

January 21, 1935

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Mr. Oliphant

Mr. Eccles just called me, making reference to my having passed on the manner of his disposal of his bank stock in order for him to qualify as Governor of the Federal Reserve Board. I told him I had no memory of his having mentioned that phase of the question to me. I have just discussed the whole matter with Mr. Laylin and Mr. Oppen and the history of the transaction, as the three of us are able to reconstruct it, is as follows:

After Mr. Eccles had been informally advised that his name was under consideration as Governor of the Federal Reserve Board he saw me and said he assumed he could not hold bank stock. He said that he could dispose of his bank stock but that, if it was going to be necessary for him to dispose of his other business interests, he could not afford to accept the appointment if offered to him. He asked me for a statement of the law as to what business interests or associations were forbidden a member of the Federal Reserve Board. I asked Mr. Oppen to prepare a memorandum on this for Mr. Eccles, which he did in the form of a statement from the statutes, listing the prohibited classes of business interests and associations. I gave this memorandum to Mr. Eccles and a copy of it is attached.

At no time did he tell me anything of the nature of his bank interests or anything about the company or persons to whom he proposed to dispose of them.

Mr. Laylin has told me that Mr. Eccles called him in to discuss a tax question in connection with certain capital gains he anticipated receiving on bank stock, which he would have to sell if he were appointed to the governorship. The problem was to offset certain anticipated capital losses in the succeeding tax year. The question was settled by disclosure that the tax loss would not be the sort that could be deducted, but, in the course of the conversation, Mr. Eccles stated that he had the opinion of Mr. Oliphant and Mr. Oppen that the bank stock which he owned should be sold and Laylin thinks he stated that Mr. Oliphant and Mr. Oppen said it would be all right to sell it to the Investment Trust, made up of Mr. Eccles and his ~~two~~ brothers and sisters.

Mr. Eccles was warranted in inferring from my giving him Oppenheimer's memorandum and from its contents that, if he sold his bank stock and terminated any other connections he might have of the nature referred to in that memorandum, the retention of his other business interests would not disqualify him for the governorship; but neither Laylin, Oppenheimer or myself ever told Mr. Eccles anything to justify his inferring that we were passing upon the manner of his disposition of his bank stock. Indeed, Mr. Oppenheimer was never in communication with Mr. Eccles on this subject.