

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Saturday, December 26, 1942, at 11:10 a.m.

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

Mr. Bethea, Assistant Secretary
Mr. Clayton, Assistant to the Chairman
Mr. Leonard, Director of the Division
of Personnel Administration
Mr. Vest, Assistant General Attorney

There were presented telegrams to Messrs. Paddock, Leach, and McLarin, Presidents of the Federal Reserve Banks of Boston, Richmond, and Atlanta, respectively, and Messrs. Dillard, Stewart, Powell, and Hale, Secretaries of the Federal Reserve Banks of Chicago, St. Louis, Minneapolis, and San Francisco, respectively, stating that the Board approves the establishment without change by the Federal Reserve Banks of St. Louis and San Francisco on December 22, by the Federal Reserve Bank of Atlanta on December 23, by the Federal Reserve Banks of Richmond, Chicago, and Minneapolis on December 24, 1942, and by the Federal Reserve Bank of Boston today, of the rates of discount and purchase in their existing schedules.

Approved unanimously.

Mr. Ransom stated that Mr. Leonard had asked the Personnel Committee this morning to pass on the question of what action should be taken with respect to lengthening the official hours of duty for the

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Board's organization in the light of the statements issued by the White House and the Director of the Budget, concurrently with the approval by the President of the joint resolution authorizing payment of overtime or supplemental compensation to Government employees. He said that, since this and related questions would have to be decided by the Board, the Personnel Committee felt that it would be more satisfactory to have the matter considered by the Board from the outset. He then asked Mr. Leonard to outline the problem and supply such information as was available.

Mr. Leonard read the following memorandum, dated December 22, 1942, addressed by the President to the "Heads of all Departments and Agencies in the Federal Government", which was released to the press for publication on December 24, 1942:

"The passage by the Congress of the temporary war pay resolution, (S.J. Res. 170), is a major step toward setting the Government personnel situation in order. For the employees it removes inequities and meets the rise in the cost of living by providing increased earnings for more work and longer hours. It also recognizes the acute manpower shortage and, as a war-time necessity, removes the peace-time luxury of the Saturday half holiday.

"While Saturday thus becomes a full work day with a legal minimum of 7 hours in the departmental service, it is my desire that the head of each department and agency establish, upon my approval of the resolution, a general minimum work schedule of a six day, 48 hour week for both the departmental and field service. I realize that there may be certain necessary exceptions to this general practice in order to meet the needs of a peculiar work condition, but I am requesting that you report to the Director of the Bureau of the Budget all instances where regular hours of work are established at less than 48 per week.

"For many departments and agencies the adoption of a 48 hour week will represent a four hour increase in the working schedule. Obviously this will permit reductions of personnel in some agencies and eliminate the necessity for filling vacant

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"positions in others. I am expecting you to take immediate steps to bring about a reduction in your personnel requirements.

"The legislation places an added responsibility on the executive departments and agencies to make full use of manpower, to dispense with every surplus employee, and to reduce personnel wherever possible. We will accept that responsibility and act accordingly.

"The Federal Government must concentrate on one task — the winning of the war. At this time we must measure all Government activities against the grim standards of total war. Many activities, desirable in peace times, must be eliminated, provided only that such eliminations do not result in permanent harm to the future health and security of our individual citizens; many services must be provided at a reduced standard; all agencies — military and civilian — must take all necessary measures to organize their work for maximum efficiency. Although we have made great strides in converting the Government to an all-out war basis, I am not satisfied that we have exhausted all the possibilities.

"I wish to be certain that we have stripped government activities of every nonessential, that work in one agency is not being duplicated in another, that we are carrying on our work in the war and so-called non-war agencies with an irreducible minimum of personnel fully employed, and that we are doing our job in the most effective and quickest way possible with only the absolute minimum of paper work or 'red tape'.

"I am expecting you, with the help of your employees from the top to the bottom of your agency, to begin immediately a continuing review of your activities, to eliminate every non-vital service, to seize every opportunity for improving the speed and efficiency of your operations, and to conserve manpower, materials, and money.

"The Director of the Bureau of the Budget and the Civil Service Commission have been instructed to assist you in every way possible. I desire that you report quarterly through the Director of the Bureau of the Budget the results of your efforts. The Civil Service Commission, acting under the authority of Directive No. X of the Chairman of the War Manpower Commission, will transfer personnel who are not effectively utilized to positions where their services are needed."

Mr. Leonard also read the following circular letter addressed to the heads of executive departments, independent establishments, and

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agencies by the Director of the Bureau of the Budget under date of December 24, 1942:

"Section 3 of the Senate Joint Resolution 170, approved December 22, 1942, suspends the provisions of the Saturday Half Holiday Law of March 3, 1931, and for most agencies necessitates a change in established working hours on Saturdays.

"Based on the assumption that all agencies will comply with the President's desire for a general minimum work schedule of a 6-day, 48-hour week, approval is hereby granted to such agencies for a revision of their Saturday working schedule to the same hours as apply on other days of the week. The schedule of the public transportation facilities in metropolitan Washington will be adjusted on this basis on Saturday, December 26th.

"No change, other than that stated above, may be made in the schedule of opening and closing hours of duty except with prior approval as provided in paragraph 3 of Budget Circular No. 371 issued March 19, 1941.

"It is requested that each agency in metropolitan Washington submit to the Bureau of the Budget a copy of its revised schedule of hours of duty, showing the number of employees reporting to and leaving work on each day and night shift, not later than January 1, 1943."

In response to a request by Mr. Ransom for the opinion of counsel, Mr. Vest stated that if the Board wished to apply the provisions of the law literally and technically he would say that the Board was not legally bound by the legislation, but that he found it very difficult to draw a line of demarcation between the legal and policy questions involved. Mr. Vest said that his opinion, of course, was based largely on the following provisions contained in paragraph 4 of section 10 of the Federal Reserve Act:

"The Board shall determine and prescribe the manner in which its obligations shall be incurred and its disbursements and expenses allowed and paid, and may leave on deposit in the Federal reserve banks the proceeds of assessments levied upon them to defray its estimated expenses and the salaries of its members and employees, whose employment, compensation,

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"leave, and expenses shall be governed solely by the provisions of this Act, specific amendments thereof, and rules and regulations of the Board not inconsistent therewith; and funds derived from such assessments shall not be construed to be Government funds or appropriated moneys."

Mr. Leonard reported that Mr. Bonnar Brown, Chairman of the Employees' Committee, had advised him that his findings indicated that the Board's employees preferred a 44-hour week. However, Mr. Ransom stated that in the light of the President's statement the Board would be placed in an awkward position if it did not adopt a 48-hour week.

In response to a request by Mr. McKee for his recommendation as to the action which should be taken, Mr. Leonard stated that it was his feeling that the Board's organization should go on a 48-hour week basis and that the provisions of the joint resolution should be applied with a minimum of "red tape", but that such action should be taken to be effective January 1, 1943. He added that employees had suggested to him that, if a 48-hour work week were adopted, the hours of work be lengthened for each day during the week so that it might be possible to put in the full 48 hours each week and yet work not later than 2:00 p.m. on Saturdays.

Mr. Szymczak stated that, in view of the President's statement, he would be opposed to establishing different working hours on Saturday than those fixed for other days of the week, and this position was concurred in by the other members of the Board.

Following further discussion, Mr. Szymczak moved that the Board establish a 48-hour work week consisting of six days of eight hours each, effective December 24, 1942, with the understanding that overtime compensation would be paid during the period December 24 to 31, 1942, inclusive,

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on the basis of 21.6 per cent of the part of an employee's basic compensation which is not in excess of \$2,900 per annum, except that, when such overtime compensation would cause an employee's aggregate compensation to exceed a rate of \$5,000 per annum, only the difference between the regular rate of compensation and the rate of \$5,000 per annum would be paid.

Mr. Szymczak's motion was approved unanimously, with the further understanding that overtime compensation for the period December 16 to 23, 1942, inclusive, would be paid on the basis of 10.8 per cent and that, subject to further action by the Board, all overtime or supplemental compensation paid thereafter would conform to the other applicable conditions set forth in Mr. Morrill's memorandum to the Board dated December 21, 1942, pending the issuance of authoritative regulations or interpretations.

Mr. Leonard stated that Mr. Young, who represented the Bureau of the Budget on the Council of Personnel Administration, had indicated that the joint resolution contemplated that employees would be paid for all overtime work authorized by appropriate officials in the several departments, establishments, and agencies of the Government on the basis of time and one-half. Mr. Leonard went on to say that he would much prefer to limit the payment of overtime compensation to the eight additional hours of work required of employees each week by reason of lengthening the official hours of duty and to allow compensatory leave, as at present, for all overtime in excess of that amount. But, he indicated that he would rather wait until regulations had been issued before a final decision was reached on this point.

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Mr. McKee inquired who among the Board's employees would likely be called upon to work more than 48 hours per week, and Mr. Leonard stated that there were perhaps three categories to be considered, i.e., (1) building employees who are required to perform work while offices are closed, such as the installation of partitions, maintenance of machinery, etc., (2) employees required to handle special jobs from time to time in the several divisions, and (3) messengers in the Board Members' offices who are called upon to work irregular hours. Mr. McKee was of the opinion that the Board did not have a sufficient number of employees falling in these categories to justify special treatment and suggested that, due to the nature of the Board's work, it would be more satisfactory to allow compensatory leave for overtime beyond that required by the official hours of duty. He also expressed the opinion that overtime compensation should not be paid to any employee for more than eight hours' work during any one week without specific authority from the Board.

Mr. Szymczak concurred in Mr. McKee's suggestion and moved that the Board adhere to its present policy of granting compensatory leave for overtime, with the understanding that in future the policy would apply only to overtime in excess of eight hours each week.

Mr. Szymczak's motion was approved unanimously.

Mr. Clayton pointed out that the statement issued by the President contemplated that the various Government departments, establishments, and agencies would bring about a reduction in their personnel commensurate

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with the lengthening of the official work week. He stated, however, that in his opinion no division head would recommend the termination of the services of any employees voluntarily, but that some reduction might be accomplished through requiring that vacancies created by persons leaving for military service or for other reasons not be filled until after a reduction of 10 per cent in personnel had been effected by the particular office or division.

Mr. Leonard responded by pointing out that the lengthening of the work week was not likely to make any appreciable difference in the number of employees required by the Board because of the nature of its work and the absence of any sizeable force engaged in production as such.

Mr. Leonard then referred to the recent poll taken among the Board's employees on the question of hours of work, and he reported that over 75 per cent of the employees were in favor of hours from 8:45 a.m. to 5:15 p.m. with a 30-minute lunch period, and that the second choice was for hours from 9:00 a.m. to 5:30 p.m., with a 30-minute lunch period, during the winter and an earlier opening hour in the spring.

Mr. Ransom suggested that the Personnel Committee meet with the division heads in the Board Room at 10:00 a.m. on Monday, December 28, and with the Committee representing the Board's employees at 2:30 p.m. on the same day for the purpose of discussing with them the policy to be followed with respect to the establishment of a 48-hour official work week, the payment of overtime or supplemental compensation, and the adjustment of office hours in accordance with the preference of the majority of employees as indicated by the recent poll conducted by the Division of Personnel Administration.

Mr. Ransom's suggestion was approved unanimously, and Mr. Bethea was requested to notify

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all division heads and Mr. Bonnar Brown, as Chairman of the Employees' Committee, of the meetings to be held on Monday, December 28.

At this point, Messrs. Leonard and Vest withdrew from the meeting, and the action stated with respect to each of the matters herein-after referred to was then taken by the Board:

The minutes of the meeting of the Board of Governors of the Federal Reserve System held on December 24, 1942, were approved unanimously.

Telegram to Mr. Fleming, President of the Federal Reserve Bank of Cleveland, stating that, subject to conditions of membership numbered 1 to 3 contained in the Board's Regulation H, the Board approves the application of "The Mogadore Savings Bank", Mogadore, Ohio, for membership in the Federal Reserve System and for the appropriate amount of stock in the Federal Reserve Bank of Cleveland. The telegram requested that the Federal Reserve Bank advise the applicant bank of the Board's approval of the application and conditions of membership prescribed, together with necessary instructions as to the procedure for accomplishing membership, and stated that a letter containing detailed advice regarding such approval would be forwarded to the applicant bank through the Reserve Bank. The telegram contained the following additional statement:

"It is assumed that you will follow the matter of the bank's bringing into conformity with the provisions of law and the Board's regulations the savings account listed on page 16 of the report of examination for membership."

Approved unanimously.

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Letter to the Presidents of all the Federal Reserve Banks, reading as follows:

"Referring to our letter of December 22, 1942, with reference to the proposed revision of the standard form of guarantee agreement, this is to advise you that any suggestions may be submitted so as to reach the Board not later than January 12, 1943."

Approved unanimously, together with a similar letter to the representative bankers who, in the Board's letter of December 22, 1942, were furnished copies of the proposed revision of the standard form of guarantee agreement for any suggestions that they might have.

Letter to Colonel John C. Mechem, Chief of the Miscellaneous Branch, Fiscal Division of the War Department, reading as follows:

"As you know, the schedule of guarantee charges now in effect on loans guaranteed under Regulation V provides that 'no charge shall be less than 1/2 per cent per annum on portion of loan guaranteed.' Pursuant to informal discussions with representatives of the War Department, Navy Department, and Maritime Commission, the Board of Governors is considering changing this requirement so that the minimum guarantee fee chargeable will be one-fourth of one per cent, instead of one-half of one per cent, per annum on the portion of the loan guaranteed.

"It will be appreciated if you will advise the Board whether this change in the minimum guarantee fee is agreeable to the War Department."

Approved unanimously, together with similar letters to Mr. Sidney A. Mitchell, Chief of Finance Section, Office of Procurement and Material of the Navy Department, and Mr. R. E. Anderson, Director of Finance of the United States Maritime Commission.

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

"This will acknowledge receipt of your letter of December 9, 1942, regarding the application of Regulation W to

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"loans or advances by a life insurance company to its new salesmen, repayment being made by such salesmen from future commissions.

"In this connection you may receive some assistance from S-598, dated December 11, 1942, which apparently crossed your letter in the mails. However, an answer to your specific inquiry is being delayed pending a further study of the general problem, since other Reserve Banks have received similar inquiries.

"The Board would appreciate receiving any additional information in this regard which you may have and which you may consider helpful in disposing of the problem. You will be advised of the Board's position in this matter as soon as possible."

Approved unanimously.

Letter to Mr. McLarin, President of the Federal Reserve Bank of Atlanta, reading as follows:

"The Board approves an offer of \$135,000 by the Federal Reserve Bank of Atlanta for the property about which you wrote in your letter of November 25, 1942 and in your letter of December 9, 1942. The approval of an offer of this amount is in accordance with the appraisal of the Atlanta Real Estate Board.

"The Board notes, at the same time, your statement that it would be in the interest of the Bank to offer an amount reasonably higher than the appraisal, in the event it becomes necessary to make a higher offer in order to acquire the property. The Board, knowing your space requirements to be acute, knowing the engineering difficulties of ever adding to your present structure, and being aware that the only practicable possibility of expansion in the physical space available to the Bank is by acquiring the property you have described, is in accord with your judgment that the property may well be worth, to the Bank, more than the Real Estate Board's appraisal. If the present owner of the property, therefore, refuses to sell the property at \$135,000 and makes a counter offer that seems to you acceptable, or if, without a counter offer, you desire to increase your bid above the \$135,000, we ask that you resubmit the problem to the Board, and the Board will be prepared to act promptly in approving or disapproving such a request.

"During Mr. Bryan's recent visit to Washington he discussed this matter with members of the Board and some members of the staff. We have been advised that Mr. Ransom,

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"after he ascertained the views expressed in your several communications on the subject, suggested the advisability of offering no more than the Atlanta Real Estate Board's appraisal in the first instance and no more in the end than the amount of the tax assessment, and that after a telephone conversation between Mr. Bryan and you it was ascertained that approval of the purchase of the property as set out in the preceding paragraphs provides a procedure for handling the matter which is satisfactory to you."

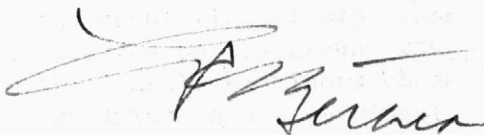
Approved unanimously.

Letter prepared for the signature of Mr. Ransom to The Attorney General, Department of Justice, reading as follows:

"In response to your letter of November 27, 1942, I have the honor to advise you, in the absence of Chairman Eccles, that the Board of Governors of the Federal Reserve System does not have at this time any additional suggestions for State legislation to facilitate the war effort to submit for the consideration of the Council of State Governments."


Approved unanimously.

Thereupon the meeting adjourned.



Assistant Secretary.

Approved:



Vice Chairman.