

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Wednesday, April 16, 1947. The Board met at 1:10 p.m.

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

Mr. Morrill, Special Adviser
Mr. Thurston, Assistant to the Chairman
Mr. Thomas, Director of the Division of Research and Statistics

Chairman Eccles stated at luncheon today that he had been called to testify before the Senate Banking and Currency Committee tomorrow morning at 9:00 a.m. on the bill (S. 408) to authorize the Federal Reserve Banks to guarantee industrial loans and would have to attend a meeting of the National Advisory Council tomorrow afternoon and a meeting at the Treasury on Treasury financing on Friday morning. In these circumstances and inasmuch as Chairman Eccles would be leaving for the West Friday afternoon, it was suggested and agreed that certain pending matters should be disposed of before the Chairman left. Following this meeting the Secretary was asked to record the actions taken as follows:

Mr. Evans stated that the appointment of Mr. Grady as Ambassador to India had been confirmed by the Senate, that undoubtedly his resignation as a Class C director and Chairman and Federal

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Reserve Agent at the Federal Reserve Bank of San Francisco would be forthcoming, and that, therefore, it would be necessary for the Board to give consideration to the selection of his successor.

It was agreed unanimously to request Chairman Eccles to look into the matter during the course of his visit to San Francisco and, if it appeared to him to be desirable to do so, to tender designation as Chairman and Federal Reserve Agent for the remainder of the year 1947 to Mr. Brayton Wilbur, who was serving as a Class C director of the Bank for the term ending December 31, 1949.

Reference was then made to a memorandum addressed to the Board by Mr. Clayton under date of April 14, 1947, in which he stated that, at the suggestion of the Chairman, two meetings of an exploratory nature had been held, the first with representatives of the Federal Deposit Insurance Corporation and the second with representatives of the Federal Deposit Insurance Corporation, the Comptroller of the Currency, and the Treasury Department, with respect to the possible inclusion of banking in pending labor legislation. The memorandum stated that as a result of discussions at the two meetings it had been concluded that (1) prospects for including banking in existing labor legislation were not encouraging because of the fact that no substantial disputes between

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banks and unions appeared imminent, and (2) the most practical proposal would be to add banking to the list of industries affecting interstate commerce set forth in the new draft of the Hartley bill which had been introduced in the House of Representatives last week, rather than to attempt to have banking included in the Taft bill. The memorandum went on to say that at the second meeting it was agreed that the representatives should attempt to obtain an official expression from their respective agencies as to whether the suggested amendment to the Hartley bill should be submitted to the appropriate committee.

Mr. Clayton amplified his report of the discussions at the two meetings referred to and there was a general discussion of the problem involved.

At the conclusion of the discussion, it was agreed unanimously to request Mr. Clayton to continue discussions with the other agencies mentioned with a view to bringing about an agreement to seek the same treatment for banking in the Hartley bill or similar legislation as is given to other industries.

Reference was made to the decision at the meeting of the Board on April 8, 1947, that a postcard with return reply attached should be sent to all banks in the United States stating that one copy of the Board's annual report for the year 1946 would be mailed without charge to any bank requesting it and that additional copies would be available at a cost of 25 cents each. That decision of

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the Board had subsequently been the subject of further consideration and the suggestion had been made that the notification to all banks merely call attention to the issuance of the annual report and state that a copy would be furnished to any bank requesting it. If this suggestion were adopted nothing would be said in the notification with respect to furnishing additional copies, but it was understood that requests for additional copies would be dealt with on a discretionary basis by the Division of Administrative Services as to whether, because of the number of copies requested, a charge should be made.

This suggested change in procedure was approved unanimously.

Mr. Evans then referred to the question of topics to be suggested by the Board for consideration at the next meeting of the Federal Advisory Council, and it was agreed unanimously that the following topics should be proposed, in addition to the statement to be submitted by the Council in accordance with the understanding reached at the meeting of the Council with the Board on March 11, 1947, with respect to bank holding company legislation:

(1) What, in the opinion of the Council, should be done with respect to terminating the fixed buying rate and repurchase option on Treasury bills?

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(2) Recognizing the unwillingness of the Treasury to adopt a policy which would increase the cost of carrying the Government debt, and that it may be necessary in the near future to take action to prevent a further decline in the long-term rate, would the Council prefer (a) an increase in the certificate rate and, if so, to what extent, or (b) the issuance of a long-term security?

In view of the contemplated absence of Chairman Eccles from Washington for the period from April 18 to approximately May 10, Mr. Draper was elected Chairman pro tem until the return of Mr. Szymczak from Europe, and Mr. Szymczak was elected Chairman pro tem from the date of his return to the date of Chairman Eccles' return from the West.

At this point Mr. Thomas withdrew and the action stated with respect to each of the matters hereinafter set forth was taken by the Board:

The minutes of actions taken by the Board of Governors of the Federal Reserve System on April 15, 1947, were approved unanimously.

Letter of instructions to Mr. John Exter, a member of the Board's staff now serving on the Joint Philippine-American Financial Commission, prepared in accordance with the action taken at the meeting of the Board on April 15, 1947, reading as follows:

"In accordance with the suggestion made in your letter of March 27, 1947 to Mr. Knapp, the Board

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"authorizes you to return to Washington, following completion of your official duties in Manila with the Joint Philippine-American Finance Commission, via Hongkong, Siam, India, and Europe. The Board understands that the State Department will pay that part of your expenses which is equivalent to travel by the shortest route (i.e. via the Pacific) and the Board is prepared to pay your additional travel expenses, which it understands will amount to about \$400.00, as well as per diem for an additional 15 days.

"You are to make brief stops, if convenient, in Hongkong and Bangkok in order to consult informally with the banking authorities in those countries and to inform yourself concerning conditions there. It is suggested, however, that the bulk of the time which you may have available over and above travelling time should be spent in Bombay and New Delhi where you are requested to consult informally with officials of the Reserve Bank of India concerning Indian financial problems. You should devote special attention to the outlook for India's foreign trade and to the status of, and Indian attitude toward, negotiations with the United Kingdom concerning India's sterling balances. Your return journey from India to Washington should be made by the shortest possible route.

"Wherever the length of your stay permits, you should visit the American Embassy and particularly the Commercial Attache and Treasury representative, in order that they may be informed of your visit.

"Cables have been sent to the Hongkong and Shanghai Banking Corporation, the Bank of Siam, and the Reserve Bank of India concerning your impending visit, and the State Department has been requested to notify their establishments in the same centers."

Approved unanimously, together
with an open letter of introduction
reading as follows:

"The bearer of this letter, Mr. John Exter, is a member of the staff of the Board of Governors of the Federal Reserve System, Washington, D. C., and is travelling upon official business of the Board. He has been serving as a member of the Joint Philippine-American Finance Commission in Manila and is presently engaged upon his return trip to Washington. The Board

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"will greatly appreciate any facilities or courtesies which may be extended to him which will expedite his travel."

Letter to Mr. Willett, First Vice President of the Federal Reserve Bank of Boston, reading as follows:

"In accordance with the request contained in your letter of April 10, 1947, the Board approves the designation of Archie C. Smiles as a special assistant examiner for the Federal Reserve Bank of Boston."

Approved unanimously.

Letter to Mr. Dearmont, Federal Reserve Agent of the Federal Reserve Bank of St. Louis, reading as follows:

"In accordance with the request contained in your letter of April 10, 1947, the Board of Governors approves the payment of salaries to the following members of the Federal Reserve Agent's staff at the rates indicated:

<u>Name</u>	<u>Title</u>	<u>Annual Salary</u>
Effective May 1, 1947:		
<u>Head Office</u>		
Edward A. Zehner	Alternate Assistant F. R. Agent	\$2,880
<u>Louisville Branch</u>		
G. H. Parsell	F. R. Agent's Representative	4,020
<u>Memphis Branch</u>		
Carl Ritzel	F. R. Agent's Representative	4,080
Effective June 1, 1947:		
<u>Little Rock Branch</u>		
John A. Links	F. R. Agent's Representative	4,020"

Approved unanimously.

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Letter to Mr. Weigel, Assistant Vice President of the Federal Reserve Bank of St. Louis, reading as follows:

"The Board of Governors approves the changes in the personnel classification plan of the Federal Reserve Bank of St. Louis, consisting of the establishment of three new positions in the Check Collection Department, as submitted with your letter of April 9, 1947."

Approved unanimously.

Letter to Mr. Volberg, Vice President of the Federal Reserve Bank of San Francisco, reading as follows:

"Reference is made to your letter of April 7, 1947, submitting the request of the Portland Trust and Savings Bank, Portland, Oregon, to establish a branch in the community of Park Rose, Multnomah County, Oregon.

"It is noted that the establishment of the proposed branch has been approved by the appropriate State authorities subject to a pending amendment of the Oregon laws relative to establishment of branch banks becoming effective, and in view of your recommendation, the Board of Governors approves the establishment and operation of a branch in Park Rose, Oregon, by the Portland Trust and Savings Bank, Portland, Oregon, provided the branch is established within six months from the date the necessary legislation becomes effective; and with the understanding that Counsel for the Reserve Bank will review, and satisfy himself as to the legality of, all steps taken to establish the branch."

Approved unanimously.

Letter to Mr. Young, President of the Federal Reserve Bank of Chicago, reading as follows:

"This refers to your letter of April 11, 1947 and enclosures with regard to the question whether Mr. John Nuveen, Jr., a partner in John Nuveen & Co.,

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"dealers in United States Government, State and municipal securities, may also serve as an officer or director of a national bank.

"We note that Counsel for your Bank has expressed the opinion that such interlocking service would be prohibited by Section 32 of the Banking Act of 1933 and the Board's Regulation R. We know of no reason to differ from the conclusion reached by your Counsel."

Approved unanimously.

Letter to Mr. Edgar T. Higgins, Attorney at Law, 15 Washington Street, Newark 2, New Jersey, reading as follows:

"This is in further reply to your letter of March 28 to Dr. Steelman, relative to the Board's consumer credit regulation and Executive Order No. 8843 on which it rests.

"As Dr. Steelman indicated to you in his letter of April 9, there seem to be good reasons why this regulation should not be eliminated at this time. It is helping to restrain powerful inflationary forces set in motion by the war. The Board does not believe it would be in the long-range interest of the national economy to have an over-expansion of instalment credit, stimulated by competition in easy terms, which would inevitably be followed by severe contraction.

"Section 5(b) of the Act of October 6, 1917, as amended, which underlies Executive Order No. 8843, is not confined in its scope, as you know, to wartime emergencies or to transactions between United States citizens and persons in enemy countries. Consequently, the circumstance that the section is no longer being applied to some of these transactions, to which you refer in your letter has no bearing on the legality or propriety of the present consumer credit regulation.

"At the same time, it is recognized that the regulation should not continue indefinitely under a wartime Executive Order, and for this reason the Board believes that the question of such continuance should be determined by the Congress. In that process, we are confident that the arguments on both sides will receive full consideration."

Approved unanimously.

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Letter prepared for Chairman Eccles' signature to the Honorable Joseph C. O'Mahoney, United States Senate, reading as follows:

"During the course of our conversation the other day you asked me to inform you concerning the Board's views on S. 104, a bill to amend the Clayton Act in certain respects. I am pleased to send you the following report on S. 104, which has been approved by the Board.

"The two basic objectives of the bill appear to be (1) to subject the acquisition of assets of companies to the same restrictions as are now imposed by Section 7 of the Clayton Act upon acquisitions of shares of such companies, and (2) to require, as to certain acquisitions by or on behalf of any corporation now subject to the jurisdiction of the Federal Trade Commission under Sections 7 and 11 of that Act, a finding by that Commission that such acquisitions will be consistent with the public interest before they may lawfully be consummated.

"The Board favors these changes. As to the first, it is believed that to include the acquisition of assets within the proscriptions of the Clayton Act will go far towards eliminating a very practical as well as difficult enforcement problem, arising from the fact that it has been held that the Federal Trade Commission is without authority to order divestiture in cases where the stock acquired had already been exchanged for assets of the acquired company. Thus, evils of substantially lessened competition, restraints of trade and commerce, and monopoly have continued simply because a device for accomplishing these ends is not specifically outlawed in Section 7. The Board feels that the language of S. 104 would correct this situation.

"The second basic objective of S. 104 seems equally desirable. Perhaps its most salutary advantage would lie in the fact that it attempts to prevent the harmful results of unrestrained business expansion instead of leaving the attempted control of such expansions to correction after the event has occurred. The Board is convinced that the complexities of modern business render very difficult the satisfactory appli-

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"cation of corrective sanctions generally. Too often the remedies in such cases may work such substantial injustices and be productive of such incidental injurious consequences that their direct application may in given cases work against rather than in the public interest. And these observations would seem particularly appropriate in regard to situations respecting banks. Under existing law, for all practical purposes, it is not until after the stock of a given bank has been acquired that the acquiring person or company may be proceeded against under the Clayton Act. Assuming that the effect of such acquisitions raises an enforcement question under that Act, it at once becomes apparent that a public proceeding brought to test the question may have very undesirable results, including the lessening of public confidence in the bank involved, even though the latter is in no sense a party to the proceeding. It is the existence of such imponderables as these which tend to demonstrate the inadequacy of corrective sanctions in a field so fraught with potential danger to our national economy as that touching monopolies of trade and commerce.

"It is noted, however, that S. 104 would require prior approval of proposed acquisitions of stocks or assets of competing companies only in those situations which fall within the jurisdiction of the Federal Trade Commission. As you know, under Section 11 of the Clayton Act other agencies, including the Board, are charged with the responsibility of administering existing provisions of that Act, including Section 7. And the same reasons, which justify the proposed change in Section 7 to require that proposed acquisitions within the jurisdiction of the Federal Trade Commission be first approved by that agency, would seem to apply with equal force to acquisitions which are within the jurisdictional range of each of the other agencies, respectively.

"The Board is advised, however, that, with the exception of the Federal Trade Commission and the Board, each of the other agencies now charged with enforcing Section 7 of the Clayton Act already possesses substantially the same power which S. 104 would confer upon the Federal Trade Commission. Thus, the Transportation Act of 1940 gave broad powers to the Interstate Commerce Commission to regulate acquisitions of assets and shares of competing carriers and to permit such acquisitions only upon a finding, among other things, that the result

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"would not be unduly to restrain competition. Both the Federal Communications Commission and the Civil Aeronautics Board appear to have been vested with similar powers to those of the Interstate Commerce Commission in this respect.

"It would appear, therefore, that the only agencies now charged with enforcing Section 7 of the Clayton Act, which are in need of the particular power to approve or disapprove acquisitions by competing companies within their respective jurisdictions, are the Federal Trade Commission and this Board. In the light of this fact the Board recommends that the language of S. 104 be extended to include a requirement of prior approval by the Board of all acquisitions which are now subject to its jurisdiction on an after-the-event basis. With the inclusion of such a change the Board recommends passage of S. 104."

Approved unanimously.

Letter to Mr. Carlos Novoa, The Director General of the Bank of Mexico, Mexico, D. F., reading as follows:

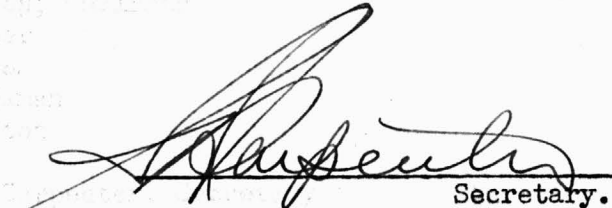
"We acknowledge with thanks your letter of March 21 informing us that the capital shares of the Pan American Trust Company of New York, which were held by the Nacional Financiera and the Banco Nacional de Comercio Exterior, have been sold to a group of private investors. The sale of these shares completes the arrangement we agreed upon with your Bank, as expressed in our letter of August 22, 1945, and your Bank's reply of October 16, 1945.

"We wish also to express our appreciation of your earnest good will in consummating the arrangement. We trust that the new owners of the Pan American Trust Company will prosper and that their substantial interest in our money market will prove to be profitable and advantageous both to your economy and to ours. Continuance and development of the hospitable interchanges between the central banking organizations of our two countries will always be a source of genuine satisfaction to us."

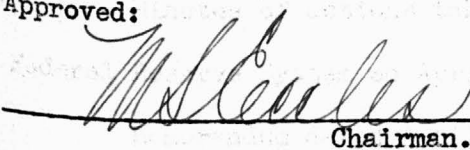
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Minutes of Meeting of the Board of Governors of the Federal Reserve System, April 16, 1947. Approved unanimously.

PRESENT: Mr. Boardman, Chairman
Mr. Boardman
Mr. Boardman
Mr. Boardman
Mr. Boardman


Secretary.

Approved:


Chairman.

Resolved, that the proposed changes in the Federal Reserve System, as approved by the Board of Governors of the Federal Reserve System on April 16, 1947, and approved by the Board of Governors of the Federal Reserve System on April 16, 1947, be approved, effective April 16, 1947.

	Balance	Reserve	Total
Reserve Bank of New York	12,400.00	14,000.00	26,400.00
Reserve Bank of Chicago	1,000.00	1,000.00	2,000.00

Approved unanimously.

Resolved, that the proposed changes in the Federal Reserve System, as approved by the Board of Governors of the Federal Reserve System on April 16, 1947, and approved by the Board of Governors of the Federal Reserve System on April 16, 1947, be approved, effective April 16, 1947.

Approved unanimously.