

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Wednesday, December 10, 1947.

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

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

Minutes of actions taken by the Board of Governors of the Federal Reserve System on December 9, 1947, were approved unanimously.

Minutes of the meeting of the Board of Governors of the Federal Reserve System with the Presidents of the Federal Reserve Banks held on December 9, 1947, were approved unanimously.

Memorandum dated December 9, 1947, from Mr. Thomas, Director of the Division of Research and Statistics, recommending that the resignation of Miss Eleanor Wirth, a clerk-stenographer in that Division, be accepted to be effective, in accordance with her request, at the close of business December 24, 1947, with the understanding that a lump sum payment would be made for annual leave remaining to her credit as of that date.

Approved unanimously.

Letter to Mr. Leedy, President of the Federal Reserve Bank of Kansas City, reading as follows:

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"Reference is made to the recent exchange of correspondence regarding the absorption by your Bank during 1947 of more than 50 per cent of its cafeteria expenses.

"Based on the information furnished, the Board is satisfied that it will not now be practicable to bring the amount absorbed during 1947 within the authorized limits. In this connection, however, it wishes to point out that, at the joint meeting of the Board of Governors and the Presidents of the Federal Reserve Banks held on June 6, 1947, Chairman Eccles reviewed the present authorization for the Banks to absorb up to 50 per cent of the cost of operating cafeterias and stated that it was the Board's view that the Banks should adjust their practice so that by the beginning of 1948 they would not be absorbing more than 25 per cent of cafeteria expenses. It was apparent that some of the Federal Reserve Banks felt that this was too drastic and rapid a reduction in the proportion of cafeteria expenses absorbed, and after considerable discussion at the joint meeting with the Presidents on October 7, 1947, the matter was referred to the Presidents' Conference Subcommittee on Personnel Classification and Job Evaluation for study and report. To date the Board has not received a copy of the Subcommittee's report.

"The Board notes that your Bank is now furnishing its employees with dining room service; that it charges employees a flat fee for meals served, which fee is deducted from salaries; and that free meals are furnished to service employees. You state you are hopeful that it will be recognized that your procedure produces a figure of absorption under functional expense reports, Form F. R. 634, which is different than the Board contemplated in prescribing a maximum percentage of absorption of cafeteria service expense. The Board has recognized that the cafeterias at all Federal Reserve Banks have not been operated on the same basis but it contemplated that the 50 per cent limit would cover all cafeteria expenses absorbed by a Reserve Bank regardless of the plan of operation. In this connection it is noted from the report of Horwath and Horwath that they consider the procedure you follow as a 100 per cent subsidy of the food operations of the Bank. The Board is strongly of the belief that employees should be charged for meals actually served them and it

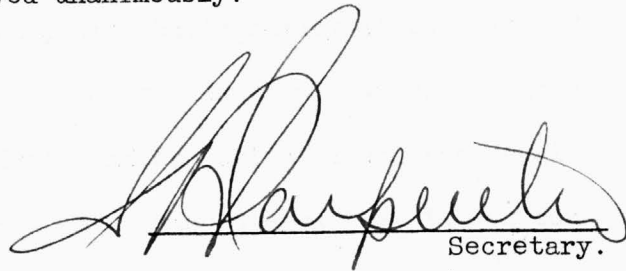
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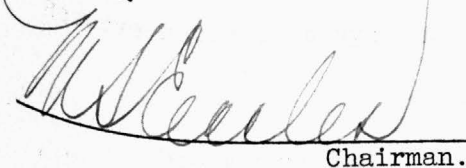
"concur in the statement in the Horwath and Horwath report that 'with cafeteria service a wider selection of choice, and a more flexible menu generally, could be more easily accommodated.'" It is assumed from your 1948 budget that your Bank contemplates the discontinuance of the practice of furnishing free meals to service employees.

"In the circumstances the Board requests that the necessary steps be taken to reduce, as of January 1, 1948, the portion of the cafeteria expenses absorbed by the Bank well below the 50 per cent limit so that there can be no likelihood in the future of the Bank's absorbing more than half of the cost of operating its cafeteria as disclosed by the Functional Expense reports. In making the necessary changes it is suggested that your Bank keep in mind the possible reduction that may be made in the portion of the expense that may be absorbed following the receipt of the report of the Subcommittee of Personnel Officers of the Federal Reserve Banks and action thereon by the Presidents and the Board. In the meantime it is requested that you advise the Board not later than December 31 what plan you propose to put into effect in response to this request."

Approved unanimously.


Secretary.

Approved:


Chairman.