

Excerpt of stenographic transcript
of meeting at Treasury Department,
January 21, 1941 at 3:00 P.M. in
the office of the Secretary.

H.M.Jr: I will make my position perfectly clear. This bill as introduced is a hundred per cent within the President's message, the way he set it up two years ago, and which, as far as I know, at that time in '38, the Federal Reserve --

Eccles: It was three years ago.

H.M.Jr: It was '38.

Eccles: Three years ago.

H.M.Jr: And as far as we know, Ronald Ransom, who was Acting Chairman, advised through Jesse Jones that there was complete agreement.

Eccles: With the President's message. The bill hadn't been worked out at that time.

H.M.Jr: And if on your return you weren't in agreement with the President's message, you certainly never let me know.

Eccles: Well, there was no bill. The point is, there was in --

H.M.Jr: And if I could just finish -- and three times now before the Appropriations Committee I have said that I thought that the bank holding situation was an unhealthy and unwholesome one, and Congress should do something about it. Perfectly frankly, I have gotten tired of waiting for the Federal Reserve to do anything about it, so I took the initiative. I mean, the Federal Reserve Board has had plenty

H.M.Jr:
(Con'd)
Eccles:

of opportunity, as you say, for seven years to do something. We haven't prepared or introduced any bill whatever since the Banking Act of 1935.

H.M.Jr:

And - well, here is the situation, and it demands attention; and as I say, nobody else seemed to worry about it except the Comptroller and Mr. Crowley and the SEC.

Schenker:

I don't want to inject myself, Mr. Secretary, but in connection with the preparations of investment companies, we deliberately omitted the bank holding companies who would come within the purview of the definition of the investment companies, all predicated on the assumption that it was going to be dealt with very quickly and therefore there shouldn't be any overlap of jurisdiction, and I think I made that statement on the hearings and that is why they took it out.

H.M.Jr:

But that is the situation. There wasn't any personal offense meant to you as Chairman of the Federal Reserve, but frankly I was very restless that after all the difficulties I have had with the bank holding situation, that nothing is going to be done to correct it and no one else took the initiative, so I did and I am wholly to blame for it. I take full responsibility for the whole thing. It is my initiative and I take the entire responsibility.

Now, if personally you or any of your Board over there are offended, I am very sorry; but the entire responsibility is mine. The bill is there. I am under the impression that it is wholly within the thing of three years ago; and if the Board wants to

H.M.Jr:
(Cont'd)

introduce their own bill or doesn't want to go along on
this ---

Eccles:

Well, we would like to do either one of two things, either
sit down and see if we could work out a substitute bill that
in our opinion would meet the situation, and a program that we
would believe in; or introduce an alternative bill, which I
suppose, of course, a committee of Congress would have hearings
on, possibly, and it would result in a merger of possibly the
two bills, or they could take the bill that is up there and we
could support a holding company bill with such modifications
as, in our judgment, the bill should have. There are three
ways of doing it.