

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Tuesday, February 10, 1942, at 10:30 a.m.

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

Mr. Morrill, Secretary  
Mr. Bethea, Assistant Secretary  
Mr. Carpenter, Assistant Secretary  
Mr. Wyatt, General Counsel  
Mr. Goldenweiser, Director of the  
Division of Research and Statistics

Chairman Eccles sent word into the meeting that because of the press of other matters he would be unable to attend.

Mr. Szymczak stated that, in connection with the possibility of employing an alien in the Division of Research and Statistics, inquiry had been made of him as to the present policy of the Board with respect to the employment of aliens, that it did not appear that the Board had a clearly defined policy on the matter, and that inasmuch as the question had been raised and it appeared from information that had come to him that aliens with special qualifications were being employed by some of the war agencies he would like to have the matter discussed.

Mr. Goldenweiser said that the question had been presented to him by Mr. Gardner, Senior Economist in the Division of Research and Statistics, who had suggested the employment of a refugee from Poland who appeared to have outstanding qualifications for work in the foreign

7/10/42  
2/10/42

-2-

section of the Division, and that before submitting the matter he (Mr. Goldenweiser) would like to know the position of the Board on the matter.

Mr. Morrill stated that the Board had not adopted a rule with respect to the employment of aliens, that at the time of a Senate inquiry a few years ago we had two employees who had not become citizens but had been naturalized since then, that we now have one employee who has not yet obtained his final papers, and that in view of all the circumstances the members of the staff had felt for some time that they should not recommend the employment of persons who were not citizens of the United States.

It was agreed unanimously that the Board should not adopt a fixed policy on the matter at this time but that the staff should feel free to make recommendations to the Board based on the merits in any individual case that might arise.

Reference was then made to letters dated January 30 and February 2, 1942, from Mr. Lichtenstein enclosing lists of topics which had been suggested for consideration at the meeting of the Federal Advisory Council on February 15-17, 1942. Following a general discussion of the topics, Mr. Morrill inquired whether the Board would wish to take up with the Council a question suggested by Mr. Paulger, Chief of the Division of Examinations, whether it would be desirable, because of the increasing difficulty of maintaining adequate staffs of bank examiners, to adopt a program of bank examinations that would reduce the number of

2/10/42

-3-

complete examinations during the war period or eliminate them altogether.

There was unanimous agreement that this matter should not be taken up with the Council at this time.

At this point, Messrs. Wyatt and Goldenweiser left the meeting and the action stated with respect to each of the matters hereinafter referred to was then taken by the Board, Chairman Eccles participating:

The minutes of the meeting of the Board of Governors of the Federal Reserve System held on February 9, 1942, were approved unanimously.

Bond in the amount of \$10,000, executed under date of February 7, 1942, by Jay Taylor as Federal Reserve Agent at the Federal Reserve Bank of Dallas.

Approved unanimously.

Memorandum dated February 10, 1942, from Mr. McKee, recommending that, because of the contemplated enlistment of his secretary, Alvin C. Walters, in the United States Coast Guard on or about March 2, 1942, E. R. Massey, Assistant Federal Reserve Examiner in the Division of Examinations, be transferred on a temporary basis for an indefinite period to the office of Governor McKee as his secretary, with an increase in his salary during such period from \$2,400 to \$3,200 per annum, effective today. Mr. McKee's recommendation was concurred in by Mr. Paulger, Chief of the Division of Examinations.

Approved unanimously.



2/10/42

-4-

Memorandum dated February 5, 1942, from Mr. Morrill recommending that the following increases in salaries of employees in the Secretary's Office be approved, effective as of February 16, 1942:

Name	Designation	Salary Increase	
		From	To
<u>Secretarial and Administrative Functions</u>			
Grimwood, Gordon B.	Stenographer	\$1,440	\$1,560
Kern, Harry E.	Supply Clerk	1,500	1,620
Kiley, John N., Jr.	Supervisor, Procurement Section	2,400	2,700
Morin, Florence R.	Clerk	1,740	1,860
Warner, Robert P.	Clerk	1,440	1,560
Wright, Marion E.	Stenographer	1,440	1,620
<u>Service Functions</u>			
Kelleher, Joseph E.	Supervisor, Duplicating and Mail Section	2,400	2,700
<u>Building Operation and Maintenance Functions</u>			
Bertol, Louis N.	Captain of the Guard	2,200	2,300
Crane, Pinar	Guard	1,380	1,500

Approved unanimously.

Memorandum dated February 5, 1942, from Mr. Goldenweiser, Director of the Division of Research and Statistics, recommending that, because of approaching confinement, Mrs. Gunhild Anderson Kenny, a junior economist in that Division, be granted leave of absence without pay from April 9 (when her accumulated and accrued annual and sick leave will have been exhausted) to August 15, 1942, inclusive. The memorandum stated that, in accordance with the Board's general policy on confinement cases adopted November 10, 1941, Mrs. Kenny gave notice more than five months before her expected confinement and discontinued work at the close of business on January 15, 1942, four months prior

2/10/42

-5-

to the expected confinement, and that the three-months period of absence following confinement should end on August 15, 1942.

Approved unanimously, with the understanding that in accordance with the policy adopted on November 10, 1941, Mrs. Kenny's reemployment shall not take place automatically but only after review of the situation by the Board upon recommendation of the division head. In connection with this action, Mr. Ransom, who had voted against the policy adopted by the Board with respect to confinement leave of absence, stated that he was still opposed to the policy.

Letter to Mr. Walden, First Vice President of the Federal Reserve Bank of Richmond, reading as follows:

"Referring to your letter of February 6, 1942, the Board of Governors approves the change in the personnel classification plan of your Bank involving an increase in the maximum annual salary from \$1,980 to \$2,100 for the position of General Clerk, Discount and Credit Department."

Approved unanimously.

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

"In accordance with the request contained in your letter of February 4 the Board approves the appointment of George R. Siegler as an assistant examiner for the Federal Reserve Bank of Chicago. Please advise us of the effective date."

Approved unanimously.

Telegram to Mr. Mulroney, Vice President of the Federal Reserve Bank of Chicago, referring to the application of the "State Bank of Mayville", Mayville, Wisconsin, for permission to withdraw immediately

2/10/42

-6-

from membership in the Federal Reserve System, and stating that the Board waives the usual requirement of six months' notice of intention to withdraw, and that, accordingly, upon surrender of the Federal Reserve Bank stock issued to the State Bank of Mayville, the Federal Reserve Bank of Chicago is authorized to cancel such stock and make appropriate refund thereon.

Approved unanimously.

Letter to Mr. Kennel, Assistant Counsel of the Federal Reserve Bank of Boston, reading as follows:

"Reference is made to your letter of February 3, 1942, regarding the inquiry of the State Street Trust Company, Boston, Massachusetts, with respect to section 9(b) of Regulation W, and interpretation W-70.

"Section 9(b) in effect permits the Registrant to shift the date of the first payment and the date of the final maturity by using as the date on which the credit is extended 'any date not more than 15 days subsequent to the actual date thereof'. Interpretation W-70 refers to a case in which this section permits the first payment to be postponed until 45 days after the credit is extended.

"The question now presented is whether it is always permissible to make the first payment fall due 45 days after the extension of credit, regardless of the number of days there may happen to be in the month involved, or whether the proper method is to calculate the 15th day after the contract or note and then provide that the first instalment shall be due on the corresponding day of the following month.

"The Board agrees with your view that section 9(b) requires the latter procedure. As you suggest, W-70 merely explained that section 9(b) permits the first payment to be delayed for 15 days and also makes the specified maximum maturity of 18 months actually equivalent to 18-1/2 months. The reference to 45 days was merely illustrative.

"It seems, however, as indicated by the State Street Trust Company, that the present question could never come



2/10/42

-7-

"up except when the period before the first payment includes the end of February. The problem then arises because February has less than 30 days. In the circumstances, it is understandable that many contracts may have been created in such cases on the basis of a 45 day calculation.

"All things considered, it would seem that section 9(a) regarding clerical errors has a bearing on the question presented by such outstanding contracts. That provision necessarily must have rather limited application and must be confined strictly to bona fide mistakes. The Board is of the opinion, however, that in the case of credits which have already been granted and which include the end of February in the period before the first payment, the use of the 45 day basis of calculation should be regarded as a mistake of the kind covered by section 9(a)."

Approved unanimously.

Letter to Mr. Woolley, Vice President of the Federal Reserve Bank of Kansas City, reading as follows:

"A reply to your letter of January 13 has been delayed because we were awaiting a letter from the Treasury regarding the use of Defense Savings Stamps as bonuses in connection with the sale of articles subject to Regulation W.

"The letter has now been received, and a copy is enclosed.

"With regard to the requirements of Regulation W, the Board agrees with you that the seller may give the purchaser a bonus, in stamps or anything else, when payment for the article has been fully made.

"In the other type of case which you mention, where the required down payment is made and a bonus is given to the purchaser at that time, the result, as you stated, would be the same as receiving less than the required down payment. Of course, if the seller received a down payment equal to the cost of the stamps plus the down payment required by the Regulation on the price of the article as decreased by the cost of the stamps, the Regulation would not be violated."

Approved unanimously.

Memorandum dated February 4, 1942, from Mr. Carpenter, Assistant

2/10/42

-8-

Secretary, submitting drafts of entries for the record maintained by the Board in accordance with the provisions of the last paragraph of section 10 of the Federal Reserve Act with respect to the policy actions taken by the Federal Open Market Committee during the year 1941.

The drafts of entries were approved unanimously.

Thereupon the meeting adjourned.

Chester Morie  
Secretary.

Approved:

Donald Ransom  
Vice Chairman.