Minutes of actions taken by the Board of Governors of the Federal Reserve System on Thursday, January 8, 1953. The Board met in the Board Room at 10:10 a.m.

PRESENT: Mr. Martin, Chairman
Mr. Szymczak
Mr. Evans
Mr. Vardaman
Mr. Mills
Mr. Carpenter, Secretary
Mr. Sherman, Assistant Secretary
Mr. Kenyon, Assistant Secretary
Mr. Vest, General Counsel
Mr. Sloan, Director, Division of Examinations
Mr. Chase, Assistant Solicitor

There were presented the following memoranda, both of which had been circulated among the members of the Board prior to this meeting:

(1) Memorandum from Mr. Sloan, dated December 30, 1952, recommending, subject to opinion of Counsel as to the applicability of the Clayton Act to the expansion of activity of Northwest Bancorporation, of Minneapolis, Minnesota, as a holding company affiliate, that a favorable opinion be expressed to the Comptroller of the Currency with respect to the proposed organization of "Northwestern National Bank of Richfield", Richfield, Minnesota, which the Comptroller declined to approve on April 7, 1952, although the Federal Reserve Bank of Minneapolis recommended approval, and as to which Mr. G. W. Garwood, Deputy Comptroller of the Currency, in a letter dated December 18, 1952, requested that a reinvestigation be made and recommendation furnished. Attached to the memorandum was a letter dated December 22, 1952, from Mr. McConnell, Vice President of the Minneapolis Reserve Bank, stated that the Bank again recommended approval of the application, its findings having been favorable with respect to the adequacy of the capital
of the proposed bank, its future earnings prospects, the character of the management, and the convenience and needs of the community. The memorandum stated that all of the stock of the bank, except directors' qualifying shares, was to be owned by Northwest Bancorporation, that if a charter should be granted, the holding company affiliate would apply for a voting permit, and that if the Board recommended favorably with respect to granting the charter, it would not be consistent to act unfavorably on the application for a voting permit.

(2) Memorandum from Mr. Chase, dated January 2, 1953, expressing the opinion that the proposed organization of "Northwestern National Bank of Richfield" and its ownership by Northwest Bancorporation would not be a violation of the Clayton Act because: (a) it seemed very doubtful whether the new bank at the time of its acquisition would be, technically, "engaged in commerce" within the meaning of the Clayton Act since it would be acquired at the same moment when it was organized; and (b) statistics given in an attachment to the above-mentioned memorandum from Mr. Sloan indicated that there would not be a sufficient concentration in the four-State area of Minnesota, Montana, North Dakota, and South Dakota, or the two counties of Hennepin and Ramsey, Minnesota (in which Minneapolis, St. Paul, and Richfield are situated) to raise any question of a tendency towards a monopoly, particularly in view of the fact that, in the number of banking offices which it controls, if not in other respects, Northwest Bancorporation has actually been decreasing in size during the past 20 years.

During a discussion of the matter it was noted that, according to advice contained in the above-mentioned letter of December 22 from the Federal Reserve Bank of Minneapolis, application had been made for a charter for a State bank to be located about two miles south of the location proposed by the applicant for the national charter, the application for a State bank reportedly having been made by the same
interests that control another State bank in Richfield. Question was raised as to what reference, if any, to this fact should be made in the Board's response to the Comptroller.

Mr. Sloan stated that Governor Robertson, who had said at the meeting of the Board yesterday that he would favor a letter to the Comptroller recommending that the application to establish the proposed national bank be granted, told him in a discussion of the matter that he thought the Board should write to the Comptroller to the effect that all aspects usually considered in connection with the establishment of a new bank were favorable, that on that basis the Board would recommend approval of the application, but that the Board had not undertaken to appraise the relative merits of the two applications.

Mr. Sloan also stated that the location proposed for the State bank was not regarded as being as desirable as the location proposed for the national bank and that, if the national bank were established, the State authorities probably would not approve the State bank application, which was made several months later, because of the less advantageous location and the fact that the national bank could serve the whole area.

Governor Evans said that, although he recognized that a decision whether to grant a charter for the proposed national bank was a matter within the jurisdiction of the Comptroller, he would favor the establishment
of an independent bank as against an expansion of Northwest Bancorporation based on the theory that it was better for the country and for the capitalistic system to have more small businesses and fewer large ones. He felt that the application for the State bank should be called to the Comptroller's attention, with an expression that the Board would prefer to see an independent bank established. Governor Evans went on to say that if Northwest Bancorporation should purchase the so-called Otto Bremer chain of banks, a possibility referred to in the report of examination of the holding company affiliate made by the Federal Reserve Bank of Minneapolis as of May 20, 1952, it would have quite a dominant position in the area, and that he would dislike to see another Clayton Act proceeding instituted. He said, however, that if the Comptroller should grant the national bank a charter, he would favor granting a voting permit to the holding company affiliate covering its stock in the bank.

In response to a question by Governor Evans whether a favorable recommendation by the Board would be inconsistent with the views stated by the Board with respect to proposed bank holding company legislation, Mr. Vest said that in his opinion it would not, because under such legislation it would be possible for the Board to grant a voting permit if the Board was satisfied with the competitive situation. He said that, according to his information, the establishment of the proposed national
bank would not result in any substantial lessening of competition in the area although there was always the question of a tendency toward monopoly to be considered where a holding company affiliate was expanding. Mr. Vest said that the establishment of the national bank would be comparable in a sense to the establishment of a de novo branch, and that the situation was not entirely different from that posed by the recent application of The Marine Trust Company of Western New York, Buffalo, New York, to establish a de novo branch in Cheektowaga, New York, which the Board approved.

Governor Mills felt that, if the Board should recommend against chartering of the national bank, it would be in a sense prejudging the Clayton Act proceeding against Transamerica Corporation and, so far as the holding company element was concerned, would be following a theory that is not effective in law. In the circumstances, he favored a letter to the Comptroller of the Currency stating only the facts of the case as known to the Board.

Following further discussion, approval was given to a letter to the Comptroller of the Currency (Attention: Mr. G. W. Garwood, Deputy Comptroller) in the following form, Governor Evans voting "no" because he believed that preference should be expressed therein for the establishment of an independent bank:
"Reference is made to your letter of December 18, 1952, requesting a reinvestigation of the application to organize a new national bank at Richfield, Minnesota, under the title of Northwestern National Bank of Richfield, and a recommendation as to whether or not the application should be approved.

Information contained in a report of reinvestigation of the application by the Federal Reserve Bank of Minneapolis indicates favorable findings with respect to the factors usually considered in connection with such applications and, accordingly, the Board of Governors recommends approval of the application. However, the Board has not undertaken to consider the relative merits of this application as compared with an application which the Board understands has been made for a State bank charter at Oxboro, also in Bloomington Township.

"The Board desires that you be informed that it or its representatives will be glad to discuss any aspects of this case with you or representatives of your office if you so desire."

At this point Messrs. Riefler, Assistant to the Chairman; Thomas, Economic Adviser to the Board; Young, Director, Division of Research and Statistics; and Youngdahl, Assistant Director, Division of Research and Statistics, entered the room, and Messrs. Vest, Sloan, and Chase withdrew.

There was presented a draft of letter to the Honorable Leon H. Keyserling, Chairman of the Council of Economic Advisers, prepared in reply to Mr. Keyserling's letter of January 7, 1953, requesting such comment as the Board might care to offer on an enclosed galley proof of the Council's Annual Economic Review.

Certain changes in the draft were agreed upon, and unanimous approval was given to the reply in the following form:
Returned herewith is the galley proof on the Council's proposed Economic Review, transmitted with your letter of January 7 for such comment as the Board of Governors might care to offer. Aside from various staff suggestions which are noted on the galley margin, the Board has two points of substance.

The first point relates to the Council's description on galley 4 of credit and monetary policy in 1952. The last paragraph is inadequate and we attach to this letter a substitute which we hope you will find acceptable.

Our second point relates to the discussion of credit policy in your Chapter IV, 'Needed Adjustments for Sustained Prosperity,' galley 28. We strongly urge that the Council drop the first four paragraphs of this discussion and propose that you substitute therefor the following short paragraph:

'Measures of general credit policy have an essential role to serve in economic stabilization, although they cannot be relied upon to do the whole job. During the past session of Congress, the Board of Governors of the Federal Reserve System reported at length on the usefulness and limitations of these measures to the Subcommittee on General Credit Control and Debt Management of the Joint Committee on the Economic Report. Representatives of the Council, the Treasury and other interested agencies also submitted testimony in these hearings as did many private bankers and other experts. In its regular annual report, the Board of Governors advises Congress directly concerning the current use made of these measures.'

In connection with the ensuing discussion in this section of policies with respect to reducing downpayments, lengthening maturities, and insuring and guaranteeing loans as actions to help stabilize private credit demand, the Council may wish to take note of the fact that the cushion in these areas is much thinner than it was in the 1930's by virtue of the programs undertaken since to liberalize credit terms and especially measures adopted during postwar years. These latter actions, as the Council is doubtless aware, have tended to accentuate cyclical movements rather than promote stabilization.
Secretary's Note: The substitute paragraph mentioned in the second paragraph of the above letter was as follows:

"During 1952 the Federal Reserve System relied mainly on its general instruments to influence the supply, availability, and cost of credit and money. Through purchases of Government securities in the open market, the System partly offset the drain on bank reserves resulting from a growth of currency in circulation. Additional bank reserves required to support expansion of bank deposits resulting from increases in bank credit were obtained by banks through borrowing from the Federal Reserve Banks. Since to an individual commercial bank borrowing is only a temporary source of reserves, the increase in Federal Reserve advances brought with it growing restraint on the availability of bank credit in the economy generally. No change was made in the Federal Reserve Banks' discount rates during the year."

The meeting then recessed and reconvened in executive session at 2:00 p.m.

Following the executive session the Chairman informed the Secretary that Secretary of the Treasury-designate Humphrey had advised that he and Secretary of the Treasury Snyder were considering the joint appointment of a five-man committee to review plans and determine upon the procedures to be followed in making the transfer of the Government's stock of gold and silver bullion and other assets in the custody of the Treasury to the officials of the incoming Administration. Mr. Humphrey had suggested the selection of someone from the Board's organization as a member of the committee. This suggestion was considered during the executive session and it was agreed unanimously that Governor Robertson or Mr. Leonard, Director of
the Division of Bank Operations, might serve on the committee, final selection to be made by Chairman Martin when it was known who the other members of the committee would be.

The following additional actions were taken by the Board:

Minutes of actions taken by the Board of Governors of the Federal Reserve System on January 7, 1953, were approved unanimously.

Letter to Mr. Hall, Federal Reserve Agent, Federal Reserve Bank of Kansas City, reading as follows:

"In accordance with the request contained in Mr. Koppang's letter of December 31, 1952, the Board of Governors approves the payment of salaries to the following members of the Federal Reserve Agent's staff at the rates indicated effective January 1, 1953. This approval is given with the understanding that where required such salaries are approved by the Salary Stabilization Board and the appropriate board of directors.

<table>
<thead>
<tr>
<th>Name</th>
<th>Title</th>
<th>Annual Salary</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maurice Allendoerfer</td>
<td>Assistant Federal Reserve Agent</td>
<td>$5,460</td>
</tr>
<tr>
<td>Kenneth B. Self</td>
<td>Alternate Assistant Federal Reserve Agent</td>
<td>6,936</td>
</tr>
<tr>
<td>Paul V. Wysong</td>
<td>Alternate Assistant Federal Reserve Agent</td>
<td>7,032</td>
</tr>
<tr>
<td>Denver Branch</td>
<td>Federal Reserve Agent's Representative</td>
<td>6,120</td>
</tr>
<tr>
<td>William R. Young</td>
<td>Federal Reserve Agent's Representative</td>
<td>5,712</td>
</tr>
<tr>
<td>H. B. Fisher</td>
<td>Federal Reserve Agent's Representative</td>
<td>6,120</td>
</tr>
<tr>
<td>David E. Chase</td>
<td>Federal Reserve Agent's Representative</td>
<td>5,796</td>
</tr>
<tr>
<td>Lee G. Cox</td>
<td>Federal Reserve Agent's Representative</td>
<td>6,120</td>
</tr>
</tbody>
</table>
Letter to the Board of Directors of The Sumitomo Bank (California), San Francisco, California, stating that, subject to conditions of membership numbered 1 and 2 contained in the Board's Regulation H, the Board approves the bank's application for membership in the Federal Reserve System and for the appropriate amount of stock in the Federal Reserve Bank of San Francisco, effective if and when the bank is authorized to do business by the appropriate State authorities.

The letter also contained the following paragraph:

"The Board of Governors also approves the establishment and operation of a branch by The Sumitomo Bank (California) at East First and San Pedro Streets, Los Angeles, California."

Approved, Governor Vardaman voting "no", together with a letter to Mr. Earhart, President of the Federal Reserve Bank of San Francisco, reading as follows:

"The Board of Governors of the Federal Reserve System approves the application of The Sumitomo Bank (California), San Francisco, California, for membership in the Federal Reserve System, effective if and when the bank is authorized to commence business by the appropriate State authorities,
"subject to the conditions prescribed in the enclosed letter which you are requested to forward to the board of directors of the institution. You will note that action in this case is confined to membership of The Sumitomo Bank (California) which is in the process of organization. Two copies of such letter are also enclosed, one of which is for your files and the other of which you are requested to forward to the Superintendent of Banks for the State of California, for his information.

"It will not be necessary for Mr. Henry Robinson to sever his connection with the International Banking Corporation, as that Corporation has entered into an agreement with the Board of Governors pursuant to section 25 of the Federal Reserve Act and, therefore, his service as a director of a member bank and as an officer or employee of International Banking Corporation is excepted by section 2 (a) (3) of Regulation L."

Letter to The Sumitomo Bank, Ltd., Osaka, Japan, reading as follows:

"This refers to the request of November 17, 1952 by Mr. Henry Robinson on your behalf for a determination by the Board of Governors of the Federal Reserve System as to the status of The Sumitomo Bank, Ltd., formerly known as The Bank of Osaka, Ltd., Osaka, Japan, as a holding company affiliate if a bank to be known as The Sumitomo Bank (California) is organized and is admitted to membership in the Federal Reserve System.

"The Board understands that The Sumitomo Bank, Ltd. is a banking corporation organized and existing under and by virtue of the laws of Japan; that The Sumitomo Bank, Ltd. will be a holding company affiliate of The Sumitomo Bank (California) through control by majority stock ownership of such proposed bank; that The Sumitomo Bank, Ltd. does not and will not own or control, directly or indirectly, the stock of any other banking institution in the United States; and The Sumitomo Bank, Ltd. does not and will not manage or control, directly or indirectly, any banking institution in the United States other than The Sumitomo Bank (California).

"In view of those facts, the Board has determined that The Sumitomo Bank, Ltd. upon organization of The Sumitomo Bank
"(California), and admission of the latter bank to membership in the Federal Reserve System, will not be 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, The Sumitomo Bank, Ltd. will not be deemed to be 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 The Sumitomo Bank, Ltd. might be deemed to be so engaged, this matter should again be submitted to the Board. The Board reserves the right to rescind this determination and make a further determination of this matter at any time on the basis of the then existing facts."

Approved, for transmittal through the Federal Reserve Bank of San Francisco, Governor Vardaman voting "no".

Letter to the Board of Directors of The Bank of Tokyo of California, San Francisco, California, stating that, subject to conditions of membership numbered 1 and 2 contained in the Board's Regulation H, the Board approves the bank's application for membership in the Federal Reserve System and for the appropriate amount of stock in the Federal Reserve Bank of San Francisco, effective if and when the bank is authorized to commence business by the appropriate State authorities. The letter also contained the following paragraph:

"The Board of Governors also approves the establishment and operation of a branch by The Bank of Tokyo of California at 120 South San Pedro Street, Los Angeles, California, provided
"the branch is established within six months from the date of this letter."

Approved, for transmittal through the Federal Reserve Bank of San Francisco, Governor Vardaman voting "no".

Letter to The Bank of Tokyo, Ltd. of Japan, Tokyo, Japan, reading as follows:

"This refers to Mr. Yeisuke Ono's letter of October 31, 1952, requesting a determination by the Board of Governors of the Federal Reserve System as to the status of The Bank of Tokyo, Ltd. of Japan as a holding company affiliate if a bank to be known as The Bank of Tokyo of California is organized and is admitted to membership in the Federal Reserve System. "The Board understands that The Bank of Tokyo, Ltd. of Japan is a bank organized in 1946 under the general law of Japan providing for the incorporation of banks; that The Bank of Tokyo, Ltd. of Japan will be a holding company affiliate of The Bank of Tokyo of California through control by majority stock ownership of such proposed bank; that The Bank of Tokyo, Ltd. of Japan does not and will not own or control, directly or indirectly, the stock of any other banking institution in the United States; and The Bank of Tokyo, Ltd. of Japan does not and will not manage or control, directly or indirectly, any banking institution in the United States other than The Bank of Tokyo of California. "In view of these facts, the Board has determined that The Bank of Tokyo, Ltd. of Japan, upon organization of The Bank of Tokyo of California, and admission to membership in the Federal Reserve System, will not be 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, The Bank of Tokyo, Ltd. of Japan will not be deemed to be 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 The Bank of Tokyo, Ltd. of Japan might be deemed to be so engaged,
"this matter should again be submitted to the Board. The Board reserves the right to rescind this determination and make a further determination of this matter at any time on the basis of the then existing facts."

Approved, for transmittal through the Federal Reserve Bank of San Francisco, Governor Vardaman voting "no".

Letter to Mr. Mills, First Vice President, Federal Reserve Bank of Minneapolis, reading as follows:

"Reference is made to your letters of November 28 and December 22, 1952, in which you advised that it appears expenses for your Head Office and branch will exceed the 1952 budget estimates in the amounts indicated.

The Board accepts the revised figures as submitted and appropriate notations are being made in the Board's records."

Approved unanimously.

Letter to Mr. Koppang, First Vice President, Federal Reserve Bank of Kansas City, reading as follows:

"Reference is made to your letters of December 19, 22, and 24, 1952, in which you advised that it appears expenses for your Head Office and branches will exceed the 1952 budget estimates in the amounts indicated.

The Board accepts the revised figures as submitted and appropriate notations are being made in the Board's records."

Approved unanimously.

[Signature]

Secretary