

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 10, 1949

Pages 741 to 838

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C O N T E N T S

<u>WITNESSES</u>	<u>DIRECT</u>	<u>CROSS</u>	<u>REDIRECT</u>	<u>RECROSS</u>
Marriner S. Eccles		742		

E X H I B I T S

<u>RESPONDENT'S</u>	<u>FOR IDENTIFICATION</u>	<u>IN EVIDENCE</u>
Exhibit No. 2	786	
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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.,
Thursday, February 10, 1949

The above-entitled matter came on for further 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 Corporation.

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 There is one short note I would like to read into
5 the record, in announcing at pages 675 to 678 of the record,
6 my ruling on Respondent's notice and demand for the production
7 of certain papers from the Board's files.

8 I neglected to state "Governors Eccles and Clayton
9 did not participate in the Board's consideration or decision
10 of the question whether the Board was willing to produce the
11 papers called for by Respondent's notice and demand."

12 I wish now to announce that Governors Eccles and
13 Clayton did not participate in the Board's consideration or
14 decision of that question.

15 Mr. Stewart, you may go ahead.

16 MARRINER S. ECCLES

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

19 CROSS EXAMINATION(Resumed)

20 BY MR. STEWART:

21 Q Mr. Eccles, in looking over yesterday's transcript,
22 I notice at page 700 that I asked you this question and you
23 gave this answer:

24 "How much of your time would you say that you have spent
25 in Utah in the last five or six years, Utah, Idaho, and Wyoming,

1 let's say?"

2 "Answer: Well, I think the first seven years I was in
3 Washington I was in Utah ten times in seven years."

4 Then, after that I asked you some more questions
5 about your answer and never got back to get an answer to the
6 question I asked.

7 Now, will you tell me, in answer to that question,
8 how much of your time you have spent in Utah in the last five
9 or six years, that is, Utah, Idaho, and Wyoming?

10 A I can tell you in a general way. I spent -- I think
11 I was in the West last year four times. When I ceased to be
12 Chairman, I had a little more time to travel, and I visited
13 the Reserve Bank in San Francisco, the conference last spring,
14 that is, at the conference of the Reserve Banks, the branches.
15 I went out to make a speech at Iowa last fall and went on to
16 Utah.

17 During the war period, when things were pretty
18 hectic there, I spent very little time out there. I have
19 two sons and a daughter who are married and who live in the
20 West, and I have taken occasion, whenever it was possible, to
21 get away from here, if there is any respite, to go out there.
22 They have been out of Washington since 1941. I would say,
23 with reference to my time that I have spent on Board matters,
24 that it would average very much more than the 40 hours a
25 week which is the standard time in Washington for all Federal

1 employees, so, based upon what is considered one's full time
2 by Government employees, I am sure that I put in my full
3 time to the Government, and I am sure the staff, the other
4 Board members who are around here, and the record of my at-
5 tendance at the Board meetings and other conferences where my
6 presence is required, would demonstrate that there has been
7 no neglect of public duty due to my absence from Washington in
8 Utah or Idaho or any other part of the country.

9 To be able, as you implied in an earlier question,
10 to influence the Board so completely that there are no
11 negative votes or disagreements and to be able to do that and
12 at the same time be absent from Washington in neglect of duty,
13 I must be even better than I think I am.

14 Q Now, Mr. Eccles, of course, you have read into my
15 question something that I didn't ask you. I didn't mean to
16 suggest that you worked less than 40 hours a week on Board
17 business. I would like to repeat the question, which is:
18 how much of your time you have spent in Utah, Idaho and
19 Wyoming during the last five or six years. I don't believe
20 you have yet given me even an estimate on that.

21 A I have been out there from two to three times a year,
22 period, and I have stayed, while I have been there any time,
23 anywhere from a few days to a few weeks. That is the -- if
24 they were closer, as is the case with -- if my home was
25 closer, as is the case with many people in Washington, I

1 might spend the week ends there.

2 Q Are you able to give us any kind of estimate at
3 all as to the amount of time on the average?

4 A I have given you the best estimate I can give you.

5 Q I see. All right, sir.

6 You have mentioned in your testimony that Eccles Invest-
7 ment Company owns stock of a number of corporations engaged
8 in businesses other than banking as well as owning stock of
9 First Security Corporation, which owns the banks. I would like
10 to inquire at this time about some of those other interests.
11 The Eccles Investment Company has what percentage of invest-
12 ment in the Stoddard Lumber Company?

13 A Oh, about thirty-some-odd per cent. I might ad-
14 vise you, however, that that company has practically ceased
15 operation as its timber has all been cut out and it is a com-
16 pany that controls practically nothing except cash at the
17 moment.

18 Q You are president and a director of that company?

19 A That is correct.

20 Q And how long have you been such?

21 A Since 19 -- well, since the control of the company
22 was acquired in 1928.

23 Q And when did the company cease operations, as you
24 put it a moment ago?

25 A Last April.

1 Q That is April, 1948?

2 A That is right.

3 Q It was active up to that time, was it?

4 A It was operating. It has a small operation under
5 a lease basis with a former manager, which is tying up rough
6 lumber and milling it. That is a part of the plant at the
7 moment. That is the extent of its operation.

8 Q Do you or any member of your family own any other
9 companies in the interest of Eccles Investment Company?

10 A I have 300-some-odd shares, 340 shares out of a
11 total of about 9,000. No other member in my family, I think,
12 owns any of the stock of that company.

13 Q Who does own the rest of the stock?

14 A Browning Company has about half as much as Eccles
15 Investment Company and the balance of it is fairly widely
16 scattered among people who mostly live in Oregon.

17 Q Eccles Investment Company, plus your interest, plus
18 the Browning Company's interest is about or a little more than
19 50 per cent?

20 A That is correct. The three of them would control
21 it. That is, Browning Company and Eccles Investment Company
22 control it.

23 Q Does the Eccles Investment Company have any inter-
24 est in the Anderson Lumber Company?

25 A The Anderson Lumber Company is a retail lumber oper-

1 ation that operates mostly in Utah. They, I think, have one
2 or two yards in Idaho. The Eccles Investment Company and
3 the members of the Eccles family own about half and the
4 Anderson family, who are the officers and who run and manage
5 the company and have done it from the beginning, own the other
6 half. The Browning interests have no interest whatever. That
7 company was organized by Anton Anderson, who has been dead
8 a good many years. He died in his nineties, and he induced
9 my father in about 1903 or 1904, to go into the company--they
10 only had one yard--and to finance an expansion of the company,
11 and that is where the interest in the company came from, and
12 it has continued up to this time.

13 Q You are a director of that company?

14 A I am a director. I have always been -- I have been
15 a director since my father's death. I have never been an
16 officer. I have been a director, I think, since 1913 or 1914.

17 Q And that, of course, covers all of the time during
18 which you have been a member of the Board of Governors?

19 A Yes, that is correct.

20 Q Does the Eccles Investment Company have any inter-
21 est in the Amalgamated Sugar Company?

22 A No. No. The Eccles Investment Company does not
23 have any interest in the Amalgamated Sugar Company.

24 Q Do you or any member of your family own any interest
25 in that company?

1 A I have a substantial interest and other members of
2 my family, individually, have a substantial interest in the
3 Amalgamated Sugar Company.

4 Q What is the approximate amount of that interest?

5 A It may be as much as, I would say roughly, around
6 10 per cent. I do not think it would be more than that. I
7 would say roughly about 10 per cent.

8 Q That is, you and your family, or just you?

9 A That is me and the other eight members of my family.

10 Q And does the Browning family own any interest in
11 that company?

12 A The Browning family has a small interest in it. I
13 would say maybe 2 or 3 per cent. It is owned by individual
14 members of the family.

15 Q Who owns the rest of that company?

16 A That company is owned by -- I wouldn't say how many
17 thousand stockholders. The stock is very widely held in
18 California, in New York. My interest in that company and
19 my family interest goes back, my father organized that
20 company in 1898 for a sugar factory.

21 Q And you are the Chairman of the Board and a director
22 of that company?

23 A I am the Chairman of the Board and a director of
24 that company.

25 Q And you have been throughout the period that you

1 have been a member of the Board of Governors?

2 A That is correct.

3 Q Are you also the president of the Eccles Hotels,
4 Inc.?

5 A That is correct.

6 Q Are you also a director of the Mountain States
7 Implement Company?

8 A That is correct.

9 Q And are you also president and a director of the
10 Sego Mill Products Company?

11 A That is correct.

12 Q And you have held all of those positions throughout
13 the time that you have been a member of the Board of Governors?

14 A That is correct.

15 Q Are you also Chairman of the Board and a director
16 of the Utah Construction Company?

17 A That is correct.

18 Q And have been throughout the time that you have been
19 a member of the Board of Governors?

20 A That is correct.

21 Q Have you attended Board meetings of that company
22 during the period that you have been a member of the Board
23 of Governors?

24 A I have attended some meetings. I have possibly
25 missed more than I have attended.

1 Q Where are those meetings held?

2 A They are usually held in Ogden. Occasionally, they
3 hold one in San Francisco where their operating office is,
4 the general operating office.

5 Q And then you attended Board meetings of these other
6 companies which we have mentioned, of which you are a member
7 of the Board?

8 A I have not attended a meeting of the Sego Mill
9 Products Company for ten years. I have attended occasionally,
10 maybe once, whenever I happen to be out West and a meeting
11 is held -- very often meetings are not held when I am there,
12 but if I should be there, then, I attend the meeting of the
13 other companies, maybe one meeting a year, maybe two meetings
14 a year, depending upon the convenience and upon whether or
15 not I am there.

16 Q I take it from your last answer, your last few
17 answers, then, that you know from your own personal exper-
18 ience that holding the title of Chairman of the Board of a
19 company does not have any particular significance in determin-
20 ing whether a man is active in the direction of the affairs
21 of the company.

22 A The position, as in my case, is purely nominal and
23 none of these that you have indicated have been established
24 since coming with the Board. My connections all relate back
25 to a family interest of a very long duration. In fact, prac-

1 tically all of these companies, their organization was prior
2 to the organization of the First Security Company. These
3 connections, of course, are a matter of public knowledge.

4 Q I understand that. I just wanted the record to
5 be clear on that.

6 A I was just going to say that I think they have been
7 listed in the various directories, Who's Who, and I think there
8 are eight different directories that all of those connections
9 of mine have been listed in in the last fourteen years since
10 I have been in Washington, so it is a matter of public knowledge.

11 Q Do you or any member of your family own any
12 direct interest in the Utah Construction Company?

13 A Yes. What is owned by the individuals and by the
14 family I think is about 15 per cent. It was 10 per cent
15 up until two or three years ago, when a substantial block of the
16 company by a certain interest was sold and the Eccles family,
17 along with some of the others, purchased that block of stock,
18 so that up until about that time, I think it was three years
19 ago, the interest was 10 per cent. It is now, I would say,
20 approximately 15 per cent. There are, however, other inter-
21 ests which are -- the Wallace interest is an interest
22 which is substantially larger, it must be 25 per cent.

23 Q Who owns the rest of it?

24 A The Browning Company would have 7 or 8 per cent,
25 I would think, and the balance of it is scattered among a

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1 great many people.

2 Q What is the business of the Utah Construction Com-
3 pany?

4 A The business is one of general contracting.

5 Q In pursuance of that business, it has had some im-
6 portant Government contracts in the last seven or eight years,
7 has it not?

8 A Over the life of the company it has had a great
9 many Government contracts.

10 Q Didn't it participate in the construction of the
11 Geneva Steel plant at Provo, Utah?

12 A It, along with two other companies, was asked
13 by the United States Steel Corporation, which had been request-
14 ed to build that job, to build some of the foundations and
15 roads and heavy construction work.

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1 Q That was about a two hundred million dollar job
2 on the whole, wasn't it?

3 A I think that the job that the three companies had,
4 together, was about 25 million dollars of the job. The total
5 job exceeded 200 million dollars, but these three companies
6 were only one group of a great many contractors. That job,
7 no part of it was let out at bids because the plans, when
8 they started on the job, the specifications, I understand,
9 were not ready as was true with practically all war work.

10 Q Yes.

11 A That the Government brought in every construction
12 company that they could locate and negotiated with that com-
13 pany, with those companies for work that they wanted done.
14 I would say that the Utah Construction Company's work with
15 the Government was, prior to the war, all on a competitive
16 bid basis and practically everything since the war whatever
17 the Government has, of course, had, unless it was some emer-
18 gency job.

19 Then I would like to say this with reference to the
20 company: That practically all of the work that they parti-
21 cipated in during the war, they did not in any instance
22 solicit the work, and in practically all of the participation
23 they were invited to participate with other contractors.

24 Q In addition to the contracts you have mentioned,
25 they also had a contract for the, or rather in the construction

1 of the 21 million dollar Davis Dam in Arizona, did they?

2 A They bid that dam job prior to the war and they
3 were part, I understand, of a syndicate that did that job.
4 The job was cancelled because of the war and the job was later
5 put up to competitive bids, and because they had already
6 bought a lot of equipment and so forth, they again bid on the
7 job and were the successful bidder on that job.

8 Q And they also had a contract on the Norfolk Dam at
9 Mountain Home, Arkansas?

10 A The Morrison-Knudson had that contract. The Utah
11 Construction Company had a participation. I don't know whether
12 it was five or ten per cent.

13 Speaking of the Davis Dam, I think they had a 20 per cent
14 participation. There were seven or eight other contractors.
15 They were merely a participant.

16 Q And they also participated in the construction of
17 the Alcan Highway?

18 A The Alcan Highway--they, I think, were brought in
19 by the Army Engineers, along with quite a number of other
20 contractors, and were assigned a certain part of that work
21 to do.

22 I might add this at this point: I recall the
23 bitter complaints of the management feeling that they had
24 to take that job, because it was what they considered an
25 extremely difficult effort and with no profit in it and

1 diverted their organization, but it was like a great many
2 other jobs during that time, they were brought in and asked
3 to do it and they did it.

4 Q Those were all Government contracts, were they not?

5 A They were.

6 Q Isn't Utah Construction Company one of the joint
7 contractors on a 20 million dollar contract let by the Army
8 in the Philippines?

9 A There are, I think, three companies. The Utah Con-
10 struction Company is one of the three. As I understand it--
11 and the reason I know so much about these is because Mr. Leslie
12 Gould, who I see is writing these stories, has raised all of
13 these questions, so I have taken occasion to be informed on the
14 matter. He mentioned particularly this Army question at least
15 a half dozen times, and the implication was made--I am glad
16 to have this opportunity to have this question brought up
17 while I am on the stand--that the Utah Construction Company,
18 through some effort on somebody's part, implied that I might
19 have had something to do with it, got them into the contract
20 when it was supposed to go to somebody else.

21 I inquired about this purposely because I knew nothing
22 about it. I had not even heard that there was such a job
23 or that the Utah Construction Company had any part in it, so
24 I made an inquiry with reference to the facts in this case
25 and I was told by Mr. Corey, president of the company, who

1 runs the company and been with the company for forty years,
2 that the Army had a great deal of work to do in the Pacific,
3 that they have no plans or specifications, that the work would
4 have to be subject to cancellation at any time, and that
5 they had picked nine contractors in the country who had done
6 a good deal of work during the war period and that they had
7 some experience with, and they, the Utah Construction Company,
8 was one of them.

9 The Utah Construction Company did not in any way
10 solicit the work or or any opportunity to participate in the
11 work, and the contractors, the two contractors that were
12 made partners of the Utah Construction Company, were two
13 contractors that the Army had picked and they gave these three
14 contractors, including the Utah Construction Company, the
15 Philippine work, three other contractors some other work, and
16 three other contractors some other work. That is the way
17 the Pacific work was handled.

18 I made inquiry as to the basis of this work and I was
19 advised that the fee upon this work was less than two per
20 cent, that they were to be paid on the work.

21 Q That is a cost plus fixed fee contract, is it?

22 A The size of the contract was somewhat indefinite
23 and I think the fee was fixed.

24 Q And it was a negotiated contract rather than one
25 let by bidding, is that correct?

1 A That is correct.

2 Q You say that you had to make inquiry of Mr. Corey
3 to learn the facts about that situation?

4 A I did.

5 Q When did you make that inquiry?

6 A Right after Mr. Gould's first article on this sub-
7 ject, oh, I think it was either the first part of last year
8 or the last part of 1947; some time over a year and a half
9 ago.

10 The company is operated by a management committee
11 composed of the engineers and the technical engineering people.
12 My connection is purely nominal and has been like that of
13 other directors of the company who determine the general
14 policy with reference to the company's financing and as to
15 the work to be done. The management committee I have referred
16 to has complete discretion to handle any and all work.

17 Q If you got this information at the time that you
18 just said, you didn't know anything about it at all in October,
19 1946, did you?

20 A I don't think so.

21 Q I have just been handed, Mr. Eccles, a copy of an
22 article by Mr. Gould, whom you brought into the matter a while
23 ago, dated October 9, 1946, which contains the following
24 paragraph: "In response to an inquiry to Mr. Eccles directly
25 as to Utah, his assistant at the Federal Reserve, Elliot

1 Thurston, has written this department, 'he, Eccles, has
2 devoted his time and energy during his years as a public
3 official and not to matters such as the contracts of the
4 Utah Construction Company about which you inquire,' but a
5 wire to L. C. Corey, president of Utah Construction Company,
6 mentioning Eccles and asking information about some of the
7 big jobs on their dollar value by Utah for the Government,
8 has brought this reply: 'Corey out of city and unable to
9 reach. Suggest you contact Eccles direct. Signed, Utah
10 Construction Company'."

11 A That would be a very natural wire, since he referred
12 to me.

13 Q I see. How much stock in the First Security Cor-
14 poration is owned by the J. M. and M. S. Browning Company?
.....

15 A I couldn't tell you. If you are talking about
16 voting stock or total stock--

17 Q Well, if you know, give it to me in the separate
18 categories.

19 A It would be my rough estimate that the Browning
20 Committee--let me put it this way: Browning Company and
21 Eccles Investment Company, as brought out before, not only
22 yesterday but before the Tobey Committee, when the bank holding
23 company bill was under consideration, owned each 44, approxi-
24 mately 44 per cent of the voting stock. Neither company
25 owned very much, if any--I think Eccles Investment Company

1 owns a little of the voting stock. The non-voting stock has
2 been paid out or I think dispersed to the families of the
3 companies, the families that owned the companies.

4 I would make a rough estimate that the Eccles
5 family owns possibly 15 per cent of the total stock of the
6 company, total outstanding "A" and "B" stock.

7 Q That is divided, as I believe you told us before,
8 44 per cent of the voting and half of one per cent of the
9 non-voting, approximately.

10 A That happens to be held by the Eccles Investment,
11 but the individuals own a lot of the non-voting stock.

12 Q That is the individual members of the Eccles family?

13 A That is correct.

14 Q Do they own any of the voting stock?

15 A No.

16 Q And the Browning Company--I didn't get your answer
17 to that.

18 A The Browning Company own, I think, about the same
19 amount of the voting stock and I think, although I am not
20 sure, that the individuals--there are two Browning families;
21 J. M. Browning family and the M. S. Browning family--I would
22 say that they owned 12 per cent--just a rough estimate--of
23 the total "A" and "B" stock.

24 Q And how much is that of the voting and how much
25 non-voting?

1 A Let me see--

2 MR. TOWNSEND: Mr. Eccles, if you need to refresh
3 your recollection, I have the letter here that you sent to
4 Mr. Tobey under date of June 13, 1947, which might have
5 those figures in it.

6 THE WITNESS: I don't recall. This possibly would
7 give you the information. Here is the letter that went to
8 the Senate Committee in response to Mr. Mario Giananni's wire
9 of June the 11th.

10 BY MR. STEWART:

11 Q This is your letter of June 13, 1947 to Senator
12 Tobey?

13 A That is correct.

14 Q I have a copy of that in the record, sir, and I
15 didn't find in it the answer to the question I just asked
16 you. If the answer is in there, you may use the letter to
17 refresh your recollection in giving the answer.

18 A It gives the percentages. It does not give the
19 shares and I don't remember the number of shares.

20 Q I see. Well, what is the percentage? I didn't
21 find that in there either.

22 A "Under capital structure, the First Security Corpor-
23 ation of Ogden, a bank holding company, of which members of
24 my family own in the aggregate between 15 and 20 per cent,
25 the voting rights are limited to less than one-eleventh of the

1 total outstanding shares"--does that answer your question?--
2 "while at the same time the voting shares receive over eight
3 per cent of all the dividends paid. The Gianinni telegram
4 states that perhaps I can explain"--no that isn't it--

5 Q I don't think that answers the question, sir.

6 A Will you read the question again?

7 Q I can't read it, but I think I remember it.

8 The question was, you having testified that the
9 Eccles Company owns 44 per cent of the voting stock and the
10 Browning Company owns 44 per cent of the voting stock, what
11 part of the voting stock is owned by members of the Browning
12 family, you having told us that the Eccles family owns none
13 of the voting stock?

14 A I don't believe that the members of the Browning
15 family owned any--

16 Q Of the voting stock?

17 A I don't believe so.

18 Q There is also non-voting.

19 A The members of the families, both are non-voting,
20 the individual members. Does that answer the question?

21 Q Yes sir, that answers the question. I didn't find
22 that in the letter or I wouldn't have taken this time on it.

23 A The ownership of the stock, the Eccles Investment
24 Company has, total for security, approximately four per cent,
25 so that the members of the family would own over ten per cent

1 of the non-voting.

2 At this point I would like to point out that
3 my interest in the Eccles Investment Company is one-ninth
4 and, therefore, my indirect interest, through Security, in
5 Eccles Investment Company would be about four-tenths
6 one per cent.

7 Q But that is a substantially larger percentage of
8 the voting power of the corporation, isn't it?

9 A Well, the voting power of the corporation is all
10 in the voting stock.

11 Q And there are about 227,000 shares of non-voting
12 stock as against 20,000 shares of voting stock?

13 A I think that that is approximately correct.

14 Q And the non-voting stock, I believe, is entitled
15 in liquidation to 35 dollars per share before the voting stock
16 is entitled to anything, or is it the other way?

17 A The non-voting stock is senior in--

18 Q In liquidation?

19 A In liquidation. The 35 dollars a share is the price
20 of the stock at the time the company was organized and the
21 original group that started the organization all got a like
22 amount of voting stock. They, however, all got a very much
23 less, including the Eccles Investment Company, amount of non-
24 voting stock. The non-voting stock was increased by some
25 public offerings at one time in order to raise some capital

1 and at different times as a bank was taken in, the owners of
2 those banks were willing to accept the non-voting stock and
3 they did so, but all of the original group got the same
4 proportionate number of voting and non-voting shares.

5 I might give you some reasons why--I was probably
6 responsible for having the non-voting or voting stock.

7 Q Before you do that, is it a fact that the Eccles
8 and Browning families and Eccles and Browning Companies have
9 just about the same percentage of the voting stock of First
10 Security Corporation today?

11 A Yes.

12 Q As they owned when the corporation was first organized
13 in 1922?

14 A I think that is not only true of them, but I think
15 it is true of the Snocrofts and other people who have holdings.

16 Q And that condition has been maintained, has it
17 not, by issuing non-voting stock in exchange for the stocks
18 of banks which have been absorbed or consolidated in one way
19 or another?

20 A Some of it that way and in other cases, stock was
21 offered for cash, a stock was offered for cash.

22 Q So that the effect of that was to keep the control
23 of the banks purchased exclusively in the First Security
24 Corporation, wasn't it?

25 A Yes, that is right.

1 Q Now, getting back to the Browning Company; M. S.
2 Browning is one of the principals of that company, isn't he?

3 A M. S. Browning has been dead since 1922 or 1923.
4 He died before the organization of the company.

5 Q What did the "M. S." stand for in his name?

6 A Matthew. I don't know what the middle name was.
7 Matthew Browning. "J. M." was John M. Browning, the great
8 gun inventor.

9 Q You mentioned the other day on your direct that
10 one of the Brownings had the same name that you had.

11 A Marriner Browning is the only son of M. S. Browning.

12 Q What is his middle initial?

13 A I don't know. It is "A" and I don't know what it
14 stands for.

15 Q I have seen it both "M. A." and "M. S." and I don't
16 know which it is.

17 A His name is M. A. Browning. He is the son of
18 M. S. Browning, and the only son.

19 Q He is an officer and director of First Security
20 Corporation, is he?

21 A He is the director and vice president.

22 Q Is he related to you?

23 A No relation whatever.

24 Q You have been associated in various business ventures
25 with the members of the Browning family for many years,

1 haven't you?

2 A Yes, in some ventures, although they have a great
3 many ventures that we have no interest in, and vice versa.

4 Q And M. A. Browning is a member of the Board of
5 Directors of the Utah Construction Company?

6 A Yes, that is right.

7 Q And has been for a long time?

8 A No, not very long.

9 Q How long?

10 A I would say four or five years.

11 Q I see. And he is also a member of the Board of
12 Directors of the Amalgamated Sugar Company, of which you
13 are chairman?

14 A That is right.

15 Q And a member of the board of some of the banks
16 owned by First Security Corporation?

17 A He has only been a member of the board of the
18 Sugar Company for comparatively few years.

19 Q Now, would you answer the other question?

20 A He is a director of the First Security Bank of
21 Utah and the First Security Bank of--no, I do not think of
22 Idaho. And he is a vice president and director of the
23 First Security Corporation.

24 Q I gather from the testimony you have given in
25 answer to the previous questions that the Eccles Investment

1 Company and the members of the Eccles family, together,
2 own an aggregate of 44 per cent of the voting shares of
3 First Security Corporation.

4 A Well, the Eccles Investment Company alone does.
5 The members of the family own none of the voting shares.

6 Q So that in the aggregate, they own 44 per cent?

7 A That is right.

8 Q And the Browning Company, together with the members
9 of the Browning family, own another 44 per cent of the
10 voting shares?

11 A That is correct.

12 Q So that so long as the Eccles family and the Browning
13 family continue to work together, it is not necessary for
14 them to solicit proxies in order to control a stockholders
15 meeting of First Security Corporation, is it?

16 A I would say that that is correct.

17 Q Who are the other stockholders of First Security
18 Corporation owning a large amount, if there are any, of the
19 voting stock of that company?

20 A I don't know. I just don't recall. Some of the
21 Snccroft people, Take Senator Thomas' estate,
22 his three banks came into the company and in the beginning
23 of the first organization, he got some. I don't know what
24 has happened to that since, his estate, but I just don't
25 recall.

1 Q Do any of those people own any significant amount?

2 A Well, it couldn't be any great amount because there
3 is only 12 per cent outside of what the Eccles Investment
4 and Browning Company have.

5 Q What would you say are the largest parts of that
6 that is owned by any other one stockholder or group?

7 A I wouldn't know; two per cent, maybe three percent,
8 something of that sort.

9 Q Is some of that voting stock in a voting trust?

10 A No, there is no voting trust. There is a--I think
11 there is an agreement which was entered into. I think that
12 is covered in this--

13 Q There is some reference to it in the letter to
14 Senator Tobey you referred to a moment ago.

15 A Yes. That states the situation. Whether that agree-
16 ment expired, I don't know. It is an agreement that has been
17 made by my brothers since I came over here.

18 Q Can the voting trust be revoked, do you recall?

19 A I do not. I haven't seen it. I don't recall.

20 Q Then I take it you don't know whether the Eccles
21 Investment Company has reserved the power to direct the
22 trustees as to how they shall vote the stock?

23 A I don't recall that they have. I don't think that
24 they have. I think that the agreement provides that certain,
25 names of certain people, the voting trustees--my brothers

1 were voting trustees and I think two of the Browning people
2 were voting trustees, and I don't recall that there is any
3 direction given. I think that this report to the Senate
4 Committee covers that matter quite fully.

5 Q I see. Now, can you, Mr. Eccles, give me a list of
6 the banking services rendered by the First Security Banks of
7 Utah and Idaho?

8 THE HEARING OFFICER: Mr. Stewart, would you like
9 to take the usual recess?

10 THE WITNESS: I will answer that question, if I
11 may.

12 MR. STEWART: All right.

13 THE WITNESS: Well, I couldn't give that to you
14 specifically, except to say that while I was connected with
15 the organization we used to undertake through the banks to
16 give as complete banking service as was possible with refer-
17 ence to commercial loans and trust business and real estate
18 loans and assuming credit loans, so I would say that like
19 any progressive banking organization, they are continuing
20 to give the usual complete banking service.

21 MR. STEWART: I may, after the recess, want to
22 ask you some more questions about that, but just one more
23 question at this time.

24 BY MR. STEWART:

25 Q Would you be willing to have any officer who has been

1 associated with any of the First Security Banks, or with the
2 First Security Corporation, testify in this proceeding, if
3 requested by us to do so?

4 A I wouldn't want to ask them to do it. I am sure
5 that none of them would want to get into this matter. I feel
6 a good deal of embarrassment even bringing in the personal
7 affairs or names of my family and my associates, and I am
8 sure that they don't relish the idea and that the last thing
9 they would want to do would be to get on the stand in a case
10 of this sort.

11 Q My question, sir, was not quite whether you would
12 ask them to do it. My question was whether you would be
13 willing to have them do it if we asked them to do it?

14 A I would have no objection to them doing it, if
15 it is their desire to do it.

16 Q Having in mind, of course, that we have no subpoena
17 power in the case and that the only way we can get witnesses
18 is by request.

19 A I am sure that none of them would want to have any
20 part to play in a matter of this sort.

21 Q But you would have no objection if they were willing?

22 A I would have no objection.

23 THE HEARING OFFICER: The hearing will recess for
24 ten minutes.

25 (Recess taken.)

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

3 BY MR. STEWART:

4 Q Mr. Eccles, you testified on your direct examin-
5 ation that over your objection, Senator Glass introduced
6 a holding company "death sentence" bill in 1938. Is that
7 correct?

8 A I made no objection to Senator Glass.

9 Q No, but you objected to that kind of bill being
10 introduced.

11 A I would like to put it this way: That I had ex-
12 pressed myself as feeling that the bill was undesirable,
13 that a freeze bill or a regulatory bill would seem to me
14 more desirable.

15 Q Isn't it a fact that when Senator Glass introduced
16 the bill, he indicated that it was introduced by request
17 and that he had no personal enthusiasm for it?

18 A He said that with reference to one bill, but I am
19 not sure it was the first bill he introduced. He introduced
20 two bills.

21 Q Yes, I am coming to the next one in a moment, but
22 before we get to that one--

23 A I don't know what he said when he introduced the
24 first bill.

25 Q It is a fact, you recall, isn't it, that that first

1 bill did not even reach the stage of committee hearings in
2 the Caucus?

3 A I think that is correct.

4 Q And now with respect to this second bill that
5 Senator Glass introduced, which, according to my notes, was
6 on January 14, 1941, and the bill was called "S310" and was
7 entitled "To regulate the control of insured banks by
8 holding companies and for other purposes," that bill is the
9 one you mentioned in which you recall that Senator Glass
10 stated, when introducing it, that he was doing so by request,
11 and if I might quote, "The bill I am now presenting is intro-
12 duced by request and with reservations."

13 Do you recall that?

14 A Yes. I recall Senator Glass saying something of
15 that sort, but I was not sure in which bill--I wasn't sure in
16 connection with which bill he made that statement.

17 Q And that bill in 1941, you recall, was a bill which
18 contained a prohibition upon holding companies owning or
19 controlling after June 30, 1944 more than ten per cent of the
20 voting stock of an insured bank, and giving the Comptroller
21 of the Currency absolute veto over the payment of dividends
22 by the National Bank.

23 A I don't recall what the contents of the bill were.
24 There have been too many holding company bills discussed and
25 introduced for me to recall what was the contents of any

1 particular bill.

2 Q I would agree with at least the first half of your
3 sentence, that there had been too many of them introduced.
4 You recall, also, in connection with that 1941 bill, that Senator
5 Glass stated, in substance, that the bill was prepared and
6 introduced at the request of the Treasury and that the Comp-
7 troller of the Currency and the Treasury had permitted A. P.
8 Giannini of the Bank of America to expand, and that now they
9 want to cut off his neck.

10 Do you recall that statement being made?

11 A No, I do not.

12 Q Do you recall that at about the time that bill was
13 introduced, Secretary Morgenthau made a public statement
14 that notwithstanding his dissatisfaction with the manner in
15 which Senator Glass introduced the bill, he was still in
16 favor of it and that it represented one hundred per cent
17 Treasury opinion?

18 A I don't recall that statement having been made.

19 Q Did you disagree with Secretary Morgenthau about
20 that bill, as you did the earlier ones, as you testified?

21 A I did not know anything about the bill until after
22 it was introduced. That bill was drawn--that bill was
23 prepared by the Treasury and I understood that Mr. Crowley
24 of the F.D.I.C. also was in on the drafting of that bill,
25 but the Board was not, and the bill was introduced without

1 our knowledge and our advice and without our consent.

2 Q That bill was similar, was it not, to the earlier
3 bill to which you had made objections to Secretary Morgenthau?

4 A I think the purposes of it--I don't know that the
5 drafting of the bills are about the same, but I think the
6 objectives are about the same.

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1 Q From your knowledge of events from 1938 to 1941, or
2 1940, anyway, would you say it was fair to say that Secretary
3 Morgenthau was engaged in a continuous campaign of persecution
4 against Transamerica Corporation, the Bank of America, and
5 A. P. Giannini?

6 A I don't think that he was engaged in a campaign of
7 persecution.

8 Q What would you call it, sir?

9 A I think that the Federal Deposit Insurance Corpora-
10 tion and the Treasury and the Comptroller's office were very
11 much concerned about the expansion of Transamerica and
12 prior to the getting of the new capital in the bank, I think
13 they were very much concerned about the condition of the bank.
14 I would say that the Board was desirous of getting a holding
15 company bill to curb or to regulate and control expansion of
16 bank holding companies and that the Board was desirous of
17 trying to work out with the other supervisory agencies a
18 satisfactory agreement or arrangement with reference to Trans-
19 america and particularly the Bank of America, and, as was
20 brought out yesterday, we put forth a great effort at the
21 instigation or request of the Gianninis to intervene and see
22 if a satisfactory arrangement couldn't be worked out.

23 Q Now, in connection with those efforts of yours,
24 which you have already described for us, didn't you learn
25 that Secretary Morgenthau was using every agency of the

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1 Government which he found available for the purpose of further-
2 ing his efforts to bring about some sort of adverse action
3 against Mr. Giannini or Transamerica or the Bank of America?

4 MR. TOWNSEND: Will you read that question, please?
5 (Question read by the reporter.)

6 THE WITNESS: I hesitate to express an opinion
7 as to what Secretary Morgenthau's intentions were.
8 It seems to me that the record stands for itself.

9 BY MR. STEWART:

10 Q Just to refresh your recollection --

11 MR. TOWNSEND: Have you finished your answer, Mr.
12 Eccles?

13 THE WITNESS: I finished it, yes.

14 BY MR. STEWART:

15 Q To refresh your recollection about some of those
16 items that the record does show, of course, you already told
17 us about his efforts in 1938 and 1941 to put through
18 death sentence legislation as to bank holding companies in the
19 Congress. Isn't it a fact that at about that same time, and
20 a fact to your knowledge, that at about that same time he
21 handed over to the Securities and Exchange Commission con-
22 fidential bank examination reports which were the subject
23 matter of a well-known lawsuit?

24 MR. TOWNSEND: If you know, Mr. Eccles, of your
25 own knowledge.

1 MR. STEWART: It is a matter of public knowledge.
2 You know that.

3 MR. TOWNSEND: It isn't a matter of whether Mr.
4 Morgenthau turned them over, Mr. Stewart, and I suggest the
5 form of the question is certainly tricky and designed to ob-
6 tain a form of expression of this witness that would be usable
7 far beyond the confines of this case and so in the light of my
8 observation, may it please the Hearing Officer, I object to
9 the form of the question. We are not here trying Mr. Morgen-
10 thau or any of his intentions in this case. I have been very
11 patient this morning and haven't objected one time up to the
12 present time, but I think in view of what I have just said
13 that I ought to expand it a little bit further to say this:
14 that certainly if this line of questioning is to be permitted
15 to go on at much greater length, I shall have to find myself
16 objecting to each question. We have pursued this morning
17 subject matters that are so completely unrelated to the issues
18 of this case as to be quite obvious to all. Whatever other
19 intent there may be may perhaps be less obvious to some of
20 us than others, but certainly we have reached a point now where
21 it seems to me that counsel for Transamerica might well be
22 held within the permissible range of cross examination and
23 not allowed latitude to the extent already accorded him for
24 developing issues that are obviously not related to this case.

25 MR. STEWART: If the Hearing Officer please, I,

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1 of course, started this present line of questioning only
2 since the recess a few moments ago, and I respectfully submit
3 that the question is entirely proper for developing the his-
4 torical background, motives and purposes in this situation
5 which have certainly been put in issue by this particular
6 witness.

7 MR. TOWNSEND: And if that be so, it is an easy
8 matter to frame a question which will call for the development
9 of a background and not for a conclusion of a witness,
10 especially when it is aimed in the fashion in which these
11 questions appear to be aimed, and I respectfully submit, Mr.
12 Hearing Officer, that you could insist upon that, at least
13 as a fair requirement of the trial.

14 MR. STEWART: I have heard no objection from the
15 witness that he doesn't understand the question.

16 MR. TOWNSEND: Whether he does or whether he doesn't,
17 Mr. Stewart, I have objected and I think I have an objection
18 on an appropriate ground.

19 THE HEARING OFFICER: The Hearing Officer will
20 overrule the objection and the witness may answer if he knows.

21 MR. TOWNSEND: Will you repeat the question, please?
22 (Question read by the reporter.)

23 THE WITNESS: I have no knowledge whatsoever of
24 the relationship of the Treasury with the Securities and
25 Exchange Commission case which you refer to. The first

1 knowledge that I had that such a case was to be filed was
2 the day before it was filed.

3 BY MR. STEWART:

4 Q Which was in 1938, wasn't it, Mr. Eccles?

5 A I think so. I think it was in the fall of 1938.

6 Q And, of course, my question related to the knowledge
7 which you acquired in the negotiations in which you told us
8 you participated respecting the activities, the antagonistic
9 activities, if you please, of the Secretary of the Treasury,
10 at that time. Now, is it your testimony that you did not,
11 in the course of those negotiations, acquire any knowledge of
12 what he had done with respect to the Securities and Exchange
13 Commission?

14 A That is correct,

15 Q All right, sir. Did you, in the course of those
16 negotiations, acquire a knowledge of the activities of the
17 Bureau of Internal Revenue during that same period in trying
18 to substantiate a tax claim against Mr. A. P. Giannini and
19 against Transamerica Corporation in connection with Bancitaly's
20 gift to the University of California?

21 MR. TOWNSEND: Did you finish the question?

22 MR. STEWART: Yes. Did he acquire a knowledge,
23 is the question.

24 MR. TOWNSEND: I am going, from here on, to attempt
25 to protect this record against the excursions which Mr.

1 Stewart is attempting to take us through into matters that
2 are wholly and absolutely beyond the scope of the proper
3 cross examination of this witness. The subject matter which
4 he has now alluded to brings in another action, concerning
5 which we are not one whit concerned, and which can supply
6 not one whit of intelligent aid in the determination of the
7 matters here before you and unless, sooner or later, counsel
8 is required to hew to the line of reasonable relevancy, it
9 seems to me that we are inviting, for what purpose I know
10 not, a public statement by Mr. Stewart on any subject that
11 may appear to him to be desirable, incorporated into this
12 record for what purpose, I repeat, we can only conjecture,
13 but which certainly can have not the remotest relevancy to
14 what we are here attempting to determine. I most respect-
15 fully renew my objection to the irrelevancy of the question.

16 MR. STEWART: If the Hearing Officer please, I
17 have stated my purpose in connection with the last objection,
18 which, if I may say so, is a good deal more than my friend
19 has on a number of the exhibits which he has introduced here
20 which have no apparent relevance to the case. I submit it
21 is of the same character as the last one.

22 THE HEARING OFFICER: Mr. Stewart, the Hearing
23 Officer feels that he has permitted you wide latitude this
24 morning. In some cases the relevancy was not quite clear,
25 but this question does seem to be outside that latitude, and,

1 therefore, the Hearing Officer will sustain the objection.

2 MR. STEWART: Having in mind, sir, that the ques-
3 tion relates to knowledge acquired by this witness in the
4 negotiations in which he participated in 1940 and about which
5 he has testified on direct examination. That is the limit
6 of my question.

7 THE HEARING OFFICER: Mr. Stewart, I don't recall
8 that the witness said anything about this particular in-
9 quiry. I wonder if you would read the question again?

10 (Question read by the reporter.)

11 THE HEARING OFFICER: I sustain the objection.

12 BY MR. STEWART:

13 Q Did you, in connection with those negotiations, ac-
14 quire knowledge as to the activities of the Bureau of Internal
15 Revenue against Bank of America, upon its tax returns for many
16 years?

17 MR. TOWNSEND: Same objection.

18 MR. STEWART: I am trying to find out about what
19 knowledge the witness acquired in the negotiations concerning
20 which he has testified on direct, sir.

21 THE HEARING OFFICER: I sustain the objection.

22 BY MR. STEWART:

23 Q You certainly acquired knowledge, did you not, Mr.
24 Eccles, in those negotiations about the controversy with the
25 Comptroller's office, as that was the direct subject of those

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1 negotiations, wasn't it?

2 A Yes, in those conferences I got some knowledge of
3 the controversy.

4 Q And that was a controversy which was being --

5 MR. STEWART: Strike that, please.

6 BY MR. STEWART:

7 Q That controversy arose out of contentions presented
8 by the Comptroller's office which was under the jurisdiction
9 of Secretary Morgenthau, didn't it?

10 A I don't recall.

11 Q Didn't you tell us the other day that Secretary
12 Morgenthau took a personal interest and participation in the
13 negotiation and settlement of that controversy?

14 A He was not present personally. The Division of
15 the Treasury and the Assistant Secretary of the Treasury,
16 under whose direction the Comptroller's office came, partici-
17 pated in the conference. As I understood the matter, the
18 General Counsel was General Counsel of not only the Treasury
19 but of all of its bureaus and the Comptroller's office was
20 one of the Bureaus which came directly under the General
21 Counsel of the Treasury, so the assistant General Counsel,
22 Mr. Ed Foley, and Mr. Dan Bell, the assistant secretary,
23 participated in those conferences.

24 Q Mr. Morgenthau did participate personally, did he
25 not, at one conference you attended during that period, in

1 which he made the suggestion that perhaps public funds should
2 be withdrawn from the Bank of America because of his fear
3 for their safety?

4 A I don't recall that Mr. Morgenthau ever made that
5 suggestion. I do recall that he sat in one or two confer-
6 ences, in particular the first conference that was held with
7 reference to the Transamerica and particularly the Bank of
8 America, which matter had been brought to his attention by
9 Mr. Leo Crowley, who is the Chairman of the Federal Deposit
10 Insurance Corporation and Mr. Crowley was also present at that
11 conference and Mr. Marshall Diggs who was the acting Comp-
12 troller, Mr. O'Connor, the Comptroller, being in California,
13 in an effort to get the nomination for the Governorship.

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1 Q And was Mr. Jesse Jones of the R.F.C. also present
2 at that meeting?

3 A I don't believe Mr. Jones was.

4 Q Didn't you attend a meeting at which Mr. Jones
5 and some or all of these other people were present at about
6 the time under discussion, at which the question of with-
7 drawal of public funds was brought up by Mr. Morgenthau and
8 then withdrawn by him when he was reminded by Mr. Jones that
9 they were fully secured by Government bonds?

10 A I don't remember ever attending a meeting at
11 which Mr. Jones was present. It may be that such a meeting
12 was held and Mr. Ranson may have attended for the Board, but
13 I don't recall the meeting that you seem to have in mind.

14 Q By the way, Mr. Eccles, you did have a good deal
15 to do with Secretary Morgenthau during that period, didn't
16 you?

17 A I wouldn't say that I had a great deal to do with
18 him.

19 Q Well, you disagreed with him rather constantly
20 and openly on fiscal matters generally from 1938 on, didn't
21 you?

22 A Not always. I did have some disagreements. At
23 least, I would prefer to put it this way: That the Open
24 Market Committee, of which I was the Chairman, did not
25 agree with the Treasury and, being the Chairman, I had the

1 contacts to make with the Treasury. It was largely in
2 connection with fiscal policy and public debt management
3 where the disagreements developed.

4 Q I suggest to you, sir, that your disagreements
5 with Secretary Morgenthau at the time contributed in no
6 small degree to the gratification you expressed to Mr. L. M.
7 Giannini in your letter to him of March 22, 1940, and your
8 contribution toward the successful conclusion of the nego-
9 tiations which resulted in the termination of the charges
10 therefore presented by the Comptroller's office against the
11 Bank of America.

12 Would you agree with that suggestion?

13 A I would not agree with it at all.

14 Q What was your opinion of Secretary Morgenthau as
15 a banker at that time?

16 MR. TOWNSEND: Objected to, may it please the
17 Hearing Officer; completely irrelevant and immaterial in this
18 case and beyond the scope of proper cross examination.

19 THE HEARING OFFICER: Objection sustained.

20 BY MR. STEWART:

21 Q Now, I should like to ask you some questions about
22 the subsequent holding company bills which you have sponsored
23 before the Congress, Mr. Eccles. I believe you claim to be
24 an expert on bank holding companies, don't you?

25 A Well, I should know something about them. However,

1 I have been away from the operation of one for about 14
2 years.

3 As Chairman of the Board, in connection with the
4 testimony that I have had to give from time to time in con-
5 nection with bank holding companies that are under consider-
6 ation, I have given a good deal of thought and study to the
7 various types of bills.

8 Q I would just like to direct your attention to one
9 brief excerpt from your testimony on the hearings on Senate
10 Bill 829 before the committee on Banking and Currency of
11 the United States Senate, on June 11, 1947, as it appears at
12 Page 170 of the transcript of those hearings, and ask you if
13 it isn't a fact that you testified at that time: "I would
14 just like to say to the Committee that, of course, this bill
15 will apply to all companies equally, whether they happen
16 to be companies that I had a former connection with, the
17 First Security Corporation, which is a bank holding company,
18 and I think I possibly know as much about bank holding
19 companies as anyone, because I organized one of the first
20 in this country and operated it for quite a number of years.
21 Therefore, I claim to be an expert, not because of any theory,
22 but because of practical experience."

23 Did you give that testimony, sir?

24 A Yes.

25 Q Do you want to change that in any way at this time?

1 A No, I won't change it.

2 Q Now, in the light of your expert, practical ex-
3 perience, you have recommended several different pieces of
4 legislation dealing with the subject of bank holding com-
5 panies, haven't you, Governor?

6 A No. There was one bill that was sent up there that
7 did not go with the recommendation of the Board. It was what
8 we termed a "catch-all" bill that we had little or no hope
9 or expectation of getting it considered, but at least we felt
10 that it would be a basis for a development of bank holding
11 company legislation.

12 MR. STEWART: I will ask the Stenographer to mark
13 this paper for identification. I believe that is Respondent's
14 Exhibit 2 for identification.

15 (The document referred to was
16 marked Respondent's Exhibit 2
for identification.)

17 BY MR. STEWART:

18 Q I show you the paper which has been marked Respond-
19 ent's Exhibit 2 for identification, which is H. R. 2776, intro-
20 duced by Mr. Spence in the House of Representatives on March
21 26, 1945, and ask you if that isn't the first bank holding
22 company legislation which was introduced with your approval?

23 A I am unable to identify it without the Board's
24 consideration of the matter. I would have to bring so many
25 bills and I don't recall the dates or the substance of the

1 various bills that were introduced. I would have to review
2 the record with reference to the history of bank holding
3 company legislation.

4 Q Just so that you may do that, and without wasting
5 time at the present time, sir, I will tell you that it is my
6 understanding that that bill, which I have just handed you,
7 was introduced by Mr.--rather, was introduced by Chairman
8 Spence of the House Committee on Banking and Currency at the
9 direct request of Mr. Dreibelbis, whom you have previously
10 identified as counsel for the Board, and with the approval
11 of the Board, including yourself.

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1 MR. STEWART: Passing further questions on that for
2 the moment, I will ask the reporter to mark as Respondent's
3 Exhibit 3 for identification this paper.

4 (The document referred to was
5 marked Respondent's Exhibit No.
6 3 for identification.)

7 MR. STEWART: It is entitled "H. R. 6225", intro-
8 duced by Mr. Spence in the House of Representatives April 30,
9 1946, and I will ask you if you recall whether that is the
10 second of the bank holding company bills which was introduced
11 with your approval.

12 THE WITNESS: I would have to check it to ascertain
13 whether that is true or not.

14 MR. STEWART: Granting you an opportunity to do that,
15 sir, I will ask the stenographer to mark as Respondent's
16 Exhibit 4 for identification this paper.

17 (The document referred to was marked
18 Respondent's Exhibit No. 4 for
19 identification.)

20 BY MR. STEWART:

21 Q Which is entitled "Committee Print No. 2, June 13,
22 1947, S. 829," and introduced by Mr. Tobey on March 10, 1947,
23 this apparently being an amended version which was prepared
24 by that date. I don't have the earlier one, and I will
25 ask you if that is the third of the bank holding company
bills which was introduced with your approval.

A I would have to check that, but, as I recall, H.R.

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1 6225, the one that was introduced by Mr. Spence in the Second
2 Session of the 79th Congress, was not taken up by that
3 Congress and, of course, a bill dies in a Committee when the
4 Congress adjourns. It is my recollection that this bill --

5 Q Referring now to S. 829?

6 A That is right. It is very similar to the other --
7 to H. R. 6225, and was a reintroduction of this bill. Cer-
8 tainly, they are very likely, practically the same bill.

9 Q I would like to ask you during the recess to
10 familiarize yourself with those, because there are some ques-
11 tions along that line that I want to ask you after the
12 luncheon recess, but before we get to that, isn't it a fact
13 that you and Mr. Townsend, as counsel for the Board, have,
14 since June, 1947, collaborated with Senator Tobey and others
15 in the preparation of an amended version of S.829, which was
16 the last bill I handed to you?

17 A There were a good number of amendments suggested
18 to S.829 to the Committee and there were other amendments
19 which had been called to the attention of the Committee or
20 to the attention of Mr. Tobey who was Chairman of the Com-
21 mittee by Senator Downey whom we assumed represented the
22 Transamerica people, at least he was representing, purported
23 to represent their views, and the amendments proposed were
24 amendments which they suggested. One of those amendments --

25 MR. STEWART: If the Hearing Officer please, before

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1 the witness goes any further, he has made a suggestion here
2 that a Senator of the United States represented a private
3 party and I move to strike out that statement from the record
4 as not being factual, not being based upon any claim of fact
5 and rather insulting and irrelevant.

6 MR. TOWNSEND: May it please the Hearing Officer,
7 I cannot help but chuckle as I think of --

8 MR. STEWART: You can chuckle all you want --

9 MR. TOWNSEND: -- Mr. Stewart's concern in the
10 light of his apparently continuous, although so far unsuccess-
11 ful, efforts to suggest that the witness in this case, a public
12 official, like Senator Downey, should represent a private
13 interest in connection with his public affairs. I may say
14 further, in answer to Mr. Stewart's statement, that I don't
15 read into Mr. Eccles' remarks the apparent insinuation that
16 Mr. Stewart seems to find there. I think if you will consult
17 the records, you will find that the witness said that it was
18 felt that Senator Downey had suggested these amendments as
19 representing the views of Transamerica Corporation. I would
20 consider that Senator Downey was hardly a fit person to repre-
21 sent the State of California and its peoples and interests
22 in the United States Senate if Senator Downey did not under-
23 take to represent the points of view of those persons with
24 whom he is most likely to be acquainted and so it seems that
25 on two grounds, at least, Mr. Stewart's remarks are out of

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1 place.

2 MR. STEWART: Of course, counsel has put an entire-
3 ly different implication from that obviously intended by the
4 witness and I move to strike the remarks as unresponsive to
5 the question.

6 Incidentally, that is a motion that could have
7 been made numerous times in this examination, but I have re-
8 frained from doing it because I wanted to give the witness
9 full latitude.

10 THE HEARING OFFICER: The Hearing Officer will ask
11 that the reference to Senator Downey be stricken from the
12 record.

13 MR. STEWART: Is this an appropriate time for the
14 luncheon recess?

15 THE HEARING OFFICER: We will recess until 2
16 o'clock.

17 (Whereupon at 12:30 o'clock p. m., the hearing
18 was recessed, to reconvene at 2 o'clock p. m.)

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1 AFTERNOON SESSION

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

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

6 Mr. Stewart, will you proceed?

7 MR. STEWART: Yes, sir.

8 MARRINER S. ECCLES

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

11 CROSS EXAMINATION (Resumed)

12 BY MR. STEWART:

13 Q Just before the luncheon recess, Governor Eccles,
14 we had identified three holding bills, H. R. 2776, introduced
15 on March 26, 1945, H. R. 6225, introduced on April 30, 1946,
16 and S. 829, introduced on March 3, 1947. Do you have those
17 three bills in front of you now?

18 A I do.

19 Q Have you since the luncheon adjournment been able
20 to refresh your recollection that those are the three holding
21 company bills which were introduced into the Congress with
22 your approval and upon your recommendation?

23 A I have.

24 Q And that is the fact?

25 A That is the fact.

1 Q Each of those bills imposed upon bank holding com-
2 panies, or would have, if it had been enacted into law, cer-
3 tain restrictions upon their operations which are not now in
4 the law, didn't it?

5 MR. TOWNSEND: Just a minute. At this point, may it
6 please the Hearing Officer, I want to interpose an objection
7 to any line of questioning concerning the provisions of hold-
8 ing company bills which have been introduced in the Congress
9 by the Board. I think that it is completely beyond the
10 scope of proper cross examination, has no relevance to any
11 of the issues here presented, and that it certainly is not
12 asking too much to request you to require of counsel for
13 Respondent an expression as to the relevancy of these partic-
14 ular matters.

15 MR. STEWART: I will be glad to give such an ex-
16 pression, sir. Governor Eccles has devoted a good part of
17 his testimony here to a statement as to his personal feelings
18 in this situation and to his lack of prejudice and bias, with
19 which he was charged, against Transamerica Corporation. I
20 propose by this line of questions to demonstrate a very impor-
21 tant element and exhibition of that prejudice and bias.

22 MR. TOWNSEND: May I request, Mr. Hearing Officer,
23 that the generalities which counsel has announced do not
24 indicate how the questioning concerning the bills, which he
25 has had the witness identify, could possibly bring such a con-

1 clusion to fruition. I think until we have an expression on
2 that subject that it is appropriate for me to object, and I
3 do object to the questions on the subject, unless there can
4 be made to appear a reasonable likelihood that what Mr. Stewart
5 has stated to you can be substantiated.

6 MR. STEWART: I think it will appear as the ques-
7 tions develop.

8 THE HEARING OFFICER: Do you care to make a state-
9 ment on that, Mr. Stewart, in answer to his question?

10 MR. STEWART: I think, sir, the only way that can
11 be made to appear is by the analysis of the provisions of the
12 bills and the changes that were made in them and a showing
13 by the witness as to the sponsorship of those changes and the
14 reasons for the sponsorship. I expect to show through that
15 line of questions this witness' personal bias and prejudice
16 in connection with those changes.

17 THE HEARING OFFICER: Would you elaborate a little,
18 Mr. Stewart, on just how you consider this to be relevant
19 to this particular hearing?

20 MR. STEWART: As I said before, sir, one of the im-
21 portant issues presented by the voluntary appearance of Mr.
22 Eccles here is the question of his bias and prejudice in this
23 case. It is my intention and my expectation, by this line of
24 questions, among others, to demonstrate the fallacy of the
25 position that he has taken on direct examination in that re-

1 gard and, as I pointed out yesterday, in reference to the
2 statement that was made by him to the press at the time he
3 announced his disqualification, he voluntarily invited cross
4 examination along that line. I think to shut it off at this
5 point would be most inconsistent with the whole purpose of his
6 appearance as announced by him.

7 MR. TOWNSEND: May it please the Hearing Officer,
8 I have already stated in respect of Mr. Eccles' statement to
9 the press that that statement subjects him to every possible,
10 legitimate cross examination that anyone in a similar posi-
11 tion, to which he now finds himself placed, should be sub-
12 jected. It does not, however, I most earnestly suggest,
13 open the door to Mr. Stewart's rambling investigations, cover-
14 ing a whole host of subjects, which are not relevant to this
15 case and concerning which, as to this particular question,
16 he has not yet answered your question, how it can be material
17 in demonstrating Mr. Eccles' bias.

18 Let me just illustrate that for a moment. He says
19 that by examining this witness on provisions of bills intro-
20 duced at the request of the Board before the Congress concern-
21 ing the regulation of bank holding companies, that he will
22 be enabled to show a personal bias and prejudice on the part
23 of this witness against Transamerica Corporation. You are
24 not only the Hearing Officer in this case, sir, you are also
25 a member of the Board. I am not asking you to draw upon your

1 information to supply factual omissions from this file, but
2 I am asking you to draw upon your experience as a member of
3 the Board to ask yourself, in fairness to a consideration of
4 my objection, whether any statement thus far has been made by
5 Mr. Stewart which suggests to you, as the Hearing Officer
6 in this case, that there could be any content in those bills
7 which could demonstrate the fact.

8 MR. STEWART: Of course, sir, I haven't yet been
9 permitted to ask the questions. It seems to me that counsel's
10 objection is most premature.

11 MR. TOWNSEND: You have asked for an expression.

12 MR. STEWART: To ask me to outline all the ques-
13 tions in advance, is a most improper interference with cross
14 examination and an illustration of repeated efforts of the
15 counsel for the Board to repeat this attempt regardless of
16 fairness, equity and justice in the situation.

17 THE HEARING OFFICER: The Hearing Officer will
18 recess the hearing for ten minutes, so that he may confer
19 with his counsel.

20 (Recess taken.)

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

23 For the last two or three days I have been concerned
24 by the type of questions and objections raised by counsel on
25 both sides. After reviewing the matter carefully with my

1 legal advisor, I wish to read the following statement into
2 the record:

3 "I would like to make a brief comment for the in-
4 formation and guidance of counsel. It is directed to the ques-
5 tion brought out by both counsel as to the latitude to be
6 permitted on cross examination. In an administrative proceed-
7 ing such as this, where technical rules of evidence are not
8 necessarily binding, where hearings are to be held at inter-
9 vals in different cities and in which both counsel have
10 said that the Board does not have the power to subpoena wit-
11 nesses, I believe it inevitable to apply the strict rule en-
12 forced in some jurisdictions, limiting the cross examination
13 of a witness to the scope of his direct examination. I believe
14 also it would be better to apply the more liberal rule followed
15 in other jurisdictions which permits a witness to be cross
16 examined on any relevant matters, whether or not within the
17 scope of his direct examination. I would like to emphasize
18 that relevancy will be the guide. Witnesses for both the
19 Board and the Respondent may, therefore, be cross examined
20 accordingly.

21 "This, in my opinion, will, in the long run, serve
22 to expedite the hearings and shorten the record. It will
23 avoid considerable argument between counsel and it will aid
24 them in developing all the pertinent facts.

25 "I would also like to refer again to a statement I

1 have made before, that my main purpose in this hearing is to
2 provide both counsel with a full opportunity to produce all
3 the relevant facts bearing on the Board's complaint.

4 "In the circumstances, I have reconsidered my rul-
5 ing sustaining objections to the questions asked Governor
6 Eccles by counsel for Respondent relating to certain banks in
7 Arizona at lines 18 to 21 of page 661 of the record. At
8 lines 18 to 21 and on page 666 of the record and lines 4 to
9 7 of page 667 of the record. I now vacate those rulings and
10 overrule the objections referred to. However, I would like
11 also to state that counsel for Respondent has been allowed
12 a very wide latitude over the past two days in the scope of
13 his cross examination of the witness. Many of the subjects
14 covered in this cross examination have been of such a char-
15 acter that the relevance has not been apparent to the Hearing
16 Officer, particularly in view of the fact that Governor
17 Eccles voluntarily disqualified himself from participating
18 in this proceeding. From now on, it seems to the Hearing Officer
19 that the scope of the examination should be more clearly related
20 to the issues of the case and I hope that counsel for
21 Respondent will endeavor to restrict his questions according-
22 ly, so that we may get along with the hearing. I do not pro-
23 pose to limit counsel with respect to any subjects which
24 seem to me to be reasonably related to this matter, but I
25 will be prepared to limit the further cross examination when

1 the questions do not appear to be or are not shown to be of
2 a proper character. In my opinion, the question now pending
3 is not relevant to any issue involved in this case and I,
4 therefore, sustain the objection."

5 MR. STEWART: Will you read back the question
6 that led to that ruling?

7 (Question read by the reporter.)

8 MR. STEWART: In order that I may be clear in
9 the procedure that I next follow in this matter, I should
10 like to inquire of the Hearing Officer whether the ruling
11 just read from his statement relates to anything more
12 than the particular question. Was it the intent of the Hear-
13 ing Officer to sustain an objection to the general line of
14 questions upon holding company limitation or merely upon the
15 particular question which was asked.

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1 THE HEARING OFFICER: I specifically sustained
2 the objection on this question and I think the statement
3 I read is a statement that is quite clear and I hope, if you
4 read it again, perhaps you will be quite clear yourself.

5 MR. STEWART: I interpret it then, sir, unless I
6 am otherwise advised, as relating to the one question and I
7 will proceed with additional questions.

8 THE HEARING OFFICER: Mr. Stewart, this is not
9 related to a single question, the statement I read. This is
10 related to the future conduct on the part of both counsel
11 during the course of this hearing.

12 MR. STEWART: Then, sir, I shall proceed with the
13 next question.

14 BY MR. STEWART:

15 Q Will you refer, please, to H. R. 2776, which is one
16 of the bills you have in your hand, which you have identified
17 as having been introduced with your approval, and ask you
18 if it is not the fact that that bill would have imposed a
19 requirement which, in practical application, would have been
20 applicable to Transamerica Corporation, making it unlawful
21 for that company to retain bank stocks acquired subsequent
22 to December 31, 1942, or in other words, for a period of two
23 and a quarter years before the bill was introduced.

24 MR. TOWNSEND: I renew my objection on the same
25 ground, that any examination of bank holding company

1 legislation is irrelevant to these proceedings and certainly
2 within scope of the Hearing Officer's recent statement and
3 obviously should be prohibited.

4 THE HEARING OFFICER: The objection is sustained.

5 MR. STEWART: If the Hearing Officer please, the
6 last ruling makes it apparent that it was the Hearing Officer's
7 intent to sustain objections to my inquiring into this wit-
8 ness' intent in introducing holding company legislation, in
9 spite of the fact that he testified at some length on direct
10 examination as to the relationship between that legislation
11 and the intent of this proceeding.

12 I, therefore, have no alternative at this time but
13 to make a detailed offer of proof upon this subject which I
14 should say, before I begin it, I regard as depriving me of
15 an important right of cross examination. I am unaware of any
16 procedure, administrative, judicial or otherwise, which per-
17 mits a counsel to object to cross examination on the ground
18 that the questions must be stated in advance, but the Hearing
19 Officer's ruling puts me in the position where I must do that
20 unless there is a change at this time in it before I proceed
21 with the offer of proof.

22 Let me just call the attention of the Hearing Officer
23 to a brief excerpt from the witness' testimony on direct
24 examination at Page 590, Line 22. He said: "Of course, it
25 always had in mind"--that is, the Board always had in mind--"the

1 question of adequate holding company legislation that would
2 tend to curb further expansion by bank holding companies,
3 except with the approval or consent of banking authorities,
4 but the question of dealing with the situation as it existed
5 at that time, they had not considered, and as has been brought
6 out here, the supervisory agencies had agreed upon a program
7 to use such influences as they had to prevent further expansion,
8 but until this time, there had been no other consideration."
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10 If the Hearing Officer please, I should like to
11 ask once more, before I lose this valuable right of cross
12 examination, for the opportunity to put to the witness, in
13 the normal manner, these questions relating to a subject
14 directly in issue, namely, the witness' efforts to curb Trans-
15 america Corporation through legislation and otherwise.

16 THE HEARING OFFICER: Mr. Stewart, I would just like
17 to say that the ruling that I read still stands.

18 MR. STEWART: In view of that ruling, to which, of
19 course, I have an automatic exception, I must proceed with
20 my offer of proof and I want it to appear clearly on the
21 record that I will regard this, and will so urge in any
22 judicial review, that it is a reversible error in this proceeding
23 to require me to do this.

24 I offer to prove by this witness by further questions
25 on cross examination of the general line to which objection

1 has been sustained, first, that the bill which has been
2 identified as H. R. 2776, Respondent's Exhibit 2 for iden-
3 tification, which was recommended by the Board and parti-
4 cularly by this witness, would have made it unlawful for a
5 company to retain bank stocks acquired subsequent to
6 December 31, 1942; second, that that provision would have
7 required by ex post facto legislation the divestment by
8 Transamerica Corporation of stocks of banks at which this
9 proceeding is directed; third, that the facts will show that
10 Transamerica Corporation was the only corporation in existence
11 at that time which would have been substantially affected
12 by such provision and that this witness was aware of it
13 when he introduced that type of discriminatory legislation.

14 Next, I offer to prove by this witness that this
15 same bill contained a provision which was carefully drawn in
16 such manner as to exclude from its operation the companies
17 in which he and his family were interested, as developed in
18 the testimony this morning; namely, Eccles Investment Company
19 and its interests in banks and other corporations, while it
20 would be specifically applicable to Transamerica Corporation
21 and its holdings in the same Federal Reserve District.

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1 Next, I offer to prove in this same line by this
2 witness on cross examination that when this witness introduced
3 a new bill, the second of which was identified by me, namely,
4 H.R. 6225, introduced on April 30 of 1946, only 13 months
5 after the introduction of the first bill, it was accompanied
6 by a statement by the Board, explaining why it had been
7 substituted in place of the earlier bill and that whereas
8 the earlier bill would have contained a provision making it
9 applicable in some respects to the Eccles Holding Company,
10 not in the respect I have already mentioned, but in some
11 other respects, ^{it} would have made it applicable to Transamerica
12 Corporation to prevent the ownership by Transamerica at the same
13 time of bank stocks and non-bank stocks. The bill which was
14 then substituted, 15 months after the earlier bill, would have
15 excluded from the effect of that provision in the future
16 as well as in the past Eccles Investment Company and its
17 interests.

18 Next, I offer to show by this witness on cross
19 examination that when S. 829, the third of the bills identi-
20 fied as having been approved and sponsored by this witness
21 and which has been identified as Respondent's Exhibit 4 for
22 identification, was introduced in 1947, it preserved substan-
23 tially the same situation as to who was included and who was
24 excluded from the original bill.

25 In other words, preserving the discrimination against

1 Transamerica Corporation and in favor of the Eccles Investment
2 Company.

3 I further offer to prove by this witness that in explain-
4 ing the provisions of S. 829 to the Senate Committee on May
5 26, 1947, this witness in his personal testimony told the
6 Senate committee that the definition contained in that bill,
7 which is the definition that I have referred to as being
8 discriminatory in character, was, and I quote from his
9 testimony, "Derived in large part from the definition of a
10 holding company adopted by Congress when it enacted the Public
11 Utility Holding Company Act in 1935."

12 Next I offer to prove by him on cross examination
13 that he followed up that explanation in a reappearance before
14 the committee, approximately two weeks later, on June 11,
15 1947 by stating, and I quote, "As pointed out in my previous
16 testimony, the definitions and exemption provisions of
17 Section 3 are patterned upon identical provisions in the
18 Public Utility Holding Company Act of 1935."

19 I further offer to prove by his testimony on cross
20 examination that he did not explain to the Senate committee
21 at that time that the Public Utility Holding Company definition
22 included the words "any person" who might be found to exercise
23 "acontrolling influence" over a holding company, while the
24 bill which he was sponsoring was limited to "any company"
25 found to exercise a controlling influence over two or more

1 banks and that he did not explain that under his bill, in
2 contrast to the language of the Public Utility Holding Company
3 Act, a person might exercise a controlling influence over the
4 management of a bank holding company and still not, himself,
5 be a holding company. He did not explain the discriminatory
6 effect of that provision against Transamerica Corporation and
7 in favor of his own interests.

8 I further offer to prove, by the testimony of this
9 witness on cross examination, if I am not interfered with,
10 that this distinction was, first brought to the attention
11 of the Senate committee by telegram, dated June 10, 1947 and
12 a subsequent letter from Mr. L. M. Giannini to Senator Tobey,
13 dated June 18, 1947 and that this witness wrote a letter to
14 which reference has already been made here today to Senator
15 Tobey under date of June 13, 1947 in which he characterized
16 Mr. Giannini's telegram to which I have previously referred
17 as " a deliberate and malicious falsehood."

18 I further offer to prove by the questions to this
19 witness on cross examination, if they were not improperly
20 interfered with, that S. 829, the bill last mentioned, con-
21 tained a provision requiring bank holding companies to dis-
22 pose of their interests in non-banking organizations within
23 a period of two years, that that provision is the one commonly
24 referred to as the segregation requirement and yet that
25 under the definition of a holding company contained in that

1 state, Eccles Investment Company, even though it had 44 per
2 cent of the voting stock of a bank holding company, namely,
3 First Security Corporation, would not itself be a holding
4 company and, therefore, would not have been required to
5 divest itself of its holdings in non-banking assets.

6 I further offer to prove in the same manner, if not
7 improperly interfered with, that the Eccles Investment Com-
8 pany, under that bill, would have been put in a superior
9 position in competing with Transamerica Corporation in the
10 same Federal Reserve District and in a manner prohibited to
11 Transamerica Corporation and held out by this witness
12 to the Congress as a dangerous practice.

13 I further offer to prove by him and in the same
14 manner, if not improperly interfered with, that he pressed
15 very hard with all the means at his command to get that bill
16 passed by Congress, that he filed extensive statements before
17 the Congress and even came back later to answer arguments on
18 the bill after other witnesses had appeared, and that upon
19 his reappearance before the committee of the Congress he
20 testified that the definition provisions were patterned on
21 definit^{ion} provisions of the Public Utility Holding Company Act
22 of 1935.

23 I further offer to prove by him on cross examination
24 in this same line, if not interfered with, that in seeking
25 support for the passage of this legislation aimed at

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1 Transamerica Corporation he caused Mr. Townsend, then
2 Assistant General Counsel for the Board, and now the
3 Solicitor in this proceeding, to solicit support from banking
4 organizations in various parts of the United States and
5 particularly in California, from the competitors of Bank of
6 America, and particularly from the organization in that
7 district known as the Independent Bankers Association of the
8 Twelfth Federal Reserve District, that this witness, as a
9 result of those developments, took particular pains to point
10 out to the Senate committee that the bill had the support of
11 the Independent Bankers Association of the Twelfth Federal
12 Reserve District.

13 I further offer to prove by him on cross examination,
14 if not improperly interfered with, that he testified on the
15 record before the Senate Committee on June 11, 1947, at page
16 165 of the transcript as follows:

17 "I might say that the strongest supporters of this
18 bill are the non-member state banks. Mr. DuBois appeared be-
19 fore your committee the other day, representing the independent
20 bankers, the small independent bankers as one of the strongest
21 advocates of this bill. Mr. DuBois is certainly nobody's fool."

22 I further offer to prove that the same Mr. DuBois
23 who is referred to in that testimony and whose testimony was
24 given the blessing and approval of this witness in the manner
25 indicated, referred to the Board of Governors of the Federal

1 Reserve System as "Mr. Townsend's organization".

2 I further offer to prove by this witness on cross
3 examination in this same line, if not improperly interfered
4 with, that Mr. DuBois' statement as to his experience with
5 the Board of Governors and his ability to get helpful informa-
6 tion from the Board of Governors as a member of the
7 Independent Bankers Association, so-called, of Sauk Centre,
8 Minnesota, is in marked contrast to the attitude exhibited
9 by the Board in this proceeding and exhibited by the officers
10 of the Board in this proceeding and by the Solicitor of the
11 Board in this proceeding in refusing to give to me or to
12 Transamerica Corporation any information whatsoever about
13 the Board's activities or even its charges in this case,
14 although repeatedly demanded.

15 I further offer to prove in this same line of
16 questions on cross examination, if not improperly interfered
17 with, that this testimony of the witness, Mr. Eccles, before
18 the Senate committee and his general efforts pressing for
19 the enactment of that legislation was one illustration of
20 his further determination to impose his will upon Transamerica
21 Corporation as to how it should run its business regardless
22 of the lack of any legal requirements, that it subject itself
23 to his will as developed yesterday on his examination.

24 I further offer to prove by him in the same manner,
25 if not interfered with, that his testimony before the Senate

1 committee gave direct evidence of his personal animus against
2 Transamerica Corporation, particularly in the following remarks,
3 which appear at page 47 of the Senate transcript -- sorry,
4 this is page 22 of the report of the Senate committee, and
5 a quotation from this witness, if the Hearing Officer please,
6 "While the managements of the great majority of the important
7 bank holding company systems have sought the Board's views, if
8 not its approval, on proposed bank acquisitions, there is one
9 case where a holding company management has openly defied the
10 Board in its attempt to halt an unbridled bank expansion
11 program. I refer to the Transamerica Corporation with its
12 vast group of controlled banks in Arizona, California, Nevada,
13 Oregon and Washington. The Transamerica management has publicly
14 sought to justify itself on the ground that Congress, by with-
15 holding from the Board the direct power to curb such expansion,
16 has thereby indicated its approval of Transamerica policies."

17 I further offer to prove by him that in spite of
18 that statement and that insinuation and innuendo as to
19 improper action on the part of Transamerica Corporation, the
20 fact was at the time that neither the witness nor the Board
21 had any power or legal authorization from Congress to attempt
22 to halt, as he put it, the acquisition of bank stocks by
23 Transamerica Corporation.

24 I further offer to prove by the witness that on
25 the occasion of one of his trips to Utah, about which he has

1 testified, during the period between the introduction of the
2 first bill, to which reference has been made, and which con-
3 tains certain restrictive provisions applicable to Eccles
4 Investment Company and his own interests and the introduction
5 of the second bill, which removed those provisions and affixed
6 the great discrimination between his interests and those of
7 Transamerica to which I have referred, that during that
8 interval and during his trip to Utah, he had a conversation
9 with his brother, George Eccles, and with counsel for the
10 First Security Corporation in Utah and that during the course
11 of that discussion it was brought to his attention that the
12 first bill introduced might be embarrassing to him and to
13 his own interests and they strongly recommended that it be
14 changed and that it was that conversation and development
15 which led to the introduction of the second bill, bringing
16 about the discrimination I have referred to.

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1 I further offer to prove by this same line of
2 questions on cross examination, if not improperly interfered
3 with, that this witness testified before the Senate Committee,
4 at the hearings held in May and June of 1947, on S629, as
5 follows, at Page 23 of the transcript of those hearings:

6 "Senator Buck: Did they"--referring to Trans-
7 america Corporation--"not have to get your permission, F.D.I.C.,
8 the Comptroller of the Currency, if any, National Banks, to
9 open other branches?"

10 "Mr. Eccles: Yes, they do with reference to the
11 branches, yes, that is correct.

12 "Senator Fulbright: But not to buy a bank?"

13 "Mr. Eccles: Or to buy the assets of a bank and
14 even to get branches. There are a great many permits that
15 have been given in the past. If these standards had been
16 required by the Comptroller of the Currency, he never could
17 have given permits to establish the branches. There are a
18 lot of these permits that were given when I know the Board
19 certainly did not feel favorably toward it at all, but the
20 Comptroller had unlimited discretion and power to grant the
21 branches."

22 I further offer to show by this line of questions
23 and other similar references to his previous testimony, that
24 his testimony in this proceeding on direct examination as to
25 the complete unanimity and attitude on the part of the bank

1 regulatory agencies was not true and was, in fact, false, and
2 that there has been great difference of opinion between the
3 bank regulatory agencies as to the propriety of permitting
4 Transamerica Corporation and Bank of America to acquire
5 additional banks and open additional banking offices to meet
6 the needs of the people of California during this period of
7 population expansion there, which is unparalleled by any other
8 situation in the United States; that Mr. Eccles' own opposition
9 to that and his leadership of this Board in opposition to
10 that effort on the part of Transamerica Corporation and Bank
11 of America to think ahead and to take care of the needs of
12 the people was blinded by bias and prejudice and was contrary
13 to the thinking of the other agencies in the recent years.

14 I further offer to prove by this witness that the
15 introduction of the so-called segregation requirement, relating
16 to a requirement that Transamerica Corporation, in contrast
17 to Eccles Investment Company, be required to divest itself
18 of non-banking interests, was a policy fostered in prejudice
19 and bias and having no foundation in reason; that that policy
20 is absolutely contrary to the well recognized virtues of
21 a policy of diversification of investments as a factor of
22 strength in any investment program, and as a factor enabling
23 bank holding companies to come to the support of the banks
24 in which they have interests in times of stress.

25 I further offer to prove in the same manner that

1 the sole reason that has been urged upon the Congress and
2 the sole reason that this witness can offer an explanation,
3 other than the bias and prejudice to which I have referred
4 for enacting a segregation requirement, is that it would be
5 a means of preventing so-called "up-stream" loans, which
6 are loans made by a bank to a company of which it is a
7 subsidiary.

8 I further offer to prove in the same manner that
9 there is no need, under the existing law, for any such require-
10 ment, because the present law hedges about such loans with
11 restrictions as to security, which adequately protect against
12 any imagined evil which might be suggested.

13 I further offer to prove in the same manner that
14 without losing any of the advantages of a diversified invest-
15 ment policy made possible under the existing law, all of
16 the evils or imaginary evils of up-stream loans could be
17 eliminated by a simple legislative provision prohibiting
18 such up-stream loans if deemed in the public interest; that
19 this witness knew that when he urged the segregation require-
20 ment upon Congress and that the urging of that requirement
21 was nothing more than one more step in his program of forcing
22 Transamerica to do his will, contrary to law.

23 THE HEARING OFFICER: Will counsel proceed.

24 MR. STEWART: I take it, sir, that that statement
25 of offer of proof is overruled without objection from the

1 other side.

2 THE HEARING OFFICER: That is correct.

3 THE WITNESS: Mr. Hearing Officer, I hope the
4 witness might have something to say.

5 MR. STEWART: You have been overruled, Mr. Eccles.
6 I wanted to give you every opportunity to say whatever you
7 desired.

8 THE WITNESS: I can well understand the desire to
9 close these statements.

10 THE HEARING OFFICER: I don't think, Governor
11 Eccles, your statement will be in order.

12 THE WITNESS: Well, I suppose so, I suppose it
13 wouldn't. I would just like to say that I regret the decision.

14 MR. STEWART: You don't regret it half as much as I
15 do, sir. My client is the one who has charges against it
16 here.

17 If the Hearing Officer please, in view of the fact
18 that this has completely upset and disorganized my planned
19 presentation, may I have a few minutes' recess?

20 THE HEARING OFFICER: We will take a few minutes'
21 recess or longer.

22 MR. STEWART: That will be adequate, sir.

23 (Recess taken.)

24 THE HEARING OFFICER: Will the hearing come to order.
25 I would like to just make one more statement as a

1 result of counsel's argument. I would like to state to
2 the counsel again that I think you have been permitted
3 a very wide latitude in asking this witness questions on
4 his alleged personal bias and prejudice.

5 You may proceed.

6 MR. STEWART: I respectfully except to the state-
7 ment that has just been made on the record.

8 THE WITNESS: May I make a statement here, Mr.
9 Hearing Officer?

10 THE HEARING OFFICER: Very well, Governor.

11 THE WITNESS: I suppose the witness' personal feel-
12 ing is not to be taken into account, and all I can say is
13 that--

14 MR. STEWART: If the Hearing Officer please, if
15 this is going to be an answer to the statement--

16 THE WITNESS: I just want to say that I regret
17 that from a personal standpoint I haven't an opportunity to
18 answer Mr. Stewart's charges.

19 THE HEARING OFFICER: Very well.

20 THE WITNESS: But that is a personal matter.

21 MR. STEWART: Shall I proceed?

22 THE HEARING OFFICER: Yes.

23 MR. STEWART: I will ask the Stenographer to mark
24 as Respondent's Exhibit⁵ for identification, this paper that
25 I now hand her.

(The document referred to was marked Respondent's Exhibit No. 5 for identification.)

BY MR. STEWART:

Q I hand you the paper which has been marked by the Stenographer as Respondent's Exhibit No. 5 for identification, which is entitled "National Association of Supervisors of State Banks, Proceedings, Forty-Second Annual Meeting, Cincinnati, Ohio, September 1943," and which purports to contain a quotation of an address delivered by you on that occasion upon the subject "The Dual System of Banking."

I ask you if you recognize that document as an accurate report of the speech which you delivered on that occasion and as published at that time?

A I assume that it is. Of course, I, without comparing this with a copy of the speech or the original speech, would not know, but I am willing to accept this as a true copy of the speech, a correct copy of the speech that was made. I think I did make a speech about that time.

Q Do you recall the general subject matter of the speech?

A I recall that I appeared at that time, as I told them in that speech, as the devil's advocate.

Q And in that speech you expressed yourself as to certain facts bearing upon banking regulations and certain policies which you enunciated as being in the interests of

1 a sound banking structure, didn't you?

2 A I don't recall. It is rather a long speech and
3 I certainly don't recall everything that was in that speech.

4 Q I am not asking you, sir, about everything that
5 was in it.

6 A I don't recall--

7 Q I am asking you about the general purport. I say,
8 in general, you expressed yourself in that speech as to certain
9 facts bearing upon the banking regulations and certain policies
10 which you enunciated as being in the interest of a sound
11 banking structure, didn't you?

12 A I don't know. I don't remember.

13 Q May I assume, sir, that the facts stated by you
14 in that speech were accurate?

15 A I certainly thought they were accurate, or I
16 wouldn't have made them.

17 Q And that the policies there expounded by you
18 represented your honest opinions, based upon your experience
19 as a banker and as a member and chairman of this Board?

20 A Yes, I would say that that was true.

21 Q Upon that foundation, I should like to read into
22 the record certain excerpts from the speech to which I have
23 referred, and then there are certain questions that I wish
24 to ask the witness about the portions I shall read.

25 The first is from the page that is numbered 38,

1 which is the first page of the copy that I have handed you.
2 The number is up in the upper left-hand corner. Down about
3 the middle of that page, "As public officials responsible for
4 banking regulation, we all want a strong and successful bank-
5 ing system. It cannot be strong unless it is successful. We
6 all favor what we believe to be in the public interest. And
7 what, in fact, best serves the public interest will survive
8 in the long run."

9 Then, skipping over to the page numbered 41 in the
10 paper you have in front of you, beginning with the second
11 full paragraph on that page, "It is not long ago, as time is
12 measured, that we were predominantly an agricultural nation.
13 Local communities were relatively self-sustaining. Industries
14 were largely locally owned and comparatively small. As the
15 great railroad systems of the nation developed with the west-
16 ward march, new towns and villages sprang up along the way.
17 Each had its local, more or less self-contained economic life,
18 its stores and its banks. This was in a day of relative
19 scarcity of capital. This was a day when this country was a
20 great debtor nation in the world. Interest rates were high.
21 Too often banks took the risks and the losses that should have
22 been borne by risk capital and not by bank stockholders and
23 depositors. This era of rapid, steady expansion faded out with
24 the advent of the large mergers and consolidations in the
25 industrial world, with the development of modern transportation

1 and distributive systems and with our change, from the last
2 war, to the world's greatest creditor nation. Attempts to
3 halt this march of progress by anti-trust, anti-chain store
4 legislation or other statutory pains and penalties have largely
5 been in vain. It requires no gift of prophecy to foresee that
6 the same economic forces will in time compel the banking
7 system to follow a parallel pattern.

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11 1 "The answer to the theme question of this session
2 is not hard to discern, as you look back at the fate of
3 thousands upon thousands of the small unit banks which once
4 thrived. By 1921 we had more than thirty thousand commercial
5 banks in this country, more than 22,000 of them were state
6 banks, while some eight thousand were national banks. As of
7 last June 30, the number of state banks had shrunk from 22,000
8 to about 9,000 and there were about 3,000 fewer national banks.
9 There has been no banking mortality remotely approaching
10 this sad record in any other nation on earth. The dis-
11 appearance of more than 13,000 state banks and 3,000 national
12 banks as well, whether it be through failure, through merger
13 or through voluntary liquidation, is eloquent proof that some-
14 thing was fundamentally wrong with a system that permitted
15 so large a number even to come into being.

16 "We have expended more in time and money on bank
17 examination and supervision conducted by at least 52 separate
18 state and federal agencies than any nation in the world. It
19 involves unnecessary waste of manpower at a time like this.
20 It did not and could not, of itself, protect the depositors,
21 stockholders or customers of the thousands of banks that went
22 to the wall, even during the so-called prosperous twenties.
23 Aside from voluntary liquidations or absorptions, nearly ten
24 thousand state banks with aggregate deposits of close to five
25 billion dollars folded up in the twenties and early thirties.

1 At the same time, more than two thousand national banks
2 with deposits of only slightly less than two and a half
3 billion went to the wall. Most of these were independent
4 unit banks; banks that survived the twenties and then
5 weathered the economic disaster of the early thirties,
6 were necessarily the strong and not the weak. What saved
7 them in the end was the avalanche of money poured out by the
8 Federal Government. The billions in loans and capital
9 supplied directly to the banks by the RFC and the additional
10 billions furnished to others through the RFC, the Farm Credit
11 Administration and the Home Owners Loan Corporation which
12 made it possible to liquidate the frozen and defaulted credits
13 held by the banking system.

14 "As you in this audience know, bad management and
15 other human defects were minor and not major reasons for the
16 epidemic of failures. The mortality was greatest through the
17 twenties among the smaller institutions in the agricultural
18 regions. They were the victims of depressed agricultural
19 conditions. Thousands that managed to come through in the
20 country and cities only to succumb in the early thirties
21 were likewise primarily the victims of economic distress and
22 disaster, with which they could not cope individually and
23 from which the most diligent supervisory and examination policy
24 could not save them. Since the bank holiday the rising price
25 level has made good the assets of numerous banks that were

1 closed then and of many that would not have been reopened had
2 strict examination policy been uniformly applied. The rising
3 price level, not deposit insurance, has reduced bank mortality
4 to a minimum.

5 "The record of bank failures in this, the richest
6 country on earth, might have been much better, it could hardly
7 have been much worse, had examination and chartering policy
8 been more restrictive in boom times and if, especially during
9 depression, runs had been averted by deposit insurance.

10 "However, deposit insurance, which I strongly favored
11 at a time when most of the high banking contemporaries regarded
12 it as a scheme for making good banking pay for the mistakes
13 of bad banking, cannot cure the basic weaknesses. The
14 attempt to do so at this stage, by making chartering and
15 examination policy increasingly restrictive, would lead only
16 to depriving the public of needed banking services in in-
17 numerable communities. This, in turn, would lead to demands
18 on government to furnish through its agencies the credit
19 services that the banks would otherwise supply. It would
20 mean additional government encroachment upon the field of
21 private banking enterprise. Even today, during the greatest
22 of all war booms and despite the enormous growth of deposits,
23 many of the smaller banks are having difficulty in making a
24 living. It is difficult to attract new capital into the
25 banking system. Moreover, the process of contraction in number

1 of banks is continuing, fortunately through voluntary
2 liquidation of existing units, unable to operate successfully
3 and through mergers and consolidations, rather than through
4 the disastrous process of failures.

5 "The solution is not to be found in more and more
6 restrictions applied to a basically faulty structure. The
7 solution lies in a unified system with branch banking. We,
8 alone, have deposit insurance, we need it as long as the basic
9 faults of our banking structure remain uncorrected, but the
10 need for it would disappear and bank failures would be as
11 rare in our country as they are in other great nations if
12 we would deal with the causes, instead of continuing to deal
13 with the effects of the basic weaknesses in our system.

14 "Merely to unify the banking system under one
15 regulatory authority would not be a sufficient remedy. As
16 I have sought to stress, the problem is basically an economic
17 one. The question is, can the small, independent unit banks
18 expect better earnings in the future or, of greater importance,
19 can they provide their communities with adequate credit
20 facilities and bank services at costs as low as those pre-
21 vailing elsewhere. In this vast country there are many so-
22 called credit areas which have a surplus of savings over
23 local credit and investment needs and others, debtor areas,
24 where the demand for funds exceeds the local supply, but we
25 have a banking system which requires, for the sake of

1 liquidity that banks in the debtor area send funds to the
2 creditor areas, whereas the reverse should be the case.
3 Farmers and home owners and small businesses are demanding
4 better and cheaper credit facilities, while banks in their
5 communities hold idle balances in large city banks or buy
6 low interest-bearing bonds, but to protect their depositors
7 they cannot afford the risk of having all of their assets
8 invested at home. Is there any wonder that borrowers come
9 to Washington in times of business contraction and ask for new
10 government credit agencies. I am opposed to government-
11 subsidized competitive agencies taking away business from
12 the banks, but is the widespread outcry against farm credit
13 agencies really based upon a fear of socialized credit and
14 does it really attack the cause of the trouble?"

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1 Then, skipping over to the next page, another
2 excerpt that I would like to read, beginning the first full
3 paragraph at the top of the page numbered 44:

4 "Moreover, the vast volume of funds that have already
5 come or will come into existence before the end of the war
6 presents a competitive situation that is hardly designed to
7 result in increased rates and earnings by the banks. These
8 deposits are owned by insurance companies, mortgage companies,
9 finance companies, building and loan associations, business
10 and industry as well as by many other potential lenders,
11 individual and corporate. I have recently seen funds adver-
12 tised for lending in the mortgage field for as long as 40
13 years at but 4 per cent. Banks must face the necessity of
14 adapting themselves to meet such competition and at the same
15 time, through diversification and sound management, safeguard
16 the interests of their depositors and stockholders.

17 "I recognize that a banking structure that may best
18 serve one part of the country may not be adapted to another
19 part. Generally speaking, in the Eastern States, where larger
20 diversified banking units predominate and distances are
21 relatively short, there is no such public need for trade
22 area branch banking as is the case in those sections of the
23 country where distances are great and where the banking units
24 are necessarily smaller and far less diversified in their
25 lending and investing activities.-- indeed, often they are

1 too reliant upon conditions in one or only a few lines of
2 agriculture or industry.

3 "I have long felt that limited branch banking is the
4 practical solution of the banking problems confronting those
5 areas where unit banks cannot succeed. I have never favored
6 nation-wide branch banking, or its extension over wide areas.
7 I do feel, however, that it should be permitted within
8 limited trade areas, in no case exceeding the limits of the
9 immediate area served by the head office or by a branch of a
10 Federal Reserve Bank. I believe that the independent unit
11 bank should be protected, however, by a statutory provision
12 prohibiting establishment of any branch in a community already
13 served by a unit bank or by a branch of another bank. The
14 banking authorities could, of course, permit establishment
15 of another bank in a community if the need for it existed,
16 but under the provision I have in mind, a branch could
17 only come into the community by acquiring a unit bank, which
18 had been in existence for at least five years. Such an ac-
19 quisition would have to have the consent of the bank
20 supervisory authorities in order to prevent monopolistic
21 tendencies. Under such provisions, a market would be provided
22 for the stock of a unit bank in case the stockholders de-
23 sired to sell because of unprofitable operations or for any
24 other reason. At present the owners of the smaller unit banks
25 are greatly handicapped in having no opportunity, in most cases,

1 to dispose of their investment, if they wish to do so, at
2 anything like a satisfactory price.

3 "The smaller unit banks face many difficulties and dis-
4 advantages as compared with branch banks. The smaller units
5 are so limited in their lending capacity that more and more,
6 as business, industrial and agricultural enterprises have
7 enlarged, they have had to turn to the banks with large re-
8 sources for their financial requirements. The smaller units
9 do not have the opportunities afforded the larger institutions
10 to diversify their lending operations and thus spread the risks.
11 They cannot afford to employ the specialized management in
12 the various lines of lending and investing activity that can
13 be employed by the larger banks. They are not able to offer
14 the variety of credit and other services, and they lack stabil-
15 ity and continuity in management, as compared with larger
16 banks with branches. Accordingly, I see in a branch banking
17 setup such as I have outlined a practical and logical solu-
18 tion of the problem, both from the standpoint of providing
19 needed banking services for the public in many communities
20 and from the standpoint of the interest of the unit banks
21 themselves.

22 "The present branch banking laws discriminate unfairly
23 against national banks. While Federal law permits a national
24 bank to have branches in those States where State law permits
25 branch banking, the Federal law requires the same capitaliza-

aseb.

1 tion for each branch of a national bank. Most State laws
2 impose no such capital requirements. If both State and
3 national banks were put on an equal footing with respect to
4 branches and the independent unit banks were protected as
5 I have suggested, it seems to me that it would be in the interest
6 of all concerned.

7 "The public interest and public needs will, I am con-
8 fident, determine in the end the pattern that will be fol-
9 lowed. It is not the public which has opposed branch banking.
10 As Senator Glass said when the subject was being debated in
11 the Senate some years ago -- and he has had more legislative
12 experience with banking problems than any man in public life
13 in our times --

14 "The plea against branch banking comes from
15 bankers and not from people who transact business, not
16 from people who want to borrow money, not from people
17 who want to buy credit. It comes from bankers who want
18 to exclude from their peculiar communities anybody else
19 who wants to sell credit.'

20 "And you will perhaps pardon me if I recall to your
21 mind that the same Senator is the author of the statement that
22 'the curse of the banking business of this country is the
23 dual system.'"

24

25

1 One last excerpt from the speech, turning to the next
2 page numbered 46, the last full paragraph appearing on that
3 page:

4 "My own approach and viewpoint were well expressed by
5 an editorial in the New York Times of July 23, 1936, by
6 Elliott Bell, emphasizing the fact that 'an obvious and
7 pressing need for fundamental banking reform still existed.
8 If the experience of the depression years showed anything,'
9 this editorial continued, 'it showed the glaring weaknesses
10 inherent in a banking system which is conducted under no less
11 than fifty different sets of Federal and local regulations,
12 with many communities denied by law the services of banking
13 institutions equipped with adequate financial resources. The
14 remedies for these weaknesses are unified regulation obtained
15 through membership of all banks in the Federal Reserve System
16 and an extension of the practice of sound branch banking.'"

17 A Good speech.

18 Q It is, Governor. I agree with you. For once, we
19 have something we can agree on.

20 The policy you advocated for the protection of
21 unit banks during the period of transition from the present
22 dual banking system to a unified branch system would permit
23 the development of branch systems only by the purchase of
24 existing unit banks with rare exceptions, wouldn't it?

25 A I think that it possibly would.

2tm

1 Q And that protection is what is known as the de
2 novo rule, isn't it, Governor?

3 A Yes.

4 Q Is it not a fact that many states which permit
5 branch banking now have or during the period involved in
6 the complaint in this proceeding, have had the de novo rule
7 in effect?

8 A Just what do you mean by that question?

9 Q Let me repeat it. I think it is clear on its
10 face. If it isn't, I will try to clarify it.

11 Is it not a fact that many states which permit
12 branch banking now have or during the period involved in the
13 complaint in this proceeding have had the de novo rule in
14 effect, the rule which you have just identified as the de
15 novo rule?

16 A I think that is true. I think in some areas, and
17 I am not familiar, by any means, with all of the different
18 state branch banking laws, but I think in some instances the
19 right of a branch banking organization to establish a de novo
20 branch, that is a prohibition, let's put it that way, to
21 establish a de novo branch, without the consent of the local
22 banks in a given area is related to the population.

23 Q Without getting too far into the details of the
24 prohibition, don't you know it to be the fact that Calif-
25 ornia, Oregon and Washington, three of the states involved

3tm

1 in this complaint, have all had a de novo rule in one form
2 or another in effect during either the whole or a substantial
3 part of the period involved in the allegations of this
4 complaint?

5 A No. I am not familiar with the de novo rule in
6 those states.

7 Q You just don't know either way?

8 A I would take it there must be some population
9 limitation there, otherwise if it had required the consent
10 of the banks in the area to establish de novo branches, the
11 Bank of America could not established many of the de novo
12 branches that they have established.

13 Q Of course, sir, the de novo rule as advocated by
14 you in the speech, and as we have identified it here in the
15 last several questions and answers, did not involve a question
16 of consent of banks in the area. It involved a rule that a
17 branch banking organization could not operate an additional
18 branch in a community which already had a unit bank without
19 buying a unit bank, didn't it? That is the point to which
20 I am addressing the question.

21 A I think that related to size of community.

22 Q No, sir, it didn't in your speech and it didn't
23 in my question.

24 A I think the de novo branch rule does relate to the
25 size.

4tm

1 Q Well, without pressing the matter, since you have
2 said that you are not familiar with what the rule was in
3 those three states, let me just ask this final question:

4 I take it from that answer that you did not regard
5 it as important to determine the status of a de novo rule
6 in the states in question prior to approving the allegations
7 of this complaint.

8 A No, I don't think that had anything to do with it.

9 Q I see, sir. Now, isn't it also the fact that
10 the McFadden Act of 1927 contained a de novo provision as
11 to national banks until it was superseded by an amendment
12 in 1935?

13 A You mean prohibiting the national banks from the
14 establishment of branches?

15 Q Without buying an existing bank, yes, sir

16 A I don't remember it.

17 Q All right. Now, the de novo rule does operate to
18 the benefit of stockholders of unit banks, doesn't it?

19 A Yes.

20 Q And it provides them with a market for their stock,
21 which would not otherwise exist.

22 A That is correct. It protects them.

23 Q Yes. As a matter of fact, the branch banking
24 systems, themselves, with or without the de novo rule,
25 provide a market for unit bank stocks which do not otherwise

5tm

1 exist, don't they?

2 A Will you repeat that question?

3 Q I say the branch banking systems, themselves, with
4 or without a de novo rule, provide a market for unit bank
5 stocks which would not otherwise exist?

6 A That is correct.

7 Q That is one of the points you made in this speech
8 that I just read.

9 A That is one of the points I made.

10 Q That is a pretty important point in the economy
11 of banking, isn't it, Governor?

12 A It seems to me that that speech I made that you
13 just read, and which I agreed to then and I still favor --
14 I mean I am still in full accord with what was said then
15 and I was only expressing a view at that time that I had had
16 for nearly 20 years before that time. Everyone knows that
17 I have been a public advocate long before I came to Washington
18 and long after I came to Washington of limited branch
19 banking.

20 Q Isn't it a fact, Governor, that no branch banking
21 system has been created or can be created and developed in
22 the manner you have approved without purchasing unit banks?

23 A Well, it can only over a period of time. It
24 couldn't be done, certainly, very rapidly.

25 Q Do you know of any in existence, sir, that have

6tm

1 been created without purchasing unit banks and developed to
2 their present size?

3 A I think they have been developed in both a com-
4 bination of purchasing unit banks and then getting those
5 banks branched as well as establishing de novo branches,
6 where it was -- where they were permitted, authorized to do
7 so. I think it has been a combination.

8 Q Yes.

9 A Both in the case of Transamerica as well as in
10 the case of the First Security and in the case of other
11 organizations that own branch banking operations. In the
12 case of the Arizona bank, referred to yesterday, that, of
13 course, is an organization, and it does not have a holding
14 company, where if it was going to purchase the stock of
15 another bank, it would have to get the consent of the --
16 being a national bank, of the Comptroller of the Currency
17 to branch that bank, otherwise, it couldn't purchase it.

18 Q It, of course, could purchase the assets of exist-
19 ing banks without getting the consent of anybody, couldn't
20 it?

21 A It could purchase the assets and assume the
22 liabilities and close the bank only, eliminate the bank. It
23 could do that.

24 Q Yes. Now, Governor, essentially your proposal
25 in the speech I read, that de novo branches not be permitted

7tm

1 except in unusual cases is designed to protect the unit
2 banks from effective competition by the branch bank, isn't
3 it?

4 A Well, it was designed to prevent -- let me put it
5 this way: I was talking to a group of bankers and I, of
6 course, knew that the opposition of the unit commissioners
7 to branch banking was very strong and that certainly unless
8 the unit banks were fully protected, they certainly would
9 have a very justifiable and strong case against the branch
10 banking development.

11 Q I say, sir, the purpose of that proposal, albeit
12 made for the purpose of satisfying the unit bankers and
13 winning their support, the purpose of it was to protect the
14 unit banks from competition by the branch banks, wasn't it,
15 that being something that you thought necessary to win their
16 support?

17 A I think that certainly would have, it would have
18 that effect.

19 Q Yes. And you feel that the unit banks need that
20 protection from competition if they are to stay in business,
21 don't you?

22 A I certainly do.

23 Q And you know that the unit bankers for years have
24 urged such protection under law, haven't they?

25 A That is correct.

8tm

1 Q And it has ^{been} one of the primary functions of
2 the Independent Bankers Association, so-called, that have
3 sprung up, isn't it?

4 A Well, there are two independent bankers associations,
5 as I understand it, and the reasons that they have sprung up,
6 I don't know.

7 Q Hasn't that been one of the principal causes they
8 have espoused in their arguments?

9 A That is one of the principal causes they have
10 espoused.

11 Q And that is the real purpose of this proceeding,
12 isn't it, Governor?

13 A Is to do what?

14 Q Is to protect the unit bankers from the competition
15 of the branch banks?

16 A What proceeding?

17 Q This proceeding that we are trying here now?

18 A The purpose of this proceeding --

19 Q Can't you answer that yes or not and then make
20 your explanation, sir?

21 A No, I can answer it better in this way: The
22 purpose of the proceeding is to determine, as I stated
23 yesterday, whether more or less an unbridled growth, such
24 as has taken place in the banks of Transamerica, was in
25 violation of the Clayton Act.

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1 Q And you and the Board have alleged that it is.

2 A Well, that is right. As I understand the provisions
3 of the Clayton Act, they are that the lessening of com-
4 petition --

5 Q Please, Governor, I didn't ask you about the
6 provisions of the Clayton Act, and we went into that yes-
7 terday at some length. I think you have answered that
8 question and that is a purpose of which ^{you} approve, as I
9 understand it.

10 A That is correct.

11 MR. STEWART: If the hearing officer please, that
12 ends this particular line of questions, and I believe if
13 I went beyond it into the next, I would transgress the hour
14 that the hearing officer indicated he wished me to regard
15 as a stopping point.

16 THE HEARING OFFICER: May I thank the counsel
17 for his consideration.

18 The hearing will be recessed until 10:30 tomorrow
19 morning.

20 (Whereupon, at 3:45 o'clock p.m., the hearing was
21 recessed, to reconvene at 10:30 o'clock a.m., the following
22 day, Friday, February 11, 1949.)

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