

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Thursday, April 16, 1953. The Board met in the Board Room at 10:25 a.m.

PRESENT: Mr. Martin, Chairman  
Mr. Szymczak  
Mr. Evans  
Mr. Vardaman  
Mr. Mills  
Mr. Robertson

Mr. Carpenter, Secretary  
Mr. Sherman, Assistant Secretary  
Mr. Kenyon, Assistant Secretary  
Mr. Thurston, Assistant to the Board  
Mr. Vest, General Counsel  
Mr. Hackley, Assistant General Counsel  
Mr. Cherry, Legislative Counsel

Governor Robertson stated that he had received a telephone message from an officer of the Federal Reserve Bank of Chicago with regard to Clarence A. Beutel, Deputy Administrator of the Reconstruction Finance Corporation, who was planning to meet with representatives of the Federal Reserve Bank of Chicago and the Federal Deposit Insurance Corporation to discuss the condition of the Devon-North Town State Bank of Chicago, Illinois, against which the Board issued a complaint under section 9 of the Federal Reserve Act on March 27, 1953. Governor Robertson said that Mr. Beutel, who is a brother of Henry J. Beutel, President of the State member bank, wished to know whether he might say at the meeting that the Board would dismiss the section 9 proceeding provided the

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management of the bank was changed, the ownership was transferred to other interests, and certain instalment paper sold to the bank without recourse by Bankers Discount Corporation of Dallas, Texas, was removed from the institution. Governor Robertson said he took the position that the proceeding was instituted by the Board solely for the purpose of improving the bank, and consequently that if the desired improvements were effected, the Board would look with sympathy on a proposal to dismiss the proceeding, and stated that Mr. Beutel and any other interested person or persons could be so informed.

The other members of the Board concurred in the position taken by Governor Robertson.

The following requests for travel authorization were presented:

<u>Name and Title</u>	<u>Duration of Travel</u>
J. E. Horbett, Assistant Director, Division of Bank Operations	April 21, 1953

To travel to Baltimore, Maryland, to attend a luncheon to be given by the Baltimore Branch of the Federal Reserve Bank of Richmond for Federal Reserve Bank representatives attending the annual meeting of the Eastern Regional Conference of the National Association of Bank Auditors and Comptrollers.

C. C. Hostrup, Assistant Director, Division of Examinations	April 19-22, 1953
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To travel to Chicago, Illinois, to attend a meeting of the Standing Committee of Auditors of the Federal Reserve Banks to arrange the agenda and make other plans for the Conference of Auditors to be held in Washington May 25-27, 1953.

Approved unanimously.

At this point Messrs. Sloan, Director, Hostrup, Assistant Director, and Thompson, Federal Reserve Examiner, Division of Examinations,

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entered the room.

In response to a question by Chairman Martin, Mr. Cherry stated that according to the Clerk of the Senate Banking and Currency Committee, no date had been set for hearings on proposed bank holding company legislation, but that the Board might expect to be called upon for testimony on relatively short notice.

Chairman Martin then suggested that there be a discussion at this meeting of the position which the Board should take in testimony before the Committee.

During the discussion which followed, reference was made to the following bills: S. 2318, which the Board recommended in 1950; the substitute bill submitted the same year by Senator Robertson, of Virginia, and introduced in the present session of Congress in substantially the same form as S. 76; H.R. 6504, introduced in 1952 by Representative Spence, of Kentucky, and again in the present session as H.R. 12; and S. 1118, recently introduced by Senator Capehart, of Indiana, at the request of the Independent Bankers Association. In addition, reference was made to the Board's letter of April 27, 1950, to Senator Robertson stating certain reasons why it considered S. 2318 preferable to the substitute bill which he submitted, and Chairman Martin's letter of April 11, 1952, to Representative Spence, written in response to a request for the Board's views on H.R. 6504.

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The discussion also included an analysis by Mr. Vest of the principal differences between S. 2318 and the substitute Robertson bill, and comments by Mr. Hackley on differences between the bills introduced by Senator Capehart and Representative Spence.

Governor Evans made a statement substantially as follows:

In 1947 the Board advocated bank holding company legislation and hearings were held in the Senate. Our legislation was reported out favorably by the Banking and Currency Committee. Senator Bricker and Senator Capehart, who are on the present Banking and Currency Committee, were on the Banking and Currency Committee at that time. Senator Downey objected to the bill and no action was taken because Congress was just about ready to adjourn. The House did not take up the bill but we were advised it would be friendly to the bill if it passed the Senate.

In 1950 new legislation was introduced and the Board testified in support of this legislation. At the last minute Senator Robertson introduced a bill, the principles of which were quite contrary to the Board's position. The Senate asked for a prompt report on the bill and allowed only a couple of days for this action. The Board advised the Senate Banking and Currency Committee that it could not support the legislation and it died.

No legislation was brought up in 1951. In 1952, at the request of the Independent Bankers Association, Congressman Spence, Chairman of the House Banking and Currency Committee, introduced the Spence bill and we were asked to testify. Governor Robertson did testify and we sent up a formal report on the bill. No legislation was introduced in the Senate and no action was taken by the House on the Spence bill.

In January 1953, Senator Robertson introduced the legislation he had sponsored in 1950 and Congressman Spence introduced the legislation he introduced in 1952.



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In 1952 it was my judgment that no bank holding company legislation could be enacted but I was impressed with the argument of the Board that if any legislation was to be passed it would have to be a bill similar to the Robertson bill. Since this seemed to be better than nothing and it was the only chance for bank holding company legislation, I did not oppose the Board's position. However, nothing came of our efforts.

We now have a Republican Congress and an entirely new situation so it seems logical to me to reexamine our position and determine whether or not the principles we stood for prior to our appearance before the House Banking and Currency Committee in 1952 should be reexamined or changed. It is my opinion that we should revert to the principles we espoused prior to 1952.

Chairman Martin next called upon Governor Robertson, who stated that his views on bank holding company legislation continued to be in accord with the position taken in Chairman Martin's letter of April 11, 1952, which position he (Governor Robertson) later supported in testimony before the Senate Banking and Currency Committee.

Governor Robertson felt that the present Board should be interested in positions taken by the Board in the past only to the extent that they served to throw light on current problems and were of value in assisting the Board in giving the best possible advice to the Congress. He expressed himself as convinced that the advice given last year on bank holding company legislation was sound, understandable, and workable, and that the recommendations covered the problem completely. Governor Robertson went on to say that he found little basis

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for comparison between S. 2318 and the bill introduced by Senator Capehart. The latter bill, he said, went further than anything since the "death sentence" and "freeze" bills of the 1930's, and the statement in its declaration of policy that "a bank holding company and its subsidiary banks shall constitute a branch banking system" appeared to be inconsistent with the facts and to represent an illogical approach to the bank holding company problem.

Governor Robertson reiterated his view that the objectives of legislation in the bank holding company field should be confined principally to (1) restricting the ability of a bank holding company group to add to the number of its banking units, so as to avoid the possibility of concentration of a large portion of the commercial banking facilities in a particular area under single control and management, and (2) restricting the combination under single control of both banks and non-banking enterprises. He recalled that this was the approach taken by the Board last spring and he felt that there had been no developments since that time of such a nature as to cause the Board to change its position. Legislation along the lines recommended by the Board last year, he stated, not only would enable the administering agency to prevent undue expansion on the part of bank holding companies but would

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permit the respective States to go further if they so desired, while both the Spence and the Capehart bills would deprive the States of freedom of action to deal with holding companies as such and would force them to deal with holding companies in terms of branch banking. Governor Robertson expressed the view that Federal legislation having to do with bank holding companies should be as simple as possible, should deal only with problems in that field as they currently exist, should go no further than necessary to deal with such problems, and where possible should leave the matter for the consideration of the respective States.

Chairman Martin expressed the view that whenever the Board was called upon to testify before a Congressional committee it should adhere to the position which it had taken previously in the absence of interim developments which would justify a change. With reference to the remarks made by Governor Evans, he said that he wished to make it clear that his own support of the approach to bank holding company legislation taken by the Board in 1952 had nothing whatsoever to do with whether or not it would be possible to obtain any particular legislation but was based entirely on the conviction that the approach represented the best possible solution to the problem.

Governor Szymczak stated that as late as last year when bank

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holding company legislation was under discussion by the Board, he favored S. 2318 on the grounds that it contained provisions that attempted to cover not only existing situations but those which might arise in the future. This, however, resulted in a long and complicated bill. He thought that the Robertson bill, with certain amendments, would have a better chance of being enacted this year than previously because he felt that this Congress would address itself to the existing situation rather than any potential situation which might arise. In the circumstances he continued to favor the position taken by the Board last year although he favored some provision for penalties other than criminal penalties if possible.

Governor Mills, after expressing the opinion that there was a real need for adequate bank holding company legislation, said that he had not changed his opinion that the approach taken by the Board in 1952 was the most practical approach for obtaining such legislation. Any other approach, he felt, would "muddy the waters" and would hamper the possibility of having legislation enacted. In further comments, Governor Mills pointed out that there would be strong opposition to any form of legislation and expressed the opinion that the Capehart bill was not appropriate and would constitute an invasion of States' rights.

Governor Vardaman said that he agreed with the views expressed by Governor Mills.



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Comments by members of the staff were to the general effect that legislation along the lines suggested by the Board last year would be effective in meeting the principal problems in the bank holding company field at present although such legislation would, of course, not represent an attempt to plug all possible loopholes which might arise. In the course of the comments, certain suggestions were made for amendments to the Robertson bill which might be desirable.

Chairman Martin then suggested that Governor Robertson be asked to prepare a statement of the Board's position in the light of the comments made at this meeting, with the understanding that the general approach would continue to be along the lines taken by the Board last year.

Governor Evans said that he would not object to proceeding as suggested by Chairman Martin, with the understanding that he would wish to see the report before it was sent to the Congress and, if he were in disagreement with it, that he would want to have an opportunity to make his position clear to the Banking and Currency Committee.

Chairman Martin then raised the question of what consultation should be had with the Office of the Comptroller of the Currency and the Federal Deposit Insurance Corporation on the matter, and Governor Robertson commented that he understood reports had been prepared by those

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agencies which supported the position taken by the Board last year. Therefore, he questioned the need for consultation at this time.

Governor Robertson then suggested that instead of preparing reports on the Robertson and Capehart bills in response to requests received from the Senate Banking and Currency Committee, the statement of the Board's position on bank holding company legislation to be presented to the Senate Banking and Currency Committee by Chairman Martin be submitted to the Bureau of the Budget for clearance in the usual way.

There was agreement with the procedure proposed by Chairman Martin and Governor Robertson for the preparation and presentation of the proposed statement.

The meeting then adjourned. During the day the following additional actions were taken by the Board with all of the members present:

Minutes of actions taken by the Board of Governors of the Federal Reserve System on April 15, 1953, were approved unanimously.

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

"The Board of Governors approves the payment of salary to Mr. Gregory O'Keefe, Jr., as an Assistant Counsel, for the period May 1, 1953, or upon his earlier return to the Bank, through June 30, 1953, at the rate of \$9,000 per annum, which is the rate fixed by the Board of Directors as indicated in your letter of April 7, 1953.

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"Please advise the Board of the date upon which Mr. O'Keefe assumes his duties as an Assistant Counsel."

Approved unanimously.

Letter to Mr. Bryan, President, Federal Reserve Bank of Atlanta,  
reading as follows:

"This refers to your letter of March 24 regarding the possibility of Mr. Rawlings undertaking an assignment for the Union Bank of Burma. I am sorry that we have not been able before now to provide you with more definite information regarding the questions that you raised on page 2 of your letter. This is because we feel it necessary to discuss certain details with the Burmese Ambassador here and he has unfortunately been ill ever since his return to Washington a week ago. However, we will try to provide you with information on these matters as soon as possible.

"It is our general impression that Mr. Rawlings is very well qualified for the assignment in question, and we are grateful to you for suggesting his name.

"We propose to put his name forward to the Burmese authorities, and we would suppose there is a good likelihood that they will in due course agree that he is the man they want. We have also been told by the Department of State, at least in an informal and preliminary way, that the recent discussion on the discontinuance of U. S. aid to Burma would not interfere with the carrying out of this proposed mission, since the mission would be paid for by the Burmese and would not involve any element of grant aid from the U. S. to that country. Therefore, it seems likely that a definite proposition for Mr. Rawlings' services will eventually be forthcoming, although we cannot forecast how soon this might be. It is also possible that an interview between Mr. Rawlings and the Burmese Ambassador here may be desired before the Burmese authorities make any definite decision."

Approved unanimously.

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

"This letter is in acknowledgment of yours of April 6 relating to participation by representatives of the Board of Governors in the central banking seminar being planned at your Bank in August and September. While it is not possible at this time to say who will attend, the Board will be glad to have two representatives of the staff participate.

"If you will keep the Board informed as the program for the seminar develops, any suggestions that are proposed here will be forwarded to you."

Approved unanimously.

Letter for the signature of the Chairman to The Honorable John D. Hickerson, Assistant Secretary of State, Washington, D. C., reading as follows:

"This is in reply to your letter of April 9, 1953, regarding representation at international conferences during the fiscal year 1955.

"As you know, the Board does not operate with appropriated funds and its participation in international conferences, therefore, does not involve the budgetary procedure outlined in your letter. However, the statutory responsibilities of the Board make it necessary that we have a continuing and active interest in international and monetary conferences. In addition, the membership of the Chairman of the Board on the National Advisory Council on International Monetary and Financial Problems makes it advisable for the Board and its staff to participate in certain conferences dealing with monetary and related matters.

"It is not possible to state at this time the particular conferences in which the Board will participate during the fiscal year 1955. The Board's participation is likely to depend on the agenda of the particular conference and

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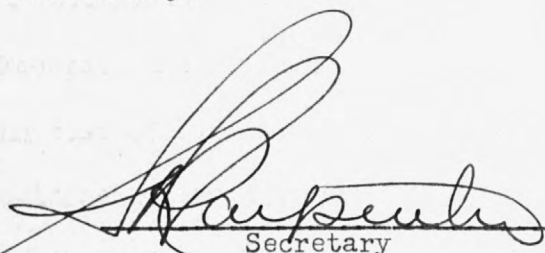
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"on the degree to which the Department of State or other agencies arranging for United States participation may indicate the need of experts in monetary, banking, or related fields for the United States delegation. Whenever the Department indicates to the Board the need for assistance of this type for a particular international conference, you may be assured that the Board will assist in every way possible.

"In the past, members of the Board and its staff have participated in the annual meetings of the Boards of Governors of the International Monetary Fund and the International Bank for Reconstruction and Development, which are included in your list of international conferences. Members of the Board's staff have also participated in certain meetings of the United Nations Economic and Social Council or of its commissions or subcommissions, and it is possible that during the fiscal year 1955 we shall wish to participate in certain of those meetings.

"With respect to the request in the last paragraph of your letter regarding conferences scheduled for the fiscal year 1954, the Board and the Federal Reserve Bank of New York have extended a joint invitation to the Conference of Central Bank Technicians of the American Continent to hold their next meeting in Washington and New York, probably during the period May 10-21, 1954. This is purely an inter-bank conference dealing with central bank techniques."

Approved unanimously.



Secretary