A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Friday, March 23, 1945, at 11:00 a.m.

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

Mr. Morrill, Secretary
Mr. Carpenter, Assistant Secretary
Mr. Hammond, Assistant Secretary
Mr. Thurston, Assistant to the Chairman
Mr. Goldenweiser, Economic Adviser, Division of Research and Statistics
Mr. Leonard, Director of the Division of Personnel Administration
Mr. Thomas, Director of the Division of Research and Statistics
Mr. Vest, General Attorney
Mr. Townsend, Assistant General Attorney
Mr. Wyatt, General Counsel

There were presented telegrams to Messrs. Treiber and Clouse, Secretaries of the Federal Reserve Banks of New York and Cleveland, respectively, Mr. Leach, President of the Federal Reserve Bank of Richmond, Mr. Dillard, Vice President of the Federal Reserve Bank of Chicago, Mr. Stewart, Secretary of the Federal Reserve Bank of St. Louis, Mr. Ziemer, Vice President of the Federal Reserve Bank of Minneapolis, Mr. Gilbert, President of the Federal Reserve Bank of Dallas, and Mr. Earhart, Vice President of the Federal Reserve Bank of San Francisco, stating that the Board approved the establishment without change by the Federal Reserve Banks of St. Louis and San Francisco on March 20 and by the Federal Reserve Banks of New
3/23/45

York, Cleveland, Richmond, Chicago, Minneapolis, and Dallas on March 22, 1945, of the rates of discount and purchase in their existing schedules.

Approved unanimously.

Mr. McKee referred to earlier discussions by the Board of (1) proposed bank holding company legislation, (2) a procedure contemplating the revision of the Board’s Regulation P, Holding Company Affiliates – Voting Permits, and the termination of outstanding voting permits, and (3) a possible suit against Transamerica Corporation under the Clayton Act. He said that since the last discussion of these matters by the Board there had been further discussions with the Treasury, the Federal Deposit Insurance Corporation, and the Securities and Exchange Commission of the desirability of legislation, that letters had been received from all three stating that they had no objection to the Board taking the usual steps to have the bank holding company bill introduced in Congress, and that under date of March 22, 1945, the Board received a letter from the Bureau of the Budget advising that, while there would be no objection to the submission of the proposed legislation to the Congress, this advice should not be construed as involving any commitment as to the relation of the proposed legislation to the Program of the President. Mr. McKee went on to say that in view of this development there had been prepared drafts of letters to the Chairmen of the Senate and House Banking and Currency Committees,
reading as follows, and that while some changes had been made in the draft of the bill which would be attached to the letter they were minor in character:

"As you know, the Banking Act of 1933 was in part designed to regulate bank holding companies and the Board has had the express responsibility for administering that part of the Act. The reasons and need for regulation were fully developed in the extensive hearings and reports at the time and need no restatement.

"However, the laws enacted at that time have not proven to be as effective as was intended and the problem continued to be one of serious concern to the Board. This has been true also with respect to the other Federal banking agencies which, while not having the primary responsibility, do have a real interest in the subject matter.

"In his message to the Congress on April 29, 1938, the President pointed out the great economic power that might be wielded by a group acquiring domination over banking resources in any considerable area of the country and recommended that the Congress enact legislation that would effectively control the operation of bank holding companies.

"The Board, in its Annual Report for the year 1943, recommended the enactment of comprehensive legislation designed to correct certain abuses and to achieve certain objectives which, to the Board, seem highly desirable in the public interest. A copy of the Report is enclosed and you will find the section dealing with the Board's recommendations on page 34. Since its Report numerous individual banks and associations of banks have importuned the Board to offer the precise form of a bill which would carry out the Board's recommendations or to lend its support to other forms of suggested bills. Representatives in Congress have made similar requests. There has been neither improvement nor change in the situation since the Report was made which causes the Board to feel any less concern, and the abuses described in the Report continue unabated and uncontrolled.

"When the Board was considering its Annual Report for 1943, a draft of a bill designed to carry out the recommendations made in the Report was prepared by the
"Board's staff. The Board has asked that I deliver a copy of this draft to you for your consideration with the hope that such a bill will be introduced by you and will receive favorable consideration by the Congress. It is enclosed herewith. The Board will be glad to respond to any request for further information and to assist you and your Committee in any appropriate way.

"The matter of the introduction of the enclosed bill has already been taken up with the Bureau of the Budget and under date of March 22 the Board received a letter from the Bureau in which it was indicated that 'there would be no objection to the submission of the proposed legislation to the Congress', although, of course, the Bureau made no commitment as to the relation of the proposed legislation to the program of the President.

"I am also enclosing a statement of the purposes of this bill which may be helpful to you if and when you introduce the proposed legislation."

Mr. Ransom inquired whether the draft of bill as now proposed included the provision that before the expiration of five years following the passage of the bill the Board of Governors would report to Congress the results of the administration of the act, and Mr. McKee replied in the affirmative.

In the discussion of this point it was agreed that, in the event a decision were reached by the Board to send the letters, there should be added at the end of the statement of the purposes of the bill a sentence to the effect that the Board would be required to report to the Congress before the expiration of five years the results of its administration of the Act.

After a discussion, and upon motion by Mr. McKee, unanimous approval was given to the proposed letters to the Chairmen of the Senate and House Banking and Currency Committees with the understanding that they would be sent by messenger tomorrow morning.
With respect to the procedure which had been considered for the revision of Regulation P and the termination of existing voting permits, Mr. McKee stated that it had been suggested by Chairman Eccles that action be deferred on such revision and termination until it could be determined what the possibilities were for the enactment of the legislation being proposed by the Board.

Mr. McKee also said that there was some possibility that if the Board should proceed with the revision of Regulation P and the termination of existing permits simultaneously with the consideration of the proposed legislation by Congress there might be greater support for the legislation on the part of holding company affiliates and that this should be taken into consideration by the Board in reaching a decision.

Chairman Eccles expressed the opinion that the draft of the bank holding company bill was of such a character that there was not much likelihood of its receiving the support of bank holding companies, regardless of any action that might be taken by the Board with respect to the termination of existing permits, and that if the Board did seek to terminate all existing permits undoubtedly some holding company affiliates would object and the step would result in litigation.

In response to an inquiry from Mr. Ransom whether counsel would advise deferring the contemplated termination of existing permits, Mr. Townsend stated that in his opinion there were a number of...
reasons for a deferment, that he had convinced himself that there was a very serious legal concept that could be urged against the propriety of the action, that his experience led him to believe that the Board would find itself faced with that argument if it took the action, and that if committees of Congress were advised that the Board was engaged in a legal contest to test its right to do some of the things asked for in the legislation the committees could very well take the position that they would abide by the decision of the courts. He went on to say that such a decision might take a long time, and that therefore there was more likelihood of delay by proceeding now to terminate existing permits than there would be in determining what the possibilities would be with respect to legislation. He felt that within possibly as little as three months the Board would be able to get the reaction of the Banking and Currency Committees to the proposed legislation.

In connection with this matter Chairman Eccles referred to the letter approved by the Board on March 21, 1945, to the Chairman of the House Committee on the Judiciary recommending that the language of bill H. R. 2357 be extended to cover all classes of acquisitions which are now encompassed in the jurisdictional provisions of Section 11 of the Clayton Act, with powers in each of the authorities therein enumerated to administer the proposed licensing feature of the bill. He said that if the bill were changed as suggested no bank holding company affiliate could acquire stock in any member bank without a
finding by the Board that such acquisition would be consistent with the public interest.

In response to an inquiry from Mr. Ransom as to whether Mr. Dreibelbis, before leaving, had been of the opinion that the procedure with respect to the termination of existing voting permits should be deferred, Mr. McKee stated that, as he understood it, at one time Mr. Dreibelbis favored a policy on the part of the Board of moving on all fronts, that at that time there appeared little likelihood that bank holding company legislation could or would be introduced, but that, now that the way was cleared for the introduction of the legislation proposed by the Board, it was Mr. Dreibelbis' judgment that action to terminate existing voting permits should be deferred until it could be determined what the prospects were with respect to adoption of the legislation.

Thereupon, Mr. McKee moved that the Board defer action on the proposed procedure to amend Regulation P and to terminate existing voting permits with the understanding that the matter would be presented to the Board again for further consideration whenever, in the opinion of Messrs. Eccles and McKee, such further consideration was desirable.

This motion was put by the chair and carried, Mr. Ransom voting "no" and stating that he had less hope for the enactment of legislation than the other members of the Board and he did not want to be in a position of abandoning any course of action that might now be available to the
Board. It was the view of the other members of the Board present that a decision to defer action on the procedure for terminating existing voting permits would not result in the abandonment of the procedure as it could be instituted at any time.

With respect to the question of an action under the Clayton Act against Transamerica Corporation, Mr. McKee suggested that the Board should consider whether, in the present circumstances, it wished to proceed with the action or defer it for the time being.

Question was raised as to when counsel would be ready to institute the action and Chairman Eccles stated that it was his understanding from Mr. Dreibelbis that Mr. Leachman was ready to go forward at any time.

After some discussion, Mr. McKee moved that the Legal Division be instructed to proceed with dispatch to prepare to institute the action and when the necessary preparation was completed, to report to the Board for further instructions, it being understood that if it were necessary for Messrs. Leachman and Dreibelbis to be called to Washington that would be done.

Mr. McKee's motion was put by the chair and carried unanimously.

At this point Mr. Townsend left the meeting.

Mr. Evans submitted a memorandum addressed by him to the Board under date of March 20, 1945, in which reference was made to the studies on postwar problems prepared by the research staffs of the Board and the Federal Reserve Banks, and recommending (1) that Mr. Goldenweiser be authorized and directed to take steps to make ready for publication
such of these studies as in his judgment were appropriate for publication, it being understood that prior to publication consent would be obtained from each author and that the authors employed by the Reserve Banks would have to abide by rules for publication prescribed by their respective Banks, and (2) that Mr. Goldenweiser be directed to arrange through Mr. Bethea, Director of the Division of Administrative Services, to investigate the best method for and the probable cost of publication of the studies, and that when this had been done the final plan for publication be submitted to the Board for action.

In response to a request for his views, Mr. Goldenweiser stated that he would like to see certain of the manuscripts published in volume form, that if this were decided upon a considerable amount of editorial work would have to be done on them, but that if they were not to be published they were now in sufficiently satisfactory shape for such use as the System might wish to make of them. It was his view that at least some of the studies should be published and that when they were in final form, probably six months from now, they should be submitted to the Board for final approval.

Question was raised as to whether Mr. Evans' recommendation contemplated publication of any of the studies in the Federal Reserve Bulletin and it was stated that should it be thought desirable to include any of them in the Bulletin they would be handled by the Bulletin editorial committee in the usual way.
Mr. McKee asked whether it would be desirable to publish the studies in pamphlet form rather than in book form, and Mr. Goldenweiser replied that that could be done and that the pamphlets could then be bound into one or more volumes.

Chairman Eccles stated that if the decision should be made to publish the studies, the authors should take into account in their revision the recent changes made in the plans with respect to the prosecution of the war so that the studies would be entirely current. Messrs. Thomas and Goldenweiser stated that they had that in mind.

At the conclusion of the discussion, upon motion by Mr. Evans, his recommendations were approved unanimously.

Mr. McKee referred to a memorandum addressed to the Board under date of March 21, 1945, by Mr. Leonard stating that, in accordance with revised instructions regarding deferment of Government employees, the Board's Agency Committee on Deferment (Messrs. Morrill, Thurston, and Leonard) had reviewed the situation and recommended applications for deferment of the following employees in the 30-33 age group:

<table>
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<tr>
<th>Name</th>
<th>Position</th>
<th>Age</th>
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<tbody>
<tr>
<td>Seburn E. Baker</td>
<td>Foreman Operator, Duplicating Devices</td>
<td>32 (8-2-12)</td>
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The Operating Foreman in charge of the printing department and the only one expert in the photographic, plate making, and printing processes.
<table>
<thead>
<tr>
<th>Name</th>
<th>Position</th>
<th>Age</th>
</tr>
</thead>
<tbody>
<tr>
<td>Joseph T. Glotfelty, Jr.</td>
<td>Operating Engineer</td>
<td>30 (10-12-14)</td>
</tr>
<tr>
<td></td>
<td>The only person in the organization trained in the expert electrical work required in the maintenance and repair of recording instruments and electrical controls of the air conditioning system.</td>
<td></td>
</tr>
<tr>
<td>Robert Triffin</td>
<td>Economist</td>
<td>33 (10-5-11)</td>
</tr>
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<td></td>
<td>In charge of the Latin-American affairs in the International Section.</td>
<td></td>
</tr>
<tr>
<td>Emanuel T. Weiler</td>
<td>Economist</td>
<td>31 (1-2-14)</td>
</tr>
<tr>
<td></td>
<td>Second man in the Banking Section.</td>
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The memorandum stated that the Personnel Committee concurred in the recommendation and that in accordance with the usual procedure it was being submitted to the Board before further action was taken to request deferment. The reasons for the proposed request for deferment were outlined in the memorandum which concluded with the statement that Mr. Leonard had discussed the situation briefly with the Chairman of the Review Committee, the central committee that issued instructions to the various Government agencies and reviewed the cases, and that he indicated informally that requests for the four deferments would be entirely in order.

Mr. McKee stated that he was bringing the matter to the attention of the Board at this time for the reason that a request had been received from the War Department that the Board make available for a period of possibly six months the services of Wesley C. Haraldson, an Economist in the Division of Research and Statistics, to go to
Germany for the purpose of surveying the damage done by Allied bombing missions. He said that he did not see how the Board consistently could ask for the deferment of Mr. Weiler, who is in the same section in the Division of Research and Statistics as Mr. Haraldson, and at the same time grant the request of the War Department that Mr. Haraldson's services be made available to it.

Several of the members of the Board indicated their agreement with the position taken by Mr. McKee, whereupon he moved that the Board approve requests for deferment of the four employees listed above, with the understanding that the Board would not approve a request by the War Department for the services of Mr. Haraldson.

Mr. McKee's motion was put by the chair and carried, Mr. Ransom voting "no". Mr. Ransom stated that he had no objection to the deferments proposed but that he did not see how the request from the War Department was involved in reaching a decision on the question of these deferments.

Mr. McKee then called attention to a memorandum addressed to the Board by the Personnel Committee on March 22, 1945, submitting the name of G. A. Frierson, a planter near Shreveport, Louisiana, for consideration as a Class C director of the Federal Reserve Bank of Dallas to fill the vacancy in the term expiring December 31, 1947, and recommending (1) that the Chairman or Deputy Chairman of the Federal Reserve Bank of Dallas be requested to ascertain informally whether Mr. Frierson would accept the appointment, and (2) that the appointment be tendered to Mr. Frierson if he would accept.
The matter was considered in the light of the information contained in the memorandum with respect to Mr. Frierson and the recommendations of the Personnel Committee were approved unanimously.

Mr. Thurston stated that the text of the annual report of the Board for the year 1944 was in galley proof, that copies had been sent to all of the members of the Board, which they had had an opportunity to read, and that it was suggested that the Board might wish to take some action with respect to the report before Chairman Eccles left for the West. It was, however, understood that it would not be ready for transmission to Congress before the Chairman’s return.

The report was approved, subject to such editorial changes as were approved by Mr. Evans.

At this point Messrs. Goldenweiser, Leonard, Thomas, Vest, and Wyatt withdrew from the meeting.

The action stated with respect to each of the matters herein-after referred to was then taken by the Board.

The minutes of the meeting of the Board of Governors of the Federal Reserve System held on March 22, 1945, were approved unanimously.

Memorandum dated March 22, 1945, from Mr. Morrill submitting the resignation of Miss Ann Lindsay, a file clerk in the Secretary's Office, effective as of the close of business on March 22, 1945, and recommending that the resignation be accepted as of that date and that proper payment be made for the accrued annual leave remaining
to her credit at that time.

The resignation was accepted as recommended.

Memorandum dated March 23, 1945, from Mr. Bethea, Director of the Division of Administrative Services, submitting the resignation of Charles Walter Storm, maintenance mechanic in that Division, to become effective as of the close of business on March 31, 1945, and recommending that the resignation be accepted as of that date and that proper payment be made for the accrued annual leave remaining to his credit at that time.

The resignation was accepted as recommended.

Letter to Honorable Robert F. Wagner, Chairman, Committee on Banking and Currency, United States Senate, prepared for the signature of Chairman Eccles and reading as follows:

"This is in response to your letter of March 5, 1945, requesting the opinion of the Board on S. 649 which would (1) revalue the gold held by the U. S. Treasury at $56 an ounce, (2) direct the Secretary of the Treasury to purchase and sell gold at not less than $56 an ounce, and (3) adjust the gold content of the dollar to correspond with the price of gold at $56 an ounce.

"In the Board's opinion the enactment of this bill would be seriously detrimental to the public interest for the following reasons:

"1. An increase in the price of gold at the present time would add to the inflationary dangers which threaten our economy as the result of financing the war. As the Treasury spent funds equivalent to the increment arising from the revaluation these amounts would increase the public's bank deposits as well as bank reserves. Deposits and currency in the hands of the public have increased from 75
"billion dollars at the time of our entrance in the war to about $40 billion at present, and constitute now an inflationary threat. To add to them further would aggravate this situation.

"A higher price for gold would also be inflationary for the further reason that it would stimulate gold production and tend to increase the movement of gold to this country which is likely to set in after the war. This gold would be valued at a higher price all of which would be added to bank deposits and bank reserves.

"2. An increase in the price of gold to $56 would give foreigners who now own $14 billions in gold a windfall profit of $8.5 billions. This would increase the world's potential claims on this country's resources. It would also result in a large annual subsidy to foreign gold producers, chiefly British, Russian, and Canadian.

"3. In the meantime the immediate short-run effect of serious consideration of the proposal would induce foreign holders of dollar balances to convert them into gold in anticipation of the rise in the price of gold. These balances amount to about $5.5 billions and a conversion of a considerable part of them into gold would result in a temporary loss of gold to this country. This would further reduce the Federal Reserve Banks' reserve ratio. The thought that has been advanced that a rise in the price of gold would be a substitute to the reduction in the Federal Reserve Banks' reserve requirements, which is at present under consideration by Congress, is consequently entirely mistaken. The effect would be likely to be the exact opposite.

"4. As a means of helping the American gold industry which employs about 35,000 persons an advance in the price of gold would be an extravagant procedure. If the Congress wishes to subsidize this industry, it should do so directly rather than by adopting a method that would be seriously inflationary in its effects on our economy, would subsidize foreign gold holders and producers, and would have a disruptive effect on monetary conditions throughout the world at a time when ways of developing stability in international trade and finance are a prime objective of this Government."

Approved unanimously.

The matter of Messrs. John Agnew and F. O. Fayerweather was
then taken up and the Board having considered the record decided for the reasons stated in its opinion, which has been placed in the Board's files, that an order should be issued under authority of section 30 of the Banking Act of 1933 removing them from office as directors of The Paterson National Bank.

Accordingly, upon motion, it was voted unanimously to issue the following order:

"THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM WASHINGTON, DISTRICT OF COLUMBIA

"In the matter of John Agnew and F. O. Fayerweather, Directors, The Paterson National Bank, Paterson, New Jersey.

"Order

"Preston Delano, Comptroller of the Currency of the United States, being of the opinion that John Agnew and F. O. Fayerweather as directors of The Paterson National Bank, Paterson, New Jersey, have continued to violate section 32 of the Banking Act of 1933, as amended (U.S.C., title 12, sec. 78), a law relating to such national banking association, after having been warned by the Comptroller of the Currency to discontinue such violations; and having, under date of June 29, 1944, certified the facts relating to such violations of law to the Board of Governors of the Federal Reserve System; and the Board having caused due notice to be served upon the said John Agnew and F. O. Fayerweather to appear and show cause why they should not be removed from office as directors of The Paterson National Bank, Paterson, New Jersey; and the said John Agnew and F. O. Fayerweather having appeared in person and by attorney; and the Board having considered all of the motions filed in their behalf, all of the evidence, and all of the argument; and the Board having made its findings of fact and conclusions of law:
"It is ordered by the Board that the motions heretofore filed in behalf of the said John Agnew and F. O. Fayerweather be and the same are hereby overruled.

"It is further ordered by the Board that the said John Agnew and F. O. Fayerweather and each of them be and, when a copy of this order has been served upon each of them and upon the bank as hereinafter directed, each is thereby removed from office as a director of The Paterson National Bank, Paterson, New Jersey, and each thereupon shall cease to be a director of said bank.

"It is further ordered and directed that the Secretary of this Board cause a copy of this order to be served upon the said John Agnew and upon F. O. Fayerweather and a copy of the same to be served upon The Paterson National Bank, Paterson, New Jersey.

"By direction of the Board of Governors this 23rd day of March, A. D. 1945.

(SEAL) (Signed) Chester Morrill Secretary."

For the purpose of issuing the necessary instructions with respect to the service of the order, the following letter to Mr. Sproul, President of the Federal Reserve Bank of New York, was approved unanimously:

"There are enclosed herewith an original and four copies of an order entered by the Board removing Mr. John Agnew and Mr. F. O. Fayerweather as directors of The Paterson National Bank, Paterson, New Jersey.

"You will observe that the Board's order provides for service of the order upon Mr. Agnew and Mr. Fayerweather and upon the bank. The Board desires that the notice be served personally upon Mr. Agnew and Mr. Fayerweather and upon the bank, and therefore will appreciate your designating someone in your organization to go immediately to Paterson and serve the notice in accordance with the following directions.

"It is desired that service of the order upon Mr. Agnew and Mr. Fayerweather be effected by delivering one of the enclosed certified copies to each of them, and that service of the order upon the bank be effected by delivering one of the enclosed copies of the order upon
"Mr. W. D. Cameron, President of the bank.

The original of the enclosed order contains forms for each of these gentlemen to acknowledge receipt of delivery to him of a copy thereof, and it will be appreciated if the person whom you designate to make the service will endeavor to have each of them acknowledge receipt of a copy of the order in the space provided for that purpose. Likewise, you will observe that attached to the original are affidavits to be executed by the person effecting the service.

When service has been effected and the affidavits of service have been executed, the originals should be returned to the Board."

In connection with the above matter, the following letter to the Comptroller of the Currency was also approved unanimously:

"Referring further to the certificate filed by you with the Board on June 29, 1944, relating to continued violation of section 32 of the Banking Act of 1933, as amended, by John Agnew and F. O. Fayerweather, directors of The Paterson National Bank, Paterson, New Jersey, you are advised, for your confidential information, that on March 23 the Board ordered that the said John Agnew and F. O. Fayerweather be removed from office as directors of such bank."

Thereupon the meeting adjourned.

Chairman.

Chester Morris
Secretary.