

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Thursday, September 19, 1940, at 2:30 p.m.

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

Mr. Morrill, Secretary
Mr. Bethea, 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:

The minutes of the meeting of the Board of Governors of the Federal Reserve System held on September 18, 1940, were approved unanimously.

Memorandum dated September 9, 1940, from Mr. Goldenweiser, Director of the Division of Research and Statistics, recommending, for the reasons stated in the memorandum, that Professor Alvin Hansen be employed on a part-time basis as a Special Economic Adviser in the Division at the expiration of his three-months temporary appointment at the close of business on September 30, 1940, with compensation at the rate of fifty dollars (\$50.00) per day for each day actually at work in Washington or on official Board business in another city, plus railway fare and Pullman (single bedroom) between Boston and the city to which he may be sent or summoned on Board business, the arrangement to remain in effect until terminated by the Board or by

9/19/40

-2-

Professor Hansen. The memorandum stated that the estimated cost of this arrangement for the remainder of the year 1940 is \$2,000 for compensation and \$900 for transportation, and recommended that the Division's budget for personal services and for transportation be increased by the necessary amounts.

Approved unanimously.

Memorandum dated September 18, 1940, from Mr. Van Fossen, Assistant Chief of the Division of Bank Operations, submitting a letter dated September 16 from Mr. Martin, President of the Federal Reserve Bank of St. Louis, requesting approval by the Board of changes in the personnel classification plan of the Bank to provide for the creation of the new position of "Divisional Supervisor"; the elimination of the positions of "Supervisor of Remittances and Return Items", "Supervisor of Clearings", "Supervisor of County Checks" and "Return Items Clerk"; and a change in the description of work for the position of "General Clerk"; all in the Transit Department. The memorandum stated that the proposed changes had been reviewed and recommended that they be approved.

Approved unanimously.

Letter to the board of directors of the "River Rouge Savings Bank", River Rouge, Michigan, stating that, subject to conditions of membership numbered 1 to 3 contained in the Board's Regulation H and the following special condition, the Board approves the bank's application for membership in the Federal Reserve System and for the

9/19/40

-3-

appropriate amount of stock in the Federal Reserve Bank of Chicago:

- "4. Prior to admission to membership, such bank, if it has not already done so, shall charge off or otherwise eliminate estimated losses of \$2,362.58, as shown in the report of examination of such bank as of August 19, 1940, made by an examiner for the Federal Reserve Bank of Chicago."

Approved unanimously, together with a letter to Mr. Schaller, President of the Federal Reserve Bank of Chicago, reading as follows:

"The Board of Governors of the Federal Reserve System approves the application of the 'River Rouge Savings Bank', River Rouge, Michigan, for membership in the Federal Reserve System, subject to the conditions prescribed in the enclosed letter which you are requested to forward to the Board of Directors of the institution. Two copies of such letter are also enclosed, one of which is for your files and the other of which you are requested to forward to the Commissioner of Banking for the State of Michigan for his information.

"It has been noted that, while there is reported to be considerable friction among the officers of the bank, particularly between the president and the cashier, the Reserve Bank does not believe that membership in the Federal Reserve System should be denied on that account. According to the presentation memorandum submitted with the application, the Reserve Bank intends, if the bank is admitted to membership, to keep the management under the closest observation and to work closely with the State Banking Department. The application has been approved with the expectation that the Federal Reserve Bank will exercise careful supervision over the bank until the management situation and capital position are satisfactorily adjusted."

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

"Acknowledgment is made of your letter of September 11, 1940, advising the Board that your Board of Directors

9/19/40

-4-

"has voted to reimburse any member bank represented at the stockholders' meeting this year for the amount expended by not more than one representative for railroad fare and Pullman accommodation in attending the meeting.

"Your interpretation of the Board's letter of October 9, 1939, is correct that until further notice it is unnecessary to submit to the Board proposed expenditures as above described in connection with future meetings of stockholders."

Approved unanimously.

Mr. Morrill suggested that the Board authorize the payment of the cost of luncheons served to Mr. Julio Pena, General Manager, National Bank of Costa Rica, San Jose, Costa Rica, and Dr. Luis Anderson, lawyer, from San Jose, Costa Rica, in the Board's dining room today.

Approved unanimously.

Thereupon the meeting adjourned.

Chester Morrill
Secretary.

Approved:

Donald Morrison
Vice Chairman.