

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Thursday, January 2, 1941, at 11:00 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
Mr. Thurston, Special Assistant to the
Chairman
Mr. Wyatt, General Counsel
Mr. Smead, Chief of the Division of
Bank Operations
Mr. Dreibelbis, Assistant General Counsel

ALSO PRESENT: Mr. Lassiter, Chairman of the Federal Reserve
Bank of Richmond
Mr. Walden, First Vice President of the
Federal Reserve Bank of Richmond
Mr. Clements, Managing Director of the
Charlotte Branch of the Federal Reserve
Bank of Richmond

Mr. Szymczak stated that in accordance with the action taken by the Board on December 26, 1940, the representatives of the Federal Reserve Bank of Richmond were present for the purpose of discussing with the Board the question whether the construction of the proposed building to house the Charlotte Branch of the Bank should be deferred until after the present emergency created by the defense program had passed.

Mr. Szymczak pointed out that there has been a change in

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conditions since the Board on October 18, 1940, approved the estimated expenditure for the construction of the Charlotte Branch, that there was now an "all-out" defense program of a much broader and more inclusive nature which would require not only materials but men, and that, therefore, in harmony with that program and to aid in its effectiveness all private construction and production should be subordinated and, if possible, delayed until some future time. The time apparently had come, he said, when everything must be subordinated to the broad and immediate program of defense and a backlog for future business activity must be built up which should begin when the defense activity comes to an end, at which time it would be helpful to our economy as a whole to initiate a program of private production and construction that would take up the slack and aid employment. He added that, therefore, the question was whether the Richmond Board could have the Charlotte Branch remain in its present quarters and obtain additional space in the same building or rent quarters in some other building and that the matter of the additional expense of construction submitted to the Board by the Richmond Bank in Mr. Leach's letter of December 19, 1940, upon the basis of the bids received by the bank, should have consideration of the Board only after the question of available existing space had been decided.

Mr. Lassiter stated there was little actual defense work going on in the territory at the present time and there seemed to be a surplus of labor of the type that would be used on the building.

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In response to an inquiry, he said that there did not appear to be any other quarters available in Charlotte which would meet the needs of the branch and that the present quarters were entirely unsatisfactory from the standpoint of working conditions and sanitation.

Mr. Szymczak stated that the present contemplated cost of \$239,900 for the building proper, as stated in Mr. Leach's letter of December 19, 1940, was close to the limit of \$250,000 set in paragraph 9 of section 10 of the Federal Reserve Act and it was suggested that extras on the building might increase the cost to a point where authority for the construction of the building would have to be obtained from Congress in accordance with the provisions of that paragraph. Mr. Walden said he felt certain the cost could be kept below the \$250,000 limit established by the statute.

Mr. Lassiter stated he realized fully the problem involved, that he was uncertain as to the action that should be taken, but that he hoped a solution could be found because of the unsatisfactory conditions under which the staff of the branch was working.

At Mr. Lassiter's request, Mr. Clements made a statement with respect to the volume of business handled by the Charlotte Branch in comparison with the branches of other Federal Reserve Banks which brought out the fact that only three branches, in all of their departments, had a larger volume of work than the Charlotte Branch.

In connection with a statement that the invitations for bids

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on the proposed building had been confined to contractors in the Charlotte territory, Mr. McKee inquired as to the possibility of lower bids being obtained if an opportunity to bid were extended to other contractors. Mr. Lassiter responded that he did not think so and that the architect was of the opinion that the reverse would be the case and that if the construction were to be deferred it would be better to defer it for a long time.

Mr. Davis stated that at a recent meeting of the Defense Commission with the President of the United States the latter made the positive statement that there should be no more public building except in an emergency, in order (1) to avoid unnecessary competition for labor and materials required for the defense effort, and (2) to build up a substantial backlog of construction to use the labor and facilities that would become available after the urgent requirements of defense had been filled. He said that, while it was realized that the present quarters in which the branch was housed were not satisfactory, there was a question whether it would be possible to approach the present owners of the building on the basis of their cooperating in the defense program to the extent of arranging a lease of sufficient space in the building for three or more years under an agreement which would provide for the necessary rearrangement and renovation of the space occupied and for such additional facilities as may be necessary to meet the requirements of the branch, the costs involved to be amortized over the period of the lease.

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Mr. Clements reviewed the negotiations which he had had with the owners of the building and stated that the only response he had been able to get from them was that, until they could determine the availability of another tenant more suitable to them, they would not say whether they would agree to continue to make space available to the branch.

Discussion of the space available in the present building brought out the fact that there was some unoccupied space on the upper floors and that there might be a possibility by shifting tenants to make sufficient satisfactory space available to the branch. It was also stated that the building was the only one in the city in which a vault would be available to the branch unless it was found to be possible to share the use of a vault in another building being occupied by a commercial bank.

Chairman Eccles stated to Mr. Lassiter that the Board would be willing to approve any reasonable expenditure that might be necessary to place the present or other quarters in proper condition to house the branch adequately. In connection with this point Mr. Walden stated that the architect had advised him that the South-eastern Construction Company of Charlotte, which was the low bidder on the proposed construction, could not be expected to keep its bid open beyond the middle of January and that a decision should be reached before that time. Mr. Lassiter stated that he felt he could speak for the board of directors of the Richmond Bank in saying that the

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directors would agree to whatever course of procedure was thought to be best in the circumstances.

Thereupon, it was agreed that the Richmond Bank would promptly explore fully the possibility of a three to five year lease of adequate space in the building now occupied by the branch, the cost of equipping the space occupied with the necessary sanitary and other facilities and otherwise placing it in satisfactory condition to house the branch properly to be paid over the period of the lease.

Thereupon Messrs. Lassiter, Walden, and Clements left the meeting.

Chairman Eccles stated that on Monday of this week he called on the Secretary of the Treasury, with Messrs. Lauchlin Currie, Administrative Assistant of The White House Office, and Mr. Harry D. White, Director of Monetary Research of the Treasury Department, present, in connection with the special report which had been prepared by the Board, the Presidents of the Federal Reserve Banks, and the Federal Advisory Council for submission to Congress. He said he stated during the conference that he felt that he was under the obligation to send the statement to Congress unless the Secretary took the position that he did not think it should be sent and would state reasons for his opinion in which event he (Chairman Eccles) would call together the members of the committee which drafted the report for the purpose of considering the Secretary's views. The Secretary expressed regret, Chairman Eccles said, that other matters had interfered with

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his prompt consideration of the statement and stated that he could not take a position on it either one way or the other, but that he would raise no objection to its submission to Congress if it were understood he would be free to oppose any part or all of it if he later saw fit to do so. Chairman Eccles said he agreed to that understanding and stated to the Secretary, in response to an inquiry from him, that he expected to send the report to Congress very shortly.

Chairman Eccles made the further statement that shortly after the conference with the Secretary of the Treasury, the latter held his regular press conference and at that time stated to the press that the Federal Reserve System would have a very important statement to make before the end of the year, that this resulted in his (Chairman Eccles') office being pressed by reporters and others for information with respect to the statement, and that the reporters were advised that there had been no commitment to make a statement and that all he had discussed with the Secretary was a draft of a statement that the System had in contemplation. He had attempted, Chairman Eccles continued, later in the afternoon of December 30, to get in touch with Mr. Stephen Early, Secretary to the President, but that Mr. Early had left for the day, that thereupon he (Chairman Eccles) prepared a short memorandum containing the essentials of the report to Congress which he handed to Mr. Early at the White House the next morning for submission to the President, that it was not possible

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to see the President at the time, and that Mr. Early read the memorandum and said he would take the responsibility for saying that there would be no objection on the part of the White House to the release of the report.

Chairman Eccles added that during the middle of the afternoon of December 31, Mr. Early called on the telephone to say he had seen the President and that the latter had stated that without assuming any responsibility for the contents of the statement he would have no objection to its submission to Congress. Chairman Eccles also said that following this conversation it was decided to submit the statement to the Speaker of the House of Representatives, the President of the Senate, and the Chairmen of the Banking and Currency committees that afternoon and to release it to the press for publication in the afternoon papers of January 1, 1941, which was done. He added that the decision as to the release in the afternoon papers of January 1 was reached after consultation with Mr. Early.

Mr. Morrill said that on the afternoon of December 31 the report was telegraphed to the Presidents of all Federal Reserve Banks with the request that they send copies thereof to their directors and to the members of the Federal Advisory Council in their respective districts.

Chairman Eccles also said that this morning Mr. Early called

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him on the telephone and stated that the President had authorized him to say to the press that Chairman Eccles had taken the statement up with the President and, despite press headlines he did not think there would be any fight between the President, the Reserve Board, and the Treasury, and that Mr. Early had made such a statement to the press. Chairman Eccles concluded with the statement that Mr. Early also felt that he (Chairman Eccles) should make a statement to the effect that some of the newspaper headlines had implied things which the report to Congress did not contain and there was nothing in the report that would not have to be covered in replies to be submitted by the Board to the Wagner questionnaire. In response to an inquiry, Chairman Eccles stated that he proposed to make such a statement.

Mr. Morrill said that this morning Congressman Crawford called and said he would like very much to have the special report inserted in the Congressional Record and that, after consulting with Mr. Thurston, he stated to Mr. Crawford there was no objection to his taking such action if he saw fit to do so. Mr. Morrill added that Mr. Crawford was very enthusiastic about the report and said that he would give it his full support.

Reference was then made to an application which had been received from the City National Bank of Hastings, Hastings, Nebraska (population approximately 15,000), for authority to exercise trust

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powers. The file on the application had been circulated among the members of the Board before this meeting at the request of Mr. Ransom and he stated that the circumstances surrounding the application were not greatly different from those involved in other applications which had been approved by the Board except that in this case there was an adverse report from the Comptroller of the Currency which indicated the possibility of a change in the policy of the Comptroller's office to the extent that in the future that office would not recommend the granting of trust powers in cases where the proposed trust officers had no experience as such in handling trust business and the volume of prospective business might not be such as to insure profitable operations. It was stated that the bank was in satisfactory condition and that the Federal Reserve Bank of Kansas City and the Board's Division of Examinations had recommended approval of the application. Mr. Ransom said no other bank in Hastings was exercising trust powers at the present time so that the question of local competition was not involved.

Mr. McKee called attention to a suggestion contained in a memorandum prepared by Mr. Cagle under date of December 16, 1940, in connection with this case, that representatives of the Board and the Comptroller of the Currency might discuss the policy with respect to the granting of trust powers and Mr. McKee expressed the opinion that a decision on the application of the City National Bank of Hastings

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should be deferred pending such a discussion.

Mr. Ransom stated that he felt the approval of the application under the circumstances involved would establish a new policy on the part of the Board and that he would vote "no" on such action.

At the request of the Board, Mr. Morrill read the letter received from Mr. Upham, Deputy Comptroller of the Currency, under date of November 13, 1940, stating reasons for the adverse recommendation of the Comptroller's office. He also read a portion of a memorandum prepared under date of November 16, 1940, from Mr. Chamberlin, Federal Reserve Examiner.

At the conclusion of the discussion, Mr. Davis moved that the application be approved but that advice of the Board's action be withheld pending discussion by Mr. Ransom with the Comptroller of the Currency of the basis upon which the latter's recommendations with respect to the granting of trust powers to national banks would be made in the future.

Mr. Davis' motion was put by the chair and carried, Mr. Ransom voting "no" on the part of the motion relating to the approval of the application of the City National Bank of Hastings.

At this point Messrs. Thurston, Wyatt, Smead, and Dreibelbis left the meeting and the action stated with respect to each of the matters hereinafter referred to was then taken by the Board:

The minutes of the meeting of the Board of Governors of the Federal Reserve System held on December 31, 1940, were approved unanimously.

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Memoranda dated December 27, 1940, from Mr. Goldenweiser, Director of the Division of Research and Statistics, recommending, for the reasons stated in the memoranda, that Nancy B. Kelly and Lucille G. Wilson be appointed on a permanent basis as clerk-stenographers in the Division of Research and Statistics, each with salary at the rate of \$1,440 per annum, the appointments to be subject to their passing satisfactorily the usual physical examination and to become effective at the expiration of their temporary appointments at the close of business on January 9 and January 15, 1941, respectively.

Approved unanimously.

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

"Reference is made to your letter of December 21, 1940, and other correspondence relating to a transaction whereby the Seattle Trust and Savings Bank, Seattle, Washington, purchased for \$200,000 the head office bank building which it had previously occupied under lease. It would appear from the information submitted that the purchase which was apparently consummated on a favorable basis has not resulted in a disproportionate investment in fixed assets. Therefore, the Board will interpose no objection to the transaction under the condition of membership numbered 8."

Approved unanimously.

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Thereupon the meeting adjourned.

Chesley M. M. M. M.
Secretary.

Approved:

M. C. M. M. M.
Chairman.