

A meeting of the Board of Governors of the Federal Reserve System with the executive committee of the Federal Advisory Council was held in the offices of the Board of Governors in Washington D. C., on Wednesday, October 3, 1945, at 12:00 noon.

PRESENT: Mr. Eccles, Chairman
Mr. Szymczak
Mr. Draper
Mr. Evans

Mr. Carpenter, Secretary
Mr. Connell, General Assistant,
Office of the Secretary
Mr. Thomas, Director of the Division
of Research and Statistics
Mr. Smead, Director of the Division
of Bank Operations
Mr. Parry, Director of the Division
of Security Loans
Mr. Vest, General Attorney
Mr. Bethea, Director of the Division
of Administrative Services
Mr. Wyatt, General Counsel

Messrs. Edward E. Brown, Charles E. Spencer, Jr.,
John C. Traphagen, W. F. Kurtz, Robert V.
Fleming, and Ralph C. Gifford, members of
the executive committee of the Federal Ad-
visory Council

Mr. Herbert V. Prochnow, Acting Secretary of
the Federal Advisory Council

Mr. Brown referred to the Board's letter of September 11, 1945, to Senator McCarran, Chairman of the Committee on the Judiciary, in which it was stated that the Board favored the general objective of the Reorganization Bill without exemption of any Government agency or department excepting the General Accounting Office.

10/3/45

-2-

Mr. Eccles said that the three Federal bank supervisory agencies were exempted in the original House bill, that the Board had not suggested that it be exempted, that so far as the public was concerned it appeared that the Board might be one of the organizations that were actively seeking exemption and that it felt that the only thing to do was to make its position perfectly clear and that it was in favor of a reorganization plan. He also said the Board's letter was, in effect, merely a confirmation of the position taken in its annual report to the Congress in 1938 with respect to the overlapping authority of the Federal bank supervising agencies.

In response to an inquiry whether the Board had had any preliminary discussions with the Bureau of the Budget as to how the various banking agencies should be regrouped, Mr. Eccles said that the Board had not been asked for an opinion nor had it offered any. He added that he had given considerable thought to the matter personally, had discussed it with President Roosevelt, and had submitted a plan for the reorganization of Federal bank supervisory agencies and that representatives of the Budget Bureau had been working for two or three years on a comprehensive program for the reorganization of all Executive offices of the Government and representatives of the Bureau had conferred with Mr. Morrill of the Board's staff for the purpose of getting information on the organization of the Federal Reserve System. He understood that they had

10/3/45

-3-

also talked with the Federal Deposit Insurance Corporation and the Comptroller of the Currency and felt assured that any reorganization plan advanced would be based on a competent and objective study.

Mr. Szymczak asked what the attitude of the bankers would be to a reorganization of the Federal bank supervisory agencies and Mr. Brown said he was quite sure a majority of the national banks would prefer to keep the Comptroller of the Currency as the examining authority but he doubted that many would object to transferring to the Board of Governors all policy functions such as chartering, authority to open branches, and the like.

In a discussion of this point, there appeared to be general agreement that it was important that examination policies be in harmony with and used to support credit policies and that for that purpose the responsibility for both should be in one agency.

Mr. Fleming said he assumed that in the event the Board were asked for its recommendations the Federal Advisory Council would be given an opportunity to review the Board's proposal. The response of the members of the Board of Governors was that if the Board's views were requested, they did not think the Board should discuss any program that it might submit with anyone outside the Government.

Mr. Brown then referred to the Kefauver Bill, H. R. 2357,

10/3/45

-4-

which would amend the Clayton Act so as to subject the acquisitions of assets of companies to the same restrictions as are now imposed by the Clayton Act upon acquisition of shares of such companies.

Mr. Brown stated that most of the members of the executive committee saw no particular objection to the bill nor did they see much advantage in it and that they would like to know what the attitude of the Board was with respect to it.

Chairman Eccles replied that the Board was very much in favor of the bill and had suggested an amendment which would require prior approval by the Board of acquisitions by bank-holding companies of the shares or assets of banks and trust companies in the same manner as the approval of the Federal Trade Commission would be required for the acquisition by other corporations of the shares and assets of corporations other than banks.

At Chairman Eccles' request, Mr. Vest stated briefly what the bill would accomplish if amended in the manner proposed by the Board and Chairman Eccles stated that the value of the bill would be that instead of having the responsibility of trying to take corrective action after a transaction had been effected, the Board would have authority to look into it before it became an accomplished fact to determine whether it was in the public interest.

Mr. Brown referred to cases where a bank had taken over another bank to prevent its closing and raised the question whether

10/3/45

-5-

the procedure contemplated by the amendment would result in such delay that emergency situations could not be met. Chairman Eccles' response was that the bill was designed to prevent the creation of monopolistic conditions in banking and was not intended to hinder the transactions of the kinds referred to by Mr. Brown.

Messrs. Brown, Fleming, and Kurtz expressed the opinion that there was no objection to the bill but Mr. Brown stated that some banks had become very much concerned about it.

Mr. Brown asked if there had been any further developments since the meeting of the Board with the Federal Advisory Council on September 17, 1945, in connection with the current discussions of financial aid to Great Britain. Mr. Eccles said that he could not add anything to what he had said at the earlier meeting except that the matter which was extremely difficult and involved was still in the discussion stage. In the ensuing discussion Chairman Eccles made it clear that, while he felt a loan to England was highly desirable, he had doubts that it would be made available on any satisfactory terms.

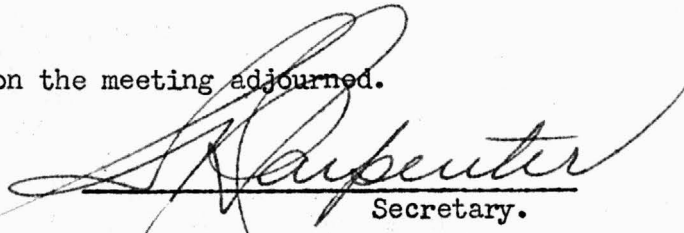
Mr. Brown inquired whether the Board had had any recent discussions with the Treasury relating to the financing program after the Victory Drive. Mr. Eccles said that there had been no such discussions, that a meeting of the Federal Open Market Committee would be held later this month, but that nothing had been

10/3/45


-6-

prepared for submission to the Treasury since the discussion
of the Victory Drive.

Thereupon the meeting adjourned.


Secretary.

Approved:


Chairman