

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Tuesday, February 3, 1953. The Board met in the Board Room at 10:00 a.m.

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

Mr. Carpenter, Secretary
Mr. Sherman, Assistant Secretary
Mr. Thurston, Assistant to the Board
Mr. Leonard, Director, Division of
Bank Operations
Mr. Vest, General Counsel
Mr. Cherry, Legislative Counsel
Mr. Daniels, Chief, Reserve Bank Operations
Section, Division of Bank Operations

There was presented a request for proposed travel by S. H. Bass, Chief of the Fiscal Section, Division of Administrative Services, to go to Richmond, Virginia, on February 5, 1953, in connection with the placement of records in the Board's storage cabinet at the Federal Reserve Bank of Richmond under the defense planning program.

Approved unanimously.

Before this meeting there had been sent to the members of the Board a memorandum prepared in the Division of Bank Operations under date of January 30, 1953, regarding building programs at Federal Reserve Bank branches. The memorandum referred to the limitation contained in Section 10 of the Federal Reserve Act, stating that of the \$10 million

2/3/53

-2-

authorized by Congress in 1947, about \$8 million had been approved by the Board for specific projects and largely spent on "building proper" costs, and that approximately \$2 million had been earmarked for an addition at the Los Angeles Branch of the Federal Reserve Bank of San Francisco. The memorandum also stated that replies from the Federal Reserve Banks to the Board's letter of June 27, 1952, listed proposed building programs (either new buildings or major alterations) for sixteen of the twenty-four branches. These proposals reflected the great growth in activities at the Reserve Banks and branches and the fact that most of the present buildings were constructed or purchased 25 to 30 years ago. Rough estimates of the total cost of "building proper" at the proposed 16 projects indicated a total of approximately \$18.2 million, including an allowance of \$238 thousand for the Los Angeles addition over and above the \$2 million earmarked from the existing \$10 million authorization. The memorandum went on to suggest the desirability of requesting that Congress authorize an additional \$25 million of expenditures in the aggregate for "building proper" costs of branch construction, and presented two possible approaches for obtaining the additional legislation, namely, (1) raising the present authorization of \$10 million to \$35 million and (2) obtaining legislation to spend \$25 million subsequent to a specified date. The memorandum also transmitted drafts covering

2/3/53

-3-

these two methods, as contained in a memorandum dated January 31, 1953, from Mr. Vest.

Chairman Martin expressed the view that it would be desirable to take necessary steps toward getting legislation along the lines proposed on the grounds that the building programs for the Federal Reserve Bank branches were in some cases urgent and that at the present time the Board had no authority for proceeding with additional needed projects.

The Chairman then called upon Mr. Cherry who stated that, on the basis of conversations with staff members of the Senate and House Banking and Currency Committees, he was inclined to believe that there would not be much opposition to a proposal for additional authority along the lines suggested although there might be proposals for placing restrictions on the use of such authority, such as specifying the general design of buildings and time of construction in relation to unemployment.

Mr. Vest, in response to the Chairman's question, stated that in his judgment it would be preferable to request a simple amendment to the present law which would amend the second proviso contained in the ninth paragraph of Section 10 of the Federal Reserve Act as amended (U.S.C. Title 12, Section 522) by striking out "10 million" and inserting in lieu thereof whatever other figure was agreed upon.

There followed a discussion of the basis on which a \$25 million increase in authority had been suggested, including consideration of

2/3/53

-4-

whether a smaller amount might be adequate, of the procedure that might be followed in bringing to the attention of the Chairmen of the Banking and Currency Committees the views of the Board with respect to the need for such legislation, and of the timing of construction of branch buildings if additional authority were granted for such expenditures. During the discussion, Governor Vardaman suggested that it might be desirable for Chairman Martin to discuss the matter informally with the Chairmen of the Senate and House Banking and Currency Committees before any formal request was submitted for such legislation.

At the conclusion of the discussion, it was agreed unanimously that Mr. Leonard should assemble detailed information along the lines discussed with respect to the proposed building programs for Chairman Martin's use in discussing the matter with the Chairmen of the Senate and House Banking and Currency Committees.

Messrs. Leonard and Daniels withdrew from the meeting at this point.

Mr. Vest stated that a letter dated February 2, 1953, had been received from the Bureau of the Budget asking the Board to report on a proposed bill which the Housing and Home Finance Agency had submitted to the Bureau for clearance as to whether it was in accordance with the program of the Administration. Mr. Vest stated that the bill proposed to make obligations of the Federal Home Loan Banks eligible as security

2/3/53

-5-

for advances made to member banks by the Federal Reserve Banks. These obligations, Mr. Vest said, were consolidated Federal Home Loan Bank bonds of which about \$276 million were now outstanding. He added that at the present time the Secretary of the Treasury had authority to purchase up to \$1 billion of such bonds, that such authority apparently had not been used, and that the purpose of the proposal to make them eligible as collateral for advances to member banks appeared to be to increase the attractiveness of the bonds as investments.

There ensued a general discussion during which some of the members of the Board indicated doubt as to the desirability of making such bonds eligible as collateral for borrowing by member banks under Section 13 of the Federal Reserve Act. During the discussion, Chairman Martin suggested that Mr. Vest take the matter up with Mr. Riefler, Assistant to the Chairman, and other interested members of the staff for the purpose of preparing a draft of letter to the Budget Bureau for consideration by the Board.

This suggestion was approved
unanimously.

The meeting then adjourned. During the day, the following additional actions were taken by the Board, with all of the members present:

Minutes of actions taken by the Board of Governors of the Federal Reserve System on February 2, 1953, were approved unanimously.

2/3/53

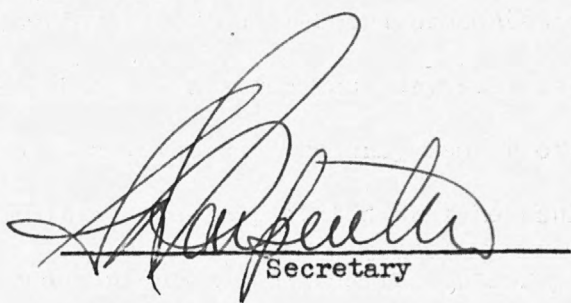
Memorandum dated February 3, 1953, from Mr. Allen, Director, Division of Personnel Administration, recommending the appointment of Frances Mader Frank as a Substitute Nurse in that Division, with compensation at the rate of \$13 per working day, effective February 3, 1953.

Approved unanimously.

Telegram to Mr. Shuford, Vice President and General Counsel, Federal Reserve Bank of Dallas, reading as follows:

"The Board interposes no objection to the production of the records listed in your letter of January 28, 1953, and testimony with respect thereto by an appropriate officer of the Dallas Federal Reserve Bank in connection with matters to be presented before the Grand Jury involving alleged wrongful cashing of certain United States savings bonds."

Approved unanimously.


Secretary