A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Tuesday, December 31, 1940, at 11:30 a.m.

PRESENT: Mr. Eccles, Chairman
Mr. Ransom, Vice Chairman
Mr. Szymczak
Mr. McKee
Mr. Davis
Mr. Draper

Mr. Morrill, Secretary
Mr. Bethea, Assistant Secretary
Mr. Carpenter, Assistant Secretary
Mr. Clayton, Assistant to the Chairman

The action stated with respect to each of the matters hereinafter referred to was taken by the Board:

The minutes of the meeting of the Board of Governors of the Federal Reserve System held on December 30, 1940, were approved unanimously.

Memorandum dated December 31, 1940, from the Board's Personnel Committee submitting and recommending approval of a proposed budget covering the expenses of the Board of Governors for the year 1941. With the budget was submitted a memorandum dated December 30, 1940, from Mr. Morrill stating (1) that due to the necessity of having a cut off date to permit the preparation of the budget, the Divisions of the Board's organization were required to submit their respective budgets not later than December 1, 1940, and, therefore, appointments, resignations, salary changes or other adjustments approved by the Board subsequent to that date and not provided for in the budget.
would increase or decrease the budget for 1941 accordingly; (2) that no provisions had been made in the budget for the cost of printing the Banking Studies, The Base Book of Statistics, and the Federal Reserve Act during 1941, as it was contemplated that the Board would be asked to authorize the necessary expenditures for this purpose when a decision with respect to the printing of these publications was reached; and, (3) that, in view of the uncertainty of the outcome of the question whether the Board's building was subject to taxation, no provision had been made in the budget for the ensuing year to cover the payment of taxes and water rent. The memorandum also stated that it was proposed that the procedure with respect to the handling of office supplies and materials used in the production of duplicating work be changed effective January 1, 1941, in order to provide a method of charging each Division with the actual cost of the office supplies and materials as they were requisitioned, that to do this it would be necessary to set up a "Stock Room" account to which supplies and materials would be charged until withdrawn upon proper requisitions, and that it was recommended that the Board authorize the Secretary's Office to purchase such office supplies and materials for the "Stock Room" as may be needed to meet the requirements of the organization with the understanding that the amount of supplies and materials that may be carried in the stock room will not exceed $10,000 at any time. The memorandum made the further statement
that the expenses incurred during the year 1940 and the anticipated expenditures that may be made during 1941 in connection with the preparation of plans and specifications for the alteration of the Board's building involving closing of the wings and an addition on the premises north of C Street, had not been reflected in the regular budget covering expenses of the Board, but that there was attached to the budget an exhibit setting forth the expenses incurred during the year 1940 in connection with the building program together with an estimate of the amounts which should be included for this purpose in the assessment against the Banks during the year 1941.

The budget as submitted was as follows:

### Personal Services

<table>
<thead>
<tr>
<th>Service</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries</td>
<td>$1,363,507.72</td>
</tr>
<tr>
<td>Retirement Contributions</td>
<td>62,408.00</td>
</tr>
<tr>
<td><strong>Total Personal Services</strong></td>
<td><strong>$1,425,915.72</strong></td>
</tr>
</tbody>
</table>

### Non Personnel Services

<table>
<thead>
<tr>
<th>Service</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Traveling Expenses</td>
<td>$81,050.00</td>
</tr>
<tr>
<td>Postage and Expressage</td>
<td>2,308.00</td>
</tr>
<tr>
<td>Telephone and Telegraph</td>
<td>72,190.00</td>
</tr>
<tr>
<td>Printing and Binding</td>
<td>77,115.00</td>
</tr>
<tr>
<td>Stationery and Supplies</td>
<td>21,310.00</td>
</tr>
<tr>
<td>Furniture and Equipment</td>
<td>31,055.00</td>
</tr>
<tr>
<td>Books and Subscriptions</td>
<td>7,990.00</td>
</tr>
<tr>
<td>Light, Heat, and Power</td>
<td>26,000.00</td>
</tr>
<tr>
<td>Repairs and Alterations (Building and Grounds)</td>
<td>7,500.00</td>
</tr>
<tr>
<td>Repairs and Maintenance (Furniture and Equipment)</td>
<td>3,535.00</td>
</tr>
<tr>
<td>Medical Service and Supplies</td>
<td>450.00</td>
</tr>
<tr>
<td>Insurance</td>
<td>3,450.00</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>7,390.00</td>
</tr>
<tr>
<td><strong>Total Non Personnel Services</strong></td>
<td><strong>$341,883.00</strong></td>
</tr>
</tbody>
</table>

Grand Total                               | **$1,767,798.72** |
The proposed budget and the recommendation contained in Mr. Morrill's memorandum were approved unanimously.

Memorandum dated December 28, 1940, from Mr. Nelson, Assistant Secretary, recommending, for the reasons stated in the memorandum, that (1) B. M. Unger, guard, be promoted to the position of senior guard, with salary at the rate of $1,560 per annum, (2) Norbert C. Treacy and James A. Cameron, Jr., elevator operators, be promoted to the position of guard, each with salary at the rate of $1,380 per annum, (3) James W. Sanderson, chauffeur, be promoted to the position of guard, for the period of Julian Hammond's absence on military duty, with salary while serving as guard at the rate of $1,380 per annum, all effective as of January 16, 1941; and that (4) Adam V. Hauser be appointed on a temporary basis for an indefinite period as a chauffeur, with salary at the rate of $1,200 per annum, effective as of the date upon which he enters upon the performance of his duties after having passed satisfactorily the usual physical examination.

Approved unanimously.

Telegram to Mr. Curtiss, Chairman of the Federal Reserve Bank of Boston, reading as follows:

"Board of Governors has designated you Chairman and Federal Reserve Agent at Federal Reserve Bank of Boston for year 1941 and has fixed your compensation
"as such on same basis as approved for 1940.
"Understand from your wire of yesterday to Mr. Ransom
that you will accept reappointment."

Approved unanimously.

Telegram to Mr. Dennison, Deputy Chairman of the Federal Re-
serve Bank of Boston, reading as follows:

"Board of Governors has appointed you deputy chairman
of Federal Reserve Bank of Boston for year 1941 and will
be pleased to have your acceptance by collect telegram."

Approved unanimously.

Telegram to Mr. Young, Vice President of the Federal Reserve
Bank of Chicago, referring to the application of "The Avoca State
Bank", Avoca, Iowa, for permission to withdraw immediately from mem-
bership in the Federal Reserve System, and stating that the Board
waives the usual requirement of six months notice of intention to
withdraw, and that, accordingly, upon surrender of the Federal Re-
serve Bank stock issued to The Avoca State Bank, the Federal Reserve
Bank of Chicago is authorized to cancel such stock and make appropriate
refund thereon. The telegram also stated that it was understood that
The Avoca State Bank desired its withdrawal to become effective con-
currently with the opening of the proposed branch and its acceptance
by the Federal Deposit Insurance Corporation as a nonmember insured
institution.

Approved unanimously, together with
a letter to the Federal Deposit Insurance
Corporation, reading as follows:
"The Board has today approved the application of 'The Avoca State Bank', Avoca, Iowa, for permission to withdraw from membership in the System and waived the usual six months' notice of intention to withdraw.

"It is understood that the bank desires to continue, without interruption, its status as an insured bank and that it desires the insurance on deposits as a nonmember to become effective simultaneously with its termination of membership in the System.

"It is understood also that you may desire to make an examination of the bank; therefore, in accordance with the provisions of subsection (k)(2) of section 12B of the Federal Reserve Act, the Board hereby grants written consent for examiners for the Federal Deposit Insurance Corporation to examine The Avoca State Bank, Avoca, Iowa, in connection with its application for continuation of deposit insurance as a nonmember bank."

Letter to the board of directors of "The First State Bank", Rocksprings, Texas, stating that, subject to conditions of membership numbered 1 to 3 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 Dallas:

Approved unanimously, together with a letter to Mr. Gilbert, President of the Federal Reserve Bank of Dallas, reading as follows:

"The Board of Governors of the Federal Reserve System approves the application of 'The First State Bank', Rocksprings, Texas, for membership in the Federal Reserve System, subject to the conditions prescribed in the enclosed letter which you are requested to forward to the Board of Directors of the institution. 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 Commissioner of Banking for the State of Texas for his information."
"While the report of examination for membership reflects a sound asset condition due to the contributions made by the directors and the efforts of the past few years to work out the troublesome loans, the bank has taken terrific losses in the past and it is assumed that the Reserve Bank will follow the situation closely until the ability of the management to administer an expanding loan account has been established.

"Since the estimated losses classified in the report of examination for membership are reported to have been charged off at the close of the examination, the usual condition of membership regarding the elimination of losses has not been prescribed."

Telegram to Mr. Logan, Vice President of the Federal Reserve Bank of New York, reading as follows:

"Board approves payment of bill of $10,186.19, submitted December 10, 1940 by Winthrop, Stimson, Putnam and Roberts, for services in case of Armand Schmoll, Inc. v. Federal Reserve Bank of New York."

Approved unanimously.

Telegram to the Presidents and Chairmen of each Federal Reserve Bank, reading as follows:

"Board's usual year-end press statement announcing its recent appointments at your Bank (and branches if any), of which you have already been notified by wire, is being released to press today for publication in morning papers of Thursday, January 2."

Approved unanimously.

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

"With the approach of the new Year, the Board is increasingly aware of the loss to the Federal Reserve System that will result from your decision to enter the new field of activity arising from your acceptance of the
"position of President of the New York Life Insurance Company.

"You entered the service of the System more than twenty-five years ago as Assistant Counsel of the Board and soon became its General Counsel. Shortly thereafter you became Deputy Governor, then Governor and finally President of the Federal Reserve Bank of New York. In addition to your responsibilities as the chief executive officer of that Bank, you have served for many years on the Federal Open Market Committee and as Chairman of the Conference of Presidents of the twelve Federal Reserve Banks. This is an outstanding and unique career of accomplishment. It is therefore altogether appropriate that I should advise you of the Board's unanimous feeling that through your departure at this time you will be greatly missed in the System's councils because of the broad experience, the attractive personality, the capacity to assume large responsibilities, the keen intellect, and the energy and initiative which invariably you have brought to bear on the perplexing problems with which the System is confronted.

"We are not insensible, however, to the large opportunities that lie ahead of you; and each of us wishes you the great success to which your career and ability entitle you in your new field of endeavor."

Approved unanimously.

Thereupon the meeting adjourned.

Approved: [Signature]
Chairman.

[Signature]
Secretary.