

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Tuesday, February 12, 1946, at 10:45 a.m.

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

Mr. Carpenter, Secretary
Mr. Hammond, Assistant Secretary
Mr. Connell, General Assistant,
Office of the Secretary
Mr. Morrill, Special Adviser
Mr. Smead, Director of the Division
of Bank Operations
Mr. Vest, General Attorney

Further reference was made at this meeting to the letter dated October 23, 1945, from Mr. McLarin, President of the Federal Reserve Bank of Atlanta, requesting approval of the proposed purchase by the Bank of a building site in Jacksonville for construction of a new Branch Bank building at sometime in the future. Accompanying Mr. McLarin's letter was an excerpt from the minutes of the meeting of the board of directors of the Bank held on October 12-13, 1945, which stated that the Bank proposed to purchase a site for \$125,000, "provided arrangements can be made with the Federal Public Housing Authority for the release of the leases covering said property and held by the Authority, for a sum not in excess of the Authority's unamortized conversion investment existing at the time the Bank obtains

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possession of the property (as of September 1, 1945, the conversion investment balance was \$26,000.00), the terms of the sale to be, in addition to the customary terms involved in the sale of real estate, that the owners will receive 10/26th of any savings the Officers might be able to realize in obtaining the release of the leases for less than the unamortized balance of the FPHA's conversion investment existing at the time possession is taken by the Bank, and the owners will also have the right to demolish the buildings on the premises and retain the salvage derived therefrom."

Before this meeting there had been circulated among the members of the Board a memorandum dated January 10, 1946, from Mr. Szymczak reviewing the matter in the light of the additional information received from the Bank since the Board's letter of December 7, 1945.

In a discussion of the matter Chairman Eccles stated that he would be opposed to the proposed purchase for the reason that the Bank in 1942 acquired a lot adjoining the present building which in the judgment of the directors would provide for necessary expansion, and which was now regarded by the directors as unsatisfactory because of the arrangement of the present building and the high cost of enlarging it; that since the Bank could not build for four or five years no purpose would be served by acquiring the site now at present high real estate prices, as other sites would be available when the time came for the construction of a new building if that should be the decision; and that it was not possible at this time to say

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what the future requirements of the Branch would be.

Mr. McKee expressed agreement with Chairman Eccles' views.

It was pointed out in the discussion that the matter was being considered by the Board on the basis of only the acquisition of the new site, and that it was not proposed at this time to dispose of the present building as had previously been suggested.

In response to an inquiry by Mr. Szymczak as to the need for additional space by the Jacksonville Branch and whether the purchase price of the new site was high, Mr. Smead stated that the volume of operations of the Branch would continue at a level which would warrant provision for more space, and that the difficulty in the present building was the inadequacy of the vault facilities which would have to be enlarged and which were so located as to make enlargement impracticable, and certain undesirable construction features principally floor height abnormalities and a roof construction which would make an addition of stories unreasonably expensive. He also said that while he was not familiar enough with real estate prices in Jacksonville to say that the price of the new site was reasonable, the price was less than property had been selling for in the area in recent years and was considerably less than the recent sale price of property two blocks away. Answering a second inquiry, Mr. Smead stated that even after the termination of the large military activities in the Jacksonville area the operations of the Branch would be much larger than could be housed in the present building.

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Mr. Ransom said that the directors of the Bank were willing to concede that the program proposed in 1942 was unsatisfactory in many respects, but that the purchase of the new site had been very thoroughly studied by the branch directors as well as the directors of the Atlanta Bank and it was felt that the Board of Governors, after the consideration that has been given to it since receipt of Mr. McLarin's letter of October 23, 1945, could rely on the judgment of the directors.

At this point Mr. Thurston came into the meeting.

Chairman Eccles made it clear that he was not taking the position that it might not be desirable eventually to sell the present building and build a new one, but rather that it would be a mistake to acquire land at this time when it was known that it would not be possible to erect a new building for several years.

At the conclusion of the discussion, Mr. Szymczak moved approval of the request of the Federal Reserve Bank of Atlanta for authority to purchase the new site in Jacksonville in accordance with the action of the Atlanta directors referred to above, with the understanding that no action would be taken by the Bank at this time to sell the present building.

This motion was put by the chair and carried, Messrs. Eccles and McKee voting "no".

There was also presented a memorandum dated February 4, 1946, from Mr. Szymczak to which was attached a letter from Mr. Clerk,

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President of the Federal Reserve Bank of San Francisco, under date of January 30, 1946, requesting approval of the purchase at a total price of \$160,000 of a site in Portland for the erection of a branch building in that city at some appropriate time. The letter from Mr. Clerk was read and attention was called to the statement made therein that on the assumption that the Board intended to take no action to disestablish the Portland office or curtail its activities the executive committee of the Reserve Bank felt that it should no longer delay finding a suitable location in Portland for a future branch building.

The members of the Board concurred in a comment by Chairman Eccles that no action would be taken in the foreseeable future to discontinue the branch. He questioned, however, whether the present was the time to acquire property in view of the fact that it would be a considerable time before a building could be erected.

The suggestion was made that Mr. Clerk be advised that the Board assumed that the branch will be continued, but in view of the fact that it would be considerable time before a building could be built, it questioned whether the present was the time to acquire a site, that the Board would interpose no objection to the Bank taking options on the property at a price not to exceed that stated above, subject to the submission of appraisals which would justify the price, and that the Board would discuss the matter with him when

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he was in Washington for the forthcoming Presidents' Conference.

Upon motion by Mr. Szymczak this suggestion was approved unanimously.

Reference was then made to a memorandum dated February 6, 1946, from Mr. Vest, General Attorney, recommending (1) that the Board authorize the preparation and printing of 20,000 copies of a revised edition of the Federal Reserve Act at an approximate cost of \$15,000, one half of the copies to be paper bound and the remainder buckram bound except a few hundred copies which would be punched for inclusion in the Loose Leaf Service or a separate loose-leaf binder, and (2) that the appropriate item of the budget of the Division of Administrative Services be increased to take care of the printing costs.

Mr. Vest stated that the Act was last revised in 1935, and in view of the numerous changes in the law since that time and the many suggestions that had been made that a new edition be printed, it was felt that should be done.

Upon motion by Mr. Evans, it was unanimously voted to approve the recommendations made by Mr. Vest with the understanding that the printing would be delayed to include all important legislation enacted at this session of Congress and that before the copies were ready for distribution a recommendation would be made to the Board as to the procedure to be followed in such distribution.

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At this point Messrs. Smead and Vest withdrew from the meeting.

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 February 11, 1946, were approved unanimously.

Memorandum dated February 7, 1946, from Mr. Thomas, Director of the Division of Research and Statistics, recommending that George H. Cleaver be appointed as an Economist in that Division on a temporary basis for an indefinite period, with salary at the rate of \$2,980 per annum, effective as of the date upon which he enters upon the performance of his duties after having passed the usual physical examination. The memorandum stated that Mr. Cleaver would become a member of the Federal Reserve Retirement System unless he still has funds in the Civil Service Retirement System from his former employment in the War Department.

Approved unanimously.

Memorandum dated February 8, 1946, from Mr. Bethea, Director of the Division of Administrative Services, recommending that the appointment of Mrs. Violet Herrmann, a cafeteria helper in that Division, be made permanent, without change in her present salary at the rate of \$1,704 per annum, effective as of the expiration of her present temporary

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appointment on February 12, 1946.

Approved unanimously.

Memorandum dated February 11, 1946, from Mr. Bethea, Director of the Division of Administrative Services, recommending that Mrs. Audrey M. Phillips be appointed as a cafeteria helper in that Division on a temporary basis for a period of not to exceed two months with salary at the rate of \$1,440 per annum, effective February 12, 1946. The memorandum stated that it was not contemplated that Mrs. Phillips would become a member of the retirement system during her temporary appointment.

Approved unanimously.

Letter to Mr. Williams, President of the Federal Reserve Bank of Philadelphia, reading as follows:

"Receipt is acknowledged of your letter of February 7 advising that the Directors have accepted with regret the resignation of Mr. Frank J. Drinnen as First Vice President effective February 28, 1946.

"It is noted that in view of the circumstances the Directors have decided to make a supplemental payment to the Retirement System for the account of Mr. Drinnen under the authorization contained in the Board's letter S-741, and that they have granted him a leave of absence without pay from February 28, 1946, until April 21, 1946, when he will become 55 years of age."

Approved unanimously.

Letter to Mr. Laning, Vice President and Cashier of the Federal Reserve Bank of Cleveland, reading as follows:

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"In view of the circumstances described in your letter of February 1, 1946, the Board approves payment of salaries to the following employees at the rates indicated, which are in excess of the amounts permitted under the standing authorization:

<u>Name</u>	<u>Title</u>	<u>Annual Salary</u>
Miss Florence C. Gale	Secretary to Junior Officer	\$2,875
Miss Dorothy Druckenbrod	Secretary to Junior Officer	3,048
Mr. William Stenhouse	Noncash Collection Runner	2,415"

Approved unanimously.

Letter to Mrs. Robert Matherson, Brooklyn, New York, reading as follows:

"Chairman Eccles has asked me to reply to your letter of February 2, 1946. We understand from your letter that you have already been in communication with the Securities and Exchange Commission.

"The Board of Governors of the Federal Reserve System is anxious to do everything within its power to aid the economy of the country and also to avoid unnecessary losses to investors. You will, of course, recognize, however, that it must operate within the authority granted by law.

"The Board has certain powers regarding the amount of credit that may be used to finance transactions in securities. However, it has no authority with respect to the general practices of stock brokers or the kind of question with which we understand you to be concerned. In the circumstances, therefore, the Board is not in a position to help you.

"Chairman Eccles and the Board appreciate your interest and wish to thank you for your comments. They regret very much that they cannot be of assistance with your problem."

Approved unanimously, together with
a letter to the Securities and Exchange
Commission, Philadelphia, Pennsylvania,

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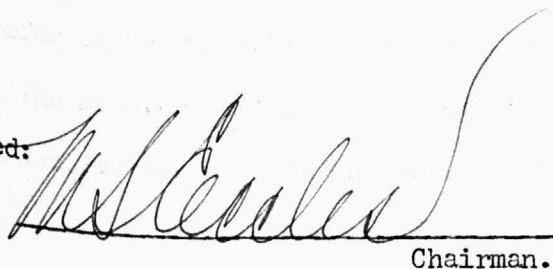
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transmitting copies of the letter from Mrs. Matherson and the above reply from the Board.

Thereupon the meeting adjourned.


Secretary.

Approved:


Chairman.