

Before the
BOARD OF GOVERNORS
of the
FEDERAL RESERVE SYSTEM

In the Matter of:

TRANSAMERICA CORPORATION

Place of Hearing: Washington, D. C.

Date of Hearing: February 8, 1949

Pages 577 to 672

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I N D E X

WITNESSES: DIRECT CROSS REDIRECT RECROSS

Marriner S. Eccles (Resumed) 578 615

EXHIBITS

NUMBER: FOR IDENTIFICATION IN EVIDENCE

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UNITED STATES OF AMERICA

BEFORE

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

:
IN THE MATTER OF :
:
TRANSAMERICA CORPORATION :
:

Room 1202,
Federal Reserve Board Building,
Washington 25, D. C.,
Tuesday, February 8, 1949.

The above-entitled matter came on for hearing pursuant
to adjournment, at 10:30 o'clock a. m.

BEFORE:

RUDOLPH M. EVANS, Member, Board of Governors, of
the Federal Reserve System,
Hearing Officer.

APPEARANCES:

J. LEONARD TOWNSEND, Solicitor, Board of
Governors of the Federal Reserve
System, Washington, D. C., and
G. HOWLAND CHASE, Assistant Solicitor, Board of
Governors of the Federal Reserve
System, Washington, D. C.,
appearing on behalf of the Board.

SAMUEL B. STEWART, JR., and
HUGO A. STEINMEYER, 300 Montgomery Street, San
Francisco, California, appearing
on behalf of Transamerica Corpor-
ation.

P R O C E E D I N G S

1
2 THE HEARING OFFICER: The hearing will come to
3 order, please.

4 Mr. Townsend, you may proceed.

5 MARRINER S. ECCLES

6 the witness on the stand at the time of the adjournment, resumed
7 the witness stand and testified further as follows:

8 DIRECT EXAMINATION (Resumed)

9 BY MR. TOWNSEND:

10 Q Mr. Eccles, at the recess last evening you had reached
11 that point in your testimony wherein you had related the fact
12 of a certain conference held in Washington, D. C., on February
13 18, 1943, which was attended by Mr. A. P. Giannini and members
14 of the Board of Governors. At the conclusion of your testimony
15 you had related certain things that you recalled as having
16 been discussed at that conference and I will now show you what
17 has been marked "Copy of a draft of report of informal con-
18 ference with A. P. Giannini" on that date and ask you if you
19 will identify that for the record, please.

20 A Yes, that is the memorandum.

21 Q That is what memorandum, Mr. Eccles?

22 A That is the memorandum that was prepared by Mr.
23 Morrill after interviewing each of the Board members who had
24 attended this conference with Mr. A. P. Giannini as reporting
25 the discussions of the conference and as agreed to by the mem-

1 bers of the Board in attendance at the conference.

2 MR. TOWNSEND: With that identification, may it
3 please the Hearing Officer, I offer the document in evidence.

4 MR. STEWART: Without being understood to concede
5 its 100 per cent accuracy, sir, I do not object to its intro-
6 duction as being what Mr. Eccles has said it is.

7 THE HEARING OFFICER: On that basis it will be
8 admitted.

9 MR. TOWNSEND: Will the stenographer please mark
10 this document as Board's Exhibit No. 39?

11 (The document referred to was marked
12 Federal Reserve Board's Exhibit No.
13 39 for identification and received
14 in evidence.)

14 MR. TOWNSEND: May it please the Hearing Officer,
15 I would like to read this in the record also at this time. I
16 quote from the memorandum:

17 "In accordance with the request which had been made
18 in a letter from Mr. A.P. Giannini to Chairman Eccles, there
19 was an informal conference of the members of the Board and Mr.
20 Giannini on February 18, 1943, beginning at 10:30 a. m., and
21 lasting until 3 p. m., except for a recess for lunch. In
22 addition to Mr. Giannini, those present were Messrs. Eccles,
23 Ransom, Szymczak, Evans, and McKee, except that Mr. Szymczak,
24 by reason of a previous engagement, was not a participant in
25 the luncheon. Aside from having indicated in a general way

1 that he wanted information about the Board's policy in rela-
2 tion to the expansion of Transamerica's banking interest,
3 Mr. Giannini had not stated specifically or in detail what
4 particular phases of the general question he wished to discuss
5 and it was understood that the conference was to be on a pure-
6 ly formal basis. In his opening atatement, he took the posi-
7 tion that he could not understand why the Federal supervisory
8 agencies had made decisions against expansion of Transamerica's
9 banking interests, and he showed that he was entirely out of
10 sympathy with their pdnt of view. His discussinn had the tone
11 of one who felt that he was blocked at every turn of the road.
12 It seemed to him that the supervisory authorities must have
13 little or no confidence in the managements of the bank of
14 America or Transamerica. In typical "A. P." fashion, he
15 wanted to know why, under such circumstances, we didn't take
16 over the banks and run the outfit. He accepted, apparently
17 without reservation, the idea that he was the dominant or
18 controlling figure in the Transamerica group and its banking
19 interests, regardless of any technical or legal question of
20 control and that when he spoke he represented any or all of
21 them to which he might be referring. He had lost none of
22 his desire for freedom to expand in the banking or any other
23 field wherever he thought it would be beneficial to do so.
24 He contended that he had been discriminated against, but
25 maintained that he was willing to operate under any laws or

1 regulations that were applied to all bank holding companies
2 alike. He had nothing to say, however, by way of explanation
3 when figures as to branch bank expansion in the territory of
4 the Transamerica group for the period from 1933 to 1942 were
5 called to his attention. He referred a number of times to what
6 he regarded as the critical character of letters emanating
7 from the office of the Comptroller of the Currency, the
8 FDIC and the Board as applied to the management of the
9 Giannini interests, which he said had been harmful to his inter-
10 ests. However, when his attention was directed to the facts
11 of the Board's participation in the negotiations leading up
12 to the 1939-1940 agreement and the promises of the Giannini
13 interests in that connection, he had little to say.

14 "It was made plain to him that the members of the
15 Board were unanimous in the position which had been taken
16 in each case where the Board had been called upon to act
17 with relation to Transamerica and that there was full accord
18 among the three supervisory agencies on the position they
19 had taken with respect to expansion of the Transamerica
20 group in the banking field. It was also made clear that the
21 Board would favor legislation freezing the situation of
22 bank holding companies with the exception of instances where
23 they might be requested by the appropriate supervisory author-
24 ities to save or protect particular situations. In that con-
25 nection, Mr. Ransom said that he had been in favor of something

1 along the lines of the death sentence legislation proposed in
2 1939. Mr. Giannini said that he had been in favor of that
3 particular proposal and, in fact, that its introduction was
4 at his suggestion through the influence of ex-Senator McAdoo
5 with Senator Glass. He did not argue for the continuation
6 of bank holding companies, but would like to see branch bank-
7 ing permitted throughout a Federal Reserve District. In any
8 event, he would like to be free to have a branch banking system
9 in each state in which Transamerica now has banks. He would
10 be ready to liquidate the bank holdings of Transamerica, saying
11 that it could be done through the distribution of its stock-
12 holdings among its stockholders, that he would like to see
13 this done and that given a reasonable period, say, five
14 years, the liquidation could be completed and Transamerica
15 eliminated as a bank holding company. It was indicated, however,
16 that a holding company which was not involved in other busi-
17 nesses or ventures and was merely for the purpose of holding
18 a group of banks together would not necessarily be objection-
19 able to the Board but that there was opposition to the con-
20 tinued acquisition of varied interests by Transamerica,
21 that the complicated corporate relations were a matter of real
22 concern to the Board and that the use of the holding company
23 affiliations as an indirect means of circumventing the super-
24 visory policies of the Federal agencies was highly objection-
25 able. Whatever plan might be adopted, he would like to be per-

mitted to carry out commitments in two situations which had not been brought to the attention of the Board, one apparently in written form, involving a change of National City stock, now held by Transamerica, and another not in writing, where he felt, nevertheless, a moral obligation which he thought was fully as binding as a written commitment. If he could have all the banking units in California, which are affiliated with Transamerica, converted to branches of the Bank of America and could follow a similar course in other states where he had banks, including the two situations where he felt he had banks, including the two situations where he felt he had outstanding commitments, he would be 100 per cent in favor of a plan which would not permit any further expansion, except when requested by the supervisory authorities. He would have to 'clear it with my "boys" first' but he was so enthusiastic about it that he wanted to follow up this line of thought immediately with the other supervisory authorities in Washington. At the same time, he said that he personally couldn't approach Morgenthau or Crowley in view of his letter/ to Mr. Crowley of February 1, 1943, a copy of which is in our files. At one time he thought that his son, L. M., might come on and work out such an arrangement and at another time he wanted the Board or a Board Committee to undertake the task. At the conclusion of the conference it was understood that the Board or some of its members would advise Mr. Crowley and Mr. Delano

1 regarding the discussions at this meeting, and that if these
2 agencies could agree upon a plan that would be feasible, the
3 Board would be glad to act as the medium through which Mr.
4 Giannini would be informed. It appeared to the Board members
5 who had known Mr. Giannini in the past that he retained much
6 of his old vigor and aggressiveness, but that, on the other
7 hand, there was something of a tendency towards relaxation
8 and a desire to be conciliatory, even at the sacrifice of his
9 ideas of further expansion. He was concerned about the
10 burden that L. M. was carrying and would like to find some
11 relief for him.

12 "The following seemed to the members of the Board to be
13 substantially the conclusions that could be drawn from the
14 discussions during the conference:

15 "1.. That Mr. Giannini's underlying desire was for
16 untrammelled freedom of expansion;

17 "2. That it was made clear to Mr. Giannini that the
18 Federal supervisory authorities were in accord against ex-
19 pansion of Transamerica interests in the banking field;

20 "3. That it had become apparent to him that he and 'his
21 boys' had no place else to go;

22 "4. That confronted with the possibility of freezing
23 or a death sentence for bank holding companies, he was
24 willing to accept some sort of arrangement which would re-
25 strict further expansion of the Transamerica group unless re-

1 requested by the Federal supervisory authorities, provided all
2 the banks which they now have could be retained, together with
3 the two regarding which Mr. Giannini said he had outstanding
4 commitments;

5 "5. That such an arrangement was contingent in his mind
6 upon all other bank holding companies being subject to a cor-
7 responding restriction. The conference ended without any
8 directives, as Mr. Giannini stated that he wanted to report
9 the conversation to his associates and it was understood that
10 the Board or committee of Board members would likewise report
11 the discussions to the other Federal supervisory agencies.
12 Aside from reporting to the other Federal agencies the sub-
13 stance of these conversations, the Board felt that the matter
14 should rest unless there is further indication from Mr.
15 Giannini that he would be willing to carry out a plan by which
16 Transamerica would divest itself of its non-banking interests
17 and be nothing more than a bank holding company."

18 BY MR. TOWNSEND:

19 Q Mr. Eccles, I will ask you if, following that
20 conference in February, 1943, with Mr. A. P. Giannini, there
21 came a time when the subject of Transamerica bank acquisitions
22 again came to the attention of the Board and yourself as
23 Chairman of the Board.

24 A Several months after this conference, I think it
25 was May or June, the President of the Citizens Bank of Loc

1 Angeles -- I don't recall his name --

2 Q Does the name Ivey suggest anything to you?

3 A Yes, Mr. Ivey.

4 Q When you say the Citizens Bank, are you referring
5 to the Citizens National Trust and Savings Association?

6 A That is right. The National Trust and Savings
7 Association of Los Angeles, which was a bank with some 30-odd
8 branches in the Los Angeles metropolitan area, reported to --
9 I don't recall whether he talked to Mr. McKee or whether he
10 talked to me, but at least we got an informal report that the
11 Transamerica people were undertaking to acquire the stock
12 of the Citizens Bank, and they were very much, of course,
13 concerned about the matter, as the Board was, and the Board
14 realizing that if Transamerica succeeded in acquiring the con-
15 trol of this bank, it would not only give them one banking
16 office, but it would give them another branch system in the Los
17 Angeles area, where they were already the largest banking
18 operation with numerous branches, and so we communicated to
19 the Federal Bank of San Francisco by wire, asking them to
20 transmit the communication to Transamerica.

21 MR. TOWNSEND: I will ask the stenographer to mark
22 this for identification as Board's Exhibit No. 40.

23 (The document referred to was marked
24 Federal Reserve Board's Exhibit 40
for identification.)

25 BY MR. TOWNSEND:

1 Q I show you what has been marked for identification
2 as Board's Exhibit No. 40, and ask you if that is the
3 communication to which you have just referred.

4 A Yes, that is the wire that was sent to Crowley and
5 Delano.

6 MR. TOWNSEND: May it please the Hearing Officer, I
7 offer the copy of the telegram sent by the Board under date
8 of May 26 to Mr. Day, the President of the Federal Reserve
9 Bank of San Francisco for transmission to Transamerica
10 Corporation.

11 MR. STEWART: No objection.

12 THE HEARING OFFICER: Admitted in evidence.

13 MR. TOWNSEND: Will the Stenographer mark this
14 as Board's Exhibit No. 40, please?

15 (The document referred to was
16 marked Federal Reserve Board's
17 Exhibit No. 40 and received in
evidence.)

18 MR. TOWNSEND: I now offer in evidence, may it please
19 the Hearing Officer, under the certification of the Hearing
20 Officer of this Board, copies of the letter sent by Mr. R. B.
21 West, Vice President of the Federal Reserve Bank of San
22 Francisco under date of May 29, 1943, to Transamerica Corpora-
23 tion, incorporating the telegram that has just been introduced
24 in evidence, as Board's Exhibit No. 40.

25 MR. STEWART: No objection.

1 THE HEARING OFFICER: Admitted.

2 MR. TOWNSEND: Will the stenographer mark this as
3 Board's Exhibit No. 41, please?

4 (The document referred to was
5 marked Federal Reserve Board's
6 Exhibit No. 41 for identifica-
7 tion and received in evidence.)

8 MR. TOWNSEND: I now offer in evidence, may it
9 please the Hearing Officer, a copy of the reply of Trans-
10 america Corporation to the telegram that has been previously
11 identified, the letter bearing date July 9, 1943, addressed
12 to the Board of Governors of the Federal Reserve System,
13 containing a certain enclosure entitled "Memorandum in re
14 telegram of Board of Governors of the Federal Reserve System
15 of May 29, 1943, to accompany letter of Transamerica Corpora-
16 tion to the Board responsive thereto."

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1 MR. STEWART: No objection.

2 THE HEARING OFFICER: The document will be admitted.

3 MR. TOWNSEND: Will the Stenographer mark this as
4 Board's Exhibit 42.

5 (The document referred to was
6 marked Federal Reserve Board's
7 Exhibit No. 42 for identifica-
8 tion and received in evidence.)

9 BY MR. TOWNSEND:

10 Q Mr. Eccles, recalling to your attention that in the
11 reply of Transamerica Corporation, dated July 9, 1943, which
12 has just been introduced as Board's Exhibit 42, which was in
13 reply to the telegraph which you said was sent to Transamerica
14 and heretofore put in evidence, that Transamerica disagreed
15 with the position of the Board and, generally speaking, pointed
16 out that the Board had no authority to take the position that
17 it did in the telegram and, further, that they had taken the
18 matter up with the legal firm of Messrs. Wilkie, Owens, Otis,
19 Farr, and Gallagher, who had advised them that there was in
20 their opinion "nothing in the laws, regulations or agreement
21 with the Board of Governors of the Federal Reserve System
22 that would preclude Transamerica Corporation from entering
23 into transactions such as those referred to in the Board's
24 telegram."

25 I will ask you what the Board did thereafter in
26 respect of this situation?

1 A The Board had--I think it was Mr. Dreibelbis, who
2 was then General Counsel of the Board, and Mr. Leachman, who
3 was Special Counsel for the Board, and Mr. Cagle, who is
4 Assistant Chief of Bank Examinations in charge of the bank
5 holding company, had gone to California for the purpose of
6 making an examination of a Transamerica Corporation and to
7 report back to the Board as to what action, if any, the Board
8 could or should undertake in lieu of the situation that existed
9 at that time that might curb the further expansion of the
10 Transamerica Group.

11 Q Following that recommendation, Mr. Eccles, I will ask
12 you if the Board considered various methods for attempting to
13 deal with the situation respecting Transamerica's continued
14 acquisition of banks over the objection of the Board?

15 A Yes. The Board gave a great deal of consideration
16 to the matter and many meetings were held and discussion
17 had as to what might be done after the report was made by
18 Mr. Dreibelbis as a result of their trip to California.

19 Q Can you recall any of the methods which the Board
20 considered as being perhaps appropriate for dealing with the
21 situation?

22 A Of course, it always had in mind the question of
23 adequate holding company legislation that would tend to curb
24 further expansion by bank holding companies, except with the
25 approval or consent of the banking authorities, but the question

1 of dealing with the situation as it existed at that time
2 they had not considered and as has been brought out here,
3 the supervisory agencies had agreed upon a program to use
4 such influences as they had to prevent further expansion,
5 but until this time there had been no other consideration.

6 I think the question of the modification of voting
7 permits or the cancellation of voting permits are also given
8 some consideration.

9 Q I will ask you if at the time that Mr. Dreibelbis
10 referred or discussed the matter with the Board following the
11 investigation in 1943, whether the matter of a proceeding
12 under the Clayton Act was discussed?

13 A Mr. Dreibelbis did suggest the possibility of pro-
14 ceedings under the Clayton Act at the time.

15 Q Did the Board at any time prior to that time, to
16 your knowledge, ever consider that it had any responsibilities
17 under the Clayton Act?

18 A The Board up to that time had no knowledge, at least
19 I didn't have, and I don't know that any other Board member
20 had any knowledge whatever as to their power or authority or
21 responsibility under the Clayton Act. It had never been brought
22 to the attention by the Board's counsel or by anybody else
23 connected with the Board.

24 Q In connection with Mr. Dreibelbis' discussion of
25 that subject with the Board, I will ask you whether he

1 submitted any memorandum respecting that particular phase of
2 the Board's responsibility at that time?

3 A Yes, he did. He submitted a memorandum to the Board
4 for their consideration at that time.

5 Q I show you a document entitled "Responsibilities
6 and Powers of Board under the Clayton Act," marked "confiden-
7 tial," and bearing at the end the initials of the dictator,
8 "J.P.D."

9 Were they the initials of Mr. Dreibelbis?

10 A They were.

11 Q And it is dated July 26, 1944. I will ask you if
12 that is the memorandum that you have just referred to.

13 A That is the memorandum.

14 MR. STEWART: This is a rather lengthy document,
15 if the Hearing Officer please. Do you wish me to take the
16 time to read it now and consider whether I have any objection
17 or can we leave it open? Perhaps I can read it over at a
18 recess at some time.

19 MR. TOWNSEND: I have no objection to that, but I
20 am getting very close to the conclusion of my examination of
21 this witness.

22 MR. STEWART: You don't have any further questions
23 on this document at this time?

24 MR. TOWNSEND: On that document, yes.

25 MR. STEWART: You haven't offered it yet. If you will

1 leave it open for the time being, I will read it later.

2 MR. TOWNSEND: Very good.

3 BY MR. TOWNSEND:

4 Q Mr. Eccles, I will ask you if the Board made any
5 decision at the time of Mr. Dreibelbis' memorandum concerning
6 the taking of any official action in respect to this program
7 of bank acquisition by the Giannini's?

8 A I think while the matter was under consideration
9 and discussion, the Board was advised that as a result of a
10 request made by the Attorney General for certain information
11 from the Board's files, that the Attorney General was con-
12 sidering the question of whether or not there was grounds for
13 a Sherman Act proceeding, so naturally while that investi-
14 gation of the Department of Justice was under way, the Board
15 felt that it would not be appropriate for it to do anything
16 further in the matter.

17 Q Did there come a time when the Board had any dis-
18 cussions with the Attorney General's Department respecting
19 the progress of the investigation which you say you were ad-
20 vised about as having been undertaken by that department?

21 A Yes. As I recall, there were some conferences
22 held in the Attorney General's office in, I think it was
23 1947, at which were present the representatives of the Federal
24 Deposit Insurance Corporation, the Comptroller's Office, and
25 the Board.

1 Q On the question of the year involved, Governor,
2 I show you a letter dated October 31, 1945, or a copy of a
3 letter dated October 31, 1945, from the Attorney General to
4 yourself, and ask you if that will refresh your recollection
5 as to the approximate time of those conferences. You used
6 the date 1947 in your testimony a moment ago.

7 If that doesn't refresh your recollection, I show
8 you another letter dated February 26, 1947, addressed by you
9 to the Attorney General, and I will direct your attention to
10 the first paragraph and ask you if that refreshes your recol-
11 lection as to the time of the conferences?

12 A Yes, I think I--

13 Q Will you restate for the record the time that you
14 think the conferences were originally held with the Attorney
15 General, Mr. Eccles?

16 A In 1945, I think after the investigation of the
17 Attorney General had been pretty far advanced, if not com-
18 pleted--

19 MR. STEWART: If the witness is about to state what
20 happened, I would like him first to identify who was
21 present. All he said so far was some representatives.

22 THE WITNESS: I remember Mr. Delano was present
23 from the Comptroller's office, and Mr. Clerk. Mr. Tom Clark,
24 Attorney General, was present, and I am not sure who was
25 there for the F.D.I.C. I think it may have been Francis

1 Brown, the attorney.

2 MR. STEWART: Were you there?

3 THE WITNESS: Yes, I was there. The Attorney
4 General had a couple of his staff people there. The Attorney
5 General indicated--

6 BY MR. TOWNSEND:

7 Q Don't say anything that was said at the conference.
8 I just want to identify for the moment the fact that the con-
9 ferences were held and who attended. Have you identified all
10 that you can recall who were there at that time?

11 A All that I would be sure of.

12 MR. TOWNSEND: Mr. Hearing Officer, in the formal
13 demand served upon the Board yesterday morning by counsel for
14 the Respondent, he requested that there be produced all cor-
15 respondence between the Board of Governors or any of its
16 members and the Attorney General of the United States, including
17 particularly the letter written by Attorney General Clark to
18 Chairman Eccles, dated October 31, 1945, and a letter written
19 by Chairman Eccles to Attorney General Clark, dated February
20 26, 1947, and a reply to the last mentioned letter written
21 by the Attorney General.

22 I have now introduced through the witness the fact
23 of the existence of certain conferences or a conference, as
24 the case may be, at the Office of the Attorney General, and I
25 have identified the persons present, and I now produce for

1 counsel the letter dated October 31, 1945 from Mr. Clark to
2 Mr. Eccles, or a copy of that letter, as well as a copy of
3 your letter to Mr. Clark of February 26, 1947, and a copy of
4 Mr. Clark's letter to you, dated March 4, 1947.

5 MR. STEWART: Do you have the originals, Mr. Town-
6 send?

7 MR. TOWNSEND: I am sure I can get you photostatic
8 copies of them.

9 MR. STEWART: I would like just to look at them.

10 MR. TOWNSEND: Yes.

11 BY MR. TOWNSEND:

12 Q Mr. Eccles, did there come a time when the Board
13 decided to take action on its own in respect of the subject
14 of the acquisition of banks by Transamerica Corporation?

15 MR. STEWART: You are not offering these, I take it.

16 MR. TOWNSEND: I am not. I will have no objection
17 to your putting them in, though, Mr. Stewart.

18 MR. STEWART: I will, in due course.

19 THE WITNESS: In 1947, the matter was again discussed
20 by the Board.

21 BY MR. TOWNSEND:

22 Q Do you recall the approximate time the Board dis-
23 cussed the matter?

24 A It was in the Fall of 1947.

25 Q Do you recall the reasons why the Board decided at

1 that time to again discuss the matter?

2 A There had been no action undertaken with reference
3 to this situation by the Attorney General or by the bank
4 holding company which was pending, and Transamerica was con-
5 tinuing its expansion program.

6 MR. STEWART: I object to that and move to strike
7 out the answer, if the Hearing Officer please. There has
8 been no evidence of an expansion program, except the claim
9 of the witness.

10 MR. TOWNSEND: If it hasn't been established by this
11 time that Transamerica had an expansion program, may it please
12 the Hearing Officer, then I am at a loss to know what this
13 great pile of evidence over here that has been previously
14 introduced in the record means.

15 MR. STEWART: So am I.

16 THE HEARING OFFICER: The witness may answer the
17 question.

18 MR. TOWNSEND: He has answered it. The motion was
19 to strike the answer.

20 THE HEARING OFFICER: Motion denied. Excuse me.
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BY MR. TOWNSEND:

Q Were there any further additions that you want to make to that answer, Mr. Eccles? Would you like your answer read back to you?

A No, I have nothing further and I do not care to hear it.

BY MR. TOWNSEND:

Q Did the Board consider a legal memorandum or a legal memorandum from it's Counsel with respect to the matter?

A The Board did consider a memorandum. The Board felt that this situation should be, again, considered in the light of the developments that had taken place and that were taking place, that Counsel was asked to present his recommendations as to what, if anything, could or should be done about this expansion program.

MR. STEWART: Just a moment. May we have the witness specify who made that request of Counsel? He just said there was a request made.

MR. TOWNSEND: It will appear in due course, Mr. Stewart, if you will just bear with us a minute. It will appear in the memorandum itself.

BY MR. TOWNSEND:

Q Mr. Eccles, I hand you a document which is entitled "Memorandum to Board of Governors, from Mr. Townsend", dated October 31, 1947, and I will ask you if that is the memorandum

1 that you have identified?

2 A This is the memorandum.

3 THE HEARING OFFICER: Wouldn't this be a good time
4 to recess for ten minutes?

5 MR. TOWNSEND: It will be satisfactory, Mr. Hearing
6 Officer.

7 THE HEARING OFFICER: The hearing will recess for
8 ten minutes.

9 (Recess taken.)

10 THE HEARING OFFICER: The hearing will come to order,
11 please.

12 MR. TOWNSEND: Before I proceed to offer the document
13 that has just been identified by the witness, I will offer what
14 was previously referred to as the memorandum prepared by Mr.
15 Dreibelbis in 1944 in relation to the Clayton Act authority
16 of the Board, may it please the Hearing Officer.

17 MR. STEWART: No objection.

18 THE HEARING OFFICER: Admitted.

19 MR. TOWNSEND: Will the stenographer mark this
20 as Board's Exhibit No. 43?

21 (The document referred to was marked
22 Federal Reserve Board's Exhibit 43
23 for identification and received in
24 evidence.)

24 MR. TOWNSEND: Now, may it please the Hearing
25 Officer, I offer in evidence the memorandum identified by the

1 witness just prior to the recess as being the legal memorandum
2 submitted to the Board October 31, 1947.

3 MR. STEWART: If the Hearing Officer please, I do
4 not object to the admission of this paper for a limited pur-
5 pose. I must object, however, to its consideration as evidence
6 of any of the facts stated in it. As the Hearing Officer will
7 see from an examination of it, it is about two-thirds or three-
8 fourths factual in advance of factual investigation. I am very
9 glad to have it in the record as an indication in the record
10 of the kind of representations as to the facts, upon the basis
11 of which the Board was induced to initiate this proceeding.
12 It, of course, has no more evidentiary value, however, than
13 did my own statement yesterday on the record which counsel
14 quite properly said was merely a statement of counsel, and
15 so as to this one. I, therefore, do most seriously object
16 to its receipt as evidence of any of the facts, while not
17 objecting to it as evidence of what was before the Board in
18 the order of October, 1947.

19 MR. TOWNSEND: Obviously, may it please the Hear-
20 ing Officer, I am not offering it as proof of the facts which
21 are stated in there, because naturally the factual statements
22 in here must appear as the conclusions of the person writing
23 the memorandum. I am offering it to demonstrate what the
24 Board had before it at the time that it decided to take the
25 action in the case.

1 MR. STEWART: For that limited purpose, sir, no
2 objection.

3 THE HEARING OFFICER: It will be admitted on the
4 basis of the statements of respective counsel.

5 MR. TOWNSEND: Will the stenographer mark this as
6 Board's Exhibit No. 44, please?

7 (The document referred to was marked
8 Federal Reserve Board's Exhibit 44
9 for identification and received in
evidence.)

10 MR. TOWNSEND: May it please the Hearing Officer,
11 I should like to read this document, so that there will be
12 no question as to what its contents are.

13 "To the Board of Governors from Mr. Townsend.

14 "This memorandum is submitted in response to Chair-
15 man Eccles' recent request that I prepare for Board considera-
16 tion a brief analysis of the over-all Transamerica situation,
17 together with any suggestions which I may have for dealing
18 with the problem.

19 "Statistically, the situation is this: as of December
20 31, 1946, Transamerica controlled 41 banks, having 578
21 branches with deposits of \$6,585,000,000 and served 379
22 towns. Its total banking offices comprised 40 per cent of
23 all the banking offices in the five-state area of Arizona,
24 California, Nevada, Oregon, and Washington. Its deposits
25 comprise 38 per cent of all the deposits in that area. These

1 percentages would be considerably higher if we eliminated
2 the States of Arizona and Washington, where the Transamerica
3 controlled banking offices and deposits are relatively small.
4 This situation may be compared with that exhibited in 1923,
5 when Transamerica controlled only seven banks, having 429
6 branches, with deposits of \$878,861,000 and served 242 towns.
7 Since that time, Transamerica has acquired 56 independent
8 banks by direct purchase and 73 more by absorption into its
9 various controlled banks. In addition, it has received permis-
10 sion to establish 79 de novo branches. The fact of this
11 startling increase in banking offices and controlled deposits
12 is not surprising for the expansion policy of the Transamerica
13 management has been common knowledge among the banking super-
14 visory agencies for many years. Indeed, there seems to have
15 been a period between 1939 and 1944 when those agencies were
16 united in their opinion that Transamerica should be discour-
17 aged by every means from continuing such expansion. That no
18 effective method has yet been devised for preventing this ex-
19 pansion may, however, be surprising to those who realize the
20 extent to which it has caused genuine alarm among the banking
21 agencies over this period. We have been aware, of course, that
22 the Anti-trust Division of the Justice Department has had
23 the Transamerica situation under review for some time. In
24 fact, the Board supplied much of the background material for
25 this investigation. However, indications give little promise

1 that any action will be taken by Justice in the near future.
2
3 Almost two years ago we were advised by the Attorney General
4 that his Department felt that while its investigation had
5 revealed a good statistical case of monopoly against Trans-
6 america, nevertheless, it was felt that there was insufficient
7 provable evidence of abuse of power to justify commencement of
8 such action at that time. Later on, following the decision
9 of the Supreme Court in the American Tobacco case, the Chair-
10 man wrote the Attorney General and inquired if his Department
11 had considered whether the decision in that case might not have
12 eliminated proof of abuse of power as an indispensable
13 element of proof in such cases as the one against Transamerica
14 appeared to be. In reply the Attorney General advised that
15 the Department was studying the matter and later advised that
16 he had requested the Secretary of the Treasury to consider
17 the entire matter and to advise him of his views. Immediate-
18 ly upon receipt of this information, the Chairman wrote the
19 Secretary asking that he expedite action upon the Attorney
20 General's request. That, I believe, is the last that has been
21 heard in the matter.

22 "Meanwhile, the Transamerica banking acquisitions
23 have been proceeding apace. In 1945 it bought five banks hav-
24 ing deposits of 44 million dollars; in 1946 it bought five
25 banks with deposits of 31 million dollars; already in 1947
it has acquired three banks with deposits of 15 million dollars.

1 In addition, in 1945, two de novo branches of the Transamerica
2 banks were established with the approval of the Comptroller.
3 Last year seven approvals were obtained and since the
4 first of this year, the Comptroller has granted ten such ap-
5 provals. The likelihood that bank control legislation might
6 shortly be passed no doubt has accelerated the Transamerica
7 expansion program. In fact, it now appears to be racing
8 against time. (Incidentally, it is understood that the
9 Transamerica acquisition of shares of the Citizens of Los
10 Angeles has been stepped up to a considerable degree during
11 the year.) In the light of this over-all situation, there
12 are a number of pertinent considerations which the Board
13 might wish to discuss. The first is that the proposed bank
14 holding company legislation does not purport to deal with
15 banks which a bank holding company already owns, except, of
16 course, in a supervisory manner. Hence, that legislation, if
17 passed, will not help solve the problem of whether or not
18 Transamerica should be permitted to keep all of the banks which
19 it now owns. The second is that any ultimate official action
20 looking to the divorcement of Transamerica from some or all
21 of its non-branch institutions might well be prevented if
22 Transamerica should obtain approval to branch them.

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1 "The Board has known for some time that Transamerica
2 had made application to branch most, if not all, these banks.

3 "A third consideration is that Comptroller, in passing
4 upon such applications, might not feel justified in refusing
5 them solely on the ground that the Transamerica banking empire
6 is already too large, particularly as the agency has failed
7 to take action against Transamerica on that ground and the
8 Board has asserted no official position or interest in the
9 matter.

10 " The questions which these considerations pose, therefore,
11 are whether the Board now possesses any power for dealing
12 with the monopolistic aspects of this situation and, if so,
13 what steps are necessary to be taken in order for it to exercise
14 such power.

15 "The answer to the first question is that the Board does
16 have the direct power, as well as the duty, to carry out
17 certain aspects of the national policy against restraint of
18 trade and monopoly. Under Section 11 of the Clayton Act the
19 Board is authorized to require a company to divest itself of
20 the stocks of any banks which that company might have acquired
21 if the Board finds, after hearing, that the effect of such
22 acquisitions may be to substantially lessen competition between
23 the banks so acquired and those already owned by such company
24 or if such acquisitions tend to create a banking monopoly.

25 " It is true, of course, the the Board has never exercised

1 the power just referred to, notwithstanding the fact that it
2 has been on the statute books since the passage of the
3 Clayton Act in 1914. Nevertheless, there can be no doubt
4 that Congress intended the Board to have primary responsibility
5 for enforcing this phase of the national policy in the banking
6 field. That the Department of Justice shares this view is
7 attested by the fact that only recently a representative from
8 that department discussed with the writer the extent to
9 which the Board had considered this responsibility in relation
10 to a somewhat substantial banking acquisition which occurred
11 in the Philadelphia district.

12 "Whether the Board should commence a Clayton Act
13 proceeding against Transamerica is, of course, basically a
14 matter of policy for Board determination. Before it can decide
15 that question, however, it must first determine the facts
16 known to be provable in such a proceeding and decide whether
17 those facts constitute just cause for issuing the complaint.

18 "As the Board is aware, it does not possess the power of
19 subpoena. Hence, in considering this question, the fact must be
20 faced that all evidence to establish a case would have to be
21 produced without resort to compulsory process. Examination
22 of the voluminous files and reports of the Board, together
23 with an appraisal of such voluntary testimony as may be available,
24 both here and in the West, would, in the writer's judgment,
25 consume a period from two to three months. However, when it is

1 considered that the Board has repeatedly stressed, both
2 before the Attorney General and the Congress, that the size
3 of the Transamerica banking group has assumed dangerous, if
4 not monopolistic, proportions, it is the writer's view that
5 the Board should exhaust the full reach of its powers for
6 dealing with the problem.

7 "It is my recommendation that the Board direct such an
8 investigation be undertaken."

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1 BY MR. TOWNSEND:

2 Q Mr. Eccles, did the Board at that time direct that
3 the investigation be undertaken?

4 A The Board did.

5 Q To whom did it issue those instructions?

6 A It issued those instructions to its counsel.

7 Q And was the investigation--

8 MR. STEWART: Could we have a name, please?

9 MR. TOWNSEND: I think it was the legal division, as
10 it reads in the minutes. If you would like that, I will
11 verify it for you.

12 MR STEWART: I would just like it accurately as it
13 shows in the records.

14 MR. TOWNSEND: May it be stipulated that if it is
15 according to the witness' recollection, that the legal division
16 of the Board was directed to undertake the investigation in
17 question?

18 THE WITNESS: I could add this: I think with such
19 support as it needed from other staff people.

20 BY MR. TOWNSEND:

21 Q Is that your present recollection of what was done?

22 A Yes.

23 (Discussion off the record.)

24 BY MR. TOWNSEND:

25 Q Upon conclusion of that investigation, the Board issued

1 the complaint in this case. Is that right?

A That is right.

2 *True* Q - *document* Mr. Eccles, one final subject matter and I can con- ✓
3 clude my direct examination.

4 There has been filed in these proceedings by Transamerica
5 Corporation certain affidavits by L. M. Giannini, Sam Husbands,
6 vice president of Transamerica Corporation, upon which was
7 predicated a charge that you have been personally biased and
8 prejudiced against the Gianninis and the respondent in this
9 case, and that it is as a result of that personal bias and
10 prejudice that these proceedings now under way may be said to
11 have had their origin.

12 I would like to know if you have any statement that you
13 would like to make in the record on that general subject.

14 A Yes, I think I would like to comment upon that subject.

15 There is nothing that could be said which is further from
16 the truth than that I have a personal prejudice. Had it been
17 possible, in my public duty, my public position, for me to
18 follow my personal inclination, I would certainly have preferred
19 to not be placed in this position.

20 The record is replete, it seems to me--

21 MR. STEWART: I object, if the Hearing Officer please,
22 to the witness characterizing what is in the record. The record
23 speaks for itself. I have no objection to his stating his
24 personal feelings, but he shouldn't characterize the record.
25

1 MR. TOWNSEND: The record will speak for itself, may
2 it please the Hearing Officer,--

3 MR. STEWART: I agree.

4 MR. TOWNSEND: --and I say that, in the light of
5 Mr. Eccles' position in this matter, he should be permitted
6 to make a statement for what it is worth in this record. When
7 the time comes to examine it in analytical detail, should
8 that fact be necessary, we, I am sure, can weed out any part
9 that might be technically inadmissible.

10 THE HEARING OFFICER: The witness may answer the
11 question--or may continue his comment.

12 THE WITNESS: The record is replete with evidence
13 that great effort and patience were shown on the part of the
14 Board over the past ten years in an effort to come to an
15 agreement, an arrangement, with the Transamerica people that
16 would make action such as is now being undertaken unnecessary.

17 It has been shown that in 1940 the Board, at the
18 instigation of the Transamerica people, intervened with the
19 other supervisory agencies--particularly the Secretary of
20 the Treasury, the Comptroller of the Currency and the FDIC--
21 in order to try to work out an arrangement that would avoid
22 the further criticism and objection on the part of those
23 agencies.

24 The Board did intervene and succeeded, at that time, in
25 working out what was then a satisfactory arrangement with

1 reference to the Bank of America.

2 Certainly, if there is prejudice on my part in this
3 matter, then it must be apparent that there is likewise
4 prejudice on the part of all of the other supervisory agencies
5 as well as upon the part of every member of this Board; that
6 the record certainly does not single me out for prejudice--not
7 only the present members of the Board, who were unanimous in
8 favoring this action, but the members of the Board who are not
9 at present members of the Board. I have in mind particularly that
10 Mr. McKee, Mr. Ransom--who has since passed away--favored
11 every action that the Board took in trying to deal adequately
12 with this situation.

13 If the Board is in error in carrying out what they
14 interpreted to be their public responsibility, if the Board be
15 in error in following the advice of counsel, not only the
16 advice of those in the present legal department but counsel
17 who were formerly with the Board, then it cannot be said that,
18 because of error, the Board, and me as a member of the Board,
19 have acted only in bias and prejudice.

20 Certainly, this procedure is not final. Certainly, any
21 order that the Board might issue is subject to review by the
22 courts; and so it does not seem that the accusation of pre-
23 judice, in view of the opportunity that is afforded to the
24 Transamerica people to have this entire subject reviewed by
25 the courts, is justified.

1 Certainly my personal relationships to the Gianninis
2 and with their institutions over the long period of years
3 would not indicate any reason for my having prejudice.

4 As I stated yesterday, the personal business relationships
5 have been most agreeable and pleasant. However, being one
6 member of a Board of seven--and the Board being only one of
7 three supervisory agencies--even if I should undertake to show
8 favoritism or, let me put it, prejudice, in favor of the
9 Gianninis, the other members of the Board and the other
10 supervisory agencies would have carried on and would have, no
11 doubt, whether I had been here or not, undertaken this course.

12 Even before I came here, the evidence indicates,
13 that difficulty had been had with^a predecessor Board of which
14 Mr. Eugene Myer was the Governor and difficulty had been had
15 with, I understand, the Comptroller's office; that this
16 friction, you might say, which developed--this criticism, this
17 effort on the part of the Board since I came with it--was not
18 original or new, and I was sufficiently hopeful to feel--both
19 Mr. McKee and I--that possibly the Transamerica people had
20 not been handled right, that there was a way of getting around
21 the table and having an understanding without resort to
22 legislation or other action; and with great hope and expectation
23 we undertook such a course, and it is with the greatest
24 disappointment on my part that the relationship has finally
25 ended in the course that it has now taken. It is with personal
regret that I say that.

1 MR. STEWART: If the Hearing Officer please, I move
2 to strike out the statement of the witness as being irrelevant
3 and immaterial, replete with hearsay, argumentative in the
4 extreme, speculative, containing conclusions both of law and
5 of fact, as constituting an unconscionable effort to influence
6 the other members of the Board in their decision in this
7 matter and as much more in the nature of a summation of
8 counsel than as proper testimony.

9 THE HEARING OFFICER: The witness' statement may
10 stand for what it is worth.

11 MR. TOWNSEND: I have no further questions, Mr.
12 Hearing Officer.

13 THE HEARING OFFICER: Are you ready, Mr. Stewart,
14 to proceed with your cross examination?

15 MR. STEWART: Any time, sir.

16 I understood you had a desire for an off-the-record
17 conference on some of these matters during the lunch hour.
18 Perhaps, if you wish to do that, it might be ^{an} appropriate time
19 to take a luncheon recess.

20 THE HEARING OFFICER: Very well. We will reconvene
21 here at 2:15 o'clock, then.

22 (Whereupon at 12:10 p.m., the hearing recessed, to
23 reconvene at 2:15 p. m. the same day.)
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AFTERNOON SESSION

(Whereupon, at 2:25 o'clock p. m., the hearing was resumed pursuant to the recess.)

THE HEARING OFFICER: Will the hearing come to order, please?

Mr. Stewart.

MARRINER S. ECCLES

the witness on the stand at the time of the recess, resumed the witness stand and testified further as follows:

CROSS EXAMINATION

BY MR. STEWART:

Q Mr. Eccles, you have told us that you have been in Washington since November, 1934. Is it a fact that you came to Washington as a member of the original group assembled by President Roosevelt to operate the original New Deal?

A I had never met President Roosevelt when I came to Washington and I didn't meet him until three or four months after I came here. I don't know that President Roosevelt had the remotest idea that I existed or that he knew what my views were, so that I would have to say that I came here because I was asked by the Treasury very unexpectedly to come in and help out ⁱⁿ connection with some of the strenuous activities that the Treasury had taken on in 1933 and 1934.

I had to give a good deal of consideration to that matter and I came very, very reluctantly. I came primarily

1 because it was the time of emergency, of decision in the country
2 and I had never given any public service, and I felt that
3 it was rather difficult not to do so.

4 I was not connected with the New Deal politically.
5 As a matter of fact, I never held a public office at any time
6 up until the time I came into the Treasury and had been con-
7 sidered a Republican, if I had been considered anything
8 politically, so far as my political faith was concerned. I
9 considered myself an Independent and still do.

10 Q What position did you come into when you first
11 came to Washington?

12 A Assistant to the Secretary of the Treasury.

13 Q That was at what date?

14 A I think it was February 1st.

15 Q 1934?

16 A 1934.

17 Q And you came to this Board in November, 1964?

18 A That is correct.

19 Q And that was on the appointment of President
20 Roosevelt?

21 A The first was not on the appointment of President
22 Roosevelt. The appointment was made by the Secretary and
23 a confirmation was not required. An assistant to the ^{Secretary of the} Treasury
24 was different than an Assistant Secretary of the Treasury.

25 Q I am speaking now of your first appointment to this

1 Board.

2 A That was in November, 1934, by the President.

3 Q By that time you were acquainted with him?

4 A That is right.

5 Q You, nevertheless, continued to maintain a resi-
6 dence in the Hotel Ben Lomond in Ogden, Utah, didn't you,
7 Mr. Eccles?

8 A I did not. I maintained a residence and owned a
9 home on Van Buren Avenue.

10 Q And you did continue to maintain that?

11 A I continued to maintain that home.

12 Q And do you still have that?

13 A I disposed of that home several years ago.

14 Q Where have you resided since then, sir?

15 A I have resided at the Shoreham Hotel. I maintain,
16 likewise, an apartment at the Ben Lomond Hotel in Ogden.

17 Q That was the point of my question. You have main-
18 tained a residence in Utah as well as a residence in Washing-
19 ton?

20 A I have voted in Utah and I have paid my income tax
21 in Utah.

22 Q And maintained a residence there?

23 A To maintain a residence, to be able to vote, you
24 have to maintain a residence.

25 Q And you have done that?

1 A That is right.

2 Q Again referring to some of the matters about which
3 you testified on direct examination, I believe you told us
4 you organized the Eccles Investment Company?

5 A If I didn't, I am willing to testify to that effect
6 now.

7 Q When was that, sir?

8 A I think that it was in 1916 that it was incorporated.

9 Q And you were its vice president and general manager
10 in 1929?

11 A That is correct.

12 Q You have been its president since 1929?

13 A That is correct. My mother was president prior to
14 that time.

15 Q And you have held that office as president through-
16 out the period of your service in Washington?

17 A That is correct; and still hold it. I was
18 general manager. My mother was president.

19 Q President. And in what business is that company
20 engaged, sir?

21 A That company is a personal holding company that was
22 organized for the purpose of taking over the interest of three
23 brothers, five sisters, including myself, in an estate, and
24 seven of those members were minors. The interests included a
25 variety of interest that came in from the estate, including a

1 few banking shares, which were substantial at that time, in-
2 cluding sugar stocks, lumber stocks, and real estate, a
3 variety of retail lumber stocks, construction stock,
4 construction company, and those were the principal things.
5 There was just a variety of holdings that were put into this
6 family corporation.

7 Q And at the present time, that company owns 44 per
8 cent of the voting shares of the First Security Corporation,
9 does it?

10 A That is correct.

11 Q And about one-half of 1 per cent of the non-voting
12 shares?

13 A That is right.

14 Q So that either as a banker or a supervisor of
15 banks, you have been active in banking matters for more than
16 30 years, haven't you, Mr. Eccles?

17 A Yes, for more than 30 years.

18 Q And in those capacities, you have doubtless
19 done a great deal of work with figures and statistics

20 A I don't say I am a statistician or accountant. I
21 have been a business executive and I have relied pretty
22 largely upon the technicians for my accounting work and for
23 my statistics.

24 Q The staff of the Board of Governors of the Federal
25 Reserve System makes many surveys and publishes a great volume

of statistics on many subjects, doesn't it?

A It does.

Q And for at least the last 15 years you have been familiar with and have had some part in supervising the preparation and publication of those surveys and statistics, haven't you?

7 A I wouldn't say that I had had any direct responsi-
8 bility for the supervision. When I came to the Board, there
9 was a staff organized a good deal along the lines it is
10 presently organized, and the Federal Reserve Bulletin was
11 being published then and is being published now. The various
12 weekly reports and the statistics generally were being pro-
13 vided at that time by the staff and the changes that have been
14 made have come over the years in a very gradual manner, based
15 upon the changed conditions of the economy and the needs in
16 accordance with the changes in the statute.

17 Q Your work has at least inevitably led you to a survey
18 of statistics and financial matters and the underlying facts
19 on which they are based, as it not?

20 A I have studied a good many financial statements,
21 and I have studied a good many statistics.

22 Q And I assume that you have discovered in the course
23 of those studies that it is important and necessary for anyone
24 dealing with figures and statistics upon economic matters to
25 have a thorough knowledge of the basic facts and conditions

1 underlying those figures and statistics?

2 A It is certainly desirable. I haven't always been
3 able to agree with everybody who uses figures, so
4 it must be that there are different interpretations of
5 figures.

6 Q Most of them are subject to being interpreted
7 either one way or the opposite way, aren't they, Governor?

8 A Well, sometimes there is a compromise or a middle-
9 of-the-read method of interpreting them.

10 Q And you have made it your business, haven't you,
11 Governor, to acquire the basic knowledge in those situations
12 in which you were interested and in which you considered
13 you had administrative duties which underly the statistics
14 and surveys of the Board?

15 A I have tried to be sufficiently well informed to be
16 able to act intelligently.

17 Q And as a member of the Board from the Twelfth
18 Federal Reserve District , you have doubtless become thoroughly
19 familiar with the banking structure and economic conditions
20 and related facts in the Twelfth Federal Reserve District,
21 haven't you, Governor?

22 A I wouldn't say that I was any better informed with
23 reference to the banking facts of the Twelfth Federal Reserve
24 District than possibly any other district. I couldn't give the
25 banking statistics for any particular district. I look at the

1 statistics from the country as a whole pretty largely. After
2 all, there are 12 districts, and 15,000 banks, so it would
3 not be well to try to keep up on the statistics of the banking
4 picture by districts.

5 Q What states are included in the Twelfth Federal
6 Reserve District?

7 A Arizona , California, Nevada, Utah, Idaho, Oregon,
8 and Washington. I wouldn't be sure whether that includes
9 all of Arizona. I forget whether western Wyoming comes in
10 there or not. I am not just certain, but those are essential-
11 ly the states.

12 Q I show you a little map which appears to have come
13 out of a publication of the Board and ask you if that
14 helps refresh your recollection about it, Governor?

15 A Yes.

16 Q There is a little piece of Arizona that is not
17 included; is that correct?

18 A There is. There is no part of Wyoming, that is.

19 Q Wyoming is entirely in the Tenth District, is it
20 not?

21 A That is right. The eastern part of Arizona is
22 in the Dallas District

23 Q And that district is your home district?

24 A That is correct.

25 Q So that your experience as a banker, before you came

1 to Washington, was primarily in that district?

2 A Well, I would say entirely.

3 Q That was before your family's banks went into Wyoming,
4 was it?

5 A No, I was going to make that exception, that in the
6 twenties, in fact, I think early twenties, we had a bank at
7 Rock Springs, Wyoming.

8 Q So that you are at least familiar with conditions in
9 that district as in any of them, are you, Governor?

10 A I would say that I would be better acquainted with
11 the conditions in that district, not statistically, but with
12 reference to the general economic conditions in that section.

13 Q And the banking structure there?

14 A As to the statistics of it, I know nothing about
15 the statistics. I do know something about the general credit,
16 the general economic situation of the district, I would say,
17 better than other sections of the country.

18 Q That is the point I wanted to develop. The princi-
19 pal Federal Reserve Bank in the Twelfth District is in what
20 city?

21 A The head office is at San Francisco.

22 Q There are branches of that bank in what cities?

23 A Los Angeles and Portland, Seattle and Salt Lake.

24 Q And what areas are served by those Federal Reserve
25 Banks and branches? I will give you this little map again,

1 if it will aid you in answering that.

2 A The southern part of California and Arizona are
3 in the Los Angeles District and the western part of Nevada.
4 The northern part of California is in the San Francisco
5 District. The entire State of Oregon and what is known as
6 the Panhandle of Idaho is in the Portland District, the State
7 of Washington.

8 Q There is a narrow strip of Washington also in the
9 Portland District, isn't there, along the southern border?

10 A A very small part of Portland is in that district --
11 a very small part of southern Washington is in the Portland
12 District.

13 In the Salt Lake District is all of Idaho with the
14 exception of that portion of the Panhandle and all of Utah
15 and the eastern part of Nevada.

16 Q And the Seattle District?

17 A That is the State of Washington.

18 Q Except for the strip which is in the Portland Dis-
19 trict?

20 A Yes.

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1 Q And you have told us that Wyoming is in the Tenth
2 District. What is the location of the principal Federal
3 Reserve Bank in that district?

4 A Kansas City.

5 Q And Wyoming is in the jurisdiction of what branch
6 of that bank?

7 A I think it is the Omaha.

8 Q I assume that you are also acquainted with the
9 geography and the distribution of population in that Twelfth
10 Federal Reserve District and that portion of the Tenth we
11 have been discussing.

12 A Well, in a general way, yes.

13 Q And you are also familiar, are you not, with the
14 allegations of the complaint in this proceeding?

15 A I think in a general way.

16 Q And with the facts upon which those allegations are
17 based?

18 A In a general way. I may have to refresh my memory
19 with reference to it.

20 Q You have testified on your direct examination this
21 morning that in 1944 you sought the advice of the Board's
22 counsel, Mr. Drebelbis, as to the Board's powers to curb the
23 expansion of Transamerica Corporation, and the Board's solicitor,
24 Mr. Townsend, has introduced a copy of Mr. Drebelbis' memor-
25 andum into evidence as Exhibit 43.

1 MR. STEWART: May I have that, Mr. Townsend?

2 BY MR. STEWART:

3 Q While he is looking for that, Mr. Eccles, am I cor-
4 rect in understanding that that memorandum, which was pre-
5 pared by Mr. Dreibelbis, is the first opinion which was ever
6 obtained by the Board from any counsel with respect to its
7 powers under the Clayton Act?

8 A I could not say. I could not say whether--

9 Q You do not have any earlier one, do you?

10 A I don't recall specifically any earlier written
11 opinion. Certainly there was plenty of discussion. If there
12 are other opinions, I suppose they are in the file, but I just
13 don't recall.

14 Q Didn't Mr. Dreibelbis tell you at that time that
15 the matter had never been considered before?

16 A I don't think so.

17 Q As a matter of fact, didn't you testify this morning,
18 Mr. Eccles, that no member of the Board had ever known of the
19 existence of any such powers before that time?

20 A If you are speaking of the Clayton Act, the power
21 of the Clayton Act, that is correct.

22 Q And Mr. Dreibelbis' memorandum, then, was the
23 first opinion which the Board had received from any counsel
24 with respect to its powers and under the Clayton Act?

25 A That is correct.

1 Q And yet it is a fact, isn't it, Governor, that the
2 Clayton Act had at that time been on the books for thirty
3 years?

4 A That is correct.

5 Q And the Board had counsel throughout that period
6 who were charged with the duty of advising it as to its legal
7 responsibilities?

8 A That is correct.

9 (Discussion off the record.)

10 BY MR. STEWART:

11 Q Mr. Townsend didn't read this whole opinion, but it
12 is in the record, and I would just at this point like to
13 direct your attention to the last paragraph of it, Mr. Eccles,
14 which reads as follows: "The question of whether banks en-
15 gaged in commerce"--and those words are underscored--"within
16 the meaning of the commerce clause of the Constitution is an
17 extremely touchy one to banks. The issue has never been
18 met head-on nor expressly decided by the Supreme Court.
19 Historically, the Board has never proceeded under Section 7
20 of the Clayton Act. For all of these reasons and for the
21 further reason that such an opinion would have a persuasive
22 authority in court, it might be advisable to explore the
23 questions raised with the Attorney General with a view possibly
24 of obtaining an opinion with respect to the Board's authority
25 and responsibility."

1 Pursuant to that recommendation of Mr. Dreibelbis,
2 the Board did turn over all of the files on this Transamerica
3 matter to the Attorney General for use in connection with the
4 anti-trust investigation he was then making, didn't he,
5 Governor?

6 MR. TOWNSEND: I object, may it please the Hearing
7 Officer, that he is attempting to indicate that the turning
8 over of the files of the Board which have been heretofore
9 testified to by this witness is in relation to the memorandum
10 of Mr. Dreibelbis to which he has just referred. I think the
11 record is very clear that Mr. Eccles testified this morning
12 that the files of the Board were made available to the Attorney
13 General at a time prior to Mr. Dreibelbis' memorandum, and I
14 think that for the purpose of correctness that we ought to
15 require the question to conform to the evidence as it has been
16 introduced.

17 MR. STEWART: With the aid of counsel's objection,
18 Mr. Eccles can doubtless answer the question, sir. It calls
19 for his statement upon the fact.

20 MR. TOWNSEND: I have objected to the form of the
21 question.

22 THE HEARING OFFICER: I will sustain the objection
23 and ask that counsel rephrase the question.

24 BY MR. STEWART:

25 Q Mr. Eccles, when were the files of the Board in this

1 Transamerica matter turned over to the Attorney General?

2 A I don't remember the time, except it was some time
3 in 1944, as I recall.

4 Q And Mr. Dreibelbis's opinion was also some time in
5 1944, wasn't it?

6 A That is correct.

7 Q You don't recall at this time whether it was before
8 or after that?

9 A No, I do not.

10 Q Isn't it a fact, Mr. Eccles, that after Mr.
11 Dreibelbis' opinion was received, you, or somebody on behalf
12 of the Board, with your knowledge, did take up the question
13 with the Attorney General?

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1 MR. TOWNSEND: Will you just repeat that question
2 for me, please?

3 (Question read.)

4 MR. TOWNSEND: I don't understand what question is
5 being asked of the witness as to what was taken up with the
6 Attorney General.

7 May I inquire of counsel if he is asking whether the
8 subject of Mr. Dreibelbis' memorandum was taken up with the
9 Department of Justice?

10 MR. STEWART: The questions raised by Mr. Dreibelbis'
11 memorandum, yes.

12 MR. TOWNSEND: Very good.

13 THE WITNESS: I don't recall that they were.

14 BY MR. STEWART:

15 Q Do you recall either way on the subject?

16 A No, I don't recall either way.

17 Q You know, don't you, Mr. Eccles, that the Attorney
18 General and the Federal Bureau of Investigation did investigate
19 the question of an anti-trust proceeding against Transamerica
20 for a period of about two years?

21 A Yes, I understood that that was what they were doing?

22 Q And it was at the termination of that two-year
23 investigation, in the latter part of 1945, that you had the
24 discussions with the Attorney General about which you testified
25 on direct this morning?

1 A I think that it was after that investigation had
2 been completed.

3 Q And in the latter part of 1945, at a conference which
4 you attended, the Attorney General advised you, did he not,
5 that the facts developed in his investigation did not justify
6 the belief that even a prima facie case of violation could
7 be proved against Transamerica?

8 MR. TOWNSEND: Just a moment, Mr. Eccles.

9 I want to object at this time, may it please the Hearing
10 Officer. Mr. Stewart called for and made a demand upon the
11 Board last night for the production of the advice that
12 the Attorney General gave to the Board respecting the findings
13 of his Department. I have produced that file for Mr. Stewart
14 this morning and I submit that any opinion of the Attorney
15 General which has been rendered in the question, and which
16 the testimony in this case shows was rendered by the Attorney
17 General, is one in written form and Mr. Stewart has it in
18 his possession; and I will interpose no objection to its
19 introduction in evidence at this time and therefore it calls
20 for no conclusion of the witness as to what the document, in
21 fact, states.

22 MR. STEWART: Counsel stated that this morning, and
23 I told him then that I would introduce it at the proper time
24 and place.

25 Meanwhile, I submit that I am entitled to examine the

1 witness upon the subject of his conferences as of that date
2 concerning which he testified on direct examination this
3 morning. Those conferences, I may say, are not reduced to
4 writing. In fact, the writing was preliminary to the con-
5 ferences, as it appears on its face.

6 THE HEARING OFFICER: Mr. Stewart, you may ask the
7 witness the direct question--the outcome of the conference.

8 MR. STEWART: That is what I thought I had done.

9 May I ask the Stenographer to repeat the question.

10 (Question read.)

11 MR. TOWNSEND: My objection to that was that anything
12 that the Attorney General advised him in an official form
13 has been reduced to a letter, and that, until the letter goes
14 into evidence, it is improper for him to discuss the matter
15 in the form in which he has attempted to do so.

16 THE HEARING OFFICER: The Hearing Officer will
17 sustain the objection and ask Mr. Stewart to ask a direct
18 question as to the outcome of the conference.

19 MR. STEWART: Mr. Hearing Officer, may I ask if I
20 am to be forced to examine this witness without leading
21 questions, as if it were direct examination? This is cross
22 examination.

23 MR. TOWNSEND: I have no objection to his asking
24 leading questions, may it please the Hearing Officer. I think
25 it is proper and right for him to do so, and I am not raising

1 a question on the ground that it is a leading question. I am
2 raising the objection on the ground that he is attempting
3 to have the witness characterize what is obviously a long
4 opinion of the Attorney General without having put it into
5 the file or into the record of this case for use in examining
6 the witness--a foundation for which I have already stated
7 by turning the letter over to counsel. It seems to me that
8 that is a reasonable way to proceed.

9 MR. STEWART: And of course, sir, I haven't asked
10 the witness one word about the letter. I am asking him about
11 a conference.

12 THE HEARING OFFICER: In that event I will reverse
13 my ruling and let the witness answer.

14 BY MR. STEWART:

15 Q Do you remember the question, or would you like it
16 repeated?

17 A Will you repeat it?

18 Q In the latter part of 1945, at a conference attended
19 by you, isn't it a fact that the Attorney General advised you
20 that the facts developed in his investigation did not justify
21 the belief that even a prima facie case of violation could be
22 proved against Transamerica?

23 A I don't remember whether that was specifically stated
24 at the conference or not.

25 Q Isn't that the substance of what he advised you?

1 A No. The discussion was-- The meeting was held
2 for the purpose of discussing the need of bank holding company
3 legislation--a discussion for the need of getting bank holding
4 company legislation. For that reason, the other supervisory
5 agencies were present. As I recall the discussion, it was
6 certainly primarily with reference to the kind of a bank
7 holding company bill that would meet the situation and would
8 be agreeable to the other supervisory agencies. The Attorney
9 General was primarily the, I would say, the-- I suppose,
10 because of this investigation that he had made with reference
11 to Transamerica, that he had some interest in the whole
12 question of necessary regulatory legislation.

13 I don't recall at this time who called the conference.
14 It happened to be in the Attorney General's office, but I don't
15 recall, I am not sure that he called the conference or that
16 it was suggested by somebody else. I just don't recall.

17 Q That is all very interesting, Mr. Eccles. But isn't
18 it the ultimate fact that at or about that time the Attorney
19 General declined to undertake a prosecution of Transamerica
20 under the anti-trust laws?

21 A I think that is correct.

22 Q All right, sir.

23 Now, it was also about that time, wasn't it, that the
24 Board engaged, as a part of its legal staff, the attorney who
25 had for some years past been engaged as counsel for the

1 Securities and Exchange Commission in its prosecution of charges
2 against Transamerica Corporation?

3 A I don't know how near to this meeting the Board
4 employed Mr. Townsend.

5 Q Will it refresh your recollection if I tell you
6 that it was in December 1945 that Mr. Townsend argued--made
7 the final argument--before the Securities and Exchange Commis-
8 sion in the other matter on which he had been engaged against
9 Transamerica?

10 MR. TOWNSEND: I am willing to stipulate for the
11 record, ^{as} Mr. Stewart, that I came to work for the Board of
12 Governors on March 1, 1945.

13 MR. STEWART: And that you did argue the SEC case
14 at the time I stated?

15 MR. TOWNSEND: It appears of record.

16 MR. STEWART: All right.

17 He has answered the question, Mr. Eccles. You needn't do
18 it.

19 BY MR. STEWART:

20 Q Mr. Townsend, who, of course, is the lawyer to whom
21 I referred, was then assigned by you, was he not, to work on the
22 Transamerica matter for the Board?

23 A I would like to make a statement in connection with
24 the employment of counsel.

25 Q Will you answer my question first; then you may make

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1 any statement that you desire, sir.

2 A It relates to your question.

3 Mr. Leachman was recommended by Mr. Dreibelbis, who is
4 the general counsel, as a special counsel who should be-- Mr.
5 Leachman was recommended by Mr. Dreibelbis, the general
6 counsel, as a special counsel for the Board in connection with
7 the consideration of this Transamerica case--or problem, let's
8 put it that way. Mr. Leachman was not living in Washington.
9 He was in Dallas, Texas, and he was a member of a law firm and
10 was not giving the Board his entire time, and yet the cost
11 of the employment of Mr. Leachman, the Board felt, was entirely
12 too expensive in relationship to the situation; and so the
13 Board raised the question with Mr. Dreibelbis about getting
14 a full-time counsel with the Board instead of employing
15 indefinitely this outside counsel.

16 Mr. Dreibelbis recommended to the Board that they
17 employ Mr. Townsend as the assistant general counsel and the
18 Board did so, and upto that time I don't think any member of
19 the Board ever heard of Mr. Townsend, or certainly had never
20 met him.

21 Q Is that the end of your statement, sir?

22 A That is it.

23 Q In any case, when Mr. Townsend was employed I take
24 it that you learned of his past work on Transamerica matters?

25 A I don't remember that we did. I don't recall that

1 the question of his past work on Transamerica was even
2 considered.

3 Q I see. However that may be, you did assign him to
4 work on the Transamerica matter shortly after he joined the
5 Board's staff, didn't you?

6 A The general counsel is the one that the Board was
7 holding responsible for all legal matters, and it was the
8 general counsel who was authorized to employ him and to assign
9 this work to him.

10 Q Did he take Mr. Leachman's place on the work?

11 A He did.

12 Q And he had been employed for that purpose?

13 A Well, he was employed for any work that the general
14 counsel might assign him to. At that particular time he was
15 assigned by the general counsel for that purpose.

16 Q I see.

17 No action having been taken by the Attorney General up to
18 February of 1947, you then further urged him to reconsider
19 his previous opinion that no prosecution of Transamerica was
20 warranted, didn't you, Mr. Eccles?

21 A That is correct.

22 Q But the Attorney General did not express any different
23 opinion to you after that, did he?

24 A As a matter of fact, the Attorney General never
25 expressed an opinion after that. We got no response from the

1 Attorney General, except that he advised me verbally--when
2 I asked him why we had not received a response to this question--
3 he advised me that he had been asked by Mr. Snyder to send any
4 communication of this sort over to him, and which he had done.
5 He had sent this communication over to the Secretary of the
6 Treasury.

7 Q Regardless of whom he communicated with, you have
8 never heard of his expressing any different opinion than the
9 one you have had from ^{him} in 1945, have you?

10 A I then-- I never received a reply from him nor
11 one from the Secretary of the Treasury, although I then
12 wrote the Secretary of the Treasury with reference to the
13 same matter.

14 Q I say, regardless of with whom the Attorney General
15 communicated you have never heard of his expressing any different
16 ^{opinion} about the Transamerica matter than the one you had from him
17 in 1945, have you?

18 A No. That is correct.

19 Q And it was after all of that, Mr. Eccles, after
20 your counsel, Mr. Dreibelbis, recommended the reference to the
21 Attorney General and after the Attorney General investigated
22 and declined to prosecute, and, after being urged to reconsider,
23 had refrained from giving any definite opinion--it was after
24 all that that you felt, as you testified this morning on direct
25 examination, that your public duty required you to ask Mr.

Townsend for a further opinion on the subject. Is that correct?

MR. TOWNSEND: I object to the form of the question, may it please the Hearing Officer. It suggests facts in juxtaposition, one to another, which is wholly fallacious and erroneous and intended merely by Mr. Stewart to suggest that the Department of Justice investigation was undertaken at the request of the Board, which, it already appears in the record, is not the fact.

I object to the form of the question.

THE HEARING OFFICER: Objection overruled.

MR. STEWART: Perhaps I can change the form of the question, sir, and get away from counsel's objection.

BY MR. STEWART:

Q It was after all of these matters we have been discussing here today, Mr. Eccles, that you felt, as you testified this morning, that it was your public duty that required you to ask Mr. Townsend for a further opinion on the same subject?

A That is correct--in the light of what is in the letter, which has not been introduced, from the Attorney General and in the light of the letter which we wrote to the Attorney General, a copy of which was later sent to Mr. Snyder, which has not been introduced.

Q And you then, after you asked Mr. Townsend for that

1 further opinion, promptly obtained from him, in the fall of
2 1947, the opinion which you had requested and which he read
3 into the record this morning as Board' Exhibit 44, didn't you?

4 A I don't recall how promptly it was. We did receive
5 it-- I don't recall whether it was a question of a legal
6 opinion. I think what we asked Mr. Townsend for was to
7 give us a report with recommendations on this Transamerica
8 matter. I don't know whether it makes any difference whether
9 it is--

10 Q In any case, you asked him for that opinion, and you
11 got it.

12 A That is right. I asked him for the communication.
13 The communication he gave to us was certainly a result of the
14 request that I asked for.

15 Q And it was upon the basis of that three-page opinion
16 that you presented the matter to the Board and that the Board
17 authorized the investigation which led to the initiation of
18 this proceeding; is that correct?

19 A Not that solely. That was one of the factors,
20 certainly. That, without all of the background that had gone
21 before over the years, would not certainly have been any basis
22 for action; but that taken into account with everything that had
23 preceded it was responsible for the authorization to determine
24 whether or not this action was warranted.

25 Q And that background was the background we have been

1 discussing here this afternoon, wasn't it?

2 A Yes, that is part of it.

3 Q It is all of it, isn't it, Mr. Eccles?

4 A Well, it is pretty hard to discuss in a few minutes
5 a background that has taken 30 years. I would say the high
6 spots.

7 Q All right, sir.

8 Now, you referred to the action of the Board upon the
9 initiation of this matter as being unanimous. Can you tell
10 me, Mr. Eccles, how many times, if ever, during your 15 years
11 as a member of the Board, the Board has failed to go along
12 with your recommendations?

13 A I can't remember, voluntarily, but it is certainly
14 a good many times.

15 Q Can you name one for me?

16 A You will find some, I am sure, in the report of the
17 committees of Congress. I have in mind right now a particularly
18 important period in connection with 19-- I think it was in
19 the Spring of 1937, when there was division with reference
20 to the matter of reserve requirements and a matter of open
21 market operation at the time of the downturn in 1937.

22 Q Can you think of any in, say, the last five years--
23 up to the time that you ceased to be chairman?

24 A I don't remember specifically, but I thought, for
25 instance, in the case of the holding company legislation, in

1 this matter of a Section 30 case, that Mr. Ransom was, at that
2 time, favorable to the "death sentence."

3 Q That was back in 1938, wasn't it?

4 A That is right; that was in 1938.

5 Q That was 10 years ago--11 years ago.

6 A I happen to recall that period.

7 Q Is that the most recent one you can remember?

8 A I remember a good many instances where there has
9 been disagreement in the Board and where, in order to get an
10 agreement, there has been compromise--there has been a modifi-
11 cation/that that has happened a great many times.

12 Q Can you recall a recent instance of that? I don't
13 want to drag this out indefinitely, but I would like a specific
14 instance, if you can give it to me.

15 A Of course I haven't, as you know, been chairman of
16 the Board for more than a year.

17 Q I said up to the time that you ceased to be chairman,
18 sir.

19 A I could review the matter and could give you, I am sure,
20 a number of important instances where that has transpired.

21 Q But none of them stands out in your memory at the
22 present time?

23 A No, I don't remember anything specific at the present
24 time.

25 Q All right. Let's get along to something else.

1 Oh, by the way, before I leave that, is it the fact
2 that although you were not re-designated as chairman of this
3 Board by President Truman when your previous term expired, in
4 1946, that at the present time you are serving as chairman
5 pro tem during the absence of Mr. McCabe and by electinn of
6 the Board?

7 A That is correct.

8 MR. STEWART: Would this be a good time for the
9 mid-afternoon recess? I am about to start into another subject.

10 THE HEARING OFFICER: The hearing will recess for
11 ten minutes.

12 (Short recess taken.)

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1 THE HEARING OFFICER: Will the hearing come to
2 order, please.

3 MR. TOWNSEND: Before Mr. Stewart resumes his
4 examination, may it please the Hearing Officer, the witness'
5 recollection has been refreshed by discussion with me during
6 the intermission concerning an impression that I think he has
7 given in the record, an erroneous impression as to a certain
8 conversation that he has reported discussing the the Attorney
9 General.

10 May I respectfully request that the witness be per-
11 mitted to correct his testimony in the light of his present
12 recollection?

13 MR. STEWART: Mr. Hearing Officer, the witness will
14 have adequate opportunity to correct anything he wants to on
15 direct examination, after I am through with him, and I respect-
16 fully object at this time, not only to taking a matter out
17 of order, but also to the witness conferring with counsel during
18 the middle of cross examination. It is most irregular.

19 MR. TOWNSEND: If the Hearing Officer should decide
20 to postpone the correction of the record by the witness, him-
21 self, then I think in light of the erroneous impression that
22 has been given the press in connection with this matter,
23 and following the example set by Mr. Stewart on only yesterday,
24 I should say that it is unfair to leave the impression, because
25 it is a matter that was under discussion and involved what the

1 Attorney General said to Mr. Eccles about having referred
2 the subject of the Sherman Act investigation to the Secretary
3 of the Treasury, and if he could not be permitted to correct
4 it now, I will say that in due course I will show, so that the
5 press will not be misinformed, that Governor Eccles was told
6 by the Attorney General, not that the Secretary had asked the
7 Attorney General to refer such matters to him, but rather that
8 the Attorney General had, himself, voluntarily referred the
9 matter to the Secretary.

10 MR. STEWART: Upon counsel's assurance that those
11 are the facts, I will accept it without further need for clari-
12 fication from the witness.

13 MR. TOWNSEND: It is so understood.

14 BY MR. STEWART:

15 Q Now, Mr. Eccles, getting back to October 31, 1947,
16 the Board on that date, I believe you previously testified,
17 unanimously adopted a resolution directing that an investi-
18 gation be undertaken under the direction of its legal division
19 to ascertain whether there is just cause for the Board to
20 institute statutory proceeding contemplated by Section 11 of
21 the Clayton Act, looking to the entry of an order requiring
22 Transamerica Corporation to divest itself of certain bank
23 stocks, is that correct?

24 A That is correct.

25 Q And did you write a letter to the Comptroller

1 of the Currency about that?

2 A Yes, as I recall, a letter was written to the
3 Comptroller of the Currency, advising him, and I believe
4 that--

5 Q You said you wrote it. Let's see if you have it
6 here and then we won't have to guess about it.

7 MR. STEWART: Do you have it?

8 MR. TOWNSEND: I have it somewhere, if you will
9 bear with me.

10 MR. STEWART: I have a copy that was published in
11 the newspaper, if you want to take that one.

12 MR. TOWNSEND: I will remember it as soon as I see
13 it.

14 MR. STEWART: I would rather have yours, if you
15 can find it quickly.

16 MR. TOWNSEND: I will get it for you. That is the
17 letter; no question about it.

18 BY MR. STEWART:

19 Q I show you a purported copy of the letter which your
20 counsel has identified and ask you if that refreshes your
21 recollection that you sent a letter in those terms to Mr.
22 Delano at or about November 7, 1947.

23 Do you recognize it, Governor?

24 A Yes, I think that is the letter, verbatim, as I
25 recall it.

1 MR. STEWART: Since this is hardly ⁱⁿ the form to put
2 in, I will just read it in the record.

3 MR. TOWNSEND: No objection.

4 MR. STEWART: The following letter marked "personal
5 and confidential" was addressed by Marriner Eccles to Preston
6 Delano, Comptroller of the Currency, on November 7, 1947:

7 "Dear Preston: At a recent meeting, the Board
8 received and considered a report from its Legal Division
9 discussing Transamerica Corporation and its group of control
10 banks. In that report, counsel for the Board advised that
11 in his opinion the statistical data respecting these banks
12 raises serious questions as to the Board's responsibilities
13 under Section 11 of the Clayton Act. That Section, as you
14 know, places upon the Board primarily the responsibility for
15 effectuating certain aspects of the Federal anti-monopoly
16 policy.

17 "It was counsel's recommendation that the Board
18 investigate the entire Transamerica situation in the light
19 of these statutory provisions to determine what action, if
20 any, the Board should take thereunder.

21 " This is to advise you that at its meeting of
22 October 31, last, the Board unanimously adopted a resolution,
23 directing that an investigation be undertaken under the
24 direction of its legal division to ascertain whether there
25 is just cause for the Board to institute the statutory pro

1 contemplated by Section 11 of the Clayton Act, looking to
2 the entry of an order requiring Transamerica Corporation to
3 divest of its stocks of any or all of the banks which it now
4 owns, with the exception of that of Bank of America National
5 Trust and Savings Association. Sincerely yours."

6 BY MR. STEWART:

7 Q Was that an accurate report, Mr. Eccles, to Mr.
8 Delano of the action of the Board?

9 A It must have been. I don't recall, but I
10 assume a letter of that sort would not be sent out unless
11 it did express what the action was.

12 MR. STEWART: I have requested the production of
13 the Board's order or the minutes thereof. I understand
14 that that matter has not yet been determined or may I have
15 those now?

16 THE HEARING OFFICER: It will be shortly, Mr. Stewart.

17 MR. STEWART: Very well, sir, I shall pass that until
18 I know whether I can look at them.

19 BY MR. STEWART:

20 Q I call your attention, Mr. Eccles, to the fact
21 that in your letter to Mr. Delano, you indicated that the
22 order toward which this investigation was looking, was an
23 order for the divestment of stocks of any or all of the banks
24 which it now owned, with the exception of that of Bank of Ameri-
25 ca National Trust and Savings Association. Of course, you

know that the complaint in this proceeding demands the divestment of that stock also?

A That is correct.

Q When did that change come about, Governor?

A Well, that change came about after the investigation and the report.

Q Is that the most specific answer you can give me on that?

A It is the most specific answer I can give you.

Q Now, sir, following the making of that order of October 31, the Board's staff conducted an intensive investigation in Washington, D. C. and in California, didn't it?

A Yes.

MR. TOWNSEND: If you know.

THE WITNESS: Well, I understood that it had. It was certainly what they were authorized to do.

BY MR. STEWART:

Q Who was in charge of that investigation?

A Mr. Townsend.

Q And how many members of the staff were assigned to it?

A I don't know. I think Mr. Chase, Mr. Thompson, Mr. Smith, Mr. Harbett. I don't know how many others. At least those were the principal ones.

Q Those were the key figures to the best of your

1 knowledge?

2 A Yes.

3 Q And there were a number of other assistants, I
4 assume?

5 A I think they had assistance from the staff of the
6 Federal Reserve Bank of San Francisco when they got there.
7 The staff people there worked with them and they had a good
8 deal of information from the bank files.

9 Q How was that arranged, sir?

10 MR. TOWNSEND: Just a minute. I have looked back
11 over my notes on the course of the examination thus far and
12 I find that a considerable portion of the cross examination
13 of Mr. Eccles thus far is directed to matters concerning the
14 subject matter of the investigation that took place by the
15 Board, preliminary to the issuance of the complaint in this case.

16 I have been reluctant to interpose any objection
17 so long as it appeared that he was merely covering in general
18 the situation that we had discussed in brief form in the direct
19 examination, but it seems to me that the time has come when
20 it is appropriate for me to object that the cross examination
21 on this phase of the Board's preliminary discussions and con-
22 siderations, prior to the issuance of this complaint, are
23 entirely irrelevant and immaterial to what we are here seek-
24 ing to establish.

25 The Board has issued its complaint. We are here

1 to try the issues of the complaint. It cannot possibly be
2 relevant at this stage or at any stage when it gets into a
3 court, if it ever gets to a court, as to the methods pursued
4 by the Board, leading up to the issuance of the complaint.
5 After all, this situation is no different from that which
6 obtains in any administrative agency which, having issued a
7 complaint which calls for a hearing, sets the matter down for
8 a hearing and it is the basis of the complaint upon which the
9 hearing is to be held.

10 And so I respectfully suggest that it is appropriate
11 for me to object at this time to any further minute examin-
12 ations as to the discussions of the Board which obtained at
13 a time six or eight months prior to the issuance of the
14 complaint as to who participated in the investigation, as to
15 where they went to conduct the investigation, as to the
16 papers that were available to them or the files or where they
17 were obtained.

18 That has nothing to do with this proceeding, may
19 it please the Hearing Officer, and it seems to me that in the
20 interest of time we ought to have a ruling to that effect.

21 MR. STEWART: If counsel had waited two more ques-
22 tions, which would have taken less time than his objection
23 to state, he wouldn't have had to make the objection.

24 THE HEARING OFFICER: The Hearing Officer will
25 overrule the objection and ask the witness to answer it.

1 MR. STEWART: I will repeat the question, sir.

2 BY MR. STEWART:

3 Q How was the matter of the investigation through
4 the San Francisco Reserve Bank arranged?

5 A I could not tell you.

6 Q Consultations were held with you, weren't they,
7 Mr. Eccles, from time to time with respect to the charges
8 which were to be made in the complaint?

9 A They were not.

10 Q They were not?

11 A They were not.

12 Q You reviewed the complaint before it was filed?

13 A Yes.

14 MR. STEWART: I would like to ask now that a copy
15 of the complaint be handed to the witness, because I wish
16 to direct his attention to certain matters in it.

17 (The document was furnished to the witness.)

18 BY MR. STEWART:

19 Q I would like to direct your attention to Page 12 of
20 the complaint and to the fact that there are listed on that
21 page, in paragraph 5, just above the place where paragraph 6
22 begins on Page 12, two banks in the State of Arizona, and
23 three banks in the State of Washington, and one bank in the
24 State of Nevada, and also ask you to look at the previous
25 page on which you will find listed additional banks from

1 those three states.

2 A Where is that?

3 Q On Page 11. On Pages 11 and 12 you will find listed
4 a number of banks from the three states of Arizona, Nevada
5 and Washington. Do you see them?

6 A Yes.

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1 Q I also direct your attention to the allegation of
2 Paragraph 9 of the complaint, which you will find on page
3 17 -- I think that is the last page of the complaint -- that,--
4 and I quote: "The acquisition by Respondent of the capital
5 stocks of the banks listed in Paragraphs 4, 5, and 6, and so
6 forth --" noting that 5 is one of them "-- was contrary to
7 law, in violation of Section 7 of the Clayton Act and the
8 effect of such acquisition of such stocks 'may be, has been
9 and is' to substantially lessen competition, to restrain com-
10 merce and to tend to create a monopoly of commerce by
11 the Respondent in the commercial banking business 'in the
12 5-state area of California, Oregon, Nevada, Arizona, and
13 Washington, or in various sections or communities in the said
14 five states'."

15 Do you see that?

16 A Yes.

17 Q You knew and intended, did you not, when that com-
18 plaint was filed, that the alleged violation of the Clayton
19 Act and substantially lessening competition and restraining
20 commerce, intending to create a monopoly should apply to the
21 States of Arizona, Nevada, and Washington, as well as to the
22 other states mentioned?

23 A Yes, I knew that the complaint covered all of the
24 banks that were controlled by Transamerica.

25 Q Well, regardless of whether they were controlled by

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1 Transamerica or not, you intended it to apply to Arizona,
2 Nevada, and Washington, didn't you?

3 MR. TOWNSEND: Just a moment. There is no evidence
4 that Governor Eccles intended to do anything in this case,
5 may it please the Hearing Officer.

6 MR. STEWART: He made quite a statement on the sub-
7 ject.

8 MR. TOWNSEND: It seems to me that the observa-
9 tion I made a few moments ago is going to become even more
10 pertinent as we get into this sort of examination. I did not
11 take Mr. Eccles over the complaint in this case, and it would
12 be obviously an improper thing for counsel for Respondent to
13 do it. After all, this is a complaint having been issued
14 by the Board, not the individual complaint of Mr. Eccles or any
15 other individual and for counsel to attempt to cross examine
16 the witness about the minutiae of this complaint, in the
17 absence of making Mr. Eccles his own witness for the purpose
18 of giving the answers in respect to these questions, assuming
19 that he can give the answers to the questions, is highly
20 improper cross examination.

21 MR. STEWART: If the Hearing Officer please, the
22 witness testified before I asked him the first of these
23 questions that he reviewed the complaint before it was filed
24 and I now intend to ask him some questions about it.

25 MR. TOWNSEND: Of course, he reviewed the complaint

1 so far as his official duty may have been to review the com-
2 plaint. It just seems to me to permit this examination to get
3 down into the minutiae of the complaint is certainly grossly
4 improper under these circumstances, unless, of course, he
5 wants to make Mr. Eccles his own witness, in which event I
6 certainly will have no objection.

7 MR. STEWART: I think it is obvious from what has
8 transpired, sir, that he wouldn't want to do that, sir.
9 I submit that I am entitled to examine, Mr. Eccles, however,
10 as an adverse witness who has testified adversely and that
11 I am entitled to examine him upon this whole subject matter
12 which he certainly covered like a blanket in his direct exam-
13 ination. Let me just say as to Mr. Townsend's comment about
14 minutiae, I would hardly think that an examination upon three
15 of the five states involved in the complaint is in the cate-
16 gory of minutiae.

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THE HEARING OFFICER: The Hearing Officer will overrule the objection.

THE WITNESS: I would--

BY MR. STEWART:

Q Do you recall the question, Mr. Eccles?

A Will you repeat the question?

Q The question was: You knew and intended, did you not, when the complaint was filed, that the charged violation of the Clayton Act of substantially lessening competition, restraining commerce, intending to create a monopoly, should apply to the states of Arizona, Nevada and Washington, as well as the other states mentioned?

A Each Board member had a copy of the complaint for consideration at the Board meeting. I did not see the complaint. I did not discuss the complaint with counsel except as the complaint was discussed by the Board as a whole, and I assume that not only I but that all Board members knew, certainly, in a general way, what the complaint covered.

Q Of course, speaking only for yourself--as I presume you should--was it your knowledge and intention, at the time you approved and voted for this complaint, to include the states of Arizona, Nevada and Washington in those charges of lessening competition and tending to create a monopoly?

A Yes.

Q All right.

1 Now, you have told us earlier that you are familiar--
2 generally, at least--with the economic conditions and the
3 banking situation in those states, and I should like to
4 direct your attention particularly to the state of Arizona and
5 ask you to state for the record the specific communities in
6 Arizona in which it was your intention to charge that
7 competition between banks had been lessened or trade had been
8 restrained or that there had been any tendency to create a
9 monopoly.

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1 MR. TOWNSEND: Again, may it please the Hearing
2 Officer, I point to the evil of the line of questioning that
3 is obviously being pursued by counsel. To require this wit-
4 ness to subject himself to minute cross examination on the
5 allegations of this complaint is obviously improper and beyond
6 the scope of the direct examination, that it will take up
7 nowhere in the determination of the issues that are here be-
8 fore us, and is just going to require a space of time
9 devoted to a fruitless investigation.

10 THE HEARING OFFICER: Objection overruled.

11 BY MR. STEWART:

12 Q Do you recall the question, sir?

13 A No.

14 MR. TOWNSEND: Will you repeat the question, sir?

15 BY MR. STEWART:

16 Q I say, recalling your earlier testimony that you
17 were familiar with the general economic and canking situa-
18 tions in these states, I would like to ask you to direct your
19 attention to the State of Arizona and to state for the record
20 the specific communities in Arizona in which it was your
21 intention to charge that competition between banks had been
22 lessened or that trade had been restrained or that there had
23 been a tendency to create a monopoly.

24 MR. TOWNSEND: I object again, on the further ground,
25 may it please the Hearing Officer, that there is no evidence

1 that this witness intended to charge anything. It is the
2 Board's charge. Isn't it obvious that they are trying to put
3 words in this witness' mouth that are utterly inconsistent
4 with the entire course of these proceedings, and I most
5 respectfully urge, sir, that if Mr. Stewart is to be permitted
6 to examine this witness on the subject of the individual in-
7 tent, on the part of the witness, in respect to any one of
8 these allegations, as though it were his charge, that such an
9 impression is wholly unfair to both sides of the case and
10 particularly to the Board's case.

11 THE HEARING OFFICER: The Hearing Officer will
12 have to overrule the objection and let the witness answer as
13 he deems best.

14 THE WITNESS: I did not consider any of the com-
15 munities specifically in the State of Arizona or any other
16 state. As far as my consideration was concerned, I took into
17 account the whole, over-all situation, which seems to me is
18 the only way this matter can be considered, which is not
19 the question of whether in some particular community, whether
20 in Arizona, California, or Oregon or in any other community
21 that a monopoly existed or that the operation tended toward
22 the creation of a monopoly in any particular individual
23 community or state. I took into account the effect upon the
24 entire area of a continuation of the growth of the Trans-
25 america Corporation, certainly in the light of what had hap-

1 pened in the past with reference to its growth, that there
2 was a question, as I understood it, or whether or not this
3 expansion of Transamerica was tending toward the creation of
4 a monopoly or was tending to lessen competition, not in any
5 one isolated or particular community or one particular state.

6 BY MR. STEWART:

7 Q Let me see if I understand you correctly, sir. Is
8 it your intention to convey to the Hearing Officer and the
9 impression upon this record that you not only did not know of
10 any specific community in any of the states in which there had
11 been a lessening of competition, but that you didn't regard
12 that as necessary for your decision upon the matter?

13 A I think that that is true.

14 Q It was the over-all statistical picture that you re-
15 garded as of importance rather than the question of whether
16 any monopoly existed in any place?

17 A That is correct. That is correct.

18 Q Are you familiar with the relative growth in Arizona
19 during the last 10 years of the deposits, loans, and banking
20 offices of the Valley National Bank and the First National Bank
21 of Arizona, and its affiliate the Phoenix Savings Bank.

22 MR. TOWNSEND: I object, may it please the Hearing
23 Officer, there is no question involved in this case about the
24 Valley National Bank or any other bank except the banks con-
25 trolled by Transamerica Corporation. If this line of inquiry

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1 is to be pursued, we can cover every bank in the United
2 States of America.

3 MR. STEWART: We may have to do that.

4 MR. TOWNSEND: This witness has never discussed the
5 subject of the Valley National or any of the banks that he
6 has mentioned and I object to the question.

7 MR. STEWART: I shall develop, sir, that it is one
8 of the competing banks.

9 THE HEARING OFFICER: The bank that you question
10 about is not mentioned in the complaint.

11 MR. STEWART: Two of the three that I mention
12 are, sir, and the third one I shall show by the witness, I
13 think, to be the largest bank in the area.

14 MR. TOWNSEND: And I object on the ground that that
15 is part of Mr. Stewart's case, not proper examination of this
16 witness. I have developed nothing of that nature with this
17 witness, and, consequently, it is a premature attempt to try
18 his own case through improper cross examination.

19 THE HEARING OFFICER: I will sustain the objection
20 at this time.

21 MR. STEWART: Let us leave out the reference to the
22 Valley National and let me ask you, Mr. Eccles, are you famil-
23 iar with the relative growth in Arizona during the past 10
24 years of the deposits, loans, and banking offices of the First
25 National Bank of Arizona and its affiliate, Phoenix Savings Bank

1 and Trust Company, which are mentioned in the complaint,
2 with their competition in that state?

3 MR.TOWNSEND: Will you read the last question?

4 (Question read by the reporter.)

5 MR. TOWNSEND: If you know.

6 THE WITNESS: No, I am not familiar with the growth.

7 BY MR. STEWART:

8 Q And you felt that you could approve this complaint
9 without being familiar with that, did you?

10 MR. TOWNSEND: There again, may it please the
11 Hearing Officer, are the kind of questions that we are having.
12 This witness is being interrogated, and I must most
13 respectfully urge these considerations upon you. He is being
14 interrogated on this complaint as if it is his complaint.
15 The impression is going abroad that Mr. Eccles issued the com-
16 plaint and that he has studied and understands and knows and
17 approved every specific word in it. There is not one iota
18 of fairness in connection with this type of investigation,
19 there is no attempt on Mr.Stewart's part to develop the manner
20 in which the complaint was processed and considered by the
21 Board, and I think it is obviously unfair to permit the
22 kind of cross examination that is going on here when we know,
23 in addition to what I have been saying, that it can't possibly
24 help us in arriving at a determination of the issues that are
25 before you. I most respectfully renew my objection to that

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1 line of questioning.

2 MR. STEWART: Mr. Hearing Officer, I understand
3 that this was a trial on the question of tendency to monopoly
4 and lessening of competition, and I am trying my hardest to
5 find out whether there is anything of that kind involved in
6 it.

7 MR. TOWNSEND: On that question, may it please the
8 Hearing Officer, I refer Mr. Stewart to all of the exhibits
9 that have been put into this record by other qualified wit-
10 nesses, which have traced for him, back to 1904, the amount
11 and the kinds of acquisition, the comparative figures respect-
12 ing the amount of deposits that his bank or the banks of
13 Transamerica controls show in relation to all of the banks
14 of the state, and, indeed, all of the counties in the states,
15 so that we are now dealing with an entirely different subject
16 and it is one that has not been taken up with this witness,
17 because he is obviously not a qualified witness on those
18 subjects. Mr. Stewart will have ample time to develop what
19 the size of the various competing institutions is, but that
20 is not proper cross examination of a witness who hasn't even
21 mentioned the subject or couldn't possibly have any relative
22 information in connection with it. I must insist on the right
23 of --

24 MR. STEWART: I think, sir, that the witness might
25 well take exception to counsel's statement that he is not

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1 qualified on this. After all, he has been charged with super-
2 vising it for 15 years and he has lived and worked as a banker
3 all his life in the area we are talking about.

4 MR. TOWNSEND: There again, may it please the Hear-
5 ing Officer, it just shows the unfairness of counsel for the
6 other side. He knows as well as I do, and I intend to reply
7 ea h time that he goes off the record in connection with
8 his gratuitous statements. There is no evidence in this
9 record, nor could there be any, that the duty of this witness
10 would have continued to acquaint himself with the size of
11 individual institutions, their growth, the amount of their
12 deposits, where they are located, what other banks are in the
13 community and merely to enumerate that list is to point out
14 the absurdity of counsel's statement. It is obviously not
15 for purposes confined to this record.

16 MR. STEWART: If he doesn't knew it, sir, that may
17 be material.

18 THE HEARING OFFICER: The Hearing Officer will
19 sustain the objection at this time.

20 MR. STEWART: What was the question?

21 (Question read by the reporter.)

22 MR. STEWART: That is the question to which the
23 objection is sustained.

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BY MR. STEWART:

Q You did approve this complaint, didn't you, Mr. Eccles, before it was filed?

A I voted with the Board.

Q And that was to approve it?

A Approve it.

Q And authorize its filing?

A That is right.

Q And you did not feel that it was necessary for you, in the performance of the public duty, which you discussed this morning, to inquire as to the competitive situation in any locality discussed in the complaint before taking that action?

A I think I answered that question.

Q The answer is you did not?

A That is right.

Q All right, sir.

Are you familiar with the growth and development and activity of the Valley National Bank in Phoenix, Arizona, during the last 15 years in which you have been a member of the Reserve Board?

MR. TOWNSEND: Same objection and it is relating to a bank as to which you have already sustained an objection, may it please the Hearing Officer.

MR. STEWART: I am just asking if he is familiar.

MR. TOWNSEND: I renew the objection.

THE HEARING OFFICER: Objection sustained.

BY MR. STEWART:

Q Aren't you acquainted with the fact, Mr. Eccles, that the Reconstruction Finance Corporation has held a substantial investment in the preferred stock of the Valley National Bank since 1933?

MR. TOWNSEND: Same objection, may it please the Hearing Officer.

THE HEARING OFFICER: Mr. Stewart, do you care to state your purpose?

MR. STEWART: Yes, sir, I do. As I said a moment ago, this complaint charges lessening of competition, restraint of trade and tendency to monopoly. It charges it in five states and I propose to prove, sir, by this line of evidence and out of the mouth of this witness that there not only has not been a lessening of competition, there has not been a tendency to monopoly or restraint of trade, but actually the biggest bank in the whole inter-mountain area, namely the Valley National Bank, has been growing and expanding with the full approval of the government regulatory agencies all through these years doing all of the things which in this complaint are charged to Transamerica Corporation as being improper and I submit that it is very relevant evidence.

MR. TOWNSEND: I couldn't think again, may it please

1 the Hearing Officer, of a more patent demonstration of the
2 points that I have raised in my previous objection. Mr.
3 Stewart knows, if he knows anything about the Valley National
4 Bank, that it is not a bank holding company. It cannot buy
5 or acquire the stocks of any bank. Consequently, if the Valley
6 National Bank has been expanding, and as to that I know nothing,
7 it certainly has not been expanding through the method which
8 is the object of the Clayton Act to prohibit. Your Honor will
9 recall that Section 7, the prohibition which is involved
10 in this case, prohibits one company from acquiring the stocks
11 of another company.

12 We may assume for the moment that a bank cannot
13 acquire the stocks of another company. Hence, even if there
14 be any relevance to the general subject matter of Mr. Stewart's
15 observations, this Board, under the Clayton Act, would be
16 powerless to do anything about it.

17 Therefore, I renew the objection that I made at the
18 outset in connection with the subject of the Valley National
19 Bank. I say that whether it had preferred stock, whether it
20 has got branches, whether it has more branches than the Trans-
21 america may have banking offices in those areas is clearly
22 beyond the pale of this inquiry, which is to determine the
23 allegations of this complaint simply and particularly is im-
24 proper cross examination of a witness who hasn't even mentioned
25 the Valley National Bank or whose interest or knowledge of the

1 situation had been gone into at all on direct examination.

2 If Mr. Stewart thinks that the Valley National
3 picture or the picture of any other institution with which
4 his client is interested or wants to put matter into the
5 record, when the time comes for it to go in in the proper way,
6 I don't think that I will find myself objecting to any relevant
7 information on this subject, over which this Board could
8 possibly have any control.

9 MR. STEWART: If the Hearing Officer please, I
10 appreciate that I can put this evidence into the record when
11 I get to my case, but I submit that it is most relevant at
12 this time, upon the cross examination of this witness who
13 made a prolonged speech this morning about public duty and
14 what it was that called for the exercise of public duty and
15 how the banking agencies were unanimous in their treatment
16 of these situations, and I propose here to ask him a few
17 questions to demonstrate that that was not so, to demonstrate
18 that this sort of policy has had the positive blessing of the
19 banking agencies in other comparable situations and that the
20 thing that he has called his public duty here is nothing but
21 the rankest sort of discrimination.

22 That is what I am trying to get at by this line of
23 questions, if I may be permitted to ask them.

24 MR. TOWNSEND: His own description, Your Honor,
25 is the best indication that I could think of to demonstrate

1 the impropriety of the questions at this time.

2 THE HEARING OFFICER: The Hearing Officer will
3 sustain the objection.

4 MR. STEWART: I would just like, in order to avoid
5 wasting the time of the Hearing Officer and everybody else,
6 to be sure that I understand the full scope of the Hearing
7 Officer's ruling. Do I understand that I am being excluded
8 from going into, on cross examination, any subject relating
9 to the existence of competition or the existence of restraint
10 of trade or the existence of the tendency to create a monopoly
11 in any of the areas referred to in the complaint? Is that
12 being excluded?

13 MR. TOWNSEND: May it please the Hearing Officer,
14 I submit that it is inappropriate for counsel to engage the
15 Hearing Officer in a debate as to the scope and breadth of
16 his ruling. You ruled, as I understand it, on the propriety
17 of a particular question. It seems to me that Mr. Stewart
18 may continue his examination in such manner as he deems
19 necessary for the protection of the record and that the matter
20 of determining in advance what rulings are going to be made on
21 such questions would be entirely out of order.

22 MR. STEWART: I most deferentially ask for
23 information from the Hearing Officer. I think it will save
24 time if I just know where we are going.

25 MR. TOWNSEND: I just do not want the record to show
any shotgun disposal of matters which counsel will thereafter,

1 perhaps at some court hearing, claim to have been included
2 within the breadth of your ruling.

3 MR. STEWART: I certainly shall, sir, and I want
4 to warn counsel right now that I regard this as a reversible
5 error in this case and I shall so contend all the way through.

6 THE HEARING OFFICER: It is the intention, Mr.
7 Stewart, of the Hearing Officer to offer wide latitude
8 that he thinks consistent with the examination under question.
9 The Hearing Officer's feeling is that this is not proper
10 cross examination and on that basis he sustains the objection.

11 MR. STEWART: That, of course, sir, does not answer
12 my question, so I guess I will just have to go ahead.

13 BY MR. STEWART:

14 Q I show you, Mr. Eccles, the President's annual report
15 to the stockholders of the Valley National Bank, Phoenix,
16 Arizona, for January 11, 1949 and ask you if you have seen
17 that document before.

18 MR. TOWNSEND: I object to the question, improper
19 cross examination.

20 THE HEARING OFFICER: I think the witness can
21 answer. I overrule the objection and the witness may answer.
22 Ask him if he has seen it before.

23 THE WITNESS: No, I haven't seen it before.

24 BY MR. STEWART:

25 Q Are you familiar with the general material in the

1 report about conditions in Arizona, competitive conditions
2 in Arizona, of other banks in Arizona?

3 MR. TOWNSEND: The witness has already stated that
4 he has never seen the report.

5 MR. STEWART: This is another question.

6 MR. TOWNSEND: I object, on the basis of the
7 witness' previous answer.

8 THE HEARING OFFICER: I overrule that objection and
9 will let the witness answer.

10 THE WITNESS: I am not familiar with Arizona at all.
11 I have never been in the state.

12 MR. STEWART: All right, sir.

13 I think, sir, that that brings me to a new line of
14 questions which I probably could not finish by 4:30, so in
15 accordance with the previous suggestion I would suggest we
16 recess if it meets with the Hearing Officer's approval.

17 THE HEARING OFFICER: The Hearing Officer
18 will recess until 10:30 tomorrow morning.

19 (Whereupon, at 4:15 o'clock p.m., the hearing
20 was recessed, to reconvene at 10:30 o'clock a.m., the
21 following day, Wednesday, February 9, 1949.)

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