

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Wednesday, January 22, 1941, at 11:15 a.m.

PRESENT: Mr. Eccles, Chairman  
 Mr. Ransom, Vice Chairman  
 Mr. Szymczak  
 Mr. McKee  
 Mr. Draper

Mr. Morrill, Secretary  
 Mr. Bethea, Assistant Secretary  
 Mr. Carpenter, Assistant Secretary  
 Mr. Clayton, Assistant to the Chairman

Chairman Eccles read a letter addressed to him under date of January 22, 1941, by Lauchlin Currie, Administrative Assistant to the President, in which it was stated that Mr. Currie had been invited by the Chinese Government to visit China and to consult with it regarding the general economic situation there; that it was anticipated that Mr. Currie would return early in March; that he would like to have Emile Despres, senior economist in the Board's Division of Research and Statistics, accompany him as an assistant; that Mr. Despres would also be a guest of the Chinese Government; and that it would be appreciated if the Board would grant him a leave of absence for approximately six weeks for this purpose. The letter also requested that the matter be treated as confidential until announcement thereof was made to the press.

Mr. McKee inquired as to the responsibility of the Board in the matter because of the possible danger of the trip and Chairman Eccles stated that Mr. Despres was anxious to go and would elect to

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go in the event the Board would grant him the necessary leave of absence and that inasmuch as the decision would be his, it did not appear the Board would have any responsibility from the standpoint of Mr. Despres' personal safety while on the trip. Mr. McKee suggested that, in the circumstances, a written request be obtained from Mr. Despres that he be granted the necessary leave of absence for the trip. Question was also raised whether the Board would be expected to pay Mr. Despres' salary during his absence, and Chairman Eccles stated that the leave of absence should be approved on the same basis as that arranged in connection with the absence of Mr. Currie.

After a brief discussion, the matter was referred to Chairman Eccles with power to act.

There was then read a letter dated January 18, 1941, from Mr. Caldwell, Chairman of the Federal Reserve Bank of Kansas City, stating that at the meeting of the board of directors on January 16, 1941, a committee of directors was appointed to confer with the Board of Governors with respect to the selection of a successor to Mr. Hamilton as President of the Kansas City Bank and that, if agreeable, the committee would come to Washington on Monday, January 27, 1941, for that purpose.

Some of the members of the Board indicated that it would be more convenient for them if the meeting with the committee could be held on Tuesday, January 28, and Mr. Morrill was requested to wire Mr. Caldwell to ascertain whether the committee's plans could be arranged to meet with the Board on January 28, 1941, at 11:00 a.m.

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Chairman Eccles stated that under date of January 16, 1941, he received from President Roosevelt a note appended to a copy of a letter addressed to the President under date of January 3, 1941, by Mr. Morgenthau, Secretary of the Treasury, referring to the bank holding company bill which was subsequently introduced in the Senate by Senator Glass as bill S-310, and suggesting the text of a statement on the subject of bank holding company legislation for inclusion in the President's message to Congress. The note from President Roosevelt, which was also sent to the Secretary of the Treasury, Mr. Crowley as Chairman of the Federal Deposit Insurance Corporation, and Mr. Delano as Comptroller of the Currency, as well as to Mr. Eccles as Chairman of the Board of Governors, requested that the four agencies named work together in formulating a program.

Chairman Eccles also stated that in response to a request from Secretary Morgenthau, which had been prompted by the note from the President, he (Chairman Eccles) went to the Treasury yesterday afternoon to attend a meeting at which there were also present Mr. Morgenthau; Mr. Crowley; Mr. Delano; Mr. Bell, Undersecretary of the Treasury; Mr. Foley, General Counsel of the Treasury; and another attorney. The Secretary opened the meeting, Chairman Eccles said, by referring to the note from the President and to the conferences which were held in March, 1938, for the purpose of drafting a statement on the subject of bank holding company legislation for inclusion in a message which was delivered by the President to Congress under date of April 29, 1938, and by stating that what the Treasury had done in suggesting to Senator Glass the

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introduction of a new bank holding company bill was to pick up the program contemplated in the statement which had been prepared for the President's message. Chairman Eccles added that his reply to the Secretary's statement was that he had received only shortly before the meeting a folder from Mr. Delano in connection with the 1938 conferences and that the folder did not contain all of the record of the conferences or of what had taken place in connection with the consideration of the matter at the time.

During Mr. Eccles' statement of what occurred at the meeting at the Treasury yesterday, comments were made by him and Mr. Ransom with respect to their recollections of what occurred at the conferences in 1938, and, in connection with a statement by Chairman Eccles that the Secretary had taken the position yesterday that the Board was committed to the program outlined in the draft of statement prepared in 1938 for the President's message to Congress, Mr. Ransom stated that he had made it clear at these 1938 conferences, which he attended with staff members but without any other member of the Board, that the position taken by him at that time was his own and that he had had no opportunity to submit the matter to the Board for decision, that he explained at the time to the other members of the Interdepartmental Committee that there was not a quorum of the Board in Washington but that he had discussed the matter with the members of the Board who were in Washington and by long distance telephone with members of the Board who were out of town and that he had to the best of his ability kept

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the members of the Board advised as to progress in these discussions. Mr. Ransom stated that, so far as he was personally concerned, he could not take any position regarding the problems involved that was in conflict with the recommendations made to the President but pointed out that there were substantial differences in the then pending legislation on the subject and in the new bill that had recently been introduced in Congress and that the recommendations did not cover all of the matters included in the legislation in question. Mr. Ransom stated that during the discussions in March 1938 he had called attention to his belief that should the President determine to use the language recommended, the question of branch banking would enter the discussions when the matter was considered by Congress.

Chairman Eccles said that at the meeting yesterday he stated that there had been no action by the Board in connection with the 1938 conferences but that subsequently thereto the Board, recognizing the need of bank holding company legislation, had developed the substance of a bill which it felt would meet the situation adequately, that the Board, which had had responsibility for the supervision of bank holding companies for the last seven years, had not been consulted in connection with the drafting of the new legislation which had been suggested by the Treasury to Senator Glass and introduced by him and which proposed to place the authority for bank holding company supervision in the Federal Deposit Insurance Corporation, that the Board did not favor

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the bill and could not be expected to approve it but that, in accordance with the request of the President, the Board was willing to participate in the formulation of a program of legislation which might be made acceptable to the Federal banking supervisory agencies. He said that he also stated that the situation had changed materially since the 1938 conferences and any position that might have been taken then should not be regarded as a commitment at the present time, and that it did not appear from the President's note that he was familiar with the circumstances in which the Glass bill had been prepared and submitted to the Senate but that he expected the four agencies named in the note to formulate an acceptable program.

In response to his statement, Chairman Eccles said, Secretary Morgenthau said that he was responsible for the drafting and submission of the legislation introduced by Senator Glass and any criticism with respect to the way it was handled should be addressed to him, and he inquired why if the Board had felt that legislation was desirable it had not taken the initiative in proposing legislation. Chairman Eccles said he replied that it had been understood there was to be no piecemeal banking legislation and for that reason the Board had not made a recommendation but that if hearings had been held on the matter the Board would have stated its position.

Chairman Eccles made the further statement that at the conclusion of the discussion at the Treasury Mr. Morgenthau said he was under the necessity of making some kind of report to the President and he

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would like to know whether the Board would be willing to advise the Treasury what objections it had to the Glass bill. Chairman Eccles said he replied that, so far as he was concerned, he would be willing to have prepared a statement setting forth the Board's objections to the bill and offering an alternative program, but that the preparation of such a statement would require some time. The Secretary then stated, Chairman Eccles said, that the Board should take all the time it desired for the purpose.

There ensued a discussion by the members of the Board of what its position should be in the circumstances and during the discussion the statement was made that a formal request was received from Senator Wagner under date of January 15, 1941, for a report on the Glass bill. Chairman Eccles suggested that the Legal Division be requested to prepare, in consultation with the Division of Examinations, a letter to the Secretary of the Treasury which would contain a statement with respect to the Glass bill in the form in which the Board would report on the bill in response to the request received from Senator Wagner and which would set forth the reasons why the Board would not favor the bill as well as a suggested alternative program as one which the Board believed would be effective in meeting the situation in the public interest. The letter to the Secretary would also state, Chairman Eccles said, that the Board would be willing to cooperate with the Treasury, the Federal Deposit Insurance Corporation and the Comptroller of the Currency in undertaking to work out an acceptable legislative

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program with respect to bank holding companies.

Chairman Eccles' suggestion was approved unanimously.

Chairman Eccles also stated that he proposed to send a brief memorandum to the President, in response to his note, stating that the Board would be pleased to cooperate in working out a program and also calling attention to the fact that the Glass bill had been prepared and submitted without consultation with the Board, notwithstanding that it had been charged with the responsibility of administering bank holding company legislation for over seven years, and that the Board was preparing a statement of reasons why it did not favor the Glass bill as well as a program which the Board believed would meet the situation in a more realistic manner.

Mr. Morrill presented a letter dated January 18, 1941, which had just been received from Senator Wagner requesting a report on Senate Bill 390 which was introduced by Senator Wagner on January 16, 1941, at the request of the Board and which related to the subject of foreign accounts with Federal Reserve Banks and insured banks in the United States.

At the suggestion of Mr. Ransom, Counsel's Office was requested to prepare a draft of report on the bill for consideration by the Board.

The action stated with respect to each of the matters hereinafter referred to was then taken by the Board:

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Federal Reserve System held on January 21, 1941, were approved unanimously.

Letter to Mr. Young, President of the Federal Reserve Bank of Boston, reading as follows:

"Referring to your letter of January 8, 1941, it is noted that at a meeting of the board of directors of the Federal Reserve Bank of Boston held on that date all officers of your Bank, with the exception of the President and First Vice President, were reappointed to serve during the year 1941.

"In accordance with the further action taken by your board of directors, the Board of Governors approves payment of a retaining fee, at the rate of \$2,400 per annum, to Mr. Phillips Ketchum, who was reappointed Associate Counsel for the year 1941.

"The Board of Governors also approves the reappointment of Messrs. Winthrop L. Carter, Albert M. Creighton, Carl P. Dennett, Paul A. Draper and Edward M. Graham as members of the Industrial Advisory Committee for the First Federal Reserve District, to serve for terms of one year each, beginning on March 1, 1941.

"It is noted that no action was taken in regard to the selection of the member of the Federal Advisory Council to represent your District, and that further consideration was deferred until the next meeting of your board.

"It is also noted that Mr. William D. McRae was reappointed as Chief Examiner for the year ending December 31, 1941. As the position of Chief Examiner is provided for in the personnel classification plan of your Bank, it is assumed that Mr. McRae will be included in the list of employees of the Bank to be submitted to the Board as of January 1, 1941.

"You will be advised in a separate communication with respect to the action taken by the Board of Governors in connection with the reappointment of Mr. Roy A. Young and Mr. William W. Paddock, as President and First Vice President, respectively, of the Federal Reserve Bank of Boston for a term of five years each, beginning March 1, 1941."

Approved unanimously.

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Letter to Mr. Brainard, Chairman of the Federal Reserve Bank of Cleveland, reading as follows:

"Acknowledgment is made with thanks of your letter of January 10, advising that at an informal discussion at your Board meeting on January 9 the unanimous conclusion was reached to request the Board of Governors to re-appoint Mr. M. J. Fleming as President and Mr. Frank J. Zurlinden as First Vice President of the Federal Reserve Bank of Cleveland for a period of five years, commencing March 1, 1941.

"You state that formal action on these appointments will be taken at the regular meeting on February 27, 1941, but that the recommendations are submitted to the Board at this early date in order that it may have an opportunity to consider a reply to your recommendation.

"Your letter will be considered by the Board at the earliest opportunity and I will advise you as soon as possible."

Approved unanimously.

Letter to Mr. Fletcher, Vice President of the Federal Reserve Bank of Cleveland, reading as follows:

"The Board of Governors of the Federal Reserve System has considered the recommendation of the Executive Committee of your bank, contained in your letter of January 11, 1941, and, pursuant to the provisions of Section 19 of the Federal Reserve Act, grants permission to 'The Fifth Avenue Savings Bank Company', Columbus, Ohio, to maintain the same reserves against deposits as are required to be maintained by banks located outside of central reserve and reserve cities, effective with the first semi-monthly reserve computation period beginning after the date of this letter.

"Please advise the member bank of the Board's action in this matter, calling its attention to the fact that such permission is subject to revocation at any time by the Board of Governors of the Federal Reserve System."

Approved unanimously.

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Thereupon the meeting adjourned.

Chester Morris  
Secretary.

Approved: W. C. ...  
Chairman.