is useless. A bold program costs less than a timid program. As a matter of fact, insofar as the program results in the creation of public works through the use of labor and materials which otherwise would be wasted, the public works cost the country nothing. Such a program, it is true, requires additional bookkeeping work on the financial statistics; but this work, also, can be performed by men who otherwise would be idle.

6. There are various ways of bringing about the necessary increase of currency and credit. For psychological reasons, if for no others, those ways should be used which are not commonly called "inflation." The program should be flexible, for it is impossible to tell in advance precisely what effect upon the price level and upon employment any one measure will have. But, whatever measures are employed, the government should not hesitate to follow through because of the current scare propaganda, in which the printing-press fiascoes of Russia, Austria and Germany are cited as sufficient reasons why this country should do nothing

at all. These are false analogies. Every government which plunged into the chaos of riotous inflation was on the verge of collapse, and used the printing press as the only available means of keeping in power a little longer. Every government which made this fatal mistake was heavily in debt to other countries; had exhausted its taxable capacity; possessed scant gold reserves or none at all; and had no definite, logically chosen reflation goal. In not one of these five essentials is the United States today analogous to those countries which are constantly held up as horrid examples.

7. Recovery from a major depression through government leadership involves an increase of public debt. No attempt should be made to balance the Recovery Budget. Public debts should be increased in hard times and paid off in good times. The budget of current expenditures should be separate from the budget of capital expenditures, as it is in the soundest of private business enterprises. In following this policy the worst that can happen to a nation which owes nothing to the rest of the world, and finances its entire program internally, is that all of its people incur debt to some of its people for a fraction of its demonstrated annual productive capacity. And no nation ever fell from such a cause.

8. Each major industry should be encouraged, and if necessary required, to plan production, distribution, and conditions of labor in the public interest, subject to such federal regulations as are necessary for the protection of consumers. The program of each industry should be an integral part of a comprehensive, coordinated national plan.

9. An essential part of the New Deal program is the recovery of private business. The incentive of private business is profit. The New Deal must, therefore, establish conditions under which private business has sufficient prospect of profit.

10. Finally, we can carry out an adequate national industrial plan, regardless of what the rest of the world does, or fails to do. It is not true that every industry can recover, regardless of what happens abroad; but it is true of industry as a whole. This country can restore its volume of trade and employment, if need be, without the aid of increased foreign trade. Before the crash of 1929, it is true, our so-called "favorable" balance of trade enabled other countries to acquire a large volume of American products for which American investors paid. We became victims of the universal trade obsession that it is more blessed to give than to receive. But our excess of giving never did go far toward offsetting the deficiency of consumer buying at home. The statistics make this perfectly clear. At present we owe nothing to other countries on net balance, and we require nothing of them except what they are eager to supply and we are abundantly able to pay for.

This does not mean - Heaven forbid! - that isolation should be our goal. International cooperation in the spirit of good will is highly desirable at this critical moment; ultimately it will be not only desirable but imperative, if civilization is to survive. Nevertheless, in this emergency the United States, single-handed, can achieve greater prosperity than it has ever enjoyed, merely by using the resources now at its command. Some of us are old enough to remember when the Technocrats excited the country. Let us hope that we are not too old to remember the chief lesson they taught: that our productive powers - powers which we can use without permission from abroad - will enable us to abolish poverty, as soon as we use these powers.

In any event, nothing we could promptly achieve by international conferences, in the present inflamed condition of Europe, would do so much for the world outside our borders as for us to achieve, within our borders, the permanent success of the New Deal.

The New Deal was an initial success because it was based on these ten principles. It must carry through on this basis or fail. There is no alternative. It was not the emergency which justified the government in adopting these principles; it was the emergency which enabled the government to gain support for principles which should have been adopted long ago. Chief among the economic consequences of the New Deal, if it is a success, will be increased faith in these principles in the years to come.....

From "Economic Forum" Vol. 1, No. 1
1932-[redacted]

A DISCUSSION OF BILLS, BANKS, BONUSES AND BUDGETS

In 1926, I said in an article in the "World's Work" that we were failing to buy the products of our own labor, partly because we were sending too much money abroad. I pointed out that we were increasing the net indebtedness of foreign countries to us each year, without having the slightest idea how they were ever going to pay their past indebtedness; and I suggested that from 1926 on, whenever we sent more money abroad, we should call it not business, but philanthropy. That is one of the forms of saving whereby we prevented our own people from buying enough of our own products to enable us to keep on producing, and that is one of the direct causes of our present plight.

How much can you save to advantage? You can save more cotton mills; you can pile up more bricks; but what good does that do you? What good did it do New England? We built so many cotton mills that we had to close many of them and run the rest of them on part time. Then, after we had saved all these cotton mills which we could not use, we went down South and built a lot more cotton mills.

Well, if it turns out that in a profit economy, on account of savings largely made out of profits, the people as a whole are unable to buy the goods that they produce, and we run into a depression like this, does that mean that we must abolish the profit economy? Must we follow the plan of Russia? I think not. Karl Marx and all the others who have proved conclusively that it is impossible in a profit economy for the people _ever_ to get enough money to buy the products of their own _labor_, have proved too much: for in the long run we _do_ succeed in distributing the products of labor. The trouble is that _periodically_ we fail. That means that the profit economy _does not work_ automatically to bring about the proper flow of money to consumers. The control therefore must come from outside the profit system. That is the cue to planning in a free country.....

What I am proposing is not parlor socialism. For the moment, I am not talking about social justice. I am talking about mathematics. It is utterly impossible, as this country has demonstrated again and again, for the rich to save as much as they have been trying to save, and save anything that is worth saving. They can save idle factories and useless railroad coaches; they can save empty office buildings and closed banks; they can save paper evidences of foreign loans; but as a class they can not save anything that is worth saving, above and beyond the amount that is made profitable by the increase of consumer buying. It is for the interests of the well-to-do - to protect them from the results of their own folly - that we should take from them a sufficient amount of their surplus to enable consumers to consume and business to operate at a profit. This is not "soaking the rich": it is saving the rich. Incidentally, it is the only way to assure them the serenity and security which they do not have at the present moment.

Why have we not controlled money in the past? Largely because we have been brought up under the theory that control was unnecessary. We have been dominated by the doctrine of laissez-faire. Now all over the world, we are considering economic planning, because we have found that, in respect to the flow of currency and credit, laissez-faire simply does not work. From Adam Smith, who told us about the Invisible Hand which is supposed to lead each individual, pursuing his own interests, to do what is for the interests of all; down through John Stuart Mill, who preached the doctrine that production automatically finances consumption and therefore no nation need worry about distribution; down to the present depression in which we have relied on "natural law"; down to this very week, when I read in the bulletin of one of our largest banks that "natural economic forces must be left alone to run their course," always we have shown a child-like faith in the "Lazy Fairies."

The business man's favorite way of expressing this faith is to insist that we must not interfere with the law of supply and demand. It does not seem to occur to him that we create the supply and we create the demand; and we can change either or both, by collective control, whenever we decide to do so.....

In connection with the stock market crash and what followed, billions of dollars of credit went out of circulation, and the Federal Government did nothing to bring it back. There was no plan. We were told that it wasn't necessary to have any plan. Each rugged individual, left alone, would do all that was needed. We cannot place all the blame on Congress. No plan was placed before Congress; no comprehensive plan directed toward sustaining the consuming power of the people on a basis with the production of wealth. Without such a plan, it is impossible under capitalism to have sustained prosperity; and I question whether it will be possible very much longer, without such a plan, to have capitalism.

The question is not whether we must have an American plan; the sole question is what kind of plan we are to have. It is incomprehensible that the people of this country, should very much longer stupidly continue to suffer the wastes, the bread lines, the suicides, the despair, which come with laissez-faire, and for the care of the sufferers to have no official policy except charity - charity which they resent, and properly resent, and which at best enables most of the rugged individuals among the wealthy to escape their share of the burden. It is inconceivable, I say, that an intelligent people should much longer tolerate this. We shall either have a plan which can operate under capitalism, or we shall have a plan which will operate without capitalism.....

What I propose is radical; it is far-reaching; and it has some dangers. It might not work exactly as I hope it would work. But to my mind, it is immeasurably safer than letting things slide any longer. If I were a communist, I should be heartily in favor of relying in this country on rugged individualism. I should try to have nothing done through collective action, for doing nothing collectively is the quickest way to overthrow capitalism. "They also serve who only stand and wait," but they serve the cause of communism.....

Some people question whether we should have a "managed currency." Every currency is a managed currency. It doesn't just happen. The only question is whether it shall be managed intelligently, or as we have managed it in the past. The choice is between a system which certainly has gone wrong, and one which possibly might go wrong. We should no longer refuse to create, by collective action, enough currency and credit to enable us to operate our machinery and employ our willing workers, solely because there is danger of creating too much.

How can the Government put money into circulation? Well, how have we prospered when we have prospered? Chiefly through the expansion of bank credit, used in public works and in private works. We can prosper that way again. The best possible Federal device is long-range planning of public works. We should increase the total expenditures for public works throughout the country at the first signs of a business depression.

Our present Federal administration, over and over again, publicly and privately, committed itself to this policy. It even went so far as to ask the Governors of all the States, in New Orleans in November of 1928, to cooperate in using $3,000,000,000 for public works at the first sign of a business depression. I know something about this, because I went to New Orleans and helped present the plan to the Governors' Convention. A telegram from Mr. Hoover at that time asked to have the proposal presented as his plan. That was twelve months before the crash in the stock market. Yet, in the first twelve months of this business depression, the Federal Government spent no more on public works than it spent in the highly prosperous year of 1928. In other words, the plan which we heard so much about fell down one hundred percent. So, when anybody tells you that there must be something the matter with this plan, as a means of preventing business depressions, because it didn't work this time, the answer is that the plan was not even tried.

Another way of getting money into circulation, and one of the best ways, is a possibly self-liquidating plan. I have been tremendously interested in the project that has been drawn up, in some detail, for cleaning out four square miles of the worst housing district of Philadelphia and completely rebuilding that area. All our American cities are rotting at the core. Our slums are a disgrace to the wealthiest country in the world. This much, in fairness, we must say for the Russian plan. If anywhere in Russia, they had as many available trained carpenters and masons and bricklayers and engineers and architects and all the rest, and as much available steel and lumber and brick and all the other building materials as we have here, they would not sit around and stupidly hand out charity to the unemployed. They would use the surplus men and the surplus materials, and they would clean out these festering sores and make decent dwelling places for the people. Incidentally, there would be no unemployment.

Now, what can be done under communism or socialism, can be done under capitalism in the United States, if we have sense enough to set up an adequate flow of currency and credit in the right channels. Again I say, nothing else is lacking that is essential to sustained prosperity. I advocate, then, as a part of national planning, that the Federal Government make available to the states and cities, on extremely low interest rates, sufficient funds for cleaning out and rebuilding the slums.

To what extent would I carry out such measures? Sufficiently to bring back the price level of, say, 1928. Yes, I am proposing inflation, and I am not camouflaging it under some other name. I propose a correction of the disastrous deflation of the last three years, and no more. One safeguard against going too far is the horror with which we all look, and rightly look, on excessive inflation.....

One way to get the money is by borrowing it. That might increase the national debt three billion dollars. What of it? The object is to gain $15,000,000,000 a year in production which we are now losing, solely because we are failing to use our productive capacity. Would any private business be so stupid as to hesitate to go into debt three billion dollars, when there was a reasonable chance of thereby increasing its profits fifteen billion dollars a year? That, in effect, is what the Federal Government is doing.

This is no time to balance the budget, not, in any event, the budget of new capital expenditures. This is no time to increase taxes. The time to increase taxes is when taxpayers are prosperous. But we always do the wrong thing. In 1928, when it was easy to pay taxes, we reduced them; now, when it is difficult to pay taxes, we increase them. Mr. Mellon, under an obsession that the national debt has to be paid off at just so much a year, went right on paying off the debt in the depression year of 1930 at the rate of prosperous 1928. The money should have been used in 1930 to employ idle men and increase the national wealth.

But the plan I propose would, perhaps, endanger the gold standard? I think there is no immediate danger. We have enough gold to maintain the price level of 1928. In any event, the purpose of an economic system is to increase the well being of its people. The purpose is not to maintain the gold standard. If the gold standard prevents us from so using our productive resources as to sustain employment and abolish poverty, then we should either change or abolish the gold system....

The measures which have been taken by the Federal Government looking toward inflation are in the right direction, but they are utterly inadequate. We need more action, and we need it quickly. If we went far enough to restore the price level of 1928, we should automatically reduce real wages without reducing dollar wages, thus avoiding strife. We should enable tens of thousands of producers to employ men and make profits who cannot do that today. We should thereby create real wealth - real wealth out of which ultimately all taxes are paid. We should raise the dollar values of bonds and stocks and real estate and commodities and farms, and thus provide a basis for further expansion of bank credit. We should enable tens of thousands of producers to employ men and make profits who cannot do that today. We should thereby create real wealth - real wealth out of which ultimately all taxes are paid. We should raise the dollar values of bonds and stocks and real estate and commodities and farms, and thus provide a basis for further expansion of bank credit. We should in the process bring a lot of money out of hoarding, without any of the ballyhoo campaigns which, under present circumstances, do more harm than good. We should virtually stop bank failures for the time being. That would not be enough. Eventually we shall have to put all banks under one national system, with uniform Federal examinations, reports and regulations, thereby depriving each State of the inalienable right of having as many bank failures as it pleases.

By the plan that I propose, we should prevent what may otherwise be a catastrophic, general repudiation of debts. The real burden of indebtedness in these three years of deflation has been increased, by the change in the value of the dollar, until everybody who owes a debt on a farm mortgage, or a house mortgage, or a bank loan, is now obliged to pay in real wealth about a dollar and fifty cents for every dollar of debt. It is utterly impossible for the debtors to meet these obligations. The plan which I propose automatically removes the unjust and intolerable increase in the real burdens of debtors.

This plan, moreover, is in full accord with American traditions. America was born in a struggle for freedom; America was reared in local self-government and in universal free education. We are accustomed in industry to individual initiative and self-reliance. We have demonstrated the productive power of the profit motive. We have proved that we can lift the standard of living of our people higher than any other economic order has ever attained, as long as the flow of currency and credit to people who want to buy keeps pace with the flow of goods.

But we have also proved that we cannot safely leave that flow to chance; that a corrective must be established outside the profit system itself. That means Federal control; that means national planning; and that means collective action on a scale hitherto untried in the United States.

From "The Bowdoin Quill"
March, 1931

WE WANT WORK

Doles do not create jobs; they create loafers.

So we say to Senator McNary precisely what we said to Senator Brookhart a year ago. Speed up and enlarge the Federal construction program. Cut the red tape. Abandon riotous thrift. Stop saving money and wasting men. Above all, after wages have fallen off nine thousand million dollars in a single year, do not imagine that an appropriation of fifty million is "adequate funds." Increase employment on public works throughout the Nation, with some reference to the magnitude of the problem.

Give the jobless millions what they want, Senator - chores, not charity.

That is what the Liberal Party proposes to do in England. In particular, it recommends employment of men on new main highways, bridges, docks, and harbors; clearing up of city slums; development of electric power; and extension of the telephone system. The opponents of this program object that it proposes to meet a crisis, in which economy is essential, by spending more money. In reply, the Liberal Party declares that capital outlay to increase efficiency is the basic policy of every successful business. The development of the telephone system in the United States is cited as an example.

This program of the Liberal Party is sound. It is less wasteful to employ men in doing useful work, which must be done sometime, than to leave them to deteriorate in enforced idleness. The fundamental fact is this: Great Britain is annually paying for idleness about half a billion dollars. After the tenth winter of unemployment, it is clearer than ever that the country must either continue to pay <u>for</u> idleness, or must pay to <u>end</u> idleness. "The former plan," says Lloyd George, "leads further down the slope toward morass. The latter leads back to firm ground. The refusal to spend money wisely in national development does not save the money at all. It merely diverts it to idleness. True economy is wise expenditure."

What Lloyd George says of Great Britain applies with even greater force to the United States. For in this country, with its hordes of idle gold and unused bank credit, there is no excuse whatever for the penny-wise, pound-foolish policy which refuses to allow willing workers to labor on needed public works.

Radio Address, April 25, 1933
over a nation-wide network
of the National Broadcasting Company

FINANCING OF CONSUMPTION

Our financial world is organized - very efficiently, too - for the purpose of producing anything for which there is a buyer. That is true, even today. There is, in fact, a superabundance of available currency and credit for the financing of any producer who can sell his product. If a buyer appeared tomorrow morning in Tucson, Arizona, with an effective demand for a thousand whaling vessels to be built in the desert, the vessels would be built - quickly. A hundred banks, in spite of their fright, would compete for a chance to finance the Arizona whaling industry.

Consumption regulates production. Consumption, therefore, regulates employment. An economic depression accompanied by adequate consumer buying is no more possible than a drought accompanied by abundant rain.

There is sense, it is true, in the old proverb, "You can't eat your cake and have it, too;" but there is just as much sense in the new proverb, "You can't have your cake unless you eat it." That is to say, unless today's cakes are eaten, tomorrow's cakes will not be baked. And in that case even the bakers will have to join the bread-lines............

Our so-called national banking system - which is no system at all - is intended as nothing more than a means of financing production. We have always neglected the financing of consumption. Yet there is no hope of preventing a recurrence of "hard times" like these, unless we do finance consumption. We must so manage our currency and credit that buying of goods will keep pace with the making of goods.

Toward that end, we must prevent an excessive flow of income into the hands of those who save too much and spend too little. Thus we can prevent those forms of over-saving which were potent causes of this depression. The means are at hand: the abolition of tax-exempt securities; increased taxes on large incomes; increased taxes on large inheritances; and excess profits taxes. All such taxes are just. The burden is distributed strictly in accordance with capacity to bear the burden. The purpose is not to "soak the rich," but to "save the rich;" to save them from their own folly - the folly of over-saving.

Such tax measures would tend to prevent the excess-savers from retaining, in a period of prosperity, an excessive proportion of the national income. These measures would help, therefore, to sustain the buying power of wage-earners as a whole.

FINANCING OF CONSUMPTION

But that is not enough. There is still a piece missing from the jig-saw puzzle of business, as long as the individual worker who loses his job is unable to buy as usual. The worker's function as consumer is just as essential to business as the worker's function as producer. I repeat: consumption regulates production..............

There are permanent causes of unemployment: movements of population, for example, migration of industries, obsolescence of industries, and changes of custom, taste and style. As these are permanent causes, there must be permanent measures for maintaining the consuming power of the displaced workers. The only measure whereby we can hope to achieve this purpose on a large scale is compulsory unemployment insurance..........

But compulsory unemployment insurance is not enough. We must also have compulsory health insurance: we must provide group medical practice for the sake of seventy millions who fail, under the present system, to obtain the needed care; and we must provide group payment for physicians, dentists and nurses, thereby sustaining the income of another large group of consumers..........

We must do more. We must provide pensions for the aged - for those who will be unemployed for the rest of their lives; and fairer compensation for industrial accidents, and better vocational rehabilitation. We hear much about the need of care of our disabled soldiers, yet in industry we have injured or killed fifteen times as many persons as in war. Still the benefits paid to injured workers fall far short of maintaining their buying power...........

The jig-saw puzzle of business is still a mixed-up mess. But there is new hope. At last, we have federal leaders who know that the puzzle will not solve itself; that it is folly any longer to rely on the Lazy Fairies. They know, too, that we cannot put the puzzle together so that it even looks like Prosperity, without the missing piece - adequate consumer purchasing power. Happily, all the measures taken under the New Deal are for the express purpose of providing the missing piece.

From New York Times, January 10, 1932

PSYCHOLOGICAL FACTORS IN BUSINESS DEPRESSION

It is our own consumption, our own buying, our own finances, our own state of mind, which largely determine not only our prosperity but that of much of the outside world. This conclusion is fully supported by statistics recently compiled by Carl Snyder, chief statistician of the Federal Reserve Bank of New York. We might make a rapid recovery from this depression if we could dispel the illusion that the rest of the world is chiefly to blame for it.

The fact is, we have a home market which will readily absorb a larger total volume of consumers' goods than we have ever produced, just as soon as we devise means of increasing consumer purchasing power at the right rate. We can do that whenever we decide to do it. The volume and flow of money is sufficiently subject to our control. Money is, in fact, the only agency of production which is not now ready to do its part.

Released June, 1932
Taylor Society Bulletin

STABILIZATION THROUGH MONEY AND CREDIT POLICY

.....So far as the United States had any private banking policy in 1930 and in 1931, it was a policy of deflation. So far as the United States had any official public policy during those years, it was a policy of deflation. Until recently, the leadership of the banks and of the politicians was mainly leadership backwards. Business was forced to retreat in disorder, supplied all the while with enough man-power and munitions and equipment to win the war.

.....Once a depression is well under way, the needed credit does not come to the rescue of business, as long as business relies on "rugged individualism;" for each rugged individual - each bank, each corporation, each consumer - in pursuit of self-interest, does precisely what makes the situation worse for business as a whole.

The goal is clear and the path is clear. By collective action, which necessarily means federal action, we should put into use at once enough bank credit to restore the price-level of 1926-1928. This course would inevitably put most of the unemployed back to work, and relieve charity of the load which evidently it will not carry, and which possibly it cannot carry. Any so-called "economy" program which renders this course impossible is false economy. The immediate program should involve an increase of national debt, but no increase of taxes. An added debt of several billion dollars would not interfere with prosperity. We proved that in the years from 1923 to 1928. And once we have restored prosperity, we can retire the national debt at the rate of nearly a billion a year without hurting business. We have also proved that.

Credit inflation, carried merely to the extent of undoing the deflation of the past three years, would automatically relieve all debtors - all farmers and householders struggling hopelessly under mortgage indebtedness and all corporations equally hopeless under bonded indebtedness - of the unjust and intolerable part of their debt burdens, now fully eighty billions, which have been heaped upon them by price deflation. Such a course, moreover, would avert labor troubles by automatically reducing real wages without reducing dollar wages. It would bring money out of hoarding, without the ballyhoo campaigns which, as any psychologist might have predicted, have done more harm than good. It would restore the values of bank assets and thereby virtually put a stop, for the time being, to bank failures. It would increase the volume of production to the value of at least twenty billions a year, thus providing the real wealth out of which all debts and all taxes are paid, insofar as they ever are paid. On the other hand, without controlled counter-deflation, we face the certainty of widespread repudiation of debts, with incalculable resultant losses, material and moral. We face, in addition, the possibility of some kind of destructive, radical action. The stand-patters are the best friends of Bolshevism.

PSF file
Federal Reserve
file - (3) Drawer 2-36

THE WHITE HOUSE
WASHINGTON

1. Canning
2. Broderick
3. McKee
4. Parsons
5. Symck
6. Sharp
7. Fuchs

Broderick D— N.Y.

Crowley D 5th Dist.

Eccles R— Far West

Symeck D Chicago

Persons }
Romeans } D Atlanta

Gwyn Williams of San Angelo
Farmer Texas

McKee R Cleveland

THE WHITE HOUSE

		Dist
1	Foster	1
	Meyers	5
2	Meyers	5
	Shaum	10
3	Goss	5
	Shaum	10
4	Hermans	7
	Shaum	10

THE WHITE HOUSE
WASHINGTON

Monday - Jan. 20th

1. Foster -

2. Broderick -

4. McKee

6. Persons
7. Szmek.

Shay or Shamm.
10. or 11. Farmer K.C. in Dallas
12. Sachs

---

or. Bill Myer in place of (5th-Dist) Foster -
or Shamm of N.W. Mo. (K.C.) a Roosevelt Republic.

Shaum, J.Blaine   Republican   Age 40-45

Residence: Tarkio, Missouri;8th Fed.Res.Dist.
Would Replace:Judge Thomas,of 10th Dist., as agricultural representative on Board.

Gov.Myers states: (letter of Jan.18,1936)

"About 40 years of age;college graduate,A.B.degree,Tarkio College,Tarkio,Missouri. Has been in the farming business since he left college--a big cattle and hog feeder. Although he had some mishaps,due to financial conditions,is making progress in reducing the mortgage indebtedness which is held by the Federal Land Bank of St.Louis.

"Mr.Shaum married the daughter of William M.Rankin,deceased, who was a very prominent man in northwestern Missouri. Shaum has a fine reputation and is considered one of the ablest farmers in that section. Probably is a director of a small bank in Tarkio,but is not thought to have other corporate connections. Has always been a leader in agricultural organizations in that section. Does not have an active interest in politics,but is probably Republican and is reported to be conservative in tendencies.

"This information was obtained through the Farm Credit Administration at St.Louis from a bank officer in that city who is a native of Tarkio and who has known Mr.Shaum for many years. It has also been checked against records in this office, since Mr.Shaum was considered for appointment as a director of the Federal Land Bank of St.Louis some time ago. Judging from his educational background and experience, Mr.Shaum would be a typical,intelligent,reasonably successful farmer,although his operations are much larger than the average."

Secretary Wallace ,in a telephone conversation, said:

Mr.Shaum is about 45;from a standpoint of economic reasoning is splendid;lives in town,but owns 1000 acres of farm land; dresses very well;man of strong personality;was a bank director at one time;has mortgage on farm,but if land sold would have some money left after clearing all debts;practical farmer and livestock man--feeder.

THE COMPANY WILL APPRECIATE SUGGESTIONS FROM ITS PATRONS CONCERNING ITS SERVICE

1201-S

CLASS OF SERVICE

This is a full-rate Telegram or Cablegram unless its deferred character is indicated by a suitable symbol above or preceding the address.

WESTERN UNION

R. B. WHITE, PRESIDENT — NEWCOMB CARLTON, CHAIRMAN OF THE BOARD — J. C. WILLEVER, FIRST VICE-PRESIDENT

SYMBOLS

DL = Day Letter
NM = Night Message
NL = Night Letter
LC = Deferred Cable
NLT = Cable Night Letter
Ship Radiogram

The filing time shown in the date line on telegrams and day letters is STANDARD TIME at point of origin. Time of receipt is STANDARD TIME at point of destination.

Received at 708 14th St., N. W. Washington, D. C. 1936 JAN 16 PM 10 36

DA314 49 NL=AUSTIN TEX 16

HON CARTER GLASS=

WASHDC=

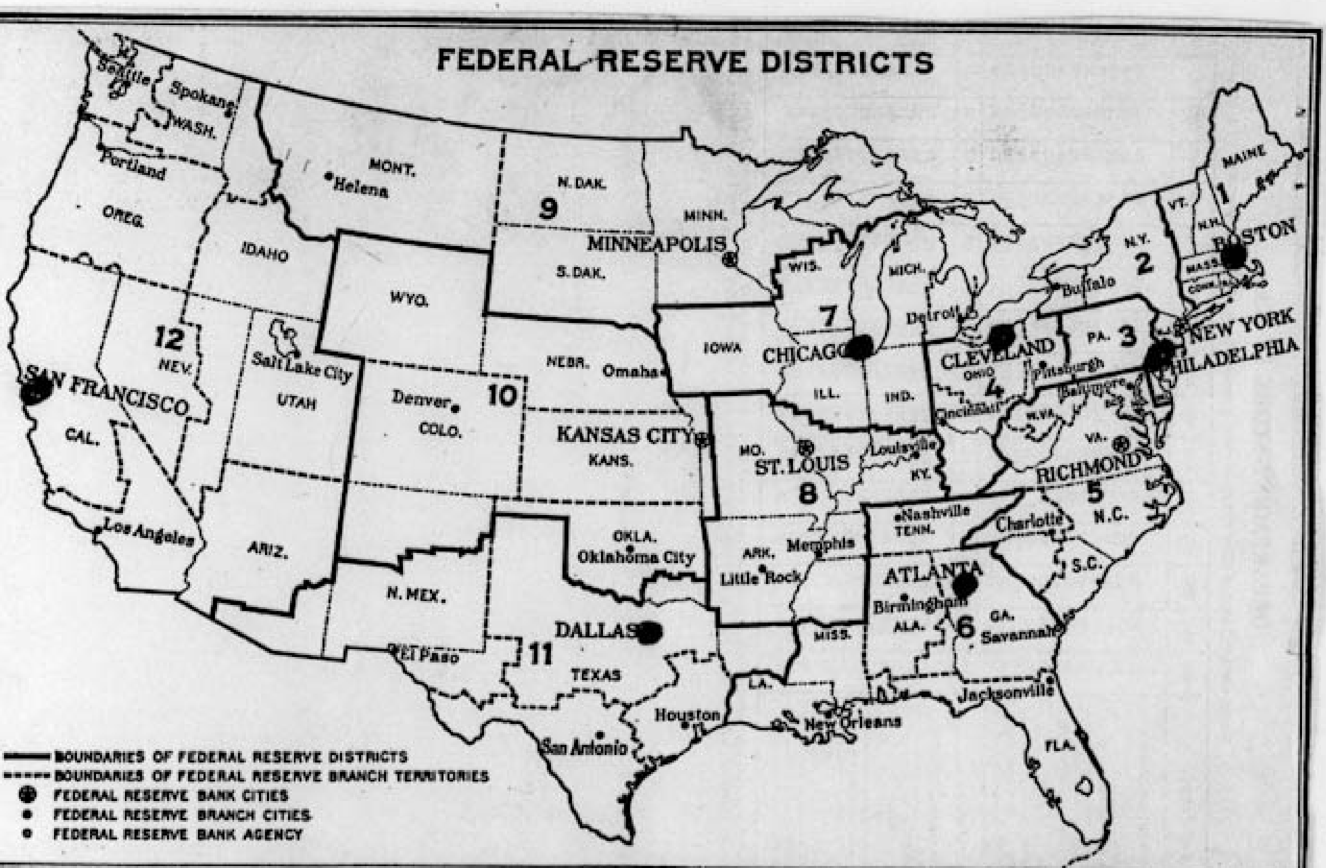
PLEASE ALLOW ME TO RESPECTFULLY STATE THAT IN MY OPINION JOHN H SHARY OF MISSION TEXAS IS EXCELLENT MATERIAL FOR A PLACE ON BOARD OF GOVERNORS FEDERAL RESERVE SYSTEM STOP HE HAS LONG BEEN ENGAGED IN FARMING AND IS QUALIFIED I BELIEVE IN EVERY WAY FOR THIS HIGH PLACE=

F M LAW.

NO ADDITIONAL CHARGE IS MADE FOR REQUESTING A REPLY BY WESTERN UNION

File - Federal Res Bd - (3) Drawer 2-36

PSF



FEDERAL RESERVE DISTRICTS

PSF
Fed. Reserve

Name	Age	Politics	Fed.Res. District	Replace	Occupation	Term
1. M. S. Eccles	45	Prog.Rep.	12	Self	Banker, Industrialist, Agriculturalist	4
2. M. S. Szymczak	41	Democrat	7	Self	Univ.Prof.,economics, business admn. Comp. City of Chicago	12
3. J. A. Broderick	54	Democrat	2	Miller	Sec.Fed.Res.Bd.;V.P. Nat.Bank of Commerce in N.Y.;N.Y.St.Supt. of Banking	10
Persons? 4. Ronald Ransom	53	Democrat	6	James	Exec.V.P.,Fulton National Bank of Atlanta	2
5. Wm. T. Foster	56	Ind.Rep.	1	Hamlin	College Pres.; Director,Pollack Found. for Economic Research; economist, writer, lecturer	14
Talley? 6. R. W. Morrison	54	Democrat	11	Thomas	Business man; ranch owner	6
7. John McKee	44	Republican	4	*	Banker, business man; Chief,Examining Div., R.F.C.	8

*One additional place created by Banking Act of 1935.

Paula - File
Fed Reserve -

Broderick, Joseph A. Democrat Age, 54

Legal Residence: New York, Federal Reserve District No. 2.
Would Replace : No New York district representative now on Board.

Biography : Born, New York City, Dec., 1881; public schools there; office boy, State Trust, later Morton Trust Co., 10 years later became chief clerk and auditor; completed course at School of Commerce, N.Y. University; at 28 became an examiner N.Y.St.Banking Dept.; 2 years later sent to Europe to study foreign exchange branches of American banks and to apply an examinations system which he had developed; also organized credit bureau of N.Y.St.Banking Dept.; member of committee appointed by Sec.of Treas.to work out technical organization of Fed.Res.banks, and plan suggested by committee adopted in 1914; became chief examiner of Fed. Res.banks; in 1918 appointed Secretary of Fed.Res.Bd. to succeed H. Parker Willis, but continued also as chief examiner and in that capacity examined all 12 Fed.Res.banks; resigned Aug.31,1919,to become V.P. National Bank of Commerce in N.Y., in foreign exchange dept.; member, N.Y.Credit Men's Assn.; active in A.I.B.,had part in preparing course in post-graduate instruction,A.I.B.; while a St. Bank examiner rendered conspicuous service, closing 3 notorious banks and assisting Dist.Atty.Whitman in prosecutions; unfairly accused in connection with U.S.Bank failure, but acquitted.

Comment : Will accept, but not seek appointment; will be glad to serve and consider it an honor; has recently been resting but has several offers as of the first of the year; is highly competent with broad experience; knows New York picture and market, also Fed. Res.operations; has high esteem of banking fraternity; is loyal to Administration and would be very cooperative member of the Board; knows foreign exchange, N.Y.bond market; Parker Gilbert, in discussing situation, strongly suggested him.

Letter of Gov. Harding to Broderick, August 9, 1919:

"It is with sincere regret that the Board accepts your resignation, feeling that it has no right to stand in the way of your personal interests. Your services during the whole period of your connection with the Board, which began five years ago, have been so important in the development of the Federal Reserve System, and have been rendered in a spirit so unselfish, and you have at all times manifested such ability, loyalty and zeal in the performance of your duties, that the Board feels that you have done your part, and that it would be unfair to ask you to make the sacrifice which continuance in its service would involve.

"On behalf of the Board and for myself personally, I desire to express the highest appreciation of your work and to convey the cordial good wishes of each and every member for the full measure of success which we are confident awaits you in your new field of endeavor."

At the mid-winter meeting of the New York State Bankers Association, at which Mr. Broderick was guest of honor, on January 21, 1935, J. Herbert Case, Chairman of the Board of the Federal Reserve Bank of New York, said:

"Looking back over the period which started with 1929, when Mr. Broderick took office, we may well say that, during those few years, he lived a lifetime of varied experience. Certainly, in the memory of those present, no six-year period in banking history has seen more real or acute banking problems than those which arose during that time. There have been at least three outstanding and major episodes. To begin with, Mr. Broderick assumed office in 1929 just prior to the collapse of prices on the New York Stock Exchange, which marked the beginning of a period when bank failures were fashionable. Later, the autumn stock market crash and the succeeding business depression had the effect of shrinking the assets of our financial institutions to such an extent as to raise here and there serious questions as to the solvency of some of our banks. The second crisis, and I am sure that our guests of the evening will never forget it, arose in the early fall of 1930, and may be called the Bank of United States episode. During the time that this situation was under active discussion—and those discussions frequently were carried on into the early morning hours—Joe Broderick and I stood shoulder to shoulder, and, I may say, saw eye to eye with regard to it. I know that Mr. Broderick had a complete recognition of the serious consequences, and of the repercussions that were likely to result if the collapse of the institution could not be avoided. I want to record, here and now, that, in my judgment, no man could have worked more faithfully or more intelligently, in trying to save that institution from complete collapse, than did Joe Broderick. It has been a great satisfaction to me, as well as to all of his other friends, that, when all of his actions in regard to this matter were subsequently reviewed by the courts in minute detail, at a time when public emotions were running high and searching for a scapegoat, he came through that grilling not only unscathed but with enhanced prestige. No court record could ever disclose the heartbreaking efforts and conscientious work which he put in.

Bank Holiday

"The third crisis—one that called for all the resourcefulness, all the constructive ideas, and all the energy that such a department head might possess, took place during the early part of March, 1933, and has since been known as 'The Banking Holiday'. The word 'holiday' has to many of us a curiously ironic sound in that particular application. Certainly there was thrust upon the Superintendent of Banks and upon his Banking Board, as well as upon the directors and officers of the Federal Reserve banks, a tremendous responsibility; first, the responsibility of recommending wise action to the legislative authorities, and second--a task almost impossible of satisfactory accomplishment in so short a time as the 10-day period of the holiday--that of determining the solvency of over 1100 commercial banks, non-member as well as member banks, in this district. The constructive part which Joe Broderick and his Banking Board played during that period will long be remembered with gratitude by the directors and officers of the Federal Reserve Bank of New York. Testimony as to his energetic and conscientious efforts is reflected in the present sound condition of the rehabilitated banking structure."

Ransom, Ronald | Democrat | Age, 53

Legal Residence	:	Atlanta, Georgia, Federal Reserve District No. 6.
Would Replace	:	George R. James.
Biography	:	Born, Columbia, S.C.,Jan. 21, 1882; LL.B.,U. of Ga.,1903; married daughter of late Senator Hoke Smith of Georgia; Adm. to bar, 1903, and practiced at Atlanta until 1922; V.P. Fulton Nat. Bank of Atlanta, 1922-33; executive V.P. since 1933; director in several corporations; First Lieut., Chemical Warfare Service, U.S.A.,1918; President, Atlanta Clearing House Assn.,1929; Chrmn. bank management div., and chrmn. bankers N.R.A. com.; A.B.A.; President, Ga. Bankers Assn., 1932-32; Mem. Reserve City Bankers Assn.; dir., chrmn. fin. com. Ga. Tax Revision Assn.; dir. (treas. 1933) Atlanta C. of C.; Gen. Chrmn. Southern Bank Management Conf.,1929.
Comment	:	Able, popular, attractive personality; active in A.B.A.; would be best available selection from South if General Persons unavailable.

Ronald Ransom. Born Columbia, S.C., January 21, 1882. Son of Luther A. and Elizabeth Chaffin (Cocke) Ransom. Removed with family to Atlanta, Ga. 1891. Educated at private schools. University of Georgia (LL. B. 1903). Married Mary Brent (daughter of Hon. Hoke Smith, Atlanta, Ga.) December 19, 1908. One daughter, Barbara. Admitted to Georgia bar, 1903, and practiced at Atlanta, Ga. until 1922. Member of the firm Smith, Hastings & Ransom (Hon. Hoke Smith, Jack Hastings, Ronald Ransom, and Marion Smith). Was Counsel for the Fulton National Bank of Atlanta from time of its organization. Vice President and Trust Officer, Fulton National Bank, 1922. Later Vice President and now Executive Vice President and Director of the same bank.

Director in charge of the Bureau of Personnel for Foreign Service, Southern Division American Red Cross, 1918. First Lieutenant Chemical Warfare Service, U.S.A., 1918. General Chairman Southern Bank Management Conference, 1929. Member Special Relief Committee, Atlanta, Ga., 1932-33. Chairman Georgia Relief Commission, 1933. Treasurer Atlanta Chamber of Commerce.

President Atlanta Clearing House Association, 1929. President Georgia Bankers Association, 1931-32. Chairman Bank Management Commission, American Bankers Association, 1932-34. Chairman The Banking Code Committee, NRA, 1933-34. Chairman Committee on Federal Legislation, American Bankers Association, 1934-36. Member Committee on Banking Studies, American Bankers Association, 1934-36. Member Commission on Banking Law and Practice of Reserve City Bankers Association.

Democrat. Episcopalian. Clubs: Capital City and Piedmont Driving Club. Residence: 217 Fifteenth Street, N.E., Atlanta, Ga.

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NATIONAL RECOVERY ADMINISTRATION

Washington, D. C.

October 28, 1934.

Mr. Ronald Ransom,
Fulton National Bank,
Atlanta, Georgia.

Dear Mr. Ransom -

I think I told you once before that I made few friendships in Washington that I value more than yours.

Thank you for your letter, but I must reverse the order and say that if it had not been for the broadness of your attitude and your understanding of men and economics the bankers of this country might have been in an entirely different relationship with the Government than they are today.

Bankers owe you an immense debt which they will not realize until later on because, as you know, you carried out the most difficult function that it is possible for a man to do successfully - that was in coordinating and conciliating bitterly conflicting opinions and attitudes both within your own group and between your group and others.

You performed so adequately and so naturally that I am inclined to think that even your intimates did not fully grasp the significance of what you were doing.

By the way, I sincerely regret to say that it may be that I shall not be able to get to Atlanta until after December 1st, if at all this year.

Sincerely yours,

(Signed) A. D. Whiteside,
A. D. Whiteside, Member
National Industrial Recovery Board

Foster, William Trufant Republican Independent Age, 56

Legal Residence : Newton, Massachusetts, Federal Reserve District No. 1.

Would Replace : Charles S. Hamlin of District No. 1.

Biography : Born, Boston, Jan. 18, 1879; A.B.Harvard, 1901, A.M., 1904, Ph.D. Columbia, 1911; LL.D. Colo. College, 1913; Western Reserve U.,1916; inst. English, Bates College, 1901-03; Prof., English and argumentation, Bowdoin,'05-10; President, Reed College,Portland,Ore.,1910-20; director, Pollack Foundation for Economic Research since 1920; lecturer at Harvard and Columbia; with Am. Red Cross in Europe,1917; member, Consumers' Advisory Council, N.R.A.; author of several books on argumentation, and with Waddill Catchings (N.Y.steel manufacturer, formerly with export dept. of J.P. Morgan & Co., and until 1930 a partner in Goldman Sachs & Co.,who financed the Pollack Foundation) of "Money", 1923; "Profits", 1925; "Business Without a Buyer", 1927; "The Road to Plenty", 1927; "Progress and Plenty", 1930; editor with Prof. Warren M. Persons of "The Problem of Business Forecasting", 1924; contributes to magazines, etc.

Comment : A pioneer in writing and speeches on defects in economic system resulting from failure of consumer buying power to keep pace with productive capacity; excellent speaker; pioneered in bringing out facts recently stressed by Brookings Institution but differing as to causes of economic cycles and correctives thereof; recommended for appointment by Henry I. Harriman, of Boston, former President of the Chamber of Commerce of the United States.;also by Sec.Dern,Gov.Curley of Mass;E.A.Filene,and many others (list attached).

Foster

Confidential

Reports indicate that these men, directly or indirectly, have urged favorable consideration by the Senate Committee on Banking and Currency:

New England men: Henry I. Harriman; Carl F. Danner, President, American Hide and Leather Company; Edward S. French, President, Boston and Maine Railroad; Edward A. Filene, Merchant; Albert Bowman, Springfield Vt., Bank President, formerly Director, Federal Reserve Bank of Boston; Harlan T. Pierpont, of Worcester, director of several banks and large manufacturing corporations; Earl Stevenson, President of Arthur D. Little, Inc.; Karl T. Compton, President, Massachusetts Institute of Technology; Kenneth C. M. Sills, President of Bowdoin College; Arthur A. Hauck, President of the University of Maine; Robert D. Leigh, President of Bennington College, Vermont; James B. Littlefield, attorney, providence, R. I., chairman, County Consumers' Council; Edward C. Moran, Congressman from Maine; V. Russell Leavitt, Manager, Paine, Webber and Co., Hartford; Warren M. Persons, Consulting Economist, formerly, Editor of Harvard Economic Review; James M. Curley, Governor of Massachusetts; Edith Nourse Rogers, Congress woman from Massachusetts; the Governor of New Hampshire, at the request of Edward S. French, andothers; Governor Brann, of Maine; and, presumably, Senators Hale and White, of Maine, and other New England Senators.

Outside New England:

Senator Robert J. Buckley, member of the Committee, at request of his campaign manager, and at request of Harold H. Burton, Mayor of Cleveland, Murray Seasongood, former Mayor of Cinninnati, and others.

Senators King and Thomas, of Utah, at request of Governor Henry H. Blood, of Utah, Frederick P. Champ, former President, Utah State Bankers Association, and others.

Senator Robert F. Wagner, of New York, member of the Committee.

Senator Albert W. Barklay, of Kentucky, member of the Committee, at request of Governor Chandler, of Kentucky, and others.

Senator Byrd, of Virginia, at request of Governor Chandler, of Kentucky.

* * *

Other names, in files in Boston (not available here) include$ many if not all of these:

Robert Watt, Secretary, Massachusetts State Federation of Labor; James McConaughy, President of Wesleyan University; Daniel Marsh, President of Boston University; John Cousens, President of Tufts College; John Baxter, Brunswick, Maine, Secretary of the NewEngland Council; Henry Shattuck, Treasurer of Harvard College, and member, Boston City Council; Senator Hastings, of Delaware; Payson Smith, for the past twenty years, Massachusetts State Commissioner of Education; Paul S. Deland, Editor, Christian Science Monitor; Ralph O. Brewster, Congressman from Maine; Carl Snyder, Chief Statistician, Federal Reserve Bank of New York; Malcomb C. Rorty, of Maryland, American Founders Association, formerly Vice-President, International Telephone Company, and chairman of the Board, National Bureau of Economic Research; Carle C. Conway; chairman of the Board, Continental Can Company; James Lawrence of Boston; Salmon O. Levinson, of Chicago, author of The Kellogg-Briand Peace Pact; Richard W. Walde, of New York, President, McClure Newspaper Syndicate; Ernest K. Lindley, of Washington, President Roosevelt's biographer; Morris Cooke, of Philadelphia; Edwin O. Childs, Mayor or Newton.

McKee, John K. Republican Age, 44

Legal Residence : Steubenville, Jefferson County, Ohio, Federal Reserve District No. 4.

Would Replace : 4th District not now represented.

Biography : Born, November 19, 1891, at Pittsburgh, Pa.; ed., public schools, Alleghany Preparatory School, University of Pittsburgh (night school) in banking and commercial law; worked summers with Crucible Steel Co. of America, 1905-06; messenger, Peoples National Bank, continuing with this bank until it was consolidated with First National Bank of Pittsburgh in 1921; 9 mos. overseas with tank corps during war; became asst. cashier of bank at age of 22, represented bank in various receiverships; resigned in 1923 to develop oil properties inherited in Kansas; operated as independent oil and gas producer 1923-1928; 1928-31, managed and operated family real estate holdings; 1931-32, represented Comptroller of Currency as receiver for insolvent national banks in Ohio and Pennsylvania; 1932-33, with R.F.C. as examiner in charge of bank reorganizations; 1933-36, Chief of Examining Division, R.F.D., supervising all commitments by Corporation excepting railroad, self-liquidating and drainage district loans.

C O P Y

MEMORANDUM

In 1927 I was elected president of a Birmingham, Alabama, bank. I bought as an investment at that time a substantial block of stock in this bank. I borrowed from Chemical Bank & Trust Company of New York $75,000, (later reduced to $67,000) giving as collateral bank stock with a market value of $140,000. Subsequently life insurance was pledged totaling $69,000.

I borrowed from Chase National Bank of New York $20,000, (later reduced to $17,800) giving as collateral bank stock with a market value of $54,000. Subsequently life insurance was pledged totaling $18,000.

In 1931 business conditions became bad in Birmingham. A market existed for my bank stock. I realized it should be sold as an investment. It was also true, however, that if the president of the most important bank in Alabama had sold his stock it would have caused a run on the bank, loss to depositors, stockholders, and business throughout the state. I did not sell the stock. The bank did not close. I lost what I had accumulated. The bank was saved.

The bank stock depreciated rapidly in market value. The loans became undermargined. In the spring of 1935 the two New York banks voluntarily proposed to cancel their notes and to accept in lieu thereof the notes of a corporation (The Fiscal Agency Corporation) with nominal capital, with the same collateral. In July, 1935, this arrangement was consummated. At this time I entered into an agreement with <u>The Fiscal Agency Corporation</u> to pay to it all my income over $15,000 per year up to $17,500 per year and to pay it 75% of all income over $17,500 per year.

The present status is:- My obligations to the New York banks are cancelled and surrendered to me. I have no obligations, legal, verbal, secret or otherwise to them. They hold the notes of The Fiscal Agency Corporation whose stock is in turn owned by M. H. Sterne and John F. Fletcher, of Birmingham, who are not related to me. The New York banks hold the same collateral originally pledged to them. They own the life insurance under an absolute assignment. Premiums are paid with such income as Fiscal Agency Corporation has.

The collateral held by New York banks has substantial present market value. If held a reasonable time, it will retire the New York obligations.

In the event the appointment is tendered me I will pay prior to taking office all other small banking indebtedness I have and I will dispose of every share of bank stock I now own.

(Signed)
John C. Persons

FEDERAL RESERVE BOARD

WASHINGTON

OFFICE OF THE GOVERNOR

January 11, 1936.

MEMORANDUM:

TO - THE PRESIDENT

FROM - M. S. ECCLES

I do not have a single dollar of indebtedness directly or indirectly with any bank or broker, or any affiliation of any bank or broker. I have never been connected with a bank failure, and no depositor has ever lost a dollar in any bank with which I have been connected in any capacity. No bank has ever lost a dollar as a result of credit extended to any company in which I have been active as an officer or director. All of the companies with which I was actively connected, owing any money to any of the banks with which I was formerly connected, can get such credit as they may be using at this time anywhere in the market on a basis of their financial standing due to the desirability of the credit.

I am not a stock market operator. My total investment in listed stocks when I came to Washington two years ago was $18,328.29. My investment has never exceeded that amount since and it is $15,655.42 at the present time. My investment in listed securities represents a very small part of my total assets.

January 7, 1936.

MEMORANDUM:

re: Confirmation and Senate subcommittee thereon.

1. Senator LaFollette would be a vitally important addition to the Senator Committee on Banking and Currency to fill the vacancy existing at and since last session because of the death of Senator Cutting; he knows the subject better than his colleagues, and would be invaluable from every standpoint, particularly if Senator Glass is to make another fight against confirmation; it might be suggested to Senator Robinson that he recommend LaFollette's appointment to the committee; this would probably assure it. Senator LaFollette is prepared, if necessary, to relinquish one of his other major committee assignments in order to go on the Banking Committee.

2. Senator Fletcher, Chairman of the Committee, has authority, if requested to use it, to designate a new subcommittee to act on appointments; otherwise, Senator Glass, if he continues hostile, would dominate as he did last session both as to confirmation and the Banking Act of 1935; the so-called Glass subcommittee of last session had a majority hostile to the Administration, whereas if a subcommittee of six, for example, were selected on the logical basis of seniority it would not have an anti-Administration majority. Thus, a subcommittee of the first four ranking Democrats and the first two ranking Republicans (a logical division on the basis of party representation on the full committee) would consist of Senators Fletcher (Chairman), Glass, Wagner and Barkley, Democrats, and Norbeck and Townsend, Republicans.

FEDERAL RESERVE BOARD

WASHINGTON

OFFICE OF THE ~~GOVERNOR~~ Chairman

January 7, 1936.

MEMORANDUM:

To - The President
From - Chairman Eccles

In connection with our conversation, I am, as a reminder, taking the liberty of suggesting that Senator Glass might be responsive to your suggestion that he refrain from renewing his fight against my confirmation. Doubtless it has occurred to you that he can perhaps be made to see how politically embarrassing such a fight would be, particularly at this time, and after I not only have served for a year, but you have already announced publicly your purpose to reappoint and designate me as Chairman—an announcement precipitated because a continuation of doubt as to my status and confirmation, in view of the Senator's hostility, seriously interfered with the discharge of important duties of the chairmanship prior to February 1. Presumably, the Senator will understand that if he were successful this time in encompassing my defeat, it could only be interpreted as a defeat for Administration policies with which I have been so closely identified in the public mind and, therefore, would be politically damaging. All this, of course, is wholly apart from personal considerations, and I shall not pretend that such a defeat would be a great personal blow to me.

It has occurred to me, also, that the Senator might be responsive to the view that the President should have as Chairman a man in whom he has confidence and who is representative of his general broad viewpoint and aspirations and that, therefore, a somewhat different situation applies to the chairmanship from that as to the other appointive members of the Board. While I am certain that the Senator has been mislead as to my banking relationships and is under misapprehension as to my economic views, I despair of finding a ground of reasonable reconciliation with him, and I am, therefore, convinced that the only appeal to be made to him is on the basis of his being willing, in deference to you and your Administration, to avoid an altogether unpleasant and, as it seems to me, needless and disruptive advertising of antagonism.

I am also taking the liberty of suggesting that you speak to the Senator with reference to his recommendation of Mr. Heimann, Executive Manager of the National Association of Credit Men, explaining to him that by reason of geographical provisions in the law, Mr. Heimann, whose home is in Flint, Michigan, and whose office is in New York City, cannot be appointed if Mr. Szymczak and Mr. Broderick are appointed, since they are respectively from the Chicago and New York districts, which are the only districts from which Mr. Heimann could be legally appointed.

The Senator will understand, I think, that Mr. Szymczak, who is young, industrious and able, has made an exceptionally good record and has excellent standing with the banking community, so that failure to reappoint him would work an injustice to him and deprive the Board of a highly competent member. Similarly, as you know, Mr. Broderick is outstanding by reputation, experience and exceptional qualifications. He outranks Mr. Heimann despite the fact that Mr. Heimann is an unusual, well qualified man, whose appointment would be desirable were it not for the legal restriction.

May I suggest, further, that you explain to Senator Glass that it has been your policy with reference to judicial appointments not to appoint men over sixty, and that by applying the same policy to the appointments to the Board of Governors, it will be possible to work no personal injury to the four present members, who are now sixty-seven or more, if they are not reappointed because of age. There will be no unjust discrimination, whereas, to retain one or more while rejecting the others, would not only do away with this impersonal reason and policy, but would appear to single out those not selected as the weak spots in the Board, which Congress desired to remove by its provision for appointment of a new Board.

Perhaps, also, it would not be amiss to suggest to the Senator that if he is to have a voice in the selection of some members, it would be unreasonable for him to insist upon determining the entire membership against your own preferences, and that aside from the great difficulties encountered in obtaining the services of some of the outstanding men who have been sounded out, there has been, as the Senator doubtless knows, political pressure on behalf of job-hunters and second-raters who have been rejected. The Senator might respond favorably to the view that in choosing a Board, you must consider all viewpoints and the country as a whole, rather than any individual preferences, however profound and sincere. It seems to me he would be interested to know, for example, that among the pressures there has been a considerable movement supported by the national farm organizations, in behalf of Congressman Goldsborough, among others, and that while you are desirous of deferring so far as possible to the Senator's views, he should be considerate as well of your own viewpoint and the difficulties and pressures under which you labor in connection with all these appointments.

QUOTATIONS FROM MR. MILLER

Going off the gold standard a blunder.

Hearings before a subcommittee of the Committee on Banking and Currency of the United States Senate, 1935, pages 683-684.

"Senator Glass. Vastly more fear and more wide-spread fear occurred by taking us off the statutory gold standard than would have prevailed had we remained on the statutory gold standard.

"Mr. Miller. I have no hesitation in saying that I agree with you 100 percent.

"...Mr. Miller. I think the most serious blunder that any country can make in the monetary field is voluntarily, by its own action, to suspend the gold standard. I think we would have been pushed off of the gold standard by the pressure of events, but there was no occasion for us voluntarily doing it. Events would have done it, and we would have been off the gold standard with, I think, a vastly better national prestige today than we have. I think wisdom, foresight, would have seen that and would have let the natural course of events take place. In other words, play the gold standard to a finish, even though it takes the last dollar of gold you have. We knew that we were in a creditor position and that the gold would come back here after the frantic fear had played itself to a finish."

Nature, not man-made plans, the cure for the depression.

Hearings before the Committee on Banking and Currency of the United States Senate, 1932, pages 225 and 239.

"I say for the time being keep hands off of the sick patient and stay out of the sick room except to feed, and bathe and keep the patient warm.

"Senator Brookhart. Let him die?

"Mr. Miller. He will not die.

"Senator Blaine. Who is the doctor that you will leave in charge of the sick patient?

"Mr. Miller. Nature is doing her work. She must be our main reliance. Let us not underestimate our recuperative powers. You can interfere and meddle, but in my judgment with very little good result. We are simply repeating our own history over again. We have never had a breakdown that has not surprised us, and our resort inevitably is to what I call baby psychology. We take resort particularly to cheap money devices in the hope and even in the belief that they will somehow or other wipe out mistakes, forgive debts, and set us all in good shape for a forward movement."

"...I hope you do not misunderstand my position there. We are trying to assist nature but I do not think that this assistance alone will accomplish results any more than I think it is possible to make the weather change by manipulating the barometer."

Board should select its own chairman.

The Banking Bill Considered in the Light of 1927-1929," June 24, 1935, pages 37-38.

"What then can the new banking legislation do to improve the situation of the Federal Reserve Board and insure a more competent performance by the Federal Reserve System in the field of open-market policy should the Federal Reserve Board be invested with ultimate authority and responsibility?

"My answer is to make the Board master in its own house by giving it an assured position of complete independence both in law and in fact. So far as can be done by statute law, it should be immunised against any form of interference, pressure or influence, be its source financial or political.

"In order to give the Federal Reserve Board a position as nearly immune from such influences as possible, I have proposed that members of the Board should, if not immediately then in due course, be appointed for longer terms of service, that they should not be removable except by impeachment, that members reaching the age of seventy should be given an allowance on voluntary retirement, that the title of the Federal Reserve Board should be changed to the Board of Governors of the Federal Reserve System, and finally that the executive head of the Board should be a chairman elected by the Board instead of a Governor appointed by the President."

Following are the most important names also considered, among others:

1. John H. Williams, Professor of Economics at Harvard, and economic adviser to the Federal Reserve Bank of New York; unwilling to accept because of inadequate salary, lack of pensions; considered in place of Foster.

2. R. G. Emerson, formerly Assistant to Governor Federal Reserve Board, then Deputy Governor Federal Reserve Bank of Dallas, now Vice President, First National Bank, Boston; also considered in place of Foster; unwilling to accept because of inadequate salary and lack of pensions.

3. S. Parker Gilbert, former Undersecretary of Treasury, Agent General of Reparations, now partner, J. P. Morgan & Co.; unable to accept because of inadequate salary and lack of pensions.

4. Lewis B. Williams, former Chairman and Federal Reserve Agent, Federal Reserve Bank of Cleveland; now Chairman, National City Bank of Cleveland; appreciated honor of appointment, but because of illness and other considerations, unable to accept.

5. W. S. Alexander, President, Puritan Bank & Trust Co., Meriden, Conn.; recommended by Attorney General Cummings; do not feel he has qualifications or experience to measure up to Foster; uniformly commended by numerous Meriden and other citizens confidentially interviewed at direction of the Attorney General; the only adverse comment being that of Fred D. Williams, Chief National Bank Examiner of Boston, who said he did not regard Alexander as capable of being a chief executive officer of a bank; believe he might be used, if possible, in a less important position than that of Board member.

6. Henry H. Heimann, Executive Manager, National Association of Credit Men; very favorably impressed with Heimann personally and with his qualifications; think he would make excellent member of the Board; however, his home is in Flint,Michigan and his office is in New York; it is unfortunate that he is not from some other district as he could not be appointed, under the law, from the Chicago or New York districts except in place of either Szymczak or Broderick.

7. William H. Pouch, President, Concrete Steel Co., New York, former President, National Association of Credit Men; age, 61; now semi-retired; an intensive campaign has been made to secure his appointment; feel he could only be considered after Broderick and Heimann from New York District.

8. Ralph W. Manuel, President, Marquette National Bank of Minneapolis; he has instigated much propaganda to secure his appointment; heads small bank with poor record;(two affiliated banks had to be reorganized, with substantial loss to depositors).

9. Malcolm C. Rorty, has personally written to Secretary Wallace and to Marvin McIntyre that he would be available, but know of no other support; is just past 60; has had extensive experience, but believe him to be set in views, opinionated and non-cooperative; has been outspoken critic of much of New Deal program; now retired and living on his farm in Maryland; author of "Rorty Plan" to have government subsidize industry.

10. John C. Persons, President, First National Bank, Birmingham, Ala.; question of personal financial situation involving indirect liability might make confirmation difficult and embarrassing to him; otherwise desirable.

11. Frank W. Foote, President, First National Bank, Hattiesburg, Mississippi; more pressure by far has been brought to secure his appointment than for any other person; Senator Harrison has been extremely aggressive for him for months; innumerable letters and telegrams have been received from various parts of the country supporting him; he is nearly 61 and seems older; aside from objection on the ground of age, I am confidentially advised by leading bankers in the South who have served with him on directorates that he is an incessant talker, consuming more time than all other board members put together; he has had a successful career in his home town as banker and business man, and is of good character, habits and well thought of, but does not measure up to either Persons or Ransom.

12. <u>Representatives Steagall and Goldsborough</u>, the Chairman and ranking majority member, respectively, of the House Committee on Banking and Currency, are both desirous of being appointed to the new Board; however, both are ineligible under Article 1, section 6, clause 2, of the Constitution which reads:

> "No Senator or Representative shall, during the Time for which he was elected, be appointed to any civil Office under the authority of the United States, which shall have been created, or the Emoluments whereof shall have been encreased during such time. . . ."

13. <u>Preston Delano</u>, Governor of Home Loan Bank Board; would be an eminently desirable member; however, he comes from the 12th Federal Reserve District, San Francisco, which is already represented, and while he has lived in Washington for the last two and a half years since he became general manager of the H.O.L.C. the legal question might be raised, especially by any member of the Senate Committee on Banking and Currency who was hostile, if he were to be appointed from Washington which is in the 5th District.

14. <u>Nelson W. Cheney</u>, New York State Senator; also over 60; highly regarded and has good record as small banker and in long political career; would have to be appointed from New York District and both Broderick and Heimann are preferable from standpoint of experience and general qualifications.

The two most serious obstacles encountered in getting qualified men to serve are, first, the inadequate salaries and lack of pensions for those serving long terms, and second, the prohibition in the law against a return to banking business for two years after leaving the Board unless a member has served out his full appointive term.

Revised to Jan 16, '36

Confidential

Contains many disparaging statements

PSF
Fed. Reserve

CONTENTS

Jan 16, '36

EXCELLENT

1. Marriner Eccles
   Governor, Federal Reserve Board

2. Robert H. Hemphill
   ~~Hotel Bellevue~~ Room 3208, Woolworth Tower, N.Y. City
   ~~Washington, D. C.~~

   Formerly Credit Manager of the Federal Reserve Bank of Atlanta. He understands, better than any other American banker I know, the relation of banking to money, and of both to the price level and the volume of business. (On these subjects I would only put higher Reginald McKenna, head of the world's largest bank and formerly Chancellor of the British Exchequer who has, for twenty years, fought for stable money against an almost unanimous opposition of British bankers and who has recently (Jan. 24, 1935) in addressing his stockholders, asserted that "without an expansive monetary policy adopted in pursuance of unequivocal Governmental declarations, the recovery (in England) could never have taken place.")

3. Lauchlin Currie (with Governor Eccles)
   Assistant Director, Division of Research and Statistics
   Federal Reserve Board,
   Washington, D. C.

   Formerly at Harvard University - Governor Eccles relies on him for data and advice. Although very young for such a job, I believe he would be an excellent member of the Board and would function much more efficiently if made a full-fledged member of the Board than if continued in his present position.

4. Gen. Robert E. Wood
   Chicago, Ill.

   Head of Sears, Roebuck. One of the few business men who thoroughly understands the problems involved.

5. Prof. James Harvey Rogers
   Yale University
   New Haven, Conn.

   Professor of Political Economy. Well informed, both factually and in economic theory.

6. T. Alan Goldsborough
   Member of Congress

   I think he will be far superior to Steagall although Steagall probably would be good. The monetary bills in Steagall's name have been in all cases, I think, more the work of Goldsborough than of Steagall - except as to deposit-insurance.

7. Frank M. Foote (60) [Am told there is another Frank Foote (also fr. Miss.) said to be a candidate and said not to be desirable]
President First National Bank
Hattiesburg, Miss.

Was a director of the Federal Reserve Bank of Atlanta when Hemphill was its credit manager. Hemphill thinks Foote would make an excellent member. I do not know him, but would trust Hemphill.

8. Prof. G. F. Warren
Cornell University
Ithaca, N. Y.

or, as alternate, his associate

8a Prof. F. A. Pearson
Cornell University
Ithaca, N. Y.

Although these men strum only ~~one~~ one string and are not especially acquainted with banking, they know more about that one string (gold in relation to the price level) than anyone else and one of them, I believe, should be on the Board, provided it is certain that America is to retain the gold standard.

9. M. S. Szymczak
Member of Federal Reserve Board

10. Virgil Jordan
President National Industrial Conference Board
247 Park Avenue
New York City

A good economist, with good business connections (now "muzzled")

Very Good

11. F. R. von Windegger
President Plaza Bank of St. Louis
1230 Olive Street
St. Louis, Mo.

or, as alternate,

12. W. L. Gregory
Vice President, Plaza Bank of St. Louis

These men, next to Hemphill and Vanderlip, seem to me to be the best equipped bankers in America. I think von Windegger would not accept, as he feels tied to St. Louis. He regards Gregory as the "smartest young banker" he knows. I have had much correspondence and conversation with both, and believe one of them should be on the Board.

13. Carl Vrooman

Former Assistant Secretary of Agriculture. I have not had direct contacts but have enough knowledge indrectly to be sure he would make a very good member.

? (Rogers)

14. Winfield Riefler
Flexner Institute
Princeton, N. J.

Formerly on statistical staff of Federal Reserve Board. Author of a plan to control velocity of deposits, recommended unanimously by the Board. Prof. James H. Rogers agrees with me that he would make an excellent member.

2 (Rogers)

15. Prof. Willford I. King
236 Wooster Street
New York City

Professor of Economics, New York University. Now President, after being many years Secretary, of the American Statistical Association. Formerly Economist, National Bureau of Economic Research. A remarkably practical-minded man, for an Academic economist. He has a very clear mind and excellent understanding of money and its relation to other economic factors.

16. Ralph W. Manuel
President Marquette National Bank
Minneapolis, Minn.

One of the few bankers who have studied money in relation to banking.

?, (Rogers)

17. Carl Snyder
Statistician Federal Reserve Bank of New York
33 Liberty Street
New York City

I have known him for many years. He is an excellent thinker and would be about the best representative of the Federal Reserve System on the Board that I can think of, although many in the System would oppose him as somewhat hostile to the usual banker psychology.

[Secretary Wallace knows Snyder]

Good

18. J. J. Thomas
Member of the Federal Reserve Board

19. Dean Chester A. Phillips
Dean College of Commerce
State University of Iowa
Iowa City, Iowa

Somewhat like W. I. King.

20. Herman Waldeck
Vice-President Continental Illinois Bank
Chicago, Ill.

I have only a vague personal impression. Indirectly, however, from sources I can trust I learn that he would be a promising man – probably by far the best among those now actively associated with big banks.

21. Maxmillian Wellborn (old)

Formerly Chairman of the Board of the Federal Reserve Bank of Atlanta.

22. Luther L. Blake
President Standard Statistics Co.
345 Hudson Street
New York City

One of the few business men who have studied money in relation to business.

23. Prof. Frank D. Graham
Professor of Economics
Princeton University
Princeton, N. J.

A constructive thinker.

24. Prof. F. Cyril James
Wharton School of Finance and Commerce
University of Pennsylvania
Philadelphia, Pa.

Probably the best read monetary economist in America.

24a Norman Lombard
Economic Consultant
50 Vanderbilt Ave.
New York City

Formerly Executive Director, Stable Money Association. He has a good understanding of money and some business background.

25. Col. M. C. Rorty
Engineer, Formerly Chief Statistician and Vice President of Am. Tel. & Tel. Co.
Old Spout Farm
Lusby, Md.

A constructive thinker and practical business man.

26. ~~H.~~ Hollins N. Randolph (65) [not Harlan Randolph of Atlanta. See note p. 16]
Lawyer
District of Columbia

Able lawyer, wide student.

? Keepers

27. Dr. Warren M. Persons
Member firm Warren M. Persons and Associates, consultants ~~to~~ in
Applied Economics.
Formerly Professor of Economics, Harvard University
12 East 41st Street
New York City

Good in monetary economics, and mathematical statistics.

28. Henry B. Steagall
Member of ~~Commerce~~ Congress

See (6).

29. Geo. Harrison
Governor of the New York Federal Reserve Bank

30. Alvan T. Simonds
President Simonds Saw & Steel Co.
89 Broad Street
~~New York City~~ Boston, Mass.

Member Advisory Com. Graduate School of Business Administration, Harvard.
Author: Business Fundamentals.

30a John E. Rovensky
Vice President National City Bank of New York
55 Wall Street
New York City

Was once President of the Stable Money Association. An exceptional banker.

? Keepers

31. Lionel D. Edie (Investment Connsel)
Chairman Edie-Davidson, Inc.
20 Exchange Place
New York City
Formerly Professor of Finance, University of Chicago. Author: The Banks

and Prosperity, etc. A sound economist and business man.

32. Ambrose W. Bankert (Investment Counsel)
220 East 73rd Street
New York City

Investment Banker and business man. Organizer and President of Young Men(s Executive Club. A student of money/in relation to prosperity.

33. Jeff Busby
Ex-Congressman
Houston, Miss.

? [illegible]

34. Professor John H. Williams
Economic Adviser, Federal Reserve Bank of New York
~~Formerly~~ Professor of Economics, Harvard University
Home: 148 Coolidge Hill
Cambridge, Mass.

Hoover appointed him on the Preparatory Committee for the London Economic Conference.

34a Wright Patman
Member of Congress

Fair

35. N. D. Alling
Ex-Bank President
Red Bank, N. J.

He is alleged to be something better than a mere journey-man banker and to possess some constructive imagination. He is supposed to have written something for the Bankers' Journal and to have published, or now has underway a book on the History and Theory of Banking. The general reaction is that Mr. Alling is somewhat above the average banker or business man in his grasp of the social aspects of his profession, but that his mental quality and the range of his information is by no means superlatively good.

36. Luther A. Harr
Professor of Finance, Pennsylvania University
Secretary of Banking, State of Pennsylvania
Philadelphia, Pa.

Economic Adviser of the Philadelphia Record and the New York Post.

37. B. H. Inness-Brown
120 Broadway
New York City

Lawyer; and able and informed student.

38. M. K. Graham
Capitalist
Graham, Texas

Author: Gold; An essay on Gold. One of the few business men who has made an intensive study of money.

39. Edward C. Romfh
President First National Bank
Miami, Fla.

An unusual banker and open-minded.

40. Leo Crowley
Federal Deposit Insurance
Washington, D. C.

Suggested by Prof. John R. Commons. Helped Prof. Commons "immensely" when he (Crowley) was head of State Bank of Wisconsin. Considered in Wisconsin as a Democratic politician, but has never held office. Was adviser to Governor Philip LaFollette on revision of Wisconsin banking laws. Is friend of Senator Wagner. Would be "bitterly attacked - all the better". I do not know him but would trust Commons.

41. Miss Florence Helm
Now with Federal Deposit Insurance

Like Prof. James H. Rogers, a former student of mine. Since then I have not followed her but Rogers has and thinks that if any woman understands money, it is Miss Helm. I would not hesitate to follow Rogers' judgment, if a woman is to be considered.

42. Prof. Harry G. Brown
Professor of Economics
University of Missouri
Columbia, Mo.

43. John F. Sinclair
Lawyer, Writer
420 Lexington Avenue
New York City

Formerly Economic and Financial Editor and Writer, North American Newspaper

Alliance; also writer of daily syndicated column. Special Investigator Farm Credit Administration, 1933.

44. Prof. Alvin H. Hansen
Economist in the State Department
Washington, D. C.

Professor of Economics, University of Minnesota, Minneapolis, Minn. An authority on depressions.

45. Fred I. Kent
Vice President Bankers Trust Co.
New York City

46. Col. Leonard P. Ayres
Vice President Cleveland Trust Co.
Cleveland, Ohio

Statistician. Too close to orthodox bankers.

47. Prof. Wesley Clair Mitchell
Professor of Economics
Columbia University
New York City

Director of Research, National Bureau for Economic Research. Chairman, Research Committee on Social ~~Plans~~ Trends, 1929 to 1933. Member, National Planning Board, F. E. A. Authority on "Business Cycles."

48. Prof. Edmund E. Day

Formerly Professor of Economics at Harvard and University of Michigan. I think he would make a moderately good member. Suggested by Prof. Frank Graham of Princeton who thinks him "a strong candidate".

49. William T. Foster (56)
Newton, Mass.

Former College President, Economist, Writer, Lecturer, Member of Congress. An able popular writer on money.

50. George LeBlanc
Investment Banker
80 Broadway
New York City

Formerly Vice President of Equitable Trust Company of New York. (First man - so I am told - to be offered governorship of Federal Reserve Board by

?(Rogers)

President Wilson). He has, I think, more familiarity with foreign exchange and its history than any other man on this list.

51. Leon Fraser
Formerly President B. I. S. Basle
New York City

Recommended by Prof. James H. Rogers. I would trust Rogers. I do not know him. His foreign experience would help.

52. Prof. Frederick W. Roman
214 Loma Drive
Los Angeles, Cal.

Formerly Professor of Economics and Education, New York University. Leader, Parliament of Man (formerly Civic Forum Inst.)

53. John K. McKee
Chief, Examining Division, R.F.C.
Steubenville, Ohio

The information that I have makes me believe that he would be a very poor selection for the Federal Reserve Board. He is represented as being a politician of only ordinary ability and those who are in a position to know seem to think that he is over-rated as Chief Examiner for the R.F.C. If he is over-rated for his present position, he is certainly not material for the Board.

54. Prof. Henry C. Simons
University of Chicago
Chicago, Ill.

A real thinker.

55. A. P. Giannini
Chairman, Trans-American Corporation
San Francisco, Cal.

Suggested by Prof. John R. Commons. I do not know him.

56. Lawrence Dennis
Oakcrest, 4 Oak Ridge Boulevard
Alexandria, Va.

I am not personally acquainted. Robert Hemphill is and tells me Dennis (1) has written a book on money; (2) had had banking experience; (3) is young (about 40); (4) knows political conditions and foreign exchange; (5) knows money in relation to ~~money~~ banking - the important and rare quality required.

Poor

57. Ronald Ransom (53)
Vice President Fulton National Bank
Atlanta, Ga.

Said to be of moderate ability. He served on National Banking N.R.A. Committee. Is believed to be the sort of person who might throw favor to the larger banking interests. However, in fairness to Mr. Ransom it ought to be said that he has made himself prominent in the A.B.A. and has taken an active part in bank management studies for several years past. He undoubtedly enjoys the favor of the group that directs the destinies of the A.B.A. If one could be sure that he would not be inclined to favor special privilege and the larger interests as against the interests of the depositors and of bankers generally, he might be higher in this list. (see note, p.16)

58. J. A. Broderick (54)
Former N. Y. State Supt. of Banking
New York City

So far as I can find out, he would be a great mistake. He made a very good record in his position as State Superintendent of Banking of New York but he is merely, I understand, a technician like Paul Warburg, or his son, or Eugene Meyer.

59. R. W. Morrison (54)
Business man, ranch owner
San Antonio, Texas

One person advises that he is a man of large experience and means, of good intelligence with decided opinions. Another person thinks he has public utility interests and was associated with the Insull projects. Was at the London Economic Conference.

To Be Avoided

60. Prof. E. W. Kemmerer
Walker Professor of International Finance
Princeton, N. J.

He is under obligations to bankers for his fortune. He is tied to the old-fashioned gold standard by his record as "money doctor" for nations. In this depression he has warned only against inflation, never against deflation.

61. Prof. O. M. W. Sprague
Professor of Banking and Finance
Harvard University
Cambridge, Mass.

Too close to orthodox bankers.

62. Prof. B. H. Beckhart
Columbia University
New York City

Too close to orthodox bankers.

63. Tom Smith
Bank President - Boatman's Bank
St. Louis, Mo.

He would be as bad a mistake as Aldrich, who made such an absurd speech in Houston recently.

64. Prof. Ray B. Westerfield
Professor of Political Economy
Yale University
New Haven, Conn.

President Economists' National Committee on Monetary Policy. Too close to orthodox bankers.

65. Gen. J. C. Persons
President First National Bank
Birmingham, Ala.

Said not to be very strong man. (see note, p.16)

66. Prof. Jacob Viner
Professor of Economics
Chicago University
Chicago, Ill.

Special assistant to the Secretary of the Treasury 1934 to 1935. Too close to orthodox bankers.

67. Rufus Tucker
Westfield, N.J.

Much too close to orthodox bankers.

68. Prof. H. Parker Willis
Professor of Banking
Columbia University
New York City

A technician but not a sound thinker.

69. Leland Rex Robinson
Investment Banker
50 Pine Street
New York City

Writes for financial periodicals.

70. Ralph West Robey
Columbia University
New York City

Instructor in Banking and Business.

71. C. L. Aylward (40)
Vice President Columbia National Bank
Kansas City, Mo.

He certainly would be an unfortunate choice. He is known as "a good fellow", able to mix well, but certainly not of the calibre that should be on the Federal Reserve Board. He is in the new business department of his bank, and even his own friends are inclined to doubt his ability in the more serious side of banking. It happens that he is the brother of a very influential Kansas City politician.

72. Adolph C. Miller
Member Federal Reserve Board
Washington, D. C.

73. Prof. Walter E. Spahr
Professor of Economics
New York University
New York City

Secretary-Treasurer Economists' National Commitee on Monetary Policy. Much too close to orthodox bankers.

74. Prof. Harold L. Reed
Professor of Economics
Cornell University
Ithaca, N. Y.

Too close to orthodox bankers.

75. Prof. Lewis H. Haney
Professor of Economics
New York University
New York City

New York University Bureau of Business Research. Daily column in New York Evening Journal.

76. B. M. Anderson, Jr.
Economist of Chase National Bank
New York City

Has a positive genius for getting things wrong.

77. W. S. Alexander (57) age
Ex-President Puritan Bank & Trust Co.
Meriden, Conn.

His bank in Meriden was on the ragged edge and his directors disagreed with him on the question of management, whereupon he resigned last November. He is now looking for a job. He is only a fair man in the banking field and gives no evidence of knowing central banking policies or money.

78. Rudolph Spreckels
625 Market Street
San Francisco, Cal.

Independent banker. Has stood against "the bankers". Was friend of the older LaFollette. I do not know him except as I once met him in New York (if he is the same Spreckels) eight years ago. At that time he most certainly knew nothing much about money. I would not recommend him unless or until I checked up on this.

<u>No Information Obtained</u>

L. R. Brown (32) age
Writer, bank clerk formerly
New York City

Jan 17. Have just seen an address by him. LS

N. W. Cheney (60) age
New York State Senator, Eden, New York

Ben R. Connor
President small bank
Aida, Ohio

Preston Delano
Governor, Home Loan Bank Board
California

C. C. Gaspard (51) age
Business man
New Orleans, La.

W. C. Harris (44) age
Deputy Secretary of Banking
Pennsylvania

(Evidently assistant to <u>Harr</u> - No. 36)

H. H. Heimann (44)
Executive Manager National Association of Creditmen
Flint, Mich.

Joseph Naughton
Comptroller, Pittsfield Third National Bank and Trust Co.
Pittsfield, Mass.

Walter Parker
Student, Economist
New Orleans, La.

William H. Pouch (61)
Retired business man; former president National Association of Creditmen
New York City

Arthur Wellborn
First Vice-President Commercial National Bank
Anniston, Ala.

Later: Arthur W. is almost unknown even in his home vicinity. Not regarded as equipped by mental ability, or otherwise, for such a job. Presumably a relative of Maximilian Wellborn (see No. 21).

With practical business experience

4 Wood
22 Blake
30 Simonds
38 M. K. Graham
59 Morrison

Acquainted with Foreign Exchange and Foreign Conditions

5 Rogers (?)
30a Rovensky
50 Le Blanc
51 Fraser
55 Gionnini (?)
56 Dennis

Familiar with Central Banking

1 Eccles
2 Hemphill
3 Currie
9 Szymczak
14 Riefler
17 Snyder
18 Thomas
21 M. Wellborn
29 Harrison
51 Fraser

With practical experience in Member Banks

1 Eccles
7 Foote
11 von Windegger
12 Gregory
16 Manuel
20 Waldeck
30a Rovensky
35 Alling
39 Roth
45 Kent
50 Le Blanc
55 Gionnini
57 Ransom

Academic Economists

5 Rogers
8 Warren
8a Pearson
15 King
19 Phillips
23 Frank Graham
24 F. C. James
42 Brown
44 Hansen
47 Mitchell
48 Day
52 Roman
54 Simons

Hired Economists but Unspoiled

3 Currie
10 Jordan
14 Riefler
17 Snyder
25 Rorty
27 W. Persons
31 Edie
34 Williams
36 Harr
41 Helm
46 Ayres (?)

With Experience in Official Administration

13 Vrooman
40 Crowley
53 McKee
58 Broderick

Congressmen

6 Goldsborough
28 Steagall
33 Busby
34a Patman

Too Old

Owen
Vanderlip
Lowden
Commons

SUPPLEMENTARY NOTES

On No. 26. Harlan Randdph may be confused with H. N. R. (No. 26). It is said that Harlan Randolph, aan attorney formerly of Virginia, afterward moved to Atlanta, where he now is, is a candidate. Georgia people questioned his character and even his honesty.

On No. 57, further information. Ronald Ransom was educated as a lawyer. He has handled trust accounts in banks. It is said by supposedly trustworthy people that Ransom is "too Ambitious", and would probably consider his office chiefly as a stepping stone. But he is capable, in fact, rather brilliant and he is thoroughly honest.

On No. 65, further information. General Persons was educated as a lawyer. He has had much experience politically. He is in bad shape financially, having been over expended in bank stocks. His embarrassment is now so serious andtso widely known that it would reflect on him, in public opinion, if he were nominated.

PSF: Federal Reserve

P.F. [2]

FEDERAL RESERVE BOARD
WASHINGTON

January 24, 1936.

Dear Mr. President:

I beg to acknowledge your kind letter sent me after our interview on January 22nd. I can only say that I shall be the last person to expect or ask that your conception of public duty should be moulded in any way by our old-time friendship.

As to your expressed hope that I may remain in an advisory capacity on the new Board, I can say that I shall give most careful consideration to any suggestion you may make along these lines.

Believe me,

Very sincerely yours,

Charles S. Hamlin

C. S. Hamlin.

The President,
The White House.

(2)

January 22, 1936.

Dear Charlie:-

I have been much torn over the problem of the new Federal Reserve Board, especially because you and Bertie and the Millers are such very, very old and personal friends of ours. I have wanted to reappoint you but I must frankly follow the general rule which applies to Commissions and especially to quasi-judicial bodies and, therefore, I have with much regret come to the conclusion that in appointing the new Board I cannot put anybody on over sixty years old.

This is especially hard for me because of our old friendship and also because of the splendid service that you have given these many years.

I hope much that you will be able to remain in an advisory capacity to the new Board, and also that you and Bertie will come to see us some day very soon. I feel sure that you will understand my problem and my wish that my decision could have been otherwise.

As ever yours,

Honorable Charles S. Hamlin,
The Hay-Adams House,
Washington, D. C.

P.S.F.: Federal Reserve Syst.

A TEST OF MONEY MANAGEMENT

By HANS R. L. COHRSSEN

LESS than five hundred persons are on the dole in Sweden, fewer than during the prosperous period of 1928 and 1929. The total of registered unemployed was 43,000 when I visited Sweden last August, and of these about 30,000 had jobs on public works. Only about 13,000 men therefore lacked work. And since August, economic conditions have continued to improve.

While America's industrial production is still about 26 per cent below the 1929 peak, Sweden's is 10 per cent above it, and the Swedes are looking forward to enjoying an estimated surplus revenue of 22,400,000 kronor, due to the greatly increased revenue from prosperous business. And so, Sweden is celebrating complete recovery with factories running full blast and her workers employed to capacity; in fact, she is better off than in 1929.

How has she done it? I was trying to compliment the Swedish economists, and politicians in responsible positions, whom I had occasion to meet, on their splendid accomplishments. But modestly they would say, "We have not done anything. Things just happened." True, a series of favorable circumstances have helped much, and they were beyond control. Nor has there been much in the way of deliberate planning, at least in the beginning, to overcome the depression. But just the same, the Swedes may rightfully claim as much credit for having conquered the depression, as for having avoided war during the past hundred years and for possessing some of the most progressive social legislation, a high standard of living, and probably the highest standard of popular education on social and economic problems of any people in the world.

One of the outstanding economists told me that if anything, credit must be given to the good luck of Sweden. "Good luck" certainly did play an important part, particularly if the increased world demand for Swedish products and the consequent high prices are considered good luck. Yet, America is endowed with far greater natural wealth. America is largely independent of the rest of the world, she can clothe and feed herself and produce almost everything for the highest standard of living of any country. America is financially more independent than any other country. Still, natural wealth and independence have proved inadequate to lift America out of the depression. Instead of such advantages, the Swedes have acquired in years of serious study an insight into economic developments that has led them to the correct solution of their difficulties.

Am. Sw. News Exch.

Ernst Wigforss, Minister of Finance

In thus giving credit to the correct and progressive thinking of Sweden on economic problems, it must be extended first of all to her teachers, and among them in particular to two great men that are counted among the world's outstanding economists, Professor Knut Wicksell and Professor Gustav Cassel. Wicksell is sometimes even called the father of the present Swedish monetary policy, for as early as 1898 he was advocating the policy that the Bank of Sweden actually adopted in 1931. For the past thirty years he and Cassel have been fighting persistently to obtain recognition of the very principles of monetary policy that for the past four years have been employed not only by Sweden but by all the sterling bloc nations, comprising about one-third of the world, which have recovered most from the depression.

The essence of these monetary principles is that money should be constant in what it buys. That is, a dollar should always buy the same average market basket of goods. When the buying power of the dollar changes, your market basket of goods becomes either smaller or larger; you owe more or less, if you translate your debt into goods. Changing dollars upset the calculations of every business man, make it impossible for budgets to be kept, and change every contract in which money appears. When the dollar becomes cheap as compared with the market basket of goods, then prices rise, and the employee that gets the same number of dollars in his payroll can not buy his normal amount of goods with them. But profits for the business man rise, speculation sets in, and the end is inflation. Then comes the crash—inevitably. The dollar becomes dear, prices of things fall. The market basket gets bigger, but the profits of the business man disappear when his income falls with falling prices, and he has to dismiss his employees. So the wage earner, instead of getting more for his dollar, loses his job and has no dollars at all to spend. There are bankruptcies, foreclosures—this is depression.

Am. Sw. News Exch.

Professor Eli Heckscher

Generally people do not know that the dollar changes, because these changes in buying power are difficult to measure. The only way to measure them is by observing how the average of the prices of all goods changes, and that can be done by watching the price index. Unfortunately, most people when they see the prices of goods going up or down never think that it is the money that changes. They think that the trouble is with the goods.

Wicksell and Cassel have shown that so long as your money is stable in gold, as it is under the old-fashioned gold standard, it can not be stable in buying power over goods, because the buying power of gold over goods is subject to changes. In order to have a money of stable buying power it is necessary that either changes in the value of gold can be prevented, or that money is "managed" independently of gold. It is clear that the value of gold can be kept stable only when all nations cooperate for that purpose. But Wicksell and Cassel have rendered an outstanding service not only to the Swedish people, but to society as a whole in pointing out that a single country may keep its own money stable, independent of gold, by managing it according to an index number that represents the buying power of the money.

It makes little difference whether you speak with a Swedish banker, politician, business man, or economist, they all agree on these simple fundamental principles: a gold currency is not stable in buying power over goods; this instability is an important cause of booms and depressions; the value of money must be measured not in gold, but in what it buys; the buying power of money is expressed in an index of prices; a country can "manage" its money according to such an index number and thus keep it stable in buying power.

In almost every other country the question of money is one of politics and individual interests. In Sweden the money problem is a scientific problem, and it is being attacked with the same rational, scientific attitude that a problem of chemistry or physics receives. One is amazed at the freedom from emotion, superstition, and prejudice, with which the man in the street talks about monetary problems. There is little, if any, belief in the supposed virtues of gold currency and the dangers of inflation with a managed paper currency, beliefs that have dominated monetary discussions in America during the past years.

The men that guide the Swedish monetary policy are in particular free from such beliefs. In Holland, France, and Switzerland, the countries still deepest in the depression, the heads of the central banks had told me that they remained on gold because there was no "better" currency. An outstanding Swede would never say such a thing. Ernest Wigforss, the Minister of Finance, is

Am. Sw. News Exch.

Professor Gustav Cassel

considered one of the most serious students of money. For years he has been an active member of the Parliament Banking Committee, and he is seen frequently taking part in public discussions of monetary and economic problems. In his present important position he is advised by several monetary economists, in particular Professors Bertil Ohlin and Gunnar Myrdal and Dr. Karin Kock. Governor Rooth of the Bank of Sweden is equally well informed on the subject. His advisers have been chiefly Professor Eli Heckscher who, in September, 1931, formulated the new monetary policy of the Bank of Sweden, and Professor Erik Lindahl, who devised the Bank of Sweden consumption index according to which the krona is being "managed". In short, the great influence of the monetary economists over the thinking of the Swedish people has eventually found expression in a progressive monetary policy. Let us see what this progressive policy consists of.

Sweden did not feel the depression until late in 1930. Until then the inflow of foreign flight capital had

continue on opposite page

[start reading next page

kept the money market liquid and prevented the Bank of Sweden from pursuing a depression policy of restricting credit, such as had already taken effect in other countries. When in the summer of 1931 the flight capital began to leave Sweden again, the Bank of Sweden found itself with depleted reserves, and the danger of being driven off gold grew from day to day. The Bank made desperate efforts to stay on gold. An attempt was even made to obtain a loan from America for that purpose. But our American bankers had lost confidence, and they left the Swedes to their fate—although to-day this refusal is considered another instance of Swedish "good luck". For, in this manner Sweden was driven off gold sooner and saved the agonies of prolonged deflation and of a huge debt to America. On September 21st, 1931, England left the gold standard, and one week later Sweden followed.

Upon abandoning gold, the board of governors of the Bank of Sweden suggested to the Minister of Finance that in place of gold stability the central bank should henceforth attempt to maintain the buying power of the krona, in the hands of the consumers. This announcement reassured those that were afraid of inflation. At the same time the Bank of Sweden began constructing a special consumption price index in order to be able to measure the purchasing power of the krona. In this manner it gave a meaning to its intention of keeping a stable krona.

Soon it became evident that there was no danger of inflation, but that there was a real danger of continued depression. In January, 1932, the board of governors again demonstrated leadership in proclaiming that a rise in wholesale prices was needed in order to improve conditions. A few months later this view was confirmed by the parliament, and the central bank was asked specifically to engage upon an expansionist, or "reflationary" policy. At that moment the Kreuger crash occurred, and, although it is generally considered to have hurt Sweden, it actually helped in depressing the external value of the krona. Here again is an instance of "good luck"; for, this slight additional depreciation made it easier for the central bank to follow out an expansionist policy.

Conditions did not, however, improve much during 1932, partly because in spite of its good intentions to expand, the central bank was keeping its discount rates too high, and partly because a big strike in the wood-pulp industry increased unemployment and reduced exports. In March, 1933, recovery set in, although there was a serious strike in the building industry. But international conditions had improved, increasing the demand for Swedish products; a liberal public works policy took men off the streets and increased the purchasing power of the people; and the easy money policy of the Bank of Sweden was taking effect in helping private industry to obtain cheap credit, reemploy workers, and restore normal production.

We may now better see what outstanding part the monetary policy has played in bringing back prosperity in Sweden.

The announcement in September, 1931, of the policy of a stable krona at once restored confidence.

The parliament in confirming the new policy and in emphasizing repeatedly the necessity of an expansionist credit policy and higher wholesale prices, strengthened the central bank in carrying out its policy of easy money.

Without these explicit directions by the parliament it would not have been possible for the central bank to take sole responsibility for its aggressive policy.

These directions, in particular, enabled the central bank to keep the krona slightly undervalued, forcing it to acquire large sums of foreign money in order to keep the krona low. The accumulation of large sums of gold and foreign exchange tended to increase the credit base at home. In other words, keeping the krona low abroad made money cheap and plentiful for productive purposes at home.

It was this easy money that helped private industry to expand production and re-employ the unemployed so rapidly.

A liberal public works policy further helped to accelerate re-employment in that it increased the purchasing and thus consuming power of the people. To that extent public works were also "monetary".

A most important effect of the devaluation that was part of the monetary policy was that it restored to Sweden its competitive position on the world markets. It permitted continued and even increased production and employment in the export industries.

Moreover, it protected the industries that produce for domestic consumption by keeping cheap imports out and restoring to the manufacturers a normal margin of profit. This promoted an expansion in the production of consumers' goods in the course of which many workers were re-employed.

Wholesale prices were raised about 10 per cent, just sufficient to restore the profits to the basic producers, that had been lost by the previous decline of the wholesale prices.

The crowning result of the Swedish monetary policy is, however, that the objective of maintaining the purchasing power of the krona in the hands of the consumers has been fully attained. For over four years this policy has now been in operation and still the consumption index of the Bank of Sweden, which represents the purchasing power of the krona, has never deviated more than 1¾ per cent above or below the normal 100 of September, 1931, when the policy was inaugurated. The krona buys exactly as much of an average market basket of consumers' goods, of the shoes and suits, rent, bread, and the many different things that the average family uses, as it bought four years ago. Recovery and prosperity better than that of 1929, have been attained with a *stable* krona.

In conclusion, therefore, Sweden's monetary policy has been a success on all counts. Actual experience has proved the monetary principles of Wicksell and Cassel to be correct. I asked an outstanding Swedish banker what he thought the future monetary policy would be. "It will be guided by our recent experience," he said. "Never again," he added emphatically, "will we permit monetary fluctuations, whether entering from abroad via the gold standard or originating in internal credit expansion or contraction, to change the purchasing power of the krona and interfere with our prosperity. We will always strive to maintain a stable krona." And this, after all, is the test of a managed currency.

Excerpt from an article
on
THE STERLING BLOC
by Hans R.L. Cohrssen
in
THE PEOPLE'S MONEY
January 1936

Upward Trend in Denmark

In *Denmark*, which went off gold together with Sweden, wide-spread monetary understanding has led to the use of additional devaluation in 1933 to make her farmers competitive on the English market. Her industry has made wonderful progress, employing more men than ever before. There is still a farmer problem, caused mainly by the farmers' over-indebtedness, which seems, however, possible of solution without further devaluation. The Governor of the Danish Nationalbanken, who was for many years Minister of Finance, asked me to "tell your friends in America that we have discarded the gold standard not to return to it. We want a stable money, and if there is the possibility of obtaining an international money system under which our krona may remain stable in buying power at home, we will be for it."

Deflation in Norway

Perhaps the most fascinating story of changing monetary understanding and its influence upon economic conditions is that of *Norway*. It is of particular interest because it shows so clearly the gradual development from the orthodox gold standard policy to the present policy of managed currency. During and after the war, the inflow of foreign capital and reckless credit expansion created wild inflation which was stopped in 1921 when a new Governor was appointed to the central bank. By wise measures he avoided as drastic a recession as occurred, for instance, in Sweden and the United States. But from 1924 to 1928, merely in order to make possible the restoration of the gold standard at the pre-war parity he caused the krona to be appreciated 92%, resulting in a terrible deflation, bank failures, unemployment and bankruptcies. This policy was dictated only by reason of national pride. Sweden and Denmark had returned to gold at the old parity, so Norway wanted to do the same—even though most Norwegian economists were protesting against what they called this "romantic" monetary policy.

When England abandoned gold, in September 1931, the Bank of Norway had ample gold reserves that would have permitted the maintenance of the gold standard for a while longer. But gold was no longer the main consideration. Upon abandoning gold, together with Sweden, the Governor of the Bank of Norway stated "that we will endeavor to maintain the internal purchasing power of the Krona to the extent possible." In 1932, the official declaration of monetary policy as expressed by Parliament was that "the Krona ought to be maintained at a level as stable as possible in order to provide a safe basis for the productive life of the country."

This was a momentous change from the romanticism of but a few years ago. Sentimental considerations and tradition had given way to rational thinking. In his latest report, covering the year 1934, the Governor stated this clearly. "The importance of the step taken in September 1931 is above all that a check was thus put on the long and continuous fall in prices, and this was in part the main objective." Like Sweden, Norway has had a stable krona ever since September 1931, that is, stable in purchasing power. Industrial activity and employment have increased and recovery has spread through all branches of her economic life.

Some of her economists have been demanding further devaluation, such as Denmark has had, as at present the krona is still overvalued. But as popular understanding of money is not as advanced as in Sweden and Denmark, this step is not taken. Norway is depending for her prosperity largely on foreign trade, and is therefore extremely anxious to join an international money system. But she wants international stabilization only under certain conditions which the Governor of the central bank has outlined in an admirably formulated statement. He said:

> *"It seems tolerably clear that we cannot at present tie our currency to gold. Neither could this be done in the immediate future. The step cannot be taken until the time is ripe for an international gold standard. No more could we link our currency to any foreign currency which is itself movable . . .*
>
> *"In accordance with the foregoing we will at any time have to adjust the external value of the krona in harmony with the capacity of our country and with our interests. We have looked to the sterling rate for this harmony, and in view of the present situation there is no reason to make a change in this policy."*

For additional copies and information regarding Managed Currency write to

COMMITTEE FOR THE NATION
205 EAST 42ND STREET NEW YORK CITY

/

PSF
Int. Co. (2)

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

August 21, 1937.

OFFICE OF THE CHAIRMAN

MEMORANDUM:

TO - The President

FROM - Chairman Eccles

Pursuant to your request on Thursday that I suggest one or more names for you to consider in filling the office of Administrator of the new United States Housing Authority, I am giving herewith some observations on four men--namely, Admiral Christian J. Peoples, Mr. Howard A. Gray, Mr. John Ihlder, and Mr. Miles L. Colean.

These men are already in the government service; each of them holds a responsible administrative position involving problems and activities corresponding closely to those which the new position will involve; and each of them is giving a creditable performance. Any one of them would appear to be well qualified by training, experience, and temperament for the difficult task of getting the new agency under way without undue delay and friction.

I have also made some inquiry, as you requested, about Mr. Nathan Straus. I am told by a well-posted observer, whose judgment of housing people I have found to be impersonal, impartial, and discerning, that Mr. Straus, though highly public-spirited, is more zealous than practical, too vague and visionary, extravagant in his conceptions of what public housing should consist of, and the kind of man who if put at the head of an important governmental agency would probably find himself in hot water in about two weeks. Mr. Straus is president and principal owner of the Hillside Housing Corporation, a limited-dividend project in New York that was financed for the most part by PWA. His principal business activity is as head of Nathan Straus-Duparquet, Inc., which is engaged in selling equipment, furnishings, and supplies to hotels, clubs, and restaurants.

Admiral Peoples, as you know, is Director of the Procurement Division of the Treasury. He has done an excellent job in handling the extensive construction activities that are carried out under the direction of the Treasury. Not only have these projects been handled efficiently, economically, and without friction or criticism, but the long previous experience of Admiral Peoples in places of important responsibility has shown him to be a highly competent organizer and administrator.

Mr. Gray is the present Director of the PWA Housing Division. His background is that of a business executive in steel manufacturing and machinery manufacturing. He became Director of the Inspection Division of PWA in 1933, and was made head of the Housing Division a year or two ago when that division was reorganized. My information is that he is a quiet, competent, and hard-headed executive, though not apparently possessed of any broad social outlook or any broad grasp of the economic ramifications of housing. He is mainly credited, however, with the noticeable improvement that has taken place in the PWA Housing Division since the management was changed.

Mr. Ihlder is Executive Officer of the Alley Dwelling Authority for the District of Columbia. He is widely regarded as the ablest man in the public-housing field. He has a broad background in civic and social work, in connection with which he has had a number of responsible appointments; and, more particularly, he has had an active official connection with public-housing activities for the past 25 years. Moreover, his work as the executive officer of housing agencies has been in the larger cities--Philadelphia, Pittsburgh, Boston, and Washington. He appears to be the one man who has accomplished outstanding examples of real slum clearance and real low-cost housing, and to have done it without fanfare and without friction.

Mr. Colean is Director of the FHA Large-Scale Housing Division. He has developed the program by which a number of excellent and economically-built projects have been completed or contracted for under the limited-dividend provisions of the National Housing Act. It was the evidence of what Mr. Colean's division has been able to accomplish under the present hampering restrictions of this legislation that led me recently to interest you in the need for making this legislation more flexible and thereby obtaining under it a much larger volume of rental housing through private means.

Of these four men, I would say that Mr. Ihlder, because of the nature of his experience and the quality of his performance in the public-housing field, probably merits your first consideration; but I think that you would make no mistake in selecting any one of the three others.

If I find reason to make any addition to this list of four names, or to amplify or modify any of the comments I have made regarding them, I shall arrange to have a supplementary memorandum sent to you within the next few days.

MSE

C O P Y PSF Fed. Res. Folder 2-41

THE WHITE HOUSE
WASHINGTON

PRIVATE

April 4, 1941.

MARRINER ECCLES

Why not put in Clarence Dillon as non-banker Class C member of Fed. Res. Bank in New York?

He is out of Dillon Reed except as stockholder.

I want a non-Morgan man.

Will you talk with me about it?

F. D. R.

PSF: Fed. Reserve System Board 2-41

THE WHITE HOUSE
WASHINGTON

April 18, 1941

PERSONAL & CONFIDENTIAL

MEMORANDUM FOR

HON. MARRINER S. ECCLES

I am a good deal troubled by the fact that Section 10 of the Federal Reserve Act says that the President in selecting the FRB shall "have due regard to a fair representation of the financial, agricultural, industrial and commercial interests and geographical divisions of the country". I take it that it can be properly said that you and Ransome represent, in a sense, finance; that Szymczak represents commerce and that McKee and Draper represent industry. This leaves agriculture with no representation and this means that three out of ~~the~~ four interests mentioned are represented by the present five members but that the fourth interest mentioned is not so represented. You will see my embarrassment.

Insofar as the agricultural divisions of the country are concerned, I am not worried because the present five members represent Utah, Georgia, Illinois, Ohio and Connecticut.

What do you think?

F. D. R.

Section 10, Federal Reserve Act, as amended.

In selecting the members of the Board, not more than one of whom shall be selected from any one Federal Reserve district, the President shall have due regard to a fair representation of the financial, agricultural, industrial, and commercial interests, and geographical divisions of the country.

		State	District
Finance	- Marriner S. Eccles	Utah	(12)
Finance	- Ronald Ransom	Georgia	(6)
Commerce	- M. S. Szymczak	Illinois	(7)
Industry	- John K. McKee	Ohio	(4)
	- Ernest G. Draper	Conn.	(2)

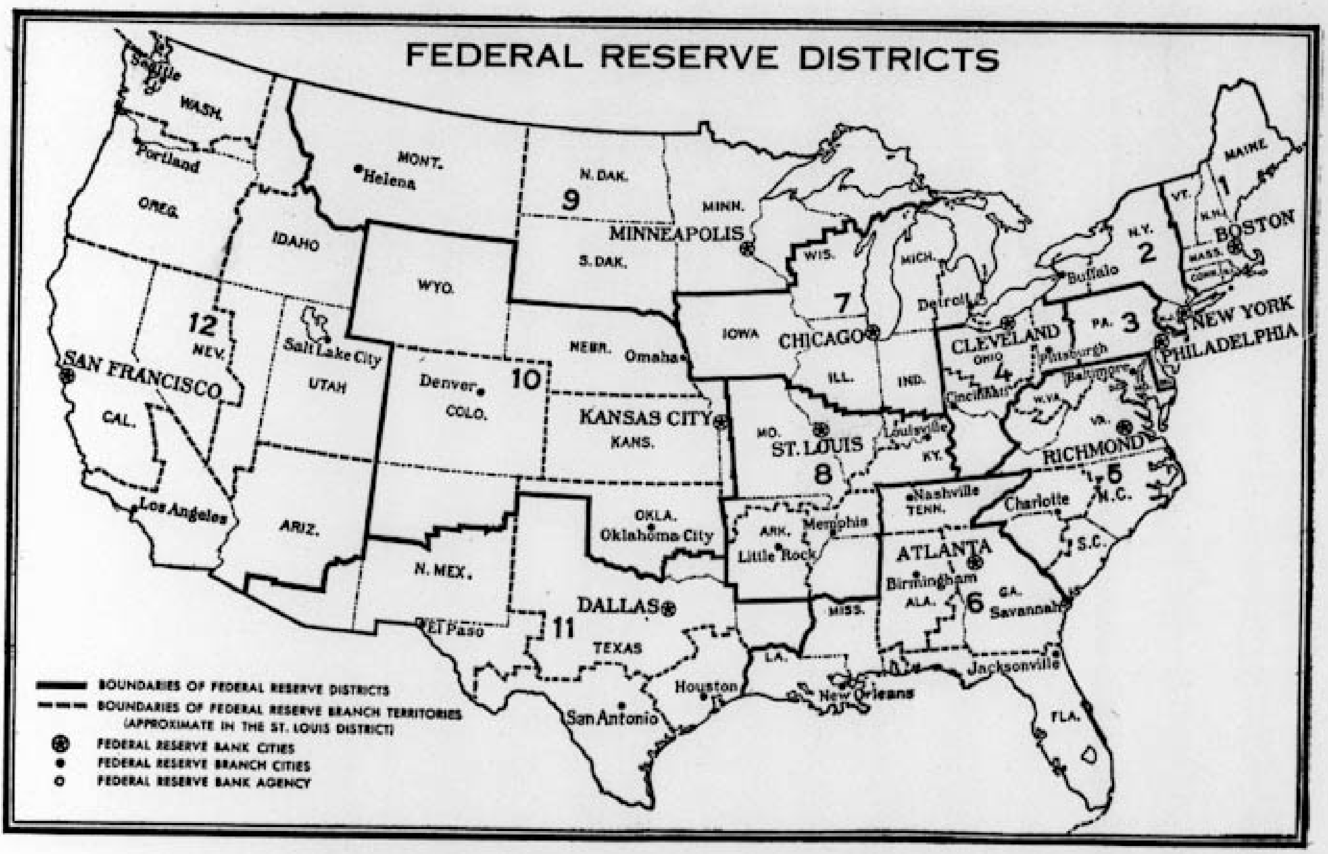
** Agriculture	- A. G. Black	D.C.	(5)

** - (Ed Flynn phoned that Governor Black, of the Farm Credit Administration, is from the District of Columbia which, as indicated, is in the Fifth Federal Reserve District.)

Section 10, Federal Reserve Act, as amended.

In selecting the members of the Board, not more than one of whom shall be selected from any one Federal Reserve district, the President shall have due regard to a fair representation of the financial, agricultural, industrial, and commercial interests, and geographical divisions of the country.

Finance – Eccles	Utah (12)
" Ransom	Georgia (6)
Com. Szymczak	Ill. (7)
Ind. McKee.	Ohio. (4)
Draper	Conn. (2)



FEDERAL RESERVE DISTRICTS
WASH.
Portland
OREG.
IDAHO
MONT.
Helena
N. DAK.
9
MINN.
MINNEAPOLIS
S. DAK.
WYO.
12
NEV.
SAN FRANCISCO
CAL.
Los Angeles
Salt Lake City
UTAH
ARIZ.
Denver
COLO.
10
NEBR.
Omaha
KANSAS CITY
KANS.
OKLA.
Oklahoma City
N. MEX.
El Paso
DALLAS
11
TEXAS
Houston
San Antonio
IOWA
WIS.
7
CHICAGO
MICH.
Detroit
ILL.
IND.
MO.
ST. LOUIS
8
Louisville
KY.
ARK.
Little Rock
Memphis
Nashville
TENN.
MISS.
LA.
New Orleans
ATLANTA
Birmingham
ALA.
6
GA.
Savannah
Jacksonville
FLA.
CLEVELAND
OHIO
4
Cincinnati
Pittsburgh
Buffalo
N.Y.
2
NEW YORK
PA.
3
PHILADELPHIA
Baltimore
W. VA.
VA.
RICHMOND
5
N.C.
Charlotte
S.C.
MAINE
VT.
N.H.
1
BOSTON
MASS.
CONN.
BOUNDARIES OF FEDERAL RESERVE DISTRICTS
BOUNDARIES OF FEDERAL RESERVE BRANCH TERRITORIES (APPROXIMATE IN THE ST. LOUIS DISTRICT)
FEDERAL RESERVE BANK CITIES
FEDERAL RESERVE BRANCH CITIES
FEDERAL RESERVE BANK AGENCY

THE WHITE HOUSE
WASHINGTON

File
personal

April 15, 1941

MEMORANDUM FOR THE PRESIDENT

In accordance with your request of Saturday, April 12th., I am herewith attaching Section 10 of the Federal Reserve Act as amended, which would appear to substantiate my contention that a Representative of Agriculture be appointed to the Federal Reserve Board.

Respectfully submitted,

Eugene Casey

Section 10, Federal Reserve Act,

as amended.

In selecting the members of the Board, not more than one of whom shall be selected from any one Federal Reserve district, the President shall have due regard to a fair representation of the financial, agricultural, industrial, and commercial interests, and geographical divisions of the country.

THE WHITE HOUSE
WASHINGTON

File
personal

4-17-41

MEMORANDUM FOR THE PRESIDENT:

Ed. Flynn phones that Governor Black, of the Farm Credit, comes from the District of Columbia.

E. M. W.

PSF Fed. Reserve Board
file
personal 2-41

THE WHITE HOUSE
WASHINGTON

April 28, 1941

MEMORANDUM FOR THE PRESIDENT:

Here is a personal and confidential statement given to me by Marriner Eccles, following our recent conversation, which you may care to read.

S.T.E.

PERSONAL AND CONFIDENTIAL

April 25, 1941.

MEMORANDUM:

TO - Mr. Early

FROM - Mr. Eccles

In regard to our conversation about the Utah Construction Company, you might wish to have the facts at hand, possibly to pass along to the President.

The Eccles Investment Company, organized twenty-five years ago to take over various interests of my father's estate, has held without change during all of that time 10 per cent of the stock of the Utah Construction Company. I own 11 per cent of the stock of the Eccles Investment Company. Thus, I have an indirect interest in the Utah Construction Company of just slightly more than 1 per cent.

While I have remained nominally as Chairman of the Board of the Utah Construction Company, I have devoted my full time to the work of the Federal Reserve System since I became a member of the Board and have been back to Utah, where my business interests are, only ten times in seven years for comparatively brief visits. My relationship to the Utah Construction Company is a matter of public record before the Senate Banking and Currency Committee when my nomination as a member of the Board was before the Committee in April of 1935.

The Utah Construction Company so far as I know has not negotiated for any defense contracts. It has, however, accepted small participations in several defense jobs offered to it by other companies which have negotiated defense contracts. In no case has any of these participations exceeded a 10 per cent interest. I have taken no part or interest in the securing of defense contracts, directly or indirectly, for the Utah Construction Company or for any other company, nor have I been asked to intercede in any way on behalf of anybody.

MSE

PSF, F.R.B. Folder
File Personal

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

OFFICE OF THE CHAIRMAN

August 6, 1941.

My dear Mr. President:

I greatly appreciate your deferring action on the appointment of Mr. Appleby until I may have an opportunity to advise further with you.

When I talked to Secretary Wickard about Mr. Evans or Mr. Wilson on the Wednesday before you left, he said that either one of the two men would be a very good choice. He did not then mention, nor had he ever before mentioned Mr. Appleby to me. He asked me, however, to defer doing anything until he could think the matter over and talk to me the following Monday. In the interim, he apparently suggested to you that Mr. Appleby was the best choice and that neither Mr. Evans nor Mr. Wilson were available. That was hardly cricket.

I was interested in learning from Henry Morgenthau this morning that Secretary Wickard had asked him several months ago to recommend to you the appointment of Mr. Appleby. From my conversation with Henry as well as from other evidence, I have reason to feel that Secretary Wickard has for some time thought Mr. Appleby had outlived his usefulness in the Department of Agriculture and has been trying to find some other place for him.

It is my considered opinion from information I have that Mr. Appleby has been a discordant element in Agriculture and I, therefore, feel that he might be a discordant element on the Board. I do not see that he would bring any strength to the Board with the agricultural groups and Congress. Quite otherwise. He does not stand well, as the agricultural member of the Board should, with the majority of the important farm organizations, or with many of the agricultural members of Congress.

Henry Morgenthau feels just as I do about Appleby's appointment to the Board. We would both like to see Bill Myers appointed, if he can be secured. If not, then I would like to see you reconsider Mr. Evans who, next to Mr. Appleby, would be Secretary Wickard's choice, as he has said to me.

I hope you will not feel that I am presumptious in writing you so frankly about this matter, but I am intensely interested in helping you get the best possible man for this position and to avoid an appointment which is for more than twelve years and which we both might regret. The future of the Federal Reserve System means too much to me not to speak my mind to you with reference to this appointment.

Very respectfully,

M S Eccles

The President,
The White House.

Fed. Reserve System folder 2-44

THE WHITE HOUSE PSF

WASHINGTON

PRIVATE AND
CONFIDENTIAL

February 28, 1944.

file

MEMORANDUM FOR

HON. JAMES F. BYRNES

I really do not want to see Eccles and Morgenthau because of two simple facts.

The first is that there seems to be some question as to whether I can make any merger under the War Powers Act; the second is that, in view of "circumstances", it is better not to stir things up until, let us say (by peradventure) after January 20, 1945.

F. D. R.

CONFIDENTIAL

February 28, 1944.

Dear Marriner:-

I have been a good deal worried by the language of the War Powers Act. My power would let me make a merger "only if necessary for the prosecution of the war". The trouble is that while that excuse might get by, it is just a bit open to doubt.

Also, considering "circumstances" at the present time, I have grave doubt as to whether action on my part at this time is advisable!

As ever yours,

Honorable Marriner S. Eccles,
Chairman, Board of Governors,
Federal Reserve System,
Washington 25, D. C.

OFFICE OF WAR MOBILIZATION
WASHINGTON, D. C.

JAMES F. BYRNES
DIRECTOR

February 26, 1944

MEMORANDUM FOR THE PRESIDENT:

SUBJECT: PROPOSED MERGER OF FEDERAL RESERVE AND COMPTROLLER OF CURRENCY

I do not see that anything could be accomplished by your seeing Eccles and me about the above matter.

Eccles telephoned me about your letter to him. I told him the substance of what I had recommended to you, namely, that while there is merit in his proposal, under the language of the War Powers Act a reorganization could be ordered only if necessary for the prosecution of the war, I thought Congress would say you were using war powers to do what they declined to authorize in peace time. He said he would submit a statement justifying it in the interest of the war effort because of the activities of banks furthering the war. That statement is attached.

Eccles said he realized the opposition that would come from State Banks and persons interested in FDIC. He, therefore, proposed to eliminate FDIC and consolidate only the Comptroller of the Currency and the Federal Reserve. This would affect only National Banks. He said Mr. Delano could be made Chairman of the FDIC. I told him this would lessen the objection but I did not know whether you would want to merge the Comptroller of the Currency and Federal Reserve, and I still doubt that it can be justified as necessary for the prosecution of the war.

If you see Eccles, I imagine you would then have to see Morgenthau before taking any action. I told Eccles that I saw no need of my going to see you about it; that if you went into the matter again I thought you should see Morgenthau and Eccles at the same time, hear their arguments and then decide it. I really believe this would be wise unless you have already made up your mind that you will not approve the merger, in which case I would advise Eccles that you do not believe that under the language of the War Powers Act you should take such action.

J. F. B.

J. F. B.

THE WHITE HOUSE
WASHINGTON

February 22, 1944

MEMORANDUM FOR

HON. JAMES F. BYRNES:

Do you and Marriner Eccles want to have a talk with me when I get back?

F.D.R.

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON 25

OFFICE OF THE CHAIRMAN

February 17, 1944.

My dear Mr. President:

Your letter of February 9 came as a great surprise as well as a disappointment to me. I regret that you got the impression that the three Federal banking agencies duplicated examinations -- they never have, though the law permits it -- or that the saving to be accomplished by eliminating duplication was the primary reason for a consolidation. The more important points which I tried to make in our luncheon discussion were:

1. The need to have one agency, instead of three, speaking for the Government in all banking matters. This will make for unified policy, for greater efficiency and avoidance of delays, friction and cross-purposes inherent in divided but closely related functions.

2. All the reasons given for the reorganizations you have brought about in other fields of Federal operation are present in this case, namely, to unify, simplify and otherwise improve Government administration.

3. The Federal Reserve cannot be as effective as it should be in carrying out national credit and monetary policies in the banking field so long as supervisory and regulatory powers are divided with two other Federal banking agencies. All these interrelated powers should be under one control if they are to have their full influence in helping to combat either inflation or deflation.

4. Substantial economies in manpower and facilities would result from merging administrative, legal, statistical, examination and other functions of the three agencies in one headquarters in Washington (the Federal Reserve Building is already available) instead of in several scattered offices, and by having 12 regional headquarters instead of 36 as at present. I believe a saving of at least 25 per cent in personnel, or more than 1000 people, and of fully four million dollars can be effected.

5. If the Federal banking organization is to be improved, it must be done now by Executive Order; it would be difficult, if not impossible, to accomplish it through the legislative mill because of political pressures from the agencies concerned and from banking groups which seek to benefit through divided authority.

6. The personal problem is minimized at this time; Leo is so overburdened because of his many other new and important duties as to necessitate his leaving FDIC; Henry is increasingly occupied with his heavy and growing responsibilities; on the other hand, the work of the Board of Governors has not increased and it has ample time to assume additional duties.

As you will recall, I strongly urged the need for consolidation of the Federal banking agencies, regardless of whether it was under the Federal Reserve or some other set-up, and said that I would gladly step out of the picture if it would help to bring about this result. My term was expiring, it was an appropriate time to withdraw, and it seemed best for me to do so in view of the way I felt. You generously said, however, that you wished me to stay, that you agreed there was need for improvement, and that you would do something about the situation.

I delayed sending this reply to your letter until I could talk with Jimmy Byrnes. We have just had a long, frank discussion, and recognizing his feeling about the matter, I suggested a much simpler alternative which I think would overcome the principal objections. You have already given much of your valuable time to this matter. I greatly appreciate it and hesitate to ask for more, but I feel that the question could be disposed of best if you would permit Jimmy Byrnes and me to meet with you.

Respectfully yours,

M S Eccles

M. S. Eccles,
Chairman.

The President,
The White House.

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON 25

OFFICE OF THE CHAIRMAN

February 22, 1944.

Dear Jimmy:

In accordance with our telephone discussion on Thursday, I am enclosing a one-page opinion by our General Attorney on the President's authority to consolidate bank supervisory functions and a summary of a very much simplified plan of coordination that seems to me to avoid all of the objections, certainly all the important ones, as to the more ambitious program. I am also enclosing a suggestion for a statement that might be given to the press if the President is favorable to this alternative plan.

I would greatly appreciate it if you could bring this proposal to the President's attention and I hope, of course, that you will see your way clear to giving it your approval, as otherwise I would not care to pursue the matter further.

Sincerely yours,

Marriner

Honorable James F. Byrnes,
Director,
Office of War Mobilization,
The White House.

Enclosures 3

AUTHORITY TO CONSOLIDATE BANK SUPERVISORY FUNCTIONS

A consolidation of Federal bank supervisory functions would be within the authority granted the President in the "First War Powers Act, 1941".

The authority to redistribute functions together with the limitations thereon is based on a reenactment of the Overman Act conferring like powers on President Wilson in 1918. It is significant, as a matter of legislative history of the Overman Act, that agencies, such as the Federal Trade Commission, unsuccessfully sought immunity from Congress against the exercise of the powers being conferred. This is some indication of the extent to which Congress, in the original statute, deemed functions of the various agencies to be "matters relating to the conduct of the present war" and whether a redistribution of their functions would be "for the national security and defense, * * * for the better utilization of resources and industries * * *" or otherwise within the purposes of the legislation. Of extreme significance is the fact that such an amendment to the Overman Act to grant immunity to the Federal Reserve Board was rejected by Congress. This would seem to be a pretty strong indication that the Board's functions were deemed to be within the authority then given the President.

In the last analysis, the real test of the authority depends upon the facts of the particular case. In this connection it is to be observed that the functions of the commercial banking system and their daily operations are directly related to and have an important bearing upon the conduct of the war. How they perform in the fight against inflation is of vital importance. They also perform extremely important functions as fiscal agents in the public sale and redemption of Government securities. Moreover, it is important that, on the buying side, purchases for their own account be in conformity with the Government program. They maintain a "ration banking" system upon which the Office of Price Administration must depend. They perform invaluable services in the huge disbursement of Government funds incident to the conduct of the war. Their lending operations, notably in connection with the Executive Order under which the Reserve System acts for the armed services in the guarantee of loans, are vital to industrial and agricultural production for war. It is essential that all of these operations, so directly related to the war effort, be effectively carried out and the more effectively and intelligently the banks are supervised, the more effectively will this be done. This is most important in war time.

In addition to the foregoing, it is a fact that consolidation and coordination of the supervisory functions will result in substantial savings in manpower and money.

2/19/44

Summary of Alternative Plan for
Coordinating Federal Banking Agencies

1. By Executive Order (a) merge examination, chartering, legal and statistical functions of Comptroller of the Currency with like functions of Board of Governors, (b) designate Chairman of Board of Governors as ex officio member of Board of Directors of FDIC.

2. Appoint Comptroller of the Currency, who has been the ex officio member of the FDIC, as its Chairman.

These two simple steps, which would avoid repercussions that might be caused by a three-way merger, would: give the Reserve System undivided jurisdiction over its member banks; provide a liaison, now lacking, between the Reserve Board and the FDIC; help to link national monetary policy with the examination and supervisory authority necessary to make that policy fully effective; bring about substantial savings; unify, simplify and otherwise improve administration.

The chief functions of the Comptroller which relate only to national banks, all of which are required by law to be members of the Reserve System, are: (a) examinations; (b) currency issue; (c) chartering; (d) liquidation of national banks.

As to (a), the law now gives the Reserve System authority to examine all national banks; the only reason this authority is not exercised is to avoid duplicating the Comptroller's examinations, but in the performance of its duties it is necessary for the Reserve System to have accurate current information as to all banks, State and national, within its jurisdiction; yet it either has to rely on the Comptroller's examinations, though it has no voice in how they are conducted, or subject national banks to additional examinations of its own; the shocking history of bank failures in the United States, which has spent more on bank examination than any other nation, illustrates what an ineffective protection bank examination is; its main justification today is to implement national monetary and credit policy, for which the Reserve System has the primary responsibility under the law, while the Comptroller has none; examination policy, carried out separately from monetary policy has invariably tended to negative monetary policy and to accentuate both inflation and deflation.

As to (b), Federal Reserve notes have so largely replaced national bank notes as to make this once important currency function of the Comptroller all but extinct and his title obsolete.

As to (c), the Reserve Board admits State banks to membership when they can qualify under the law, but must accept automatically as member banks such national banks as the Comptroller may charter.

As to (d), the liquidation function has already passed so largely to the FDIC that what remains of this work in the Comptroller's Office should be transferred to the FDIC.

The Reserve System, having 12 Reserve Banks with 24 branches, could house with substantial savings the Comptroller's organization now scattered in separate headquarters in Washington and the field. Under this plan, policy-making as to all member banks would be unified and administrative operations decentralized. Merging the two examination staffs would make possible one strong organization, with savings in manpower, overhead, etc. Similarly, the Comptroller's legal and statistical work can be absorbed by the legal and research staffs of the Board and Reserve Banks with further saving.

~~CONFIDENTIAL~~

Staff Conditions in Comptroller's Office

The Comptroller's Office has suffered heavy losses of personnel. The present force of examiners and their assistants is very much below normal due to war conditions, and the top ranks are greatly weakened. The resignation of one chief has already been announced. Another has had a stroke; another has become superannuated; and still another has a serious heart condition. Two of the top men, a Deputy Comptroller and a Chief National Bank Examiner, are dissatisfied and looking for other employment. The Federal Reserve organization also needs to be strengthened. In the circumstances there is an unusual opportunity at this time to develop a single strong organization through a consolidation which would effectively utilize the best men.

Draft of Press Statement

In order to bring about a closer administrative coordination of the three Federal banking agencies, the President today issued an Executive Order, under authority of the First War Powers Act, merging examination and regulatory functions of the Comptroller of the Currency with similar functions of the Board of Governors of the Federal Reserve System, and providing that the Chairman of the Board shall be the ex officio member of the Board of Directors of the Federal Deposit Insurance Corporation.

At the same time, the President has nominated the Comptroller of the Currency, who has previously been the ex officio member of the FDIC Board, to be its Chairman, succeeding Mr. Leo T. Crowley, who requested that he be relieved of this responsibility so that he may devote his time to his duties as Foreign Economic Administrator.

These steps, which will make for close operating relationships between the Federal bank agencies, have been determined upon after consultation with Government officials having responsibility for national monetary, credit and supervisory measures affecting the banking system of the country.

The objective is to simplify and improve administration in the interest of efficiency and economy in the use of manpower and facilities. The purpose is solely to enable the Government to carry out its policies affecting banks as efficiently and effectively as possible in support of the Government's war financing program and the program for economic stabilization.

The banking system of the country is a vital factor in the prosecution of the war, and Federal examination and supervisory policy has an important bearing on the successful carrying out of national credit and monetary policy as it affects the banks. The Federal banking agency charged by Congress with primary responsibility for monetary and credit policy should be in a position to integrate Federal credit policy with supervisory policy, and this will be furthered by a merger of examination, reporting, legal, statistical and other work of the Comptroller's Office with that of the Federal Reserve System and by the liaison which is provided between the Reserve Board and the FDIC.

The Federal Reserve System embraces 6700 banks, holding 87 per cent of the deposits of all commercial banks of the country. It includes all national banks; that is, all banks supervized by the Comptroller's Office. All national banks are required by law to be members of the System. They are subject to its regulations as well as to those of the Comptroller, whose principal function is that of examination. Authority to examine national banks is also vested in the Reserve System under the Federal Reserve Act. In addition to national banks, 1700 State banks have voluntarily joined the System. All banks conduct their financial transactions with the Government, including those relating to war financing, through the Reserve Banks. The Reserve System is, therefore, the logical medium through which to bring about a merger of Federal examination and regulatory functions affecting all member banks, while at the same time providing for a representation in the directorate of the FDIC in order to help bring about unified policy in all Federal examinations, regulations, reporting and related supervisory activities.

Substantial savings in manpower and facilities, which are desirable at all times and particularly necessary in wartimes when an acute manpower shortage exists, will result from this coordination. Economies in time as well as expenditure will be made possible by unification and simplification in administering Federal law and in the issuance of regulations. By utilizing existing facilities of the Reserve System in Washington and in the 12 Federal Reserve Banks and their 24 branches throughout the country, it will be possible to save space now occupied by the Comptroller's offices in Washington and in the field. In general, overhead would be substantially reduced, separate offices would be unnecessary, separate staffs now performing similar or like functions in examination, legal, statistical and other work would be merged, with a consequent saving of manpower, and further decentralization would be brought about.

The underlying purpose is to strengthen, not to change, the dual banking system as it has been traditionally organized under Federal and State chartering and supervision, and to further the cooperative relationships long existing between Federal and State supervisory authorities by continuing and extending, wherever possible, the established practice of exchanging information, of consultation with respect to procedure and supervisory policy, and of conducting examinations and making reports on a cooperative basis.

Federal banking and credit policies thus organized and coordinated can be more effectively directed toward common objectives of economic stability during the war and in the transition from war to peace.

hmo

90

February 9, 1944.

Dear Marriner:-

Jimmy Byrnes has shown me your letter and the proposed statement and I am a bit worried because there is really nothing to show the overlapping of examinations of banks. You certainly gave me the impression the other day that most of the banks get examined by the Federal Reserve, by the FDIC and by the Comptroller of the Currency and I was, of course, worried because I did think that this multiplicity of examinations had been eliminated in greater part many years ago.

x230

x2911
x21-B

It raises a question in my mind as to whether anything should be done at this time unless it would result in a great saving of manpower and also duplication or triplication of examinations. As it stands I cannot discover any great saving except possibly a little in overhead in Government agencies.

Always sincerely,

FRANKLIN D. ROOSEVELT

Honorable Marriner S. Eccles,
Chairman, Board of Governors,
Federal Reserve System,
Federal Reserve Building,
Washington, D. C.

x773
x285-6

OFFICE OF WAR MOBILIZATION

Washington, D.C.

February 7, 1944

MEMORANDUM FOR THE PRESIDENT:

I am sending this to you only because of Eccles' request that I bring it to your attention.

J. F. B.

x 5330

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON 25

OFFICE OF THE CHAIRMAN

February 7, 1944.

Dear Jimmy:

x5433

At Judge Rosenman's suggestion, I am sending you herewith a proposed statement for the press and a chart in connection with the reorganization of the Federal banking agencies which I previously discussed with you. When I talked with Judge Rosenman about the matter last Wednesday, I gave him two sets of copies of a proposed Executive Order, of a statement covering the plan, and of another statement showing the overlapping and duplication of functions in the three agencies at present. I understood from him that he would pass along to you one set of these documents, to which the enclosures should be added.

The press statement in particular is important in showing the public why this reorganization is so urgently needed and in showing the logic of the proposed plan of consolidation. The statement brings out the fact that Congress has placed upon the Board of Governors primary responsibility for national monetary and credit policy and that these policies cannot be successfully carried out when subordinate though important related functions of examination and supervision are lodged in two other separate agencies.

I would greatly appreciate having the benefit of any suggestions you may have, and think it would be most helpful if you could bring the enclosed statement and chart to the attention of the President.

Sincerely yours,

Marriner

Honorable James F. Byrnes, Director,
Office of War Mobilization,
The White House,
Washington, D. C.

Enclosures 2

x161

Press Statement Draft for Plan A

Under authority of the First War Powers Act, the President today issued an Executive Order to consolidate and coordinate the functions, duties and powers of the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation and the Comptroller of the Currency. Functions of the Comptroller's office and of the Federal Deposit Insurance Corporation are transferred by the Order to the Board of Governors of the Federal Reserve System.

The purpose of the Order is to establish at one point responsibility for the Government's supervisory functions with respect to all banks that are subject to Federal jurisdiction, to coordinate these functions with national monetary and credit policies, to effect economies, to avoid duplication, to decentralize and simplify so far as possible administration of Federal bank regulatory powers, and generally to support the national program for economic stabilization.

The coordination provided by the Order constitutes another step in the direction of more efficient and economical operation of the Federal Government. By bringing together divided but related governmental functions, it accomplishes administrative improvements such as were effected by the establishment of the Farm Credit Administration, the National Housing Agency, and the Foreign Economic Administration, among others.

Beyond improved and simplified administration, the Order is intended to assure close coordination of the Government's monetary and credit policies with its bank supervisory and regulatory policies. It is essential that the Government's responsibilities for these policies be carried out as effectively as possible in order to aid in the successful financing of the war and in an orderly transition from war to peace.

The Board of Governors of the Federal Reserve System has been charged by Congress with primary responsibilities in the formulation and administration of national monetary and credit policy. The System embraces 6,700 banks, holding 87 per cent of the deposits in the country's commercial banks, and includes all national banks and 1,700 State banks, which have joined the System voluntarily. Three-fourths of all member banks of the Federal Reserve System are small banks, and 6,300 of the System's members, both State and national, are classified as country banks. The System, therefore, is representative of all of the banking institutions of the United States and not merely of some groups or classes of banks. Supervision of the State member banks by the Federal Reserve authorities has long been carried out in cooperation with the State banking authorities in all the States of the Union. In view of these facts, the Federal Reserve System is the appropriate medium through which to integrate the related functions exercised by the three Federal banking agencies.

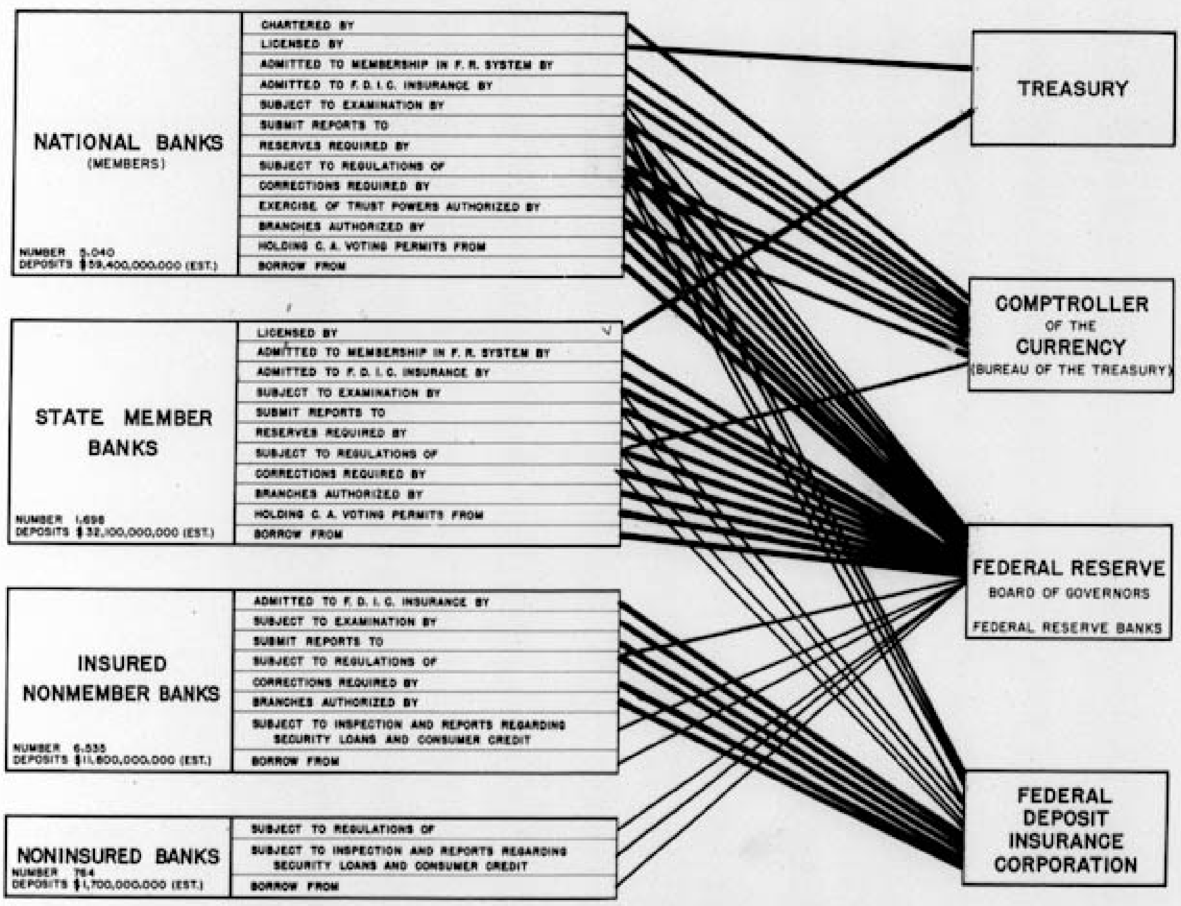
The plan of coordination will make it possible to effect substantial savings in manpower and facilities. These economies, which are desirable at all times and particularly necessary in wartime when an acute manpower shortage exists, will result from merging the agencies in Washington, as well as in the field. Similarly, further economy in time and expenditure will be made possible by simplification and avoidance of duplication in administering Federal law and in the issuance of regulations, as well as by utilizing existing facilities of the Reserve System in Washington and in the twelve Federal Reserve Banks and their twenty-four branches in principal cities throughout the country. The three Federal bank supervisory agencies are now largely housed separately in different locations in Washington and throughout the country. Contacts of the banks and of the State banking supervisors with Federal authorities will be facilitated by the coordination. The placing of Federal responsibilities in the banking field under a unified authority rather than under three separate banking agencies will also make possible further decentralization in conducting examinations and in administration of Federal laws and regulations.

The purpose of the Order is to strengthen, not to change, the dual banking system of the country as it has been traditionally organized under Federal and State chartering and supervision. It is intended to further the cooperative relationships long existing between Federal and State supervisory authorities, both by simplifying and decentralizing Federal administrative and regulatory functions, and by continuing and extending, wherever possible, the established practice of exchanging information, of consultation with respect to procedure and supervisory policy, and of conducting examinations and making reports on a cooperative basis.

Through this Order, Federal banking and credit policy and machinery, brought together under a single Government authority and coordinated with the State banking authorities, can be more effectively and efficiently directed toward common objectives of economic stability during the war and in the transition from war to peace.

SUPERVISION OF BANKS BY FEDERAL AGENCIES

PRINCIPAL RELATIONSHIPS



NUMBER AND DEPOSITS AS OF DECEMBER 31, 1943.

OFFICE OF WAR MOBILIZATION

Washington, D.C.

file 7/7/44

Grace, I think the President may want to read this memorandum before he sees Secretary Morgenthau.

x21

J. F. B.

OFFICE OF WAR MOBILIZATION

WASHINGTON, D.C.

February 3, 1944

James F. Byrnes
Director

MEMORANDUM FOR THE PRESIDENT:

Last week Marriner Eccles told me that you advised him you would sign an Executive Order consolidating the banking supervisory agencies of the government; that you told him to talk to Judge Rosenman and me about the matter. I asked him to submit to me the order he said he had discussed with you.

Yesterday afternoon Judge Rosenman told me that Eccles had invited him to lunch and submitted to him the two orders attached with accompanying explanations. Eccles was very positive that you had determined to order the consolidation. However, I feel I should send you this memorandum.

When I was a member of the Senate Banking and Currency Committee I heard this proposal discussed for several days. In my opinion Eccles is right. I think that was the opinion of the Committee at the time. Nevertheless, it was such a controversial subject that we were convinced we could not get the bill through the Senate and we did nothing. Later, I had charge of the Reorganization Bill. LaFollette was on my Committee and he moved to exempt the F. D. I. C. in order to prevent such a consolidation as is now urged. The Committee voted with him. We defeated efforts to exempt other agencies but there was no chance of our doing anything with F. D. I. C. Vandenberg lead the fight on the Republican side and there was strong opposition on our side.

Under the War Powers Act you are authorized to make such consolidations, but the law provides that the authority shall be exercised only as to matters relating to the conduct of the present war. Because the Congress granted this power so freely, I know you would not want to do anything that would lay you open to the charge that you used it to accomplish a purpose that was not related to the conduct of the war and that you were taking advantage to do something the Congress had refused to give you authority to do in time of peace. Some may argue that making government more efficient is a matter "relating to the conduct of the present war" but I do not believe Congress ever had in contemplation that this power would be used for such consolidation as is proposed. I feel confident that had it been suggested, the Congress would have exempted this agency and many other agencies.

You recall that the State Banks are under F. D. I. C. Their argument is that the Federal Reserve would force them into the system. I do not think you could sign the order without giving F. D. I. C. and Treasury an opportunity to be heard. Crowley would not like the consolidation but in my opinion, would not stir up opposition to it. Opposition would come from State Bankers and from Senators and Congressmen who are united in support of F. D. I. C. You know what would be the attitude of the Treasury.

A hearing would divert a lot of manpower from the conduct of the war. Much as I like Eccles and much as I believe in the merits of his proposal, I think, for the reasons above stated, it would be unwise to sign the order.

I am sending a copy of this memorandum to Judge Rosenman.

J. F. B.

J. F. B.

PLAN A

EXECUTIVE ORDER

CONSOLIDATING THE BANKING SUPERVISORY AGENCIES OF THE GOVERNMENT

By virtue of the authority vested in me by Title I of the First War Powers Act, 1941, approved December 18, 1941 (Public Law 354, 77th Congress), and as President of the United States, it is hereby ordered as follows:

1. It is the purpose of this order, in accordance with which it shall be interpreted and administered, to establish at one point the responsibility for executing governmental policy with respect to supervision of banks by the Federal Government; to effect economies in the use of Government workers; to eliminate unnecessary expense; to avoid duplication of effort and the exercise of duplicated functions, powers, and duties; and generally to provide a coordinated program of bank supervision designed to support economic stability and national credit policy. The Board of Governors of the Federal Reserve System is utilized to consolidate and coordinate the supervisory functions of the Federal Government with respect to banks.

2. The following agencies, functions, powers, and duties are consolidated into and shall be administered by or under the direction and supervision of the Board of Governors of the Federal Reserve System:

(a) All functions, powers, and duties of the Comptroller of the Currency and the Bureau of the Comptroller of the Currency, except as otherwise provided herein, are transferred to and shall be administered by the Board of Governors of the Federal Reserve System. Except as otherwise provided in this order, all other personnel, books, records and other property of the Bureau of the Comptroller of the Currency are transferred to the Board of Governors of the Federal Reserve System. All unexpended moneys appropriated to the Bureau of the Comptroller of the Currency, not otherwise transferred by this order, are transferred to the general fund of the Treasury. All unexpended moneys derived by the Bureau of the Comptroller of the Currency from assessments made on national banks are transferred to the Board of Governors of the Federal Reserve System to be administered by the Board.

(b) The functions, powers, and duties of the board of directors of the Federal Deposit Insurance Corporation are consolidated into and shall be administered by the Board of Governors of the Federal Reserve System.

(c) The functions, powers, and duties of the Secretary of the Treasury with respect to the licensing of the opening or reopening of banks, the purchase by the Reconstruction Finance Corporation of preferred stock, capital notes, or debentures from banks, and the supervision of the Bureau of the Comptroller of the Currency or the approval or appointment of the personnel of such Bureau are transferred to and shall be administered by the Board of Governors of the Federal Reserve System.

3. Other functions, powers, and duties of the Comptroller of the Currency and of the Bureau of the Comptroller of the Currency are redistributed as follows:

(a) Functions, powers, and duties with respect to the examination and supervision of building and loan associations located in the District of Columbia, together with all personnel, funds, books, records and other property assigned to this function, are transferred to the National Housing Agency.

(b) Functions, powers, and duties with respect to the chartering and supervision of National Agricultural Credit Corporations, together with all personnel, funds, books, records and other property assigned to this function, are transferred to the Farm Credit Administration.

(c) Functions, powers, and duties with respect to the liquidation of national banks for which a receiver had been appointed, together with all related personnel, funds, books, records and other property of the Division of Insolvent National Banks in the Bureau of the Comptroller of the Currency, are transferred to the Federal Deposit Insurance Corporation.

(d) Functions, powers, and duties of the Comptroller of the Currency and of the Bureau of the Comptroller of the Currency with respect to the printing, engraving, custody and retiring of currency, together with all personnel, funds, books, records and other property assigned to this function, are transferred to the Secretary of the Treasury.

(e) Functions, powers, and duties of the Comptroller of the Currency under section 30 of the Banking Act of 1933 are, with respect to each Federal Reserve district and the national banks located therein, transferred to the Federal Reserve Agent of such district.

4. The functions, powers, and duties consolidated in this order shall be exercised to avoid, in so far as possible, the duplication of similar functions or the performance of similar duties. Similar or corresponding functions of the Board of Governors of the Federal Reserve System and the Federal Deposit Insurance Corporation may be performed through the means of either agency, the expense thereof to be adjusted by reimbursement on the basis of the fair proportion of the services performed for the reimbursing agency. To that end, personnel of either agency may be transferred from one agency to the other but any personnel found to be in excess of the personnel necessary for the administration of the functions, powers, and duties as consolidated in this order shall be retransferred under existing law to other positions in the Government or separated from the services. The offices of the Comptroller of the Currency, all Deputy Comptrollers of the Currency, and the directors of the Federal Deposit Insurance Corporation are hereby vacated for the duration of this order: Provided That, for such period as the Board of Governors of the Federal Reserve System may find necessary to effectuate the consolidations herein ordered, the Comptroller of the Currency, the Deputy Comptrollers of the Currency, and the directors of the Federal Deposit Insurance Corporation may continue to function in their respective capacities.

5. All orders, rules, regulations, permits, obligations, or privileges made, issued or granted by or in respect of any agency, function, power, or duty consolidated hereunder shall continue in effect to the same extent as if such consolidation had not occurred until modified, superseded, or repealed.

6. This order shall become effective as of the date hereof and shall be in force and effect so long as Title I of the First War Powers Act, 1941, remains in force.

THE WHITE HOUSE

PLAN B

EXECUTIVE ORDER

CONSOLIDATING THE BANKING SUPERVISORY AGENCIES OF THE GOVERNMENT

By virtue of the authority vested in me by Title I of the First War Powers Act, 1941, approved December 18, 1941 (Public Law 354, 77th Congress), and as President of the United States, it is hereby ordered as follows:

1. It is the purpose of this order, in accordance with which it shall be interpreted and administered, to establish at one point the responsibility for executing governmental policy with respect to supervision of banks by the Federal Government; to effect economies in the use of Government workers; to eliminate unnecessary expense; to avoid duplication of effort and the exercise of duplicated functions, powers, and duties; and generally to provide a coordinated program of bank supervision designed to support economic stability and national credit policy.

2. The Board of Governors of the Federal Reserve System is utilized to consolidate and coordinate the supervisory functions of the Federal Government with respect to member banks of the Federal Reserve System. To that end the functions, powers, and duties of the Comptroller of the Currency and of the Bureau of the Comptroller of the Currency are redistributed as follows:

(a) All functions, powers, and duties, except as otherwise provided herein, are transferred to and shall be administered by the Board of Governors of the Federal Reserve System.

(b) Functions, powers, and duties with respect to the examination and supervision of building and loan associations located in the District of Columbia, together with all personnel, funds, books, records and other property assigned to this function, are transferred to the National Housing Agency.

(c) Functions, powers, and duties with respect to the chartering and supervision of National Agricultural Credit Corporations, together with all personnel, funds, books, records and other property assigned to this function, are transferred to the Farm Credit Administration.

(d) Functions, powers, and duties with respect to the liquidation of national banks for which a receiver had been appointed, together with all related personnel, funds, books, records and other property of the Division of Insolvent National Banks in the Bureau of the Comptroller of the Currency, are transferred to the Federal Deposit Insurance Corporation.

(e) Functions, powers, and duties of the Comptroller of the Currency and of the Bureau of the Comptroller of the Currency with respect to the printing, engraving, custody and retiring of currency, together with all personnel, funds, books, records and other property assigned to this function, are transferred to the Secretary of the Treasury.

(f) Functions, powers, and duties of the Comptroller of the Currency under section 30 of the Banking Act of 1933 are, with respect to each Federal Reserve district and the national banks located therein, transferred to the Federal Reserve Agent of such district.

(g) All other personnel, books, records and other property of the Bureau of the Comptroller of the Currency are transferred to the Board of Governors of the Federal Reserve System. All unexpended moneys appropriated to the Bureau of the Comptroller of the Currency, not otherwise transferred by this order, are transferred to the general fund of the Treasury. All unexpended moneys derived by the Bureau of the Comptroller of the Currency from assessments made on national banks are transferred to the Board of Governors of the Federal Reserve System to be administered by the Board.

3. The functions, powers, and duties of the board of directors of the Federal Deposit Insurance Corporation are consolidated into and shall be administered by or under the direction and supervision of a Deposit Insurance Administrator who, for the purposes of this order, shall be the Chairman of the Board of Governors of the Federal Reserve System. The Deposit Insurance Administrator shall receive no salary from the Federal Deposit Insurance Corporation.

4. The functions, powers, and duties of the Secretary of the Treasury with respect to the licensing of the opening or reopening of banks, the purchase by the Reconstruction Finance Corporation of preferred stock, capital notes, or debentures from banks, and the supervision of the Bureau of the Comptroller of the Currency or the approval

or appointment of the personnel of such Bureau are transferred to and shall be administered by the Board of Governors of the Federal Reserve System.

5. The functions, powers, and duties consolidated in this order shall be exercised to avoid, in so far as possible, the duplication of similar functions or the performance of similar duties. Similar or corresponding functions of the Board of Governors of the Federal Reserve System and the Federal Deposit Insurance Corporation may be performed through the means of either agency, the expense thereof to be adjusted by reimbursement on the basis of the fair proportion of the services performed for the reimbursing agency. To that end, personnel of either agency may be transferred from one agency to the other but any personnel found to be in excess of the personnel necessary for the administration of the functions, powers, and duties as consolidated in this order shall be retransferred under existing law to other positions in the Government or separated from the services. The offices of the Comptroller of the Currency, all Deputy Comptrollers of the Currency, and the directors of the Federal Deposit Insurance Corporation are hereby vacated for the duration of this order: Provided That, for such period as the Board of Governors of the Federal Reserve System and the Deposit Insurance Administrator may find necessary to effectuate the consolidations herein ordered, the Comptroller of the Currency and the Deputy Comptrollers of the Currency, under the direction and supervision of the Board of Governors of the Federal Reserve System, and the directors

of the Federal Deposit Insurance Corporation, under the direction and supervision of the Deposit Insurance Administrator, may continue to function in their respective capacities.

6. All orders, rules, regulations, permits, obligations, or privileges made, issued or granted by or in respect of any agency, function, power, or duty consolidated hereunder shall continue in effect to the same extent as if such consolidation had not occurred until modified, superseded, or repealed.

7. This order shall become effective as of the date hereof and shall be in force and effect so long as Title I of the First War Powers Act, 1941, remains in force.

THE WHITE HOUSE

Duplicated and Overlapping Functions of Federal Supervisory Authorities

There are approximately 14,000 commercial banks which are subject in greater or less degree to some form of authority exercised by the Board of Governors, the FDIC, the Comptroller of the Currency and the Secretary of the Treasury. At least 86% of the deposits of all commercial banks are in members of the Federal Reserve System.

The Federal Reserve System lays down the requirements for admission of State banks to membership and it has authority to supervise and examine all member banks. However, charters for National banks are issued by the Comptroller, and they become members of the Federal Reserve System without any action by the Board of Governors. All member banks must be insured by the FDIC upon certification by the Board in the case of State member banks and by the Comptroller in the case of National banks. The fact that a State bank is insured by the FDIC does not entitle it to membership in the Federal Reserve System, as it must meet certain additional requirements before it can be admitted. All member banks must have licenses issued by the Secretary of the Treasury, which are still subject to revocation by him.

The Comptroller issues regulations defining and governing the investment and purchase of Government securities by National banks. These regulations are applicable also to State member banks but not to insured nonmember banks. The Comptroller enforces the regulations with respect to National banks and the Reserve System enforces the same regulations with respect to State member banks.

Although the Comptroller issues charters to National banks, they can exercise trust powers only when granted by the Board of Governors, which issues the regulations governing the exercise of trust powers. Supervision over the exercise of trust powers and compliance with the Board's regulations as to National banks, however, is in the hands of the Comptroller.

The Board of Governors issues regulations defining demand, time and savings deposits for member banks and relating to interest on such deposits. Payment of interest on demand deposits is prohibited by Federal law for all insured banks whether National, State member, or nonmember. But the regulation of the Board of Governors apply to National and State member banks only and the FDIC has separate authority which it exercises with respect to nonmember insured banks. The two sets of regulations are not identical and policies of administration are in conflict. While the Federal Reserve authorities enforce the Board's regulations as to State member banks, the Comptroller administers the Board's regulations with respect to National banks.

The Federal Reserve System is charged with the administration of the law regarding holding company affiliates of member banks; but the same holding company sometimes controls National banks, supervised by the Comptroller of the Currency; State member banks, supervised by the Federal Reserve authorities; and nonmember insured banks, supervised by the FDIC.

National banks make reports of condition and earnings and expenses to the Comptroller of the Currency; State member banks to the Board of Governors; and insured nonmember banks to the FDIC. It has required much labor and negotiation to bring these reports into reasonable harmony but the information derived from them is tabulated separately by each of the three Federal authorities for the class of banks from which it receives the reports. Each agency obtains from the other the comparable information derived from its reports and all three, to some extent, publish the same information.

The Board of Governors has jurisdiction over all banks, regardless of whether they are insured or not and whether they are members or not of the Federal Reserve System, under Regulation U, relating to loans by banking institutions on stock exchange securities. This is also the case under the Board's Regulation W, issued pursuant to an Executive Order relating to consumer credit. Nevertheless the examinations necessary to carry out these regulations are administered as to each class of bank by the Federal authority to which it is primarily responsible.

All member banks, whether National or State, are subject to the reserve requirement regulations of the Board of Governors and to the Board's regulations governing discounting facilities of the Federal Reserve Banks. All member banks also have the check clearing and currency facilities of the Federal Reserve Banks and are subject to the instructions of the Federal Reserve Banks relating thereto. Member banks have certain preferential advantages with respect to discounting at Federal Reserve Banks; they can borrow on any sound assets and they obtain the lowest rates. However, nonmember banks may also borrow from the Federal Reserve Banks to a limited extent on somewhat higher rates.

Although the fundamental policy of bank examination and supervision should be governed by National credit policy which is the primary responsibility of the Board of Governors, and although, as will be seen from the foregoing, examinations should carry out the objectives of regulations most of which are issued by the Board of Governors, the actual performance of the examination function is distributed among the three Federal agencies. The Federal Reserve Banks, under the direction of the Board of Governors, examine all State member banks; the Comptroller directs the examination of all National banks; and the FDIC directs the examination of all nonmember State insured banks. National banks are examined at least twice a year and pay assessments to cover the cost; State member banks and nonmember insured banks are not subjected to such requirements by the Board or the FDIC. Although there has been an agreement by the three agencies upon uniform bank examination procedure, that agreement is not carried out uniformly by the three agencies.

The three supervisory agencies, both in Washington and in the field, are largely housed separately in different locations, whereas if they were reorganized joint housing accommodations could easily be provided and the contacts of banks with the agencies greatly simplified.

As a result of the diverse Federal supervisory policies, banks may leave one jurisdiction in preference for another; a National bank may give up its charter in order to become a State nonmember insured bank; a State member bank may withdraw from membership for the same reason; and an insured bank may obtain a National charter or State bank membership in order to gain the advantages that it sees in such action. Such conditions are not conducive to respect for Federal supervisory authority.

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<u>Outline of Plan of Staff Organization for Performance of Functions of Comptroller of the Currency, FDIC and Board of Governors in Federal Supervision of Banking.</u>

Alternative Executive Orders have been drafted. The only important difference between them is that under one plan the Board of Governors would perform the functions of the Directors of the FDIC while under the other a single Administrator (who would be the Chairman of the Board of Governors) would take the place of the Directors of the FDIC. The corporate entity of the FDIC would not be disturbed in either case. Under both plans, the Board of Governors would perform the functions of the Comptroller of the Currency.

<u>Unified Organization Policy</u>

Regardless of which Executive Order is approved, the objective would be the same. Examination and other administrative policies of Federal agencies would be coordinated. Regulations dealing with subjects concerning more than one class of banks and rulings thereunder would be harmonized and the banks affected would not be subjected to conflicting Federal policies. State supervisory authority and the dual banking system would not be impaired. It would be expected that the Board of Governors and the Administrator of the FDIC would harmonize their general policies and that they would effect arrangements under which duplications in staff organizations would be eliminated both in Washington and in the field. There would be the maximum amount of decentralization of administrative functions away from Washington through unified field headquarters, so that action upon many matters might be taken at points near the banks concerned without unnecessary reference to Washington except for policy decisions. The existing Federal Reserve organization and facilities would be utilized as far as practicable. The corporate identity of the FDIC, however, would be maintained in official titles and correspondence relating to matters in its jurisdiction and there would be an equitable apportionment of expenses between the FDIC and the Federal Reserve.

<u>Bank Examination and Supervision</u>

In Washington there would be only one head instead of three heads of Federal examination functions and there would be only 12 field headquarters instead of 36 as at present. These field headquarters would be in the Federal Reserve Banks if practicable. This would be advantageous because of the existing facilities of the Federal Reserve Banks and the availability of experienced legal and other assistance. The Federal Reserve organizations are already dealing constantly and intimately with all classes of banks, regardless of whether they are members or not, in the administration of Federal regulations and as fiscal agents for the Treasury. They maintain close relations with State supervisory authorities in their districts.

If difficulties, not now foreseen, should arise which would prevent administration through the Federal Reserve Banks, the broad objective would still be met by combining under the Board of Governors in one field headquarters in each District, outside the Federal Reserve Bank, the examination functions of the Comptroller of the Currency relating to National banks and those of the FDIC relating to nonmember banks and credit unions with the corresponding functions of the Federal Reserve Banks. The burden of examinations and assessments could be materially reduced as to National banks and more nearly equalized as between different classes of banks which is not now the case. The difficulties of the manpower situation due to military needs could be met more easily in a combined examination force than at present in 3 separate organizations. At present the Comptroller and the FDIC make an original review in Washington of all examination reports and in many cases prepare letters of criticism which are sent by the Comptroller directly to the bank concerned and by the FDIC through the State supervisors. Under a coordinated plan the review of these examination reports for over 12,000 banks and preparation of letters of criticism might well be handled in the field with only such subsequent review in Washington as might be desirable to see that the field offices conformed to national policy. The distinctive problems of State banks would be recognized through having in the Washington and field offices, respectively, one assistant to the head of the office for State banks as well as one for National banks. Correspondence with State nonmember insured banks and State authorities with respect to nonmember insured banks would continue, in both the field offices and the Washington offices, to be handled in the name of the FDIC.

Statistical and Research Work

The statistical work in the Comptroller's Office, which mainly relates to reports of condition and earnings and expenses of National banks, and similar work of the FDIC's staff relating to nonmember banks, would be combined in the Board's Division of Bank Operations, where such work is now done in relation to reports of State member banks.

All other research and statistical work of the FDIC and of the Board of Governors would be coordinated under one director. Instead of 3 sets of publications, which often repeat the same information, there would be only one set.

Liquidation of Insolvent National Banks

The work now handled in the Comptroller's Office would be performed by the corresponding division of the FDIC. This should be easily accomplished because the functions are almost identical, the expenses are paid from the funds of the closed banks, and the entire operation, particularly as regards the Comptroller of the Currency, is rapidly diminishing.

Legal Work

Legal work in Washington relating to National banks under the Comptroller of the Currency would be performed by the Legal Division of the Board of Governors and, together with the legal work of the FDIC, would be under one General Attorney. Arrangements could be made by which legal work in the field would be performed by the legal staffs of the Federal Reserve Banks who now handle all legal problems of the Federal Reserve relating to member banks.

Personnel Work

Personnel work relating to the combined staffs of the Comptroller's Office and the Board of Governors, together with personnel work in the FDIC, could be conducted under one Director. This would be especially desirable in effecting a transition from 3 independently operated organizations to a coordinated status and also because there is a carefully worked out study for the Federal Reserve System of an executive development plan to which the Board has given its support.

Accounting, Finance and other Service Functions.

These functions in the Office of the Comptroller of the Currency would be combined with corresponding functions in the staff of the Board of Governors and, together with similar functions in the FDIC, would be performed under the direction of one or two Division heads as might seem desirable for good administration.

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THE WHITE HOUSE 90

WASHINGTON

February 22, 1944

MEMORANDUM FOR

HON. JAMES F. BYRNES: x5330

Do you and Marriner Eccles want to have a talk with me when I get back?

F.D.R.

Letter from Hon. M. S. Eccles, Chairman, Board of Governors of the Federal Reserve System, "ashington 25, D. C., 2/17/44, to the President, in reply to the President's letter of 2/9/44 in re duplication of examinations by banks.

x230

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON 25

OFFICE OF THE CHAIRMAN

February 17, 1944.

My dear General:

I am enclosing the letter to the President about which I just talked to you over the telephone. I greatly appreciate your willingness personally to see that the President gets this letter.

Sincerely yours,

MSEccles

General Edwin M. Watson,
The White House.

Enclosure