

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Tuesday, July 27, 1943, at 10:30 a.m.

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

Mr. Morrill, Secretary
Mr. Bethea, Assistant Secretary
Mr. Carpenter, Assistant Secretary
Mr. Goldenweiser, Director of the Division of Research and Statistics
Mr. Smead, Chief of the Division of Bank Operations
Mr. Leonard, Director of the Division of Personnel Administration
Mr. Vest, Assistant General Attorney
Mr. Thomas, Assistant Director of the Division of Research and Statistics
Mr. Wyatt, General Counsel

Mr. McKee stated that he had discussed with Mr. Crowley, Chairman of the Federal Deposit Insurance Corporation, the advisability of action by the Board and the Corporation to reduce to 1-1/2 per cent the maximum rate of interest that might be paid by member banks and by insured nonmember banks, respectively, on time and savings deposits, that Mr. Crowley had agreed to such a reduction, and that at his request the matter had been discussed in Mr. McKee's office this morning with Francis C. Brown, Solicitor, and Donald S. Thompson, Chief of the Division of Research and Statistics, of the Corporation, who had presented reasons which they felt might make it undesirable

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to take such action at this time.

The matter was discussed by the Board on the basis of the responsibility of the Board and the Federal Deposit Insurance Corporation for the regulation of the rate of interest which might be paid on time and savings deposits, as well as of the relation of the present maximum rates to currently effective interest rates and of the rates of interest paid by banks on time and savings deposits to war financing.

It was agreed that Messrs. Goldenweiser, Smead, Vest, and Thomas should discuss the matter further with Messrs. Brown and Thompson with a view to action at as early a date as possible, and they withdrew from the meeting for that purpose.

There was presented a memorandum dated July 23, 1943, from Mr. Evans, recommending that Mr. T. W. Schultz, head of the Department of Economics and Sociology of the Iowa State College of Agriculture and Mechanic Arts, be appointed as a Research Consultant in the Division of Research and Statistics for a temporary period of not to exceed two months, with salary at the rate of \$1,000 per month, effective as of the date upon which he enters upon the performance of his duties, and that while absent from Ames, Iowa, in the official performance of these duties he receive \$8 per diem in lieu of subsistence in addition to any actual necessary transportation expenses. Mr. Evans stated that it was understood that the employment of Mr. Schultz on this temporary basis would be entirely without commitment on his

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part or on the part of the Board as to whether the employment would be placed on a permanent basis, that if Mr. Schultz were retained on a permanent basis it would be expected that his salary would be at the rate of \$10,000 per annum, and that he would not be given a physical examination or become a member of the retirement system until it was decided to make the appointment permanent.

Approved unanimously.

Before this meeting the attention of the members of the Board had been called to a memorandum dated July 9, 1943, from Mr. Leonard suggesting that the existing policy of the Board with respect to maternity leave be modified in certain respects which, while permitting of some greater flexibility and liberality than the present policy, would retain all the limitations that seemed to him to be desirable. The memorandum stated that the proposed revision would modify the existing policy in the following respects:

1. It eliminates the rigid requirement with respect to the amount of leave taken prior to confinement. Instead, it provides that an employee shall take a reasonable amount of leave prior to expected confinement and may be required to take such leave. The proposed revision further provides that in any event, except with special permission of her division head, an employee shall take leave at least three months prior to the date of expected confinement.

2. It stipulates no minimum time for return to duty following confinement but provides that in any case, before returning to duty, an employee shall present a written statement from her physician that she

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is in condition to return to work.

3. It provides that return to active duty for the so-called permanent employees shall take place automatically within six full semimonthly pay periods following confinement upon presentation of the physician's statement that she is in condition to return to work.

4. It continues for other employees, i.e., employees appointed on a temporary basis, on a temporary and indefinite basis, or for a specified period of time, the present practice that reemployment does not take place automatically after confinement but after a review of the situation by the Board upon recommendation by the division head. The proposed policy also makes this applicable to the so-called permanent employees who do not return to duty within six full semimonthly pay periods following confinement but wish to return to duty after a longer period.

The matter was considered in the light of the opinion expressed by Chairman Eccles that the Board should not change the provision in the present policy to the effect that reemployment following maternity leave shall not take place automatically and the statement by Mr. Ransom that it was his feeling that even with the liberalization proposed by Mr. Leonard the policy of the Board was too restrictive and was unjustified.

At the conclusion of the discussion, the statement of Board policy was approved as follows, Mr. Ransom voting "no" with the statement that, while he was pleased that the Board had liberalized the policy, he still regarded it as illiberal and archaic:

"The policy with respect to maternity leave and reemployment following confinement has been modified and liberalized as follows:

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"1. Notice of approaching confinement shall be given by an employee to her supervisor or the head of her division not less than four months prior to the expected date of confinement.

"2. An employee shall take a reasonable amount of leave prior to her expected confinement, and may be required to take such leave. In any event, she shall take at least two months prior to date of expected confinement.

"3. Maternity leave may include accumulated and current accrued sick and annual leave.

"4. Reemployment following expiration of maternity leave shall not take place automatically but only after review of the situation by the Board upon the recommendation of the division head. Maternity leave may extend for six full semi-monthly pay periods following confinement. Reemployment may be after a shorter interval, but in any case, before returning to duty the employee shall present a written statement from her physician that she is in condition to return to work.

"5. The Board will continue to make contributions to the Retirement System on behalf of an employee during absence without pay while on maternity leave provided she continues her own contributions; provided further, that if special circumstances exist which in the opinion of the Board justify extending the maternity leave beyond six full semi-monthly pay periods following confinement, in no case will the Board continue to make contributions to the retirement system on behalf of the absent employee for any period beyond one year from the date upon which the maternity leave (including annual leave, sick leave, and leave without pay) originally began."

At Mr. McKee's request, there had been circulated among the members of the Board before this meeting a letter dated July 6, 1943, from William Dean Embree of the law firm of Milbank, Tweed & Hope, New York, New York, referring to an informal discussion which had been had with representatives of the Board in Washington on June 24 and enclosing, among other papers, a memorandum outlining the reasons why it was believed that the Board of Governors was empowered in its

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discretion to consent to the proposed purchase by The Chase Bank, an Edge Act corporation, of stock of Inversiones Latinas, S. A., a Mexican corporation recently organized under the laws of the Republic of Mexico for the purpose of giving conservative opportunities for the investment of American capital in Mexico and to foster trade between Mexico and the United States.

Mr. McKee stated that the position had been taken by the attorneys for The Chase Bank that it had authority to purchase the stock without specific action by the Board, and he questioned whether in all the circumstances the Board should take any action which could be interpreted as encouraging the transaction.

Chairman Eccles stated that he had discussed the matter over the telephone yesterday with Mr. Berle, Assistant Secretary of State, who was unfamiliar with the matter and had indicated a desire to look into it. He also stated that it had been a long time since the Edge Act had been amended, that during that period there had been broad fundamental changes in the international picture and in the law with respect to international relationships, that Congress should review the entire field of international banking, and that in the meantime the Board should not do anything to encourage the expansion of operations by corporations operating under sections 25 and 25(a) of the Federal Reserve Act.

The other members of the Board indicated agreement with

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Chairman Eccles' position, and Mr. McKee suggested that the letter and enclosures from Mr. Embree be discussed informally with Mr. Sproul, President of the Federal Reserve Bank of New York.

This suggestion was approved unanimously.

At this point Messrs. Goldenweiser, Smead, Vest, and Thomas rejoined the meeting and Mr. Thurston, Special Assistant to the Chairman, also came into the room.

Mr. Goldenweiser stated that in accordance with the understanding reached earlier in this meeting there had been a further discussion with Messrs. Brown and Thompson of the Federal Deposit Insurance Corporation with respect to the proposed reduction to 1-1/2 per cent of the maximum rate of interest that might be paid by insured banks on time and savings deposits, and that the representatives of the Corporation had stated that they would like to have a week or 10 days to consider the matter further in the light of reasons suggested by representatives of the Board as to why action should be taken. Mr. Goldenweiser also said that he had stated that, while he could not speak for the Board, he did not think the Board would have any objection to this further delay if it were understood that action could be taken to be announced before the middle of August.

During the course of the meeting Mr. McKee was called from the room to talk over the telephone to Under Secretary of the Treasury Bell.

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Upon his return he stated that Mr. Bell had said that the Secretary of the Treasury was in favor of a reduction in the maximum rate and that Mr. Bell had discussed the matter with Roy M. North, Deputy Third Assistant Postmaster General, who would interpose no objection if the Board and the Federal Deposit Insurance Corporation should decide to take action.

After a discussion of the date as of which a reduction in the maximum rate should be made effective, it was understood that pending further discussion with the representatives of the Federal Deposit Insurance Corporation Mr. Goldenweiser should prepare, for consideration by the Board, a draft of statement of the reasons which made a reduction in the maximum rate desirable at this time.

Approval was also given to the following telegram to the Presidents of all the Federal Reserve Banks:

"Board has under consideration question of desirability of amending supplement to Regulation Q, so as to lower to 1-1/2 per cent per annum the maximum rate of interest that can be paid upon savings and time deposits. Matter is also being discussed with F.D.I.C. with respect to insured nonmember banks, and with Treasury with respect to effect upon postal savings deposits. Before action is taken, Board would appreciate receiving your views and suggestions without consultation outside of your bank. Would like to have your reply by wire as soon as possible."

At this point Messrs. Thurston, Goldenweiser, Smead, Leonard, Vest, Thomas, and Wyatt withdrew from the meeting, and the action stated with respect to each of the matters hereinafter referred to was then

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taken by the Board:

The minutes of the meeting of the Board of Governors of the Federal Reserve System held on July 26, 1943, were approved unanimously.

Memorandum of this date from Mr. Morrill, recommending that the appointments of Alvin Bissett, cook, and James Hayden, cafeteria helper, in the Secretary's Office, be extended on a temporary basis for an indefinite period, with no change in their present salaries at the rate of \$1,380 and \$1,260 per annum, respectively, effective as of the expiration of their present temporary appointments at the close of business on July 30, 1943.

Approved unanimously.

Memorandum dated July 23, 1943, from Mr. Evans, recommending that the basic salary of Miss Elsie M. Westman, his secretary, be increased from \$3,000 to \$3,200 per annum, effective August 1, 1943.

Approved unanimously.

Letter to the board of directors of "The Wolf Bros. State Bank, Centreville, Michigan", Centreville, Michigan, stating that, subject to conditions of membership numbered 1 to 3 contained in the Board's Regulation H, the Board approves the bank's application for membership in the Federal Reserve System and for the appropriate amount of stock in the Federal Reserve Bank of Chicago.

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Approved unanimously, for transmission through the Federal Reserve Bank of Chicago.

Letters to "The State Bank of Akron", Akron, Indiana, and "The State Savings Bank of Lincoln Park, Michigan", Lincoln Park, Michigan, reading as follows:

"The Board is glad to learn that you have completed all arrangements for the admission of your bank to the Federal Reserve System and takes pleasure in transmitting herewith a formal certificate of your membership.

"It will be appreciated if you will acknowledge receipt of this certificate."

Approved unanimously.

Letter to the Comptroller of the Currency, reading as follows:

"It is respectfully requested that you place an order with the Bureau of Engraving and Printing, supplementing the order of June 15, 1943, for printing of \$6,000,000 of Federal Reserve notes of the 1934 Series for the Federal Reserve Bank of St. Louis in the \$500 denomination."

Approved unanimously.

Memorandum dated July 26, 1943, from Mr. McKee stating that he had been informed by Messrs. Paulger and Dreibelbis, who were in San Francisco, that members of the Board's examining staff engaged in the current examination of Transamerica Corporation and its affiliates had found that they were unable to meet their expenses out of the \$6 per diem allowed under the Board's travel regulations. In these circumstances, the memorandum recommended that, effective as of July 16, 1943, the Board increase the per diem allowance from \$6

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to \$7 for the examiners and assistant examiners during the period they are engaged in the examination, it being understood that aside from the authorization of increased per diem while absent from their official headquarters the examiners and assistant examiners involved would be governed by the current travel regulations of the Board.

Approved unanimously.

Thereupon the meeting adjourned.

Chester Morrie
Secretary.

Approved:

W. C. ...
Chairman.