

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Monday, August 19, 1946, at 10:30 a.m.

PRESENT: Mr. Eccles, Chairman
 Mr. Szymczak
 Mr. Draper
 Mr. Evans
 Mr. Vardaman

Mr. Carpenter, Secretary
 Mr. Morrill, Special Adviser
 Mr. Thurston, Assistant to the Chairman

The action stated with respect to each of the matters hereinafter referred to was taken by the Board:

The minutes of the meeting of the Board of Governors of the Federal Reserve System held on August 14, 1946, were approved unanimously.

The minutes of the meetings of the Board of Governors of the Federal Reserve System held on August 15 and 16 were approved and the actions recorded therein were ratified unanimously.

Letter prepared for the signature of Chairman Eccles, to The President, The White House, reading as follows:

"In accordance with your letter of August 13, the Board has approved a further extension of leave until June 30, 1947, for Mr. A. C. Bunce in order that he may return to Korea under the auspices of the State Department to advise and assist General Hodge on economic and financial matters and in connection with the Joint Commission.

"The Board appreciates the importance of this mission in Korea and therefore acquiesces in the further extension of Mr. Bunce's leave."

Approved unanimously.

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Letter to Mr. Peyton, President of the Federal Reserve Bank of Minneapolis, reading as follows:

"This letter is in reply to yours of July 18, 1946, advising that the over-all costs of the construction of the second floor of the Helena Branch building had reached a total of \$74,031.60. The letter also states that, on the basis of the amount in excess of the \$60,000 approved by your directors and the Board of Governors for the addition representing legitimate and necessary expenditures, your directors had approved the additional costs.

"In these times of increasing prices of labor and materials, the Board can readily understand why the actual cost of the addition exceeded the original estimates, but regrets that the matter was not brought to its attention before the commitments for the additional costs were made. The Board has felt that because of its responsibility for general supervision of the Federal Reserve Banks it has a duty to supervise the building programs of the Reserve Banks and the expenditures authorized for building construction, and that for this purpose it stands very much in the same position in relation to the Reserve Banks as the General Accounting Office to other agencies of the Government. Recent developments in connection with the activities of other Government agencies have emphasized the possibility that if this responsibility is not effectively discharged--as would be required if the expenditures of the Reserve Banks were reviewed by the Bureau of the Budget and the General Accounting Office or if the money for the construction were appropriated funds--Congress might see fit to subject the expenditures of the Federal Reserve Banks to such a review.

"The best evidence that the Board is exercising such supervision is for the Federal Reserve Banks to give expenditures specifically authorized continuing attention so that commitments at no time will exceed the authorized amounts. This would make it clear that the expenditures actually made were incurred only after careful consideration by the board of directors of the bank and the Board of Governors and that expenditures under that authority were being carefully watched. Another point referred to when this matter was discussed by the Board was that the residual interest in the assets of the Federal Reserve Banks is in the Federal Government and that it is necessary for the system to be in a position to demonstrate that this interest is being adequately protected.

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"In the circumstances, the Board has approved the increased expenditures outlined in your letter but has asked that in the future your Bank keep in mind the importance of conforming to the understanding that obligations in connection with expenditures approved by the Board should not be incurred by the Federal Reserve Banks in excess of amounts authorized."

Approved unanimously.

Letter to the board of directors of "Polithania State Bank", Pittsburgh, Pennsylvania, 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 Cleveland. The letter also contained the following special comment:

"It appears that the bank may possess certain powers which are not being exercised and which are not necessarily required in the conduct of a banking business, such as the power to act as surety in certain circumstances. Attention is invited to the fact that if the bank desires to exercise any powers not actually exercised at the time of admission to membership, it will be necessary under condition of membership numbered 1, to obtain the permission of the Board of Governors before exercising them. In this connection, the Board understands that there has been no change in the scope of the corporate powers exercised by the bank since the date of its application for membership."

Approved unanimously, for transmittal through the Federal Reserve Bank of Cleveland.

In connection with the above matter unanimous approval was also given to the following letter to Mr. Gidney, President of the Federal Reserve Bank of Cleveland:

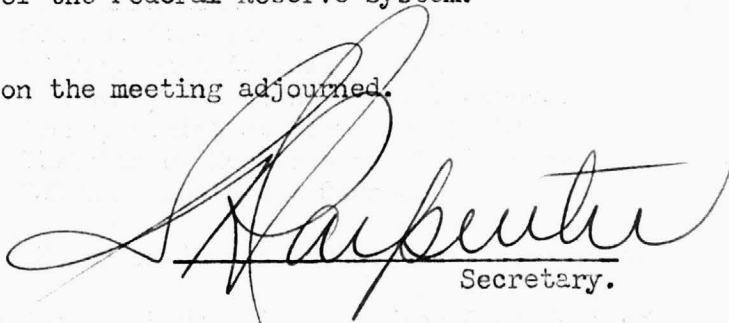
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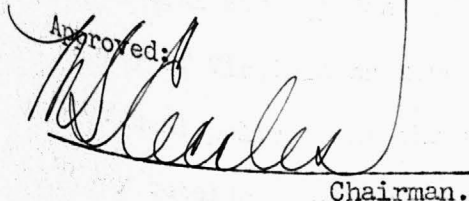
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"The Board of Governors of the Federal Reserve System has considered the recommendation of the Executive Committee of your Bank contained in Mr. Fulton's letter of July 26, 1946, and pursuant to the provisions of Section 19 of the Federal Reserve Act, grants permission to Polithania State Bank, Pittsburgh, Pennsylvania, to maintain the same reserves against deposits as are required to be maintained by banks located outside of central reserve and reserve cities, effective as of the date of its admission to membership.

"Please advise the member bank of the Board's action in this matter, calling its attention to the fact that such permission is subject to revocation at any time by the Board of Governors of the Federal Reserve System."

Thereupon the meeting adjourned.


Secretary.

Approved: 
Chairman.