Minutes of actions taken by the Board of Governors of the
Federal Reserve System on Thursday, September 8, 1949. The Board
met in the Board Room at 10:30 a.m.

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

Mr. Carpenter, Secretary
Mr. Morrill, Special Adviser
Mr. Thurston, Assistant to the Board
Mr. Riefler, Assistant to the Chairman

Before this meeting there had been sent to each member of
the Board a draft of statement and order on the exception, appeal
and request filed by Transamerica Corporation under date of August
29, 1949, to which had been added Mr. Vardaman's dissent from the
statement and order and his reasons therefor.

The draft was discussed and its
issuance in the following form was
approved unanimously:

"Respondent has filed with the Board an exception,
appeal and request, dated August 29, 1949, entitled 'Ex-
ception and Appeal from Ruling of Hearing Officer Denying
Respondent's Motion to Dismiss for Failure of Proof, and
Request for Adjournment of Hearing Date Prescribed in
Said Ruling.'

"Neither due process of law, nor any statute applic-
able to this proceeding, requires the Board to entertain
or determine interlocutory appeals from the rulings of
its hearing officers. And no such appeals are contem-
plated or authorized by the Board's Rules of Practice.
On the contrary, the effect of Rules VII and VIII of the
Board's Rules is to preclude interlocutory appeals, and
to require that exceptions to a hearing officer's rul-
ings be filed after the filing of the hearing officer's
"report containing his recommended decision, and 'be argued only at the final hearing, if any, on the merits before the Board or one or more members thereof.' The ruling of the Hearing Officer upon respondent's motion to dismiss for failure of proof was not an initial decision of the case within the meaning of the Administrative Procedure Act; it was not a recommended decision within the meaning of the Act or of the Board's Rules, and no report in connection with the ruling was filed or required. Respondent's exception to and appeal from such ruling is therefore dismissed as premature, but without prejudice to respondent's right to renew the same in accordance with the provisions of the Board's above mentioned Rules VII and VIII.

"Insofar as respondent's exception and appeal challenges the Hearing Officer's action in fixing September 19, 1949, as the date on which hearings are to be resumed, we may add that while such action is not subject to interlocutory appeal -- and nothing in Rule IV of the Board's Rules of Practice provides otherwise -- the Board has treated respondent's request for an adjournment of the hearing date as a motion for an adjournment or continuance of the hearings, and has carefully considered respondent's brief and the affidavit of respondent's counsel in support of respondent's request. However, for the reasons stated by the Hearing Officer in his Notice denying respondent's motion to dismiss for failure of proof, the Board is of the opinion that the date prescribed by the Hearing Officer for the resumption of hearings is not unreasonable. Respondent's request that the hearings be adjourned until a date at least five months after the Board's determination of respondent's exception and appeal is therefore denied.

ORDER

"For the reasons set forth in the foregoing statement, it is ORDERED that:

1. Respondent's exception to and appeal from the Hearing Officer's ruling denying respondent's motion to dismiss for failure of proof be, and it hereby is, dismissed, but without prejudice to respondent's right to renew the same in the manner and at the time prescribed by Rules VII and VIII of the Board's Rules of Practice.

2. Respondent's request for an adjournment of the hearing date prescribed by the Hearing Officer in his Notice denying respondent's motion to dismiss for failure of proof be, and it hereby is, denied.
This 8th day of September, 1949.

By the Board.

(signed) S. R. Carpenter
S. R. Carpenter
Secretary.

(Governor Vardaman dissents. In his opinion, respondent's exception and appeal should be allowed, and the Board itself should hear and determine respondent's motion to dismiss for failure of proof. Governor Vardaman is also of the opinion that, respondent's exception and appeal having been dismissed, respondent's request for an adjournment of the hearings should be granted to the extent of adjourning or continuing the hearings to a date not earlier than sixty days subsequent to September 19, 1949, the date fixed by the Hearing Officer for the resumption of the hearings.

"Governors Eccles and Clayton took no part in the consideration or decision of the exception, appeal and request referred to in the foregoing statement and order."

Shortly after this action was taken Mr. Draper, who had been detained by another appointment, joined the meeting and upon being informed of the action stated that he wished to be recorded as voting in favor of it.

At this point Messrs. Eccles and Clayton joined the meeting.

Chairman McCabe stated that yesterday he met with Messrs. Sproul and Williams, Presidents of the Federal Reserve Banks of New York and Philadelphia, who had been appointed members of a special committee of the Presidents' Conference to direct a study which would aid the Presidents in preparing their replies to the questionnaires received by them from the Douglas Subcommittee of the Joint Committee on the Economic Report and to discuss with the
Chairman of the Board of Governors such questions as might arise in connection with the questionnaires sent to him and the Presidents.

At Chairman McCabe's request, Mr. Carpenter read a memorandum presented during the meeting of the special committee which stated (a) that it appeared that the subcommittee was looking for separate and individual answers to the questionnaires received by the Presidents and the Chairman of the Board of Governors rather than a combined System response, (b) that nevertheless there should be some opportunity for coordinated effort in preparing answers to the questionnaires, both among the Presidents and as between the Presidents and the Chairman of the Board of Governors, which would still permit of differences between the answers of the Presidents and Chairman and differences in the answers of the individual Presidents, (c) that the special committee had appointed a committee from the economists of the Federal Reserve Banks to work on the questionnaires sent to the Presidents which would meet in New York on Thursday and Friday of this week to begin blocking out its job and whatever cooperation with the staff of the Board of Governors might prove to be feasible and desirable, (d) that the questions on which the staff committee and the Board's staff might work together were the questions which were largely historical or which related to international finance, gold, and silver, and relations with other banking and credit agencies, and that the questions on
which individual answers might be prepared were questions which asked for expressions of individual opinion on future policy and organization, and (c) that if this general program recommended itself it was suggested that it might be advantageous if Mr. Thomas, Director of the Board's Division of Research and Statistics, attended the first day's meeting of the staff committee to work out with it a method of allocating the work to be done jointly by the staff committee and the Board's staff.

Chairman McCabe stated that in accordance with the suggestion last referred to, Mr. Thomas was in New York today attending the meeting of the staff committee. He also said that it was the thought of the special committee of the Presidents' Conference that there might be prepared a broad, general statement which would form the general basis for the answers to the questionnaires sent to the Presidents and that so far as practicable answers to individual questions would be by reference to the general statement. It was also the thought, he said, that there would be a free exchange of drafts of answers between the individual Presidents and between the Presidents and the Chairman of the Board and that in submitting the answers to the subcommittee of the Joint Committee on the Economic Report there would be a frank statement to the effect that there had been consultation in the preparation of the answers to the questionnaires, that uniform answers had been prepared to some questions
while the answers to other questions had been left to the discretion of the individuals to whom the questionnaires had been addressed.

Mr. Eccles inquired whether the questionnaire sent to Chairman McCabe was sent to him as an individual or to the Board, and Mr. Reifler stated that Mr. Lester V. Chandler, Economist to the Subcommittee, had addressed the questionnaires to individuals so that it could be left to their discretion to determine whether they should be answered by them as individuals or by the respective institutions with which they were connected.

Mr. Eccles then suggested that because of the short time allowed for the preparation of the replies and the probable difficulty of getting agreement on certain of the answers, it would be preferable if the answers to the questionnaire sent to Chairman McCabe could be submitted as the Chairman's views rather than the views of the Board.

Chairman McCabe stated that, even if that were done, he would want to submit the drafts of answers to the members of the Board in order to have the benefit of any suggestions that they might wish to make.

Mr. Szymczak suggested that drafts of answers be prepared by the staff and sent to the individual members of the Board with the thought that if there could be agreement on the answers to be made, the reply could be sent as coming from the Board.

In the ensuing discussion, Mr. Eccles suggested that the draft of answers be sent to the members of the Board and that they be afforded an opportunity to discuss the drafts so that Chairman McCabe
might have the benefit of the views of the individual members and
so that when the answers were sent to the Senate subcommittee the
statement could be made that they represented the personal views of the
Chairman of the Board but that in their preparation he had had the
benefit of the views of the other members.

Mr. Eccles' suggestion was approved unanimously.

In response to an inquiry from Chairman McCabe, the other mem-
bers of the Board present stated that they had no objection to the
procedure proposed by the special committee of the Presidents' Con-
ference for the preparation of the replies to questionnaires to
the Presidents of the Federal Reserve Banks.

There was further informal discussion of certain organizational
problems in connection with which the Board had the benefit of recom-
mendations from the Personnel Committee. At the conclusion of the
discussion, the recommendations of the Personnel Committee were ac-
cepted as a general approach to the problems involved and Chairman
McCabe was authorized to discuss the matter further with the appro-
priate parties with the understanding that after the discussions a
revised memorandum of recommendations would be presented to the Board
for final action.

Mr. Clayton referred to the discussion at various times in
recent months of the position which he had taken that for the time
being he would not participate in the consideration of any of the
matters coming before the Board in connection with the Clayton Act.
Proceeding against Transamerica Corporation and he said that in accordance with the informal understanding that he had had with Mr. Vardaman he wished to present the following statement with respect to his position:

"From time to time Governor Vardaman has raised objections to the position I have taken with reference to participation in matters relating to the Transamerica proceeding. These objections have been voiced at meetings of the Board, as recorded at several points in the Board's minutes, and at other times to me. At the request of Governor Vardaman, a rather lengthy discussion was had at a conference in my office about mid-July, attended by Governors Vardaman and Szymczak and Messrs. Carpenter, Vest, and Smith. At this conference, I again reiterated my intention to follow the course that I adopted at the meeting of the Board on December 6, 1948, when I stated, as recorded in the Board's minutes, that I had come to the conclusion 'that it would be preferable from the standpoint of the Board' that I refrain from participating in the proceeding, leaving the question of my voluntary disqualification on the one hand or my active participation on the other hand to be decided when it became necessary to make such a decision. Such a decision, obviously, would be mine and not that of the Board, since the Board had already by unanimous action denied the motion of Transamerica for my disqualification on the ground, among others, that the Board had no authority to disqualify me.

"Although no objection to this course was voiced by Governor Vardaman at the time, he has made the statement on two or three occasions since December 6, 1948, that in his opinion the position taken by me in this matter is 'damaging to Governor Clayton and to the Board.'

"At the conference above mentioned, Messrs. Vest and Smith stated their opinion that from the point of view of the Board in connection with the Transamerica proceeding, the position I had taken was not only entirely correct but was distinctly to the advantage of the Board. The various considerations that might enter into a later decision on my part to alter my present status were discussed at length. Governor Vardaman thereupon stated that in view of the
"opinion of Messrs. Vest and Smith he withdrew any opposition to my position in this matter but still felt strongly that a further statement of my position should be filed with the Board. There is no need for the considerations brought out in the conference to be discussed here. In general, however, it is my strong preference not to participate in the action, but on the other hand I do not wish to forever foreclose my ability to participate, since at some time my participation might be vital in order to assure an uninterrupted consideration of the case, or for some other reason not now apparent."

At this point Mr. Riefler withdrew, and the action stated with respect to each of the matters hereinafter referred to was taken by the Board:

Minutes of actions taken by the Board of Governors of the Federal Reserve System on September 7, 1949, were approved unanimously.

Memorandum dated August 22, 1949, from Mr. Thomas, Director of the Division of Research and Statistics, recommending increases in the basic annual salaries of the following employees in that Division, effective September 18, 1949:

<table>
<thead>
<tr>
<th>Name</th>
<th>Title</th>
<th>From</th>
<th>To</th>
</tr>
</thead>
<tbody>
<tr>
<td>Elizabeth A. McMahon</td>
<td>Clerk-Stenographer</td>
<td>$2,724.00</td>
<td>$2,799.24</td>
</tr>
<tr>
<td>Jennie Lee Glass</td>
<td>Clerk</td>
<td>2,573.52</td>
<td>2,648.76</td>
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</table>

Approved unanimously.

Memorandum dated September 7, 1949, from Mr. Bethea, Director of the Division of Administrative Services, recommending that the resignation of Miss Rachael Morley, a page in that Division, be
accepted to be effective, in accordance with her request, at the
close of business on September 16, 1949.

Approved unanimously.

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

"In accordance with the request contained in your
letter of September 2, 1949, the Board approves the
designation of John Walter Burhop as a special assistant
examiner for the Federal Reserve Bank of Chicago."

Approved unanimously.

Letter to the Federal Deposit Insurance Corporation, Washington,
D. C., reading as follows:

"Pursuant to the provisions of section 12B of the
Federal Reserve Act, as amended, the Board of Governors
of the Federal Reserve System hereby certifies that the
'First State Bank of Richmond', Richmond, California,
became a member of the Federal Reserve System on Septem-
ber 1, 1949, and merged with the Central Valley Bank of
California, Escalon, California, on the same day.

The subject bank was organized to succeed the First
National Bank in Richmond, Richmond, California, and, af-
after exchange of its stock for that of the First Na-
tional Bank, to acquire the assets and assume the deposit
liabilities of the First National Bank. Thereafter, it
and the Bank of Hughson, Hughson, California, merged with
the Central Valley Bank of California, Escalon, California,
which moved its head office to Richmond and was authorized
to operate branches at Escalon, Hughson, Oakley, and El
Cerrito, California. It is understood that the branch at
El Cerrito is to be opened at a later date. The Central
Valley Bank of California also was admitted to membership
in the System on the same date and, under the merger plan,
the combined capital of the three constituent banks was
increased $230,000.

"The Board of Governors of the Federal Reserve System
"further certifies that, in connection with the admission of the First State Bank of Richmond to membership as a part of the plan described above, consideration was given to the following factors enumerated in subsection (g) of section 12B of the Federal Reserve Act:

1. The financial history and condition of the bank,
2. The adequacy of its capital structure,
3. Its future earnings prospects,
4. The general character of its management,
5. The convenience and needs of the community to be served by the bank, and
6. Whether or not its corporate powers are consistent with the purposes of section 12B of the Federal Reserve Act."

Approved unanimously.

Letter to Mr. George B. Luhman, President, First Wisconsin Trust Company, Milwaukee, Wisconsin, reading as follows:

"This refers to your letter of August 2, 1949, to the Federal Reserve Bank of Chicago relating to the holding company affiliate status of First Wisconsin Trust Company, Milwaukee, Wisconsin.

"The Board understands that First Wisconsin Trust Company is engaged in the general trust business; that it is a holding company affiliate of The First National Bank of Rhinelander, Rhinelander, Wisconsin, by reason of the fact that it holds in a fiduciary capacity more than 50 percent of the outstanding shares of stock of the national bank; that it does not own or control, directly or indirectly, any other bank stock except stock held in fiduciary capacities in the normal course of its trust business; and that it does not manage or control, directly or indirectly, any banking institution other than The First National Bank of Rhinelander.

"In view of these facts, the Board has determined that First Wisconsin Trust Company, Milwaukee, Wisconsin, is not engaged, directly or indirectly, as a business, in holding the stock of, or managing or controlling, banks, banking associations, savings banks, or trust companies, within the meaning of section 2(c) of the Banking Act of 1933, as amended; and, accordingly, First Wisconsin Trust Company is not a holding company affiliate..."
"for any purposes other than those of section 23A of the Federal Reserve Act.

"If, however, the facts should at any time differ from those set out above to an extent which would indicate that First Wisconsin Trust Company might be deemed to be so engaged, this matter should again be submitted to the Board. The Board reserves the right to make a further determination at any time on the basis of the then existing facts."

Approved unanimously.

Memorandum dated August 19, 1949, from Mr. Baumann, Assistant General Counsel, recommending for the purposes of a letter dated August 1, 1949, from the President and Executive Order No. 10072 dated July 29, 1949, regarding improvement in management of executive departments and agencies, that the Personnel Committee be designated to be responsible for a program of improving the effectiveness and economy of the Board's operation, with the understanding that the Committee would perform this function through the budget procedure approved June 28, 1949.

Approved unanimously.

Memorandum dated September 1, 1949, from Mr. Chase, Assistant Solicitor, recommending for the purpose of continuing the reporting of the Transamerica proceeding, that $5,000 be added to the non-Personal services item under the Miscellaneous Account of the 1949 budget of the Solicitor's Office.
9/8/49

-13-

Approved unanimously.

Secretary.

Approved:

Chairman.