

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Tuesday, January 30, 1945, at 2:30 p.m.

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

Mr. Morrill, Secretary

There was presented a memorandum dated January 20, 1945, from Chairman Eccles stating that the resignation of Mr. Clayton, Assistant to the Chairman, would necessitate some rearrangement of the work in the Chairman's office, that he was not prepared at this time to recommend the appointment of another assistant, but that he would recommend that the following changes be made effective February 1, 1945:

1. That the title of Elliott Thurston be changed from Special Assistant to the Chairman to Assistant to the Chairman and that his salary be increased from \$14,000 to \$15,000 per annum.
2. That the salary of Madeleine E. Benton, secretary to Mr. Thurston, be increased from \$2,800 to \$3,000 per annum.
3. That Mabel Goepfert be retransferred to the Legal Division as a secretary with no change in her present salary at the rate of \$2,600 per annum.
4. That the payroll designation of Charles R. Norris be changed from messenger to the Chairman to clerk and that his salary be increased from \$1,800 to \$1,980 per annum.

The changes recommended by Chairman Eccles were approved unanimously, together

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with a change in the payroll designation of Sidney Washington from messenger to clerk and the following changes in salaries in the Board Members Section, effective February 1, 1945:

<u>Name</u>	<u>Designation</u>	<u>Salary Increase</u>	
		<u>From</u>	<u>To</u>
Mrs. Anne I. Cotten	Secretary to Mr. Ransom	\$3,600	\$3,800
Sidney Washington	Clerk	1,560	1,680

In a memorandum dated December 14, 1944, Mr. Goldenweiser recommended that his title be changed from Director of the Division of Research and Statistics to Economic Adviser, that Mr. Woodlief Thomas be made Director of the Division of Research and Statistics, and that Mr. Howard S. Ellis be appointed as Assistant Director of the Division with salary at the rate of \$10,000 per annum. In accordance with a suggestion made by Chairman Eccles in a memorandum dated December 16, 1944, action on these recommendations had been deferred until after the first of the year to afford the Board members an opportunity to familiarize themselves with Mr. Ellis' background and ability, and at this meeting of the Board the recommendations were presented by Chairman Eccles for further consideration.

The following actions were taken by unanimous vote effective February 1, 1945:

1. Mr. Goldenweiser's title was changed from Director to Economic Adviser with no change in his present salary at the rate of \$15,000 per annum.
2. Mr. Thomas was appointed Director of the Division

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of Research and Statistics with salary at the rate of \$15,000 per annum.

3. Mr. Howard S. Ellis was appointed Assistant Director of the Division of Research and Statistics with basic salary at the rate of \$10,000 per annum.

Chairman Eccles stated that he wished to discontinue his ex-officio membership on the Personnel Committee of the Board and suggested that in the future the committee consist of the two members appointed by the Board in accordance with the existing plan of rotation.

There was unanimous agreement with this suggestion, and it was understood that beginning immediately Messrs. Ransom and Evans (the present appointed members) would constitute the committee until the expiration on February 28, 1945, of the period for which they were appointed.

In accordance with the usual order of rotation, it was understood that Messrs. Szymczak and Evans would be nominated to serve with Chairman Eccles as members of the executive committee of the Federal Open Market Committee for the year beginning March 1, 1945, and accordingly Messrs. McKee and Draper were appointed to serve as members of the Board's Personnel Committee for the year beginning March 1, 1945.

Chairman Eccles then stated that, in view of the resignation of Mr. Clayton who had served as his alternate on the War Loans Committee, he would suggest that the committee be abolished and that the functions previously performed by the committee be added to the matters assigned to Mr. Draper for initial consideration as a member of the Board.

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Chairman Eccles' recommendation was approved unanimously, effective immediately, with the understanding (1) that, as in other matters assigned to Mr. Draper for initial consideration, Mr. Evans would serve as Mr. Draper's alternate in the latter's absence or disability, and (2) that war loans matters requiring consideration by the Board would be handled in the same manner as other matters requiring Board consideration.

The positions of Counsel and Secretary to the War Loans Committee were abolished and the titles of Administrator for War Loans Committee held by Mr. Smead and Assistant Administrator for War Loans Committee held by Mr. Boothe were changed to Administrator for War Loans and Assistant Administrator for War Loans, respectively.

Chairman Eccles made a report to the Board in regard to a conference which he had attended at the Treasury Department this morning on the subject of proposed holding company legislation. The substance of his report was as follows:

Preceding the conference at the Treasury this morning, a number of bankers called upon Mr. McKee in regard to the status of holding company legislation and Mr. McKee referred them to Congressman Patman. It seems that Congressman Patman took them to see Chairman Spence, of the House Banking and Currency Committee, and that they told Chairman Spence that they had been to see Mr. McKee. They advised Chairman Spence as to their viewpoint regarding holding company legislation and Chairman Spence said that he was willing to introduce a bill if the Federal Reserve were to ask him to do so. Thereupon he called Mr. McKee. Apparently Chairman Spence was not aware of the contents of our Annual Report for 1938 on this subject and Mr. McKee sent him a marked copy. Mr. McKee then reported to me what had developed. I questioned the advisability of our participation in handling the matter in

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the way suggested by Chairman Spence. I doubted whether it was desirable to ask him to introduce the bill or to send the bill to him for introduction because he might then say that it was being introduced at the request of the Federal Reserve Board and this might not be the most effective way of getting action upon it. After discussing the matter with Mr. McKee and considering alternative methods of handling the matter, we decided it would be best for me to discuss the situation with the Treasury. At our request, Mr. Dreibelbis worked up a memorandum on the "Giannini Empire", a copy of which has been placed in the Board's files. I talked to Under Secretary Bell last week and told him that I wished to discuss the matter with the Secretary. Mr. Bell arranged a conference for this morning at 11:00 o'clock. In addition to the Secretary, there were present Mr. Bell, Comptroller Delano, and an attorney from the Comptroller's Office. I told the Secretary what had happened and that I had concluded that we would have to send some kind of a letter to Chairman Spence enclosing a draft of a bill which he might introduce. I then gave the Secretary the picture of the situation as outlined in Mr. Dreibelbis' memorandum.

The conference lasted about 40 minutes and the Secretary was very interested and very attentive throughout the conference. The Secretary said that he would like a little time for his staff to study the situation and to enable him to consider the matter, as he did not want to give an answer today. He said, however, that he would let me know in another day or two, and I understood definitely that I would hear from him before the end of this week. The Secretary said that he was very much impressed with the information which I had given him and was very sympathetic with our position. I pointed out to him that if we get the legislation introduced, it would show that we meant business so far as the Administration was concerned and it would be at least a deterrent to Giannini.

Mr. Bell raised the question whether the Treasury staff had seen the bill and I told him that they had been all over it with Mr. Dreibelbis.

Mr. Delano asked whether there had been any changes since last June and I told him it was the same bill. He

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inquired whether it was the one that Dreibelbis had gone over with them and I told him that was the case. The attorney from Mr. Delano's office said that he had been over it.

I told the group briefly what the bill contained. Mr. Bell said that one difficulty with the bill might be that it was obviously directed against one group, but I pointed out that if it were not for this one concern there would be no occasion for raising the issue now and that the power of the Government had not been challenged except by this one group.

The Secretary asked what the Securities and Exchange Commission had been able to do and I told him that the Securities and Exchange Commission was still stymied in the Courts and that, if the Securities and Exchange Commission should win out, all that they would accomplish would be the delisting of the stock of Transamerica. I said that nothing short of legislation is really going to get at the heart of the problem.

Mr. Bell then pointed out that the bill did not have a death sentence in it. I told him that that was true because, if we attempted to put a death penalty into the bill, we would not get the legislation. It would result in lining up all the holding companies on Giannini's side and uniting all the opposition, with the result that we would have a big fight that nobody would like. I pointed out that the problem was not so much one of obtaining a dissolution of the holding company set-up as it was to stop them from getting control of banks through the holding company device when it would not be permitted if the acquisition of such banks as branches were subject to the consent of the Comptroller or the consent of the Board. I also pointed out that Giannini had obtained 21 banks in California which were operating outside of the Bank of America because he has not been permitted to convert them into branches. I said that if we succeeded in getting this legislation through and then, after we had had experience with it, if it did not turn out to be adequate, that would be the time to introduce a bill with a death sentence, but I did not think that this was the time to propose such a bill.

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Mr. Bell referred to the fact that in 1943 consideration had been given to proposed legislation and that the Secretary had made the statement that he was not in favor of doing anything about it until it had been cleared with the President. I pointed out that a great deal had happened since then, which had undoubtedly changed the situation materially, and Mr. Bell said that he agreed. I felt extremely encouraged by the attitude shown by the Secretary throughout the conference.

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 29, 1945, were approved unanimously.

Memorandum dated January 26, 1945, from Mr. Pollard, Assistant Director of the Division of Examinations, recommending that Miss Helene L. Kearney be reappointed as a clerk-stenographer in that Division, with basic salary at the rate of \$2,100 per annum, effective as of the date upon which she enters upon the performance of her duties after having passed satisfactorily the usual physical examination. The memorandum stated that Miss Kearney had not withdrawn her funds from the Federal Reserve retirement system and would continue to be a member of that system.

Approved unanimously.

Memorandum dated January 29, 1945, from Mr. Parry, Director of the Division of Security Loans, recommending that Mrs. Louise Leverton, secretary to Mr. Parry, be granted leave without pay for

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a period of not to exceed six months, beginning February 16, 1945, with the understanding, concurred in by the Division of Research and Statistics, that upon her return she will be reassigned to a position in that Division. Mrs. Leverton is a member of the Board of Governors retirement plan with death benefit insurance, and the memorandum recommended that the Board authorize continuation of her death benefit insurance for the period of her leave without pay provided she makes appropriate contributions therefor.

Approved unanimously.

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

"In accordance with the request contained in your letter of January 24, 1945, the Board approves the appointment of Burnette A. Wagner as an assistant examiner for the Federal Reserve Bank of St. Louis. Please advise us of the date upon which the appointment becomes effective."

Approved unanimously.

Letter to Mr. Logan, Vice President and General Counsel of the Federal Reserve Bank of New York, reading as follows:

"This is to thank you for your letter of January 24, 1945, advising us that in view of the settlement of the controversy between the Marine Trust Company of Buffalo and Mr. Hellings, representing the heirs of Robert J. Hamilton, deceased, the motion for leave to inspect the examination reports of the Marine Trust Company has been withdrawn and the matter closed without any judicial determination of the question as to whether the reports of examination might be inspected by the special guardian.

"As stated in your letter, Mr. Babcock of the firm

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"of Babcock, Hollister, Newbury and Russ, was retained to represent the Federal Reserve Bank of New York and the Board in the above-mentioned matter, and Mr. Babcock has presented his bill amounting to \$1,533.26 for professional services and disbursements. The Board approves the payment of this fee and disbursements by your Bank."

Approved unanimously.

Letter to Mr. Williams, Chairman, Presidents' Conference Committee on Research and Statistics, Federal Reserve Bank of Philadelphia, reading as follows:

"We have received from Mr. Sienkiewicz copies of the minutes of the meeting of the Presidents' Conference held on December 8-9, 1944 and have noted the action recorded on pages 18-19 with respect to recommendations of the System Research Advisory Committee.

"In accordance with the understanding reached during the discussions which have taken place on this subject, the System Research Advisory Committee will send copies of its recommendations to the Research Committee of the Presidents' Conference and if at any time the Presidents' Research Committee has any question or suggestions regarding these recommendations that it would like to discuss with the Board, the Board would be pleased to be advised and to defer action upon any such recommendation until the Research Committee has had an opportunity to present its views or to confer with the Board regarding them."

Approved unanimously.

Letter to Brigadier General Frank T. Hines, Administrator, Veterans Administration, reading as follows:

"As you know, last fall the Board offered informally to the Veterans Administration the cooperation of the Federal Reserve System in connection with the administration of the Servicemen's Readjustment Act of 1944, and the services of the Reserve Banks have been utilized in the

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"distribution to commercial banks of sample copies of regulations and forms. The Reserve Banks have also, upon request of the Veterans Administration, made certain information regarding procedure available to all banking institutions.

"It is understood that sample copies of the three regulations have now been distributed by the Federal Reserve Banks; that the distribution of all sample forms relating to the guaranty of home loans has been completed; and that after the Reserve Banks have completed the distribution, which is now under way, of the following sample forms relating to the guaranty of farm loans and to the guaranty of business loans, the distribution of any additional forms, handbooks, etc., that may be printed from time to time will be made through the field offices of the Veterans Administration or channels other than the Reserve Banks.

Guaranty of Farm Loans

Forms: 1821
1822
1822a
1824

Guaranty of Business Loans

Forms: 1841
1842
1842a
1842b
1842c
1844
1845

We shall be glad to be advised whether our understanding is correct.

"We hope that we have been of some service to the Veterans Administration in arranging through the Federal Reserve Banks for the distribution of sample copies of regulations and forms."

Approved unanimously.

Thereupon the meeting adjourned.

Chester Mowbray
Secretary.

Approved:

W. C. C. C.
Chairman.