

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Friday, December 18, 1942, at 12:00 noon.

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

Mr. Morrill, Secretary
 Mr. Bethea, Assistant Secretary
 Mr. Carpenter, Assistant Secretary
 Mr. Thurston, Special Assistant to the
 Chairman
 Mr. Dreibelbis, General Attorney

There were presented telegrams to Messrs. Treiber, McCreedy, Hays, and Dillard, Secretaries of the Federal Reserve Banks of New York, Philadelphia, Cleveland, and Chicago, respectively, Mr. Caldwell, Chairman of the Federal Reserve Bank of Kansas City, Mr. Gilbert, President of the Federal Reserve Bank of Dallas, and Mr. Hale, Secretary of the Federal Reserve Bank of San Francisco, stating that the Board approves the establishment without change by the Federal Reserve Bank of San Francisco on December 15, and by the Federal Reserve Banks of New York, Philadelphia, Cleveland, Chicago, Kansas City, Dallas, and San Francisco on December 17, 1942, of the rates of discount and purchase in their existing schedules.

Approved unanimously.

Chairman Eccles related briefly for the information of the members of the Board the substance of conversations which he had had with

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Under Secretary of the Treasury Bell and Messrs. Buffington and Shields of the Treasury staff with respect to the desirability of determining the basis upon which quotas might be fixed for Federal Reserve districts in connection with future offerings of Government securities, and expressed the opinion that in order to get the best results in future financing campaigns a formula should be worked out. He also said that the Treasury representatives had informed him that investigators for the Treasury had made spot investigations in some of the Federal Reserve districts and had learned what was already known to the Victory Fund Committees that in the limited time available the organizations of the Committees had not been extended fully or uniformly in the current campaign into the smaller towns of from 5,000 to 15,000 people and that by expanding the activities of the organization aggressively to include the smaller communities a very large amount of funds might be tapped for investment in Government securities other than Series E, F, and G bonds. The suggestion was also made by the Treasury, Chairman Eccles said, that in the interval between large financing operations the Treasury might employ a concern specializing in investigations to work through the Chairman of the Victory Fund Committees in each district to check the effectiveness of the campaign, and that, in addition, the Treasury might prepare a manual in which would be set forth the different types of organizations and procedures that had been found to be effective.

Mr. McKee referred to, and questioned whether in view of developments the Board should send at this time, the following draft of letter

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which had been prepared in the office of Chairman Eccles to Mr. Henderson, Administrator of the Office of Price Administration:

"On the eve of the inauguration of nationwide ration banking, I desire to assure you of the continued cooperation of the Board of Governors of the Federal Reserve System in the program.

"I am mindful of the added burden thus placed upon the Federal Reserve and the commercial banks while they are already struggling with a serious man-power problem. However, the job has to be done in any event and the banks can handle it with greater efficiency and consequently with less additional man-power and equipment than could any other available organization. Therefore, the banks should consider this an opportunity to make an additional contribution to the country's war effort on the home front. I am confident that they will do the job willingly and efficiently."

Chairman Eccles stated that the letter had been prepared at the request of Mr. Kroeger of the Office of Price Administration, under whose direction the plans for nationwide ration banking were being formulated, with the thought that it would be sent to Mr. Henderson promptly, but that in the meantime the resignation of the latter had been announced and he was inclined to think that action on the letter should be deferred until the plan had been more definitely worked out. It was also stated that requests had been made of the Comptroller of the Currency and the Federal Deposit Insurance Corporation for similar letters but that it was understood that these requests had not yet been acted upon. The members of the Board were in agreement with the suggestion that action on the letter be deferred for the time being.

At this point, Messrs. Thurston and Dreibelbis withdrew from the meeting, and the action stated with respect to each of the matters hereinafter referred to was then taken by the Board:

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The minutes of the meeting of the Board of Governors of the Federal Reserve System held on December 17, 1942, were approved unanimously.

Memorandum dated December 18, 1942, from Mr. Leonard, Director of the Division of Personnel Administration, reading as follows:

"CAUSE FOR MEMORANDUM: On December 15, Congress passed a joint resolution which, it is understood, will be signed the first of next week, and which:

1. Authorizes payment of overtime, with certain exceptions, 'to all civilian employees in or under the United States Government, including Government owned or controlled organizations.' (Information as to the rates follows later in this memorandum under 'Comments'.)

2. a. Requires the heads of the departments or agencies whose employees are affected by the joint resolution to 'present to the Director of the Bureau of the Budget such information as he shall require for the purpose of justifying the number of employees in their respective departments or agencies.'

b. Gives the Director of the Bureau of the Budget the right to order the reduction of personnel of a department or agency by such number as he finds to be in excess of the minimum requirements of the department or agency.

(Failure to furnish such information or to comply with an order of the Director of the Bureau of the Budget to reduce personnel voids the authorization for payment of overtime.)

3. Suspends for the period during which the joint resolution is in effect the provisions of the Saturday half holiday law.

"This resolution, which is admittedly a stopgap, is retroactive to December 1, 1942, and terminates on April 30, 1943, or such earlier date as Congress by concurrent resolution may prescribe.

"RECOMMENDATIONS:

"1. That the employees of the Board be paid overtime beginning December 1, 1942, on the basis provided in the joint resolution.

"2. That the present official hours of 44 per week be maintained until January 1, 1943, pending review of the situation and determination of the general practice of the other agencies, unless the situation is changed by an announcement by the President.

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"COMMENTS

"Rates of overtime: Overtime is payable only on that part of the employee's basic salary not in excess of \$2,900, and the overtime paid cannot cause his aggregate compensation to exceed \$5,000.

"Overtime is figured as one and one-half times the basic rate of compensation for hours worked in excess of 40 hours per week. Actually, however, the overtime for a 44 hour week amounts to approximately 10.7 per cent of the regular salary, and for a 48 hour week to approximately 21.5 per cent, since the basic pay for one day is figured at 1/360 of the annual salary.

"Hours: At a meeting of the Council of Personnel Administration yesterday, at which Mr. Young, of the Budget Bureau, lead the discussion regarding the resolution, he stated that the legal effect of the resolution would be to require a Saturday work day of not less than 7 hours. He stated that there would be no discretion (for those agencies whose hours are governed by law) to require less than 7 hours work on Saturday.

"Mr. Young said that an effort would be made immediately to achieve the 48 hour week in Government, and it would probably come through an order from the White House.

"He stated that it was the hope to keep overtime payments to payments for the regular official hours above 40 per week, and to avoid fluctuating amounts of overtime from day to day. He also stated, however, that overtime should be paid for additional hours beyond the official hours required when such overtime was required by one authorized to do so."

The recommendations contained in the memorandum were approved unanimously.

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

"In accordance with your request the Board of Governors approves the changes in the personnel classification plan of the Federal Reserve Bank of St. Louis, as submitted with your letter of November 28, 1942."

Approved unanimously.

Letter to the board of directors of the "Winnetka Trust and Savings Bank", Winnetka, Illinois, stating that, subject to conditions

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of membership numbered 1 to 6 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.

Approved unanimously, together with a letter to Mr. Young, President of the Federal Reserve Bank of Chicago, reading as follows:

"The Board of Governors of the Federal Reserve System approves the application of the 'Winnetka Trust and Savings Bank', Winnetka, Illinois, for membership in the Federal Reserve System, subject to the conditions prescribed in the enclosed letter which you are requested to forward to the Board of Directors of the institution. Two copies of such letter are also enclosed, one of which is for your files and the other of which you are requested to forward to the Auditor of Public Accounts for the State of Illinois for his information.

"Since the amount of estimated losses as shown in the report of examination for membership is relatively small, the usual condition of membership requiring the elimination of losses has not been prescribed. It is assumed, however, that proper provision for losses will be made as a matter of sound banking practice.

"While the volume of trust business is small and the accounts are reported to be efficiently administered, it has been noted that there is no duly appointed trust committee and no record in the minutes regarding supervision of the trust department by the bank's board. There will probably be no difficulty in getting the bank to revise its trust operations, so that the collective judgment of the board or a committee will be obtained."

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 Curwensville State Bank, Curwensville, Pennsylvania, became a member of the Federal Reserve System on December 17, 1942

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"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.

Thereupon the meeting adjourned.

Chester Morrill
Secretary.

Approved:

W. C. C. C.
Chairman.