

3. Diversion

I HAVE STATED elsewhere that in February 1944 the Senate had confirmed my appointment to the Board of Governors for a fourteen-year term. Thereafter President Roosevelt again designated me as Chairman of the Board to serve a statutory four-year term expiring in February 1948.

Several months after Roosevelt died, and the pressure on his successor had eased somewhat, I called on President Truman, whom I had known from his days in the Senate. I told him that my term as Chairman had nearly three years to run, but this need not deter him from designating someone of his own choice; he could at any time indicate to me that he desired my resignation. The President said he had nobody in mind whom he wanted to appoint in my place; that he fully approved of my work and expected me to stay on at my post and help in any way I could.

In the years that followed, I received no sign that he had changed his mind. On the contrary, I always had ready access to him and he made me feel at all times that I had his complete confidence. As late as mid-December 1947 the reception he gave me was very cordial, as it always had been. At that time I had called on him to talk over certain matters pertaining to the Board of Governors and the way the press had dealt with the difference of opinion between Secretary Snyder and me regarding bank-credit controls.

As for the Board of Governors, a vacancy had been created on it by the death of Ronald Ransom. I suggested to the President that though there probably would be considerable political pressure to fill the post from among certain candidates, the

work of the Board itself did not urgently require another governor. The six active members of the Board were completely adequate to carry on its work.

The President replied that he had no one in mind for the vacant post, and he added that a Board of five or even of three members would be better than the existing arrangement in the Reserve System. He volunteered the assurance that in any case he would appoint no one to fill the vacancy without first discussing the matter with me. He accepted a further suggestion that Matt S. Szymczak, who had been an able Governor and whose term was to expire on February 1, 1948, should be reappointed to that post.

As for my relations with Secretary Snyder, I expressed regret at the way the press had turned what Snyder had said into a major difference between the Federal Reserve and the Treasury. I advised the President that the Secretary and I had been in close touch with each other before the hearings began on the inflationary control program; that the Secretary knew in advance what I was going to say; that it was at his request that I presented the case for handling bank credit; that I spoke solely for the Federal Reserve Board and not for the Administration. I expressed the hope that the President understood what had happened. To this the President replied that he did understand and was not annoyed or disturbed by the press response. It was on this cordial note that we wished each other a Merry Christmas and a Happy New Year.

I left for Utah within a day or two to spend the holidays with my family and returned to Washington soon after the first of the year. On Thursday, January 22, 1948, nine days before my term as Chairman of the Board of Governors was to expire, I received a phone call from John Steelman, the President's special assistant. He asked whether I could come to see him that day. I told him I had to attend an important meeting at the National Advisory Council, but could come to the White House the next day.

"All-right," he said, "but don't make it any later than that."

On Friday, when I saw Steelman, he was most friendly in his greetings and in our brief conversation about general economic conditions. Then he came to the point. He said:

"The President has given me a very unpleasant assignment. I am to inform you that he is not going to redesignate you as Chairman of the Board of Governors. But he told me to be sure you understand that he wants you to stay on as a member of the Board."

At first the news left me speechless. "The President has a right to designate any man he wants as chairman," I finally managed to reply. "But I saw him at Christmas time and he gave me no indication that I would not be redesignated. Why did he wait until nine days before my term was up? What's back of this?"

"Marriner, believe me, I don't know what this is all about," Steelman replied. "I know of few people who have a higher standing over here than you do. This is as much of a surprise to me as it is to you and I have told you all I know."

Steeleman added that the matter "was not subject to reconsideration," but that the President was willing to see me any time I desired a meeting with him. I asked for an appointment at the earliest possible moment in the hope of unraveling the mystery. Steelman at once called the President's secretary and it was arranged that I would see the President at the White House at ten thirty the next morning.

When I saw the President, it was obvious that he had been influenced to make a distasteful and embarrassing decision. Our meeting was an ordeal for him and for me. I assured him that I knew better than most people that the relationship between a President and a Chairman of the Board of Governors is an intimate one; that, recognizing this, I had offered to resign in 1945 so that he could fill the post with a man of his own choice. I therefore did not question the decision that had been communicated to me, but I would be less than human if I did not

show some interest in finding out what had happened since I last saw him, shortly before Christmas.

I observed that if he had advised me in December that he wanted to designate someone else as Chairman of the Board, I would have had an appropriate interval in which to resign from the Board of Governors and announce that I was not a candidate for redesignation as chairman. In this way I could have saved embarrassment for all parties. But to offer such a resignation just a few days before my term was due to end would create the impression that I had failed at my job and was being asked to resign.

The President responded to this by saying that when I saw him in December he had not thought about the matter. As for the action he later decided to take, it had nothing whatever to do with me; he wanted me to stay on the Board and would designate me as its vice chairman if I would agree; if there was some other position in the government service I wanted that was available, he would be glad to give it to me; he had every confidence in me and completely approved of my actions and those taken by the Board of Governors during my chairmanship.

He said several times: "Please stay and help me. I need your help."

"What, then, is behind this change?" I asked him.

Once again he repeated that the change was for reasons that had nothing to do with me. The reasons were best known to himself alone.

It was evident that he did not want me to know what lay behind his action. Any further questioning would serve no purpose except to prolong the unhappy interview.

I told him at last that I did not know whether it would be possible for me to remain on the Board, since the whole turn of events had taken me by surprise. I would need time to get my bearings once again. The President, for some reason, was anxious to have my reply as promptly as possible, and it was

arranged for me to see him again on the following Tuesday, January 27. At that time I would give him my answer.

There have been times in my life when I felt cut off from all human contact, but never was the feeling so acute as on the three days following this call at the White House. Certainly the decision of a President not to redesignate an incumbent to a government post is a trivial incident that is quickly absorbed and forgotten in the flow of American life; yet when you are that official, holding a nonpolitical office for fourteen years, you feel yourself thrust naked into public view with all eyes turned in your direction for an explanation.

The most unsettling factor in the affair was my complete inability to account for what had happened. All I knew was what my instincts told me: that the President had been placed under great political pressure by certain interests that wanted to get me out as Chairman and off the Board and thought that if I were not redesignated as Chairman, I would promptly resign from the Board. My instincts further told me that the President sincerely wished that I continue in government service. He could satisfy those who were bringing pressure to bear on him by not redesignating me Chairman, and he could satisfy his own desires by urging that I remain on the Board.

The choice with which I was confronted was a hard one. If I left the Board, I would give immediate satisfaction to my pride and avoid eating crow. But I would thereby foster a public impression that I had failed in the way I carried out my duties. I could on the other hand remain on the Board and swallow my pride; and in that case I could in all probability get a letter from the President stating the substance of what he had told me in our Saturday conversation.

On the advice of friends, including several Senate leaders, and after considerable personal effort, I swallowed my pride.

On Tuesday morning, January 27, I called on the President to say that I would remain on the Board, but asked that in announcing the change he give me the sort of letter I had in

mind. This would accompany my own letter, in which I would agree to stay on the Board in the capacity of vice chairman, as he had suggested.

The President readily assented to this arrangement. Final texts were prepared at the White House and the exchanges were made before I left there that morning. With the President's consent, I called my friend Charles Ross, the President's press secretary, and turned the letters over to him.

"For Heaven's sake, Marriner! What's happened?" Ross said when he read what had been handed to him. "I couldn't be more surprised. This is a mistake."

"I don't know what's back of this," I said to him. "The letters will have to speak for themselves."

The letters read:

Dear Mr. Eccles:

Shortly after I became President you offered to resign as Chairman of the Board of Governors of the Federal Reserve System and said it was your feeling that the Chairman, who is designated by the President, should serve at his pleasure. I told you then and on other occasions that there was no one I desired to appoint in your place.

You will have completed your present term as Chairman on February 1, your appointment as a member of the Board continuing until 1958. As I explained to you last week, it is now my preference to appoint a new member of the Board to fill the vacancy created by the death of Vice Chairman Ransom and, when confirmed by the Senate, to designate him as Chairman.

This decision, as I assured you, reflects no lack of complete confidence in you, or dissatisfaction in any respect with your public service, or disagreement on monetary or debt-management policies, or with official actions taken by the Board under your chairmanship. All who are familiar with your record recognize your devotion to the public welfare and the constructiveness that has characterized your leadership in the Federal Reserve System.

Therefore, I urged you to remain as a member of the Board and to accept the Vice Chairmanship so that the benefit of your long experience and judgment will continue to be available and so that

you may carry forward legislative proposals now pending in Congress dealing with the important problems of bank credit as outlined in the President's Economic Report to Congress, as well as with other matters in the interest of a sound banking system and a sound economy.

Sincerely yours,
Harry S. Truman.

My dear Mr. President:

You have stated in your complimentary letter the substance of our conversation of last week. As I advised you then, I desired to have time to consider fully your decision and request. I have not altered my conviction that the Chairman of this Board should serve at the pleasure of the President, and I sought to have such a provision included in the Banking Act of 1935.

I have carefully considered your request. After consultation with close friends and associates on the Board and because of the reasons mentioned in your letter, I have decided to remain with the Board in the capacity you suggest.

Respectfully yours,
M. S. Eccles
Chairman.

The President,
The White House.

But my mood at the time was expressed in this stanza from an old Scotch ballad:

A little I'm hurt, but yet not slain;
I'll but lie down and bleed awhile,
And then I'll rise and fight again.

When I decided to remain on the Board, I expected this sort of public reaction: that I had no independence or will to get out of Washington when my services were no longer wanted by the Administration. I particularly expected this from the financial and business community. Over the years the various stands I had taken on public issues had not endeared me

to leaders in that quarter. I therefore believed that letters from them along with press and congressional comment, would blend into a chorus of regret that I had not seen fit to resign at that time.

Happily, the reaction in all quarters to the news announced at the White House was completely contrary to what I had expected. I was to read and hear flattering expressions of approval of my career in the government service and of my willingness to stay on under changed conditions. I confess I enjoyed my own funeral no less than did Tom Sawyer. Thanks to the many kind things that were said, what would have been a difficult hour was transformed into one of confidence. I was made to feel that my efforts in the preceding years were not without effect.

At his press conference following the release of our correspondence the President was sharply questioned about the changes that had been announced, but he offered no answer that satisfied the reporters. In the absence of anything better, it was said that I had at last proved myself "too much for Wall Street to swallow" and that "the President at last bowed before banker pressure" by refusing to reappoint me to the post I had held. In the same breath it was said that by "insisting on a balanced budget and tighter credit policies, Eccles has forsaken his earlier position in the New Deal years and had gone over to the camp of the reactionaries." It was said that the President was "annoyed by his consorting with Republicans like Tobey, Taft, and Vandenberg," and that he had caused the "Administration considerable political embarrassment by implying that it had a full share of responsibility for failing to curb inflationary developments." And more of the same sort.

At the time I did not know which, if any, of these reasons seemed the more valid explanation of what had happened. Other political obligations have had to be paid off in the form of jobs, but in this instance no one wanted my job for himself.

I was to be told by one of the men who were sent out to secure my successor that he was turned down again and again by those he approached. As for those who wanted me removed, they had no substitute candidates to put forward; all they wanted was to get me out. But I remained in the dark as to their reason. Moreover, I did not know why the President did not later carry out his suggestion that I be appointed vice chairman of the Board. Presumably the same sources that were behind his original decision may have felt that if the vice-chairmanship was withheld, I would at last leave, as I was supposed to have done in January.

Four months after the offer of the vice-chairmanship had been made, I thought it best to relieve the President from any new difficulties he might have encountered because of me. Accordingly, on May 26 I wrote to him:

My dear Mr. President:

On April 16, immediately following the Board Members' call on you at the White House, I tendered to you the following letter, which you read and then stated you did not wish to accept it as you still desired and intended to designate me as Vice Chairman:

"In your letter of January 27, four days prior to the expiration of my term as Chairman of the Board of Governors, you requested me to remain as a member of the Board and to accept the Vice Chairmanship. In my reply of the same day, I stated that after careful consideration of your request I had decided to remain with the Board in the capacity which you suggested.

"Two and one-half months have elapsed since that time. The formal order designating the Chairman of the Board has been issued, but none designating a Vice Chairman. In view of the circumstances, I shall continue to serve as a member of the Board of Governors, but I wish to withdraw my name in case you are still considering designating me as Vice Chairman."

Four months have now elapsed since you first requested me to accept the Vice Chairmanship and nearly a month and a half since you reiterated that request.

Under these circumstances and in view of other developments, I

wish to withdraw my name from any further consideration for designation as Vice Chairman. I shall continue to serve as a member of the Board.

Respectfully yours,
M. S. Eccles.

In the months that followed this awkward affair I never found out what had brought it about. And even at the time of this writing I can offer only an explanation based on circumstantial evidence and the bits and pieces of revelations that have appeared in stories written by trustworthy reporters. Taking these fragments together, and matching piece to piece, I acquire a general sense that the principal pressure that shaped the President's decision came not from Wall Street but from the west coast, and more particularly from within the inner citadel of the Giannini banking interests.

I should like to believe I am wrong, but my conclusions seemed supportable on the basis of the facts that follow.

The expansion of the Giannini banking empire on the west coast had been the subject of concern by bank supervisory agencies since the early 1920's, when the Giannini California bank was admitted into the Reserve System. Troubles of various sorts reoccurred at frequent intervals in the years thereafter as the Transamerica Corporation, the holding company for the Giannini interests, acquired more and more banks not only in California but in the neighboring Western states of Oregon, Arizona, Nevada, and Washington.

The difficulties the Reserve System had with Transamerica were experienced also by the Comptroller of the Currency, and later by the Federal Deposit Insurance Corporation. In 1942 it was evident to these three government agencies that only their joint resistance could prevent Transamerica from monopolizing a good part of the banking business on the Western seaboard. This joint decision was communicated to Transamerica on February 14, 1942. The corporation was told that the government's three banking agencies would, "under existing cir-

cumstances, decline permission for the acquisition directly or indirectly of any additional banking offices or any substantial interest therein by Transamerica Corporation, Bank of America N.T. & S.A., or any other unit of the Transamerica group."

For a brief period it seemed that this decision would block any further expansion of Transamerica's holdings. But Transamerica continued to buy control of existing banks, hoping that those in California could some day and by some means be taken over by the Bank of America and converted into branches. In a letter sent to A. P. Giannini on November 13, 1942, the Board of Governors informed him that it was aware of this practice and that neither the Board, nor the FDIC, nor the Comptroller of the Currency would allow themselves to be used to further his expansionist interests.

As it turned out, this proved no real deterrent, since Transamerica had officers in the banks that voted the qualifying shares in what was clearly a predetermined way. Application was made by the Bank of America N.T. & S.A., and the First National Bank of Portland, Oregon, to take over most of these newly acquired banks from Transamerica Corporation and convert them into branches. But the applications simply remained for several years on file with the Comptroller of the Currency, who, for reasons already stated, consistently refused to permit the converting of these banks into branches.

Sometime in 1943 the Board of Governors was advised that the Antitrust Division of the Department of Justice was investigating Transamerica's domination of the commercial banking business in the Western area to determine whether this was in violation of the Sherman Antitrust Act. These events and those subsequently referred to were made a part of the public record on March 30, 1948, by the Banking and Currency Committee of the Senate. Still, the preliminary inquiry led to no specific conclusion. Pursuing its own interest in the matter, the Board of Governors in 1944 explored the extent to which it had any statutory authority to check Transamerica's bank-expansion

activities. This inquiry, conducted by the Board's general counsel, J. P. Dreibelbis, raised the prospect that the Board of Governors under the terms of the Clayton Act was empowered to take action against Transamerica. Further conferences with members of the Antitrust Division in the Department of Justice confirmed the view that the Clayton Act gave to the Board of Governors necessary antitrust powers where banks were concerned.

Around October 1945, and because of the continued expansional activities of Transamerica in the banking field, the Board of Governors requested a meeting with Thomas C. Clark, then the Attorney General, to explore further the possibility of antitrust action against the holding company. On October 31, in a letter summarizing the results up to that point of the Justice Department's antitrust investigation respecting Transamerica, the Attorney General candidly admitted the difficulties he had experienced. The Department had not been able to develop substantial evidence either that the Transamerica Corporation abused its dominant position in the commercial banking field through "illegal trade practices as those terms are defined in court decisions interpreting the Sherman Act, or that it abused its dominant position once it was achieved." In the absence of a complete monopoly, Clark wrote, evidence of one or both of the mentioned types of abuse was essential to make a case under the Sherman Act.

Several meetings with the Attorney General followed the receipt of this letter. Representatives of the Department of Justice, the Board of Governors, the Comptroller's Office, and the FDIC who participated in them agreed unanimously that it was in the public interest that some means be devised whereby the further banking expansion of the Transamerica group be halted. Since it appeared to the Antitrust Division at that time that there was little likelihood that a Sherman Act antitrust suit against Transamerica could be successful, an alternative course of legislative action was explored.

It was recognized that legislation could stop a bank holding company from expanding, but this would not change a monopolistic situation that already existed. Nevertheless, a law was felt to be desirable that would enable the Board at least to check future expansion of a bank holding company. Accordingly, a bank-holding-company bill was prepared by the Board of Governors and was introduced in Congress in 1947.

After extensive hearings the Senate Banking and Currency Committee unanimously approved and reported out a satisfactory bill. But the bill never came to a vote in the Senate as a whole. The House, meanwhile, expressed its willingness to consider the bill only on condition that the Senate passed it. One of the principal deterrents to action in the latter quarter was the opposition to the bill that developed in the Treasury and the Comptroller's Office after John Snyder became Secretary of the Treasury.

Some months before the legislative mill stalled on this measure Leonard Townsend, counsel for the Federal Reserve Board, called my attention to the implications of a decision rendered by the Supreme Court on June 10, 1946 in the case of the *American Tobacco Company v. United States*. That case seemed to hold that proof of abusive tactics was not an indispensable element of proof in an antitrust case; that an antitrust case was actionable if it could be shown that a corporation was in a position to exert monopolistic power.

This interpretation seemed to remove the difficulties Attorney General Clark had earlier noted in the case of an antitrust suit against Transamerica. Still, while the Board of Governors was empowered under the Clayton Act to institute antitrust suits in the banking field, we had no desire to interfere with the Department of Justice if the decision in the case of *American Tobacco Company v. United States* revived its interest in starting proceedings against Transamerica under the Sherman Act.

Accordingly, on February 26, 1947, I wrote Attorney General

Clark to ask if his Department had considered "whether the decision in the tobacco case might not lessen to a considerable extent the doubt which heretofore it has entertained as to the ultimate success of antitrust proceedings against Trans-america." The Attorney General sent back a brief note on March 4, saying that he would be glad to give this situation further consideration and get in touch with me "sometime soon."

A month went by and there was no further word from the Attorney General. Under normal circumstances it was to be expected that my letter would be referred by the Attorney General to the Antitrust Division for comment and that the representatives in this division, which had maintained close liaison with the staff at the Board, would discuss the matter with them. No such discussions took place. After a month's wait, I had a chance meeting with the Attorney General.

"By the way," I said, "what ever happened to that letter I sent you?"

To this the Attorney General replied: "The Secretary of the Treasury had asked that he be advised of any matter pertaining to Transamerica that may come to the attention of the Attorney General. Upon receipt of your letter, I felt obliged to send it to him."

One word about the Secretary of the Treasury:

In 1940 John Snyder headed the RFC office in St. Louis. When the defense program got under way in that year, he was brought to Washington to serve as Executive Vice President of the Defense Plant Corporation, which was being organized as a subsidiary of the RFC. In this capacity he was brought into close association with Sam Husbands, a director of the RFC and President of the Defense Plant Corporation. Snyder left this post in 1943 to become vice president of the First National Bank of St. Louis, but he returned to Washington in the spring of 1945 to head the RFC when his close friend Harry Truman became President. Thereafter, in July 1945, when Fred Vinson

became Secretary of the Treasury, Snyder was appointed Director of War Mobilization and Reconversion, this being the position Vinson had formerly held. Again, when Vinson was made Chief Justice of the Supreme Court in the summer of 1946, Snyder succeeded him as Secretary of the Treasury. During this same period Sam Husbands, Snyder's associate in the RFC, accepted a high position at a flattering salary with the Transamerica interests. Sam Stewart, the former counsel for the Truman committee, joined the Giannini interests as the general counsel for the Bank of America.

After my conversation with Attorney General Clark regarding Secretary Snyder's interest in seeing anything that came up regarding Transamerica, I addressed a letter to the Secretary on April 15, 1947, reading:

On February 26 last I wrote Tom asking whether his Department had considered the recent decision of the Supreme Court in the American Tobacco case in relation to the Transamerica matter. . . . I talked with him again about a week ago and he told me that he had asked you to consider the entire matter and to give him the benefit of your views.

While I know how extremely busy you are, I nevertheless hope that you will be able to give this subject your early consideration. The Board is very anxious to obtain a decision from Justice on this subject just as soon as possible so that it may determine its own future course of action in dealing with this vexing problem. I do not know whether Tom sent you a copy of my letter of February 26th. A copy is enclosed herewith. If there is any other information touching this matter which we can supply you, please let me know.

This letter was never acknowledged.

In the fall of 1947 word was received at the Federal Reserve Board that considerable pressure was being brought to bear on the Comptroller of the Currency to permit the taking over and branching of the banks that Transamerica had been buying over the years. This pressure was not unusual. But so long as Henry Morgenthau and then Fred Vinson headed the Treasury, the

agreement reached among government agencies in 1942 to resist the expansion of Transamerica and its affiliated banks remained relatively intact. After John Snyder became Secretary of the Treasury in 1946, however, new branches were established in an increasing number of cases under permissions granted by the Comptroller.

For the Comptroller's Office to reflect the prevailing mood in the Treasury is not unusual. The Comptroller's Office is a Bureau of the Treasury. The Legal Department of the Comptroller's Office is directly under the general counsel for the Treasury, and the Comptroller's deputies are appointed by the Secretary of the Treasury to serve at his pleasure. Moreover, although the President appoints the Comptroller of the Currency, the appointment is always made on the recommendation of the Secretary of the Treasury. As the Comptroller expressed it on March 21, 1950 in the course of the hearing on the bank holding bill: "The Comptroller of the Currency works under the general supervision and direction of the Secretary of the Treasury."

The report concerning the new pressure brought to bear on the Comptroller to permit taking over and branching more Transamerica-owned banks led me to ask what if anything the Board of Governors should do in a case where the Attorney General waited for the advice of the Secretary of the Treasury and the Secretary of the Treasury remained mum. Leonard Townsend, the Board's able and energetic counsel, was asked to prepare a legal opinion that would clearly define where we stood and indicate what we should do. Upon receipt of this opinion, the Board authorized the investigation that later justified proceedings against Transamerica under the Clayton Act. Townsend pointed out that the Comptroller, in passing upon the application of Transamerica to establish branch banks, might not feel justified in refusing them on the ground that Transamerica's empire was already too large, since the Board had instituted no proceeding in the matter. The Board, said

Townsend, still had the responsibility and duty to carry out certain aspects of the national policy regarding the restraint of trade and monopolies under the terms of the Clayton Act.

With this argument serving as the compelling factor for its action, the Board of Governors on November 7, 1947 notified the Attorney General, the Chairman of the Federal Deposit Insurance Corporation, and the Comptroller of the Currency that it was conducting a preliminary investigation to see whether the facts concerning Transamerica justified proceedings under the Clayton Act. In reply to this notice the Comptroller informed the Board that he had before him applications of the Bank of America to take over and convert into branches twenty-six banks that were Transamerica-controlled, and a further application of the First National Bank of Portland to take over and convert into branches ten of the Transamerica-controlled banks. On November 24 the Board acknowledged the Comptroller's letter and specifically requested him to defer action on these applications until its investigation was completed. Three days later the Comptroller replied that he would defer action until the Board finished its investigation and decided what, if anything, it proposed to do next.

There matters rested for the time being.

A few weeks later I saw President Truman before leaving for Utah, where I spent the Christmas holidays. I do not believe he was advised at this time that my term as Chairman of the Board was due to expire, nor was he advised of the pending investigation of Transamerica. But I feel certain that shortly thereafter others who knew of the expiration of my term and who had more than a passing interest in the investigation brought these matters to the President's attention. At the same time they were able to bring the necessary influence to bear on the character of the decision he made.

Some sense of the sequence of events may perhaps be gained from a story that appeared in the *St. Louis Post-Dispatch* on February 3, 1949. Bearing the caption: "Biffle Discloses Dow-

ney Urged Demotion of Eccles. Senator's Action Indicates Link between Reserve Board Shift and Bank Trust Case," the *Post-Dispatch* reported:

Senate Secretary Leslie L. Biffle, a close personal friend of President Truman's and one of his most trusted political advisers, acknowledged today that the removal of Marriner S. Eccles as chairman of the board of governors of the Federal Reserve System one year ago had been privately urged by Senator Sheridan Downey (Dem.), California.

Senator Downey is a good friend of the Giannini family in California. Biffle's statement to the *Post-Dispatch*, made frankly in response to specific questions, came as the Federal Reserve Board opened hearings on its antimonopoly complaint against the Giannini banking empire, the largest in the world. Amadeo P. Giannini and his son, Mario, for years have fought a duel with the aggressive Eccles, who sees the Giannini's Transamerica Corp. as a monopolistic branch-banking holding company inimical to sound banking practices.

With the Federal Reserve Board action against the Gianninis finally under way in Washington after several delays, including one caused by a court injunction suit, the year-old mystery of the real reasons for Eccles' removal as board chairman once more became the subject of speculation. . . .

Truman Silent on Reasons. It was known that Eccles had aroused the ire of many influential bankers as a result of his proposal for restrictions on bank credit as means of halting the inflation spiral. Eccles' basic ideas on this subject ultimately were adopted by the Administration, although at the time of his demotion the White House was cool toward them. Treasury Secretary John W. Snyder of St. Louis reportedly viewed Eccles' credit-restriction plan as too drastic, but Snyder emphatically denied at Senate hearings that he had anything to do with the White House demotion action.

In announcing the demotion of Eccles, Truman at a press conference flatly declined to give any reason. The Senate hearings on the matter were inconclusive, with the fiery Eccles himself refusing to blame anyone. In any case, the running battle between Amadeo Giannini and Eccles continued unabated, culminating in the current

hearings of the Federal Reserve Board. Reports that the Gianninis had "brought pressure" on the White House for the removal of Eccles were never proved.

Downey was in California today and could not be reached for a statement. But Senate Secretary Biffle at once acknowledged, when asked about the matter, that prior to Eccles' demotion, Senator Downey had spoken to him privately about Eccles, presenting reasons why he . . . should be removed. Biffle said he could not recall details of the conversation.

"Did you then report that conversation to President Truman?" he was asked.

"I don't remember whether I did or didn't," Biffle replied. "It was a year ago, and as you know I saw the President on many things."

Doesn't Recall Details. He was then asked whether Senator Downey had based his complaint against Eccles partly on the ground that the chairman had antagonized California bankers and that this dissension might be particularly harmful in a presidential election year. Biffle repeated that he could not remember details of the conversation. . . .

The Gianninis are friends of Treasury Secretary Snyder and have visited President Truman several times. Last Tuesday, the day before the hearings opened on the Transamerica Corp., Truman was visited by Samuel B. Stewart Jr. of San Francisco who is acting as chief defense counsel for the Gianninis at the hearings. Stewart was counsel for the Truman war investigating committee when the President was a Senator. It was his third trip to the White House in recent months. Stewart told reporters his latest call was "personal."

I do not believe I am stretching the laws of probability to any large extent when I venture the opinion that Biffle did mention to the President what Downey had said. Nor does it seem unlikely that what Downey said may have run along these lines:

California is a pivotal state in the elections. Transamerica is in a position to exert a tremendous influence in that state and in at least four neighboring states. We are not in a position to offend the men who run Transamerica. Yet Eccles's activities as Chairman of the Board of Governors have deeply offended our

friends in Transamerica and they are demanding his removal, else they may become active in their opposition to our political efforts in the convention and in the fall elections.

I have a general sense that only the purely political aspects of the problem were put to the President at this time: that he was not informed of what was really at stake in the demands that may have been communicated to him by those who spoke for the Giannini interests. Recognizing the charged political atmosphere of an election year, I can understand why the leader of a party that was very hard-pressed could make the sort of decision the President was, I believe, maneuvered into making in my case, and particularly so if the political merit of his decision was all that was called to his attention.

The results of the decision might have gone according to the plans of those who expected me to quit when I was not redesignated as Chairman. Let me say again that I do not believe the President wanted me to resign my membership on the Board. He seemed sincerely anxious that I stay. But those who were responsible for the President's action in this matter no doubt expected that I would resign, with the result that the investigation of Transamerica then under way would be less likely to lead to an action under the Clayton Act and the way would be cleared thereafter for the continuous expansion of the Transamerica-controlled banks.

If this was the plan, then it misfired completely.

As a result of the long investigation, the Board of Governors on June 24, 1948 filed an action against Transamerica and informed the Attorney General, the Chairman of the FDIC, and the Comptroller of the Currency that it had done so. In reply the Comptroller reassured the Board on August 30 that it would withhold action on the applications of the Bank of America to take over and branch Transamerica-owned banks, "so that no question might be raised as to possible interference with the Board's action."

It was not surprising that spokesmen for Transamerica

sought to discredit the Board's action from the outset by making it appear that my personal vindictiveness, or fear of Transamerica competition in the West, lay behind what the Board did. But the character of the men who formed the Board should in itself have been a sufficient answer to that canard. Indeed, it should have made the spokesmen for Transamerica think twice before they acted on the assumption that all things would come to a halt if I was replaced as Chairman of the Board. I suppose their miscalculation should be viewed as a supreme compliment to me, but it is a compliment I do not deserve. As this reconstruction indicates, the decision finally to institute the Clayton Act proceedings was reached by unanimous action of the Board. The decision itself was the culmination of years of investigation and analysis, by the Board and its staff, of the practical and legal problems involved.

As part of their efforts to condition the public atmosphere in which the Board's hearings were being held, the attorneys for Transamerica filed a motion with the Board, on December 1, 1948, requesting that I be disqualified from participating in the Board's deliberations. This action was quite gratuitous. I responded to it with a statement I released to the press on that day:

I should like to make it clear that the Board has understood for some time that I have disqualified myself from the proceeding for the reason that I am going to be a witness in the case. Ever since this proceeding was instituted, Transamerica has from time to time charged in the press that the proceeding itself came about as a result of my personal bias against A. P. Giannini and his associates in Transamerica. One of the reasons I agreed to the request of Counsel for the Board to appear as a witness in the case was in order to dispel once and for all the idea that there could be any truth in these charges. I am informed that upon taking the witness stand I subject myself to such examination as Counsel for Transamerica may see fit to conduct. Therefore, if there is any truth in these charges, Transamerica will have every opportunity to verify them.

After a good many legal skirmishes, which delayed the start of the hearings, they finally got under way in January 1949, and continued until the midsummer of 1950, when they were again interrupted by a most serious and unexpected action on the part of the Comptroller of the Currency.

Contrary to his previous assurance that he would not grant applications by Bank of America to take over and branch Transamerica-owned banks while the Board's action was pending, the Comptroller on June 20, 1950 did grant permission to Bank of America to acquire and branch twenty-eight Transamerica-owned banks.¹ I know, from what he told others, that his personal inclination was to refuse the granting of the permits, but he could not withstand the pressure from the office of the Secretary of the Treasury.

Left unchallenged, the Comptroller's unexpected action would have taken the twenty-eight banking offices out from under the Board's case. But the Board promptly asked the 9th Circuit Court of Appeals to grant an injunction restraining Transamerica and the Bank of America from transferring and branching these banks. The injunction was granted. Transamerica and the Bank of America defied the court order and proceeded to transfer and branch the banks anyway. A contempt proceeding was thereupon brought against Mario Gianini, president of the Bank of America, Sam Husbands, president of Transamerica, the Transamerica Corporation, and the Bank of America.

After a hearing, the court found them guilty of civil con-

¹ I can only conclude that this would not have happened had this Bureau of the Treasury enjoyed the independence claimed for it by those bankers who opposed the Hoover Reorganization plan that dealt with Comptroller's Office. Arguing in support of the plan, Senator William Benton of Connecticut aptly said: "The situation under this plan will be no different from what it has been. However, the plan will have the merit of bringing into the open the lodgement of responsibility in the Secretary of the Treasury for the determination of policy where heretofore there has been obscurity as to whether the responsibility was exercised by the Comptroller. It is better to make it explicit than to continue to permit it to be covered up."

tempt and gave them thirty days in which to restore the twenty-eight banking offices to the status they had prior to the action of the Comptroller. The court also provided severe fines for the corporations and imprisonment for the individuals for each day's delay in carrying out the court's order beyond the thirty-day limit that had been set. Needless to say, there was no further defiance of the court, and its order was carried out to the letter. At the time of this writing it is expected that the hearings in the Board's case against Transamerica will soon be completed by the hearing officer, and the report of the case with his recommendations will then be made to the Board.

So much for this diversion.