

TO Members of the Board

FROM Mr. Clayton

REMARKS:

11/18/38

The attached was received by the Chairman without any accompanying letter and is circulated to you for your information.

FOR CIRCULATION

First to Mr. *Eckhart*

Mr. Ransom

Mr. Szymczak

Mr. McKee

Mr. Davis

Mr. Draper

Mr. Clayton

*Mr. Cople*

Please note, check and re-

Bank of America  
NATIONAL BANK ASSOCIATION

November 10, 1938.

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

Dear Secretary Morgenthau:

This will acknowledge your letter of November 5, responding to my telegram sent to you on November 2.

In order that you may clearly understand why I sent you the telegram referred to, let me suggest that you review briefly the relevant circumstances which preceded my action.

Under instruction of your Department, Mr. Palmer, National Bank Examiner in Los Angeles, appeared before our Board of Directors on September 13, 1938, on short notice and without previous correspondence, and read a certain telegram which contained unwarranted criticisms and a threat of legal action against officers and directors of the Bank.

A copy of the telegram was mailed to each director personally, and under date of September 20, the Comptroller's office addressed a lengthy letter of criticism and threat to our Board of Directors and sent a copy of the letter to each director in an envelope which was marked neither "personal" nor "confidential."

Shortly following these happenings, there appeared in several periodicals news items linking the office of the Secretary of the Treasury with reported disciplinary measures employed against certain California banks. I regret that you did not take time to read some of the articles to which I refer. Had you read those articles, you would have been convinced, as any reasonable person would be, that unwarranted criticisms of your Department were divulged to the press instead of being kept in strict confidence, at least until we had an opportunity of being heard. Articles, the source of which is attributed to your Department, which appeared in certain news services having a broad circulation among business men throughout the country, prompted

Honorable Henry Morgenthau **Bank of America**  
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some of our most valued clients, such as Woolworths, Penney's, Safeway, Montgomery Ward, and certain railroads, to make direct and indirect inquiry as to their meaning.

As a result of the publicity given to these matters, a whispering campaign against the Bank got under way, and the rumor was circulated that the Bank would discontinue dividend payments. To meet a possible emergency arising in consequence of prevalent gossip, recently the management was obliged to accumulate excessive cash reserves by selling large blocks of government bonds and restricting lending activity, thereby suffering, unnecessarily, a loss in income and prestige.

Therefore, when I recently read that portion of the "Wilcox" letter of October 30, 1938, carrying a blunt reference to the controversial matters under discussion between your office and our bank, I decided it was high time that I did something personally to put an end to the insidious gossip, verbal and printed, that is causing so much damage to our bank.

In the final analysis, Mr. Secretary, someone must accept responsibility for the damage caused to Bank of America by reason of the unwarranted and damaging method of attack upon the Bank and its management, and the making public of erroneous information concerning the affairs of the Bank which, even had it been correct, should have been treated as strictly confidential by your Department.

Some of the publicity to which I refer appears in the American Banker, October 4th issue, page 4, and in the following news services:

**"Washington Banking Trends and Backgrounds" (Wilcox and Associates)**

Issue of	Date	Page	Item	Reference
Issue of	September 4, 1938	Page 5	Item (3)	(a)
" "	October 16, 1938	" 3	" (1)	(f) (g)
" "	October 23, 1938	" 3	" (1)	(k)
" "	October 30, 1938	" 2	" (1)	(c)
" "	" "	" 3	" (2)	(b) (f) (g) (i)
" "	" "	" 6	" (4)	(b)
" "	November 6, 1938	" 3	" (2)	(c)

**"The Kiplinger Washington Letter"**

Issue of	Date	Page	Paragraph
Issue of	October 1, 1938	Page 4	Paragraph 8
" "	October 8, 1938	" 2	Paragraph 5
" "	October 15, 1938	" 2	Last 6 Paragraphs
" "	October 22, 1938	" 2	Last 5 Paragraphs

In case you have any difficulty in securing these articles for reference, I shall be glad to send you photostatic copies of them.

Honorable Henry Morgenthau, **Bank of America**  
NATIONAL TRUST ASSOCIATION

November 10, 1938.

I did not communicate with you in my capacity as an officer of the Bank, but it was my sense of responsibility as founder of the institution that impelled me to act and to now write this letter. I have already undertaken, and succeeded in, one tremendous task of rehabilitation, and I do not propose to sit idly by while thoughtless and inexperienced persons take proceedings which tend to destroy this bank, which is a great public service institution and represents my life's work. I say it is a public institution because it serves over 2,000,000 depositors whose accounts average less than \$675.

I am not concerned about any damage to myself, personally; the Bank of America is my real concern, and I felt that I had carried out my duty when I sent you the telegram on November 2. I wanted to protect the Bank from further damage and to give warning that those responsible for said damage would be held strictly accountable.

I feel sure that had you been in my place, Mr. Secretary, you would have acted as I did in order to protect the institution for which you felt responsible.

Sincerely,

*A. A. G.*

*P.S. Please understand, Mr. Secretary, that in addressing you in this way I am not fighting for my Bank job for I have not been on its payroll since my retirement as President in 1927 and incidentally while post retirement I draw down no pension nor am I reimbursed my expenses in connection with X.*

*A. A. G.*