WARREN RANDOLPH BURGESS

I. IDENTITY IN BANKING COMMUNITY

Early Banking Associations

Federal Reserve Bank of New York - 1920

Management Positions with Financial Institutions

National City Bank of New York - Vice Chairman of the Board since 1938
Federal Reserve Bank of New York - Deputy Governor - 1930-1938
International Banking Corporation, New York - Vice Chairman of the Board of Directors.
National City Safe Deposit Company - Director
City Bank Farmers Trust Company, New York - Director
Mutual Life Insurance Company of New York - Trustee
Virginia Fire and Marine Insurance Company, Richmond, Virginia - Director

Affiliations with Banking Associations

American Bankers Association - President; Chairman of Administrative Committee; Member of Advisory Committee of Special Activities.
New York Bankers Association - President, 1940-1941

II. FORMER GOVERNMENT AND PROFESSIONAL ASSOCIATIONS

War Industries Board - Statistician
House Mission to England and France - 1917-1918
American Statistical Association - President
Academy of Political Science - President

III. CONSISTENT DISSENTER TO GOVERNMENT ACTIVITY IN FINANCE

Criticizes Federal Reserve Legislation (1936)

In an article entitled "Supervision of Chartered Banks" which appeared in the American Bankers Association Journal in 1936, he stated:

"Federal Reserve legislation fell far short of a thorough revision of the machinery for banking supervision, and an attempt by the Reserve System to exercise general supervision even over member banks would have resulted in the confusion of divided and overlapping authority. The failure to include in the Federal Reserve Act systematic and comprehensive supervision over banking is consistent with the extraordinary patience of

> the American people in tolerating unsatisfactory banking mechanism. The history of efforts in this country to put the banking system on a sound basis has been one of slow progress, often uninterrupted."

<u>Criticizes R.F.C. and Federal Deposit Insurance Corporation (1936)</u>

In an article entitled "Supervision of Chartered Banks" which appeared in the American Bankers Association Journal in 1936, he stated:

> "The confusion of pre-depression days has even been increased by the introduction of two new bodies with some measure of supervisory powers, the Reconstruction Financial Corporation and the Federal Insurance Corporation."

<u>Bankers Disturbed by Governmental Regulation (1939)</u>

In the April 1939 edition of the American Bankers Association, Burgess wrote:

> "The conditions giving rise to apprehension in the banker's minds were largely created by government. Easy money has been a definite government policy."

<u>Criticized Government Defense Program as Totalitarian (1940)</u>

In a speech to the American Bankers Association in September of 1940, Burgess declared that the United States in its defense measures adopts totalitarian government measures itself and that as of September 1940, our defense program was veering "in just that direction to an appalling degree."

<u>Charged Treasury Gold Policy Dictated by Politics (1940)</u>

Speaking at the Connecticut Bankers Association on January 25, 1940, Burgess called for restoration of the gold standard, and said that changes in the value of gold had been "more frequently for political than for sound economic reasons."

<u>Urged Revocation of New Deal Legislation to Insure the National Defense Program (1940)</u>

At a convention of the American Bankers Association, in September of 1940, Burgess called for the following measures to stimulate the defense effort of the country: (1) Revision of the Labor Relations Act "to give the employer as well as the employee a swuare deal"; (2) railroad legislation to clear up "the debree of insolvencies"; (3) revision of the Holding Companies Act to permit public utilities to finance additions and improvements through the open market; and (4) revision of the tax laws to encourage and not discourage enterprise.

Charged that Emergency Used to Transform U.S. into Totalitarian State (1940)

Speaking to the New York Chapter of the American Institute of Banking in December 1940, Burgess warned that there were influences at work to transform the United States into a totalitarian state in the emergency. Bankers, he said, should use influence to oppose this trend.

> "As we enter this defense effort the underlying political fact is that for some years the United States has been moving in the direction of state socialism. The Federal Government has been steadily encroaching upon private enterprise in area after area. There is surely somewhere a dividing line beyond which you cannot go without sacrificing the essentials of democracy and becoming a socialistic state. We may already have gone too far."

In a speech on March 8, 1941, before the American Bankers Association, Burgess stated that the banker and businessman have three main worries: (1) That Hitler might win; (2) fear of inflation; (3) fear that our government is quietly but inexorably being transformed from democracy into national socialism.

> "It is time for the bankers to come out of the dog house where they have been driven to cover by the politicians who curry favor through the old political trick of stirring up hate. When government takes over the control of enterprise, democracy inevitably withers. Government has many officers who directly or indirectly are working in the direction of national socialism. They have been conducting experiments in government business operations, in the T.V.A., in housing, and are pressing for more such experiments in special utilities and in war industries. With these totalitarian trends so firmly established before the emergency, the defense program with those needs for centralized industries, may carry us over the brink."

Urges Business Men to Participate in Postwar Planning to Avoid Government Interference (1944)

In an address before the Memphis Chamber of Commerce in December 1944, he declared:

"The fundamental problem which both farmer and banker face in the post-war period is the kind of government and country we want. The danger is that both farmers and bankers, unconsciously and by force of circumstances will be influenced to accept the kind of government we really do not want * * * *. The banker is already to a considerable extent in the hands of the government. The farmer is in exactly the same fix. I have two suggestions to make; firstly, that we try to do our own job so well that there will be no serious pressure to bring government further into the picture; second, that we do a lot of thinking about the long term consequences before we request or acquiesce in government interference, for we cannot have our cake and eat it too."

IV. BURGESS'S BANK (NATIONAL CITY BANK OF NEW YORK) CONSISTENT IN OPPOSING FEDERAL REGULATIONS

Opposition to Federal Reserve Bill (1913)

Currency: "To my mind the most serious defect is to be found in the nature of the currency which this bill authorizes. That defect, however, does not lie in the fact that the currency fails to conform to those principles which should govern an elastic note issue. It is more fundamental than any of the principles which I have been discussing. The currency is, in fact, a fiat money issue. Sound safeguards have been thrown about the banks to which the Government proposes to loan these fiat notes, but they are none the less fiat in character, having no gold cover and no adequate means of redemption provided, so far as the Government itself is concerned. Safeguards are thrown about their issue which in effect makes them bank notes after they have reached the hands of the bank. That is what they should be and that is all they should be. So far as the working of a banking and currency measure is concerned, the fact that the note is the obligation of the Government, and is made redeemable by the Government, will not destroy its elastic quality as a bank note. We might go on under such a system for a long time without experiencing any evil in it. That very fact, however, would lead the general public to see that currency turned out by a Government printing press, andloaned to a bank to be reloaned by them, seemed successfully to be performing all the functions of money, and there will certainly be a political faction quick to demand a short cut by way of the loaning of such money direct to the people without the intervention of a bank. There is danger in the Government assuming this unnecessary obligation, but the really grave danger lies in leading the public to accept the fallacy that the Government can print paper for which it provides within itself no metallic means for redemption, and have that paper successfully perform all the functions of a proper circulating note."

<u>Regional Banks</u>: "There is another objection to the twelve regional banks that is of much deeper significance, however. The whole theory of centralized bank reserves is based on the idea that there shall be consolidated in one reservoir the reserves of banks operating under diverse agricultural and industrial conditions meeting a borrowing demand that is not general but special, so that the plethora of funds in one community can be made available to meet the lack of funds in another. If twelve regional districts are created in this country they will of necessity be so small that in several cases, at least, there will be typically similar conditions prevailing throughout an entire region at the same time."

Mr. Vanderlip objected to the Federal Reserve Bill as passed by the House because it provided for "the creation of twelve regional banks, the examination of the directorates of the regional banks whereby three members of Class B directors can be thrust out of office at the will of the Federal Reserve Board, the power of discretion vested in the Secretary of the Treasury to prescribe the regulations for the control of the sinking funds of the Federal Reserve Banks, the absence of any minority representations of the Federal Reserve Board, the small salaries paid to members of that board, and the power vested in the Federal Reserve Board to perform the duties, functions, or services specified in the bill."

<u>Political Board</u>: "The objection is not to the powers granted but the hands in which they are placed. Nor does that objection lie solely against the fact that the proposed Federal Reserve Board is political in its character, although obviously both financial and political history, as well as the operation of our present-day commissions, furnish ample illustration of the danger, the ineffectiveness, the inadequacy of a politically appointed board for a responsibility of this sort.

"The objection, however, is even deeper. If the appointing power lay with the banks themselves and the detached character of the board was maintained, a board could not be created which would be competent to assume the responsibilities. The trouble lies in separating the management of a financial institution from its ownership. A management so separated no matter how appointed, could not remain intelligently in touch with conditions and perform the vastly important and extremely complicated functions that are entailed under this plan, and which must be inherent in any plan which will successfully mobilize the banking reserves of the country.

"Here then is the fundamental weakness of the proposed legislation, and it is so fundamental that we may better have no legislation at all than to have legislation in which the control of the credit system of this country is dissociated from the active responsibility of bank management. It is with the deepest regret that I reach this conclusion, for I believe I see as clearly as anyone the profound need for legislation and the tremendous impetus that will be given our commerce and industry if a banking system can be created that rests on correct economic principles." (Speech of Frank A. Vanderlip, President of National City Bank, 1913)

<u>Opposition to Banking Act of 1933</u>

"The establishment of deposit guarantees or insurance in this country has always been regarded with apprehension, in view of the failure of the system in eight States where it has been tried. The fundamental objection to the plan is that it makes good bankers responsible for the losses of the poor ones, and naturally this is more likely to eliminate the former than the latter. It makes all banks equally safe for depositors and hence relieves the public of responsibility in the choice of banks. Thus, it puts the burden of maintaining sound banking upon regulation by the Government, and takes it off the public, which would bear part of it.

"The element of character in the choice of a bank is eliminated, and the competitive appeal is shifted to other and lower standards, such as liberality in making loans. The natural result is that the standards of management are lowered, bankers may take greater risks for the sake of larger profits, and the economic loss which accompanies bad bank management increases. All the arguments for the system are based upon the assumption that there will be no increase of bank failures because of it, and this assumption is fallacious." (Letter of National City Bank, July 1933)