

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Friday, March 8, 1940, at 10:30 a.m.

PRESENT: Mr. Eccles, Chairman  
Mr. Szymczak  
Mr. McKee  
Mr. Davis  
Mr. Draper

Mr. Morrill, Secretary  
Mr. Bethea, Assistant Secretary  
Mr. Carpenter, Assistant Secretary  
Mr. Clayton, Assistant to the Chairman  
Mr. Thurston, Special Assistant to the  
Chairman  
Mr. Wyatt, General Counsel  
Mr. Goldenweiser, Director of the Division  
of Research and Statistics  
Mr. Dreibelbis, Assistant General Counsel  
Mr. Morse, Senior Economist in the Division  
of Research and Statistics

The Secretary stated that his office received from the Department of State on Tuesday, March 5, 1940, the commissions of Chairman Eccles and Mr. Davis as members of the Board of Governors of the Federal Reserve System for the unexpired portion of the eight-year term from February 1, 1936, and the fourteen-year term from February 1, 1940, respectively. The formal oaths of office were duly administered and Messrs. Eccles and Davis qualified as members of the Board under their new appointments.

The Secretary also stated that there was received this morning from The National Archives a photostat copy of an executive order issued by the President of the United States on March 5, 1940, designating Mr. Eccles as Chairman of the Board of Governors to serve as such for a term of four years, effective February 1, 1940, and that a copy of

3/8/40

-2-

the order appeared in the Federal Register today.

Telegrams to Mr. Kimball, Secretary of the Federal Reserve Bank of New York, Mr. Leach, President of the Federal Reserve Bank of Richmond, Mr. McLarin, First Vice President of the Federal Reserve Bank of Atlanta, Messrs. Dillard, Stewart and Powell, Secretaries of the Federal Reserve Banks of Chicago, St. Louis and Minneapolis, respectively, Mr. Gilbert, President of the Federal Reserve Bank of Dallas, and Mr. Hale, Secretary of the Federal Reserve Bank of San Francisco, stating that the Board approves the establishment without change by the Federal Reserve Bank of San Francisco on March 5, by the Federal Reserve Bank of Richmond on March 6, by the Federal Reserve Banks of New York, Atlanta, Chicago, Minneapolis, Dallas and San Francisco on March 7, 1940, and by the Federal Reserve Bank of St. Louis today, of the rates of discount and purchase in their existing schedules.

Approved unanimously.

Mr. Davis stated that the Personnel Committee would like to confer with Mr. Coffey, Chairman of the Federal Reserve Bank of Minneapolis, with respect to the appointment of R. B. Shepard, a Class C director of the Minneapolis bank, as Deputy Chairman of the bank, and, if agreeable to Mr. Coffey, to recommend the appointment of Mr. Shepard as Deputy Chairman for the remainder of the current year.

The other members of the Board agreed, when recommended by the Personnel Committee, to approve the appointment of Mr.

3/8/40

-3-

Shepard as Deputy Chairman of the Minneapolis bank for the remainder of the current year.

Mr. Davis then submitted the recommendation of the Personnel Committee that Raymond C. Force, Chairman of the Executive Committee of the Caterpillar Tractor Company, Oakland, California, be appointed as a Class C director of the Federal Reserve Bank of San Francisco to fill the existing vacancy. Mr. Davis said that Mr. Force had indicated that he would be willing to accept the appointment if tendered.

Upon motion by Mr. Davis, Mr. Force was appointed a Class C director of the Federal Reserve Bank of San Francisco for the unexpired portion of the three-year term ending December 31, 1941.

There was presented a draft of letter to Mr. Berle, Assistant Secretary of State, which was amended during the ensuing discussion to read as follows:

"Reference is made to your letter of February 20 enclosing drafts of the documents relating to the proposed Inter-American Bank and asking to be informed of the Board's reaction.

"The Board believes that such an institution, if properly conceived and soundly managed, might contribute to the development of economic and cultural unity throughout the Americas, but that certain restrictions which are embodied in the documents will, unless modified, seriously impair the Bank's chances of successful operation.

"For reasons more fully set forth in the accompanying memorandum, the Board is convinced (1) that the by-laws of the Bank should be amended so as to permit it to accept without restriction the direct obligations, guaranties, and endorsements of central banks; and (2) that the by-laws should expressly recognize the possibility of designating central banking authorities to appoint the director and exercise the continuing functions of government in relation to the Bank.

3/8/40

-4-

"Both of the foregoing points can be met most conveniently at this stage by adding the following paragraph to Article 6 of the by-laws:

D. The term 'Government' shall include any agency which has been designated by a country to represent the government in its relations with the Bank, and such agency may be a central bank or central banking authority; and authority under these by-laws for the Bank to engage in operations when the Bank has the direct obligation or guaranty of a participating government shall be deemed to authorize the Bank to engage in such operations whenever the Bank has the direct obligation, guaranty, or endorsement of a central bank of the country.

"The proposed amendment would greatly facilitate the conduct of short-term credit operations by the Bank. It would also have important significance from the point of view of management, upon which the Bank's success as an operating institution will largely depend. In few countries is any agency better qualified than the central banking authority to appoint and advise with the director and act as guardian of the interests of both the Bank and the country. The Board understands that this view has been expressed by some of the Latin American members of the Inter-American Financial and Economic Advisory Committee.

"A memorandum accompanying this letter discusses both points more fully. A second memorandum, which will be sent in a few days, suggests certain technical modifications to the convention, charter, and by-laws which we believe should be given thorough consideration.

"The Board may wish to make additional suggestions when the necessary enabling legislation to be presented to Congress receives detailed consideration."

At the conclusion of the discussion the amended letter was approved unanimously, with the understanding that it would be sent to Mr. Berle by messenger as soon as possible and that a copy of the letter and inclosure would be sent to the Secretary of the Treasury for his information.

At this point Messrs. Thurston, Wyatt, Goldenweiser, Dreibelbis

-5-

3/8/40

and Morse left the meeting and the action stated with respect to each of the matters hereinafter referred to was then taken by the Board:

The minutes of the meeting of the Board of Governors of the Federal Reserve System held on March 7, 1940, were approved unanimously.

Letter to Mr. Hitt, First Vice President of the Federal Reserve Bank of St. Louis, reading as follows:

"Reference is made to your letter of March 1, 1940, in regard to the exercise of trust powers by the 'Chippewa Trust Company', St. Louis, Missouri, without first having obtained the permission of the Board, in accordance with its so-called general condition of membership, which requires that except with the permission of the Board there shall be no change in the general character of the assets, or broadening in the functions exercised, at the time of admission to membership.

"It is understood that the bank is acting as executor of two small estates, consisting entirely of cash funds, which were accepted without realizing the applicability of the condition of membership in question; that the existence of the accounts will probably be of short duration, and that the bank does not desire to extend the scope of its fiduciary activities. In the circumstances, the Board will raise no objection to the bank's administering the two executorships it now holds, with the understanding that it will not acquire any other fiduciary business without first obtaining the permission of the Board. Please advise the bank accordingly."

Approved unanimously.

3/8/40

-6-

Thereupon the meeting adjourned.

Chester Moriel  
Secretary.

Approved:

W. S. ...  
Chairman.