3. Brief Encounters

FOLLOWING THE announcement of my appointment as Governor of the Federal Reserve Board, I understood for the first time the psychological handicaps under which Morgenthau had labored in the previous year when he held a recess appointment as Secretary of the Treasury. The appointee is torn between the need to get down to work without delay, and the obligation to do so in a way that will give no offense to the Senate committee that has yet to judge his fitness for office.

In my own case there were compelling reasons why I had to risk giving offense by driving hard for the consideration of the banking bill even before I was confirmed in my appointment as Governor. In the first place, I had accepted that post on condition that the Reserve System would be overhauled by means of the proposed legislation. In the second place, immediate action in the banking field was required in support of a concurrent development in the field of public relief.

Following the end of the Civil Works Administration in the early part of 1934, relief activity in the main had reverted to the character of a dole, which served neither a humanitarian nor a cold-blooded economic interest. The dole offered no assurance that the unemployed would peacefully accept the conditions of their unemployment for an indefinite period. It merely maintained the status quo in the hope that recovery would in some way or other develop automatically. Furthermore, an increase in business activity, which alone could absorb the unemployed, was not then in prospect, since potential consumers had no means by which they could make their demands effective. What was needed was a marked increase in consumer income and

expenditures of sufficient size to bring about a full utilization of the capital-goods industries that were then stagnating.

All government schemes tried up to that time, which were to place money directly in the hands of potential consumers, were on a rationed basis and had but a limited effect or none at all in increasing employment. The moderate business recovery that had occurred could be directly traced to the reflationary forces expressed in government expenditures of approximately $3.3 billion. But this total was less than seven per cent of the depressed national income and less than four per cent of the nation's normal income. With expenditures of that ratio, we could go on spending a bit each year. We could, through a sedimentation process, build up a large debt without gaining the flood-tide stimulus to private expenditures that was needed.

From the moment I arrived in the Treasury Department, I had preached the gospel I had voiced in the Friedenker meetings in Utah, and before the Senate Finance Committee in February 1933. I found some companions in the Treasury Department who had come to share similar views. But what we had to say was voiced in a soundproof room. The muffler was put on us from three sources. First, there was the opposition from Lewis Douglas, of the Budget Bureau. Second, there was T. Jefferson Coolidge, who had replaced Dean Acheson as Under Secretary of the Treasury. Coolidge, I understood, owed his post largely to the intercession of George L. Harrison, Governor of the New York Federal Reserve Bank. He was a safe and orthodox man who endeared himself in certain quarters by his opposition to aspects of the FHA and later to the Banking Act of 1935. Any talk of large-scale deficit financing to get us out of the depression shocked him.

In addition to the internal mufflers Douglas and Coolidge clamped down on all talk of government spending, an external muffler was clamped on by Morgenthau himself. Morgenthau wanted all Treasury opinion offered to Roosevelt to funnel through him. In administrative terms, he was correct in insist-

ing that there should be no back-door dealing with the White House by any of his aides. But since he leaned heavily in the direction of Coolidge's opinions, those he passed on to Roosevelt gave the impression that the Treasury Department as a whole was all for a balanced budget.

The purely political consequences of this impression were unfortunate. With the Treasury staff reduced to silence, and with its chief whispering the language of economic orthodoxy, the initiative for a large-scale spending program went by default to two men whose roles exposed them to the charge that they were "playing politics with human misery." These two, Harry Hopkins and Harold Ickes, perforce had to play politics with human misery—if one wishes to call it that. Each day of their work they waded through the muck and mire of human distress. They knew better than most people that if politics was not played, if the government did not put an end to distress, then government as we had known it would be destroyed by social upheaval. Unfortunately, what they said was prejudged and discounted in many quarters as being merely a vote-catching device. Had the case for spending been broadcast from Treasury quarters as an *economic argument* in which the welfare of the whole nation was involved, I believe it would have checked some of the bitter opposition the relief program encountered.

The unofficial ban on direct communication with the President was lifted in my own case the day after public announcement was made that I had been appointed Governor of the Federal Reserve Board. The State of the Union address outlining the task for the new Congress was then being prepared, and I availed myself of the invitation Roosevelt extended to members of his Administration to throw their ideas into a common hopper, from which material was drawn for that address. With the help of a young economist named Henry Edmiston, who had formerly been with the Brookings Institution and had come to the Federal Reserve Board at my request, I prepared a memorandum for the President. It addressed itself to the old question

of how consumer income and expenditures could be increased to a size that would warrant the full utilization of the capital goods industries.

While I pressed on Roosevelt my own arguments for launching a giant public-works program that would represent an *addition* to private investment and spending and not a *subtraction*, Hopkins and Ickes approached him from the standpoint of his great human sympathies. The ultimate result was the State of the Union message of January 1935, which was devoted almost exclusively to the proposal that Congress enact a relief program, with an initial appropriation of some $4.5 billion.

In subsequent months and years I was to return many times to the form public expenditures should take. But it seems enough to say at this point that while I was strongly in favor of the principle of government spending, I regretted the form given it by the Works Progress Administration, which was created a few months after this address. Roosevelt and Hopkins probably did all that could be done in an atmosphere charged with hostility to the whole concept of government spending.

But as I later argued the problem with both men, it seemed to me that the WPA was defective for many reasons. In the first place, it was inadequate. At no time was it able to care for more than three million people, though its existence ran concurrently with periods when there were ten million unemployed. With limited relief funds and with a vast relief load, workers on projects rarely received more than two or three days' work a week, or a cash income of between forty and seventy dollars a month, which barely maintained families at subsistence levels.

Furthermore, I felt it was dehumanizing to subject everyone who got WPA help to a means test. In every individual case this was a public proclamation that the man was a failure and a pauper who had exhausted his insurance, savings, credit, friends, and relatives. Literally millions of Americans went through hell before their pride was at last broken and they applied for WPA work.

Finally, the restrictions on the work aids of people on WPA ran counter to our whole tradition of efficiency in production. We forced WPA workers to use picks and shovels as though they were Chinese coolies. We did not make available to them the benefits of American technology to which they were accustomed. The work-relief laws were so framed that the use of coolie methods was inevitable. Allocation of WPA funds depended on the ability of local communities or states to provide equipment and materials. The WPA funds proper were earmarked in the main for labor costs on these community projects. Since equipment and material were expensive, there was a natural tendency on the part of strained communities to select not the most desirable projects—since this would involve them in the purchase of costly machines and material—but to select projects that could use the most hand labor.

Of course I recognized the need for speed in getting men to work in some form or other, even at slapdash jobs. But having gone through this emergency phase, I argued that as fast as possible the Government should undertake on a *contract* basis billions of dollars' worth of public works of a wide variety. They were to be nonprofit projects that were nevertheless essential and useful; projects that private capital could not and would not undertake, which were yet practical and some of which would ultimately pay their own way. In all of this the government effort should be oriented toward the creation of a favorable climate under which private capital would come out of hiding and go to work on a competitive basis, as in the FHA. Conducting these public-works projects on a contract basis assumed competition. It also assumed a small but necessary measure of profit to the contracting agency. But if the chain was followed in all its links, the entire economy would have received the benefit of all dollars that were spent.

To sum up, the work-relief program, as I argued for it, *was not to stimulate the growth of private capital goods facilities. It was to stimulate public capital goods facilities so that you*

could utilize private capital goods industries that were already on hand and whose facilities in the absence of effective consumer demand were excessive.

So much on this theme.

For the immediate purpose of this narrative regarding the Banking Act of 1935, the more important point to be made is that in November 1934 many of us knew that Roosevelt was preparing to ask Congress for at least four billion dollars to launch a work-relief program of some sort. Each field commander interpreted that information in terms of what he faced in his own sector. In the event the program was approved, it was clear that the Federal Reserve System would be the channel through which the banking system would have to absorb the securities and provide the credit basis by which the program would be financed. But under the prevailing Reserve setup a group of private individuals in the Reserve banks had the latent power to block the program by damming needed funds or by withholding the sort of action in Federal Reserve operations that could maximize in the economy the benefits sought through a resumption of large-scale spending. Thus the urgency to overhaul the Federal Reserve System. There could be no delaying the initial moves in that effort until after I was confirmed as Governor of the Federal Reserve Board.

Yet for all this resolve to press for action the day I moved into my new office, the five months that passed between the recess appointment as Governor of the Federal Reserve Board and my confirmation by the Senate were among the most trying in my life. Relations with encrusted old-timers in the Reserve System were complicated by an undercurrent of uncertainty as to what the Senate ultimately would do. And, more important, the same indecision complicated whatever I did in aiming at a legislative break-through for the banking measure. At any moment the Senate could lay aside its consideration of that measure and refuse to confirm my appointment.

Roosevelt was sensitive to my predicament, and it was in cases

such as this that he showed his great skill at rallying men. I recall, for instance, an uncommonly warm day in April 1935 when I was to report to him on the status of the banking bill. What I had to say must have found its outer expression in the droop of my shoulders as I approached him on the south portico of the White House where we were to have lunch. Before I could voice my woe, Roosevelt greeted me with these words: "You know, Marriner, when I appointed you a member of the Federal Reserve Board it never occurred to me that a Mormon had to be confirmed." There was a burst of laughter from him, the weight of gloom slid off my shoulders, and I felt buoyant and eager to resume the battle that had been going so badly.

The opening shots in that battle began on November 19, 1934, three days after I was sworn in and began my duties as a recess appointee. At that time I became embroiled with the Federal Advisory Council. This is a body of twelve bankers, each of whom is elected to the Council by the directors of a Reserve bank to represent and speak for the private banking system. They are directed by statute to "confer and advise directly" with the Federal Reserve Board on policy matters of economic interest.

It so happened that on September 28, 1934, just as the congressional campaign was beginning in earnest, the Advisory Council issued a public statement demanding among other things a prompt balancing of the budget. The Federal Reserve Board in Washington was not asked to pass on the release of the text. It was given out on the initiative of the Council itself to provide the banking community and its political allies with a vocabulary for attacking the New Deal in the election campaign.

The statement was widely used to this end. Few people who heard it understood that the Federal Advisory Council was not an organ of the government or the spokesman of the Federal Reserve Board. Nor were the members of the Council unaware

that they would be regarded as speaking for the Reserve System rather than for private banking interests.

During my first meeting with the Council there was a discussion of the statement it had issued during the campaign. I remarked that I was not at that moment interested in arguing the case for or against a balanced budget. What did interest me—and what needed correction—was the way the Council had turned its statutory role as an adviser to the Reserve Board into a springboard for political propaganda.

For the sake of brevity I have taken some liberties with the record of the meeting and have condensed it to this dialogue:

Mr. Eccles: You gentlemen of the Council have created the general impression that your opinions are those of the Federal Reserve System. Yet you know that is not the case. There is no established procedure worked out for an exchange of views. You come to us without even an agenda of things to be discussed. You call in staff members at your pleasure, get whatever information you want from them, and then issue a public statement condemning this or that government policy. It is only after the statement has appeared in the newspapers that the Federal Reserve Board learns what it is that you are condemning.

The conclusion is inescapable that you have deviated from your statutory role as advisers to the Federal Reserve Board and are, instead, engaged in political progaganda work. Since the Board is anxious that you *do* fulfill your statutory role as our advisers, we have a program to suggest as an alternative to the one you've been following recently.

We suggest that the Council issue no public statement without first submitting their recommendations and advice to the Federal Reserve Board and staff; that if afterward it is the desire of the Council to issue a public statement or submit recommendations of its own to Congress, it so advise the Federal Reserve Board. This will give the Federal Reserve Board a chance to prepare a statement of its own in the event there are objections to be made to the Council's position, and the two statements will be released simultaneously. On the other hand, if it is the opinion of the Board that the Council's

statement should not be released, the Council will be notified of that fact and will be given an opportunity to hear the reasons for the Board's decisions and to present counterarguments of its own. If after such a free and full discussion the Council is not persuaded to accept the Board's point of view, the Board will release the Council's statement, and will, if necessary, release its own objections to the position taken by the Council.

A Council member: Are you trying to tell us how we are to run our affairs? The law that set up the Council made us an independent agency. We are not required to submit anything to the Federal Reserve Board for approval. We have a legal right to say anything we want, whenever we want to, in whatever way we want.

Mr. Eccles: No one is questioning your legal rights. But if you are going to argue the legality of this problem, remember that the Federal Reserve Board also has a few legal rights. Among them, it has a legal right to ignore you, and to deny you access to its staff. So, in legal terms, we reach a stand-off, and while we each assert our independence, the whole purpose for which the Council was established is defeated. It was the intention of Congress that the Council should be *helpful* to the Federal Reserve Board; that it should be helpful by *advising and consulting directly* with it. What I've suggested is a system by which advice and consultation can proceed in an orderly manner.

Several Council members: We are an independent agency!

Mr. Eccles: Very well, gentlemen. But remember the Federal Reserve Board is also an independent agency, and as Governor of the Federal Reserve Board I assert that independence right now. I don't want to discuss this matter any further with you. I suggest this meeting should adjourn until tomorrow to give you a chance, without the Board's presence, to consider what your decision will be.

The meeting broke up on this note, with everyone breathing the scent of cordite given off by the explosion.

Twenty-four hours later the Council met with the Federal Reserve Board to announce that in the future they would suggest such and such a procedure to govern the release of statements they made.

A study of these draft terms revealed only a few verbal changes in what the Federal Reserve Board proposed; still, the proud men on the Council could not admit their past conduct was at least questionable. Thus, it was important for them to make some changes in the proposal and to convey the impression that they were maintaining their independence instead of *accepting* what the Board asked them to do. It made little difference who did the accepting, so long as the ultimate arrangement meant that the Council would be what the law meant it to be—namely, an *advisory* and not a *propaganda* body. I was content to allow the Council battle honors by accepting their verbal changes.

A second front that needed immediate attention was the Committee on Legislative Program for the Federal Reserve System. Here was a striking example of the way the Federal Reserve Board had its authority usurped by agents of private banking interests. The Legislative Committee, as its name suggests, was responsible for framing and initiating legislation affecting the Federal Reserve System. Yet with the single exception of a member of the Federal Reserve Board, all others on the committee represented the private-banking viewpoint. Nor was the Board member the head of the committee. He was merely a voting member. The head of the committee was the Governor of the New York Federal Reserve Bank, George Harrison. That is to say, the System official who assumed the right to initiate legislation affecting the Reserve System was not a public official with prescribed statutory powers and duties; he was chosen by and beholden to the directors of a Reserve bank. As a final touch, the Federal Reserve Board had given its approval to the arrangement!

A few days after my appointment as Governor of the Federal Reserve Board was announced, and before I was sworn in, I was in my office in the Treasury Department when George Harrison dropped by, ostensibly to offer his congratulations. I thanked him for his good wishes, and in time he turned to leave. But

as he reached the door, he stopped and said as an afterthought: "By the way, you know there is a Legislative Committee for the Federal Reserve System. Mr. Thomas, as Vice Governor of the Federal Reserve Board, has been serving as the Board representative on the committee. Now that you are about to be sworn in as Governor, I assume you will want to take Thomas's place." To this I replied: "I've been advised of the existence of the Legislative Committee. But it so happens that I have other plans. To be perfectly frank with you, I don't intend to be a member of your committee. And, moreover, one of my first acts after I'm sworn in as Governor will be to move the abolition of your committee. I shall do this because the legislative program for the Federal Reserve System is a direct responsibility of the Federal Reserve Board, which reports directly to Congress and whose members are appointed to represent the public interests. Moreover, I have accepted the post of Governor primarily for the purpose of carrying out an important legislative program, which you in all probability are going to oppose. It would therefore be doubly incompatible—from the point of view of the Board's responsibilities and my own intentions—to have a Legislative Committee controlled in any way by the officers and directors of the Federal Reserve banks."

These primitive and blunt words brought a flustered reply. "Of course," Harrison said, "you are privileged to do what you think you ought to do. Our committee has tried its very best to . . ."

He finished this sentence and left the office, and the war between the two of us was on in earnest.

It seemed best to withold action on the Legislative Committee until after the dispute with the Federal Advisory Council was settled. But on November 24, 1934, at a meeting of the Federal Reserve Board, I told my associates on the Board that I had discussed with President Roosevelt a proposed legislative program for the Reserve System; that he had pledged his support for it; that on the basis of that pledge I had undertaken the du-

ties of Governor; that I would therefore be grateful to the Board if it would provide the means by which such a program could be given specific shape; that the existing Legislative Committee was a barrier to any new legislation; that upon submitting its report it should be discharged. The Board generously backed this and a further request that a new Legislative Committee should be formed to work with me on a new legislative program. In addition to myself the members of the new committee, as approved by the Board, were E. A. Goldenweiser, director of the Division of Research and Statistics for the Reserve Board; Chester Morrill, secretary of the Board; Walter Wyatt, general counsel of the Board; and Lauchlin Currie, whom I had the Board appoint as an assistant director of Research and Statistics. All these men did yeoman work on the Banking Act of 1935. It was understood that the new legislation would be passed on by the Board, by the Federal Deposit Insurance Corporation, the Comptroller of Currency, Secretary Morgenthau, and President Roosevelt, and then would be submitted to Congress soon after it convened.

As my personal aide I brought in Lawrence Clayton from my banking organization in Utah. Here was one man in this new and strange setting with whom I could talk out my heart and mind, knowing that whatever advice he gave me would be objective, selfless, and sound. He was to show these qualities in a public capacity when he became a member of the Federal Reserve Board proper in 1947. In the final stages of the fight over the Banking Act of 1935 I was to secure another friend and adviser in the person of Elliott Thurston, a former newspaperman. Thurston carried in his head a pilot's chart of Washington's reefs and shoals. Again and again in our many years of close association his counsel was to prove invaluable.

While these events related to the Advisory Council and the Legislative Committee were taking place, I regret to say that I gave no thought whatsoever to Carter Glass or to what various couriers might be telling him as they called at his home in

Lynchburg, Virginia. But by mid-December I had gained a sufficient grip on the movement of forces in my immediate environment to permit a longer view of where I stood or wanted to go. On December 17 the figure of Carter Glass loomed up in my mind, and on that date I wrote to him to say:

> Ever since my present appointment I have been hoping that I would have an opportunity of making your acquaintance. I recognize the leading role which you played in bringing the Federal Reserve System into being, and the active part and great interest which you have taken in its operation since that time. I have great respect for you and I want to express to you my admiration for the valuable and untiring work which you have rendered. I hope you will permit me to call upon you at either your office or your residence in the near future, sometime at your convenience.

The reply came a day later. It was an invitation to call on him when he returned to Washington after the first of the year. "Needless to say," Glass added, "I am obliged to you for your most courteous personal allusions to me and *to my persistent efforts to maintain the independence of the Federal Reserve banking system. I sincerely trust that we shall be able to cooperate in this direction.*" At the time I received this letter, I saw no reason to italicize the foregoing sentences. The italics were written by subsequent events.

At my first meeting with Glass I referred to the forthcoming Federal Reserve banking legislation. I told him that I was not then in a position to discuss the details of the act, since the whole matter was being handled by the Administration's Interdepartmental Banking Committee. This committee had been set up in November by Roosevelt, with Morgenthau as chairman, and with a membership that consisted of the heads of the agencies involved in banking operations. Since the Banking Act affected other agencies, and each would have some say in it, I did not know what final form the legislative recommendation as a whole was likely to take. I did promise Glass that as soon as

the matter was cleared with the administration, I would discuss the bill with him before personally discussing it with anyone else.

At the time the Reserve Act of 1913 was being drafted, Glass kept its progress a secret from everyone except Wilson and McAdoo. As he explained matters in his book *An Adventure in Constructive Finance:*

> Here it may be stated that the currency measure was so closely guarded for the reason that every other currency bill had been battered to pieces by hostile interest before it could get a start. We suspected that our Federal Reserve Bank bill would be subjected to the same kind of attacks should its revolutionary provisions be prematurely disclosed. Already certain economists, one or two employed by special groups, were making desperate efforts to learn what the bill contained and were endeavouring to have the present writer accept parts or all of their productions. . . . The text of the bill was kept strictly secret except from the President and the Secretary of the Treasury.

The author of this passage was deeply embittered when the Banking Act of 1935 was sent to Congress without his having seen an advance copy of it. On the face of things, he had every reason to feel that there was some trickery in the wind, since I had not honored the promise made to him. The fact is, however, that the Federal Reserve portions of the bill were not completed and approved by the Interdepartmental Committee until a day before it was sent to the House and Senate. It was delivered to the Capitol before I personally had a copy of it.

On hearing that this was the case, I called Glass at once, explained what had happened, and told him that I had no idea the bill would be sent to the Capitol so soon. But he had been deeply offended, and intimated that I was lying to him. Thus this mischance was one more element that taxed our relationship. Had I had any experience in these matters before that time I would most certainly have worked much closer with Glass and seen

to it that he was kept advised of all developments. But I was still a stranger in Egypt.

The bill was introduced in the House on February 5 by Congressman Steagall and on the following day in the Senate by Senator Fletcher. House hearings began on February 21 and ran to April 8. It was only afterward, on April 19, that the Glass subcommittee in the Senate began hearings, which ran until June 3. The technical details of what was first introduced would cloud the line of this narrative. It is sufficient to say at this point that of the three parts to the bill, Title I dealt with matters related to FDIC operations. Title II dealt with the changes I'd proposed in the Federal Reserve System, which were given concrete expression by the Board's Legislative Committee. Title III dealt with technical amendments to the banking laws.

The union of these three parts under the cover of a single banking measure was not a chance combination nor was it easily achieved. It was designed to protect Title II from feeling the full weight of a certain attack by the banking community. The protective wall came from provisions in Title I and III that the bankers needed and would strongly support. Specifically, Title I among other desirable things proposed to change an existing law so that on July 1, 1935 the rate and nature of FDIC assessments would be liberalized to the advantage of the bankers. Similarly, Title III proposed to change a provision in the Banking Act of 1933 so as to give bankers relief from a harsh prospect many of them faced on July 1, 1935. By the terms of the 1933 Act, any bank official in the Reserve System who did not pay back as of the date indicated the loans he had received from his institution would lose his job.

As the due date of July 1935 approached, there were a good many bankers who had not yet paid back their loans, nor for that matter, was there any immediate likelihood that they could do so. Thus Title III, among its other desirable provisions, proposed to give the bankers a period beyond July 1935 in which they could repay their loans before they lost their jobs.

This legislative strategy of tying something the bankers didn't want to something they wanted very much was energetically fought by Leo T. Crowley, at that time the head of the FDIC, and by J. F. T. O'Connor, at that time the Comptroller of the Currency. While their work could not be isolated from the character of banking as a whole, both men insisted that the particular amendments affecting their agencies should be incorporated in single bills. Or, to put the matter more bluntly, they were quite prepared to isolate the changes proposed in the Federal Reserve System; we alone would draw the point-blank fire of the banking community.

In the drafting stage of the banking bill, it was possible to contain the objections these two men raised. An agreement was reached by which Henry Morgenthau, in his capacity as chairman of the Interdepartment Banking Committee, would serve as a "holding company" for our separate efforts. Each of us would send our respective measures to the Treasury Department, where the banking bill as a whole would be drafted and approved by the Interdepartment Committee.

But this checkmate to the objections raised by Crowley and O'Connor was of short duration. When the two men were called before the Glass committee to testify on the Banking Act, they disassociated themselves from Title II in their very opening remarks and directly or by indirection stated their opposition to the junction of three titles in a single bill. Coming in the wake of my failure to send him a copy of the banking bill in its final form, Glass saw in the Crowley and O'Connor statements further proof of a foul conspiracy of which I was the chief architect.

Time and again he and other men who took part in the hearings tried to cut the tie between the three titles so as to facilitate an attack on Title II, without imperiling the changes proposed in Titles I and III. Thus, when Glass questioned Joseph H. Frost, a member of the Federal Advisory Council, he directed the examination so as to elicit the following:

Mr. Frost: It is my own feeling and I think I can safely say that it was the feeling of every member of the Advisory Council, that it would have been very much better for Title II never to have been introduced. . . .

Senator Glass. You supposed it had been authorized by the Federal Reserve Board?

Mr. Frost. Certainly, sir; naturally.

Senator Glass. My very definite information is that no member of the Federal Reserve Board saw the bill until it was introduced in the House and Senate and printed.

Mr. Frost. Well, of course, you know about that, and we did not know. I do not know just how we got the impression, but I know personally that I was under the impression that it was sponsored by the Federal Reserve Board and therefore it very likely would be looked on with favor by Congress.

Senator Glass. Do you know of anybody ever associated with the Federal Reserve banking system who was conferred with about this bill before it was prepared and introduced?

Mr. Frost. No, sir; I do not know of anyone.

Senator Glass. The Secretary of the Treasury is on record as telling me in this room that he had never read a word of it; and the Comptroller of the Currency is on record as saying that he had not favored its incorporation in this bank bill; and my information, which I am sure is correct, is that no member of the Federal Reserve Board saw the bill until it was introduced and printed.

It is true that the Board of Governors as a whole did not draft Title II nor did they see the whole of the banking measure before it was sent to Congress. But the inference that the Board was kept in ignorance of what was being drafted is false. Some eighteen days before the bill was introduced in Congress, I gave the Board of Governors an outline of the proposed legislation along with a memorandum to be studied and discussed at a meeting held a week later. At that meeting I inquired whether members of the Board desired to express themselves on any of the various provisions. None of them did. Two of them, George R. James and Adolph C. Miller, reserved their remarks

for the Senate committee, where in some respects they opposed the measure. Charles S. Hamlin, on the other hand, defended it.

Despite Glass's efforts to break the link between the three titles, they remained bound together; and, for reasons to be stated presently, the fact that they did so at once imperiled and saved the life of Title II as July 1935 came near.

At one point in the long legislative fight—the time was before my confirmation as Governor—I received a call from my associate E. G. Bennett, who was then in Utah.

"Marriner," he said to me over the long-distance phone, "I'm just acting as a messenger on this call. But I think you should know that I've been advised by some very influential bankers that if you consent to having Title II taken out of the banking bill, you will be quickly confirmed as Governor of the Federal Reserve Board, because the bankers will withdraw their opposition."

"You can tell your banker friends to go to hell," I said. "The Governorship doesn't mean that much to me. But these changes must be made with or without me."

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