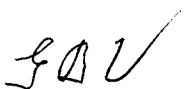


February 14, 1947.

Chairman Eccles:

I understand that a question was raised with you as to the reasons why the \$250,000 limitation on the cost of Federal Reserve branch buildings was placed in the law. Mr. Hackley has prepared the attached memorandum setting forth a brief history of this subject.



## HISTORY OF STATUTORY PROVISION LIMITING

### COST OF FEDERAL RESERVE BANK BRANCH BUILDINGS

The provision of the Federal Reserve Act limiting the cost of Federal Reserve Bank branch buildings was originally enacted on June 3, 1922. It resulted from the fact that during 1921 there had appeared a number of articles in newspapers charging the Federal Reserve Banks with wasting public moneys through payment of extravagant salaries and construction of large buildings. Foremost among the attackers was John Skelton Williams, then Comptroller of the Currency. In October, 1921, the Senate had passed a resolution calling on the Board to furnish information with respect to Reserve Bank salaries and expenditures for buildings.

There was then pending in Congress a bill to add a "dirt farmer" to the membership of the Board. During debates on that bill Senator Overman expounded at length on the alleged extravagance of the Federal Reserve Banks and asserted that the recently completed building of the Federal Reserve Bank of New York had cost more than the Capitol in Washington. On the same day Senator Harris introduced an amendment to the pending bill providing (as later perfected) that a Federal Reserve Bank should have no authority to make any contracts for the erection of any buildings in excess of \$250,000 without the previous consent of Congress.

In ensuing debates on the bill, Senators Smith and Heflin joined in the attack. Senator Glass made an eloquent defense, pointing out that Reserve Bank salaries and the costs of their buildings were only comparable to salaries paid by large commercial banks and to the cost of buildings of foreign central banks. When Senator Harris' amendment was voted on, the Vice-President thought that the "nays" seemed to prevail; but on a further vote by show of hands the amendment was adopted by a vote of 40 to 33. The provision in question was approved by the House of Representatives although it was strongly opposed by the House Banking and Currency Committee.

As originally enacted, the provision related to any Federal Reserve Bank building. However, by Act of February 6, 1923, it was amended to apply only to branch buildings and only to the cost of the building proper, exclusive of vaults and equipment. It is not apparent why the limitation was made applicable only to branches, but presumably it was because all the Federal Reserve Banks had completed construction of their head office buildings by the time of enactment of the 1923 amendment.

2/14/47