

*Pass. fell*

April 9, 1941

Messrs. Ransom, Szymczak, Draper,  
Morrill, Wingfield and Cagle  
Mr. Clayton

Draft of a letter to the  
Secretary of the Treasury.

The attached draft of a proposed letter to the Secretary of the Treasury is in a sense a compromise between the short form proposed by Governor Ransom and the more detailed statement prepared by Mr. Wingfield. It is an attempt, however, to preserve the important points contained in the Wingfield draft but without presenting the evidence itself. This draft is a revision of an earlier draft which was submitted to Messrs. Thurston, Wingfield, Morrill and Dreibelbis, and suggestions were received from each of them.

The Chairman is satisfied with this revision and hopes it can be considered at the next meeting of the Board. He feels that the record demands a reply either by the Board or by himself, as otherwise it could be implied that the Board was not willing to cooperate with the other banking agencies in working out a program as was requested by the President.

*ZCP*

LC/frl

April 2, 1941

Honorable Henry Morgenthau, Jr.  
Secretary of the Treasury  
Washington, D. C.

My dear Mr. Secretary:

At the conclusion of the conference at the Treasury on January 21 regarding bank holding company legislation, it was agreed that the Board should transmit to you its objections to S. 310 together with an alternative program for dealing with the bank holding company situation. I advised that these two reports would be the same as would be furnished by the Board to the Senate committee.

*if it become necessary to make a report.*

You stated at the time that there was no hurry in the matter and in view of more important matters engaging your attention as well as that of the Board, this reply has been delayed. In fact there would seem to be no compelling reason for making it at all except that the bank holding company question may ~~at any time~~ receive active consideration by Congress, and the President has asked that the four banking agencies endeavor to get together on a program. Accordingly I am transmitting herewith a memorandum of the Board's criticisms of S. 310 and a separate memorandum outlining an alternative program for dealing with the bank holding company problem.

While on this matter, the Board feels that it should correct what it believes to be erroneous statements made at the meeting on January 21 respecting the record on the entire bank holding company situation and the Board's position in relation thereto.

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The transcript of that meeting contains statements by you to the effect that S. 310 represented what was agreed to by the Inter-departmental Committee in March 1938, that you were taking up where the matter was left off, that you were taking the initiative in the matter because no one else would, that the Board, after seven years, had done nothing about it, and that the bank holding company situation was unhealthy and unwholesome.

Since the meeting referred to, the Board has carefully reviewed the record from 1938 to date, with particular reference to the discussions in 1938 and the extent of any agreement at that time. From this review, the Board has confirmed the views it has previously held in a number of particulars.

First of all, the agreement in 1938 was limited to general policy only and the report of the Committee's discussions showed disagreement on important phases of the problem. The agreement on a recommended text to be used in the President's monopoly message was coupled with the statement that a death sentence would require consideration of branch banking statutes as a part of the problem.

There was no agreement whatever upon any specific bill; <sup>and with</sup> moreover S. 310 ~~those matters agreed to~~ is drastically different from any bills pending in 1958. Thus it is clear that the agreement of 1938, <sup>it</sup> was limited in scope and as you and the others on the Committee were advised, Governor Ransom expressed his own views and not those of the Board. However, the Board feels



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(You have not evidenced any desire to consider these proposals with the Board)

held  
that such views as it might have ~~expressed~~ as a Board in March of 1938 should not constitute a commitment as to <sup>the bill S. 310</sup> ~~legislation~~ prepared by your staff in 1941, differing drastically from any bill heretofore proposed by anyone and containing features to which the Board must inevitably object.

Bearing upon the matter of the agreement as well as the matter of the Board's position respecting the need of legislation, it is to be noted that on March 10, 1938, at a meeting in the Treasury, ~~Chairman Eccles~~ <sup>S</sup> handed ~~to~~ you a memorandum containing proposals for legislation prepared by the Board's staff. Subsequently Governor Ransom handed you additional material, <sup>relating to a possible</sup> ~~all of which showed that the Board had a~~ program for new legislation. ~~These~~ proposals were not pressed later that year as it was made known by Senator Glass that his committee would not give active consideration to the holding company bills then pending. Nevertheless the Board in its Annual Report for 1938, called attention to the need of amendments to the holding company statutes.

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The Board also feels upon a review of the record since 1932 that it has been diligent in administering the existing bank holding company laws and that the situation in that field has shown substantial and continual improvement. It sees no basis for your assertion that the situation is unhealthy and unwholesome. Your reference to all the difficulties you have had with the bank holding

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company situation can relate, it would seem, to only one organization. In this case the Board believes that the problem is not one of control through the holding company mechanism but rather domination amounting to complete control by a single personality and the stockholder and director support he is able to maintain. It is doubtful at best that any amendment to the bank holding company statutes, however drastic, would solve the difficulties you have had with the organization referred to. *g2*

The Board is most willing to confer with the other Federal banking agencies in an endeavor to work out a program. It is desirous of having its proposals subjected to practical and constructive criticism and is willing to modify them in the light of any valid criticism and hopes that the other agencies will approach the problem in the same spirit.

Yours sincerely,

M. S. Eccles  
Chairman

LC/frl