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NOMINATION OF WILLIAM B. WIDNALL

DEPOSITORY

CATALOG

HEARING

BEFORE THE

COMMITTEE ON

BANKING, HOUSING AND URBAN AFFAIRS

UNITED STATES SENATE

NINETY-FOURTH CONGRESS

FIRST SESSION

ON

THE NOMINATION OF

WILLIAM B. WIDNALL TO BE CHAIRMAN OF THE COMMISSION ON ELECTRONIC FUND TRANSFERS

OCTOBER 23, 1975

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(II)

NOMINATION OF WILLIAM B. WIDNALL

THURSDAY, OCTOBER 23, 1975

U.S. SENATE,
COMMITTEE ON BANKING, HOUSING AND URBAN AFFAIRS,
Washington, D.C.

The committee met at 9:30 a.m. in room 5302, Dirksen Senate Office Building, Senator William Proxmire, chairman of the committee, presiding.

Present: Senators Proxmire, Williams, McIntyre, and Tower.

The CHAIRMAN. The committee will come to order.

We have a hearing scheduled at 10 o'clock this morning and, as may be known, the committee members are busy with many things these days. We will have to proceed.

We are delighted and honored to have as our business this morning, the nomination for the Chairman of the Commission on Electronic Fund Transfers, and a man who is an old friend of this committee, and the Chairman of this committee and all members of the committee, a man we highly esteem.

[Biographical sketch of Mr. Widnall follows:]

BIOGRAPHICAL SKETCH OF WILLIAM B. WIDNALL

William B. Widnall, 214 West Saddle River, Saddle River, New Jersey 07458, birth date March 17, 1906; married Marjorie Soule; children, Barbara Williams, wife of Colonel James A. Williams, and Dr. William Soule Widnall, Lexington, Massachusetts.

Education: Hackensack, New Jersey public school system;

Graduated from Hackensack High School, 1922;

Graduated from Brown University, PhB 1926;

Graduated from New Jersey Law School (Now Rutgers University) LLB 1931.

Admitted to New Jersey Bar 1932, general law practice until 1953, at which time I discontinued my law practice to devote my entire time to representing my Congressional District.

Elected to the New Jersey House of Assembly four times, 1946 to 1950. Elected to Congress in a special election for unexpired term February 1950. Re-elected 12 times from the 7th District of New Jersey.

In Congress, served on the Banking and Currency Committee and when I left Congress as a result of the 1974 election, I was ranking Republican on the House Banking and Currency Committee and ranking House Republican on the Joint Economic Committee and Joint Defense Production Committee. I was also ranking Republican on the special Housing Subcommittee.

Presently a Public Interest Director of the Federal Home Loan Bank Board of New York since February of 1975.

Retired December 31, 1974.

The CHAIRMAN. Mr. Widnall, will you be seated. I think you have a brief statement you would like to make.

Mr. WIDNALL. Thank you, Mr. Chairman.

I feel a little bit awkward in appearing before the Senate this morning. Of course, I was here not as a witness before, but as a Member of the House of Representatives, and many years I met with you on joint committees.

I am just delighted to have the opportunity to come in here and testify in connection with my nomination for Chairman of the Commission on Electronic Fund Transfers. I hope I can be responsive to whatever questions concern this committee, the questions they may have with respect to my qualifications for the position of Chairman of the Electronic Fund Transfers Commission.

I fully appreciate the concerns which have been expressed by various Members of Congress over the delay experienced in getting the Commission under way. While I am not in a position to explain the circumstances surrounding that delay, I want the members of this committee to know that I appreciate the concerns that have been expressed. Therefore, I can only say that it is my intention, as Chairman, to carry out the mandate of the Commission as expeditiously as possible.

In my opinion, there is a great deal of expertise represented by the members designated to serve on this Commission. In this regard, I think I speak for my colleagues by telling the members of this committee that we have thoroughly assessed the objectives of the Congress in establishing this Commission and will devote our best efforts to the task.

At the same time, I hope and expect that the Commission will be able to establish and maintain a close working relationship with the Congress as we proceed and I would hope and expect that we would be able to call upon the resources of the Congress, just as our resources will, of course, be available to you.

With that, Mr. Chairman, I will be happy to answer whatever questions you may have.

The CHAIRMAN. Thank you, Mr. Widnall.

As I said when I welcomed you, we have great admiration and respect for your ability and character. You served for many, many years in the House of Representatives. You were the ranking Republican member of the Banking, Currency and Housing Committee, and Joint Economic Committee and Joint Defense Production Committee, and in that capacity as a ranking member you were very effective and active. You were successful in enacting a great deal of legislation.

This is, of course, a new technology, and one that can have significant consequences on banking. Some may be constructive, and some that may be disturbing for, perhaps, the smaller banks and smaller institutions and so forth. It is one that is fraught with a great deal of controversy in the financial community, as you are undoubtedly aware.

When we drafted the law, we provided in part, and I will read it: "With respect to those who are appointed by the President from private life, who are not affiliated with, do not represent, and have no substantial interest in any banking, thrift, or other financial institution, including credit unions, retailer and insurance companies." Now, you are known to have a substantial investment in IBM, International Business Machines.

Mr. WIDNALL. That's correct.

The CHAIRMAN. Which presumably might be manufacturing or selling these devices that would be used, and for that reason, we are concerned about that particular section of the law and your holding. How would you reconcile that problem?

Mr. WIDNALL. First of all, Mr. Chairman, those holdings came to me through inheritance from my mother in 1957. They were purchased for her account back in 1933, and they haven't been traded up or down or anything like that.

I have no difficulty in saying that I would dispose of the IBM, reluctant as I would be to do it because it is more or less a family heirloom today. I am sure that it would not effect my voting or my action as Chairman of this Commission. But I have said, when I was asked about this informally, that I have no hesitation at all divesting myself of the IBM stock, and I wouldn't even ask to have it put in trust in any way, if that was done.

This is all subject to confirmation by the Senate.

The CHAIRMAN. As I understand, it is your intention, in the event you are confirmed by the Senate and take office, that you will, prior to taking office, divest yourself of the holding of IBM stock. Is that correct?

Mr. WIDNALL. That is correct.

The CHAIRMAN. Just one question with respect to the duties you will have as Chairman of this Commission.

I have been very concerned about the effect of this technology on small banks. As I say, it can be very constructive and efficient and reduce costs and all that, but we also don't want to take action which could be unfair and adverse in many communities around the country, deprive some of the very small communities of having home loan bank facilities.

Do you have any thoughts on this problem? I'm not asking you to come forth with a final decision.

Mr. WIDNALL. I don't want to make any snap judgments on a lot of these things because I realize that whatever is done, any initiative, can have a terrific impact to the American economy as to the position certain groups have within the economy.

I think we should have complete hearings, be sure that all segments of the economy are heard from in connection with, and express a sound judgment as to what should or should not be done by the Government in connection therewith.

The CHAIRMAN. Will you try to focus the attention of the Commission on this particular problem and keep this committee informed as to your findings?

Mr. WIDNALL. I'd be delighted.

The CHAIRMAN. Senator Tower?

Senator TOWER. Mr. Chairman, I have no questions.

I am delighted to see our old friend, Bill Widnall, here today. We have sat across the conference table many times together, with Bill Widnall trying to keep those obstreperous House Members in some semblance of order. That's often very difficult.

[Laughter.]

Senator TOWER. I have long admired Mr. Widnall and enjoyed working with him. I think he brings experience and prestige and a fair and objective mind to the job for which he has been nominated.

I will certainly wholeheartedly endorse this nomination, and hope for his confirmation.

The CHAIRMAN. Thank you.

Senator McIntyre?

Senator McINTYRE. Mr. Widnall, I am relieved that it now appears that we will, indeed, have a National Commission on Electronic Funds Transfer.

I cannot begin to understand why the President delayed so in getting this Commission underway. The purposes for which this Commission was established are extremely important for a better understanding of the financial problems which we, as a nation, are likely to encounter in the future.

Mr. Widnall, I want to extend my warmest congratulations to you, and my best wishes for a successful completion of the task which lies ahead of you.

I think you are a fine choice for Chairman, with the background, experience, and qualifications which will tend to insure a worthwhile achievement of the objectives Congress set forth in establishing this Commission.

In that regard, I want you to know that the resources of the Subcommittee on Financial Institutions, which I chair, are available to you at any time during your endeavors.

We created this Commission, because we were frank enough to admit that there was a great deal about this emerging field of EFTS which we do not know. We need your counsel and your best judgment, and I hope and trust that we may work together from now until the time your final report is completed, and even thereafter.

Mr. Widnall, I have a question regarding a bill which is currently pending before the House. I am referring to H.R. 10024, title II of which contains several provisions pertaining to the Commission.

In the first place, the bill provides for a 1-year extension in the life of the Commission so that the final report shall be due not later than 2 years after the date of the confirmation by the Senate of the Chairman.

What is your advice to this committee regarding this provision?

Mr. WIDNALL. First of all, I think that, because of the delay in formation of the Commission, it's going to make it a little bit tight to operate under the schedule that would be inherent to the current law being utilized. In other words, it will be about a year before the Commission first sits.

But I don't think the extension is actually necessary now. I'd like to get the Commission going, see exactly where we are headed, how much time it is going to take, in order to have thorough hearings on it, because this subject matter is extremely important to the future of the economy, and there are many things that should be fully explored.

I don't believe that I would be right as Chairman in asking for an extension of the Commission's duties at the present time, and I don't even know exactly what is ahead for us. I have a pretty good idea of what we're going to have to tackle, and the staff that we should have. I don't believe we should have an empire of any kind in connection with this, but we have got to have a sound staff, and we have got to really get into things for the sake of the economy.

So, whether it would be an alleviation of possible problems we are tackling about the length of time the Commission can have to act, I don't think it's something that has to be done right now.

Senator McINTYRE. In addition, the House bill provides that the Commission, in addition to its responsibilities as originally outlined, shall transmit a report to the Congress 6 months after it begins its work which shall include: (1) a review of all pending EFTS applications before the regulatory agencies; (2) the Commission's proposals for monitoring interim EFTS experimentation; (3) recommendations for the interim guidance of the regulatory agencies; (4) a summary of all court decisions relating to existing proposed EFTS installations; (5) discussion of the implications of current EFTS experimentation and recommendations as to the need for any further legislation in the EFTS area.

Mr. WIDNALL. These provisions are a hold-over from earlier temporizing legislation being considered in the House which, at one time, provided as well for a 90-day moratorium.

It is my opinion that these proposals would unduly burden the Commission in light of the overwhelming mandate which it already has.

Do you have an opinion on that, sir?

Mr. WIDNALL. I think it is asking us to bite off a big piece, in terms of things that mean a great deal toward the future, but I do not feel that all of those things have to be required right now. I trust that the Congress, with its good sense and sound judgment, can make a decision as to what we really should have at this time.

Senator McINTYRE. It appears to me that, after you have got your feet into this problem, or your nose under the tent, so to speak, that you ought to then be able to advise us what you're going to need in relation to further time.

Mr. WIDNALL. Senator, I hope we could do that as soon as possible.

Senator McINTYRE. That would be very helpful to us, and at that time we could hear from you about the 6-month report being considered.

Mr. WIDNALL. I look forward to full cooperation between the House and Senate and Mr. Chairman and the Commission for the future.

Mr. McINTYRE. I just want to say that, personally, I am very much concerned about the impact which future EFTS developments will have on the rights and liabilities of individuals, particularly with respect to privacy. I frankly feel that the President could and should have provided for more consumer and privacy representation. Be that as it may, I want you to be aware of my concerns, and I would expect that the Commission give great weight and careful attention to these considerations.

Will you comment on that, please?

Mr. WIDNALL. Senator, I noticed that there is no direct consumer representation on that Commission. I have personally noted the lack and some other members of the Commission have spoken to me about it. I am sure that in our hearings the consumer interest will be developed regardless of whether there is a member on the Commission, a number who represent that.

Senator McINTYRE. I would hope so.

One final comment. I think that one of the most relevant questions to be considered by the Commission is the proper role of the Federal Government in participating in or even providing EFTS-type services. For example, there is the question of what role the Federal Reserve should properly play in future EFT systems. This issue has been debated at some length already, and I look forward to a thoughtful analysis of this issue.

Again, my congratulations and best wishes.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Senator McIntyre.

I think the last question concerns all of us. The lack of consumer representation. At the same time, Mr. Widnall, I do think that as one who has served so many years in the House of Representatives you do represent, undoubtedly, the consumer. You understand consumers. You have been representing consumers as a Congressman for a long time. I think your sensitivity to the fact that there is no explicit consumer representative is most reassuring.

Senator Williams?

Senator WILLIAMS. My apologies, Mr. Chairman and Mr. Widnall, for being late. There was a delegation in the hall, and I had to have an informal hearing out there.

I wish you well in going into this very important task. I know I am talking as though you are already confirmed, and you know that I wholeheartedly endorse your nomination. I have talked to you informally about some of the anxieties we had in New Jersey, and that others had, too, about the work of your Commission. I think it is most important for you to begin your work as quickly as possible.

I am glad the President has chosen you to be Chairman of the Commission. The Commission was created by the Congress because we feel it is necessary that the best of new communications be appropriately and constructively used.

Good luck.

Mr. WIDNALL. Thank you very much.

The CHAIRMAN. Thank you very much, Mr. Widnall.

I think it's obvious that you have the support of the members who are here. We'll act as promptly as we can. I anticipate we'll be able to report this today.

Mr. WIDNALL. Thank you very much. I appreciate this hearing.

Senator TOWER. Mr. Chairman, I move that Mr. Widnall be reported for confirmation.

The CHAIRMAN. Without objection, it is so reported.

The committee will go into recess until 10 o'clock.

[Whereupon, at 9:48 a.m., the nomination hearing was adjourned.]