

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Wednesday, August 20, 1941, at 11:30 a.m.

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

Mr. Morrill, Secretary
Mr. Carpenter, 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 August 19, 1941, were approved unanimously.

Memorandum dated August 16, 1941, from Mr. Nelson, Assistant Secretary, reading as follows:

"The policy adopted by the Board and the Reserve Banks with respect to employees called into military or naval service provides that the benefits outlined therein will be accorded to those employees called into service

- 'A. Under the Selective Training and Service Act of 1940 (including volunteers thereunder) or
- B. As members of the National Guard or any other reserve component of the Army under the Joint Resolution of Congress approved August 27, 1940, or
- C. As members of any reserve unit of the navy or marine corps which is called for an indefinite period of service.'

"At the time of adoption of this policy it was understood that the benefits would not be accorded employees voluntarily enlisting in the regular Army or Navy for three or four years. The situation has changed somewhat since

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"the adoption of the policy, in that it now appears that employees called into service will be required to serve for a much longer period of time than was anticipated. Several cases have arisen where employees have enlisted in reserve units rather than go into service under the Selective Training and Service Act, and since there is some question as to whether the policy adopted by the Board applies in all of the cases, it was felt that the policy should be reviewed in the light of present conditions. Accordingly, the Presidents of all the Reserve Banks were asked if they would favor an amendment to the policy so that the benefits enumerated therein would be accorded all employees, other than those in temporary positions. Replies have been received from all of the banks, and 11 of them have indicated approval of such amendment. Philadelphia, Richmond, and Dallas feel that the benefits should not extend beyond the period of the national emergency. Mr. Sproul at New York feels that employees enlisting in the regular service should not be included under the policy, and prefers to defer any changes in the policy until after the Selective Training and Service Act has been amended. However, in a subsequent conversation, Mr. Rounds indicated that New York would be agreeable to the change in policy if military service were limited to the period of the national emergency.

RECOMMENDATION:

"It is recommended that the benefits outlined in the memorandum of procedure with respect to employees of the Board and the Federal Reserve Banks called into military or naval service be extended to all employees, other than those in temporary positions, called into active military or naval service, who do not voluntarily remain on active duty in such service beyond the termination of the national emergency.

"This amendment may be accomplished by adding 'or' at the end of clause C of the second paragraph of the memorandum of procedure, and adding clause D.

- D. As members of any branch of the military or naval service, who do not voluntarily remain on active duty in such service beyond the termination of the national emergency.

COMMENTS:

"It appears that employees called into service under the Selective Training and Service Act will be retained in

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"service for at least two years or more and that employees called into service as members of reserve components of the Army or Navy will no doubt be retained until the expiration of the emergency. Since the benefits of the Board's policy are accorded employees called into service under the Selective Training and Service Act and as members of reserve units, irrespective of their period of military service, it would appear consistent to accord the same benefits to employees who may prefer to enlist in a particular branch of the service, with the likelihood that they would not be required to serve for a longer period than employees to whom the benefits are now given.

"Under the Civil Service procedure persons enlisting in the regular Army or Navy under some authority other than the Selective Training and Service Act, are considered as having vacated their positions, although they do retain their Civil Service status. It appears therefore, that the proposed amendment to the Board's policy would be somewhat more liberal than the treatment accorded other Government employees. However, it is believed that few, if any, cases will arise where employees will enlist for military service beyond the period of the emergency. Some cases have arisen where an employee is enlisting in a reserve unit for a period of four years, with the understanding that he would probably be released when the emergency is over. It is possible that some of these cases may be covered by the Board's present policy, inasmuch as the employees are going into service as members of reserve units. However, in order to eliminate any technical discriminations it is felt that the benefits of the Board's policy should be amended to cover all employees going into military service during the emergency.

"The memorandum of procedure with respect to treatment of employees called into military service provides that it is subject to modification or revision whenever deemed necessary by the Board, and it is assumed that after the emergency has passed, appropriate action will be taken to discontinue this procedure."

Approved unanimously.

Memorandum dated August 15, 1941, from Mr. Nelson, Assistant Secretary, recommending that Miss Florence R. Morin be appointed as a clerk in the Secretary's Office, with salary at the rate of \$1,740

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per annum, effective as of the date upon which she enters upon the performance of her duties after having passed satisfactorily the usual physical examination.

Approved unanimously.

Memorandum dated August 13, 1941, from Mr. Nelson, Assistant Secretary, recommending (1) that Mary M. Jacobs be appointed on a permanent basis as a junior file clerk in that Division, and that her salary be increased to the rate of \$1,440 per annum, effective as of October 1, 1941; (2) that M. Elizabeth Jones be appointed on a temporary basis for a period of not to exceed six months as a junior file clerk in the Secretary's Office, with salary at the rate of \$1,260 per annum, effective as of the date upon which she enters upon the performance of her duties after having passed satisfactorily the usual physical examination, with the understanding that if her work is satisfactory during the six month period, a recommendation would be made that the appointment be made permanent and her salary increased to the rate of \$1,440 per annum; (3) that Marilyn S. Holtsberg and Betty Jean Strickler be appointed on a temporary basis for a period of not to exceed six months as junior file clerks in the Secretary's Office, each with salary at the rate of \$1,260 per annum, effective as of the dates upon which they enter upon the performance of their duties after having passed satisfactorily the usual physical examinations.

Approved unanimously.

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Memorandum dated August 6, 1941, from Mr. Paulger, Chief of the Division of Examinations recommending that Andrew W. Lee, an Assistant Federal Reserve Examiner in the Division of Examinations, be granted leave of absence for military duty beginning July 30, 1941, in accordance with the policy adopted by the Board on November 14, 1940, and amended today.

Approved unanimously.

Memoranda dated August 1 and 14, 1941, from Mr. Nelson, Assistant Secretary, recommending that Peter W. Beers, supply clerk in the Secretary's Office, and Richard E. Hall, Jr., clerk in the office of the Building Manager, be granted leave of absence for military duty beginning August 4 and 21, 1941, respectively, in accordance with the policy adopted by the Board on November 14, 1940, and amended today.

Approved unanimously.

Letter to Mr. Fleming, President of the Federal Reserve Bank of Cleveland, reading as follows:

"Reference is made to your letters of August 5, which have been held in abeyance pending an opportunity for discussion with Mr. Fletcher, requesting approval of the proposed appointments of two new examiners and two new assistant examiners and of the appointment as examiner of one of your assistant examiners.

"The Board approves the appointments of Frank F. Lahut and Paul A. Yeager as Examiners for the Federal Reserve Bank of Cleveland. In accordance with the understanding reached in the discussion with Mr. Fletcher, action on the request for approval of the appointments of Alfred L. Jones as an examiner and Robert Manley Gay and Robert W. Miller as assistant examiners is

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"being deferred pending further advice from the Reserve Bank.

"Please advise us of the effective dates of the appointments of Messrs. Lahut and Yeager."

Approved unanimously.

Letter to Mr. Hitt, First Vice President of the Federal Reserve Bank of St. Louis, reading as follows:

"In accordance with the request contained in your letter of July 29, the Board approves the appointment of Mr. Earl H. Chapin, at present an assistant examiner, as examiner for the Federal Reserve Bank of St. Louis. Please advise us of the effective date."

Approved unanimously.

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

"Reference is made to your letters of August 7 and 14, 1941, submitting for consideration, under the provisions of condition of membership numbered 8, the expenditure of \$50,000 by The Miami Deposit Bank, Yellow Springs, Ohio, for the purpose of purchasing a lot and erecting a new banking house thereon.

"As you know, this expenditure also requires the Board's approval under the provisions of section 24A of the Federal Reserve Act if the aggregate of all investments of the bank in bank premises will exceed the amount of the bank's capital stock. The expenditure is in the same amount as the bank's capital stock and, in addition, it appears from the bank's report of condition as of June 30, 1941, that the bank has an investment in its present bank premises which were carried at a book value of \$3,900. However, it is understood that, upon completion of the new building, the premises now occupied will be transferred to the bank's other real estate account.

"Without passing upon the question as to the applicability of section 24A, the Board, in accordance with your recommendation, approves the transaction, with the understanding that the bank will charge off \$25,000 of the

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"investment in the new bank premises promptly upon the completion of the new building. You are requested to advise the bank accordingly."

Approved unanimously.

Letter to the Federal Deposit Insurance Corporation, reading as follows:

"Pursuant to the provisions of section 12B of the Federal Reserve Act, as amended, the Board of Governors of the Federal Reserve System hereby certifies that The Pulaski Trust Company, Pulaski, Virginia, became a member of the Federal Reserve System on August 16, 1941, and is now a member of the System. The Board of Governors of the Federal Reserve System further hereby certifies that, in connection with the admission of such bank to membership in the Federal Reserve System, consideration was given to the following factors enumerated in subsection (g) of section 12B of the Federal Reserve Act:

1. The financial history and condition of the bank,
2. The adequacy of its capital structure,
3. Its future earnings prospects,
4. The general character of its management,
5. The convenience and needs of the community to be served by the bank, and
6. Whether or not its corporate powers are consistent with the purposes of section 12B of the Federal Reserve Act."

Approved unanimously.

Letter to Mr. Henderson, Administrator of the Office of Price Administration and Civilian Supply, reading as follows:

"The Board of Governors is pleased to learn from your letter of August 13, 1941, that you have designated

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"Mr. Rolf Nugent as your alternate on the committee created by the executive order of August 9, 1941, relating to the regulation of consumer credit. Members of the Board and its staff who have worked on the regulation to be issued by the Board pursuant to the executive order appreciate very much the many helpful suggestions with respect to the draft of regulation that Mr. Nugent and other representatives of your office have made."

Approved unanimously.

Thereupon the meeting adjourned.

Chester Nowie
Secretary.

Approved:

McCool
Chairman.