

A meeting of the Board of Governors of the Federal Reserve System with the Presidents of the Federal Reserve Banks in Executive Session was held in the offices of the Board in Washington on Wednesday, February 28, 1945, beginning at 3:00 p.m.

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

Mr. Morrill, Secretary

Messrs. Flanders, Sproul, Williams, Gidney, Leach, McLarin, Young, Davis, Peyton, Leedy, and Gilbert, Presidents of the Federal Reserve Banks of Boston, New York, Philadelphia, Cleveland, Richmond, Atlanta, Chicago, St. Louis, Minneapolis, Kansas City, and Dallas, respectively

Mr. Clerk, First Vice President of the Federal Reserve Bank of San Francisco

Mr. Sienkiewicz, Secretary of the Presidents' Conference

Mr. Sproul, as Acting Chairman of the Presidents' Conference in the absence of Chairman Day, presented the following series of topics, statements in regard to which had been formulated by the Presidents during meetings of the Presidents' Conference which had taken place earlier in the week. Copies of these statements had been distributed to the members of the Board of Governors before this meeting.

"1. Building Facilities of Reserve Bank Branches.

"The Conference of Presidents again reviewed the subject of the existing limitation upon the amount that Reserve

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"Banks can spend in erecting branch Federal Reserve Bank buildings. The Conference reaffirmed its view that the present limitation is unreasonable and that it would be desirable to seek relief by removing all limitations on expenditures for the Reserve Bank branch buildings, providing such expenditures are approved by the Board of Governors."

Mr. Sproul stated that if a new limit were to be placed it would have to be so high that it would seem to be wiser to seek the removal of the limitation and to subject the expenditures to the approval of the Board of Governors.

Chairman Eccles said that he thought we should not attempt to do anything about legislation this year, as he did not believe that it would get anywhere now. He pointed out that there was so much other legislation pending that would have to be considered by Congress that it would be difficult to get the necessary attention. He expressed the hope that some way could be found to avoid bringing up the subject at all because of the risk of raising numerous unrelated questions.

Mr. Sproul stated that the Presidents' approach to this problem had been one of meeting the practical situation. They were faced with the alternatives of recommending a limit so high in order to take care of the exceptional situation that it would be likely to raise altogether unnecessary questions of possible extravagance, and, on the other hand, of presenting a request for the entire removal of any limitation. They felt that the latter alternative and making the expenditures by the Banks subject to the approval of the Board of Governors

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would be the better solution.

"2. Authorization and control of Reserve Bank expenditures.

"At the suggestion of the Board of Governors, the Conference of Presidents had its Committee on Operations prepare a report on the subjects discussed in the Board's two letters of January 16, 1945, dealing with (a) authorization of certain types of expenditures, and (b) control and audit of Reserve Bank expenditures by another official agency such as the Bureau of the Budget or the General Accounting Office. The Conference considered the report, particularly the analysis of the two aspects, one dealing with justification of expenditures and the other with retention by the Board of jurisdiction over Reserve Bank expenditures.

"This report was unanimously accepted and approved, and the Chairman of the Conference was directed to transmit it to the Board of Governors as a possible aid to the Board in answering questions and criticisms or resisting apparent attempts to transfer the jurisdiction of expenditures of the Reserve Banks from the Board to the budgetary and accounting authorities of the Government."

Mr. Sproul stated that the report mentioned in the second paragraph of the foregoing statement would be transmitted to the Board as soon as practicable following this meeting. He said that the Presidents had taken the questions submitted in the Board's letter and had answered them to the best of their ability. He added that the Conference would like to hear from the Board what caused the Board to ask the questions; what was the background of the request for the views of the Presidents. The Presidents did not think that the authorization to make certain types of expenditures was more than a matter of relatively minor consequence involving a workable arrangement and they questioned whether there was sufficient justification for the question as to the

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broader aspects of the problem.

Chairman Eccles responded that when the earnings of the System were low and we did not have much if any excess earnings, and particularly when the System's income was largely from sources other than Government securities, the System was much less vulnerable than it had become more recently. He pointed out that the System's earnings now are almost entirely derived from holdings of Government securities and only to a minor extent from other sources; that expenditures had become very much larger and holdings of Government securities had increased and were likely to increase still further; so that when expenditures were approved which were of a character that other Government Agencies, which have to go to Congress and get appropriations, were not permitted to make because they were under budgetary and general accounting office controls, there was always the possibility of questions being raised and criticism made of such expenditures on the part of the System. He said that the Board of course would be in position to say to Congress that it had created the Board of Governors as an independent agency of Government to represent Congress in the field of control of expenditures by the Federal Reserve Banks and as an agency required to report to Congress annually; and that therefore, when Congress had placed in the hands of the Board the general supervision of the System and the obligation of passing on all expenditures, the Board as a continuing body with an experienced staff would be better able to exercise the

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necessary supervision and control than would be possible if such responsibilities were transferred to the budget and general accounting authorities. However, the Chairman felt that when the problem presented itself the question would arise as to what criteria the Board had set up for passing upon expenditures and meeting its responsibilities in regard to them. Therefore, recalling various discussions that had taken place when these questions had arisen in the past, that some Banks have made certain types of expenditures which other Banks have not made, that such expenditures and the differences in treatment among the different Banks come to the attention of the Board from time to time through correspondence and through the reports of the examiners, that there appeared to be no uniformity in the matter, and that at times the Board would seem to be liberal while at other times it would seem to be restrictive, it was thought that it was advisable to attempt to get some element of standardization into the Board's approval of such expenditures and at the same time to develop the best possible statement of the reasons for the Board's position in justification of the expenditures which it had approved. He felt that it should not be left to a hit-and-miss procedure and that it should be demonstrated that the Board had a policy and good reasons for it. He said that the Reserve Banks, although their stock was owned by the member banks, were pretty much like public institutions and that they do make expenditures that would not be approved if they were required to pass through

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the budgetary and general accounting controls. It was, therefore, a matter of some importance to have a sound position which would enable the Board to make arguments either within or without the System and to avoid the appearance of discrimination among the Federal Reserve Banks with respect to the application of the Board's policy.

Mr. Davis stated that what the Presidents really wanted to know was whether there was anything imminent which had not been mentioned and which might have raised the question.

Both Chairman Eccles and Mr. Szymczak answered that there was not, and it was explained that there was no motive for the question which had not been stated.

Chairman Eccles commented that, when the question of lowering the reserve ratio requirement was under discussion in the hearings before the Senate Committee on Banking and Currency, Senator Murdock had referred to the large income of the Federal Reserve Banks derived from their holdings of Government securities and had said that if the reserve ratio were reduced to 25% that would mean that the Reserve Banks could buy more Government bonds and thus increase their earnings and that was one argument that he thought might make it preferable to modify the price of gold. The Chairman reviewed his response to this question, including particularly the fact that he had pointed out that the Senator was entirely mistaken about the Reserve Banks being interested in building up their earnings by buying

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Government securities, which was not at all the purpose behind such purchases. He pointed out some of the consequences if the Reserve Banks were not to make the necessary purchases of Government securities. He also referred to the fact that at one time the Reserve Banks had paid franchise taxes which had been terminated when Congress appropriated \$140,000,000 of the surplus of the Reserve Banks in order to provide capital for the Federal Deposit Insurance Corporation, and that the dividends payable to member banks were limited to 6% of the paid-in capital, while the surplus always was subject to the control of Congress. He reminded the Senator that the Board was set up by Congress as its agent to supervise the System and that the money which was not used for expenses and authorized dividends was in the possession of the Banks, subject to disposition by Congress.

Mr. Sproul stated that there was no question on the part of the Presidents as to the action which the Board took in approving the expenditures referred to in its letter of January 16, 1945, (S-826).

"3. Service to borrowers on industrial and technological problems.

"At the suggestion of the Board, the Conference considered the presentation by Mr. Hopkins of the Board's staff dealing with the type of industrial and technological service developed by Colonel White of the Liberty Bank of Buffalo, and subsequently adopted by the Smaller War Plants Corporation. It discussed the possible need for industrial and technological services in this country during the transition period and afterward, particularly among smaller-sized business concerns. It also discussed the possibility of developing a similar service for member banks by the Federal Reserve Banks. It felt that it

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"would be desirable to explore this subject further at the joint meeting with the Board of Governors."

Mr. Sproul said that the Presidents had discussed the question of such a service being provided by the Reserve Banks as, for example, in connection with the liberalization of Section 13b of the Federal Reserve Act, but that in all of the discussions there was a feeling that the Presidents did not know enough about the Board's reasons for asking that the subject be considered, although they had had the benefit of the information which had been obtained through the talk which Mr. Hopkins had given to the Presidents during their meetings. One of the difficulties, he said, that appeared in the situation at the present time was that the Smaller War Plants Corporation apparently had taken over the service and had developed it fairly successfully and therefore there would seem to be a considerable problem involved in any attempt on the part of the Federal Reserve System to step in and take over such a service from the people who were now handling it.

Mr. Evans reviewed briefly the manner in which the question had come to the attention of the Board. He said that it appeared that the service was one which actually was valuable to small business concerns and the Board wished to have the judgment of the Presidents as to whether it was something that would be valuable in the future to small business concerns and to member banks, assuming that any concern that would feel the need for such a service would make its application

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to a member bank which, in turn, could go to its Federal Reserve Bank for assistance. If such a service would be of value to small business concerns and to member banks, then should the Reserve Banks put up the necessary money and provide the necessary facilities for gathering the desired information? He stated that the whole matter was in the realm of exploration; that nothing had been crystallized about it, but that it would seem that it would enable member banks, many of which are small institutions, to get for their customers information which heretofore could only be obtained at great expense, or not at all.

Mr. Evans thought that if the Reserve Banks checked into it carefully and felt that it would really improve the relationships of the Reserve System, then the next thing to do would be to carry the investigation further and determine how the plan might be operated, what staff would be required, and what expense would be involved. He understood that there was nothing patented or copyrighted about the operation but said that he felt that a really valuable contribution had been made so far in the setting up of the plan. He said that he had talked to Colonel White of the Liberty Bank of Buffalo, who was very enthusiastic about it and who had made a survey, from which he had learned that about 80% of the people who had received advice had been very appreciative of the information that they had obtained and were convinced that it had been of genuine value to them. However, Colonel White did not know whether it would be of value in peace time

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or not, but pointed out that the ordinary person had no means readily at his command of getting information and perhaps could not afford the expense which he would have to incur individually. Mr. Evans stated that these were the questions so far as he was concerned and he hoped the Presidents would think them over carefully and let the Board know their conclusions. In that connection, he stated that the Bank of Canada had asked Colonel White to come up to Canada and to explain the project there, because they were very much interested in it.

Mr. Sproul stated that, on the basis of the Board's inquiry and the information received from Mr. Hopkins, there was a feeling that the project would be a very helpful one, particularly to small business, and also to banks. As to whether the Federal Reserve System should set up an organization to do such a job, he did not think that he was in position to express even a tentative view of the Presidents' Conference.

Mr. Evans asked whether the Presidents would be sufficiently interested in the project to have Mr. Hopkins make a rough estimate of what it would take to accomplish the purpose and whether the Presidents would wish to pursue the matter along that line.

Mr. Sproul thought the Presidents would be very much interested.

Mr. Peyton thought that the directors of the Federal Reserve Bank of Minneapolis would be tremendously interested in it and that

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he would like to have the information.

Mr. Williams said that he felt the question should be considered whether such a project should be limited to member banks and whether it was not a service that all banks should obtain; also, whether it was a function that should not be performed in some Governmental Department.

Chairman Eccles pointed out that that seemed to be exactly what the Smaller War Plants Corporation was doing and that the continuation of such a project would tend to make the Corporation a permanent agency. Such a project would give the Corporation a basis for going to Congress and getting an extension of its life and appropriations, on the ground that they were rendering a real service to small business which should be continued on a peace time basis. The Reserve System, if the project were a desirable one, ought to be able to do a better job with its decentralized organization through the Banks than anyone else and to do so would strengthen the private banking set-up and prevent the problem from getting into the realm of political considerations. It might be something that would be very constructive and would be very popular with small business.

Mr. Draper said that the Bureau of Foreign and Domestic Commerce of the Department of Commerce might be interested in such a project because it had an organization of field offices.

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Mr. Sproul said that the Presidents had recognized the Smaller War Plants Corporation aspect of the question; that they felt that there was considerable merit in the project, and that it presented the possibility of something very useful. He said that it would depend upon the voluntary cooperation of a large number of public and private research organizations, and that there was a question whether they would continue the same attitude in peace time that they displayed during war time. In other words, there was a question whether cooperation on a voluntary basis would still be available after the war was over. Mr. Sproul referred to the question which Mr. Williams had raised and said that since it appeared to be something that would be good for the entire economy it would seem that it should be made available to all customers of member banks and nonmember banks alike, which in turn suggested the possibility of some such approach as that which Mr. Draper had mentioned, through the Department of Commerce. On the other hand, if it were practical for the Reserve System to handle it, it might be in the interest of the Federal Reserve System to undertake it.

Mr. Davis observed that the questions that had been raised were all valid and that there were practical questions as to how it would be operated, including the question whether there would not have to be some single nerve center for the whole System. He questioned whether it would be practical to have 12 separate clearing

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houses, one for each Federal Reserve District, and he also raised the question which Mr. Sproul had mentioned, as to whether voluntary cooperation could be depended upon indefinitely.

Mr. Evans said that Colonel White believed that there would not be any serious difficulty as to continuance of cooperation on a voluntary basis. Mr. Evans thought that the service might be confined to member banks on the ground that anybody who wanted it could go to a member bank.

Mr. Davis suggested that Mr. Hopkins write the project up for further consideration and consultation, stating that, in general, the Presidents liked the idea and would wish to know more about it.

"4. Seventh War Loan Drive.

"The Conference discussed certain aspects of the War Loan Drive procedure and the policing of indirect and speculative subscriptions with Under Secretary Bell in a special conference at which Messrs. Eccles, Ransom, and Szymczak were present. After exchanging views and considering suggestions that might be helpful to the Secretary of the Treasury in minimizing certain abuses during the drives, the Conference agreed that the following points (statement attached) should be orally presented to the Secretary of the Treasury at the Conference of Presidents with him on Tuesday afternoon at 3 o'clock."

The statement referred to in Paragraph 4 above is as follows:

"SUGGESTED PROCEDURE FOR THE SEVENTH WAR LOAN DRIVE

- "The Conference of Presidents agreed:
- "1. That unless and until changes are made in the drive procedure, which in the past has increasingly encouraged padded and speculative subscriptions, 'switching', and indirect bank subscriptions, because of possibilities for profit and ease in attaining quotas,

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"policing will be relatively ineffectual. It is believed that the proposals for the 7th War Loan Drive which the Treasury now has under consideration will be helpful in this respect, but that their effectiveness would be greatly increased by a direct offering to the banks (to be announced before the drive and to be made immediately after the drive), to be accompanied by an equivalent reduction of quotas of non-bank investors.

"2. That under the conditions of the 6th War Loan Drive policing was not only relatively ineffectual but had other undesirable aspects -

- (a) It tended to penalize, from a profit and customer good will standpoint, those banks which tried to cooperate with the Treasury and the Federal Reserve Banks;
- (b) It was not uniform in all Federal Reserve Districts;
- (c) Because of this combination of factors it was productive of ill will as between the Federal Reserve Banks and the commercial banks and between commercial banks and their customers. This in turn reacted upon the attitude of many bankers who are an important part of the Treasury sales organization.

"3. That whatever the conditions of the 7th War Loan Drive, the Treasury's policing policy be decided promptly and communicated to the Federal Reserve Banks in such form that it can be made known and applied as nearly uniformly as possible in all Federal Reserve Districts. Being doubtful of the efficacy of a policing program under drive conditions, it is our view that action should be confined to:

- (a) A statement to all banks by the Secretary of the Treasury similar to that which preceded the 6th War Loan Drive;
- (b) A certificate on subscription blanks setting forth that the bank placing the subscription has no direct or indirect interest in the securities being purchased;
- (c) Instructions to the selling organization which will reach down into the local community committees; and

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"(d) Such incidental inspection of subscriptions as is possible at the Federal Reserve Banks under drive conditions."

Mr. Sproul stated that this subject had been discussed very fully and that the views of the Presidents had been thoroughly explained to the Treasury at meetings which had taken place yesterday afternoon.

Mr. Sproul then said that the four statements which had been presented covered all of the ground which the Presidents thought necessary or desirable to bring to the attention of the Board at this time.

Mr. McLarin brought up the question of the type of policing that would be expected in connection with the next war loan drive and it was stated that the answer to that question would depend largely upon the type of program that would be decided upon later by the Treasury.

There followed some discussion of the problem, including the advisability of transferring responsibility for determining when applications should be rejected to representatives of the Treasury who might come to the Federal Reserve Banks for that purpose. It was clear from the discussion that there was agreement that there should be no joint responsibility on the part of the Federal Reserve Banks and such Treasury representatives, but that either the Federal Reserve Banks should take the whole responsibility under instructions from the

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Treasury or that the Treasury should take the whole responsibility.

Mr. Eccles said that he thought that the problem had been brought to the attention of the Treasury much more forcefully and clearly than ever before and he felt that the sales organization now realized the problem better than ever before.

Mr. Eccles reported that this morning Under Secretary Bell of the Treasury had telephoned through Mr. Ransom a message that the Secretary of the Treasury had asked that Chairman Eccles meet with the Secretary tomorrow morning at 9:30, together with such of the Presidents of the Federal Reserve Banks as were favorable to the Bretton Woods program; that the Secretary was under the impression that perhaps the great majority of the Presidents were favorable; that he had to plan a campaign district by district; and that he would prefer to discuss the details of the campaign, not the merits or demerits of the plan, with such of the Presidents as were willing to come over for that purpose tomorrow morning. Mr. Ransom had reported this message to Messrs. Eccles and Sproul.

By way of additional explanation, Mr. Ransom reported that Under Secretary Bell said that the Secretary did not have the time at his disposal tomorrow morning to argue the merits or demerits of the Bretton Woods proposals, but that he wanted to advise with the respective Presidents as to what could be done in their respective

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districts in developing a full understanding of the Treasury's viewpoint.

Chairman Eccles said that a few days ago he was at a meeting at the Treasury, which was attended by a number of Treasury staff people, together with Messrs. Vinson, Director of the Economic Stabilization Board, Brown, President of the Federal Advisory Council, and Crowley, Chairman of the Federal Deposit Insurance Corporation. The State Department was not represented. The purpose of the meeting, he said, was to discuss the legislative procedure--not the legislation as such. The Secretary stated at that meeting that he expected that hearings would begin in the House shortly after the first of March. The question he wished to discuss was what should be done to get the legislation through, as it could not be done merely by appearing before the Committee.

After the meeting the Secretary asked Chairman Eccles what the Reserve System was going to do--where the Presidents stood. Chairman Eccles said he told the Secretary that he made no effort to get the individual Reserve Banks to take a position and that it was his feeling that it would be best not to do so. He said that he thought that possibly a majority of the Presidents of the Banks felt that the legislation would be desirable; that the staffs of many of the Reserve Banks had done a great deal of work on it and whenever requested had gone out to speak to different groups on an educational basis, but that

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they had not gone out on a propoganda basis. They had explained what they understood the Bretton Woods proposals to be and had answered such questions as they were asked.

The Chairman added that he told the Secretary what he had said to the Presidents in an executive session last year on this subject. He reviewed the developments which led to his becoming a delegate at Bretton Woods, together with the reasons for the Board's approval of his acceptance of President Roosevelt's request. He pointed out that he had not accepted that invitation merely as an individual but, with the Board's approval, in his official capacity as Chairman of the Board of Governors, and that the Board, therefore, was committed to support the Bretton Woods program, but that that was not necessarily so as to the contents of the enabling legislation. The Board and its staff, however, had a great deal to do with the form of the enabling legislation and the Treasury had accepted a number of suggestions from the Board. In that connection, the Chairman said that there was one point in relation to the establishment of a council in the enabling legislation that he considered most important, regarding which the Board was not in agreement with the Treasury. As to this, the Board would be prepared to present its arguments when requested by Congress for an expression of its views.

Chairman Eccles referred to the statutory relationship of the Board to Congress and expressed the opinion that it would be unfortunate

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for the System if the Board were taking one position before the Congress and any of the Federal Reserve Bank Presidents were to take an opposite position, since it would then appear that the System was divided against itself. Mr. Sproul had taken exception to this view and stated that he felt very strongly that the issue was one of such importance to the New York Bank that its position should be made known.

The Chairman said that he had explained this to the Secretary of the Treasury and had said that it seemed to him that even though a Federal Reserve Bank President were favorable he should not be asked to go out and work for the Bretton Woods proposals and because another President was opposed he should be asked not to do so. Chairman Eccles said that he told the Secretary that he felt that it would be much better if the Reserve Banks, which are not a part of the Administration and are not political institutions, were not drawn into an issue of this sort that had become controversial. They have not heretofore been drawn into legislative issues of a controversial character except when they have immediately and directly affected the Reserve Banks, such as in the case of the Brown-Maybank bill which was a direct attack upon the Reserve System.

Mr. Davis reported on the arrangements which the Federal Reserve Bank of St. Louis had made for the Secretary's recent visit to St. Louis, at which he had presented the Bretton Woods proposals, and said that these arrangements seemed to have been entirely satisfactory

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to the Secretary.

Mr. McLarin said that he would be glad to have the Secretary come into the Atlanta District any time that he wanted to, without any commitment on Mr. McLarin's part.

Chairman Eccles said that he felt that there were the possibilities to be considered that the officers and the research people in the Federal Reserve Banks could remain neutral on the whole question with the exception that if they were asked by any one to explain what the program was and to answer questions without making a case for or against the proposals they might do that, or they might take the position that there were such differences of opinion that the officers and the research people who were for the proposal could go out and make such speeches as they were called upon to make and could do such work as they felt they were able to do in order to help get the program understood in each District and to get it adopted, in which case those that were against the program should be permitted the same privilege, that is, to make such speeches and do such work as they wanted to against the program. In that case, the Reserve Banks would each be free to do as they saw fit.

Mr. Ransom said that he thought that the last alternative outlined by Chairman Eccles would be the wiser course for the Secretary to follow, leaving all of the Reserve Banks free to speak their minds on the subject.

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Mr. McKee raised the question whether the Secretary might not make individual arrangements with the respective Reserve Bank Presidents, as he did not believe it was a matter for a collective approach.

Mr. Davis said he agreed with Mr. McKee.

Mr. Williams said that several months ago the Administrative Council of the Pennsylvania Bankers Association appointed a committee on international finance to consider the Bretton Woods proposals; that that committee approached the Bank and members of its staff worked with the committee at a number of meetings and after a thorough consideration of all the problems that were involved there came a resolution from this committee favoring Bretton Woods, with some reservations. That resolution was presented to the Administrative Council of the Pennsylvania Bankers Association, a group of about 40 men, and the Council adopted the recommendation of the committee and some publicity had been given to it. Since then, Mr. Bopp, of the Philadelphia Bank, had attended a number of conferences in Washington at the request of the Board. The Bank had also been requested by the Treasury, however, to send Mr. Bopp to New York but the Bank had been reluctant to do so for obvious reasons. Mr. Williams referred to the fact that the Secretary had recently been in Philadelphia; that a dinner had been arranged for him at which representatives of a number of banks were present; that Mr. White had accompanied the Secretary; that the Secretary had spoken on the Bretton Woods proposal and had invited

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anyone who wished to do so to ask Mr. White questions; that the President of the Philadelphia National Bank had said that he would sponsor a dinner, to which the Secretary said that he would send Dr. White and that he, Mr. Williams, and others in the Philadelphia Bank expected invitations to attend that dinner. Mr. Williams felt that that type of activity was quite proper but that the Secretary's present request seemed to be one going beyond this type of activity.

Mr. Sproul said that he thought it would be a dangerous step for the Federal Reserve System and for the Reserve Banks if they were to become involved in propaganda for any measure which is being presented by the Administration to Congress, whether they are for it or against it. He thought the position of the Reserve Banks should be that they do not go out and propagandize about measures, whether they are for them or against them. Mr. Sproul said that in his own case he had attempted to avoid public controversy on the question and that he thought that the Reserve Banks on this or any other issue should not become propaganda agents for what a particular Administration that happened to be in power at the time might wish to press upon the Congress.

Chairman Eccles said that he agreed with Mr. Sproul's position so far as the Reserve Banks were concerned but felt that the Board,

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as an agency of Congress, had a responsibility to Congress to express its views about pending legislation. He saw no reason why the Secretary of the Treasury should expect the Reserve Banks to take a position on Bretton Woods any more than he would expect them to support a Treasury tax program that might be controversial. With respect to the question of appearance before Committees in Congress, no one, of course, could refuse to go before a Committee in Congress because, if Congress so desired, a Committee could use the subpoena power. Moreover, a person could always get an invitation to appear before a Committee in Congress. However, he thought that if an invitation were received by any President it would be proper to indicate that the matter was one which was highly controversial; that the Reserve System was non-political, and that because the matter was controversial it would be preferable if Reserve Bank Presidents were not called upon to appear because it would tend to create a cleavage with the Treasury that would not be helpful to the System.

Mr. Sproul said that he disagreed with the Chairman on this point. If he were asked to appear, he would jump at the chance, and hoped that he would be asked, as the Reserve Banks were also the creatures of Congress.

Chairman Eccles commented that, of course, the same thing might be true with reference to other Reserve Bank Presidents who could also get invitations and he was sure that the Treasury would

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see to it that they did get invitations if it felt that they were favorable to the Bretton Woods proposals, so that the result would be that it would develop that some Reserve Bank Presidents were for the proposals and some against them, and this would inject the System, for the first time, into a political controversy. Mr. Sproul thought that would not be damaging to the System but he thought it would be damaging to the System if the Reserve Bank Presidents individually could not express their views.

Chairman Eccles suggested that the Secretary be informed that it was felt inadvisable for the Reserve Banks to be injected into this situation; that it is a controversial one which would bring the Reserve Banks into the political arena, in which they have not appeared in the past, and that they felt that they should remain out of it.

Chairman Eccles inquired whether the Presidents agreed that they should keep as nearly neutral as possible in their discussions in so far as the possibility of injecting the Reserve Bank or its organization into the controversy on one side or the other was concerned, but that, so far as it involved doing what they could by way of helping to hold meetings or participating in educational jobs, there would be no objection to that.

Mr. Peyton said that he had taken the position that it was the duty of his organization to expose the pros and cons of the question but that the Bank should not take a public stand for or against the proposals.

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Mr. Gilbert said that he thought that the policy suggested by Mr. Eccles was undoubtedly the policy that should be followed.

At this point, several Presidents indicated they thought that it would be better if the Presidents did not accept Secretary Morgenthau's invitation to go to the Treasury tomorrow morning.

Thereupon, Chairman Eccles said that he would like to take Mr. Ransom with him tomorrow morning to the Treasury and report to the Secretary that the matter had been discussed with the Presidents and that it was the consensus of the Presidents that it would be better for them to remain out of the controversial field, but that all of the Reserve Banks would welcome the Secretary and his staff into their Districts for discussions of this or any other subject. Chairman Eccles added the suggestion that it be explained that the Presidents felt that it was highly undesirable for a distinction to be made on the basis of those who were for and those who were against the proposals, and therefore it was felt that it would be better for them not to accept the Secretary's invitation.

Mr. Leedy commented that he thought there would be a divided opinion among the directors of his own board and Chairman Eccles responded that he had told the Secretary that such situations might exist. Mr. Leedy said that he would not want to engage in any propaganda for or against Bretton Woods or any other controversial issue.

Mr. Sproul said that he would welcome an invitation to

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discuss the Bretton Woods Plan because he did not agree with the proposition that one must take it all or take none of it.

Mr. Evans said that he would advise that no President take a public position on a controversial problem such as this.

Thereupon the meeting adjourned.

Chester Morril
Secretary.

Approved:

W. S. ...
Chairman.