

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Thursday, July 10, 1952. The Board met in the Board Room at 10:00 a.m.

PRESENT: Mr. Martin, Chairman
Mr. Szymczak
Mr. Vardaman
Mr. Mills

At 10:30 a.m. Messrs. Carpenter, Secretary, and Kenyon, Assistant Secretary, were called into the meeting.

The Chairman stated that earlier in the meeting Mr. Dembitz, Assistant Director, Division of International Finance, had been called into the room and had reviewed for the Board several matters of current interest in the international financial field.

There was presented a memorandum dated July 3, 1952, from Mr. Bethea, Director, Division of Administrative Services, requesting authority for the payment of overtime compensation to two of the Board's chauffeurs on account of services performed for Governor Szymczak on July 2, 1952 in connection with his trip to Philadelphia on that day. It was explained that under current procedures the matter normally would have been submitted for approval to Governor Evans as the member of the Board having the assignment of operation and maintenance of the building, but that in his absence the memorandum was being submitted to the full Board.

Governor Vardaman stated that he questioned again, as he had many times in the past, the propriety of a procedure under which an expense item incurred by any member of the Board in the conduct of official business was submitted to another member of the Board or to a committee of the Board for

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approval. He said that, in his opinion, the Board, as a whole, should have the sole right to question the action or expenditures of any individual Board member. He pointed out the inconsistency of having a small item, such as the subject item, referred to the Board, when Board members' expense accounts and staff member expense accounts for considerably greater amounts than the one involved in the subject item did not require Board approval.

Following a discussion of the point raised by Governor Vardaman, the payment of the overtime referred to in the memorandum from Mr. Bethea was approved unanimously with the understanding that a review would be made of the current procedures relating to expenses of this kind and that the matter would be given further consideration at another meeting of the Board.

Before this meeting a draft of letter to Mr. Gidney, President of the Federal Reserve Bank of Cleveland, reading as follows had been circulated among the members of the Board:

"This refers to your letter of May 19, 1952, concerning the proposed air conditioning of the Cincinnati Branch building, and Mr. Fulton's letter of June 20 transmitting the proposal from Carrier Corporation for the job.

"You report that at the time of the acquisition of the building, it was contemplated that air conditioning would be installed as part of a program of betterment of the property within the next few years, but that the program has been deferred by the Bank in accordance with the policy regarding building programs during recent years. You advise that you are assured materials are available for the installation, that the estimated cost of the installation would be approximately \$615,000, subject to adjustment for a possible increase in the price of steel, and that it is the consensus of the directors of the branch and the Federal Reserve Bank of Cleveland that you should proceed with the air conditioning of the entire building.

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"The Board will interpose no objection to the Bank's undertaking the program and authorizes an expenditure of approximately \$615,000 for the work, subject, as stated in your letter, to adjustment for a possible increase in the price of steel.

"While final distribution of the costs are not determinable at this time, we note that your architect estimates that a possible appropriate distribution of the cost would be 40 per cent, or approximately \$250,000, to 'building proper'."

During a discussion of the above letter question was raised with regard to the portion of the cost of Federal Reserve Bank branch buildings charged to the "building proper" under the so-called Trowbridge formula, which was approved by the Board in 1924. It was understood that Mr. Leonard, Director of the Division of Bank Operations, would be invited to attend the meeting of the Board on July 14, 1952 to discuss the history and background of the formula, the problems encountered in connection with its use, and the studies currently being made of possible changes in the formula.

Thereupon, the foregoing letter to Mr. Gidney was approved unanimously.

Consideration was then given to the following additional matters:

Memorandum dated July 3, 1952, from Mr. Bethea, Director, Division of Administrative Services, recommending the appointment of James E. Caldwell as Messenger in that Division, on a temporary basis for a period of two months, with basic salary at the rate of \$2,552 per annum, effective as of the date upon which he enters upon the performance of his duties

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after having passed the usual physical examination and subject to the completion of a satisfactory employment investigation.

Approved unanimously.

Letter to Mr. Dawes, Secretary, Federal Reserve Bank of Chicago, reading as follows:

"The Board of Governors approves the payment of salaries to the following named officers for the period July 1, 1952, through March 31, 1953, at the rates indicated, which are the rates fixed by the Executive Committee as reported in your letter of June 26, 1952:

<u>Name</u>	<u>Title</u>	<u>Annual Salary</u>
Ernest T. Baughman	Assistant Vice President	\$10,000
Russel A. Swaney	Assistant Vice President (Detroit Branch)	11,000
Joseph J. Srp, Jr.	Assistant Cashier (Detroit Branch)	8,000"

Approved unanimously.

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

"In view of the circumstances described in your letters of June 26, 1952, the Board of Governors approves the payment of salaries to Mr. Robert S. Eckley while occupying the position of Financial Economist, Research Department, at the rate of \$7,956 per annum which is \$384 below the minimum established for the grade in which his position is classified; and to Mr. George E. Humlicek while occupying the position of Expenditures Clerk, Personnel and Expenditures Department, Omaha Branch, at the rate of \$3,720 per annum which is \$60 in excess of the maximum established for the grade in which his position is classified."

Approved unanimously.

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Letter to Miss E. F. Downey, Secretary, Federal Deposit Insurance Corporation, reading as follows:

"Reference is made to your letter of July 1, 1952, concerning the application of the Windsor State Bank, Windsor, Illinois, for continuance of insurance after withdrawal from membership in the Federal Reserve System.

"No corrective programs have been urged upon the bank, or agreed to by it, in connection with which the Board of Governors would consider it desirable to incorporate conditions with respect to continuance of insurance."

Approved unanimously.

Telegram to Mr. Cowan, Assistant Counsel, Federal Reserve Bank of New York, reading as follows:

"Reurlet July 3, 1952 to Benner, on basis of facts stated in Colgate's letter of July 3, 1952 Board agrees with your conclusion that Registrant would not be limited only to an appraisal of land area on which new construction is to be located."

Approved unanimously.

Telegram to Mr. Millard, Vice President, Federal Reserve Bank of San Francisco, reading as follows:

"Reurtel July 3 about Barrett Garages, Inc. Facts indicate that garage under construction was started as a two-story building but during early period of construction was changed to three-story building. Financing commitment exempt from Regulation X provides two-thirds loan on two-story structure as originally planned. Attorneys for builders contend that addition of third floor is a 'major addition' and financing of this part of garage would be fifty per cent of cost in addition to two-thirds loan on first two floors.

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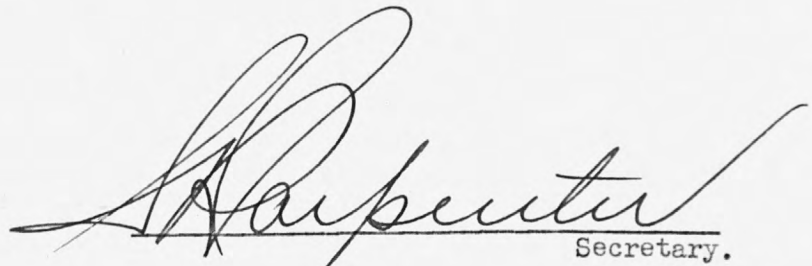
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"Section 2(g) of Regulation X provides that a 'major addition' means any enlargement, reconstruction, alteration, or repair of an 'existing structure'. When the plans for the garage were changed from a two- to a three-story building, the third floor was not added to an 'existing structure' since the garage structure was in course of construction and would not become an existing structure until completed. The third floor is as much a part of the total structure as is the first floor, and may not be considered a major addition. From the information in your telegram, it appears that the Registrant has two courses of action. It may go through with original commitment without increase in amount for third-floor cost, or it may determine a new maximum loan value based on fifty per cent of the appraised value of the three-story structure."

Approved unanimously.

The following additional action was taken by the Board:

Minutes of actions taken by the Board of Governors of the Federal Reserve System on July 9, 1952, were approved unanimously.


Secretary.