

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Friday, July 25, 1947.

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

Mr. Carpenter, Secretary
Mr. Thurston, Assistant to the Chairman

Minutes of actions taken by the Board of Governors of the Federal Reserve System on July 24, 1947, were approved unanimously.

Telegrams to the Federal Reserve Banks of Philadelphia, Cleveland, Richmond, Chicago, Minneapolis, Dallas, and San Francisco stating that the Board approves the establishment without change by the Federal Reserve Bank of San Francisco on July 23, and by the Federal Reserve Banks of Philadelphia, Cleveland, Richmond, Chicago, Minneapolis, and Dallas on July 24, 1947, of the rates of discount and purchase in their existing schedules.

Approved unanimously.

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

"Relet July 3. In view your recommendation Board approves establishment and operation of branch in Campbell, Ohio, by The Dollar Savings and Trust Company, Youngstown, Ohio, subject to purchase of assets and assumption of deposits of The City Trust and Savings Bank, Youngstown, Ohio, as proposed, provided the transaction is approved by appropriate State authorities, and with the understanding that Counsel for Reserve Bank will review and satisfy himself as to the legality of

7/25/47

-2-

"all steps taken to effect the absorption and establish the branch."

Approved unanimously.

Letter to Mr. DeMoss, Vice President of the Federal Reserve Bank of Dallas, reading as follows:

"This refers to your letter of July 16 regarding errors in the published statement as of June 30, 1947 of the McAllen State Bank, McAllen, Texas. It is noted that cash was overstated and loans understated by the amount of \$579,605.67, resulting from the bank's inclusion of commodity and other noncash drafts as cash items in process of collection.

"In the circumstances mentioned in your letter, it appears that republication of the bank's report would serve no useful purpose and we agree with you that it should not be required."

Approved unanimously.

Letter to Mr. F. J. Bailey, Assistant Director, Legislative Reference, Bureau of the Budget, reading as follows:

"This refers to your letter of July 23, 1947, addressed to Chairman Eccles, enclosing a facsimile of the enrolled enactment of S. 1519, a bill 'To amend section 10 of the Federal Reserve Act, as amended, and for other purposes', and inquiring whether there is any objection to the approval of the bill by the President.

"Section 10 of the Federal Reserve Act now prohibits the erection of any Federal Reserve Bank branch building if the cost of the building proper will exceed \$250,000. The bill S. 1519 would permit the erection of branch buildings without regard to this limitation as long as the aggregate of such costs incurred by all of the Federal Reserve Banks with the approval of the Board after the enactment of the bill does not exceed \$10,000,000.

"The \$250,000 limitation was prescribed in 1922. Since then the work of the Federal Reserve Bank branches

7/25/47

-3-

"has increased greatly and there has been a corresponding increase in the space required. This fact, together with the increase in construction costs, makes the limitation wholly unrealistic. New buildings, or additions to existing buildings, are needed at many of the branches in order to provide adequate space for their operations but cannot be erected because of the statutory limitation. In some instances, the needs are so great that serious situations will develop unless steps to provide adequate quarters are taken immediately. S. 1519 will solve the problem for the immediate future and, as an alternative to outright repeal of the limitation, the Board recommended to Congress that this legislation be enacted.

"The construction of branch buildings will require prior approval by the Board. No substantial construction will be approved, except in urgent cases, until there is a more plentiful supply of labor and materials and the timing of the construction is in harmony with the post-war program particularly for veterans' housing. Further, the Board's investigation indicates that most of the materials and labor required for such construction would not be of the kinds ordinarily used in residential construction. No appropriations of Government funds would be needed since the Federal Reserve Banks would use their own funds in the construction of the buildings.

"For the reasons indicated, the Board favors the bill S. 1519 as passed by Congress and earnestly hopes that it will be approved by the President."

Approved unanimously.

Letter to Mr. Earhart, President of the Federal Reserve Bank of San Francisco, reading as follows:

"A bill to authorize the admission of Hawaii as a State recently was passed by the House of Representatives and is now pending before the Senate Committee on Public Lands.

"As the bill is now drafted, the admission of Hawaii as a State apparently would have no effect upon the statutory provisions relating to membership of Hawaiian banks in the Federal Reserve System. It appears that the admission of banks to membership would continue to be governed

7/25/47

-4-

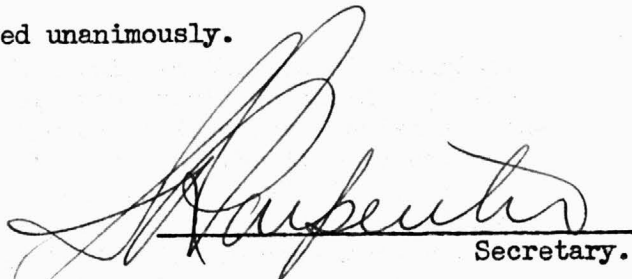
"by section 19 of the Federal Reserve Act and membership would be voluntary for both national banks and locally chartered banks. Also, it is doubtful whether, under section 2 of the Federal Reserve Act, Hawaii could be included in any Federal Reserve District.

"Consideration is being given to the possibility of suggesting to the Chairman of the Senate Committee on Public Lands, perhaps after consulting with the Delegate from Hawaii, that the bill be amended by adding provisions to require national banks in Hawaii to become members of the Federal Reserve System, to provide for the admission of locally chartered Hawaiian banks to membership pursuant to section 9 (instead of section 19) of the Federal Reserve Act, and to authorize the Board to add Hawaii to one of the Federal Reserve districts.

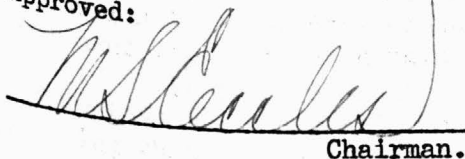
"We shall appreciate any comments which you may wish to make concerning such a proposal. We understand that there is only one national bank in Hawaii and, while we are not taking the matter up with that bank, any information which you can furnish, without inquiry, concerning its attitude towards membership would be helpful.

"In this connection, while bills to authorize the admission of Alaska as a State have not progressed as far as that relating to Hawaii, it appears appropriate also to consider the question whether similar legislation with respect to membership of banks located in Alaska would be desirable."

Approved unanimously.


Secretary.

Approved:


Chairman.