

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Tuesday, January 14, 1941, at 2:30 p.m.

PRESENT: Mr. Eccles, Chairman  
Mr. Ransom, Vice 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. Wyatt, General Counsel  
Mr. Goldenweiser, Director of the  
Division of Research and Statistics  
Mr. Williams, Assistant Counsel

Mr. Ransom stated that he would suggest that the Board send to the Chairmen of the Banking and Currency Committees of the Senate and House of Representatives letters reviewing the consideration given at the last session of Congress to the bill relating to foreign accounts in Federal Reserve Banks and suggesting the enactment of the bill at the present session. Thereupon Mr. Ransom presented drafts of letters to Messrs. Wagner and Steagall which were identical except for the reference to the dates of the hearings of the respective committees on the bill. The letter to Senator Wagner read as follows:

"You will recall that at the last session both Houses of Congress passed a bill, H. R. 10127, relating to foreign accounts in Federal Reserve Banks. This bill passed the House of Representatives on June 22, 1940 and passed the Senate with amendments on October 7, 1940 but failed of enactment because of inability to obtain action by the House of Representatives on the Senate amendments.

"The effect which the proposed legislation would

1/14/41

-2-

"have and the situations which have created the urgent necessity for its enactment were explained to the Committee on Banking and Currency at hearings held on June 21 and 22, 1940, and there were inserted in the record (at pages 2 and 3) letters from the Department of State, the Treasury Department and the Board of Governors of the Federal Reserve System urging the prompt enactment of such legislation and a letter from the Bureau of the Budget stating that there was no objection to the submission of such proposal to Congress for its consideration.

"Because of the State Department's objection to a Senate Amendment extending the scope of the bill to insured banks, the matter has been the subject of further conferences and the State Department, the Treasury Department and the Board of Governors have reached a complete agreement upon a revised draft of the bill which is enclosed herewith and marked 'Draft of January 8, 1941'. There are also enclosed for your further information copies of correspondence with the Secretary of the Treasury and the Secretary of State on this subject.

"This letter will be delivered to you by the Board's General Counsel, who will explain to you the proposed changes in the form of the bill which passed the Senate.

"An emergency of the kind which this bill is designed to meet may develop at any time and it is important that the bill be enacted as soon as possible. Your efforts in this behalf will be deeply appreciated."

The letters were approved unanimously with the understanding that they would be delivered personally by Mr. Wyatt.

It was stated that a bill had been introduced in the Senate today by Senator Glass proposing new legislation with respect to holding companies and Mr. Ransom suggested that Mr. Wingfield, Assistant General Counsel, and Mr. Cagle, Assistant Chief of the Division of Examinations, be requested to prepare a memorandum analyzing the bill for the information of the Board.

1/14/41

-3-

Board, Mr. Ransom's suggestion was approved unanimously with the understanding that, in accordance with the policy followed by the Board during previous sessions of Congress, in the absence of special circumstances, no report would be made on this or other bills in response to the usual form of routine requests for reports received from the Senate Banking and Currency Committee.

At this point Messrs. Wyatt and Williams left the room and Mr. Cagle joined the meeting.

Board Mr. Cagle stated he had been invited to luncheon today by Mr. Upham, Deputy Comptroller of the Currency, and that the latter had inquired whether it would be possible to reconcile a list which he had prepared with the Board's records of holding company affiliates and their banking subsidiaries. Mr. Cagle said that the office of the Comptroller of the Currency apparently had been unable to reconcile the list with the information on holding company affiliates published by the Board in the Federal Reserve Bulletin, that Mr. Upham indicated that Mr. Delano, Comptroller of the Currency, did not want to make a formal request of the Board for the information necessary to make the reconciliation, and that Mr. Upham had been requested by the Comptroller to assemble certain information on holding company affiliates for possible use in connection with the bill introduced by Senator Glass today. Mr. Cagle added that he made the statement to Mr. Upham that, in these circumstances, he did not feel he could undertake to reconcile the list but would submit the matter to Mr. Morrill, as Secretary of the

1/14/41

-4-

Board, for submission to the Board.

After a discussion, all of the members of the Board agreed that inasmuch as the Board of Governors were charged with the responsibility of supervising holding company affiliates of banks and therefore had a special interest in the Glass bill, Mr. Cagle should advise Mr. Upham that the Comptroller of the Currency should address a letter to the Board asking for the information desired.

Mr. Cagle left the meeting with the understanding that he would advise Mr. Upham immediately.

There was then read a memorandum addressed to the Board by Mr. Goldenweiser under date of December 28, 1940, recommending that Michael Marsh, an economic assistant in the Division of Research and Statistics, be granted a leave of absence without pay for one year in order to do graduate work in economics at Columbia University, it being understood that all payments to the Retirement System on behalf of Mr. Marsh would be discontinued during the period to be resumed upon his return to active duty. The recommendation had been submitted to the Personnel Committee and Mr. Ransom had attached a memorandum under date of January 8, 1941, and the file had been circulated at the request of the Personnel Committee to the other members of the Board.

The recommendation was discussed in the light of the action taken by the Board on July 7, 1939, on a recommendation with respect to the leave of absence without pay granted to George Doherty, a Junior economist in the Division of Research and Statistics, to permit

1/14/41

-5-

him to attend the Littauer School of Harvard University as a fellow during the academic year 1939-40, as well as in the light of the number of employees of the Board who may be called into military service and the obligation of the Board to reemploy these persons upon termination of such service. During the discussion Mr. Ransom's memorandum of January 8 was also read.

Mr. Goldenweiser stated that he felt it was desirable for the Board to have a policy which would permit promising members of its staff to obtain additional education and that the recommendation was made with the idea that there would not be more than one member of his Division absent for that purpose at any one time. It was pointed out Mr. Marsh did not have the offer of a scholarship at Columbia University but would pay his own expenses and Mr. McKee inquired what the situation would be if another member of the staff were offered a scholarship while Mr. Marsh was absent. Mr. Goldenweiser replied that the second employee would either have to forego the scholarship or resign his position with the Board.

Inquiry was also made as to the policy of other departments of the Government and it was stated that the Treasury and other offices had granted leaves of absence to members of their respective staffs similar to the one recommended by Mr. Goldenweiser for Mr. Marsh.

During the course of the discussion some of the members of the Board indicated a feeling that the preferable procedure would

1/14/41

-6-

be for the Board to indicate to Mr. Marsh that, while it could not retain him on its payroll during the period of his absence, it would be glad to give preferred consideration to his application for reappointment on the basis of his previous experience and his additional year of training in the event he should apply for reemployment and there was a vacancy at the time.

Mr. Ransom stated that he had reviewed the policy of the Board as indicated in the action taken with respect to the leave of absence granted to Mr. Doherty and that he would favor approval of Mr. Goldweiser's recommendation for the reason that the Board was trying to develop career men on its staff and that if the Board was to be successful in obtaining the services of the most promising young men it should make them feel that it would be willing to have them take advantage of opportunities to continue their professional and technical studies, that Mr. Marsh was of draft age and single and in time might be called for military service so that he would be in the same class as other employees whom the Board would be under obligation to reemploy at the termination of such service, and that he felt that it was very important for the Board to give special consideration to promising members of the staff who were anxious to get further education as a means of increasing their value as Board employees.

Mr. Szymczak suggested that the Board had the responsibility of maintaining its organization, particularly at this time when it was faced with loss of employees for military service and it should

1/14/41

-7-

not be under obligation to hold a place open for the time that Mr. Marsh would be absent, but that there would be no objection to the statement being made to Mr. Marsh that, if he should apply for reemployment following the termination of his school work, the Board, in the event there was an opening at the time, would give special consideration to his experience as a member of the Board's staff and his additional educational qualifications.

At the conclusion of the discussion Mr. Ransom moved approval, as a matter of administrative policy, of Mr. Goldenweiser's recommendation.

Mr. Ransom's motion was put by the Chair and lost, Messrs. Eccles, Ransom, and Davis voting "aye", and Messrs. Szymczak, McKee, and Draper voting "no".

Thereupon, Mr. Szymczak moved that Mr. Marsh be advised by Mr. Goldenweiser by letter that the Board did not feel it was in a position to grant him leave of absence for the period required to attend Columbia University but that his services as a member of the Board's staff had been entirely satisfactory and that, in the event he desired to return to the Board's employ when his work at Columbia University was completed, the Board, because of his previous experience as a member of the staff would give his application preferred consideration in the event there was a vacancy on the staff at the time.

Mr. Szymczak's motion was put by the Chair and carried unanimously.

Mr. Goldenweiser inquired whether the Board's action should be interpreted as meaning it would not be willing to grant a leave of

1/14/41

-8-

absence to any member of its staff for the purpose of attending school and he was advised that the action should not be so interpreted but that the Board would consider each case on the basis of the facts involved.

Thereupon Mr. Goldenweiser left the meeting.

There was then presented a letter dated January 11, 1941, from Lauchlin Currie stating that the President had asked him to remain at the White House as an administrative assistant and that in these circumstances he was wondering if the Board would care to extend his leave of absence without pay and that of his secretary, Mrs. Eleanor Myer, for another year.

It was stated that the extension of the leave of absence granted by the Board to Mr. Currie and Mrs. Myer for an additional year would result in their absence from active duty for more than two years and that, therefore, a question was involved whether under the rules and regulations of the Retirement System they could return to service at the end of that time and receive the benefits of their prior service as employees of the Board.

In this connection reference was made to a memorandum prepared by Mr. Van Fossen under date of January 14, 1941, suggesting that it appeared that arrangements could be made with the Retirement Committee, under the provisions of a resolution adopted by the board of trustees on April 16, 1940, and approved by the Board of Governors,

1/14/41

-9-

for the preservation of full credit for service heretofore rendered by Mr. Currie and Mrs. Myer and for payments to be made on their return for service covering the period of their absence.

Thereupon, upon motion by Mr. Szymczak and by unanimous vote, the Board extended the leave of absence without pay granted to Mr. Currie and Mrs. Myer for one year from January 17, 1941, the date upon which the current leave of absence will expire, with the understanding that they would be advised in letters addressed to them that during the extended period of their leave of absence no contributions would be made to the Retirement System by them or by the Board in their behalf, but, on their return to active service, and if in the meantime they had not withdrawn their accumulated contributions in the Retirement System, the Board would make such payments to the Retirement System as would be necessary to restore the benefits to which they would have been entitled as a result of the Board's regular contribution if their active membership in the Retirement System had continued, and they would also make such payments to the Retirement System as would be necessary to provide the benefits to which they would have been entitled as a result of their regular contributions if their active membership had been continuous.

It was also understood that, as provided in the resolution of April 16, 1940, above referred to, a letter would be addressed to the Chairman of the Retirement Committee advising him of the Board's action.

Mr. Davis stated that it appeared from information that had come to him that it was now planned to take most, if not all, of the

1/14/41

-10-

available space in the new Social Security building which had been set apart for the National Defense Advisory Commission to house the organization of the new Office of Production Management, which presented the question of the arrangements that would have to be made to house the staffs of Defense Commissioners Budd, Henderson, and Elliott as well as his (Mr. Davis') own organization. He said that it appeared to him that, because of the close connection between the work to be done by the Office of Production Management and Messrs. Budd and Henderson's divisions, arrangements should be made to house both of these divisions of the Defense Commission in the Social Security building, and that the question whether the staff of the Agricultural Division of the Commission and Miss Elliott and her staff would remain in the Board's building was a matter for decision by the Board.

In the discussion which ensued it was stated that it had been indicated that the move to the new Social Security building might be undertaken about January 25.

The suggestion was made that, as a matter of convenience for Mr. Davis as a member of the Board of Governors, arrangements should be made to house the offices of the Agricultural Division of the Defense Commission in the Board's building, that because of the close connection between the work of Mr. Mehornay, Deputy Director of Small Business Activities, and that of the Federal Reserve System under the direction of Mr. Draper, his organization should be located in the building also, and that if this change were made provision possibly

1/14/41

-11-

could be made to take care of Miss Elliott's division in the space in the North Interior Building vacated by Mr. Mehornay, so that the only offices of the Commission that would be left in the Board's building would be those of Mr. Davis' division and Mr. Mehornay's section on small business activities.

This suggestion was agreed to un-  
animously and the matter was referred to  
Mr. Draper to work out a solution on the  
basis of the suggestion as expressing  
the unanimous approval of the Board.

The action stated with respect to each of the matters herein-  
after 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 January 11, 1941, were approved unani-  
mously.

Letter dated January 13, 1941, to Mr. Sanford, Secretary of  
the Federal Reserve Bank of New York, reading as follows:

"Referring to your letter of January 3, 1941, the  
Board approves payment of salaries to Mr. Robert H. Brome,  
Assistant Counsel, and to Mr. John H. Wurts, Assistant  
Counsel, at the rate of \$5,000 each, per annum, for the  
period January 1, 1941 to March 31, 1941, as fixed by  
the Bank's Board of Directors.

"The Board also approves payment of salary to Mr.  
Harding Cowan, Legal Department, at the rate of \$7,500  
per annum, for such period in the year 1941 as it may  
be desirable to assign a lawyer to devote the major part  
of his time to the work of the Foreign Property Control  
Department. Please advise the Board when Mr. Cowan's  
employment is terminated.

"It is noted that, effective January 1, 1941, Mr.  
J. M. Rice, formerly an Assistant Vice President, was

1/14/41

-12-

"appointed a Vice President; that Mr. G. W. Ferguson, formerly General Auditor, was appointed an Assistant Vice President; and that Mr. W. H. Dillistin, formerly an Assistant Vice President, was appointed General Auditor."

Approved unanimously.

Telegram to Mr. Hamilton, President of the Federal Reserve Bank of Kansas City, reading as follows:

"Relet January 8. Board approves retaining special counsel to handle rate question before Missouri Public Service Commission and approves fee for such special counsel up to \$3,000, subject to review by Board before final payment is made."

Approved unanimously.

Thereupon the meeting adjourned.

Robert Morier

Secretary.

Approved:

W. H. Dillistin

Chairman.