

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Monday, December 30, 1940, at 11:30 a.m.

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

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

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

The minutes of the meeting of the Board of Governors of the Federal Reserve System held on December 28, 1940, were approved un-
animously.

Memorandum dated December 26, 1940, from Mr. Carpenter, Assistant Secretary, recommending, for the reasons stated in the memorandum, that (1) Emily Ann McAllister and Laura S. Talbott be appointed on a temporary basis for a period of not to exceed six months as junior file clerks in the Office of the Secretary, each with salary at the rate of \$1,260 per annum, effective as of the date upon which they enter upon the performance of their duties after having passed satisfactorily the usual physical examination, with the understanding that they will be admitted to the Retirement System and that if their services are entirely satisfactory their appointments will be made permanent and that their

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salaries will be increased to the rate of \$1,440 per annum, and, (2) the salaries of Rose D. Root and Esther G. Crews, file clerks in the Secretary's Office, be increased from \$2,100 to \$2,160 and from \$1,620 to \$1,800, respectively, effective as of January 16, 1941.

Approved unanimously.

Letter to Mr. Schaller, President of the Federal Reserve Bank of Chicago, reading as follows:

"In view of the circumstances set forth in your letter of December 20, 1940, the Board of Governors approves, effective January 1, 1941, the payment of salaries in excess of the maximum annual salaries provided in the personnel classification plan for the positions occupied to three employees of your Bank as follows:

<u>Name</u>	<u>Position</u>	<u>Annual Salary</u>
Schaack, Walter	Supervisor, Wire Transfers Div., Collection Dept.	\$2,700
Vavricka, John	Security Teller, Records Div., Securities Dept.	3,200
Carlson, Arvid P.	Record Salary Clerk, Personnel Dept.	2,700

"The Board of Governors also approves the payment of a salary to Mr. L. Bernard Raether, Federal Reserve Agent's Representative, Detroit Branch, at the rate of \$3,120 per annum, effective January 1, 1941."

Approved unanimously.

Telegram to Mr. Sinclair, President of the Federal Reserve Bank of Philadelphia, reading as follows:

"Relet December 27 Board approves payment of bill of your regular counsel, MacCoy, Brittain, Evans & Lewis, amounting to \$3,545.74 and bill of local counsel, Pitney, Hardin & Skinner, amounting to \$1,553.11 for legal services and expenses in connection with bankruptcy of Thomas Devlin Manufacturing Company of Burlington, New Jersey, a borrower under section 13b, these bills having already been approved by your Executive Committee."

Approved unanimously.

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Telegram to Mr. Schaller, President of the Federal Reserve Bank of Chicago, reading as follows:

"Referring Mr. Dillard's December 30 telegram, your bank is authorized on December 31 to transfer from surplus to reserves for contingencies an amount equal to net earnings added to surplus."

Approved unanimously.

Letter to Mr. George R. Walker, 120 Boylston Street, Boston, Massachusetts, reading as follows:

"In your letter of December 16, you propound three questions regarding the Board's position with respect to the flow or turnover of money, including bank deposits.

"The answer to your first question is that the Board has not published anything which might be described, in terms of your question, as a study 'of the factors that obstruct the flow of money through the economy'. Consideration of such factors is involved, however, in the study which the Board is giving continuously to problems that lie within the field of its responsibilities.

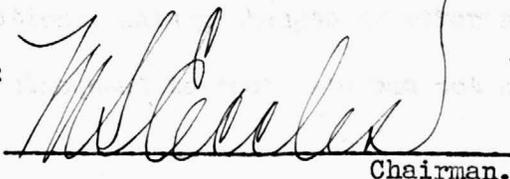
"The Board does not feel, as you ask in your second question, that 'it should be concerned only with the volume and not with the velocity of money'. The importance of velocity is always taken into account.

"While it is possible for monetary causes to obstruct a proper working of the general economy, it is not possible for monetary causes of themselves to bring about a proper functioning of the economy. The rate of turnover of deposits and currency is generally not a cause but a symptom of the nature and condition of economic activity at any particular time. We should, therefore, be skeptical about any suggestion as to how the rate of turnover of deposits and currency might be stimulated, if the increased turnover were viewed as a cause rather than effect. This does not mean, however, that we are unwilling to consider any suggestions you may care to offer."

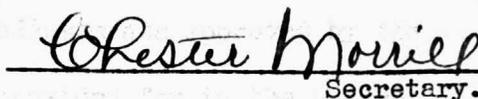
Approved unanimously.

Thereupon the meeting adjourned.

Approved:



 Chairman.



 Secretary.