

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Tuesday, February 11, 1941, at 10:45 a.m.

PRESENT: Mr. Eccles, Chairman

Mr. Ransom, Vice Chairman

Mr. Szymczak

Mr. McKee

Mr. Davis

Mr. Draper

Mr. Morrill, Secretary

Mr. Carpenter, Assistant Secretary

The reference in the first paragraph on this page to the appointment of H. P. Preston and C. S. Young should have been as First Vice President and Vice President instead of President and First Vice President, respectively.

a term of 90 days from March 1, 1941, at which time further action with respect to the appointment of officers of the Bank.

Mr. Szymczak stated that he talked over the telephone with Mr. Leland, who served as secretary of the special meeting, and that he advised Mr. Leland that, in view of the requirements of the law that Presidents and First Vice Presidents be elected for terms of five years, the directors could not legally elect such officers for a term shorter than five years or for the unexpired portion of such term.

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Mr. Morrill presented a letter from Mr. Dillard, Vice President and Secretary of the Federal Reserve Bank of Chicago, dated February 8, 1941, with which was enclosed a copy of the minutes of a special meeting of the board of directors of the Bank held on February 6, 1941, at which action was taken to appoint H. P. Preston and C. S. Young as President and First Vice President, respectively, for a term of 90 days from March 1, 1941, at their present salaries, pending further action with respect to the appointment of officers of the Bank.

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of a President and First Vice President at the Federal Reserve Bank of Chicago, at the conclusion of which it was understood that, inasmuch as Mr. Lewis, Chairman of the board of directors of the Chicago Bank, was ill, Mr. Szymczak should talk to Mr. Gregory, Deputy Chairman, who was in Washington and suggest to him that a committee of the board of directors come to Washington to discuss the matter with the Board.

Mr. Draper stated that Mr. Mehornay, Chief of the Defense Contract Service of the Office of Production Management, had inquired whether the Board would have any objection to his asking the Federal Reserve Bank of San Francisco to make Mr. W. M. Hale, Vice President and Secretary of the Bank, available to the Defense Contract Service on a temporary basis as Mr. Mehornay's assistant in connection with the work to be done by Defense Contract Service in expanding the use of the facilities of subcontractors in supplying materials for the defense program. Mr. Draper stated that Mr. Mehornay was impressed with the manner in which Mr. Hale had carried on his work as field representative for the Office of Small Business Activities and felt he could render a real service in the expanded program.

Mr. Davis moved that Mr. Draper be authorized to advise the Federal Reserve Bank of San Francisco and Mr. Mehornay that the Board would interpose no objection to his undertaking to obtain the services of Mr. Hale for a temporary period.

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

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Thereupon the meeting recessed and reconvened at 2:55 p.m. with the same attendance as at the morning session.

Mr. Szymczak stated that he had talked with Mr. Gregory over the telephone who stated that he would arrange to have a committee of the board of directors of the Federal Reserve Bank of Chicago come to Washington to meet with the Board the latter part of next week or the early part of the succeeding week.

There was a further informal discussion of the position to be taken by the Board in the event it should be asked to approve the appointment of various men who had been under consideration by the boards of directors of the Federal Reserve Banks of Chicago, St. Louis, and Kansas City for appointment as President of the respective Banks.

During the discussion there was brought into the meeting a letter dated February 10, 1941, from Mr. Caldwell, Chairman of the Federal Reserve Bank of Kansas City, advising that, at the meeting of the board of directors on February 6, 1941, H. G. Leedy, Vice President of the Bank, was appointed President for the five-year term beginning March 1, 1941. The letter set forth in detail the reasons for the appointment and requested advice of the Board's action with respect to approval of the appointment.

There ensued a very thorough consideration of the position taken by the Kansas City directors as set forth in Mr. Caldwell's letter and at the conclusion of the discussion it was agreed that Chairman Eccles should call Mr.

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Caldwell on the telephone and inform him that after giving the matter as careful consideration as had ever been given anything of comparable importance coming before the Board and after weighing all of the factors involved, the conclusion was reached that the question was whether the Board of Governors should feel itself bound by the decision of the directors regardless of the fact that the Board felt that Mr. Leedy was not the man for the position; that the selection of a President of a Federal Reserve Bank is a joint responsibility of the directors and the Board of Governors because of the legal requirement that he be appointed by the directors and approved by the Board; and that, having in mind the desirability of elevating the standards of qualifications of Presidents, the increased responsibility which may be placed on them from time to time as members of the Federal Open Market Committee, and the further fact that to the President has been assigned responsibility for the non-statutory functions previously performed by the Chairman and Federal Reserve Agent, it was the best judgment of the Board that it should not approve the appointment of Mr. Leedy. It was also agreed that, if Chairman Eccles thought it desirable to do so, he might suggest to Mr. Caldwell that, if a decision could not be reached on another appointee by March 1, a First Vice President of the Bank be appointed for the five-year term who could act as chief executive officer until the selection of a President could be made.

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 February 10, 1941, were approved unanimously.

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Memorandum dated February 6, 1941, from Mr. Nelson, Assistant Secretary, submitting a request from Norbert C. Treacy, guard in the Building Operation and Maintenance Section of the Secretary's Office, for leave of absence to enable him to report for duty as a flying cadet in the United States Army Air Corps, and recommending that Mr. Treacy be granted leave of absence without pay for a period of not to exceed nine months, beginning February 10, 1941, and that he be granted the same benefits as are provided by the action taken by the Board on November 14, 1940 for employees called for military service except that the payment of one month's salary be deferred until such time as it is determined that he will be permitted to complete the course of training.

Approved unanimously.

Letter to Mr. Lassiter, Chairman of the Federal Reserve Bank of Richmond, reading as follows:

"At the completion of the examination of the Federal Reserve Bank of Richmond, made as of November 30, 1940, by the Board's examiners, a copy of the report of examination was left for your information and the information of the directors. A copy was also furnished President Leach.

"The report does not appear to contain any matters requiring further comment at this time. The Board will appreciate advice, however, that the report has been considered by the Board of Directors. Any comments you may care to offer regarding discussions with respect to the examination or as to action taken or to be taken as a result of the examination will also be appreciated."

Approved unanimously.

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Thereupon the meeting adjourned.

Chesee Morris  
Secretary.

Approved:

W. C. Cade

Chairman.