

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Friday, July 21, 1939, at 11:30 a.m.

PRESENT: Mr. Eccles, Chairman
Mr. McKee

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

The action stated with respect to each of the matters herein-after referred to was taken by the Board:

Telegrams to Mr. Young, President of the Federal Reserve Bank of Boston, Messrs. Kimball, Post, Hays and Dillard, Secretaries of the Federal Reserve Banks of New York, Philadelphia, Cleveland and Chicago, respectively, Mr. Caldwell, Chairman of the Federal Reserve Bank of Kansas City, and Mr. West, Vice President of the Federal Reserve Bank of San Francisco, stating that the Board approves the establishment without change by the Federal Reserve Bank of San Francisco on July 18, by the Federal Reserve Banks of New York, Cleveland, Chicago and Kansas City on July 20, 1939, and by the Federal Reserve Banks of Boston and Philadelphia today, of the rates of discount and purchase in their existing schedules.

Approved unanimously.

Memorandum dated July 20, 1939, from Mr. Goldenweiser, Director of the Division of Research and Statistics, reading as follows:

"In accordance with the letter received from Under Secretary Sumner Welles in connection with the loan of

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"Mr. Krost's services to the Venezuelan Mission, it is recommended that the Board authorize a per diem allowance of \$13.00 per day for Mr. Krost during his stay in Venezuela. This corresponds to the \$240.00 per month plus \$150.00 per month mentioned in Mr. Welles' letter of July 19 addressed to Chairman Eccles.

"It is recommended that the Board defray the actual cost of his transportation from Washington, D. C., to Caracas and back. It is understood from Mr. Welles' letter that the Venezuelan Government will reimburse the Board, after the Mission has returned to the United States, for all travel and subsistence expenses incurred by Mr. Krost and that the Venezuelan Government has been informed that such an arrangement is satisfactory to this Government.

"Mr. Krost has indicated that it would be a great help to him if the Board would send to him in care of the American Legation in Caracas a check at semi-monthly pay periods at the rate of \$13.00 for each day that he is in Venezuela. It is recommended that the Board authorize this payment without the submission of subsistence vouchers by Mr. Krost.

"It is recommended that a temporary reimbursable account be set up in the Board's accounts against which Mr. Krost's expenses can be charged."

The recommendations were approved unanimously with the understanding that upon Mr. Krost's return he will execute a voucher covering the entire amount of per diem allowed.

Memorandum dated July 19, 1939, from Mr. Goldenweiser, Director of the Division of Research and Statistics, recommending that, for the reason stated in the memorandum, Miss Helen A. Lupton be appointed on a permanent basis as a draftsman in the Division, with salary at the rate of \$1,800 per annum, effective as of the date upon which she enters upon the performance of her duties. The memorandum stated that Miss Lupton is now a member of the Civil Service retirement system and would retain her membership in that retirement system if the

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Board should approve her appointment.

Approved unanimously.

Memorandum dated July 21, 1939, from Mr. Goldenweiser, Director of the Division of Research and Statistics, recommending that Miss Margaret R. Perkins be appointed on a temporary basis for a period of three months as an economic assistant in the Division, with salary at the rate of \$150 per month, effective as of the date upon which she enters upon the performance of her duties. The memorandum stated that Miss Perkins would assist Mr. Horne, Senior Economist in the Division, temporarily, that while at present there was no permanent vacancy for Miss Perkins impending rearrangement of work as a result of changes in personnel made a future permanent opening appear likely, and that if Miss Perkins' work proved to be satisfactory she would be recommended for a permanent appointment. The memorandum also recommended that if her appointment were approved by the Board, Miss Perkins be taken into the Retirement System of the Federal Reserve Banks.

The recommendations were approved
unanimously.

Memorandum dated July 21, 1939, from Mr. Goldenweiser, Director of the Division of Research and Statistics, submitting the resignation of Robert D. Fenn as an economic assistant in the Division, to become effective at the close of business on July 24, 1939.

Approved unanimously.

Telegram to the Presidents of all Federal Reserve banks, reading
as follows:

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"It is understood that committee appointed by Presidents at their conference held in Washington on June 20 to consider questions relating to collection of checks will in the next day or so submit report recommending certain changes in check collection circulars. Board will appreciate, therefore, your furnishing it by mail or wire, by August one if practicable, with a statement showing any contemplated changes in your check collection circular and time schedule not incorporated in the copies furnished the Board in response to its letter R-474 of May 27, or with revised copies of your check collection circular and time schedule on which such changes are clearly indicated."

Approved unanimously.

Letter dated July 20, 1939, to Honorable Joseph F. Guffey,
United States Senate, reading as follows:

"Receipt is acknowledged of your letter of July 12, 1939, with which you enclosed a copy of a letter dated July 10, 1939, from Gerald F. Crowell, an employee of the Federal Reserve Bank of Philadelphia, with respect to an annual requirement that the employees of the bank certify as to any political office held, either elective or appointive. Mr. Crowell asks whether you could ascertain where and why such a requirement was made.

"In December 1915 the Federal Reserve Board adopted a resolution which provided that persons holding political or public office in the service of the United States or of any State, territory, county, district, political subdivision, or municipality thereof, or acting as members of political party committees could not consistently with the spirit and underlying principles of the Federal Reserve Act serve as directors or officers of Federal Reserve banks. The reason for this resolution was that the Federal Reserve banks, which perform essential central banking functions which include supplying currency to member banks, rediscounting paper for member banks, holding the required reserves of member banks, and serving as fiscal agents for the United States Government, could not with propriety permit a situation to exist which

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"might be interpreted as associating the banks with any political party or political activity. The Board on numerous occasions has reviewed the policy established by the resolution and has found no reason to depart therefrom.

"In particular instances, however, the Board has held that it would not violate the spirit of the resolution of 1915 for a director or officer of a Federal Reserve bank or branch to hold an office which is clearly nonpolitical and nonpartisan in character, such as, for example, membership on a board of education, a special commission for public improvement purposes, or an advisory committee or commission.

"While the resolution above referred to related only to directors and officers of Federal Reserve banks, the Board has taken the position that the principle involved also applies to employees of Federal Reserve banks and that, while officers and employees of the banks should feel free to render such public service of a nonpolitical character as they may be in a position to perform without interference with their duties at the bank, they should not occupy a position which is not free from party politics or involves political activity in order to obtain or retain the position. It appears from information available to this office that the annual request made by the Philadelphia bank of its employees is merely for the purpose of enabling the bank to determine that any public offices held by employees are in conformity with this policy.

"It is hoped that the above information will be helpful to you in replying to Mr. Crowell's letter, which is returned herewith."

Approved unanimously.

Thereupon the meeting adjourned.

Chesler Morrill
Secretary.

Approved:

W. S. C. C. C.

Chairman.