

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Wednesday, April 9, 1941, at 3:00 p.m.

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

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

Chairman Eccles stated that during a conference which he had with the President of the United States today reference was made to the two previous occasions on which the construction of the suggested addition to the Board's present building had been discussed, on one of which occasions he showed the President photographs of some of the preliminary designs, and that he reviewed for the information of the President the present situation with respect to the addition. He said the President concurred in the thought that the present building and the proposed addition should be looked upon as a center in which eventually the bank supervisory agencies could be housed and that the Board would be justified in constructing the addition with that purpose in view. The President made the further comment, Chairman Eccles said, that there was a shortage of office space in Washington and that it would be advisable for the Board to proceed promptly with the construction of the addition.

At the conclusion of the discussion of this matter, Mr. Morrill was requested to prepare a letter to the Board's architect asking that he expedite and complete as rapidly as possible the contract drawings and specifications for the proposed addition.

4/9/41

-2-

It was also agreed that at the next Conference of Presidents of the Federal Reserve Banks Chairman Eccles would inform the Presidents of the Board's plans to expedite the construction of the addition.

In connection with the above action Chairman Eccles stated that he would take up next week with Mr. Delano, Chairman of the National Capital Park and Planning Commission, the question whether the exterior of the building should be marble or limestone.

Mr. Ransom referred to the news item in the Wall Street Journal on April 1, 1941, to the effect that the Board of Governors of the Federal Reserve System and the Federal Deposit Insurance Corporation had submitted formal protests to the Treasury against the plan of the Treasury to get direct from banks reports on their holdings of securities issued or guaranteed by the Federal Government and said that Mr. McKee had raised a question as to the basis for the story. Mr. Ransom also said that he had offered to Mr. Bell, Under Secretary of the Treasury, the cooperation of the Board of Governors in assisting the Treasury to obtain information of this nature and that Mr. Bell had made the statement at that time that he felt it would be an excellent idea to have a conference of representatives of the interested agencies on the matter and that, although he thought the proposal was a matter under the circumstances to be handled by the Treasury, he wanted to have such a conference before putting the plan into effect. Following the appearance of the news item on April 1, Mr. Ransom said, Mr. Bell called again and stated that he had been out of town over the weekend and the matter had been given to the press while he was away without

4/9/41

-3-

waiting for a conference of the representatives of the interested agencies, that he wanted to apologize for the oversight which was due to his forgetting that matter before he left town, and that he wanted to assure the Board that it was entirely unintentional.

The action stated with respect to each of the matters herein-after 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 April 8, 1941, were approved unanimously.

Memorandum dated April 7, 1941, from Mr. Nelson, Assistant Secretary, recommending, for the reasons stated in the memorandum, (1) that Paul T. Phinney, senior guard, be promoted to the position of clerk in the Secretary's Office, and that his salary be increased from \$1,560 to \$1,680 per annum, effective April 16, 1941; (2) that Lee W. Langham, guard, be promoted to the position of senior guard in the Building Operation and Maintenance Section of the Secretary's Office, and that his salary be increased from \$1,500 to \$1,560 per annum, effective April 16, 1941; (3) that Bruce Bishop, page, be promoted to the position of guard in the Building Operation and Maintenance Section of the Secretary's Office, and that his salary be increased from \$1,260 to \$1,380 per annum, effective April 16, 1941, with the understanding that if his work in the new position within the next six months is entirely satisfactory, a further recommendation will be submitted that his salary be increased to \$1,500 per annum, the customary salary paid to guards in the Board's organization; and (4) that Leon A. LeBuffe be appointed as a page in the Office of the Secretary, with salary at the

4/9/41

-4-

rate of \$1,260 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.

Letter to the Board of directors of the "Elk Horn Bank and Trust Company", Arkadelphia, Arkansas, stating that, subject to conditions of membership numbered 1 to 3, inclusive, 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 St. Louis.

The letter also contained the following special comment:

"It has been noted that the bank is authorized to exercise trust powers but is actually doing so to only a very limited extent. On the date of examination for membership only one account was being administered; that account was exceedingly small and was said to have been accepted so that a loan made by the bank might be serviced and properly liquidated, and the examiner was informed that additional accounts will be accepted only in similar circumstances. Therefore, the application has been approved on the same basis as if trust powers were not being exercised, and should the bank in the future desire to do so, other than in connection with the one small account now being administered or in isolated cases of similar character, application should be made to the Board in accordance with the provisions of condition of membership numbered 1."

Approved unanimously, together with a letter to Mr. F. Guy Hitt, First Vice President of the Federal Reserve Bank of St. Louis, reading as follows:

"The Board of Governors of the Federal Reserve System approves the application of the 'Elk Horn Bank and Trust Company', Arkadelphia, Arkansas, for membership in

4/9/41

-5-

"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 Bank Commissioner for the State of Arkansas for his information.

"According to the comments on page 2 of the report of examination your examiner stated that the president of the bank admitted that the \$12,000 dividends paid on common stock last year were excessive and a mistake, but that the bank's future dividend policy would be conservative. In the circumstances it is assumed that the Reserve Bank will keep the situation in mind and use its influence to see that in the future conservative dividend policies are actually followed.

"It would appear that the bank has somewhat of a management problem. The management is said to be largely dominated by the president, who is 79 years of age, and in the presentation memorandum submitted with the application it is stated that the desire of the president to have the leading bank in the town seems to have influenced him at times to act against his better judgment. In view of his age, it is only reasonable to expect that the president's responsibilities will have to be assumed by others before long. It is suggested, therefore, that the Reserve Bank follow the situation closely after the bank's admission to membership to see to it, so far as it is within the power of the Reserve Bank, that the progress made in recent years in improving the condition of the applicant is continued and that able management will be provided in the future.

"It has been noted that, in connection with the retirement of \$30,000 of the bank's preferred stock, common stock has been issued in a like amount as stock dividends, apparently without amendment of the articles of incorporation. It appears that the articles of incorporation authorize such action only in the event the retirement of preferred stock will reduce the bank's capital below the minimum amount required by law. Since it is understood that the minimum capital required by law is \$50,000 and the retirement of the preferred stock did not reduce the capital below that amount, the Board's counsel question whether the above-mentioned common stock was legally issued. It is suggested that the matter be reviewed by your counsel

4/9/41

-6-

"and that, unless he is satisfied that the stock was legally issued, the question be brought to the bank's attention in order that any necessary corrective action may be taken at the next stockholders' meeting."

Letter to Mr. Zurlinden, First Vice President of the Federal Reserve Bank of Cleveland, reading as follows:

"In response to your letter of March 26, 1941, you are advised that the Board approves the payment of an attorney's fee of \$500 to Squire, Sanders and Dempsey.

"It is understood that this fee was for services rendered in connection with the commitment of your Bank for the purchase of a fifty per cent interest of a credit extension to Triumph Explosives, Inc. by the Peoples-Pittsburgh Trust Company."

Approved unanimously.

Letter to Mr. F. J. Bailey, Assistant Director in Charge of Legislative Reference, Bureau of the Budget, reading as follows:

"Reference is made to your letter of March 31 in which you ask for the Board's comments on a proposed letter by the Acting Secretary of Labor in regard to S-1098 -- a bill 'For restoring and maintaining the purchasing power of the dollar.'

"The Board finds itself in accord with the proposed letter of the Acting Secretary of Labor. It is suggested, however, that the words 'the only' be omitted from the parenthetical clause in the first full paragraph on page 2 which now reads 'the only two aspects of the economic situation which the Federal Reserve System can influence directly.' This suggestion is made for the reason that there are other aspects of the economic situation, such as, conditions in the capital market, margin requirements on security loans, and other matters which the Federal Reserve System can influence directly."

Approved unanimously.

4/9/41

-7-

Thereupon the meeting adjourned.

Chester Morris  
Secretary.

Approved:

W. S. [Signature]  
Chairman.