

5/28/41 A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Wednesday, May 28, 1941, at 11:10 a.m.

PRESENT: Mr. Eccles, Chairman
 Mr. Szymczak
 Mr. McKee
 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. Dreibelbis, Assistant General Counsel
 Mr. Vest, Assistant General Counsel
 Mr. Spurney, Building Manager

The members of the Board were furnished with copies of a memorandum of points to be considered in determining whether the construction of the addition to the Board's building should be obtained under a lump sum or under a management fee contract. Mr. McKee summarized various aspects of the problem and stated that the committee consisting of Mr. Szymczak and himself had no definite recommendation to offer but that, after giving the matter a great deal of thought, he was inclined to feel that it would be better to defer action on this question until the contract drawings and specifications were completed, the time limit for which was July 24, and that the Architect was endeavoring to shorten this period by at least two weeks. There followed a lengthy discussion of the points involved in determining the question, during which Mr. Spurney advised the Board of the discussions which he had had with representatives of the Public Buildings Administration and their preference

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for the management fee form of contract, particularly when it is desired that the construction of a building be expedited. Attention was directed also to the fact that it has become a general practice of the Government to use the management fee form of contract for construction projects undertaken in the present circumstances. There was also a discussion of the various methods of determining the management fee during which reference was made to the present practice of the Government, and the Chairman offered the suggestion of a type of contract which would start with a fee based upon the estimated cost, with a reduction therefrom on a graduated scale if the total cost of the building exceeded the estimated cost. The Chairman also referred to the three occasions on which he had discussed the matter with the President and the fact that the President had advised that the Board proceed with the construction of the addition. It was pointed out that under the present schedule the contract drawings and specifications should be completed not later than July 24, 1941; that, if it were decided to put out requests for bids on lump sum contract basis, this might be done about August 1; that the bids should be received by August 21, and that the successful bidder might be able to begin work by September 1. On the other hand, it was pointed out that it might be possible to negotiate a management fee contract and for the architect to rearrange his work on the plans so that excavation work could be started by July 15, or from six weeks to two months earlier than in the case of the lump sum contract.

In view of all the circumstances, including particularly the

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limited amount of time that might be saved under a management fee contract as compared with a lump sum contract and other great uncertainties in the present situation and with respect to prospective developments, the discussions indicated a feeling on the part of the members of the Board that it would be better to wait until the contract drawings and specifications were complete and in readiness for inviting bids; that, unless in the meantime there appeared to be special reasons for adopting the management fee type of contract, bids might be obtained upon a lump sum contract form; and that upon receipt of the bids consideration might be given to the possibility of negotiating with the low bidder on a management fee basis if that seemed to be desirable at the time.

At the conclusion of the discussion it was agreed that Mr. Morrill should advise the Architect today that he should complete the contract drawings and specifications as rapidly as possible, with a view to obtaining bids on a lump sum contract basis.

Attention was directed to the desirability in the meantime of making a careful review of a list of possible contractors to whom invitations to bid might be sent in order that the Board might be assured that the successful bidder would be acceptable and in this connection it was stated by Mr. Spurney that he had been assured that the information in the possession of the Public Buildings Administration in regard to various contractors would be made available to us and that every cooperation would be extended to us.

At this point Mr. Spurney left the meeting.

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Mr. Szymczak submitted the recommendations of the Personnel Committee that Frank D. Jackson, President, Jackson Grain Company, Tampa, Florida, be appointed a director of the Jacksonville Branch of the Federal Reserve Bank of Atlanta for the unexpired portion of the three-year term ending December 31, 1943, and that Lloyd Noble, President of the Noble Oil Company, Ardmore, Oklahoma, be appointed a director of the Oklahoma City Branch of the Federal Reserve Bank of Kansas City for the unexpired portion of the three-year term ending December 31, 1942.

Mr. Szymczak moved that the two appointments be made as recommended by the Personnel Committee.

Mr. Szymczak's motion was put by the chair and carried unanimously.

Mr. Vest withdrew from the meeting at this point.

Further reference was made to the reply received from Secretary of the Treasury Morgenthau under date of May 23, 1941, to the Board's letter of April 24, 1941, relating to bank holding companies and there was a discussion of a suggestion by Mr. Draper that a letter be addressed to Mr. Morgenthau stating, in effect, that the Board's suggestions to improve the regulation of holding companies could not be regarded as slight. During the course of the discussion reference was made to the request of the President that the Treasury, the Board, the Federal Deposit Insurance Corporation, and the Comptroller of the Currency get together on a program relating to bank holding companies and it was the consensus of the members present that, inasmuch as the Board

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had submitted to the Secretary of the Treasury its suggestions as to the program that should be adopted, no further action was called for by the Board at this time in connection with the President's request. Other aspects of the matter were discussed but no action was taken.

At this point Messrs. Thurston, Wyatt, and Dreibelbis left the room 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 May 27, 1941, were approved unanimously.

Memorandum dated May 23, 1941, from Mr. Goldenweiser, Director of the Division of Research and Statistics, recommending that, for the reason stated in the memorandum, Arthur M. Borak be appointed on a temporary basis from approximately the middle of June to approximately the middle of September as an associate economist in that Division, with salary at the rate of \$425 per month, effective as of the date upon which he enters upon the performance of his duties.

Approved unanimously.

Memorandum dated May 23, 1941, from Mr. Goldenweiser, Director of the Division of Research and Statistics, recommending, with the concurrence of Mr. Smead, Chief of the Division of Bank Operations, that Miss Louise E. Evans be transferred from the Division of Bank Operations to the Division of Research and Statistics as a clerk-stenographer, with no change in her present salary at the rate of \$1,800 per

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annum, effective as of the date upon which she enters upon the performance of her new duties.

Approved unanimously.

Letter to Captain C. J. Barry, Jr., Acting Assistant Adjutant General, Office of the Commanding General, Presidio of San Francisco, California, reading as follows:

"In response to your inquiry of May 12, 1941 regarding 2nd Lieutenant Laurence E. Skees, Medical Administrative Reserve, you are advised that Mr. Skees has been in the employ of the Board of Governors of the Federal Reserve System since November 15, 1933, and that his present title is Federal Reserve Examiner, with headquarters in Washington, D. C.

"For several months Mr. Skees has been in San Francisco, under assignment made by the Chief of the Board's Division of Examinations, to participate in and make a report on an examination of a large organization having many subsidiaries and offices in that area. It is understood that most of the field work in connection with the examination has been completed. In addition to whatever examination work remains to be done, the principal work remaining for Mr. Skees to do in San Francisco is to correlate the mass of data which has been developed and incorporate it in a comprehensive report which will, of necessity, be quite lengthy. It is anticipated that as much as three months may be required to complete this. After that, Mr. Skees will be expected to return to Washington and review in detail with his superiors various matters covered in the examination. Mr. Skees' impending call to service will necessitate a more detailed review of the various matters covered in the examination than would be necessary if it were certain that he would be here to explain in detail various important matters concerning which questions may be raised from time to time. In view of the mass of details and large number of important matters which have been developed during the examination, it would be highly impracticable, if not impossible, to substitute another examiner for Mr. Skees at this stage of the examination. Accordingly, it is requested that if possible his order to active duty with the Medical

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"Corps be deferred for a period of six months to enable Mr. Skees to complete his report and review with his superiors here the large number of important matters covered."

Approved unanimously.

Letter to the board of directors of "The Northville Bank", Northville, New York, 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 New York.

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

"The Board of Governors of the Federal Reserve System approves the application of 'The Northville Bank', Northville, New York, 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 Superintendent of Banks for the State of New York for his information.

"In view of the advice that losses estimated in the report of examination as of March 29, 1941, have been charged off or otherwise eliminated, the usual condition of membership regarding elimination of losses has not been prescribed.

"The report of examination made in connection with the application for membership contains comments upon a number of unsatisfactory features with respect to the management, including dissension among some of the officers and directors and indifference on the part of some directors. On the other hand, the condition of the bank appears to be fundamentally sound, and after conferring with one of the directors and one of the officers of the bank following the

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"examination for membership, Mr. Gidney expressed the opinion that the tendency of the management is clearly conservative and that the bank is in safe hands. In view of the circumstances, the Board has approved the application upon the assumption that the Reserve Bank will follow the situation closely to see that the bank does not suffer from the management situation and that, as opportunity is afforded, appropriate steps are taken to strengthen it."

Thereupon the meeting adjourned.

Chester Morice
Secretary.

Approved:

W. S. ...
Chairman.