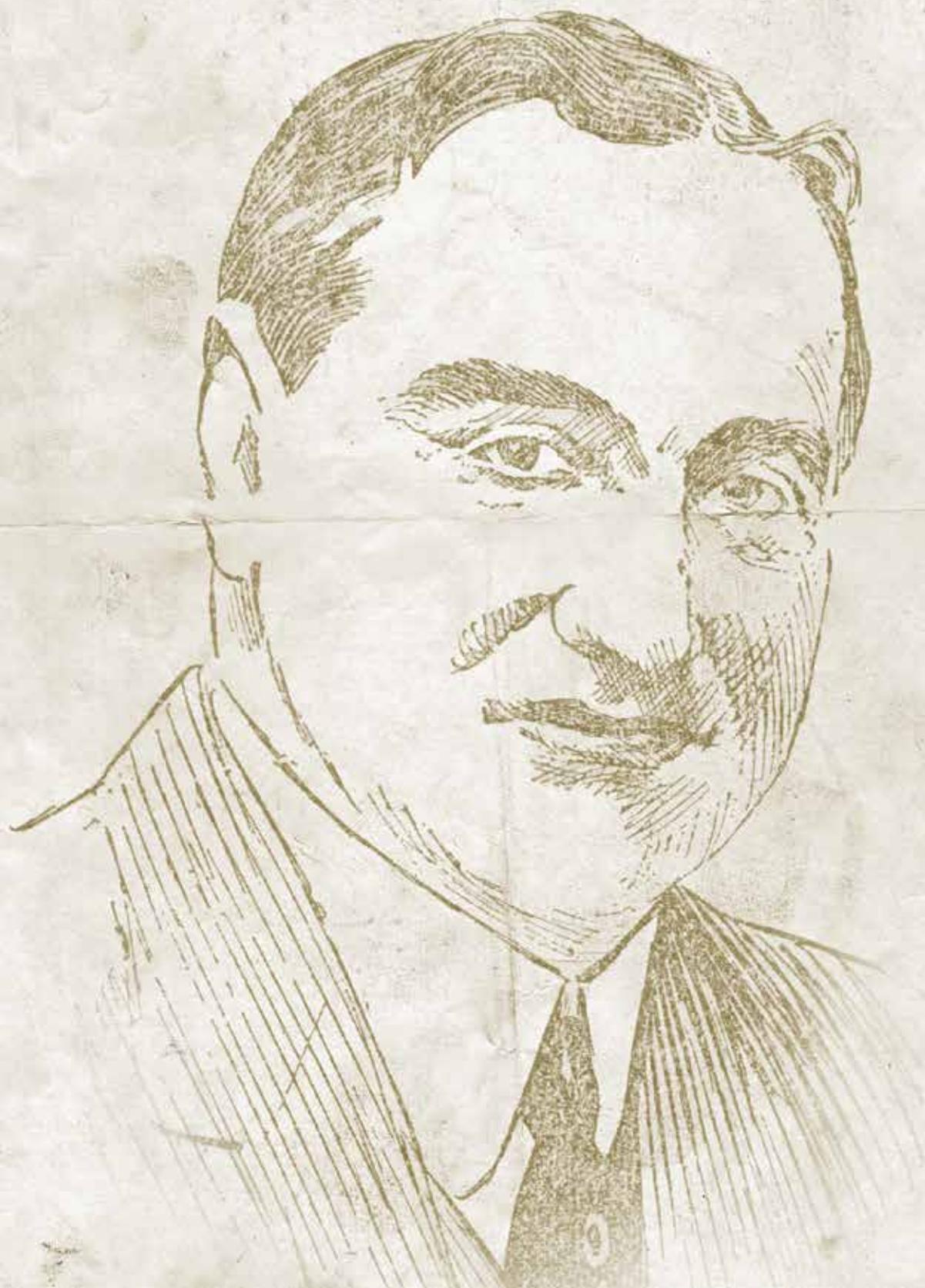
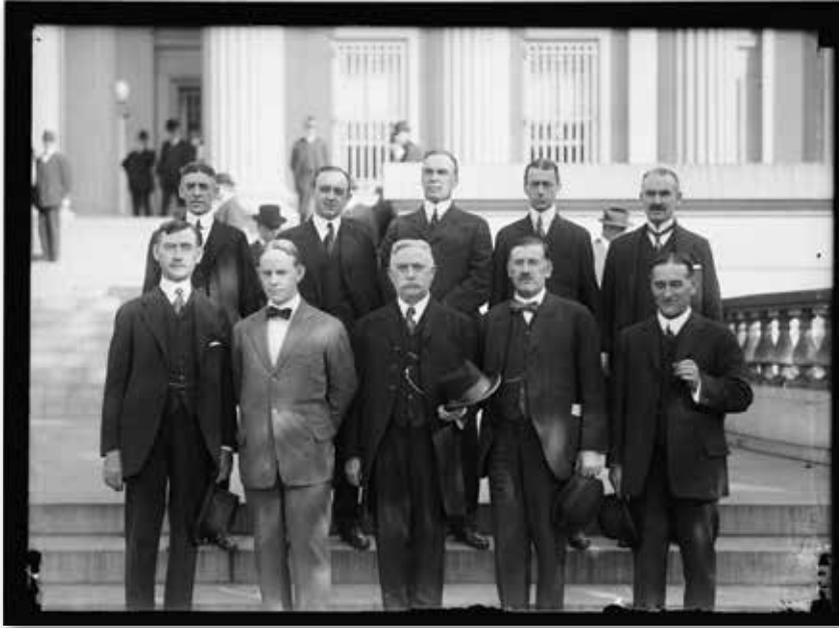


SAWYER'S SWAY

THE INFLUENCE OF KANSAS CITY'S FIRST PRESIDENT





As the Federal Reserve Bank of Kansas City and the Federal Reserve System commemorate 100 years, many stories and people come to mind when contemplating the Fed's rich history. Some events changed the nation, while other occasions were small but important to shaping the Bank, like an artist slowly chiseling away a stone. People's contributions were the same way. Some were small and not so noteworthy, while others defined history and sometimes created popular myth.

For example, many consider Jo Zach Miller, Jr., to be the first president of the Kansas City Fed; however, Charles Manville Sawyer was the first person to serve as president when the Bank opened for business Nov. 16, 1914.

Technically, Sawyer was the first governor of the Bank—the title of president wasn't used at Federal Reserve banks until Congress passed legislation in 1935 to address concerns about the nation's banking system, which also changed the title and election process of governors.

Sawyer, an Illinois native, was one of eight children and the only child not to attend

college. He moved to Norton, Kan., in 1887, when he was 21. He soon became a cashier at First National Bank.

William E. Connelley wrote in his 1918 book "A Standard History of Kansas and Kansans" that the position gave Sawyer the opportunity to meet early settlers to the state and know the people of the northwest region.

His contact with Kansans broadened when he became a national bank examiner, and more importantly, Connelley noted, Sawyer's increased interaction with bankers in the state would shape his career.

In 1897, Sawyer returned to the Norton bank as president. He later became president of the Kansas Bankers Association in 1898 and a member of the executive council of the American Bankers Association.

In 1913, Kansas Gov. George H. Hodges appointed Sawyer the state's bank commissioner due to Sawyer's influence and connections with bankers throughout the state.

His influence would play a key role in his election as governor to the Kansas City Fed a year later. But Sawyer wasn't the Kansas City Board of Directors' first choice.

According to a partial transcript of the Bank's first board meeting on Oct. 16, 1914, Director Willis J. Bailey, along with many local bankers, favored Peter W. Goebel for the job.

Goebel, who would later become president of the American Bankers Association, was president of the Kansas City Clearing House Association. Goebel, however, wouldn't take the governor's position for less than \$10,000 a year. This caused a problem. Miller, as chairman, made an annual salary of \$7,500.

Because the governor would report to Miller, the Kansas City board thought it inappropriate to offer a higher salary to the governor.

R.H. Malone, a Bank director from Denver, told his fellow board members that he had discussed the issue of governor salary with Federal Reserve officials during

an earlier meeting. The officials thought a governor should work for less. They want someone to "work for patriotism and honor and good of the government rather than for financial compensation," Malone said. "The impression left on me was honor rather than compensation."

The Board voted to limit the governor's salary to \$7,500 annually, which eliminated Goebel from consideration. That's when Miller raised Sawyer's name for discussion.

Miller's choice was based more out of necessity than Sawyer's qualifications as an executive. The Kansas City bank needed to induce state banks to become members, and half the business the Bank expected to receive would come from Kansas banks. Sawyer's influence in this area was invaluable.

The board quickly voted to hire Sawyer.

BECOMING A MEMBER BANK

Commercial banks chartered by the federal government and state banks that choose the designation are known as Federal Reserve member banks. The designation has several implications for a commercial bank, including the determination of a regulatory agency.

To become a member, the commercial bank must purchase stock in the regional Federal Reserve Bank in an amount equal to 6 percent of its capital and surplus, half of which must be paid while the other half is subject to call by the Board of Governors of the Federal Reserve System.

The stock lacks the control and financial interest of common stock in publicly held companies, and the stock may not be sold or pledged as collateral for loans. Member banks receive a 6 percent dividend on the stock and the right to vote in specific director elections.

The First National Bank of Jasper, Mo., sent the Federal Reserve Bank of Kansas City \$350 in gold as its first payment for membership. The payment was 1 percent of the commercial bank's capital and surplus of \$35,000. The bank had

jumped the gun in 1914, because the Kansas City Fed hadn't opened for business yet. The early payment, however, unofficially made the Jasper Bank the Kansas City Fed's first member bank.



Sawyer may have been a jovial person or a nose-to-the-grindstone leader; it's difficult to say because history is quiet, almost a whisper regarding Sawyer's tenure as governor. One thing is certain: directors soon discovered that Miller and Sawyer were better suited for each other's jobs.

Less than two years later, at a Jan. 4, 1916 meeting, the Kansas City Board appointed Miller as governor, and a short time later, the Federal Reserve Board approved the Kansas City Board's recommendation to appoint Sawyer as chairman.

Sawyer's time as chairman was uneventful, and he left the Fed when his term expired in December 1917.

Little is known about Sawyer's life after the Kansas City Fed and it appears he may have left Kansas City for good.

He retired to Hollywood, Calif., and was featured in the March 21, 1928 edition of *The Los Angeles Times* among other prominent Kansans who had attended a luncheon. The luncheon included Bailey, who was governor of the Kansas City Fed at the time, and former Kansas Gov. Hodges.

Sawyer's obituary, which published in the Sept. 28, 1950 edition of *The Los Angeles Times*, referred to him as the "retired first president of the Federal Reserve Bank, Kansas City." He was 84.

KEVIN WRIGHT, EDITOR

FURTHER RESOURCES

For more history and insight to the Federal Reserve Bank of Kansas City, read "**Confidence Restored: The History of the Tenth District's Federal Reserve Bank**" by Tim Todd at <http://www.kansascityfed.org/publicat/confidencorestored/confidencorestored.pdf>.

COMMENTS/QUESTIONS are welcome and should be sent to teneditors@kc.frb.org.

HOW THE FED BEGAN

Photos courtesy of the
Library of Congress



Robert L. Owen



Carter Glass

Oklahoma Sen. Robert L. Owen and Virginia Rep. Carter Glass sponsored the Federal Reserve Act in the U.S. Congress, which President Woodrow Wilson signed into law Dec. 23, 1913. The bill authorized the creation of the Federal Reserve System, the United States' first central bank in more than 75 years, including both a government agency in Washington, D.C., and 12 semi-independent regional Reserve Banks around the country.

The structure of the System favored Owen's design, which proposed a unique public-private structure. The Board of Governors in Washington, D.C., which has broad oversight responsibilities for the entire Federal Reserve System, is a governmental agency. The regional Banks are private corporations, each with a board of directors.

The directors are a distinctive mix—six of the nine directors are elected by commercial banks that are members of the Federal Reserve System in each District, while the remaining three positions are appointees of the Board of Governors.