

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Wednesday, June 15, 1938, at 11:30

a. m.

PRESENT: Mr. Eccles, Chairman
Mr. Ransom, Vice Chairman
Mr. Szymczak
Mr. McKee
Mr. Draper

Mr. Morrill, Secretary
Mr. Bethea, Assistant Secretary
Mr. Carpenter, Assistant Secretary
Mr. Clayton, Assistant to the Chairman

Consideration was given to each of the matters hereinafter referred to and the action stated with respect thereto was taken by the Board:

The minutes of the meeting of the Board of Governors of the Federal Reserve System held on June 14, 1938, were approved unanimously.

Memorandum dated May 20, 1938, from Mr. Goldenweiser, Director of the Division of Research and Statistics, recommending for the reasons stated in the memorandum, that the following changes be made in the salaries and titles of members of the staff of the Division:

Chandler Morse, Senior Economist	Increase in salary from \$4,200 to \$4,600 per annum.
Victor M. Longstreet, Senior Economist	Increase in salary from \$4,000 to \$4,400 per annum.
Martin Krost	Change in title from Junior Economist to Senior Economist, and an increase in salary from \$3,600 to \$4,200 per annum.

6/15/38

-2-

Arthur Hersey

Change in title from Junior Economist to Senior Economist, and an increase in salary from \$3,500 to \$4,000 per annum.

The recommendations were approved unanimously, to become effective June 16, 1938.

Recommendation from Messrs. Spurney and Morrill that Mrs. Dorothy Mabel Rogers, who had been selected in accordance with the action taken by the Board on July 12 and December 28, 1937, be appointed as a charwoman in the Board's building, with salary at the rate of 50¢ per hour, effective as of the date upon which she enters upon the performance of her duties after having passed satisfactorily the usual physical examination.

Approved unanimously.

Letter to Mr. Sinclair, President of the Federal Reserve Bank of Philadelphia, prepared in accordance with the action taken at the meeting of the Board on June 10, 1938, and reading as follows:

"In accordance with the request made by you in a telephone conversation with Mr. Ransom on June 9, the Board was pleased to reconsider, in the light of the additional information which you gave Mr. Ransom, the proposed undertaking by Mr. Sienkiewicz, Assistant Vice President of your bank, to supervise the study to be made by the National Bureau of Economic Research of the consumer financing activities of commercial banks.

"The Board has decided that, as a matter of general policy, it would not be advisable to approve an arrangement by which a part of an official's salary would be paid by a Federal reserve bank and a part by an outside

6/15/38

-3-

"agency. Such arrangements are likely to lead to misunderstandings and conflicts of jurisdiction over a man's time. The Board is convinced, however, that the proposed study would be of considerable value to a better understanding of the banking system and, therefore, would be of interest to the Federal Reserve System. For these reasons the Board has no objection to having Mr. Sienkiewicz participate in the study, provided his salary is paid entirely by the Federal Reserve Bank, and provided it is definitely understood that his primary obligation will be to his work for the Federal Reserve Bank of Philadelphia and the System, and that he will devote only such time to the supervision of the study as he can spare from his other duties.

"If this suggested arrangement is not entirely satisfactory to you and your directors, the Board will be pleased to have you come to Washington, as suggested by you during your telephone conversation with Mr. Ransom, for a discussion of the matter."

Approved unanimously.

Letter to the Presidents of all Federal reserve banks, reading as follows:

"Recently one of the Federal reserve banks inquired whether the Board of Governors would have any objection to one of its officers allowing his name to be presented at a school district meeting for election as a member of the board of education of the local school district. The election was held at a meeting open to all residents of the school district and it was understood that in the past the elections had always been free from party politics and that the members of the board had served without remuneration.

"In submitting the matter for consideration by the Board of Governors, the Federal reserve bank suggested that service upon a school board or board of education, when the appointment or election to such office is free from party politics, is a public service which officers and employees of Federal reserve banks should not be precluded from performing, and that, in order to avoid the necessity of asking the Board of Governors to pass on individual cases of this kind, the Board might consider the

6/15/38

-4-

"advisability of permitting officers and employees of Federal reserve banks to serve in such offices whenever, in the opinion of the board of directors of the bank, the service would be compatible with the resolution adopted by the Board on December 23, 1915, in which the position was taken that persons holding political or public office could not serve consistently as directors or officers of Federal reserve banks.

"The Board is in agreement with this suggestion and approves a modification of the existing procedure so as to exempt from the necessity of presentation to the Board of Governors for consideration all cases of service of officers and employees of Federal reserve banks as members of school boards or boards of education when, after careful consideration, the board of directors of the Federal reserve bank is satisfied that the procedure followed in connection with the appointment or election to membership is entirely free from party politics, and that service on the board otherwise would be non-political in character.

"In taking this action the Board has in mind that in some instances service on school boards and boards of education is closely associated with party politics. In one case that has come to its attention the election included a primary and general election conducted on the basis of political party affiliation of the candidates with only registered members of the party being entitled to vote in the primary and in that case the Board felt that the person should not serve. Therefore, each case presented to your board should be considered in the light of the facts in the particular case in order that your directors may be satisfied before approval is given that the service is entirely in harmony with the spirit of the resolution above referred to."

Approved unanimously.

Letter to Honorable D. W. Bell, Acting Director, Bureau of the Budget, reading as follows:

"Receipt is acknowledged of Mr. Bailey's letter of June 13, 1938, requesting comments upon the enrolled enactment of Congress, H. J. Res. 655, amending paragraph (4) of subsection (n) of section 12B of the Federal Reserve

6/15/38

-5-

"Act, which would make permanent the authority of the Federal Deposit Insurance Corporation to make loans to or purchase assets from insured banks to facilitate mergers or consolidations of insured banks and reduce or avert threatened losses to the Corporation.

"The Board of Governors of the Federal Reserve System sees no objection to this enrolled enactment."

Approved unanimously.

Memorandum dated June 10, 1938, from Mr. Foulk, Fiscal Agent, recommending that an assessment of two hundred and seventy-four thousandths of one per cent (.00274) of the total paid-in capital and surplus (Section 7 and Section 13b) of Federal reserve banks as of the close of business June 30, 1938, be levied to cover the general expenses of the Board, including \$675.41 for the building account, for the last six months of 1938, and that the Federal reserve banks be instructed to pay in the assessment in two equal installments on July 1, 1938, and September 1, 1938.

The following resolution levying an assessment in accordance with the Fiscal Agent's recommendation was approved unanimously:

"WHEREAS, Section 10 of the Federal Reserve Act, as amended, provides, among other things, that the Board of Governors of the Federal Reserve System shall have power to levy semiannually upon the Federal reserve banks, in proportion to their capital stock and surplus, an assessment sufficient to pay its estimated expenses and the salaries of its members and employees for the half year succeeding the levying of such assessment, together with any deficit carried forward from the preceding half year, and

"WHEREAS, it appears from a consideration of the estimated expenses of the Board of Governors of the Federal

6/15/38

-6-

"Reserve System that for the six months' period beginning July 1, 1938, it is necessary that a fund equal to two hundred and seventy-four thousandths of one per cent (.00274) of the total paid-in capital stock and surplus (Section 7 and Section 13b) of the Federal reserve banks be created for such purposes, exclusive of the cost of printing, issuing and redeeming Federal reserve notes;

"NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM, THAT:

"(1) There is hereby levied upon the several Federal reserve banks an assessment in an amount equal to two hundred and seventy-four thousandths of one per cent (.00274) of the total paid-in capital and surplus (Section 7 and Section 13b) of each such bank at the close of business June 30, 1938.

"(2) Such assessment shall be paid by each Federal reserve bank in two equal installments on July 1, 1938, and September 1, 1938, respectively.

"(3) Every Federal reserve bank except the Federal Reserve Bank of Richmond shall pay such assessment by transferring the amount thereof on the dates as above provided through the Interdistrict Settlement Fund to the Federal Reserve Bank of Richmond for credit to the account of the Board of Governors of the Federal Reserve System on the books of that bank, with telegraphic advice to Richmond of the purpose and amount of the credit, and the Federal Reserve Bank of Richmond shall pay its assessment by crediting the amount thereof on its books to the Board of Governors of the Federal Reserve System on the dates as above provided."

Thereupon the meeting adjourned.

Chester Morris
Secretary.

Approved:

W. H. C. [Signature]
Chairman.