

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

Office Correspondence

Date April 15, 1947.

To Chairman Eccles

Subject: _____

From Mr. Townsend

Attention Mr. Clayton

The man to call at the Justice Department is George Washington, Acting Solicitor General. The case you are calling Washington about is Peoples Bank v. Board of Governors of the Federal Reserve System, decided April 14, 1947, by the Court of Appeals for the District of Columbia. By a two to one decision (Edgerton dissenting) the Court reversed the judgment of the District Court dismissing a complaint brought by the Peoples Bank of Lakewood Village to obtain a declaratory judgment concerning the validity of a condition of membership imposed upon and accepted by the Peoples Bank in May 1942 upon its admission to the Federal Reserve System.

Please emphasize that the Board considers this case to be of vital importance in its relation to the Federal bank supervisory scheme; that it poses for the first time in the courts the question of how far the courts will attempt to substitute their judgment for that of this Board in passing upon membership applications. Furthermore, you might add that the entire Transamerica picture has been one which has caused the Board a great deal of concern and difficulty over the years and that this fact adds to the general importance of the case.

Governor Clayton is agreeable to a Thursday afternoon appointment. In fact, he suggested that Washington might care to take lunch with us here at the Board on that day. In such event you might suggest that Bob Stern of his staff is familiar with our general setup here because of his participation in the Agnew-Fayerweather case recently decided by the Supreme Court. Incidentally, you might praise the work of the Solicitor's office in helping to secure that happy result.

note: Mr. Clayton attended luncheon - all

Larry have arranged for luncheon Thursday. Washington & Stern will be here around 1:00 o'clock and will be out of building to a luncheon