

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Monday, March 29, 1948. The Board met in the Special Library at 11:10 a.m.

PRESENT: Mr. Eccles, Chairman pro tem.
Mr. Szymczak
Mr. Draper
Mr. Evans
Mr. Clayton

Mr. Sherman, Assistant Secretary
Mr. Morrill, Special Adviser
Mr. Thurston, Assistant to the Board
Mr. Vest, General Counsel
Mr. Leonard, Director of the Division of Examinations
Mr. Townsend, Associate General Counsel

There was presented and read a draft of letter to Senator Tobey, Chairman of the Senate Banking and Currency Committee, prepared in accordance with the request of the Board, transmitting material in response to his request of March 24, 1948.

Following a reading of the draft letter, Chairman Eccles commented that the amount of material listed was quite voluminous, that Senator Tobey's letter did not indicate how far back he wanted to go, and that therefore the Board would have to be the judge of whether to send only the most recent material or to go back to the beginning of 1947 or 1945 or 1942 or some earlier year.

Mr. Szymczak said that in view of the possibility that release of the confidential interdepartmental correspondence in 1947 with the Attorney General and the Secretary of the Treasury regarding an antitrust suit against Transamerica might prove embarrassing to those departments and hurt the Board's relations with them, and

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since there was a question as to whether that correspondence was necessarily included in the language of Senator Tobey's letter, he felt it would be much better to err on the side of showing restraint in sending material at this time, and that he therefore favored Chairman Eccles' suggestion of now sending only the most recent correspondence, that is, that originating in November 1947 relating to the possibility of the Board instituting proceedings under Section 11 of the Clayton Act, although he was not certain what effect the sending of that material might have on the Board's pending investigation.

Mr. Draper said that he did not think that would answer Senator Tobey's request, that the letter called for sending all of the material under discussion, that he thought it would have to be sent in the end, and that there was not a good case for sending only the most recent correspondence covering the Board's investigation with respect to a proceeding under the Clayton Act.

Mr. Clayton said that Senator Tobey's letter did not necessarily mean only recent information, but that the Board could construe his letter to cover only that material.

Mr. Evans said the letter from Senator Tobey was intended to ask for everything in the Board's files and that he felt the case for sending all of the information under discussion was as good as anyone could ask for.

Chairman Eccles said that even though all of the material might have to be furnished in the end, he felt the position of the

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Board would be much better if at this time it sent only the most recent correspondence in its files. He suggested, however, that if this were done Senator Tobey should be informed that this was not all the material in the Board's files relating to the possible interests of Transamerica and Bank of America as outlined in Senator Tobey's request of March 24, but that his letter was being interpreted as calling only for current material.

In response to a question from Mr. Evans, Mr. Vest stated that he felt the letter suggested by Chairman Eccles transmitting only the most recent correspondence would comply with the request.

During the discussion Chairman Eccles received a message saying that Senator Tobey had just called his office by telephone, that he did not wish Chairman Eccles called from a meeting because he (Senator Tobey) had to go to the floor of the Senate, and that he would like to have Chairman Eccles get in touch with him when he came out of the meeting.

Chairman Eccles said that before talking with Senator Tobey he would like to know what the Board desired to do, and he suggested that if it were decided to send only the most recent correspondence he could say over the telephone that the Board had interpreted the request as calling only for that material, that there were voluminous files going back over a period of years, some of which contained highly confidential interdepartmental correspondence, and that if the Committee wanted additional data the Board would like to have a letter setting forth more specifically the nature of the material desired and the period of time to be covered.

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Following a further discussion of the matter, it was agreed unanimously that (1) a letter transmitting only the more recent correspondence originating in November 1947 having to do with the possibility of Clayton Act proceedings should be prepared for Chairman Eccles' signature and delivered to Senator Tobey as soon as possible, and (2) when Chairman Eccles talked with Senator Tobey by telephone he should discuss his request and the Board's reply along the lines last suggested.

The meeting then recessed and reconvened in the Special Library at 4:50 p.m. with the same attendance as at the close of the morning session, except that Mr. Millard was present in place of Mr. Leonard.

Chairman Eccles stated that after the meeting this morning the following letter to Senator Tobey was prepared and that Mr. Thurston delivered it to him early this afternoon:

"The Board has directed me to acknowledge your letter of March 24, 1948, in which you request that the Board furnish copies of any correspondence and other relevant material in its files indicating an interest on the part of Transamerica Corporation or of Bank of America N.T. & S.A. in applications pending before the Board for permits for branches or in pending legislation or in other Governmental action affecting the interests of Transamerica or of Bank of America.

"In reply you are advised that the Board, of course, has a considerable volume of material in its files relating to Transamerica Corporation or its affiliated institutions. However, there is not now pending before the Board any application for the establishment of branches by any of the Transamerica affiliated banking institutions. Nor has the Board

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"had any correspondence with Transamerica or any of its affiliated institutions respecting the current Bank Holding Company Bill or any other legislation now pending before the Congress. The most recent correspondence from the Board's files which touches upon any other Governmental action which would affect the interests of Transamerica or Bank of America relates to a recent order of the Board instructing its Legal Division to conduct an investigation for the purpose of advising the Board whether there appears to be reasonable cause for the Board to institute proceedings under section 11 of the Clayton Act. This correspondence is enclosed herewith and is comprised of copies of letters as follows:

Letter dated November 7, 1947, from M. S. Eccles to Tom C. Clark, Attorney General.

Letter dated November 7, 1947, from M. S. Eccles to Preston Delano, Comptroller of the Currency.

Letter dated November 7, 1947, from M. S. Eccles to Maple Harl, Chairman, Federal Deposit Insurance Corporation.

Letter dated November 28, 1947, from Preston Delano, Comptroller of the Currency, to M. S. Eccles, with enclosures as follows: Copy of letter dated November 28, 1947, from Preston Delano to S. C. Beise, Executive Vice President, Bank of America N. T. & S. A. and copy of letter dated November 28, 1947, from Preston Delano to F. N. Belgrano, Jr., President, First National Bank of Portland, Portland, Oregon.

"For your information and that of the members of your Committee, the investigation referred to in the correspondence listed above is now being actively conducted by the Board's staff."

Chairman Eccles went on to say that he telephoned Senator Tobey before the letter reached his office and told him that the letter was being sent up containing the most recent correspondence from the Board's files affecting the interests of Transamerica or

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Bank of America, that the Board felt it was responding to his letter which had not indicated how much material was wanted or how far back it should go, and that if more than the current material was desired by the Committee the Board felt it should receive a letter indicating clearly the information wanted and the period of time to be covered. Chairman Eccles said that Senator Tobey replied that he felt his letter of March 24 made it clear he wanted everything bearing on the interests of Transamerica or Bank of America, that he would have to look at the material being sent to him before he could say whether he would want additional information, and that he was anxious to receive whatever material there was as soon as possible. When Chairman Eccles told him it might take a little time to examine the Board's files, get clearance from the Legal Division, and get the additional material to him, Senator Tobey replied that he could not understand why the Board needed legal advice as to furnishing information to a committee of Congress. In response to Chairman Eccles' statement that some of the material was of a highly confidential nature and that the Board might well hesitate to furnish it, Senator Tobey said that he would furnish a subpoena if necessary.

Chairman Eccles then read the following additional letter from Senator Tobey dated March 29, 1948, which was delivered to his office a few minutes ago:

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"I have received your letter of March 29, 1948 enclosing certain material from the files of the Board, which were sent to me in response to my letter of March 24.

"I note that you have construed my letter of March 24 as requesting information only concerning matters of current concern with regard to Transamerica Corporation or any of its affiliated institutions. However, what I wish to obtain to bring before the committee is any other relevant material from the files of the Board from January 1, 1942 to date, bearing upon questions or problems between the Board of Governors or any other agency of the government, and Transamerica Corporation or any of its affiliated institutions - this to include every bit of data that is in your files concerning these various elements or groups.

"The committee, as you know, is at the present time considering matters of far-reaching importance to the country in connection with the confirmation of Mr. Thomas McCabe as Chairman of the Federal Reserve Board. This evidence is germane to some phases of the inquiry and I request its transmission to the committee at the earliest possible moment.

"Time is of the essence."

In response to a question from Chairman Eccles, Messrs. Vest and Townsend said that this letter made it clear that all of the material discussed at earlier meetings was included in Senator Tobey's request, and that a further detailed examination of the files since January 1, 1942, might disclose some additional material of minor importance that should be included.

During a discussion of the amount of time that might be required to make a detailed search of the Board's files since the beginning of 1942, Mr. Evans stated that he felt every effort should be made to get the material to Senator Tobey not later than tomorrow

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morning, that the request had been in the Board's offices since last Wednesday, and that it would be difficult to explain why in that time the Board had not learned what it had in its files that might be covered by Senator Tobey's letter.

Mr. Clayton said that since the Legal Division felt sure that even with a careful search there would be little material other than that already prepared and discussed, and since the additional material would be of only minor importance, he would favor sending what was now available as the best means of responding to Senator Tobey, especially in view of the request contained in the letter received this afternoon that the material be transmitted to the Committee "at the earliest possible moment".

Chairman Eccles suggested that, since Senator Tobey's request was so inclusive and since he (Chairman Eccles) had indicated in his telephone conversation that it might take a little time to get additional material together, it might be desirable to take the necessary time to make a thorough examination of all material in the files and send it up when available.

Following a further discussion of this question, there was agreement with the view that Senator Tobey's request should be complied with as fully and promptly as possible, and that the additional material to be sent should be (1) the 1942 correspondence relating to

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the application of the Transamerica-controlled State member bank for permission to establish certain branches, and (2) the correspondence with the Attorney General and the Secretary of the Treasury during 1945 and the spring of 1947 with respect to a possible antitrust proceeding against Transamerica. It was also the consensus that a further detailed search of the files since 1942 need not be made since it was clear that additional material of major pertinence to Senator Tobey's request would not be turned up by such a search.

It was agreed unanimously that Messrs. Vest and Townsend should prepare a letter for Chairman Eccles' signature transmitting the material referred to in the foregoing paragraph, and that it should be delivered to Senator Tobey either tonight or early tomorrow morning.

Secretary's Note: In accordance with the foregoing action, the following letter prepared for Chairman Eccles' signature was delivered to Senator Tobey's office on the morning of March 30, 1948:

"In response to your letter of this afternoon, and having particularly in mind your statement that time is of the essence in this matter, the Board sends you herewith copies of correspondence, as set forth in the enclosed list, which have been taken from the files of the Board and which bear upon the more important questions or problems that have arisen since January 1, 1942, between the Board of Governors or any other agency of the Government, and Transamerica Corporation or any of its affiliated institutions."

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"LIST OF CORRESPONDENCE

"Group No. 1. This group relates to an application of one of the Transamerica controlled State member banks for permission to establish certain branches in 1942, and is comprised of copies of correspondence as follows:

Letter dated January 15, 1942, from First Trust & Savings Bank of Pasadena, Pasadena, California, to Federal Reserve Bank of San Francisco.

Letter dated February 14, 1942, from Board of Governors to Transamerica Corporation.

Letter dated March 17, 1942, from Transamerica Corporation to Board of Governors.

Letter dated July 13, 1942, from Federal Reserve Bank of San Francisco to First Trust & Savings Bank of Pasadena, Pasadena, California.

Letter dated August 8, 1942, from Transamerica Corporation to Board of Governors.

Letter dated August 17, 1942, from A. P. Giannini to M. S. Eccles.

Letter dated November 13, 1942, from M. S. Eccles, to A. P. Giannini.

Letter dated November 25, 1942, from A. P. Giannini to M. S. Eccles.

Letter dated December 19, 1942, from M. S. Eccles, to A. P. Giannini.

"Group No. 2. This group relates to the Board's interest in a certain investigation of Transamerica Corporation which was conducted by the Antitrust Division of the Department of Justice in 1945, and is comprised of copies of correspondence as follows:

Letter dated October 31, 1945, from Tom C. Clark, Attorney General, to M. S. Eccles.

Letter dated February 26, 1947, from M. S. Eccles to Tom C. Clark, Attorney General.

Letter dated March 4, 1947, from Tom C. Clark, Attorney General, to M. S. Eccles.

Letter dated April 15, 1947, from M. S. Eccles to John W. Snyder, Secretary of the Treasury.

Letter dated April 15, 1947, from M. S. Eccles to A.L.M. Wiggins, Under Secretary of the Treasury."

At this point Messrs. Vest, Townsend, and Millard withdrew and the action stated with respect to each of the matters hereinafter set

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forth was taken by the Board:

Minutes of actions taken by the Board of Governors of the Federal Reserve System on March 26, 1948, were approved unanimously.

Memorandum dated March 26, 1948, from Mr. Szymczak recommending that the resignation of Miss Theodosia M. Kinney, a stenographer in his office, be accepted to be effective, in accordance with her request, at the close of business April 4, 1948, with the understanding that a lump sum payment would be made for annual leave remaining to her credit as of that date.

Approved unanimously.

Letter to Mr. Arch K. Jean, Chief, Division of Departmental Personnel, Department of State, reading as follows:

"Reference is made to your letter of March 16, 1948, requesting that the services of Mr. Alfred Sherrard, Economist on the staff of the Board of Governors of the Federal Reserve System, be made available as Economic Adviser to the United States Representative on the United Nations Security Council Good Offices Committee on Indonesia, for a period of from six to eight months.

"Mr. Sherrard has informed us that because of a domestic situation he will be unable to accept the assignment which you propose, and we understand he has explained the situation to you. Accordingly, it is understood that no further action on this matter is required."

Approved unanimously.

Memorandum dated March 25, 1948, from Mr. Bethea, Director of the Division of Administrative Services recommending (1) that

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Otto H. Branic, a messenger in the Division of Security Loans, be transferred from that Division to the Division of Administrative Services as an Operator (Duplicating Devices) with no change in his present basic salary of \$2,168.28 per annum, effective as of the date upon which he enters upon the performance of his new duties; and (2) that Benjamin L. Dinkins, a laborer in the Division of Administrative Services, be transferred to the position of Operator (Duplicating Devices) in that Division with an increase in basic salary from \$1,690 to \$1,756 per annum, both effective as of the date upon which he enters upon the performance of his new duties.

Approved unanimously.

Letter to Mr. DeMoss, Vice President of the Federal Reserve Bank of Dallas, reading as follows:

"In accordance with the request contained in your letter of March 22, 1948, the Board approves the designation of R. T. Bertram and R. W. Manley as special assistant examiners for the Federal Reserve Bank of Dallas.

"Appropriate notations have been made in the Board's records of the names reported as deletions.

"The list of those designated as special assistant examiners enclosed in your letter agrees with the Board's records."

Approved unanimously.

Letter to Mr. Sproul, President of the Federal Reserve Bank of New York, reading as follows:

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"This refers to Mr. Wiltse's letter of January 15, 1948 and enclosures, concerning the applicability of section 32 of the Banking Act of 1933, as amended, to the service of Mr. Ralph Dubin as a director of The Merchants Bank of New York, New York, New York, while at the same time an employee of the firm of Hirsch & Co., New York, New York.

"From the information which your bank has furnished the Board, it appears that the dollar volume of the types of business described in section 32 handled by Hirsch & Co. was \$11,315,160 in 1945, \$14,212,289 in 1946, and \$10,231,730 in 1947, or a total of \$35,759,179 for the three year period. It is understood that the firm is active in attempting to secure what underwriting business it can; and that during the years 1945, 1946 and 1947 the number of issues in which the firm participated either as underwriter, in selling groups or secondary distribution and special offerings were 153, 163 and 71, respectively. It is also noted that the 1947 Edition of Security Dealers of North America carries an advertisement that the firm has a separate underwriting department with a partner in charge.

"On the basis of all the information your bank has submitted, and particularly the facts stated above, it appears that the firm of Hirsch & Co. may be 'primarily engaged' in the types of business described in section 32 and, hence, the Board sees no reason to differ with the conclusion your bank as well as your counsel are inclined to take in this matter. However, before the Board expresses a definite opinion in the matter it will afford Mr. Dubin an opportunity, if he so desires, to present any additional information he may wish to your bank for transmission to and consideration by the Board of Governors. In the event Mr. Dubin does not wish to pursue the matter further you might suggest to him that he take such steps as may be necessary to bring his interlocking relationship into conformity with the statute."

Approved unanimously.

Letter to Mr. Hill, Vice President of the Federal Reserve Bank of Philadelphia, reading as follows:

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"The Board of Governors of the Federal Reserve System has considered the recommendation contained in your letter of March 11, and, pursuant to the provisions of Section 19 of the Federal Reserve Act, grants permission to The Ninth Bank and Trust Company, Philadelphia, Pennsylvania, to maintain the same reserves against deposits as are required to be maintained by banks outside central reserve and reserve cities, effective with the first semi-monthly reserve computation period beginning after the date of this letter.

"Please advise the bank of the Board's action in this matter, calling its attention to the fact that such permission is subject to revocation by the Board of Governors of the Federal Reserve System."

Approved unanimously.

Letter to "The First National Bank in Gadsden", Gadsden, Alabama, reading as follows:

"The Board of Governors of the Federal Reserve System has given consideration to your application for fiduciary powers, and grants you authority to act, when not in contravention of State or local law, as trustee, executor, administrator, registrar of stocks and bonds, guardian of estates, assignee, receiver, committee of estates of lunatics, or in any other fiduciary capacity in which State banks, trust companies or other corporations which come into competition with national banks are permitted to act under the laws of the State of Alabama, the exercise of all such rights to be subject to the provisions of the Federal Reserve Act and the regulations of the Board of Governors of the Federal Reserve System.

"This letter will be your authority to exercise the fiduciary powers granted by the Board pending the preparation of a formal certificate covering such authorization, which will be forwarded to you in due course."

Approved unanimously.

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Telegram to Mr. Knoke, Vice President of the Federal Reserve Bank of New York, reading as follows:

"Our wire March 26. In view of fact that proposed loan to the Netherlands Bank has been approved by three of your Directors in accordance with procedures established by your Board, the Board of Governors approves deletion of the initial phrase 'subject to approval by your Board of Directors' in the reference telegram."

Approved unanimously.

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


"This will acknowledge receipt of your letter of March 17, 1948, advising the Board that your Executive Committee has authorized an expenditure of approximately \$12,000 for a new roof on the head office building and that the cost of the replacement will be charged to the appropriate allowance for depreciation."

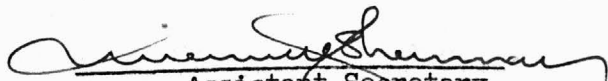
Approved unanimously.

Memorandum dated March 25, 1948, from Mr. Parry, Director of the Division of Security Loans, recommending, for the reasons stated in the memorandum, that \$2,000 be added to the item of Printing and Binding in the 1948 non-personal budget of the Division of Administrative Services.

Approved unanimously.

Approved:


Chairman pro tem.


Assistant Secretary.