

MEETING OF THE COMMITTEE ON BANKING LEGISLATION

January 12, 1937  
10:15 A.M.

Present: Secretary Morgenthau  
J. F. T. O'Connor  
Leo T. Crowley  
Marriner Eccles  
Daniel W. Bell  
Jesse Jones  
Cyril B. Upham

Crowley: In the Banking Act of 1935 there were certain provisions made regarding liquidations, and the thought that we have in our mind - we do not want to interfere with anything that Mr. O'Connor wants, but we do not want anything to interfere with us. And we recommended last year that the enabling clause be put in there to the effect that nothing in this Act would affect Section 12 of the Federal Reserve Act of 1935, regarding the powers given to the Federal Deposit Insurance Corporation. And this deals with liquidation of closed banks and stockholders and things like that, which in our judgment is perfectly all right providing it is restricted to banks closed prior to January 1, 1934, because the banks that have closed since January 1, 1934, were insured banks. And the thing that we want is that enabling clause in there that protects the Federal Deposit Insurance.

Now, there is a disagreement between Mr. O'Connor and ourselves as to whether it should go in. But our argument is that if it is not necessary it does no harm, and if it is necessary it is a good provision.

O'Connor: Which one of the bills is that?

Crowley: It deals with the allocation of expenses.

O'Connor: Which one? Here's the first - Capital Requirements. Now, is that.....

Crowley: We see no objection that that be included in the legislation.

O'Connor: Let's take it up here. It has nothing to do with capital requirements for conversion?

Crowley: No, we don't care about that.

O'Connor: Just so we can get them straight on this memorandum. Now, the next one is Liability Upon Shares of Common Stock of National Banking Associations Resulting from the Conversion of a State Bank into the National System. Nothing to do with that.

Crowley: No.

O'Connor: That's the second. Then Number Three - Dividends on Common Stock. Nothing to do with that.

Eccles: I had something to say on Number Three.

O'Connor: Well, let's clear up this first.

Crowley: What we care about is.....

Upham: It's Number Five on Page 3.

Eccles: Number Five.

O'Connor: Well, I have another one.

Upham: Next page. You are on Page 2, Dividends on Common Stock.

Eccles: Regulatory Powers, next page, 3.

O'Connor: Page 2, Number Three.

Upham: No, Page 3, Number Five, is the one that Mr. Crowley is referring to.

Jones: He was going to read that finally. I'm sorry, I thought we'd get clear on these and....

H.M.Jr: What Mr. O'Connor wants to do is to go over every one and you (Crowley) check the ones that you....

O'Connor: Now, on Page 3 is this Number Four - Fees for Examination of Credit Unions.

Crowley: We don't care for that.

O'Connor: Number Five is Regulatory Powers. Now, is that where you.....

Crowley: We'd like to have in the Regulatory Powers that any regulatory power to be given is - it doesn't affect the legislation of 1935. In other words, what we want, gentlemen - we don't want any powers now that are going to give any right or regulation that cancels powers given to us in 1935. If this is legislation that deals with things prior to Federal Deposit Insurance, that is perfectly satisfactory, but not since.

O'Connor: Oh. That applies to Five, Leo?

Crowley: That's right, on Page 3.

O'Connor: Now, on Page 4, Apportionment of Salaries.

Crowley: Now, wait a minute. That's National Bank rules and things like that. Then we get over into Salaries. The only thing that we say - we don't care what you allocate in the way of salaries to your own offices or to the receiverships that you had prior to 1934, but we want no salaries allocated to our receiverships since January 1, 1934, because that is an expense that we carry.

Jones: You want no - no additional salaries? You are supposed to carry it?

Crowley: Yes, we do carry it.

Jones: Then you don't want additional.

Crowley: That's right.

Jones: In other words, you don't want the two offices allocating salaries against one receivership.

Crowley: How he allocates his expense throughout his offices is none of our business.

Now, that - the simplest thing to us is that if you will just simply put in that clause in there that nothing in this Act will affect Section 12 of the Federal Reserve Act of 1935 as far as Federal Deposit Insurance is concerned, that will take care of our end of the thing.



O'Connor: Well, of course, I think Mr. Crowley's statement is probably too broad. What he says - that we carry the expense of the receiverships - that, of course, is not a fact. The expense of receivership is borne by the receivership trust and Congress has imposed upon the Comptroller's office certain duties and responsibilities with reference to the receivership trust, because the change is that the Comptroller shall appoint the Federal Deposit Insurance Corporation, and then with elaborate detail the statute goes on. Therefore, it is the trust that pays the expense.

Now, whatever expense is incurred by the Comptroller's office has got to be paid by the trust, and the same with the Federal Deposit; whatever expense is incurred there, it's got to be paid from the trust.

Now, from Mr. Crowley's statement, the Comptroller shall have no power for allocating or charging any expense against a trust for which he is responsible.

H.M.Jr: Let me ask you a question just for my information, see? This question of issuing - letting the Comptroller have powers to issue rules and regulations, see? - is that something new?

O'Connor: That is new to this extent, Mr. Secretary: that we found a number of cases where we don't want to have a specific statute, but we feel we ought to have - to be able to adopt a rule or a regulation. For instance, let me give you a concrete illustration. At the present time, a National Bank can keep the key of the owner or renter of a deposit box in the bank, so that the bank or the employees may have access to that. We feel that in no case should a National Bank have any control or even be able to receive the key of that depositor. If he keeps it in there - we have had a lot of claims filed, we have had a lot of trouble.

H.M.Jr: Well, let me ask you this. If you are given this authority to issue these rules and regulations, they in effect become a law, don't they?

O'Connor: Yes, sir.

H.M.Jr: Well, why - if Congress is going to give that authority, why shouldn't that authority be given to the Secretary of the Treasury?



O'Connor: Oh, I'd rather have it there.

H.M.Jr: What?

O'Connor: I'd rather. That would be satisfactory to me, perfectly.

H.M.Jr: I mean why shouldn't - I mean as far as I know there is no other of the 17 agencies we have that can issue rules and regulations. Take Customs, for instance. The Commissioner of Customs can't issue a rule and regulation without submitting it to me for my approval.

O'Connor: That would be satisfactory to us, Mr. Secretary.

H.M.Jr: Isn't that right, Bell? I mean the Commissioner of Customs....

Bell: Yes

H.M.Jr: What?

Bell: That's right.

H.M.Jr: They go out as Treasury decisions, don't they, huh? - Treasury rulings?

Bell: Well yes, that's right. But they have regulations, too, which are issued, but you usually approve them.

H.M.Jr: But the authority rests -

Bell: - with the Secretary of the Treasury.

H.M.Jr: Well, wouldn't that possibly ease this situation off a little bit?

O'Connor: Sure.

Crowley: You mean the two (pointing to O'Connor and himself)?

H.M.Jr: Yes

Crowley: No, that don't do it.

H.M.Jr: What?

Crowley: For this reason. The Federal Reserve Act of 1935 gave to the Federal Deposit Insurance certain rights. Now, we are not interested in what regulations or powers the Comptroller has for his own office, but we don't want any misunderstanding that anyone's got a right to regulate that's going to affect the Federal Deposit Insurance Corporation, other than - unless you change the law.

Now, as far as receiverships are concerned, that's been a controversial thing for a long time. We haven't been entirely in accord. However, we haven't had any difficulty in getting along. But eventually that's got to be faced to determine the definite powers. But in the meantime, until you get in the place that you are going to face a lot of these things, all we ask is that you don't permit anything that is going to make this any more conflicting than it is now. When Congress gives the right to do certain things, I don't think we ought to regulate - to in some way misconstrue what Congress intended.

Jones: In administration?

Crowley: In administration.

Now, this thing can be simplified so simply. If there is nothing in this bill that conflicts - and we aren't asking for anything at all - if there is nothing in there that does conflict, then we want it.

Eccles: Let me give the language that I think ought to go in. Now, we are interested to the same extent, because the Federal Reserve Board has the responsibility of issuing regulations, and of course all National Banks are members of the Federal Reserve System, as well as certain state member banks, and in going over this matter with our Board and staff this is what we have to say about it:

"Specific matters which may be made subject to the proposed regulatory power should be expressly set forth in the law, and the regulatory authority should apply to no others."

O'Connor: I think we can shorten it a little more. Mr. Crowley's point on whatever particular section here - all of them, for that matter - if that is covered by Marriner's point, that - and is agreeable to the Treasury over here - well, that will clear up then all the objections that the Federal Deposit Insurance Corporation has.

H.M.Jr: Well, the only point, as I say - you have agreed to that - if any agency which is in the Treasury gets the authority from Congress to issue rules and regulations - I mean I want it to go over my signature. I mean I don't want an agency in the Treasury issuing rules and regulations that I don't have the control over. I either want the agency in the Treasury or out of it.

Jones: You mean to have it approved by and with the consent of the Secretary.

H.M.Jr: No, just read the way all the other authority....

Eccles: That means that somebody else, an Assistant Secretary, could do it.

H.M.Jr: No, just have it read that rules and regulations - I don't know what the legal language is, but I mean - I mean there might be perfectly well some other Secretary of the Treasury or some other Comptroller, and the Comptroller issue regulations which would be absolutely - I'd be opposed to it, but I'd have nothing, I couldn't stop it.

So I simply say that as long as the Comptroller's office is in the Treasury and we are going to get authority to issue rules and regulations, I want that authority to rest with the Secretary of the Treasury; that's all. And so far as I know, I don't - we haven't - there hasn't been any conflict so far. I'm sure the Comptroller won't object to that.

O'Connor: Oh no. In other words, Mr. Secretary, on Regulatory Powers - now, if that is introduced, then the point there is that whatever regulatory powers are given should in usual language be issued under the Secretary of the Treasury. Is that it?

H.M.Jr: Yes.



O'Connor: Now we've got that out of the way.

H.M.Jr: Then you are going to consider Eccles' suggestion as to his language.

O'Connor: That's right.

H.M.Jr: So that whatever the Treasury regulations are should not be in conflict with any other regulation of any other financial agency of the Government. Isn't that boiling it down, Eccles?

Eccles: Yes. Within the jurisdiction or in conflict with other establishments of the Government.

H.M.Jr: Well now, Mr. Crowley wants to study that, Mr. O'Connor wants to study that, and why don't we say that - that Mr. Jones' suggestion of you three people studying it, and let us study it with O'Connor and then if we are all in agreement we'll just report back it is cleared.

O'Connor: Well now, Mr. Secretary, to carry out your thought on this Regulatory Powers, just so - we don't want to be inconsistent with the present law. Would you ask Congress to amend all the other statutes? Because there is a great amount of that. For instance, I'll give you a very important one where Congress imposes a duty upon the Comptroller of the Currency to issue regulations with reference to the securities purchased - that can be purchased by the Bank for investment purposes. Now, there is a great many of those statutes which have been there for sixty years or more, and to be consistent, I just wanted to point out the....

H.M.Jr: Well, it's never been raised with me before, but I have never felt since I've been here that the relationship between the office of the Comptroller of the Currency and the rest of the Treasury is satisfactory, because it is different from anything else in the Treasury.

And the way I feel is like it is in this Federal Alcohol Control when the question came up as to how to handle Federal Alcohol Control. I mean my position with the President is that "Please either put it in the Treasury or definitely take it out."

This man Alexander is there. He's there now. Congress passed a law creating a Commission. The President never filled the Commission, so therefore it is still there. He has to submit all his salaries and all his appointments just the way the others do. He holds the hearings on his rules and regulations and they send them up to me and I've got to sign them, but I can't participate in the hearings. I can't participate in the hearings. Isn't that right, Dan?

Bell: I don't know, now.

H.M.Jr: Well, it is. I can't. I can send a man there. In one case I did send a man - this is just in the family - and they wouldn't even let him sit up at the table. He had to go out of the room and find a chair to find a place to sit. So I went to the President. "Now please, if you want me responsible for Federal Alcohol Control - either give it to us, make it a part of the Bureau of Internal Revenue, or kick it out and make it an independent Commission, because I can't be responsible." And I feel that if it is going to raise - I am satisfied to leave it as it is, but if we are going.....

O'Connor: That's what I wanted to call your attention to, Mr. Secretary.

H.M.Jr: If we are going to change it, I'd like to make it either independent or an integral part of the Treasury.

Jones: That's the Comptroller's office.

H.M.Jr: That's the Comptroller's office. I either want to be really responsible or not. I mean you, for instance - you can't appoint an Examiner...

O'Connor: Not without your approval.

H.M.Jr: ....unless I sign it.

O'Connor: Or an Assistant Examiner; I can't appoint an Assistant Examiner.

H.M.Jr: But, on the other hand, you can do a lot of things over

which I have no control.

O'Connor: That's right. Like the one I mentioned and a great many others.

H.M.Jr: Now, up to now there's been no conflicts.

O'Connor: Never.

H.M.Jr: But the day might come when there would be, and the responsibility on both you and I is too heavy to have this uncertain authority.

O'Connor: That's right.

H.M.Jr: And if we are going to go into it at all, I'd rather clean it up one way or the other.

O'Connor: That's why I wanted to call your attention to the fact that...

H.M.Jr: I mean I've had this out with the President and - on Federal Alcohol Control. We have had it out, and my position there has been absolutely either put it in Internal Revenue or kick it out.

Eccles: Your position on this is to clarify your relation also on this point, but on the whole issue....

H.M.Jr: If we are going to go into it, I'd like to clear up our whole relationship - our whole relationship, because some day there might be a very important thing come up and the President might perfectly well send for me and say, "Why didn't you do so and so?" And I'd have to answer that I didn't have the authority, and he'll say, "Why didn't you bring that to my attention three years ago?"

Bell: It seems to me this question....

H.M.Jr: I mean I didn't - this isn't - I want to say to O'Connor I didn't know this was coming up, but you've asked me if you do the one regulation -

O'Connor: Yes

H.M.Jr: - how about all the others. If you want the answer to



the question, if we do this we ought to do it all.

O'Connor: That's why I wanted you to know that there were a great many others.

H.M.Jr: Dan?

Bell: It seems to me this prohibition here against issuing regulations in conflict, as far as the Treasury is concerned should work both ways. No one else should issue regulations in conflict with those of the Treasury. It is as strong one way as it is the other.

Eccles: Well, except here you are asking for....

H.M.Jr: No, I think that's a very good point.

Eccles: Except you are asking for a change in broad regulatory powers.

Bell: Well, there should be coordination.

Eccles: Well, so far as I know, we don't have power to.....

H.M.Jr: No, I think he's right, that both the Federal Reserve and the Federal Deposit Insurance can't issue regulations which are in conflict with the Comptroller's office. That is a good point.

Eccles: The regulations we can issue are specific. Now, what you are getting to here is getting away from specific regulatory powers into the field that it becomes general. Now, I would say that if we were asking, or the Federal Deposit Insurance Corporation or any other agency were asking, for general powers with reference to issuing regulations, then it should also have that specific language. I don't object to having that language now, even though there is no real necessity for it.

Crowley: Well, the only right of regulation we have, Harriner, is the right of regulation where it is definitely specified in the law. That's the regulation that we have; you have too.

Eccles: That's right.

Crowley: Now, I have no objection in the world that - we

certainly wouldn't have any right to issue a regulation that would conflict with something that you people have already issued regulations on. But we ought to try to be uniform; that's my point.

H.M.Jr: May I say at this point - I should have said this thing at first, and that is - and I did interrupt for one minute - and that is this: I think when we get through with this that we want to decide do we want any banking legislation this year. Now, that - that, I think - I just want to raise that whole question before we leave here today, and - do we want any banking legislation?

O'Connor: I think that is very important.

H.M.Jr: What?

O'Connor: I think that is very important.

H.M.Jr: I wanted to say that at the beginning, but I didn't. But I want to say now that I don't - I'd like to reserve the right when we get through this morning to raise that point. Do we want any banking legislation?

Now, with all the interruptions, will you please go on?

Jones: That's very pertinent.

H.M.Jr: What?

Jones: That's very pertinent.

H.M.Jr: I want to have the right to raise that question at the conclusion of this meeting.

O'Connor: Well now, the only other one, Mr. Secretary, that I have is the banking code - or is the building and loan code. Now, the Governor has - he's got some other suggestions.

Eccles: Well, just one. There is this regulatory matter and the other. No need of taking time up there because I think our fellows can get together with reference to Provision Three, Dividends on Common Stock.

O'Connor: Oh yes.

Eccles: That's rather technical. It gets down to a question of definition of surplus funds and undivided profits. There is also the question of the bad debt definition.

O'Connor: Yes.

Eccles: Now, of course, we are interested in it, as I say, because these banks are all members and we have a joint - we use your examinations and we have a joint relationship in connection with it. And I would suggest in connection with Three, then -

O'Connor: Three, yes.

Eccles: - Dividends and Common Stock, that we might get together and see if we can't agree on some modification there. The only thing we had - this regulatory one was the only one that we had any strong objections to. On the other one we have suggestions that we think are desirable.

O'Connor: Now, Mr. Secretary, on the Dividends, there is the only point that my office is concerned about, and it concerns a great many of the National Banks. The statute provides that the National Banks may declare a semi-annual dividend. A great many of the banks - National Banks - have been declaring quarterly dividends. Frankly, we can't see any reason why a bank shouldn't declare a dividend whenever they want to declare it. But they keep writing us and we can't say, "Go ahead and declare it," because of the law.

Now, I have letters in there now from a couple of National Banks asking me what is going to happen. Well, I can't say, "Go ahead and declare them anyway," when the law says they may declare them semi-annually. Now, that is the only one point my office is concerned about.

Jones: That's been - how long did you tell me that's been in vogue?

O'Connor: About fifty years.

Jones: About fifty years. Now, they've been doing it...



O'Connor: Many of them, yes, because they are afraid of the Comptroller.

Jones: But many banks declare quarterly dividends, and many - I'm guilty in that myself, and you called my attention to that. We pay them in December for the whole year.

O'Connor: You're the worst transgressor I got.

Eccles: The point we've got has nothing to do with that.

Jones: When everybody else is through, I've got one suggestion and that's all..... And that's the point you raise, that the President has some very important legislation that he wants to get through and I think that the banking legislation ought to wait until that's finished.

Eccles: You mean before it is introduced?

Jones: Yes, before it is introduced. I think we ought to work together in the meantime, get an agreement, if we can, on these things.

H.M.Jr: Well, may I say right along that line what we did. After all there was this emergency legislation. I think it's the first time, certainly since I've been in Washington, the three agencies walked up on the Hill together in complete accord. We saw all the Democratic leaders. Conference lasted two hours. We got everything which we were entitled to and left them with a smile on their face.

Jones: Yes, everybody happy.

H.M.Jr: Now, it was unique in my experience. It's never happened, I mean, before that we were able to go up there, the three agencies.

Eccles: Two hours getting a unanimous agreement. That was....

Jones: Not a discord.

H.M.Jr: And we walked off and left a complete good taste in their mouths - "Well, at least here's three agencies" - and it's questionable whether the President will have to

lift his little finger, whether they'll call up anybody at the White House to bother. Now, I think that before we went the President knew exactly what we were going up for and it had his approval.

Now, I think before we do this thing we ought to be in complete agreement if possible, then submit a boiled-down memorandum to him - maybe he'll see us - and maybe say, "Now, Mr. President, this is what we've agreed on. Here's what we can't agree on." What are issues, see?

Jones: And not do that, Henry, until these things - not just these emergency things, but these other bigger...

H.M.Jr: No, I want to be fair to these gentlemen. I think as soon as we have an agreement, then I'd submit it to him. Then it's up to him to say.

I mean I don't want to say - using Crowley as an example, because he wasn't in on this - let's say that Crowley needs something. I mean I think it's up to the President to decide. "Now, Crowley, you wait until after the first of February until we get these other things and then we'll get to that." Or he may say, "No, go ahead. It's all right. Introduce your bill."

Jones: Well, I understand at our last meeting that everybody agreed that we could get along without legislation, but some was desirable. That's my point. If the....

H.M.Jr: Well, I know what you've got in your mind, and from my own Treasury interest I'd rather wait. But I am chairman of a meeting and as such I should be impartial and I simply say that if we can agree on what we want, then I think we should let the President say, "Boys, I'd like you to wait," or "Go ahead."

Jones: He must say.

H.M.Jr: He must say, yes; that's all. We are not differing except that I don't feel that, as an impartial chairman, if we come to an agreement - as soon as we come to an agreement, I should submit it to the President. That's what I'm supposed to do.

Jones: I think that's entirely right. I reiterate what I think from this standpoint: the things that he is primarily interested in and that he thinks are important should be well along.

H.M.Jr: As Secretary of the Treasury, I agree with you, but as chairman as soon as we've come to an agreement I feel I've got to give it to him and let him decide.

Jones: Well, I have agreed to that right along.

Crowley: Well, isn't the first thing, Mr. Secretary, that we've got to agree on - and that is what - Mr. O'Connor has his legislation and Marriner has his - as to whether we are going to have any legislation at all, or not, whether it is important that we have it. Now then, if it is important that we have it, then these bills that have been analyzed for both those organizations - and here we set Federal Deposit in the third position, right in the center. Now, if Federal Reserve is going to ask for things that are going to strengthen its position, and the Comptroller is going to ask for certain things that are going to strengthen his position with reference to Federal Deposit - because we are in this position: under the law we are acting under now, the Federal Reserve and the Comptroller admit banks to their system and we automatically insure them; but all we do is go around with a pack on our back and pay out the losses.

Now, if we are all going to be content to sit here - and I am perfectly willing, if there is some particular technical legislation that does not in any way affect Federal Deposit Insurance - I am perfectly willing to go along. But this last page here in our mind definitely affects Federal Deposit Insurance and we just can't sit back and.....

O'Connor: What page?

Crowley: This Shareholders' Agent, on page 5.

H.M.Jr: Will you discuss that while I leave you for a minute?

(Secretary leaves room)

Crowley: I don't know what you've got, Mr. Chairman. Do you have to have your legislation?



Eccles: Well, we don't just have to have it, but we want it. We feel that this first one is very necessary and desirable - Separation of offices of Chairman and Federal Reserve Agent. We put these Chairmen on an honorary basis, but they are tied to the office of Agent by certain statutory provisions. Now, as long as a man is Chairman and Agent, then he feels that he's got statutory obligations that he shouldn't have as an Agent.

Now, for instance, in New York, Mr. Young, who is Vice Chairman up there - we'd like - we've talked to some - just between us - about having him take the Chairmanship. Well, he won't take the Chairmanship as long as the Agency is tied to it, because of the statutory requirement of the Agent, you see. And we've got several others like that and we've agreed that....

Jones: Say that again. He won't take the Chairmanship as long as the Agency is -

Eccles: The Federal Reserve Agent.

Jones: - the Chairman and Agent is one.

Eccles: Now the Assistant Agent holds the collateral. It is a clerical job. I mean the Agent is a clerical job and the Assistant always does it.

Jones: That's words.

Eccles: That's right, but the statutory requirements....

Jones: You're just talking about words. He's talking about words.

Eccles: Well, it's in the law.

Jones: It's in the law, but it doesn't change anything.

Eccles: Now, what we'd do is the Assistant Agent would be Agent and the Chairman would be only Chairman and not Agent.

Jones: No big objection to that.

Eccles: I talked to Senator Glass about it last year before we had - we had no legislation.

Jones: Is that all you're asking for, that one?

Eccles: No. If we are going to put that other in, we've got another one.

O'Connor: We'd better wait until the Secretary gets back.

Upham: I think Mr. Crowley expected to discuss this last one on page 5.

Crowley: Well, on the Shareholders' Agent, it is just a case of where if we will all agree to put that one clause in there, that will take care of any difficulty we have. We don't want to interfere with his operation prior to January 1, 1934; I mean we're not interested in that.

Jones: While we are waiting on the gentlemen, can I see you a minute (to Bell)? (Bell and Jones go aside and talk)

Eccles: Did you read our legislation, Jefty?

O'Connor: I'm sorry to say I didn't.

Eccles: Did you, Leo?

Crowley: Yes, sir, I....

O'Connor: I'm sorry.

Crowley: The one where you are going to reduce the capital requirements of State banks and also the provision for those in competition with the State banks....

Eccles: You mean branch banking?

Crowley: Yes, branch banking and capital - branch banking, mostly. That's going a long ways back. We're going back to meet the States in place of the States going to....

Eccles: How you going to meet - bring the States up to meet you?

Crowley: We aren't going to improve our position by going back and meeting them. Now, the Comptroller has his minimum requirements, and while he doesn't get all the banks in the world, he gets - any bank with reasonable size capital, he's going to get it.

(Secretary returns)

H.M.Jr: Got it all fixed?

Crowley: All fixed.

O'Connor: Now, Mr. Secretary, the question which you raised - that probably ought to be decided first, because then we can dispose of a lot more. Now, I'll state the position, as I see it, from our office.

I am very much interested in the building and loan code for the District, and that doesn't concern any of the other agencies. And I just want to say that I - at least, I think the Treasury's responsibility is to submit a bill anyway to Congress, because we recommended it with your approval a year ago, and then in July this big smash-up came of a building and loan. Now, our responsibility is done when we dump it over there. Now, that is about the building and loan.

Now, secondly.....

H.M.Jr: Now, you mean - give the ones that you think are really important.

O'Connor: That's the most important.

H.M.Jr: What item is that on your list?

O'Connor: That's the last one.

Upham: No, no, it's on page 4.

O'Connor: Number Seven on my list.

H.M.Jr: I mean that you consider really important.

O'Connor: I want to get a bill to put the responsibility in



Congress and the Treasury steps out of it. Now, the other agencies have no interest at all in that bill except the Treasury, because Congress has put the supervision of building and loan associations under the Comptroller.

Jones: Jefty, just a minute. This is Credit Unions here.

O'Connor: Yes, that's what I'm coming to. But this is 7 on page 4.

Jones: Go ahead, all right, I'm sorry.

O'Connor: Now, a very small bill, but an irritating little situation is Credit Unions in the District. That doesn't concern any other agency except the Treasury and the law provides that the Comptroller must examine the credit unions in the District and make a charge of five dollars.

Now the credit unions have grown now so their assets are upwards of a million dollars or more, and the office cannot examine at five dollars, and the only thing we have asked is to be paid the actual cost of examination or take it away. But we have no funds here and I am using National Banks' funds to do something I am not sure that we should do. But what can you do? The duty is there.

Now, Carter - Senator Glass last year was very much in favor of that. And the Public Counsel for the District, or whatever he is called, came up to argue with him and Glass said to him - he said, "Well, who do you think should pay it?" He said, "You've got the unions. All he is asking is to be paid the cost of examination." "Now," he said, "I don't want to listen to a man that comes up here and makes an argument like that."

Now, that one.....

H.M.Jr: That also affects the District?

O'Connor: Yes, sir.

Jones: How big a problem is that?

O'Connor: Well, it's quite a problem. They've got now about how many?

Bell: I don't know, but I assume most every department has their credit union. The Treasury has one. And you've got to examine them.

O'Connor: We've got to.

H.M.Jr: Nobody guarantees them?

O'Connor: No, no.

Bell: It's an employees' organization.

H.M.Jr: Well, we've got certain responsibilities and certain supervision.

Bell: It's in Farm Credit.

Upham: That's right.

Eccles: Why don't they examine them?

Bell: Well, they do, I think, but Mr. O'Connor is in charge of all banking operations here.

Jones: Are you directed or committed or authorized?

O'Connor: I am directed to do it. No choice about it. No, if I had, I wouldn't even bother with it. I'd just step out of the picture.

Jones: I see.

O'Connor: Now, that's that. Now, the only other one, Mr. Secretary, that I'd be interested in having is just the amendment on the payment of dividends, leaving the statute exactly as it is with the exception of giving the right to the banks to pay dividends as the directors.....

H.M.Jr: Well, they are doing that now.

O'Connor: Lot of them won't do it.

H.M.Jr: I mean lot of them are doing it.

O'Connor: Oh yes.

H.M.Jr: Well, that isn't something that you....

O'Connor: That's right.

H.M.Jr: What?

O'Connor: That's right.

H.M.Jr: But they are - it's being done.

O'Connor: That's right. By a great many of them.

H.M.Jr: So I wouldn't say....

O'Connor: No, can't say that is necessary.

H.M.Jr: All right.

O'Connor: Then that's my - if I can then get those two bills, building and loan and Credit Unions.....

H.M.Jr: Now, those are the....

O'Connor: That's right.

H.M.Jr: Those are the two things you feel you have - you are charged with responsibility and can't meet it.

O'Connor: That's right. That's the only thing, and if the other agencies - if that's all right with them, then I'm out of the picture.

Eccles: Except those two.

H.M.Jr: I think that's more than fair.

O'Connor: That's what I'll do.

H.M.Jr: I think that's more than fair.

Jones: (To Eccles) Are you generous?

Eccles: It isn't a question of being generous.

H.M.Jr: What?

Eccles: It isn't a question of being generous.



H.M.Jr: Do you mind my interrupting? Because I know yours is so much bigger. Do you mind just a second?

Eccles: Go ahead.

H.M.Jr: Is there anything that you feel that you've got to have (to Crowley)?

Crowley: No, we'll go along.

H.M.Jr: You'll go along....

Crowley: With nothing, providing that is the general policy.

H.M.Jr: You are willing to ask for nothing if O'Connor - and still see O'Connor ask for those two things?

Crowley: That's right, sure.

H.M.Jr: What?

Crowley: Sure, sure.

H.M.Jr: So your position will be that.....

Crowley: That's not anything that we object to.

H.M.Jr: There is nothing that you have that is as....

Crowley: That's right, that's right, we'll go along with those two and not ask for anything.

H.M.Jr: Then, now, the whole thing rests with Marriner. That's the way I wanted it.

Eccles: Well, there is some of this....

H.M.Jr: (Laughing) I thought you'd look at me.

Jones: He didn't hear that.

H.M.Jr: I said that's the way I wanted it.

Upham: With a managed currency.

Crowley: Been laying for you, Marriner.

Eccles: That's all right. That won't be the first time.

Bell: He's still a diplomat.

Jones: The average fellow, when you tell him the story, you think he is listening to you, but he is waiting to get through so he can tell one.

H.M.Jr: Now, Marriner, the floor is yours.

Eccles: This Number One here - Separation of offices of Chairman and Federal Reserve Agent - that is very necessary. That - we have put all these Chairmen....

H.M.Jr: You haven't got any memorandum for us, have you?

Upham: He had it revised and I don't have copies of the revision, so.....

Eccles: We haven't drafted the legislation. We have just stated what it is.

H.M.Jr: But I mean this is the last one?

Eccles: This is the last one. The Board's been over this one.

Jones: I assume there's no objection to this first one. That doesn't conflict with anybody else, does it?

H.M.Jr: But is there something that is....

Jones: Is it necessary?

Eccles: It is.

H.M.Jr: Why?

Eccles: Before we had a highly-paid Chairman; we had a Governor. They changed the damn set-up last year, didn't complete the job, and in the rush of things this is just one thing that was dropped out.

Bell: Well, you've been operating on it, though.

Eccles: We haven't got a Chairman in several places.

Jones: Well, if you had a paid Chairman he could be the Agent.

Eccles: Yes, but we don't want a paid Chairman. We've been

fighting to - we've got them on an honorary basis, and the minute we get 12 paid Chairmen.... Now, you see, the law - the President now in the law is the Chief Executive Officer - made these Governors Presidents and Chief Executive Officer, and we have transferred most of the functions of the Chairman's office to the banks, so as to get away from the cleavage - terrible cleavage - Chairmen here and Governors here. We had a constant cleavage.

Jones: I don't see any objection to that if you're going to have banking legislation.

Crowley: Well, I think this, Jesse, that that isn't anything particularly, but you've got to go on down through there, because this won't in itself cause a row, but how big a row will you get as you get down the list.

Eccles: Number Seven is Dividends of Federal Reserve Banks. Now, as it is today, the Board has nothing to say about dividends. These various Federal Reserve banks declare a dividend; it's six percent cumulative. They've always paid a flat six. Some of them individually haven't made it. Now, if one pays it and the other doesn't, it raises hell.

Now, what we want to propose is that it be a four percent cumulative, see, and the Board then be given the power with reference to the other two, so that if they make it and feel they should pay it, O.K., but at least you've got a fixed four percent instead of the six percent.

Crowley: Should that be controversial particularly?

Eccles: Well, it would be controversial as far as the member banks are concerned. The member banks would want six percent mandatory. Now, what we want to do with it is put it on a flat four percent basis, and then the Board wants the discretionary power as to whether or not the other two should be paid. That gives us a little bit of leeway, so if we go through bad times as far as income is concerned.....

Jones: There seems to be no objection to that one if you have banking legislation.



H.M.Jr: But is Eccles making the separation? There's two - the things that we have no objection to and then the things that he feels he's got to have.

Jones: He's got to have the first one.

H.M.Jr: What?

Jones: The first one.

H.M.Jr: Well.....

Eccles: Yes, I think so.

H.M.Jr: Supposing you don't get it. You'll function just the same.

Eccles: I suppose we could have gone along the last twenty years without....

H.M.Jr: I wouldn't - if you don't mind my saying so, I wouldn't put that in "must" legislation.

Eccles: Well, why - what objection could there be to asking for legislation this year? What reason do we have to expect it will be easier next year to do it?

Crowley: Well, Marriner, isn't this the thing that we have all got to face on legislation eventually: That the Banking Act of 1933 and the Banking Act of 1935 did certain things. Now you've got Government reorganization coming along here, which undoubtedly will sooner or later affect the banking set-up. Now, if we were going to sit down and work out legislation that we all would like to see, make it more efficient for the operation of the bank supervision and bank chartering, why, there are a lot of things that we'd love to have. So if there's something that you need particularly to meet your emergency, why don't you take that and then try and leave it alone until we all determine what this whole Government reorganization amounts to?

Eccles: It doesn't mean anything as far as banking is concerned. I can tell you that right now.

H.M.Jr: I'll answer your question, Why isn't this year as good as next year? I think this year is as good as

next year, but I think that some time somebody's got to decide a lot of fundamental banking legislation and I don't think that we are prepared for that. And the position that I take as Secretary of the Treasury is this: that I think until we are prepared to really make the fundamental things a lot of us are thinking about, that we should ask for the minimum for fear that Congress will introduce some kind of legislation and pass it which we may not feel is in the best interests of the financial agencies. Now, that is my whole position. Now, we've been doing a lot of sparring around here. We haven't got down to fundamentals here. And I think until the President will give us a lead or direct us to go at this thing thoroughly, my whole feeling is we should ask for the minimum. That's the - and this year or next year or the third year, I mean - and I think if we introduce some Congress is going to introduce a lot and we are going to get something which might be quite harmful. That's the whole thing.

Eccles: Don't you think we might, if we introduced.... Of course, you've always got the danger of additions and amendments if you've got anything. My thought is if we are going to have any at all and if we can confine the legislation to that which does not interfere with and cannot be controversial so far as the other agencies are concerned..... Now, I recognize so far as the Congress itself is concerned, any legislation we may introduce, don't care what it is, somebody on the Hill might object to it. But so long as the legislation that I may propose - that Leo and Jefty have no objection to it - or the legislation that we may propose, we may have no objection - that it is - it would be of a non-controversial nature from an Administration standpoint. If we are going to have any at all - and I can't see any objection to including that type of legislation.

I agree with you that where it gets into fundamentals of our banking set-up you've got to leave it alone or not have any at all.

O'Connor: Well now, Marriner, let me answer from my point.

Eccles: I would prefer to have absolutely none, just forget

the thing and go along, if we are going to have to go through everything like that, but I did want to get some of these.....

Crowley: Now, these things - all that Jefty wants is that Credit Union and that wouldn't be a hell of a lot for him to absorb, and the building and loan - they've lived for 30 or 40 years of that. We'll go along with you without any - the three of us go without any legislation.

Eccles: For how long?

Crowley: Well, there's no use of going into this banking legislation until you go in knowing, as the Secretary says, where in the devil you're going.

Eccles: Well, this Chairman and Agent thing - we're in a tough spot on this thing.

H.M.Jr: Listen, Marriner, you'll be in a great deal tougher spot if some of those boys up there suggest some of the things that they've got in mind and pass it.

Eccles: Well, they won't; not much chance.

O'Connor: Mr. Secretary, my legislation will not go before the Banking and Currency Committee. It goes before the District Committee. And last year it was passed in the House - the Credit Union by the District Committee.

Upham: No, it's not banking legislation.

Jones: That's your Credit Union and building and loan?

O'Connor: Yes, sir, it's a District matter.

H.M.Jr: That throws another new light on it; I think he should have it if it doesn't go before Banking.

Jones: That is something.

O'Connor: And last year it actually - the Committee on the District in the House passed the Credit Union.

H.M.Jr: Then that makes it simpler. Do we want to propose any legislation to go before Banking and Currency?

Jones: For the time being I would say no.  
Eccles: Well, you mean not this session.  
Jones: I mean for 60 days.  
Eccles: Well, that's all right. That suits me.  
Jones: I mean just let the thing go for 60 days.  
Eccles: What we've got to do.....  
H.M.Jr: Well, 60 days is the first of March.  
Eccles: That's right, the first of March.  
Jones: I mean you can meet again and put it off 60 more days.

(Hearty laughter)

O'Connor: I knew it was something. I knew it was coming along some place.  
H.M.Jr: Now let's just sum up that we are all agreeable that these two things, building and loan and Credit Union, should go up before the District Committee, and outside of that.....  
Eccles: We defer action.  
H.M.Jr: ....we defer action and we meet again on the first of March.  
Eccles: Unless one of us thinks for some reason his.....  
Jones: The tenth of March.  
H.M.Jr: Why?  
Eccles: Well, that's close enough - the first.  
H.M.Jr: You say first and you say the tenth.  
Jones: I suggest the tenth of March. You can get them any time.



H.M.Jr: Well, let's make it the first.

Jones: All right, I'll do that with you like I agree with my wife - we make it unanimous; I agree with her.

Eccles: We've got certain legislation here that I'd hate to get through this session without, and I'm willing to wait 60 days for it.

H.M.Jr: Well, Marriner was willing to postpone it for this session, and you said....

Eccles: No, I want it; no, sir.

H.M.Jr: You were ready to give it up for this session.

Eccles: No, I wasn't.

Jones: I expected that he'd get good-natured and forget it entirely.

Eccles: Well, I'll be practical. All the Board and staff members are - there's certain of this legislation they are pretty strong for.

H.M.Jr: It's swell to be able to have a Board and a staff.

Jones: To hide behind.

Eccles: Well, that's right. Take - here's one for instance, the establishment of discount rates. The damn law says every 14 days. These Reserve banks - it puts them up against a position here of calling special Board meetings every 14 days, instead of regular meetings at a weekly day. Every 14 days - once it's Monday, next time it's Tuesday - it makes it inconvenient and they all kick.

H.M.Jr: Well now, we are subject to call, at Mr. Jones' suggestion, the first of March. Subject to call.