

## 2. Elder Statesmen

FOR THE greater part of his life Senator Carter Glass of Virginia was honored on all sides as a man of high intelligence, courage, fluency, and integrity. In the Senate special respect was paid him when he spoke of banking matters. Though not all the things he proposed in this field became laws, those bills he opposed rarely came to a vote; if they did, they were generally killed off. It was as though the Senate, by an unwritten amendment to the Constitution, had vested him with veto powers over banking legislation equal to those of the President of the United States in all other matters.

In addition to the role he filled in the Senate, Glass's distinguished career had seen him a chairman of the House Banking Committee, and a Secretary of the Treasury in a Wilson Cabinet. He had cause to be proud of his public career and its master work, the creation of the Federal Reserve System. He also had cause to be proud of his close ties with Woodrow Wilson. But perhaps this very pride of memory put a blinder on his eyes when he looked at Roosevelt. He seemed unable to see that a new President was also worthy of devoted services, or that a new generation of men could be drawn to Mr. Roosevelt for the same reasons an older one was drawn to Wilson.

As he had presided over the Federal Reserve System for the past two decades, Glass meant to continue to do so during the Roosevelt years; but he was fated to know a bitter disappointment from which he never recovered. Specifically, Glass assumed that he would at least be consulted about the new Governor of the Federal Reserve Board even if he was not given a free hand to choose the appointee. But as it turned out, when

the appointment went to me, Glass was not informed beforehand of what was in the wind.

I do not know to this day why things were handled this way. The first explanation that comes to my mind is that Roosevelt was harassed by more pressing things at the time—he was on his way to Warm Springs for the Thanksgiving holiday—and simply forgot to call Glass. Or Glass may not have been readily available for consultation, since the Congress had adjourned for the November elections. Again, Roosevelt may have felt that if Glass was called in and asked to approve of what was being proposed, and then refused to do so, any subsequent action either would be defiance of Glass or would make the Presidential office subordinate to the will of a single Senator. In political terms, either course probably would have created more complications than the sin of bypassing him entirely.

Alexander Hamilton, in the *Federalist Papers*, expressed the problem in these terms:

Men often oppose a thing, merely because they had no agency in planning it; or because it may have been planned by those whom they dislike. But if they have been consulted and have happened to disapprove, opposition then becomes, in their estimation, an indispensable duty of self-love. They seem to think themselves bound in honor, and by all the motives of personal infallibility, to defeat the success of what has been resolved upon contrary to their sentiments.

However Roosevelt's action can be explained, it was to color Glass's views toward the reforms contained in the Banking Act. Moreover, since Senate consideration of my appointment ran concurrently with its consideration of the Banking Act, the two things seemed to become confused in Glass's mind. He worked assiduously to avenge himself on the President by trying to defeat confirmation of my appointment and, failing in that, to defeat the act itself.

He was encouraged in this course by a number of other men whose own interests were served by the stand Glass took. One of these was George L. Harrison, who had succeeded Benjamin

Strong as Governor of the Federal Reserve Bank of New York. In the days of Strong the Federal Reserve Board in Washington was generally bypassed when there were matters affecting the New York Reserve Bank to be taken up at the White House or Treasury. Harrison carried the arrangement one step farther. He bypassed both the Board, the Treasury, and the White House and went directly to Senator Glass as the ultimate source of power over the Reserve System.

When the changes I had proposed in the Reserve System became known to him, Harrison correctly interpreted them to mean the end of New York domination of the supply of money and credit throughout the country, as it was exerted by the commanding position the New York Federal Reserve Bank held in the Reserve System as a whole. Being the chief executive officer of the New York Federal Reserve Bank, which had the most to lose if the proposed reforms became law, Harrison, acting on behalf of the private banking interests of New York, turned to Glass as the protector of those interests.

He could do that on the basis of a long-standing friendship that was reinforced by his very close friendship with Admiral and Mrs. Cary Grayson (Harrison married Mrs. Grayson in 1940 after the Admiral's death). Grayson had been a crony of Glass's as well as physician to President Wilson. Thus Harrison could effectively stir recollections of how things once were in the White House when Glass was Secretary of the Treasury—at a time when Franklin D. Roosevelt was merely the stripling Under Secretary of the Navy. The chords of memory were plucked in a way best calculated to set the old Senator marching off at the head of the enemies of his youth as they fought those whose cause Glass had once brilliantly championed.

Apart from Harrison, another figure added his mite to Glass's opposition. The man in question was then the Democratic National Committeeman from Utah, who had once been refused a loan by one of my banks because he was an unreliable character. At a later date, and for a related reason, a criminal

court upheld this decision. It found him guilty of rape. But in 1934-5 his political standing brought him within range of Glass's ears. And when Glass was anxious to gather evidence to prove that I was not qualified to serve as Governor of the Federal Reserve Board, the committeeman passed his fantasies on to Glass as statements of exact truth, Glass in turn passed them on to the Senate subcommittee he headed.

The nature of that committee deserves a word of comment.

In March 1933, when the Senate was organized by the Democrats, Glass could claim by seniority the chairmanship of either of two committees: Banking and Currency or Appropriations. His career lay with the first of these; but if he became chairman of the Banking and Currency Committee, then the Appropriations post would go by seniority to Senator Kenneth D. McKellar of Tennessee. Leaders of the incoming Administration did not want that to happen, and they prevailed on Glass to assume the chairmanship of the Appropriations Committee and to surrender in name only the chairmanship of the Banking and Currency Committee.

The latter post went to Senator Duncan U. Fletcher of Florida, who was then getting on in years and was content to hold merely the symbols of power. Actual power went to Glass through the formation of a subcommittee he headed, which was granted full authority in all vital banking matters. Thus, when my appointment as Governor of the Reserve Board was being considered, it was this subcommittee that examined my qualifications. Thus, too, when the Banking Act of 1935 was being considered, it was this subcommittee that conducted the Senate hearings.

On the face of things, it was a strong committee. In addition to Glass, its members included Senator Robert J. Bulkley of Ohio, who had been on the House Banking and Currency Committee in 1913 and had worked with Glass in framing the original Federal Reserve Act. Another member was Senator William Gibbs McAdoo of California, who like Glass had also

been a Secretary of the Treasury under Wilson. The remaining members were Senators James F. Byrnes of South Carolina, John H. Bankhead of Alabama, Peter Norbeck of South Dakota, John G. Townsend, Jr., of Delaware, and James Couzens of Michigan. There were many proud and strong-willed men in this group, but Glass rode herd over them all and came very close to bending the subcommittee to the service of his personal pique.

Fortunately, a somewhat different situation prevailed in the House Banking and Currency Committee. Here the committee chairman was Henry B. Steagall of Alabama; the ranking Democratic member was T. Alan Goldsborough of Maryland. The two men made an interesting team. Steagall was not the sort who would grant power to a subcommittee to consider a measure like the Banking Act of 1935. When the House hearings were held, it was by the full committee, with Steagall presiding. At the same time Goldsborough's aggressiveness in cross-examining witnesses, and in holding Steagall steady when he showed signs of buckling under political pressure, was to have great consequences on the legislative history of the act.

The position these two men held in 1935 was analogous to the one held by Glass and Bulkley in 1913. In 1913, as in 1935, it was a determined House committee that pushed through the Federal Reserve Act in the face of the Senate's delaying tactics. But in 1935, unlike 1913, Glass and Bulkley were in the Senate and there bore themselves as had their foes of a quarter of a century past in dealing with the House committee. It was no exaggeration to say that had it not been for Steagall and Goldsborough, the whole attempt to revitalize the Reserve System would have been killed off by the very men who first gave it life.

More of this in due course.