July 24, 1935.

Mr. A. P. Giannini, Chairman,
Bank of America, N. T. & S. A.,
San Francisco, California.

Dear Mr. Giannini:

This will acknowledge receipt of your recent letter, enclosing copy of your letter of July 8 to Senator Johnson and the original of his reply of July 10. I have also received a letter of July 18 from Mr. Romero enclosing a copy of your telegram to Senator Johnson. Governor Eccles has read these papers through and expressed appreciation of your attitude in both.

While we are not officially resisting the underwriting amendment, I can assure you our sympathies are in the direction of having the amendment stricken by the Conference Committee.

With reference to the matter contained in your telegram to Senator Johnson, we are, of course, very much concerned both officially and sympathetically. The fourteen-year appointment provided in the Glass Committee version of the Banking Bill invites two situations, each of which might well be harmful. In the first place, as you point out, a term of fourteen years with no possibility of reappointment would practically close the door to good men looking for a career on the Federal Reserve Board. In the second place, if a member were appointed who did not render good, or even satisfactory service, it would be a long time before the President could correct the situation by letting him off. The present terms are long enough. In fact it might be better to have ten-year terms without any limitation on reappointment. Regardless of the length of term, however, a very important point is the matter of pensions and compulsory retirement at some designated age, preferably seventy, but not more than seventy-five.

Politically it is difficult to get the pensions, which were left out by the House and which have not been provided for by the Senate. Too many Congressmen feel that as long as they are not entitled to pensions after long public service, no one else should be so entitled. Furthermore, it is argued that pensions for

Federal Reserve Board members would open the door to a drive for pensions in behalf of several other Government boards, such as the Tariff Commission, Federal Trade Commission, Interstate Commerce Commission, etc., etc. In the case of the Federal Reserve Board, however, we do have an answer to this last argument; namely, that pensions, if provided, would not be paid by the Government but by the Federal reserve banks, which are assessed for all the expenses of the Board. As we all know, the few thousand dollars additional expense each year to provide pensions and increased salaries would be a very small price for the desired improvement in quality of service which could be had and which might save billions for the people of the country in times of economic upset.

The papers forwarded by you are returned herewith.

With kindest regards, I am,

Yours sincerely,

Lawrence Clayton,
Assistant to the Governor.

Enclosures.

LC/mf