

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Tuesday, September 10, 1940, at 2:30 p.m.

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

Mr. Morrill, Secretary
Mr. Bethea, Assistant Secretary
Mr. Thurston, Special Assistant to
the Chairman

ALSO PRESENT: Mr. Wm. H. Livingston, Architect

The attention of the members of the Board was called to the fact that Dr. Cret had submitted preliminary drawings for the alteration of the present building by enclosing the east and west courts and for an addition to the present building on the Board's property on the north side of "C" Street; that he had requested approval of these preliminary drawings; and that he had also requested authority to proceed with the preparation of the contract drawings and specifications. Mr. Morrill called attention to the fact that Mr. Livingston was present for the purpose of answering any questions that the members of the Board might like to ask, the occasion being opportune because of the fact that Dr. Cret was attending a meeting of the Commission of Fine Arts today, at which he was presenting the preliminary drawings of the addition north of "C" Street; and that it was expected that further consideration would be given to the drawings for the addition at a meeting of the National Capital Park and Planning Commission on

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September 19. Mr. Morrill, however, also called attention to the fact that Mr. Davis was not expected to return to the city until next week and that it was desirable for Mr. Davis to have an opportunity to review the drawings and information which had accumulated during his absence before action was taken. General agreement was expressed with this suggestion and the discussion proceeded without formal action being taken.

The preliminary drawings of both the alteration of the present building and the addition were examined by the members of the Board present and various questions were raised which were discussed with Mr. Livingston. In response to a question, Mr. Livingston stated that it would take from three to four months to prepare the contract drawings and specifications. In connection with the alteration of the present building, Mr. Szymczak called attention to a letter dated August 27, 1940 from Mr. Gilmore D. Clarke, Chairman, The Commission of Fine Arts, addressed to Mr. Paul P. Cret, a letter dated August 28 from Mr. Clarke addressed to the Board of Governors, and a letter dated September 4 from Mr. Paul P. Cret, addressed to Mr. Morrill, in which the opinions of the Commission of Fine Arts and Dr. Cret, respectively, regarding the proposed alterations of the present building were expressed. Mr. Szymczak read all three letters to the other members of the Board. Near the conclusion of the discussion Dr. Cret entered the room and advised the Board that he had been attending the

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meeting of the Commission of Fine Arts at which he had presented the drawings for the addition on the north side of "C" Street and that they had received the approval of the Commission. Following this statement, both Mr. Livingston and Dr. Cret were thanked for their assistance in the discussion of the drawings and were excused from the meeting with the understanding that they would be advised at a later date by the Secretary with respect to the action taken by the Board.

Mr. Morrill was requested to review the matter with Mr. Davis upon his return and thereafter to circulate to the Board a memorandum for action by the Board.

Mr. Ransom reported that he, together with Messrs. Wyatt and Vest, had attended a meeting this morning at the offices of the Commissioners of the District of Columbia with the Commissioners and the Corporation Counsel of the District of Columbia, together with one of his assistants, Mr. Simmon; that Mr. Wyatt had outlined very clearly the history of the Board of Governors from a legal standpoint and had described its present relation to the Federal Reserve System; and that there was a general informal discussion. Mr. Ransom said that he gathered the definite impression that the Commissioners had not previously been fully informed as to the legal status of the Board of Governors and that their attitude with respect to the taxability of the Board's property had been based largely upon the provision of the law under which Federal Reserve Banks are exempted from taxation except as to their real estate and the fact that the expenses of the

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Board of Governors are paid from funds derived from assessments against the Federal Reserve Banks. Mr. Ransom added that the reasons for differing with this point of view were fully explained by Mr. Wyatt and that it was agreed at the conclusion of the discussion that a brief would be filed with the Commissioners by the Board's Counsel. Mr. Ransom stated that such a brief had been prepared in advance of the meeting and that it would probably be filed this afternoon. Mr. Ransom referred to the fact that the written opinion of the Corporation Counsel expressed doubt as to the taxability of the Board's property and had suggested that the question be settled by legislation or litigation but that he, Mr. Ransom, had explained to the Commissioners why neither of these courses was desirable from the point of view of the Board of Governors and the hope that a determination of the matter could be reached without such action. Mr. Ransom also stated that the question was asked by the Commissioners of the Corporation Counsel as to what steps could be taken by the Commissioners to enforce the collection of the tax and that the Corporation Counsel had indicated that he doubted that there was any effective method by which the collection of the tax could be enforced.

Mr. Ransom then reported on the status of the bill relating to foreign accounts with Federal Reserve Banks, stating that he understood that Senator Taft had prepared an alternative draft of the bill which he had given to Senator Wagner, and that arrangements had been

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made for Senator Taft to see Mr. Dreibelbis tomorrow for the purpose of discussing the matter.

The Secretary brought to the attention of the Board the fact that the next meeting of the Federal Advisory Council is to be held in Washington on Sunday, Monday and Tuesday, October 6 - 8, inclusive, and that Mr. Lichtenstein had made the usual request for any suggestions of the Board as to topics.

After discussion, a suggestion made by Mr. Ransom that the Council be advised that the Board would be glad to have the Council discuss bank financing of the national defense program was approved and the Secretary was requested to advise Mr. Lichtenstein accordingly.

At this point Mr. Thurston 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 September 9, 1940, were approved unanimously.

Telegram to Mr. Young, Vice President of the Federal Reserve Bank of Chicago, reading as follows:

"Relet September 7. Board approves appointment of Herbert F. Ibach as an examiner for the Federal Reserve Bank of Chicago at salary rate of \$6,000 per annum. Please advise us of effective date."

Approved unanimously.

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Thereupon the meeting adjourned.

Chester Morice
Secretary.

Approved:

Howard Hamann
Vice Chairman.