

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 14, 1949

Pages 901 to 947

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WITNESSES

DIRECT   CROSS   REDIRECT   RECROSS

Marriner S. Eccles

902

E X H I B I T S

RESPONDENT'S

FOR IDENTIFICATION   IN EVIDENCE

Exhibit No. 8

905

Exhibit No. 9

915

Exhibit No. 10

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Exhibit No. 11

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Exhibit No. 12

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Exhibit No. 13

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Exhibit No. 14

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Exhibit No. 15

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UNITED STATES OF AMERICA

BEFORE

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

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: IN THE MATTER OF :  
: :  
: TRANSAMERICA CORPORATION :  
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Room 1202,  
Federal Reserve Board Building,  
Washington 25, D. C.,  
Monday, February 14, 1949.

The above-entitled matter came on for further hearing pursuant to adjournment, at 10:45 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 for 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 order,  
3 please.

4 Mr. Stewart, will you proceed?

5 MARRINER S. ECCLES

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

8 CROSS EXAMINATION (Resumed)

9 BY MR. STEWART:

10 Q Mr. Eccles, you mentioned on your direct examination  
11 that at the time you were replaced as Chairman of the Board,  
12 you received a letter from President Truman inviting you to con-  
13 tinue as a member of the Board. Isn't it a fact that on an ear-  
14 lier occasion, when you received one of your appointments from  
15 President Roosevelt you obtained a letter from him purporting  
16 to relieve you of the normal requirement that a Board member,  
17 who resigns before the end of his term, is forbidden to hold any  
18 office, position, or employment in any member bank for a  
19 period of two years?

20 A That is a statutory requirement of Congress. No  
21 President could possibly give any such a letter.

22 Q And you didn't receive any letter on that subject at  
23 all?

24 A I would certainly not ask for any such a letter.

25 Q And you did not receive such a letter?

1           A     I am quite certain that I did not.     That is a  
2 statutory requirement.

3           Q     That is my impression, that I understood that you  
4 did get such a letter.

5           A     Only Congress could relieve a member of the Board  
6 from such an obligation by a special -- it would require a special  
7 Act of Congress.

8           Q     And there wasn't any such thing as that in your case?

9           A     I can't imagine there being such a thing.

10          Q     In describing your banking career, during your  
11 direct examination, you mentioned that in 1920 your family  
12 acquired a substantial holding in the First National Bank of  
13 Ogden and the Ogden Savings Bank and that you took the presi-  
14 dency of those two institutions, succeeding Mr. Browning and  
15 then you said that in the fall of 1922, upon the suggestion  
16 of Mr. Browning, those banks, or one of them, was consolidated  
17 with the Utah National Bank of which Mr. Browning was presi-  
18 dent, and you took the presidency of the consolidated bank.

19           I take it that you found nothing improper or unlawful  
20 in that consolidation.

21          A     I certainly didn't, and neither did the Comptroller  
22 of the Currency, or I am quite sure that he wouldn't have  
23 approved it.

24          Q     And your banks have been involved in other consolida-  
25 tions from time to time, haven't they, since that day?

1           A       There have been some consolidations, no doubt. I  
2 only recall, however, one additional consolidation that I had  
3 any connection with and that was the consolidation in 1932,  
4 between the National Copper Bank, which was the bank in Salt Lake  
5 owned by the First Security Corporation, and the Deseret National  
6 Bank, which was a bank that was in difficulties at the time  
7 and the banking authorities, the Comptroller's office and  
8 the Federal Reserve people were anxious to have some Salt  
9 Lake bank take over or consolidate with the Deseret National  
10 Bank to prevent its closing. I was instrumental, along with  
11 others connected with First Security Corporation, in working out  
12 the consolidation which prevented the Deseret National Bank  
13 from closing. There may have been some other  
14 consolidations since that, but I do not recall them.

15           Q       Whatever they were, I take it you did not find any-  
16 thing improper or unlawful in any of them, did you?

17           A       I am sure that there was nothing either improper or  
18 unlawful or they wouldn't have been consummated.

19           Q       And some of those, at least, did involve the actual  
20 elimination of competition between two banks by consolidating  
21 them into one, didn't they?

22           A       Every consolidation would bring that result.

23           Q       Yes. Now, Mr. Eccles, I should like to show you --  
24 before I show it to you I will have it marked for identifica-  
25 tion.

1 (The document referred to was  
2 marked Respondent's Exhibit No.  
3 8 for identification.)

4 BY MR. STEWART:

5 Q I show you a little tabulation which appears in the  
6 February 2, 1949, issue of a publication called "Investors'  
7 Reader," and the tabulation is entitled "Recent Bank Mergers  
8 or Absorptions."

9 I will ask you to look at that and ask you if you can cor-  
10 roborate for me the fact that those consolidations and mergers  
11 of banks listed there have actually taken place during the years  
12 1948 and 1949, to date.

13 A I wouldn't be able to corroborate that fact, but I  
14 certainly wouldn't have any reason to doubt that they had taken  
15 place. There are numerous consolidations of national banks  
16 with national banks and state banks with state banks and national  
17 banks are taking over assets of state banks and national banks  
18 are going into liquidation for the purpose of selling their  
19 assets to state banks and state banks assuming their deposit  
20 liabilities because, as you possibly know, a national bank can-  
21 not be merged with or consolidated with a state bank, so that  
22 there would be certainly nothing unusual about consolidations  
23 that are enumerated here, I wouldn't think.

24 Q It is just done all the time?

25 A It is done all the time, and no doubt would continue  
to be done, so long as we have got as many banks in the country

1 as we have.

2 Q Yes, sir.

3 MR. STEWART: Just for the record, I will state  
4 that there are six consolidations shown on this exhibit for  
5 identification already in the year 1949 and thirteen shown  
6 during the year 1948.

7 BY MR. STEWART:

8 Q And those are probably only the bigger ones, aren't  
9 they, Governor?

10 A I don't --

11 Q If you just look at the size of them I think you  
12 will note from your general knowledge of the subject that that  
13 is inevitably so.

14 MR. TOWNSEND: I should imagine, Mr. Hearing Officer,  
15 that the total figures on consolidations and merger would  
16 officially be published somewhere and if they are not, we  
17 would be very happy to get a record of those for Mr. Stewart.

18 MR. STEWART: I would be very glad to have that, Mr.  
19 Townsend.

20 THE WITNESS: There are some comparatively small  
21 numbers below five million of deposits enumerated here.

22 BY MR. STEWART:

23 Q Anything below five million you regard as not sig-  
24 nificant in size?

25 A Yes, I would say that it wasn't significant today.



1 It is significant in the sense that it would be to any  
2 investor or national public interest.

3 Q Before I leave this little publication, I notice in  
4 here the following statement, or, rather a prediction that bank  
5 consolidations will continue in substantial numbers --

6 MR. TOWNSEND: Has the document been identified for  
7 the record?

8 MR. STEWART: That page that has the tabulation  
9 has, yes.

10 MR. TOWNSEND: What I mean, Mr. Stewart, has the  
11 title of the document been given?

12 MR. STEWART: Yes.

13 MR. TOWNSEND: I am sorry.

14 BY MR. STEWART:

15 Q The prediction here in accord with what you said  
16 awhile ago that bank consolidations will continue in substantial  
17 numbers and then this sentence: "Actually the postwar  
18 rate of less than 100 mergers and consolidations a year is far  
19 below the 300 to 800 consolidation pace of the twenties and  
20 early thirties (aside from an even larger number of forced  
21 suspensions.)"

22 Would you say those facts are accurate, Governor?

23 A I would think so.

24 Q One other statement before we leave it. Referring  
25 to the position of the banking authorities with respect to

1 mergers and consolidations, this sentence: "Thus, they have  
2 few objections when smaller banks join forces with stronger  
3 institutions which can better resist trouble."

4 Would you say that that is an accurate statement?

5 A It is a question of degree. It is a pretty broad  
6 general statement. I certainly wouldn't want to give a blanket  
7 endorsement to a statement of that sort without any qualifi-  
8 cations.

9 Q I direct your attention to the following statement in  
10 the annual report of the Federal Deposit Insurance Corporation  
11 for the year ended December 31, 1940, page 19: "Where correc-  
12 tions do not appear to be possible or likely, the corporation  
13 prefers to have the bank closed or merged with a sounder bank,  
14 rather than to terminate the bank's insured status, because in  
15 the case of a state bank, the bank might continue to operate and  
16 be a threat to the integration of the banking system."

17 Do you endorse that statement?

18 A Fully.

19 Q I take it, then, that you do not consider that  
20 there is anything improper or unlawful in one bank taking  
21 over another bank which might be in some financial difficulties,  
22 do you?

23 A I would think that would be very much better than  
24 the bank closing.

25 Q That is true, if even before that <sup>the</sup> bank taken over

1 was a competitor of the one taking it over, is it?

2 A Yes. I don't think that would be necessarily a  
3 factor, because if the bank closed it would be eliminated as a  
4 competitor.

5 Q Exactly. And you will agree with me, won't you, Mr.  
6 Eccles, that if the population of any given area grows sig-  
7 nificantly, the banks of the area must also grow and their  
8 facilities must be expanded in order to provide adequate bank-  
9 ing service for the expanded population?

10 A I would agree with that.

11 Q Isn't it a fact, Governor, that California and Oregon  
12 for the past 10 years have been among the fastest growing  
13 states in the nation, in terms of population?

14 A I think that Oregon, Washington and California have  
15 been the three fastest growing states in population in the  
16 past ten years.

17 Q Isn't that also true in terms of bank deposits in all  
18 banks in those states?

19 A Yes, I think that is also true.

20 Q Isn't it further the fact, now generally recognized,  
21 that the population of that area is in a definite upward trend  
22 which appears likely to continue for some time to come?

23 A I wouldn't be able to comment on that. I have no  
24 knowledge as to what its future population growth might be.

25 It, like the country as a whole, will no doubt have its -- the

1 country as a whole will grow and certainly the western area  
2 is likely to grow at least as fast as the rest of the country.

3 Q Let me direct your attention to some of the informa-  
4 tion that I think must have come to your attention on that  
5 subject. When Governor Warren of California addressed the  
6 California State Legislature last month, he said that California  
7 had grown in population from less than 7 million in 1940 to more  
8 than 10 million at the present time, and that this represented  
9 an increase of 40 per cent as compared to a 9 per cent increase  
10 in population for the whole country. You are familiar with  
11 those facts, aren't you, Governor?

12 A In a general way.

13 Q Isn't it also the fact, as Governor Warren then stated,  
14 and as you know, that this represents what the Governor  
15 called "one of the greatest voluntary peacetime migrations in  
16 history"?

17 A I think that is correct. I am not familiar with what  
18 the Governor said, however.

19 Q And I direct your further attention to an  
20 Associated Press dispatch from Palo Alto, California, dated  
21 February 3, 1949, which states, "A population of 14 million for  
22 California by 1960 is forecast by William Spurr, Professor of  
23 Statistics in the Stanford University Graduate School of Business.  
24 The State's population now exceeds 10 million. Spurr predicted  
25 that production will increase nearly 50 per cent in the State

1 by 1960.

2 "He estimated net migration to California at an average of  
3 265,000 a year during the 1950's. This exceeds the record  
4 yearly average of 261,000 in 1940.

5 "Spurr said the outlook varied widely for the different  
6 counties. Rural and suburban areas, as a whole, are expected  
7 to grow at least as rapidly as the metropolitan centers.

8 "Spurr said the State's growth since 1940 is not merely a  
9 war boom, but typical of a long trend growth that has  
10 averaged 45 per cent each decade since 1860."

11 Did that happen to come to your attention, Governor?

12 A No, I didn't see the report that you read.

13 Q You would not deny the right, would you, Governor,  
14 of a California businessman to take such predictions as that into  
15 account in planning for the future?

16 A I certainly would think that any businessman would  
17 be thoroughly justified in planning his business, based upon  
18 the possible growth in population or business in any given area,  
19 but in the case of the banking business, in the given area, the  
20 greater the deposit growth in an area, as a result of popula-  
21 tion and business growth, the more room there should be for  
22 independent banking, and the more room there should be for  
23 growth of competitive banking, the greater the population  
24 and the greater the resources of an area, in other words,  
25 the greater the room for competitive business. For instance,

1 in a sparsely populated state like Nevada, the 33 per cent  
2 or 35 per cent of the deposit business of a state in the hands of  
3 one organization would be much easier to justify than, say,  
4 such a volume of business in the State of New York and one  
5 institution in the State of New York having a third of the  
6 business of the state would be formidable. It would be a power  
7 of great magnitude. It would be far less justified than  
8 would be the case in Nevada. There are many counties in  
9 sparsely populated states where there are no banks. There are  
10 other counties where there is only one bank. There are many  
11 towns that are not large enough to support more than one  
12 institution. It could not be said that a banking  
13 institution that owned the only bank in the county was tending  
14 towards the creation of a monopoly and neither could it be  
15 said that a banking organization in a sparsely populated  
16 area, that might have a 25 or 30 per cent of the business of a  
17 sparsely populated area must be tending toward the creation  
18 of a monopoly.

19 Your rapid growth in California and Oregon is a justification  
20 for an expansion of independent banking.

21 Q It is also a justification, isn't it, Governor, for  
22 an expansion of banking, period?

23 A Certainly, there would have to be an expansion of bank-  
24 ing facilities in an area where there was any such growth as  
25 there has been in the West.

asc13

1 Q If there were not, the people would not be able to  
2 obtain adequate banking service, would they?

3 A I think that is absolutely true.  
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1           Q     Now, Governor, did you take the facts to which I  
2 have directed your attention in the last several questions  
3 into account before you decided to make the criticisms of what  
4 you have called Transamerica Corporation's expansion policy  
5 in your testimony here and in the complaint in this proceeding?

6           A     I am sure the Board took into account all of these  
7 factors.

8           Q     Even though when I brought some of these matters to  
9 your attention a few moments ago you said that you had not seen  
10 them before, is that correct?

11          A     You were bringing to my attention certain publica-  
12 tions and certain specific matters that I was referring to.

13          Q     Is it now your testimony that you were familiar  
14 with the facts, which I have brought to your attention, even  
15 though not with the particular publications in which I gave  
16 them to you?

17          A     I was familiar, as I am sure the Board was familiar,  
18 and the staff of the Board was familiar, in a general way with  
19 the growth of population and the growth of deposits on the  
20 Pacific Coast.

21               THE HEARING OFFICER: Off the record.

22               (Discussion off the record.)

23               THE HEARING OFFICER: On the record.

24               MR. STEWART: I will ask that this telegram be  
25 marked as the Respondent's Exhibit for identification.



1 (The document referred to was marked  
2 Respondent's Exhibit No. 9. for  
3 identification.)

4 BY MR. STEWART:

5 Q Governor, I hand you the telegram dated June 16, 1943,  
6 which has been marked Respondent's Exhibit 9 for identification  
7 and recalling the testimony you gave the other day respecting  
8 the conference you had with Mr. A. P. Giannini in February 1943  
9 and the subsequent correspondence respecting that conference and  
10 the still later talk you had with Mr. Allen Pope, I show you  
11 that telegram and ask you if you received it?

12 A Yes, I recall now that I received the telegram.

13 Q Did you reply to it?

14 A I do not recall whether I replied or not.

15 MR. STEWART: For the record, the telegram in question  
16 reads "Los Angeles, California, June 16, 1943, Honorable  
17 Marriner Eccles, Chairman, Board of Governors, Federal Reserve  
18 Board, Washington, D. C.

19 "Have information that you recently stated that I had  
20 broken my word with you, which you say was given earlier in  
21 the year at our meeting in Washington. This statement is  
22 absolutely untrue and I resent it. You know that in our  
23 February conference in Washington I stated not only the  
24 situations in which desirable integrations in Oregon, California,  
25 and Nevada had been adversely acted upon, but also stated that  
there were two existing commitments, one involving 40 per cent

1 stock control of a bank, which would require similar treatment  
2 in order to make the Board's program workable, and that it was  
3 understood that if these materialized, they were to be  
4 included in the integration program. When I was not asked to  
5 identify the banks, I assumed the Board realize that business  
6 confidences were involved. I do not violate business con-  
7 fidences. You know, too, that the conference understandings  
8 were wrecked largely because of a subsequent attempt to bind  
9 Transamerica alone to your so-called freezing policies  
10 instead of your obtaining similar commitments from other hold-  
11 ing companies which you voluntarily agreed to undertake  
12 personally. I am not concerned with threats which I have been  
13 informed have been made by you but your intrusive activities  
14 in transactions affecting Bank of America are highly detri-  
15 mental and will be vigorously challenged. You are advised that  
16 you will be held accountable for your acts outside the scope of  
17 your official duties." Signed, "A. P. Giannini."

18 MR. STEWART: Will you mark this letter dated July 1,  
19 1938, from Mr. Eccles to Mr. A. P. Giannini as the Respondent's  
20 Exhibit 10 for identification?

21 (The document referred to was marked  
22 Respondent's Exhibit No. 10 for  
identification.)

23 BY MR. STEWART:

24 Q Mr. Eccles, I show you the letter which has been  
25 identified as Respondent's Exhibit 10 for identification and

1 ask you if that is your signature?

2 A Yes, it is.

3 Q I call your attention down about half way in the  
4 letter to the one statement that, "Any supervisory official  
5 who feels called upon to carry the torch of unit banking or,  
6 for that matter, any particular type of banking, should base  
7 his arguments on proved facts and not bare assertions."

8 Do you still subscribe to that view, Mr. Eccles?

9 A Yes. I think that that is a fair statement.

10 MR. STEWART: I should like to have marked as the  
11 Respondent's next exhibit for identification a letter produced  
12 from the witness' files, or rather a photostat of it, from  
13 A. P. Giannini, dated November 29, 1941, in which the  
14 salutation is "Dear Marriner", dated November 29, 1941, and  
15 as the next Respondent's Exhibit for identification the photo-  
16 stat of a letter from Mr. Eccles to Mr. A. P. Giannini, dated  
17 December 20, 1941 and an attached enclosure.

18 (The documents referred to were marked  
19 Respondent's Exhibits Nos. 11 and 12  
for identification.)

20 BY MR. STEWART:

21 Q I hand those last two identified exhibits to the  
22 witness and I should like to ask you, Mr. Eccles, if you have  
23 refreshed your recollection concerning the contents of those  
24 papers since I first demanded their production at the beginning  
25 of your examination last week?

1           A     I have.

2           Q     And without mentioning the name of the bank  
3 referred to in Mr. Giannini's letter to you, unless you want  
4 to, isn't it a fact that Mr. Giannini, in his letter to you,  
5 Respondent's Exhibit 11, inquired if that particular time  
6 wouldn't be a good time to see if a deal couldn't be made  
7 in the form of a consolidation which would result in practically  
8 a Federal Reserve District-wide branch bank with offices in  
9 the states of Washington, Oregon and California?

10          A     That is correct.

11          Q     And isn't it further the fact that in the last  
12 paragraph of the letter Mr. Giannini suggested the possibility  
13 of you, personally, if you should leave your present position,  
14 participating in some way in such an organization?

15               MR. TOWNSEND: I suggest, Mr. Eccles, that you read  
16 that paragraph into the record.

17               MR. STEWART: If he wants to, that is all right.

18               THE WITNESS: "I don't suppose a man of your youth and  
19 talents" -- and I am glad to read this into the record-- "is  
20 going to spend much more time in that Washington atmosphere,  
21 so let's hope this note will make you think of getting back  
22 actively into the banking game out this way"

23               MR. STEWART: End of quote?

24               THE WITNESS: End of quote.

25               BY MR. STEWART:

1 Q Now, you interpreted that, didn't you, as a  
2 suggestion of the possibility of you personally participating  
3 in some way in such an organization as was mentioned  
4 in my last previous question?

5 A I didn't give it any interpretation at all for the  
6 very reason that I had no interest in leaving the Washington  
7 scene.

8 Q You had no interest?

9 A Not at that time.

10 Q Now, Mr. Eccles --

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

13 THE WITNESS: As has been brought out here earlier,  
14 no Board member is permitted to go into the banking business  
15 until two years after he leaves his position as a member of  
16 the Board. I merely took this from Mr. Giannini as a compli-  
17 mentary gesture, as an indication to me, as I understand has  
18 been made to many others, that he was favorable to me and  
19 his interest seems to me to be an attempt to ingratiate Trans-  
20 america organization with me and with the Board during a  
21 period when there was a good deal of tension.

22 BY MR. STEWART:

23 Q The tension had been removed, hadn't it, the year  
24 before?

25 A The tension had not been removed because during this

1 particular period the Temple City National Bank matter had been  
2 under discussion, consideration and criticism. The Pasadena  
3 Trust and Savings Bank matter had been also a matter of  
4 consideration and discussion and the Board, at this particular  
5 time, was considering the preparation of a reply with reference  
6 to the establishment, I think, of the two branches, one at  
7 Alhambra and one at Temple City. At this same time,  
8 the question of the conditions of membership of the --  
9 what is the bank that was brought up yesterday?

10 MR. TOWNSEND: The People's Bank.

11 THE WITNESS: The People's Bank of Lakewood Village  
12 were all matters of discussion between the Board and the Bank  
13 of America and there was, I think, considerable tension  
14 between the Board and the Transamerica organization. A very  
15 short period after this, I think it was on February 14, 1942,  
16 which was less than 60 days after my reply to Mr. Giannini's  
17 letter, the Board sent a letter stating its views with  
18 reference to the entire expansion program of Transamerica,  
19 which views were endorsed by the Comptroller of the Currency,  
20 the Federal Deposit Insurance Corporation and they signified  
21 their support of the program by initialing the letter, a  
22 copy of the letter that was sent to the Bank of America at  
23 the time.

24 BY MR. STEWART:

25 Q And that is the letter dated February 14, 1942 which

1 has been offered in evidence here by the Board's counsel?

2 A That is correct. And that was very, very --

3 Q Here is Exhibit 35.

4 A That is the letter that was sent and it was very  
5 shortly after this letter from Mr. Giannini that has been  
6 referred to here.

7 Q Yes. Now, Mr. Eccles, in that long answer, you did  
8 say that Mr. Giannini's suggestion was not interesting to you  
9 at that time, didn't you? Did you mean that?

10 A You mean the last -- there are two subjects in the  
11 letter. As a matter of fact, Mr. Giannini refers to the pur-  
12 chase of a bank, which is one matter, and then just before  
13 closing the letter, as a gracious remark he made the statement  
14 that I just read. The point of the statement --

15 Q You did say that you were not interested in the  
16 second of those, didn't you?

17 A I said so far as the second of them was concerned,  
18 I was not interested, that is correct.

19 Q Did you mean to imply that you were not interested  
20 in the first as well?

21 A No, I don't know that I did.

22 Q What was the nature of your interest in the first?

23 A The very fact that he had made a suggestion here.  
24 My reply -- I think it may be well to read my reply.

25 Q I wanted to direct your attention to at least one

1 sentence of your reply in which you said, "The matter you  
2 mentioned is interesting."

3 A But let me read it all.

4 Q All right, if you want to.

5 A "Shortly after reading your handwritten note, the  
6 war broke out and I have been simply covered up, hence the  
7 delay in replying. The matter you mentioned is interesting  
8 and as I am leaving home for Christmas holidays, I may possibly  
9 have the opportunity of talking to you in person. If not,  
10 I shall arrange to call you while in Ogden. Although you have  
11 likely had the matter checked, I am enclosing an excerpt from  
12 the banking laws touching upon the problem in question with  
13 brief comments thereon.

14 "Wishing you a Merry Christmas and a Happy New Year,

15 "With kind regards, I am,"

16 Q I think there was one error in your reading. It is  
17 "some excerpts" instead of "an excerpt", isn't it?

18 A That is correct.

19 Q And you did enclose with that letter a single-spaced  
20 note respecting the statutes and comments on them, from the  
21 banking laws and touching upon the problem of consolidation  
22 mentioned in Mr. Giannini's letter to you, didn't you?

23 A Yes. When I got the letter, I gave the matter to  
24 the attorney and asked him to prepare a statement and the  
25 statement enclosed, which I am not familiar with, was a legal



1 statement prepared by one of the lawyers.

2 Q For the Board?

3 A Yes.

4 Q Do you recall which one?

5 A I am not sure. I would think possibly Mr.  
6 Dreibelbis, himself.

7 Q And that statement is entitled "Right of two national  
8 banks to consolidate and status of consolidated institution  
9 with respect to branches."

10 A That is right.

11 Q And you did not, either in your reply or otherwise,  
12 at that time, suggest to Mr. Giannini that there was anything  
13 unlawful or contrary to public policy in the development of  
14 such an organization as he suggested there, did you?

15 A No, I made no suggestion, other than the letter,  
16 which was a short and courteous reply.

17 Q And the memorandum enclosed made no suggestion  
18 that there was anything unlawful or contrary to public policy  
19 in the development of such an organization, did it?

20 A It is purely a legal statement.

21 Q Right. And that memorandum and letter were the  
22 only comments you made to Mr. Giannini in connection with the  
23 proposition he submitted to you at that time, is that correct?

24 A As I recall. I am sure that I did not see him. I  
25 notice by the letter, I said I would arrange to call him. I

1 do not recall whether or not I called hm, but I am quite sure  
2 that I did not see him, because I went out home for Christmas  
3 and returned veryshortly thereafter.

4 Q Yes.

5 A I do not recall having seen him.

6 Q Now,Governor, by its formal order in this proceeding,  
7 dated October 1, 1948, as you no doubt know, the Board has  
8 taken the official position that the charges in this proceeding  
9 do not involve any claim of unsafe, unsound or illegal  
10 practices by bank officers or directors or any charge, the  
11 publication of which will have any harmful effect upon the  
12 banks named in the complaint or upon banks generally within  
13 the area affected. I take it that you subscribe to that  
14 version of the charges?

15 A Yes, I do.

16 Q And, nevertheless, as I understand it, you are  
17 pressing the charges?

18 A Well, I am not pressing the charges.

19 Q Well, you,along with the rest of the Board.

20 A The entire Board. I was only one member of the  
21 Board and not even its chairman when these charges were  
22 filed.

23 Q You were chairman when the investigation was  
24 initiated, weren't you?

25 A I was chairman when the investigation was initiated.

1 In the interim I ceased to be chairman.

2 Q And you were the chairman who requested and obtained  
3 the opinion of counsel upon the basis of which the investiga-  
4 tion was initiated?

5 A Yes.

6 THE HEARING OFFICER: Is this a good place to  
7 recess?

8 MR. STEWART: Yes. I was about to start a new line.

9 THE HEARING OFFICER: We will recess for ten  
10 minutes.

11 (Short recess taken.)

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

14 BY MR. STEWART:

15 Q Mr. Eccles, have the First Security Banks in which  
16 your family is interested in Utah, Idaho and Wyoming made  
17 contributions to the Independent Bankers Association of the  
18 Twelfth Federal Reserve District, <sup>and to</sup> the association of the  
19 same name in Grove City, Minnesota?

20 A I do not know, but I would doubt it very much.

21 Q You do not know either way on it?

22 A I do not know either way.

23 Q You do know it to be a fact, don't you, that one of  
24 the principal activities of those organizations has been the  
25 instigation and promotion of legislative and other types of

1 government restrictions upon the growth and development of  
2 Transamerica Corporation?

3 A Well, I know that they have been engaged in trying  
4 to get legislation, not only against holding companies, but  
5 also the growth of branch banking. I think that the growth of  
6 Transamerica has been a very important factor in their increased  
7 activities, but certainly the independent bankers are not only  
8 opposed to the Transamerica organization and its continued  
9 growth, but likewise they are opposed to the growth and ex-  
10 pansion of holding companies, generally, as well as to  
11 the growth of branch banking.

12 Q As a matter of fact, don't you know that some of  
13 their largest contributors have been branch banks which are  
14 in competition with Bank of America in California?

15 A I only know what I read in your ad in the newspaper  
16 that that was a fact. I hadn't known that to be a fact before.

17 Q Have you examined the lobbying reports on file  
18 with the Congress which disclose that information?

19 A I haven't.

20 Q You don't question that it is true, do you?

21 A No, I don't question.

22 Q All right, sir. By the way, do you know what the word  
23 "independent" in that name means? Independent of what?

24 A I don't know what it means. It is like a good many  
25 organizations, I suppose. It is difficult to interpret by the

1 name just everything they stand for.

2 Q It would seem to me from their activities that it  
3 meant independent of Transamerica. I wonder if you could verify  
4 that?

5 A I would think that they were independent of Trans-  
6 america.

7 Q They are not independent of anything else, are they?

8 A I think they are a pretty independent group of  
9 bankers. I think that their support largely comes from the  
10 unit banks. Certainly the membership, as I understand it,  
11 of the two independent organizations, one which exists in the  
12 west and the headquarters of the one which is in Minnesota is  
13 composed of independent bankers.

14 Q In other words, the membership are the unit banks  
15 and the money comes from the branch banks, is that it?

16 A The membership of branch banks might have con-  
17 tributed something to the support of the organization, but  
18 the independent banks, which are members, I suppose, provide  
19 most of the support.

20 Q You mean the unit banks?

21 A I mean the unit banks provide most of the support.

22 Q Now, Mr. Eccles, in your fifteen years as a member of  
23 this Board, which incidentally covers approximately half of  
24 the period during which the Board has been in existence --

25 A During what?

1           Q     Which covers approximately half of the period during  
2 which the Board has been in existence, I assume that you have  
3 thoroughly familiarized yourself with the history and policies  
4 of the Board during the period prior to the time you became a  
5 member, as well as during the period in which you have served,  
6 is that correct?

7           A     No, that is not correct. I was not familiar with the  
8 activities of the Board or the statutory requirements of the  
9 Board. In fact, I was not very fully informed with reference  
10 to the Federal Reserve System when I became a member.

11          Q     That was not quite my question, Mr. Eccles. My  
12 question was whether since that time you have familiarized your-  
13 self with this background and history?

14          A     No, I haven't. I have never read any part of the  
15 background and history prior to coming with the Board. I did  
16 well to try to keep up with the developments after I came  
17 with the Board. What I know about the background and history  
18 is comments from time to time in Board meetings and con-  
19 ferences that were made by staff people who had been with the  
20 Board prior to my coming with the Board.

21          Q     May I assume that in connection with these various  
22 matters that you have discussed in your testimony relating to  
23 Bank of America and Transamerica Corporation that you have  
24 at least familiarized yourself with the history of the  
25 Board's relations with Bank of America and its predecessors

1 throughout that period?

2 A No, I haven't familiarized myself with that.

3 Q Haven't you familiarized yourself with the circum-  
4 stances which led up to the original admission of one of  
5 the predecessors of Bank of America, Bank of Italy, to member-  
6 ship in the Federal Reserve System?

7 A I have not.

8 MR. STEWART: I will ask that three papers be marked  
9 for identification, the first one being a copy of a letter  
10 from A. P. Giannini to Honorable John Perrin, dated September  
11 18, 1917, the second one being a copy of a letter from A. C.  
12 Miller, a member of the Federal Reserve Board, to Mr. A. P.  
13 Giannini, dated September 26, 1917, and the third being a  
14 telegram from Mr. Harding, the then Governor of the Federal  
15 Reserve Board, to Mr. Perrin, dated October 20, 1917, all of  
16 these papers being produced from the Board's files.

17 ) (The documents referred to were marked  
18 Respondent's Exhibits Nos. 13, 14 and  
15 for identification.)

19 BY MR. STEWART:

20 Q Mr. Eccles, you have heard my description of these  
21 three papers as they were marked Respondent's Exhibits 13, 14  
22 and 15 for identification, respectively. Do I understand it  
23 to be your testimony that right up to this minute you have  
24 never seen these papers?

25 A I do not recall, if I have, having read them.

1 Q Will you look at them, please, without at this time  
2 taking the time to read them through, just for the purpose of  
3 telling me whether you have ever seen them before?

4 A I do not think that I have ever seen or read these  
5 letters.

6 Q I should like, sir, at this time to read certain  
7 portions of them to you and then ask you one question about  
8 them.

9 MR. TOWNSEND: I should like at this time, may it  
10 please the Hearing Officer, to object to Mr. Stewart reading  
11 into the record at this time any portion of these letters  
12 which the witness has said that he did not see and concerning  
13 which he could not possibly give any intelligent reply.

14 The thing that I want to point out to you, Mr.  
15 Hearing Officer, is that the use of these letters at any  
16 time is going to open up the entire question of how far the  
17 whole subject of correspondence between Transamerica and Bank of  
18 America or any of their predecessor and affiliated companies  
19 and conversations or communications with this Board will be  
20 relevant to these proceedings.

21 I want to say for the record that I will be perfectly  
22 willing to introduce the entire series of correspondence that  
23 has ensued between the Bank of America and Transamerica and  
24 the Board from 1917 right on through the time that the Board  
25 had any direct relations with the Bank of Italy as it was then



1 known as a member bank.

2 I think that if any part of it goes in, certainly all  
3 parts of it should go in. It is obviously completely  
4 irrelevant to the testimony of this witness because he has  
5 said that he knows nothing about the subject. There may  
6 come a time on the presentation of counsel's case when he will  
7 consider it relevant to put those documents in. It seems to me  
8 that the entire question of considering the relevance and  
9 materiality of these documents might well await the proper  
10 attempt at introducing them, which I most earnestly suggest  
11 is not in connection with the cross examination of this  
12 witness, who has stated unequivocally that he never saw them  
13 and that he knows nothing about them.

14 MR. STEWART: Mr. Hearing Officer, I paused at that  
15 point to allow Mr. Townsend to object because he asked me.  
16 Actually there isn't any question yet pending before the  
17 witness and I do not propose to put these papers in evidence  
18 at the present time any more than I will put in any others at  
19 the present time. I do have one or two questions to address  
20 to the witness which it seems to me bear directly and obviously  
21 on this witness' testimony in which he has made reference to a  
22 40-year plan and pattern and program and that sort of testimony  
23 with which the record is replete and it seems to me that I am  
24 entitled at this time to direct his attention to a part of that  
25 40-year record which contains positive assurances and agreements

1 on behalf of the Board and then subject to introduction of  
2 such papers as may be relevant at a later time.

3 MR. TOWNSEND: I think in reply to that, it becomes  
4 perfectly obvious that my original point is well taken. Mr.  
5 Stewart wants to read from communications which are 1917  
6 vintage between the Bank of Italy and the Board and concerning  
7 which, he said, certain assurances were given.

8 So far as this witness is concerned, he has said that  
9 he did not take them into account, that he doesn't know anything  
10 about them. Therefore, I most respectfully suggest that the  
11 way to utilize these papers, if they be utilizable at all in  
12 connection with this witness' testimony, is for Mr. Stewart  
13 to await the proper time to introduce them.

14 Let me suggest this, Mr. Hearing Officer: It  
15 might be appropriate, it seems to me, for you to consider  
16 whether or not you would not want to ask Mr. Stewart if he is  
17 going to ask the witness about letters that he has heretofore  
18 identified and which the witness has said he has never read  
19 and that if the answer to that question is "Yes," that the  
20 matter of going into that subject at this time would be highly  
21 improper.

22 MR. STEWART: Of course, my purpose in reading certain  
23 portions of the letter was to enable the witness to know  
24 what my questions related to. I wouldn't think of asking him  
25 a question without his knowing what it related to. I don't

1 intend to read the whole thing, but I do wish to direct his  
2 attention to certain portions of it.

3 THE HEARING OFFICER: Could you frame your question,  
4 Mr. Stewart, without reference to the letter?

5 MR. STEWART: No, sir, because the question relates  
6 to the letter.

7 THE HEARING OFFICER: Is that a letter furnished you  
8 by the Board in response to your request?

9 MR. STEWART: That is correct.

10 THE HEARING OFFICER: Since the witness has said that  
11 he doesn't know anything about the letters --

12 MR. STEWART: May I just say this, sir, before you  
13 rule on it: It seems to me that the record being in the state  
14 that it is now, it is important at this point for me to show  
15 what it is the witness says he knows nothing about and that is  
16 the purpose of this particular inquiry. The record now just  
17 shows that there are some papers that he says he hasn't seen  
18 before and I think it will ultimately appear, I think the  
19 substance of those papers is so directly related to the claims  
20 in this proceeding that it is vital at this point to show what  
21 it is that he says he doesn't know anything about.

22 MR. TOWNSEND: I think, Mr. Hearing Officer, that Mr.  
23 Stewart's statements indicate the purpose for which he wants  
24 to use them, which I most respectfully suggest is matter for  
25 another day and not on the cross examination of this witness.

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

3 MR. STEWART: Then, if the Hearing Officer please,  
4 I must at this time make an offer to prove by this  
5 witness at this time on cross examination that if I were per-  
6 mitted to ask the question it would appear that in the document,  
7 which has been identified as Respondent's Exhibit 13 for  
8 identification --

9 MR. TOWNSEND: Would you excuse me, Mr. Stewart?  
10 It seems to me, Mr. Hearing Officer, that it is within your  
11 province to direct Mr. Stewart not to read from the record.  
12 That if he wants to make a proffer of proof of the kind that  
13 he is apparently about to engage in, namely by reading from  
14 the documents, a matter on which you have already ruled, it  
15 seems to me that it is within your province to have that  
16 portion of the proffer of proof removed from the public  
17 dissemination of the matters, as is frequently done in the  
18 trial of court, and just take his proffer of proof outside  
19 of the public hearings because it is perfectly obvious that he  
20 just wants to use that method of reading into the record what  
21 you have heretofore said that he may not do.

22 MR. STEWART: Of course, it is perfectly obvious  
23 that counsel doesn't want the public to know about this,  
24 in spite of the fact that this has been held to be a public  
25 hearing. I earnestly suggest that perhaps the Board and the

1 Hearing Officer have taken a different position on that  
2 matter.

3 MR. TOWNSEND: Mr. Hearing Officer, I can't let that  
4 statement go unchallenged. I believe I have already said in  
5 this same series of colloquy that I am entirely agreeable to  
6 putting into the record of this case, if it be considered  
7 relevant, every letter that has passed at any time between the  
8 Board of Governors of the Federal Reserve System and any of  
9 Mr. Stewart's clients or their predecessors.

10 I do not wish by that admission, however, to lose  
11 sight for one moment of my real objection, which is that it is  
12 not proper cross examination of this witness. He has said  
13 that he knows nothing about those papers and for Mr. Stewart  
14 merely to read certain excerpts, which are taken out of their  
15 context and out of their setting and are completely unrelated  
16 to any of the other letters that are <sup>in</sup> the entire picture and  
17 concerning which all would need to be known in order for the full  
18 truth to emerge, is, I most respectfully submit, improper.

19  
20  
21  
22  
23  
24  
25

1 MR. STEWART: It seems to me that I recall that when  
2 I made a similar objection to Mr. Townsend's reading from a  
3 portion of documents, my objection was overruled with the  
4 statement that I could read any other portions I wanted to later.  
5 I respectfully submit that that precedent should be followed  
6 here in fairness.

7 THE HEARING OFFICER: Mr. Stewart, the Board fur-  
8 nished you these letters at your request and certainly the  
9 Hearing Officer will have no objection to their coming in at a  
10 time -- they are your letters, largely, written by Mr. Giannini.

11 MR. STEWART: That is correct, sir.

12 THE HEARING OFFICER: It does seem as though possibly  
13 it is a little irregular at this time to read excerpts from  
14 them, but if you insist on doing so, Mr. Stewart, the Hearing  
15 Officer will not object further.

16 MR. TOWNSEND: Then, I withdraw my objections to the  
17 questions, to this --

18 THE HEARING OFFICER: By the way, I should have said  
19 by way of offer of proof.

20 MR. TOWNSEND: Mr. Hearing Officer, in the light of  
21 your ruling, I withdraw my objection to any of the questions  
22 intended to be asked of the witness.

23 THE HEARING OFFICER: Thank you.

24 BY MR. STEWART:

25 Q I wish at this time to direct your attention to

1 certain portions of the three papers which have been  
2 identified as Respondent's Exhibits 13, 14, and 15 and then  
3 ask you a question or two about them. The first of those,  
4 Exhibit 13 is a letter dated September 18, 1917, addressed to  
5 Honorable John Perrin, Federal Reserve Agent, by Mr. A. P.  
6 Giannini, in part, states: "Complying with the request con-  
7 tained in your letter of the 8th inst. for additional in-  
8 formation with reference to our branches and our plan for their  
9 extension, permit me to submit the following: Referring  
10 first to the policy or plan adopted and consistently employed by  
11 the Bank of Italy in the matter of the development of its  
12 branch system, we desire to call your attention to the follow-  
13 ing principles that have guided us:

14 " Every branch of the Bank of Italy represents the  
15 purchase of one or more going banks of the community entered.  
16 We have never gone into a town or city and opened a new  
17 banking office. The assets and business, as well as the deposit  
18 liabilities, of the bank purchased have been merged into our  
19 bank and from the moment of our commencement of operations in  
20 the locality we have practically, in every instance, retained  
21 all of the business of the bank acquired and have grown by  
22 reason of our greater facilities to handle big business and  
23 our efforts to offer the local community the most liberal  
24 banking service consistent with safety.

25 "Another important point in our plan is the retention, as

1 completely as practicable, of the management and directorate  
2 of the selling bank. In every case, the membership of the re-  
3 tiring Board of Directors of the selling bank is augmented  
4 and strengthened by other representative men of the locality  
5 who are chosen with a view of affording all elements of the  
6 community full representation and these men are organized in  
7 a local advisory board that performs the same duty toward the  
8 particular branch as a Board of Directors toward an  
9 institution. The old management in conjunction with the ad-  
10 visory board operates the branch, subject, of course, to the  
11 supervision of our Superintendent of Branches and pursuant  
12 to the general direction of the Executive Committee of the  
13 bank.

14 "Another feature of our policy of expansion is to afford  
15 all branch officers, employees, and advisory board members in  
16 every locality, as well as any other desirable member of the  
17 community in which we are established, an opportunity of  
18 acquiring stock of the bank. In passing, we deem it of  
19 interest to note that the 30,000 issued shares of our bank are  
20 held by more than 2000 stockholders scattered throughout the  
21 State of California.

22 "We enclose a copy of our printed July statement and  
23 respectfully invite your attention to the list of officers and  
24 advisory board members contained there, from which you may note  
25 the type of men that are interested in our bank and upon whom



1 the bank relies for the more effective operation of its branches.

2 "Regarding the method of management, overseeing and  
3 auditing of the system, the following brief outline is deemed  
4 advisable:

5 "The head office of the bank is in daily receipt of a daily  
6 report of the condition of each branch. These reports are passed  
7 on daily by the Executive Committee composed at present of  
8 the following: P. C. Hale, First Vice President, James J.  
9 Fagan, Second Vice President, and the writer as President of  
10 the bank and its opinions and determinations are communicated  
11 to the Superintendent of Branches, whose duty it is, among  
12 others, to follow up and see that the policies and directions  
13 of the Executive Committee are faithfully carried out.

14 "In addition to this general management and supervision,  
15 we have a general loan committee that meets daily and an inspector  
16 of banks.

17 "Our branches are divided into districts and each district  
18 has a district auditor who maintains a continuous circulating  
19 audit under the direction of the auditing department, which  
20 department makes an independent audit of the entire system at  
21 least twice a year.

22 "Our experience with the branch system as developed and  
23 carried on by us has been and is most profitable and gratifying.  
24 Hence our desire to expand it in keeping with our established  
25 plan wherever and whenever a desirable opportunity presents

1 itself in California.

2 "In passing, we beg to direct your attention to the fact  
3 that we have in major part developed our branch system under  
4 the same supervision and with the acquiescence of Honorable  
5 W. R. Williams, State Superintendent of Banks, who is, in our  
6 estimation, the strictest and safest superintendent of banks  
7 anywhere to be found and it would please us greatly if, before  
8 advising us of the stand to be assumed by the Federal Reserve  
9 Board in this respect, you discuss the situation with Mr.  
10 Williams.

11 "From the foregoing, it will be evident that we could  
12 not consider joining the Federal Reserve Bank without an  
13 assurance in advance that the Federal Reserve Board approves  
14 of the branch system as adopted and operated by us and, further,  
15 we must also be assured that the necessary approval by the Board  
16 to our taking on of additional branches will be based solely  
17 on the question of whether or not the new branch is or is not in  
18 keeping with the general safety of the bank.

19 "In other words, if we become members, we shall do so only  
20 after a thorough previous understanding that the Board is in full  
21 accord with our branch system, so that the only thing remaining,  
22 as each case arises, will be to satisfy our Board that the  
23 safety of the bank will not be impaired in establishing a new  
24 branch. In this connection, we would also ask to be advised  
25 as to the procedure necessary to obtain consent of your Board

1 as each case arises, and approximately how long a time would  
2 elapse between application for the approval to open a new  
3 branch and the granting thereof."

4 "Then follows another page and a half of material, which  
5 I think is not necessary to read at this time, although I  
6 will not object to it if counsel wants to read it.

7 Then, the letter of September 26, 1917, which has been  
8 marked Respondent's Exhibit 14, by Mr. A. C. Miller, who, I  
9 believe, the Hearing Officer can take judicial notice was at  
10 that time the Reserve Board member from the Twelfth Federal  
11 District, to Mr. Giannini, President of the Bank of Italy, San  
12 Francisco, California, in which Mr. Miller states:

13 "I am glad to have your favor of the 19th inst. and  
14 learn that you are going ahead developing an understanding  
15 with the authorities of the Federal Reserve System as to the  
16 condition under which your institution will be admitted to  
17 membership. I have read with much interest the copy of your  
18 letter to Mr. Perrin, in which you have stated your point  
19 of view, both clearly and cogently. I can promise  
20 that the Board will give early attention to the questions you  
21 have raised.

22 "In the meantime, I can safely assure you that the views  
23 of the Federal Reserve Board on the questions which we had under  
24 consideration in our recent conference at San Francisco are in  
25 harmony with those I then expressed and that particularly, on

1 the question of your taking on additional branches, the  
2 sole concern of the Federal Reserve Board will be to satisfy  
3 itself that any proposed extension will not impair the gen-  
4 eral strength and safety of your institution.

5 "The policy of the Federal Reserve Board with respect to  
6 branch banking is, I think, sufficiently disclosed by the  
7 fact that it has already admitted several state banks having  
8 branches.

9 "Regarding the question of admitting state banks having  
10 branches or contemplating new branches, the Board has taken  
11 the view, this view has been strengthened by the passage of  
12 the recent amendment of the Federal Reserve Act liberalizing  
13 conditions of state banks, that state banks are not to be re-  
14 stricted in the exercise of their powers, except where there  
15 is good reason to believe that the exercise of such powers  
16 will be inconsistent with the purposes of the Federal Reserve  
17 Act by impairing the liquidity of the bank and its general  
18 good standing. The Board is not opposed to the principle of  
19 branch banking. On the contrary, it has recommended to  
20 Congress to permit national banks in a conservative way to  
21 establish and maintain branches. You need have no hesita-  
22 tion, therefore, in bringing your bank into the Federal  
23 Reserve System through fear that difficulties will be inter-  
24 posed to your maintaining branches or establishing additional  
25 branches unless, as I have already stated, there would be good

1 reason to believe that the bank's strength and liquidity would  
2 suffer.

3 "It would give me great pleasure personally to see your  
4 bank paving the way in your state and setting a much needed  
5 example of taking membership in the Federal Reserve System. I  
6 trust that before long the ground will be cleared of difficulties  
7 and that action will be taken on your part."

8 Then, the telegram, which has been marked as Respondent's  
9 Exhibit 15 for identification, signed "Harding"--I take it  
10 the Hearing Officer will take official notice that Mr. J. P.  
11 Harding was at that time the Governor of the Federal Reserve  
12 Board-- to Perrin, the gentleman addressed in Mr. Giannini's  
13 original letter.

14 "Your telegram, Miller, October 18, please say to  
15 President, Bank of Italy, that Board has formally approved state-  
16 ments in Miller's letter to him September 26 regarding branches  
17 of his bank. Suggested changes in by-laws and pass book sub-  
18 mitted by Giannini satisfactory to Board. Hope this will open  
19 the way to prompt application for membership." Signed "Hard-  
20 ing."

21 Mr. Eccles, having in mind the allegations of this complaint  
22 and the statements made in your testimony and the other  
23 evidence introduced here, which indicates, among other things,  
24 that approximately 85 per cent or more of the deposits in  
25 banking offices listed and referred to in this complaint are

1 those of Bank of America, whose predecessor was the Bank  
2 of Italy -- having in mind those facts, is it your testimony  
3 now that the Board of <sup>G</sup>overnors, in approving the naming of  
4 the Bank of America in the complaint in this proceeding, did  
5 not take into consideration the representations and assurances  
6 made by the Board to that bank's predecessor, Bank of Italy,  
7 in the correspondence I have just read?

8 A I don't recall that the Board took that into account,  
9 but I would think even if the Board had taken it into account,  
10 the action would have been no different.

11 Q All right. I understand, Mr. Eccles, that a few  
12 hours after my formal papers were served demanding your dis-  
13 qualification from participating in this proceeding because  
14 of bias and prejudice against Transamerica Corporation and  
15 against A. P. and L. M. Giannini, you announced to the press  
16 that you had disqualified yourself from hearing the case, so  
17 that you could appear as a witness against Transamerica; is  
18 that correct?

19 A That is correct.

20 Q And I infer from the fact that you are here testify-  
21 ing that you did not regard your disqualification from  
22 participating in any decision of the Board as a disqualifica-  
23 tion from expressing yourself fully in testimony to the Board.

24 A You mean before or after?

25 Q I mean just what I said, that you do not regard your

1 disqualification as a disqualification from expressing your-  
2 self fully in testimony to the Board now here, this week and  
3 last week?

4 A No, I don't disregard my disqualification to vote upon  
5 the final decision in this case a disqualification of my  
6 testifying here, if that is what you mean.

7 Q That is what I mean, yes.

8 And you expect that your testimony will be  
9 believed by the Board, don't you?

10 A Well, I hope that it is believed by the Board.

11 Q And you further expect that your testimony will  
12 influence the Board's decision in this matter, don't you?

13 A I would hope that the Board, in making the decision,  
14 would take into account not only my testimony, but the testi-  
15 mony of every witness, including your witnesses.

16 Q Does that mean that the answer to my question is  
17 yes?

18 A Well, what would you think?

19 Q That is the way I understood it, Governor.

20 A Yes.

21 Q Since this is almost my last question, I would like  
22 to get one yes or no answer before we quit.

23 A All right. Yes. Yes.

24 Q I do not, at this time, Governor, have anything more  
25 in mind that I wish to ask you, but if at any time before the

1 conclusion of this proceeding and after other evidence has  
2 been presented, it should develop that there are other  
3 questions which we wish to ask you, are you willing to say  
4 now that you will appear and give further testimony at our  
5 request?

6 A I have no reason at this time to think that I  
7 would not.

8 Q Well, having in mind, sir, that we don't have any  
9 subpoena power, I just wondered if you were willing to commit  
10 yourself that far.

11 A I have no reason to think at this time that I  
12 wouldn't be willing. However, I don't want to make a definite  
13 commitment as being prepared to appear as a witness at any  
14 definite time or any place where this case may be held.

15 MR. STEWART: No further questions at this time.

16 MR. TOWNSEND: I notice it is approaching the  
17 time of the lunch adjournment, so we would appreciate  
18 adjourning now until 2 o'clock.

19 (Whereupon, at 12:25 o'clock p. m., the hearing  
20 adjourned, 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 resumed  
3 pursuant to the recess.)

4 THE HEARING OFFICER: The hearing will come to  
5 order, please.

6 MR. TOWNSEND: I have to announce that I have no  
7 further questions at this time of Mr. Eccles.

8 Furthermore, having in mind the need of picking up the  
9 testimony, with Mr. Smith who was on the witness stand at the  
10 time Mr. Eccles went on out of turn last Monday, I would  
11 appreciate it if we could have the hearing over now until to-  
12 morrow morning at 10:30 and I think it would actually save  
13 time if we were permitted to do that.

14 MR. STEWART: As I understand, you expect to be  
15 able to finish tomorrow?

16 MR. TOWNSEND: I certainly do.

17 THE HEARING OFFICER: With that understanding, the  
18 hearing will be recessed until tomorrow morning at 10:30.

19 (Whereupon, at 2:05 o'clock p. m., the hearing  
20 adjourned, to reconvene on Tuesday, February 15, 1949, at  
21 10:30 o'clock a. m.)

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