

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Wednesday, March 19, 1941, at 11:30 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
Mr. Clayton, Assistant to the Chairman
Mr. Thurston, Special Assistant to the Chairman
Mr. Wyatt, General Counsel
Mr. Dreibelbis, Assistant General Counsel

Mr. Ransom stated that in accordance with the action taken at the meeting of the Board on February 20, 1941, he had revised the draft of statement and letter proposed to be sent to the Secretary of the Treasury on the subject of bank holding companies, that copies of the revisions had been sent to each member of the Board, and that, therefore, his responsibility under the special assignment of the Board had been discharged. He also stated that if the full history of the Board's relation to the matter during the last eight or nine years is to be stated it would be necessary to have a longer statement than the one which he had prepared or the one previously prepared by Mr. Wingfield, that it was his (Mr. Ransom's) feeling that objections might well be made to both statements, and that he was not satisfied with either draft. Mr. Ransom made the further statement that he had made a careful review of the Board's records on this matter in

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connection with the preparation of his statement, that he had come to the conclusion that the Board had done a satisfactory administrative job, that the situation is much better than it was when the Board was given the responsibility of supervising bank holding companies, that there were still difficulties to be overcome, and that if there was anything to be said in criticism of the Board it was that it had lost control of the situation and had allowed the Treasury to take the initiative in a field which is primarily the responsibility of the Board. He added that if during the period the Board had presented a program of amendments to the law, which all of the members of the Board recognized as being necessary, rather than letting someone outside the Federal Reserve System take the initiative in urging legislation, the Board's position would have been much better than it is at the present time. He concluded with the statement that there were two alternatives before the Board, one of which was to do nothing until the pending bill is called up for hearings at which time the Board's objections to the bill could be stated and an alternative proposal presented, and the other was to send a statement to the Secretary of the Treasury as originally contemplated.

Chairman Eccles said that if it should be determined that active consideration would be given to the bank holding company bill now before Congress he would favor sending a statement to the Secretary of the Treasury along the lines that had been prepared for the purpose of clarifying the record, but that unless consideration was

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to be given to the bill the matter was not important enough at this time to do anything further regarding it.

During the ensuing discussion the draft of letter prepared by Mr. Ransom to the Secretary of the Treasury was read. The members of the Board indicated general agreement with the suggestion that no further action be taken at this time, with the understanding that if the pending bill were called up for hearings a draft of letter to the Secretary would be prepared transmitting a statement along the lines of the statements prepared by Mr. Ransom and Mr. Wingfield together with a statement of the criticisms of the pending bill and a draft or outline of a bill which the Board would approve, and that Chairman Eccles would call on the Secretary of the Treasury for the purpose of presenting the letter. It was also understood that any member of the Board might at any time have the matter brought up for further discussion.

There was presented a letter dated March 10, 1941, from Mr. Bell, Acting Secretary of the Treasury, stating that the Treasury was giving consideration to a proposal which would subject income derived from certain securities issued by agencies or instrumentalities of the United States, such as capital stock in corporations not wholly owned by the United States, to Federal taxation to the same extent as obligations of the United States, and that it would be appreciated if the Treasury could have an expression of the Board's views with respect thereto. The letter also stated that it might prove desirable to arrange a future conference in this connection between the several

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departments and agencies affected and requested that the Board designate an officer or officers for this purpose.

Upon motion by Mr. Davis, Mr. Morrill was requested to advise Mr. Bell by letter that the Board sees no objection to the proposal, that if the Treasury should find it desirable to hold a conference on the general question referred to in Mr. Bell's letter, Chairman Eccles, upon being advised to that effect, would designate a member or members of the Board's staff to participate, and, in the event it was believed desirable for a member of the Board to be present, he would attend or would designate another member for that purpose.

Mr. Szymczak then presented a draft of letter to Vice President and Secretary Dillard of the Federal Reserve Bank of Chicago reading as follows:

"This will acknowledge receipt of your letter of March 11, 1941, with which you enclosed a copy of the minutes of the executive session of the Annual Meeting of the Board of Directors of your Bank on February 27, 1941, and a copy of the minutes of the special meeting on March 7, 1941.

"When President Young was in Washington this week, Governor Szymczak discussed with him the salaries recommended by your salary committee and approved by your Board of Directors at its meeting on February 27, as well as the salary proposed for Mr. Phillips as Economic Adviser, and it was understood that action by the Board of Governors on these salaries would be deferred until Mr. Young had had an opportunity to review the proposed changes. Therefore, no action on the proposed salaries will be taken until we hear further from your Board."

Mr. Szymczak stated that the draft of letter was the result of discussions which he had with Mr. Gregory, Deputy Chairman of the

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Federal Reserve Bank of Chicago, who was in Washington last week and with Mr. Young, President of the Federal Reserve Bank of Chicago, who was in Washington this week in connection with a meeting of the Federal Open Market Committee.

Upon motion by Mr. Szymczak, the letter to Mr. Dillard was approved unanimously.

Reference was made to previous informal discussions by the members of the Board of letters dated February 7 and February 18, 1941, from Mr. Caldwell, Chairman of the Federal Reserve Bank of Kansas City, in which Mr. Caldwell stated that the board of directors of the Bank had voted, subject to the approval of the Board of Governors, to pay (1) \$20,000 to the Retirement System of the Federal Reserve Banks for the purpose of augmenting the retirement allowance to which Mr. Hamilton was entitled upon his retirement and \$5,000 to him in cash, or, in the event the Board of Governors did not approve the payment to him of the latter amount, the whole sum of \$25,000 to be paid to the Retirement System, and (2) \$8,000 to the Retirement System of the Federal Reserve Banks for the purpose of augmenting the allowance to which Mr. Worthington was entitled upon his retirement and, in view of the fact he had had no vacation since February, 1940, to pay to him directly an additional amount equal to one month's salary.

In the discussion of this matter reference was made to the

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fact that in an informal discussion on January 28, 1941, of a possible special payment to augment Mr. Hamilton's retirement allowance, the members of the Board indicated that a payment of an amount necessary (between \$15,000 and \$16,000) to increase Mr. Hamilton's retirement allowance to \$3,000 per annum, would be a reasonable payment, and that in a later conference on the same day with Messrs. Caldwell, Thomas, and Dines, directors of the Kansas City Bank, it was stated that the Board would be agreeable to a reasonable contribution to the Retirement System for the purpose stated, but that Mr. Hamilton's case could not be considered alone but would have to be considered in the light of other similar cases in the System.

The matter was considered in the light of the special circumstances of Mr. Hamilton's situation and of the payments which have been approved by the Board in connection with the retirement of other senior officers at Federal Reserve Banks and it was agreed that there was justification for the payment of an amount which would bring his regular retirement allowance up to \$3,000 per annum, with the understanding that if he desired he could withdraw up to \$5,000 of the payment in cash to meet current obligations. The Secretary was requested to place in the Board's records a memorandum stating more fully the considerations upon which the Board based this action.

There was also agreement that the payment to the Retirement System of \$8,000 on behalf of Mr. Worthington and, if authorized by the directors, the payment to him of an additional sum equal to one month's salary in lieu of an annual vacation should be approved.

At the conclusion of the discussion of the matter, the Secretary was requested to

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advise Chairman Caldwell that the Board approved payments in the amounts stated above.

As to the payments on behalf of Mr. Worthington, Mr. Ransom voted "no". He again expressed the view which he had previously expressed several times, that in his opinion Mr. Worthington seemed to be an able official but that he thought, in the light of the Board's letter of February 5, 1941, S-251, that the present proposal in connection with Mr. Worthington was inconsistent with the Board's position as expressed in that letter, which provides that no special contribution should be made to the Retirement System for the benefit of, and no separation allowance should be paid to, an officer or employee who voluntarily resigns to accept other employment. Mr. Ransom felt that perhaps the special facts of Mr. Worthington's resignation and the general understanding that he was not going to accept other employment might make the action in question not inconsistent with the Board's position as expressed in this letter. He further said that he, frankly, was somewhat doubtful, in the light of the discussion of the Worthington matter, as to just what was the Board's position on the subject matter of that letter and as to just exactly what that letter did mean.

Messrs. Carpenter, Clayton, Thurston, Wyatt, and Dreibelbis withdrew from the meeting at this point.

Reference was made to a memorandum addressed to the Board by Mr. Szymczak under date of February 21, 1941, recommending approval by the Board of salaries for the following officers of the Federal Reserve Bank of Kansas City for the period from March 1 to May 31, 1941:

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<u>Name</u>	<u>Title</u>	<u>Salary</u>
H. G. Leedy	First Vice President	\$16,000
J. W. Helm	Vice President and Cashier	13,200
L. H. Earhart	Vice President and Secretary	12,000

There was also presented a letter dated March 4, 1941, from Mr. Caldwell, Chairman of the Federal Reserve Bank of Kansas City, stating that on the previous day the board of directors rescinded the action previously taken appointing Mr. Earhart as Vice President and Secretary, Mr. Earhart having indicated that he felt his health would not permit him to accept the position and that he preferred to continue as Managing Director of the Omaha Branch, and that the board of directors desired to appoint N. R. Oberwortmann, formerly in charge of bank examinations at the Federal Reserve Bank of Kansas City, as Vice President of the Bank with salary at the rate of \$15,000 per annum, the salary he is now receiving as chief national bank examiner in the Seventh Federal Reserve District. The letter requested that the matter be presented to the Board of Governors and that Mr. Caldwell be advised as promptly as convenient the attitude of the Board with respect thereto.

The salaries proposed for Messrs. Leedy and Helm were approved unanimously.

Action on the salary proposed for Mr. Oberwortmann was deferred pending further consideration.

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

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The minutes of the meeting of the Board of Governors of the Federal Reserve System held on March 18, 1941, were approved unanimously.

Memorandum dated March 15, 1941, from Mr. Carpenter, Assistant Secretary, recommending, for the reason stated in the memorandum, that William Hyde, porter in the Building Operation and Maintenance Section of the Secretary's Office, be made a member of the Retirement System and that the Board authorize the usual contributions to the Retirement System in his behalf.

Approved unanimously.

Letter to Mr. John G. Nichols, Chief of the Division of Examination of the Federal Deposit Insurance Corporation, reading as follows:

"This is in reply to your letter of March 17, 1941, advising that the Board of Directors of your Corporation has authorized the purchase of certain assets of the Mutual Trust Company of Westchester County, Port Chester, New York, and The First National Bank and Trust Company of Port Chester, Port Chester, to facilitate the assumption of their established liabilities by and the transfer of their acceptable assets to the Washington Irving Trust Co., Tarrytown, New York.

"As requested in your letter, the Board of Governors of the Federal Reserve System hereby grants written consent, in accordance with the provisions of subsection (k)(2) of section 12B of the Federal Reserve Act, for examiners for the Federal Deposit Insurance Corporation to make such examination of the Mutual Trust Company of Westchester County, Port Chester, New York, as may be required to consummate the proposed transaction."

Approved unanimously.

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Thereupon the meeting adjourned.

Eloise Morris
Secretary.

Approved:

M. Steele
Chairman.