

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Tuesday, September 21, 1948. The Board met in the Special Library at 9:30 a.m.

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

Mr. Carpenter, Secretary
Mr. Sherman, Assistant Secretary
Mr. Riefler, Assistant to the Chairman
Mr. Thomas, Director of the Division of Research and Statistics
Mr. Young, Associate Director of the Division of Research and Statistics

Mr. Thomas presented and Mr. Carpenter read a draft of statement to be presented at the meeting with the Federal Advisory Council at 10:30 o'clock this morning in response to statements under items 1 through 5 which were contained in the memorandum submitted by the Council to the Board and considered at a meeting yesterday afternoon. The draft of statement, which had been prepared in accordance with the understanding at the meeting of the Board yesterday, was discussed and, after a number of changes were made, was approved in the form in which it appears in the minutes of today's meeting of the Board and the Federal Advisory Council.

The meeting then recessed and reconvened in the Board Room at 2:30 p.m. with the same attendance as at the close of the morning session and, in addition, Messrs. Nelson, Director of the Division

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of Personnel Administration, and Townsend, Associate General Counsel.

There was presented a memorandum from Mr. Southard, Associate Director of the Division of Research and Statistics, dated September 10, 1948, stating that Philippine Secretary of Finance Cuaderno had orally requested the services of Mr. David L. Grove, an economist in the Division of Research and Statistics, as adviser in connection with the setting up and early operation of the Philippine Central Bank, that Secretary Cuaderno desired that Mr. Grove be available by November 1, 1948 for a period of not less than six months, and that he would like to have an understanding that Mr. Grove's employment with the Philippine Government might be extended an additional three to six months depending on the circumstances. The memorandum also stated that Secretary Cuaderno proposed to provide adequate compensation for Mr. Grove which would enable him to take his family to Manila and it recommended that the Board grant a leave of absence to Mr. Grove for the period specified. The memorandum stated further that Secretary Cuaderno had asked informally whether Mr. John Exter, an economist in the Division of Research and Statistics, might be made available after the beginning of 1949 for the purpose of assisting the Philippine Central Bank to set up a research division and it recommended that, for reasons stated, no encouragement be given Secretary Cuaderno in this connection.

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Chairman McCabe stated that he had now received a letter from Secretary Cuaderno dated September 13, 1948 making formal the request previously discussed informally and outlined in Mr. Southard's memorandum.

Mr. Vardaman said that he had asked that this matter be discussed at a Board meeting because he was opposed in principle to allowing members of the staff to go on leave for periods of as much as six months to a year. He stated that, aside from the fact that such leaves meant holding open positions for extended periods of time, he felt the Board would be handicapped without having available the services of members of the staff during such periods.

Mr. Eccles stated that in the case of persons employed for the purpose of assisting in foreign missions, particularly in connection with the organization of central banks, it was expected that much of their work would be done away from the Board's offices, that the Board had taken a liberal view of requests for assistance by the Philippine Government in setting up its central banking organization, and that he felt much of the good accomplished thus far might be lost if the operations of the new central bank during the first few months of its existence could not have the benefit of the expert advice it desired.

Mr. Vardaman expressed the view that, if members of the staff who were expert in central banking matters were to be provided by the

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Board to assist other governments, such men should be sent at the Board's expense and their salaries paid by the Board during the periods of service.

Mr. Szymczak stated that earlier this year the Board loaned Messrs. Grove and Exter to the Philippine Government for assisting in preparing central bank legislation during which time the Board retained the men on its pay roll but that in the present instance the request was for Mr. Grove as an adviser to Secretary Cuaderno in the operations of the Philippine Central Bank and that he felt it would not be appropriate for the Board to pay his expenses under such circumstances.

During a discussion of the matter, Chairman McCabe suggested that Mr. Grove be granted a leave of absence for a period not to exceed six months.

Upon motion by Mr. Szymczak, it was agreed that Mr. Grove be granted leave without pay for a period of six months from the date his services to the Philippine Central Bank began. On this action Mr. Vardaman asked to be recorded as "not voting".

Mr. Southard's recommendation with respect to the services of Mr. Exter was approved unanimously.

Reference was made to a request for proposed travel by Mr. Young, Associate Director of the Division of Research and Statistics, for the purpose of making a tour of the meat industry from October 17

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to October 30, 1948, as a guest of Armour and Company, the tour to start in Chicago and to include visits to several Midwestern and Southwestern States. The request was accompanied by a memorandum from Mr. Young dated September 3, 1948, stating that the trip was arranged at the suggestion of Mr. Evans and that the invitation to participate was received in a letter from Armour and Company dated August 24, 1948.

Mr. Draper stated that he questioned the matter in view of the fact that part of Mr. Young's expenses would be paid by Armour and Company. Mr. Vardaman felt the work of the Board was such that the absence of Mr. Young for the period specified might cause the Board's work to suffer.

Mr. Evans stated that as the member of the Board having the initial assignment for the research function he recommended the trip feeling that it would assist Mr. Young in getting a better understanding of one of the country's largest industries, and that it would be an important means of bettering relationships of the Federal Reserve System with a wide group of individuals located in various States of the middle west area who in many cases seldom came in touch with Federal Reserve representatives. He stated, however, that in view of the question whether Mr. Young's expenses should be borne by Armour and Company, he would recommend that the Board approve the proposed travel with the understanding that, in addition to paying for his

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travel cost from Washington to Chicago and return, the Board also pay hotel and incidental expenses which Mr. Young might incur in the course of the trip.

Mr. Evans' suggestion was approved unanimously.

Chairman McCabe stated that he had received a letter from Mr. Wilbur, Chairman of the Federal Reserve Bank of San Francisco, dated September 3, 1948, suggesting that Mr. Harry R. Wellman, a Class C director and Deputy Chairman of the San Francisco Bank whose term of office will expire at the end of this year, be reappointed, even though Mr. Wellman will then have completed two consecutive three year terms of office.

Mr. Carpenter stated that there was no established policy of the Board which would preclude reappointment of a head office director for more than two full terms.

Following a discussion it was agreed unanimously that Chairman McCabe might inform Mr. Wilbur that the Board felt that the principle of rotation in directors of Reserve Banks and branches, including both elected and appointed directors, was sound but that it did not have a fixed policy which would call for replacement of a Class C director after he had completed two terms of office, that the question of appointments to become effective January 1, 1949 would be considered shortly, and that, while the Board was not prepared to make a commitment with respect to Dr. Wellman until the matter could be considered along with appointments at other Federal Reserve Banks, there was no sentiment on the Board at present which would prevent the reappointment of Dr. Wellman.

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Mr. Vardaman referred to a memorandum from Mr. Carpenter dated August 2, 1948, concerning the procedure authorized by the Board in 1940 for the handling of miscellaneous correspondence through the Secretary's Office. The memorandum stated that the matter was being brought to the attention of the members of the Board and division heads because there appeared to be a tendency to drift back to the situation which the Board found objectionable in 1940 before the procedure was adopted. Mr. Vardaman stated that he had asked that this matter be discussed at a Board meeting because he felt the procedure outlined in the memorandum for handling correspondence was desirable and that the work should be centralized in the Secretary's Office.

Mr. Thomas suggested that the procedure be reviewed in the light of the requests that were received by members of the Research Division relating to statistical or economic information, stating that such requests often times could be handled more satisfactorily in the Research Division than in some other office of the Board.

Following a brief discussion, it was agreed unanimously to refer the matter to the staff for consideration and recommendation.

Reference was made to a memorandum from the Personnel Committee dated August 11, 1948 recommending that the Board authorize the purchase of an additional automobile and the employment of two

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additional chauffeurs. In this connection there were also presented memoranda from Messrs. Eccles and Clayton dated August 23 and August 30, 1948, stating that they did not feel the expense of buying an additional car and employing additional chauffeurs was justified but that they would have no objection to replacement of the older Chrysler automobile owned by the Board if such replacement seemed desirable.

There was a discussion of the memorandum from the Personnel Committee and of the extent to which members of the Board had found the three passenger automobiles now owned by the Board inadequate for official travel needs, at the end of which Mr. Eccles suggested that the Board now replace the older Chrysler car in service and that it consider at some time after the first of the year whether an additional car or additional chauffeurs might be necessary.

Thereupon, upon motion by Mr. Vardaman, it was voted unanimously (1) to dispose of the older Chrysler automobile owned by the Board and to replace it with a new car, the selection of the new car to be determined by Mr. Draper and, (2) to increase the appropriate classification in the budget of the Division of Administrative Services by the amount necessary to cover the cost of purchasing the new automobile.

Reference was also made to the understanding at the Presidents' Conference on May 20, 1948 that the question of the Board's position with respect to Federal Reserve Retirement System investment policy as presented to the Presidents at the meeting with the

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Board on December 9, 1947 would be postponed until not later than the next joint meeting of the Board and the Presidents.

Mr. Eccles said that the Board's position as presented at the meeting with the Presidents on December 9, 1947 still seemed to him to be the correct position, and that so long as the Retirement System operated on a basis whereby the Board might be expected (even though not legally liable) to approve contributions by the Reserve Banks for the purpose of making up deficits in earnings of the Retirement System, it would be appropriate and desirable to require that investments of retirement funds be limited to Government securities, mortgages insured by the Federal Housing Administration, and securities of the International Bank for Reconstruction and Development which would be in line with the policy for investment of the funds of various retirement funds or systems established by the Government. He also stated that he felt the management of retirement funds should not be in the hands of a private concern as is now the case under the arrangement whereby the Northern Trust Company of Chicago acts as investment adviser to the Board of Trustees of the Retirement System.

During a discussion of the matter, Chairman McCabe stated that he understood the Committee appointed by the Chairmen's Conference in May of this year to study the retirement system would be meeting in Washington next Tuesday and he suggested that it would

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be helpful to obtain any views the members of that committee might have with respect to management and investment policies that should be followed in handling retirement funds.

It was agreed unanimously that when the Chairmen's Committee on the Retirement System was in Washington next Tuesday, September 28, 1948, Mr. Draper would discuss the matter with them with a view to obtaining whatever views the Committee might wish to express.

Mr. Vardaman stated that three of the Federal Reserve Banks (Boston, Cleveland, and Minneapolis) had adopted the practice of photographing cash items included in their outgoing cash letters following the discontinuance in May 1948 of requirements by the Federal Reserve Banks that depositing banks agree to furnish descriptions of cash items upon request, that the other nine Banks had concluded it was not necessary to photograph such items, and that the costs incurred by the three Banks which had adopted the practice of making photographic records were substantial items in the budgets which would be considered by the Board during the course of the next few weeks. He raised the question whether, in view of the conclusions by all Federal Reserve Banks other than Boston, Cleveland, and Minneapolis, that the expense of making photographic records was not justified, and in view of the experience which indicated that any losses which the Banks might be called upon to absorb because of inability to furnish descriptions of cash items

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lost or destroyed after leaving the Reserve Banks would be comparatively small, it would be desirable to request the elimination of amounts budgeted for filming at the three Banks specified.

Mr. Smead stated that he felt the retention of photographic records probably was not justified. He commented that the matter of what records should be maintained after requirements as to descriptions were eliminated for depositing banks in May 1948 had been left to the individual Federal Reserve Banks with the thought that different methods of protecting against loss might be tried over an experimental period, that the managements of the Boston, Cleveland, and Minneapolis Banks were the only ones which had concluded they would provide photographic records of outgoing items, and that the matter might be discussed with these three Banks while their budgets for the year 1949 were under consideration with a view to finding out whether in the light of their experience since May 1948 and in the light of the conclusions and experience at the other nine Banks they still felt the costs of maintaining the photographic records were justified.

It was agreed unanimously that Mr. Smead's suggestion should be followed and it was understood that letters would be sent to the Boston, Cleveland, and Minneapolis Banks accordingly.

Mr. Vardaman said that, as he had stated at the meeting of the Board on September 14, 1948, he felt it was inappropriate for

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any one or more members of the Board to pass on travel authorizations of other Board members, that the Personnel Committee to which the matter was referred at the September 14 meeting had not been able to agree upon a recommendation for a change in the present procedure, and that he again suggested adoption of a procedure under which no member of the Board would submit a request for travel authorization for a trip but would inform the Board through the Secretary's Office as far in advance as possible of the contemplated travel.

There was a discussion of Mr. Vardaman's suggestion and it was agreed unanimously that it again be referred to the Personnel Committee for study and recommendation.

Mr. Townsend referred to the demand filed on September 10, 1948 by Transamerica Corporation for additional details in connection with the complaint issued by the Board against that Corporation under Section 7 of the Clayton Act reading as follows:

"UNITED STATES OF AMERICA
BEFORE THE
BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

IN THE MATTER OF
TRANSAMERICA CORPORATION
DEMAND FOR MORE DEFINITE STATEMENT OF
MATTERS OF FACT AND LAW ASSERTED.

"Sirs:

"The respondent, by its undersigned attorneys, hereby demands that the Board of Governors of the Federal Reserve System (hereinafter called 'the Board') serve upon the undersigned a reasonable time in advance of any hearing herein, pursuant to Section 5 of the Administrative

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"Procedure Act (5 U.S.C. § 1004) and the Rules of the Board adopted pursuant thereto, a definite and specific statement of the particulars of the Board's contentions upon the following matters of fact and law asserted in the Board's complaint herein, to wit:

"I. The legal authority and jurisdiction under which the hearing is to be held and a statement of the name or names of the person or persons before whom the hearing is to be held.

"II. With respect to the allegation of paragraph ONE of the complaint that respondent is 'engaged, in interstate commerce, in the commercial banking business' state:

(a) the addresses at which respondent engages in the commercial banking business;

(b) the names of the officers and employes of respondent who engage in the commercial banking business;

(c) a description of the commercial banking transactions conducted by or on behalf of the respondent as a bank, the times when and places where such transactions have taken place, and the names and addresses of the persons participating therein;

(d) the identity of each writing, letter, paper or document by date, name of person preparing, name of person receiving, character and contents, which the Board will offer in evidence in support of its said allegation that respondent is now engaged in the commercial banking business.

"III. With respect to each and every paragraph of the complaint, state in what sense the Board uses the following words and phrases (which appear repeatedly throughout the complaint) and the legal authority, if any, upon which it relies for each such use as applied to the banking business, and if any of such words or phrases is used in a different sense in different paragraphs of the complaint indicate such differences and the legal authority therefor:

(a) 'controls', 'control' and 'controlled';

(b) 'controlling stock interest' and 'controlling stock interests';

(c) 'general direction';

(d) 'nominees' (particularly as used in paragraph SEVEN) and as to each such nominee state:

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"(1) such nominee's name and address;
 (2) the date or dates on which such nominee acted as such;
 (3) the nature of the relationship between the respondent and such nominee and a description of each transaction relied upon by the Board as evidence of such relationship stating the time, place, and participants in each such transaction;

(4) the identity of each writing, letter, paper, or document by date, name of person preparing, name of person receiving, character and contents, which the Board will offer in evidence in support of its said allegation that the persons so identified have acted or are acting as nominees of respondent.

"IV. With respect to the allegation of paragraph THREE of the complaint that various acquired banks were 'in competition with one or more of the banks already controlled by respondent' state what factors, as to geographic location, character of service offered, character of customers served, or otherwise, the Board considers determinative of the question whether one bank is in competition with another and the legal authority, if any for such determination.

"V. With respect to the allegations of paragraphs FOUR, FIVE, SIX, SEVEN and NINE that the effect of the acquisition by respondent of the capital stocks of the banks listed in paragraphs FOUR, FIVE, SIX and SEVEN 'may be, has been, and is * * * to substantially lessen competition * * * between some or all of such banks' state specifically as to each such bank respecting which the Board contends there may be, has been, or is a substantial lessening of competition:

(a) the identity, by name, city or town, state and street address, of the banks, or branches, between which competition may be, has been, or is lessened;

(b) the date or dates on or during which competition may be, has been, or is lessened;

(c) the nature and amount of the competition which may be, has been, or is lessened;

(d) the names and addresses of the person or persons who may participate, have participated or are participating in such lessening of competition.

"VI. With respect to the allegations of paragraphs FOUR, FIVE, SIX, SEVEN and NINE that the effect of the

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"acquisition by respondent of the capital stocks of the banks listed in paragraphs FOUR, FIVE, SIX and SEVEN 'may be, has been, and is * * * to restrain commerce' state:

(a) the identity, by name, city or town, state, and street address, of each bank or branch, referred to in paragraphs FOUR, FIVE, SIX or SEVEN of the complaint, with respect to, by or through which commerce may be, has been, or is restrained;

(b) as to each bank, or branch, set forth in answer to Item VI (a) hereof:

(1) describe and give the boundaries of the community or area wherein commerce may be, has been or is restrained;

(2) specify the date or dates on which commerce may be, has been, or is restrained;

(3) describe each occasion upon which commerce may be, has been, or is restrained;

(4) set forth the character and amount of commerce which may be, has been, or is restrained;

(5) describe the manner in which commerce may be, has been, or is restrained;

(6) set forth the name and address of each individual who participated in each occasion when commerce may be, has been, or is restrained;

(7) state the identity of each writing, letter, paper or document, by date, name of person preparing, name of person receiving, character and contents which the Board will offer in evidence in support of the charges of paragraph NINE of its complaint that commerce may be, has been, and is restrained by respondent's acquisition of the capital stocks of banks.

"VII. With respect to the allegations of paragraphs FOUR, FIVE, SIX, SEVEN and NINE that the effect of the acquisition by respondent of the capital stocks of the banks listed in paragraphs FOUR, FIVE, SIX and SEVEN 'may be, has been, and is * * * to tend to create a monopoly of commerce in respondent in the commercial banking business particularly in banking offices' in various unspecified sections or communities in the states of California, Oregon, Nevada, Arizona, and Washington: state:

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"(a) the name and boundaries of each section or community in which there may be, has been, or is such tendency to monopoly in banking offices;

(b) the name and address of each banking office which creates such tendency to monopoly in banking offices in each such section and community;

(c) the specific activities of each such banking office which may be, have been, or are responsible for such tendency to monopoly in banking offices in each such section and community;

(d) the date and place of occurrence of each such activity and the name and address of each individual who participated in each such activity;

(e) the identity of each writing, letter, paper or document by date, name of person preparing, name of person receiving, character and contents, which the Board will offer in evidence in support of its said allegation that respondent's acquisition of the capital stocks of banks has tended to create a monopoly;

(f) the name and address of each banking office referred to in paragraphs FOUR, FIVE, SIX and SEVEN of the complaint which operates without competition from any other banking office and the facts which the Board contends establish the absence of competition in each such case.

"VIII. With respect to the allegations of paragraphs FOUR, FIVE, SIX, SEVEN and NINE that the effect of the acquisition by respondent of the capital stocks of the banks listed in paragraphs FOUR, FIVE, SIX and SEVEN 'may be, has been, and is * * * to tend to create a monopoly of commerce in respondent in the commercial banking business, particularly in * * * bank deposits' in various unspecified sections or communities in the states of California, Oregon, Nevada, Arizona, and Washington, state:

(a) the name and boundaries of each section or community in which there may be, has been, or is such tendency to monopoly in bank deposits;

(b) the name and address of each banking office which creates such tendency to monopoly in bank deposits in each such section and community;

(c) the specific activities of each such banking office which may be, have been, or are responsible for such tendency to monopoly in bank deposits in each such section and community;

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"(d) the date and place of occurrence of each such activity and the name and address of each individual who participated in each such activity;

(e) the identity of each writing, letter, paper or document by date, name of person preparing, name of person receiving, character and contents, which the Board will offer in evidence in support of its said allegation that respondent's acquisition of the capital stocks of banks has tended to create a monopoly;

(f) the name and address of each banking office referred to in paragraphs FOUR, FIVE, SIX and SEVEN of the complaint which operates without competition for bank deposits and the facts which the Board contends establish the absence of competition in each such case.

"IX. With respect to the allegations of paragraphs FOUR, FIVE, SIX, SEVEN and NINE that the effect of the acquisition by respondent of the capital stocks of the banks listed in paragraphs FOUR, FIVE, SIX, and SEVEN 'may be, has been, and is * * * to tend to create a monopoly of commerce in respondent in the commercial banking business particularly in * * * bank credit' in various unspecified sections or communities in the states of California, Oregon, Nevada, Arizona, and Washington, state:

(a) the name and boundaries of each section or community in which there may be, has been, or is such tendency to monopoly in bank credit;

(b) the name and address of each banking office which creates such tendency to monopoly in bank credit in each such section and community;

(c) the specific activities of each such banking office which may be, have been, or are responsible for such tendency to monopoly in bank credit in each such section and community;

(d) the date and place of occurrence of each such activity and the name and address of each individual who participated in each such activity;

(e) the identity of each writing, letter, paper or document by date, name of person preparing, name of person receiving, character and contents, which the Board will offer in evidence in support of its said allegation that respondent's acquisition of the capital stocks of banks has tended to create a monopoly;

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"(f) the name and address of each banking office referred to in paragraphs FOUR, FIVE, SIX and SEVEN of the complaint which operates without competition in the offering of bank credit and the facts which the Board contends establish the absence of competition in each such case.

"X. With respect to each section and community identified by the Board in its answer to paragraphs VII (a), VIII (a) and IX (a) hereof, state:

(a) the specific aspect or part of the commercial banking business in which the alleged tendency to monopoly exists;

(b) the date on which the Board contends the tendency to monopoly commenced;

(c) the names and addresses of all banking offices which operate in each such section and community.

"Dated: September 10, 1948.

Yours, etc.,

(signed) Samuel B. Stewart, Jr.

Samuel B. Stewart, Jr.

(signed) Hugo A. Steinmeyer

Hugo A. Steinmeyer

"To:

The Board of Governors
of the Federal Reserve
System,
Washington, D. C."

Attorneys for Respondent,
Transamerica Corporation
300 Montgomery Street
San Francisco 4, California

Mr. Townsend stated that a draft of response to be made to the request from Transamerica had been prepared, which he then read as follows:

"UNITED STATES OF AMERICA
BEFORE THE

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

IN THE MATTER OF
TRANSAMERICA CORPORATION

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STATEMENT

"On June 24, 1948, the Board issued its Complaint against the Respondent, Transamerica Corporation, in the above entitled proceeding, charging Respondent with having violated Section 7 of an Act of Congress approved October 15, 1914, familiarly known as the Clayton Act. On September 10, 1948, Respondent served upon the Board a document denominated 'Demand for More Definite Statement of Matters of Fact and Law Asserted.' This document consists of five legal-sized typewritten pages, calling for disclosure of a wide variety of additional information, both legal and factual, to supplement the allegations of the Complaint.

"The Board has treated Respondent's 'Demand' as a Motion for a Bill of Particulars and, in so doing, has reconsidered the allegations of the Complaint to determine in what respects, if any, they fail adequately and fairly to apprise Respondent of the nature of the charges which it is called upon to meet in the forthcoming hearings. Viewed in the light of that inquiry, the Board is satisfied that the Complaint is sufficient as drawn.

"Section 5(a) of the Administrative Procedure Act provides that Respondent shall be informed of '(1) the time, place, and nature [of the hearing]; (2) the legal authority and jurisdiction under which the hearing is to be held; and (3) the matters of fact and law asserted.' The Complaint specifically advises Respondent of 'the time, place, and nature' of the proposed hearing. (The Complaint does not inform Respondent of the name of the person before whom the proceedings will be conducted, the Board intending to make such announcement at the opening of the hearing. However, for Respondent's further information, the Board has tentatively concluded to request one of its Members, Honorable Rudolph M. Evans, to preside throughout the proceedings.) The Complaint likewise adequately discloses the 'legal authority and jurisdiction under which the hearing is to be held'. It certainly meets the test stated in the Attorney General's Manual on the Administrative Procedure Act that 'The notice should contain reference to the agency's authority sufficient to inform the parties of the legal powers and jurisdiction which the agency is invoking in the particular case, and thus enable the parties to raise any legal issues they consider relevant.'

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"In the main Respondent's motion seeks additional factual information of a highly detailed and evidentiary character. Here again, however, the Board is satisfied that the more than extensive factual allegations of the Complaint meet the requirements of Section 5(a)(3) set out above. In that connection it is appropriate to point out another excerpt from the Attorney General's Manual, which, in connection with these requirements, states that 'It is not required [that the Complaint should] set forth evidentiary facts or legal argument. All that is necessary is to advise the parties of the legal and factual issues involved'.

"It should be noted that, if at the hearing Respondent is taken by surprise respecting any of the issues raised by the allegations of the Complaint, the Board will of course entertain a motion for an appropriate continuance or such other relief as the exigencies of the situation might then seem to require.

"ORDER

"For the reasons set out in the Statement hereinabove appearing, Respondent's Motion for a Bill of Particulars is denied.

"By the Board."

There was a discussion of the proposed response during which the opinion was expressed that the information furnished to Transamerica Corporation in the complaint fully complied with the requirements under the Administrative Procedure Act as well as requirements customarily required by the courts and that it would neither be practicable nor desirable to attempt to furnish the Corporation with the detailed evidentiary material requested in their communication of September 10, 1948.

Upon motion by Mr. Evans, the response to Transamerica Corporation as set forth above was approved unanimously.

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In this connection Chairman McCabe stated that subsequent to the meeting on September 10, 1948, Mr. Coleman of his office telephoned Mr. L. M. Giannini at a local hospital while he (Chairman McCabe) was out of town and left information that Chairman McCabe would be glad to have Mr. Giannini call to see him, and that Mr. Coleman was informed that Mr. Giannini would be at his hotel over the weekend and that he would be very glad to have Chairman McCabe come over to see him. Chairman McCabe added that he was leaving for Louisville, Kentucky, to attend the meeting of the National Association of Supervisors of State Banks early tomorrow morning and would have no opportunity to talk with Mr. Giannini, but that he would have Mr. Coleman telephone Mr. Giannini and say to him that if he was still in Washington next week after Chairman McCabe had returned he would be very glad to have him come over to the Chairman's office if he still wished to see him.

At this point Messrs. Riefler, Thomas, Nelson, Townsend, and Young withdrew and the action stated with respect to each of the matters hereinafter set forth was taken by the Board:

Minutes of actions taken by the Board of Governors of the Federal Reserve System on September 20, 1948, were approved unanimously.

Letter to the Honorable Christian A. Herter, House of Representatives, Washington, D. C., reading as follows:

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"This refers to your letter of September 13, 1948, with which you enclosed a letter dated September 10, 1948, from the Consolidated Construction Company of Brookline, Massachusetts, expressing the opinion of that concern with regard to a proposed amendment to Regulation W to include so-called repair and modernization credits under the regulation.

"As you know, the Board is considering such an amendment to the regulation and has invited and received both directly and indirectly, through the several Federal Reserve Banks, the comments of interested persons to assist it in determining whether, in fact, such an amendment would be advisable.

"The points raised by your constituent are worthy of consideration and since they are points which have been made by a number of individuals from whom we have received letters we are fully conversant with them and you may be certain that we will give them full consideration in our decision. We note from the letter which you forwarded us and from others in a similar vein that the extent to which unduly liberal credit may push upward on repair and modernization costs is completely overlooked. Many of our correspondents, while opposing severely restrictive provisions, indicate that they would look with favor upon a control which sought to provide for urgent needs but which at the same time prevented uneconomic excesses and continued upward pressure on prices. It may be that your constituent would share that point-of-view. In any event he may be assured that whatever decision is ultimately reached with regard to the proposed amendment will be reached only after due and careful consideration of all the factors involved. At your request, we are returning Mr. Patterson's letter."

Approved unanimously.

Letter to Mr. Gidney, President of the Federal Reserve Bank of Cleveland, reading as follows:

"This refers to telephone conversations which Mr. Horbett recently had with Mr. Findeisen with regard to the request of the Cleveland Trust Company that your Bank from time to time hold in safekeeping for

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"Bankers Trust Company, New York, blocks of Treasury bills sold by the Cleveland Trust Company to Bankers Trust Company under repurchase agreement or with an understanding to that effect. It is understood that the Cleveland Trust Company wants to be in a position to make quick adjustments in its reserve position as late as possible in the day, and that such sales by way of CPD transactions would not serve the desired purpose because CPD transactions must be consummated not later than 1:30 p.m. ordinarily and cannot be made at all on the last day of the month.

"As Mr. Findeisen was advised the Board feels that your Bank should decide whether or not it would be proper to accede temporarily to the request of the Cleveland Trust Company and that if it does accede it should make it clear to the member bank that such action is not a precedent and is subject to discontinuance after further consideration of the matter. The Board believes that it would be well to have this matter discussed at a Presidents' Conference, since regular compliance with the request would set a precedent which would affect not only member banks in the Cleveland District but also those in other districts. Accordingly, it is suggested that you ask the Chairman of the Conference of Presidents to place the subject on the agenda for the forthcoming Conference."

Approved unanimously.


Secretary.

Approved:


Chairman.