Minutes of actions taken by the Board of Governors of the Federal Reserve System on Friday, February 27, 1948. The Board met in the Special Library at 9:00 a.m.

PRESENT: Mr. Eccles, Chairman pro tem
Mr. Szymczak
Mr. Draper
Mr. Evans
Mr. Clayton
Mr. McCabe, Chairman designate
Mr. Carpenter, Secretary
Mr. Sherman, Assistant Secretary
Mr. Morrill, Special Adviser
Mr. Smead, Director of the Division of Bank Operations
Mr. Vest, General Counsel
Mr. Leonard, Director of the Division of Examinations
Mr. Nelson, Director of the Division of Personnel Administration

Before this meeting the Board had been furnished with a memorandum covering the matters which had been discussed by the Presidents at their separate meeting on February 25 and 26 and which they wished to consider with the Board this afternoon. There was a discussion of the topics, after which the meeting recessed and reconvened at 2:10 p.m., when the discussion was continued and it was understood that Chairman Eccles would present the Board's views with respect to the matters along the lines recorded in the minutes of today's meeting of the Board and the Presidents.

There were presented telegrams to the Federal Reserve
Banks of Cleveland, Richmond, St. Louis, Minneapolis, Kansas City, Dallas, and San Francisco stating that the Board approves the establishment without change by the Federal Reserve Bank of San Francisco on February 24, by the Federal Reserve Bank of St. Louis on February 25, and by the Federal Reserve Banks of Cleveland, Richmond, Minneapolis, Kansas City, and Dallas on February 26, 1948, of the rates of discount and purchase in their existing schedules.

Approved unanimously.

At this point Messrs. Smead, Vest, Leonard, and Nelson withdrew and the action stated with respect to each of the matters hereinafter set forth was taken by the Board:

Minutes of actions taken by the Board of Governors of the Federal Reserve System on February 26, 1948, were approved unanimously.

Memorandum dated February 26, 1948, from Mr. Bethea, Director of the Division of Administrative Services, recommending the appointment of Mrs. Katherine J. Hagstrom as a cafeteria helper in that Division, on a temporary basis for a period of two months, with basic salary at the rate of $1,690 per annum, effective as of the date upon which she enters upon the performance of her duties after having passed the usual physical examination. The memorandum also stated that because of the temporary nature of
her employment, it was not contemplated that Mrs. Hagstrom would become a member of the Federal Reserve retirement system.

Approved unanimously.

Memorandum dated February 26, 1948, from Mr. Bethea, Director of the Division of Administrative Services, recommending that the resignation of Sydnor C. Orndoff, a painter in that Division, be accepted to be effective, in accordance with his request, at the close of business March 10, 1948, with the understanding that a lump sum payment would be made for annual leave remaining to his credit as of that date.

Approved unanimously.

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

"Reference is made to your letter of February 18, 1948, submitting a certified copy of a resolution adopted by the Board of Directors of the Sanborn County Bank, Woonsocket, South Dakota, signifying its intention to withdraw from membership in the Federal Reserve System and requesting waiver of the six months' notice usually required.

"The Board of Governors waives the usual requirement of six months' notice, as requested. Accordingly, upon surrender of the Federal Reserve Bank stock issued to the Sanborn County Bank, Woonsocket, South Dakota, the Federal Reserve Bank is authorized to cancel such stock and make appropriate refund thereon. It is noted that the bank has made application to the FDIC for continuation of its insured status after withdrawal from membership. In the circumstances, the bank will have four months from the date of this letter to accomplish termination of its membership (F.R.L.S. #3548)."
"Please advise the Board of Governors when cancellation is effected and refund is made. The Certificate of Membership issued to the bank should also be obtained, if possible, and forwarded to the Board. The State Banking Authorities should be advised of the bank's proposed withdrawal from membership and when it has been effected."

Approved unanimously.

Letter to Mr. Whittemore, President of the Federal Reserve Bank of Boston, reading as follows:

"Reference is made to your letter of January 13 regarding proposed improvements to the Federal Reserve Bank building, estimated to cost $306,444.65.

"As you were advised by Governor Vardaman in the telephone conversation of January 16, the Board is of the opinion that because of existing inflationary conditions as well as continued shortages of construction materials the proposed alterations and improvements should be postponed until the building situation is much easier than it is now. It is the Board's view that no extensive improvements should be undertaken at this time unless of an 'emergency' as distinguished from an 'urgent' character. The views of the Board on this subject are set forth more fully in a circular letter which is being sent to all Federal Reserve Banks.

"In any future consideration of the project, it would be helpful to the Board to have the cost figures broken down further so as to show separately estimated cost of the acoustical ceiling, the electrical work and new fixtures, and the new roof. In this connection, the Board doubts the necessity of obtaining a performance bond and would appreciate further information on this point."

Approved unanimously.

Letter to Mr. Leedy, President of the Federal Reserve Bank of Kansas City, reading as follows:
"Reference is made to your letter of January 17 and enclosures regarding the proposed improvement and extension of the air conditioning system in the Federal Reserve Bank building which has been authorized by the board of directors of your Bank subject to approval of the Board of Governors.

"From your letter and the engineer's report on the air conditioning system in the Federal Reserve Bank building, it would appear that it is necessary that the air conditioning system cooling tower located on the roof of the building be replaced; also that a cooling tower, either adjacent to or integral with the above-mentioned tower, be installed on the roof of the building for the purpose of replacing the present engine cooling system. Under the circumstances, the Board approves the installation of the above-mentioned cooling towers. Because of present inflationary conditions, the Board does not believe that the Federal Reserve Banks should undertake extensive improvements to their buildings at the present time that are not of an emergency as distinguished from an urgent character and, accordingly, it suggests that the proposed expenditure to improve and extend the air conditioning system be postponed until the building situation is much easier than it is now. It is noted that it is desired to proceed at once with the preparation of detailed plans, shop drawings, and specifications so that bids for the work, equipment and materials can be received and contracts let for the commencement of work immediately after the cooling season in 1948. There is no objection to having detailed plans, drawings, and specifications prepared. However, before obtaining bids for undertaking any part of the work other than that authorized above, it will be appreciated if you will communicate with the Board.

"The views of the Board on this subject are set forth more fully in a circular letter which is being sent to all Federal Reserve Banks."

Approved unanimously.

Letter to the Presidents of all Federal Reserve Banks reading as follows:
"The Board of Governors has recently had occasion
to review its position with respect to authorizing ex-
penditures for building construction, including any
substantial alterations and improvements, at Federal
Reserve Banks and branches. This letter is intended
to clarify this position, and it supersedes the Board's
letters S-871 of September 14, 1945; S-906 of April 8,
1946; S-910 of May 8, 1946; and S-942 of November 19,
1946 (F.R.L.S. #3052 and #3053).

"At the time the Federal Reserve Act was amended
so as to permit, without reference to the $250,000
limitation, erection of Federal Reserve Branch bank
buildings so long as the aggregate of costs incurred
with the approval of the Board of Governors does not
exceed $10,000,000 for building proper, exclusive of
the cost of vaults, permanent equipment, furnishings,
and fixtures, assurance was given to the Banking and
Currency Committees of Congress that no construction
except of an emergency character would be undertaken
in the immediate future. (Determination of what, for
this purpose, constitutes cost of 'building proper'
should be based on the Trowbridge formula, a copy of
which was transmitted to the Federal Reserve Banks
with the Board's letter of January 15, 1947 (F.R.L.S.
#3053).)

"The limitation in the Federal Reserve Act does
not apply, of course, to head office buildings, but
it is believed the Board must follow a consistent
policy in regard to building construction, whether
at head offices or at branches of the Federal Reserve
Banks. Except in the case of emergencies, the Board
does not believe that extensive alterations or im-
provements to Federal Reserve Bank buildings should
be undertaken, or new Federal Reserve Bank buildings
constructed, in times of pronounced inflationary con-
ditions or when there are substantial shortages of
labor and construction materials. Accordingly, under
present conditions, which in many respects are more
acute than at the time the Board's letter S-871 of
September 14, 1945, was written, the Board does not
favor such construction unless the need therefor is
of an emergency, as distinguished from an urgent,
character.

"There is no objection, of course, to the em-
ployment of architects to prepare preliminary plans
"for contemplated head office and branch building construction or alterations. The Board should be informed, however, concerning the details of any agreements made with the architects for such plans, which agreements should include a provision that the Federal Reserve Bank is not obligated to retain the architect for any work beyond the preparation of preliminary plans, but that if he is retained the payment for such work will be taken into account in the final fee. No commitment should be entered into for the preparation of detailed plans and specifications until the preliminary plans have been reviewed by the Board. In submitting preliminary plans and estimates of cost for the construction of a Federal Reserve Branch bank building or a major alteration or addition thereto, it will be appreciated if the information includes the data called for in letter S-1003 dated December 5, 1947 (F.R.L.S. #3053).

"The above does not relate to normal maintenance, that is, to such repairs and alterations as are chargeable to 'Repairs and alterations' on Form F. R. 96, or to minor replacements chargeable to the appropriate allowance for depreciation. However, alterations and improvements, including replacements, of a major character, and new construction, should not be undertaken without prior consideration by the Board."

Approved unanimously.

Approved: 

Chairman pro tem.

Secretary.