



Marriner Eccles: Father of the Modern Federal Reserve

Remarks by
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September 3, 2014

Let me just say good afternoon, ladies and gentlemen. What a privilege and a pleasure it is to be with you all today, in this historic place celebrating the 70th anniversary of the events of Bretton Woods. Now Bretton Woods has always been particularly meaningful for me because of my personal connection to one of the original participants, my uncle Marriner Eccles, who is often referred to as the modern Federal Reserve father, and who as chairman of the Federal Reserve Board was the Federal Reserve's representative at Bretton Woods at the conference in '44.

Marriner Eccles was an American original who brought to his participation at Bretton Woods a sense and a set of qualities - tenacity, plain-spokenness, chutzpah, and a willingness to lay aside pre-conceptions and follow ideas wherever they led and that our conference organizers have hoped would help characterize our discussions here over the next couple of days. So they've asked me to spend about ten minutes plus here at lunch giving some insights into the character of Marriner Eccles in the hopes that perhaps we all will channel some of that character as we go about our business here in 2014. At the very least it's hoped that we may give some thoughts to some of the truly singular men who met here where we were meeting now and particularly in the room where we're meeting, exactly the same room.

So, who was Marriner Eccles? Well in the beginning, he was the son of a Mormon immigrant family led by a blind wood lathe craftsman from Scotland who brought his wife and children to America in 1863 with little more than the clothes that they had. One of the wood carver's sons was a remarkable 14-year-old boy named David. And David, starting with nothing, thrived in the laissez-faire capitalist system of the late 19th century in America, became one of the west's leading entrepreneurs with interests in lumber, sugar beets, construction, railroads and many others. He was also, as a good Mormon patriarch, the father of 21 children. And one of those children born in Logan, Utah in 1890 and the eldest son of David, the eldest son of David's second polygamist wife, Ellen, was Marriner Stoddard Eccles.

Marriner was just 3 years old when the family moved to an even more remote spot than Logan, Utah - Baker City, Oregon - the center of his father's lumber empire and the heart of the magnificent Oregon forest. It was there that the young Marriner would begin his business career at just 8 years of age, by

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saving every penny of the five cent an hour, ten hour day wages he earned working for his father's lumber company carrying his weight in wooden boxes. No child labor laws in those days, hey? His goal was to save the \$100.00 he needed to buy one, his first share, yes the one share of the Oregon Lumber Company. It took him three years but he did it. And he was so overjoyed with the approval that he received from his dad, he would later say, "The feat was a treasured compliment from my father. I've never ceased being a capitalist since then."

At age 19 Marriner left home to serve a mission in Scotland for the Church of Jesus Christ of Latter Day Saints, the Mormons. By then he had completed just three years of high school, which would turn out to be the sum total of his formal education. Very interesting, eh? But his business savvy and keen mind and so much he had absorbed from his father's laissez-faire teachings would equip him to face challenges he could never have imagined.

So back from his mission and again hard at work for his father, Marriner was just 22 in 1912 when he learned of the sudden death of his 63 year old dad in Salt Lake City as he was running to catch a train back to his home in Ogden. Word came to Marriner in a canyon near Logan, Utah where his dad had employed him to oversee the finances of the latest Eccles enterprise, a hydroelectric power plant under construction.

His father's instructions were very specific, "Watch the cash. Control the expenses." and that turned out to be a prophetic assignment at this early start of his business career and something that he used throughout his life, and I might add, taught to his eight younger siblings and taught and taught and taught. So with no warning or formal preparation, Marriner was now thrust into the enormous challenge of family leadership, including responsibility for his mother, eight younger siblings and the family-inherited vast business interests. Forced abruptly from boyhood to businessman, Marriner would nonetheless succeed with flying colors.

By 1928 he had expanded on his family's inherited share in his father's business interest and was then acquiring twenty-eight banks in Utah, Idaho, and Wyoming and with them as a nucleus, he formed First Security Corporation, the nation's first multi-state actual, operating bank holding company. Already his outside-the-box thinking and innovation was evident. Of course, just 18 months later in October of '29 the stock market crashed and the country fell deep into depression. Marriner with his fledgling bank holding company and a number of other companies was facing ruin and the loss of everything, everything the family had inherited and he had built upon.

Describing that crisis, Marriner said, and I quote, "I awoke to find myself at the bottom of a pit without any known means of scaling its sheer sides." He admitted that though he had been active in the world of finance and production for 17 years, he knew less than nothing about the overall economy. But again, he would not stand idly by and the wheels of his mind began turning, going up against his very close older associates whom he greatly respected, and who had assured him the terrible economic crisis

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was only temporary, and of course going against his laissez-faire teachings from his father, he firmly decided that the depression wasn't only temporary, but long-lasting, critically long-lasting. He concluded that the only adequate source of strength that could turn the economy upward was the federal government itself. And he called his theory "compensatory fiscal and monetary policy" - that is national deficits in depression and surplus and debt repayment in boom times.

Marriner proposed innovative new federal deficit financing government programs that later were to be coined part of the New Deal. So new were his ideas and his theory that many in the world of economics credited him with founding Keynes' theories before Keynes, whose general theory was not written until 1935 and whom Marriner never read. Yet at the time, one of his railroad colleagues, hearing the radical notions he proclaimed, and I quote, "Poor Marriner must have lost his mind under the strain of the bank runs." As the great depression got under way Marriner spoke frequently and boldly about his theories. Even though this meant breaking with all of his preconceptions about how the world of business actually works; breaking personally with the business community in which he had grown up; and even breaking with the principles that he had been taught from childhood by his adored father.

But Marriner, always driven by the facts and he believed the facts led to unexpected conclusions and he was not going to back down. As a result this slight, middle-aged man from Utah, a Mormon, Republican banker, with no political experience but with a plain speaking, get-things-done approach, attracted the attention of none other than President Franklin Roosevelt himself and his brain trust. The President made it clear he wanted Marriner to accept the chairmanship of the Federal Reserve. Obviously stunned, Marriner's answer was that at the bottom of the depression he could only leave his heavy banking responsibilities in Utah and accept such an appointment if he could completely reorganize the Federal Reserve. No shortage of chutzpah here, eh? It must have been quite a thing in the White House office when that was presented to the President.

He presented his plan which was an outline of the Banking Act of 1935. But ah yes, let's not forget his homespun but ingenious method of addressing the so-called bank runs. Marriner's legendary creativity was routinely reprinted in textbooks for college students in courses on money and banking. Here's the crux of it, exactly as he managed it at First Security banks. He told the bank cashier and the tellers, when a bank run was started, first after checking their signature cards, twice, very slowly, pay off the deposits, very slowly, with small bills throughout the first day and stay open late and open early the second day and pay off deposits quickly with big bills, never letting a line form. And finally, be sure to bring in the currency from the Federal Reserve on carts through the bank lobby, in a flashy way, armored cars, police guards, and you know, assuring the depositors that there was plenty for everybody and much more where that came from of course. He didn't say that it wasn't the banks money. And it worked, not a single First Security depositor lost money, not a penny.

But I digress, I digress. Ultimately the President said a strong "yes." He would support Marriner's Senate Federal Reserve confirmation and his plan for the Fed reorganization. And so he would come to

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Washington, to the Treasury, to the Federal Reserve, at the President's request and the rest as we say in our family is history.

I know that when he came to Washington, Marriner had great reservations about leaving his banking and other responsibilities in Utah, but he needed to see if his ideas as described as being so radical by so many, could actually help his country's suffering out of the depths of the depression. And they did help. But the deficit finance stimulus was, wasn't ever as much as he advocated throughout his time there and it took, but it did help. It took World War II's deficit stimulus to finish the job as we all know. Marriner served as chairman of this reorganized Fed Reserve for 14 years and in that capacity he was the Fed's delegate to the Bretton Woods conference in '44.

He brought the same fact-driven, preconception free attitude towards his participation here as well as his unwillingness to be cowed by the opinions of others. He did not always endear himself to colleagues I might say. In fact after one particularly intense squabble with Keynes himself, who, you know, never did take disagreement well, particularly not from someone who was said to have anticipated his famous theory and put it in action while Keynes was still writing books. Keynes famously remarked in this very room, "It's no wonder that man is a Mormon. No single woman could stand him."

So what does this mean for us here today? Well, today just as the Washington of 1932 and the Bretton Woods of '44, we need people who are willing to set their preconceptions - ideas - aside and follow the facts. We need people who are willing to think hard about the real world without the filters of the theories they have grown comfortable with, whether those theories are from the left or from the right and decide what the circumstances of today require. We need people bold enough to propose what needs to be done, even when that seems unreasonable. When it is a young man from Rocky Mountains with no experience in Washington or international finance proposing to reorganize the Federal Reserve against the opposition of celebrated Senators, the entire New York banking community and the ABA, also I might add. And we need people with the practical experience and tenacity to get things done.

Marriner died in 1977 at age 87. I worked for him for 20 years and ultimately took on the responsibility as chairman and chief executive officer for his beloved First Security Corporation for 20 years. And then in its 73rd year I merged it in with the great stagecoach of Wells Fargo Bank.

Now in his book, oh yes, I might mention I also chair the Marriner Eccles Foundation and I'm very proud to help fund today's conferences because I think they are so important at this time. In his book, *The Vital Few*, Professor Jonathan Hughes answers the question this way. So who was Marriner Eccles? He was an example of the very best this country could ever produce. And since we are a lucky country, once in awhile a Marriner Eccles comes along. And I believe we are indeed a lucky country and I hope this brief remembrance of one of the many remarkable men who met here 70 years ago will help us all bring some of those same qualities to the questions of today which we need now as ever before if not more. Thank you all very much. I appreciate being with you.