

January 7, 1941.

Dear Mr. Smith:

You were kind enough to tell me recently that in case an executive order was proposed in which the Civil Service Commission undertook to cover employees of this Board into civil service at this time, you would advise me.

Since then, at my request, the President has sent a letter to the Commission recommending that the Board's employees not be included, and I have just received through the White House a copy of the Commission's acknowledgment in which they state that they are following his wishes in this matter.

I wanted to bring you up to date on this and to express to you again my appreciation of your courtesy.

Sincerely yours,

M. S. Eccles,
Chairman.

Honorable Harold D. Smith,
Director of the Budget,
Washington, D. C.

 ET:b

C
O
P
Y

THE WHITE HOUSE
WASHINGTON

January 6, 1941

MEMORANDUM FOR

HONORABLE MARRINER S. ECCLES,
Chairman, Board of Governors of
the Federal Reserve System

FOR YOUR INFORMATION.

F. D. R.

UNITED STATES CIVIL SERVICE COMMISSION
WASHINGTON, D. C.

January 3, 1941

THE PRESIDENT:

The Commission has received your letter of December 27, 1940, to the effect that it is not your intention to place the employees of the Board of Governors of the Federal Reserve System under the classified Civil Service Act or the Classification Act, as amended. The Commission, of course, will be guided accordingly.

We have the honor to be,

Very respectfully,

(Signed)	H. B. MITCHELL
(Signed)	LUCILLE FOSTER McMILLIN
(Signed)	ARTHUR S. FLEMING

Commissioners

MEMORANDUM FOR THE FILES

At the Chairman's direction, I made an appointment with and saw Rudolph Forster, Executive Clerk of the White House, on Friday afternoon, December 27, 1940, and handed him the letter to the President from the Chairman, the draft of the proposed letter for the President to send to the Civil Service Commission, and the memorandum outlining the reasons why the Board's staff should not be covered into Civil Service at this time. Mr. Forster immediately upon reading the Chairman's letter to the President and glancing at the proposed letter, had his secretary put the proposed letter on White House stationery for the President's signature. He said that he would take it in to the President and advise me of the result.

I telephoned to him late Monday afternoon, December 30, and he said he had intended calling me to say that the President had signed the letter and that it had been sent to the Civil Service Commission; that the President had noted the Chairman's letter to him and signed the one to the Commission at once.

Elliott Thurston.

December 27, 1940.

My dear Mr. President:

Enclosed is a suggested letter that the Board and I hope you will approve, to be sent by you to the Civil Service Commission.

The letter is merely a reaffirmation of the position taken in a previous communication which you sent to the Commission after you had discussed the matter with me some time ago, as you may recall. Its purpose is simply to obviate the possibility that the Commission might undertake to include the Board's staff within the scope of such Executive Order as may be prepared for your signature under the Ramspeck Bill. For the reasons given in the attached memorandum, the Board and I feel that its staff should not be included at this time.

Respectfully yours,

M. S. Eccles,
Chairman.

The Honorable
The President of the United States,
The White House.

enclosure

ET:b

(Taken to the White House by Mr. Thurston - 12/27/40)

Honorable Harry B. Mitchell, President,
United States Civil Service Commission,
Washington, D. C.

My dear Mr. Mitchell:

The Chairman of the Board of Governors of the Federal Reserve System has conferred with me regarding the possibility of action under the Ramspeck Civil Service Act of November 26, 1940, to place the employees of his Board under the classified civil service and the Classification Act of 1923, as amended.

I have advised him that it is not my intention to place the employees of the Board of Governors of the Federal Reserve System under the classified civil service or the Classification Act, as amended, in view of the desirability of avoiding a condition under which the employees of the Board of Governors would be placed in a different status in this regard from those of the Federal Reserve Banks and their branches, and in view also of the fact that the salaries of the Board's employees are paid from funds derived from assessments on the Federal Reserve Banks and not from appropriations by Congress.

Very truly yours,

GBV:11
11/27/40

Memorandum of Reasons for Not Placing Staff of
Board of Governors in Classified Civil Service

The following is a summary of the principal reasons for the unanimous opinion of the Board of Governors that its staff should not be brought under the classified civil service or the Classification Act of 1923, if the law should be construed as permitting the Board's staff to be so included:

1. No appropriations are made by Congress for the salaries or other expenses of the Board. They are paid from assessments against the Federal Reserve Banks, which meet these assessments from their own earnings. The law expressly declares that funds derived from such assessments shall not be construed to be Government funds or appropriated moneys.

2. The Board's staff is only a fraction of the System's employees, who constitute a closely related organization selected on the basis of their qualifications for their particular work, and who are under the general supervision of the Board. The employees of the Federal Reserve Banks could not be placed in a civil service status without further legislation. The Board's staff and the staffs of the Federal Reserve Banks should be treated as a unit from this point of view and one group should not be placed in the classified civil service while the other remains outside.

3. Placing the Board's employees under Civil Service might entail the necessity of transferring them from the existing Federal Reserve Retirement Plan, which is financed wholly without appropriations by Congress, to the Government's Retirement System, which would require additional appropriations from Congress for that purpose.

4. The Senate Banking and Currency Committee, under a resolution introduced by Senator Wagner, has instituted a study of the entire monetary and bank supervisory organization of the Federal Government. This might result in a material reorganization.

Therefore, it would be undesirable to complicate the situation by making any change in the status of the Board's staff by executive order under the Ramspeck Act.

*(Original draft -
not sent)*

MEMORANDUM FOR THE PRESIDENT:

In view of the Ramspeck Civil Service Act of November 26, 1940, I would like to state the principal reasons why we feel that it is unnecessary and undesirable that the Board's employees be placed in the classified civil service or under the Classification Act of 1923, as amended.

(1) The expenses of the Board of Governors, including the salaries of its employees, are paid from funds derived from assessments on the Federal Reserve Banks. Congress has never made any appropriations for such expenses.

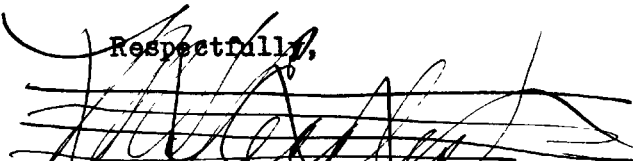
(2) The personnel of the Federal Reserve System includes not only the employees of the Board of Governors, numbering approximately 450, but also the more than 11,000 officers and employees of the twelve Federal Reserve Banks and their twenty-four branches who clearly could not be placed in the classified civil service without legislation. They constitute a closely related organization, selected on the basis of their qualifications for their work, and operating under the general supervision of the Board of Governors in matters of personnel as well as other System policies. The personnel of the Board of Governors and that of the Federal Reserve Banks should be treated as a unit in this matter and the one group should not be placed in the classified civil service while the other group continues in its present status.

(3) The placing of the Board's employees under civil service might also result in subjecting them to the provisions of the Civil Service Retirement Act, although the Federal Reserve Banks and the Board already have a retirement system for their employees which is financed without any appropriations from the Government. Such action would create unnecessary expense to the Government on account of contributions to the Civil Service Retirement System.

(4) The Banking and Currency Committee of the Senate has been authorized to study the entire monetary and banking machinery of the Federal Government. In view of the possibility of changes in the bank supervisory agencies of the Government as a result of this investigation, it would seem that, even if it should ultimately be deemed desirable to place the Board's employees in the classified service, it would be inappropriate and undesirable to take such action until the investigation of the Senate Committee has been completed and its report rendered.

If you agree with the Board of Governors that its employees should not be placed in the classified civil service or under the Classification Act of 1923, it will be appreciated if you will address a letter to that effect to the Civil Service Commission. For your convenience a proposed letter to the Commission is attached.

Respectfully,



Chairman.