

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Monday, March 15, 1943, at 12:00 noon.

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

Mr. Morrill, Secretary
Mr. Clayton, Assistant to the Chairman
Mr. Leonard, Director of the Division of
Personnel Administration

Mr. Szymczak referred to the Executive Order issued by the President on March 6, 1943, with respect to the deferment of Government employees and asked Mr. Leonard to discuss the effect of the Order on the Board's employees. In accordance with this request, Mr. Leonard made a statement substantially as follows:

Last fall the War Manpower Commission established a uniform procedure with respect to the deferment of Federal employees. On November 17, 1942, this procedure was rendered obsolete by the request of the President that there be no requests for deferment of Federal employees because of their employment. At that time the President appointed a committee to review the whole question of policy and procedure, with the understanding that if in the meantime there were any special cases requiring consideration they should be referred to him for decision. The committee appointed by the President consisted of Mr. Bellamy, Editor of the Cleveland Plain Dealer, Cleveland, Ohio; Mr. Tead, of Harper and Brothers, New York, New York; and Mr. Johnston, President of the United States Chamber of Commerce, Washington, D. C. This committee submitted a report which was approved, and an Executive Order was issued by the President under date of March 6, 1943, continuing the procedure established last fall that no one in the Federal service should be deferred unless he occupied a key position. You will recall that we submitted a list of key positions which was approved by the War Manpower Commission, and we have received instructions from the Commission that we should continue to use the list pending the issuance of new Commission regulations.

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Under the procedure established by the new Executive Order, any employee who occupies a key position and whose services are regarded by the employing agency as essential can not be released to enter the armed services voluntarily. The employing agency must refuse to grant permission in such a case unless the employee is to be assigned to active combat service or his abilities will be used equally as effectively or more effectively in the armed services. In other words, if the Board requested deferment in any case, it would be prohibited from granting its consent to the employee entering military service on a voluntary basis unless one or both of these conditions should exist. The Executive Order requires that the head of each agency shall designate a committee of from three to five members which will be subject to the supervision and direction of the head of the agency, and that this committee shall make all requests for deferment and take the various other actions outlined in the Order.

The question is actively before the Board in connection with the case of Paul Simpson, junior economist in the Division of Research and Statistics, who recently received notice that he had been reclassified as I-A. The 10-day period allowed for an appeal from this classification will expire today or tomorrow. He will be 29 in June, is married, and has one child who was born more than nine months after the attack on Pearl Harbor. He has applied for a commission in the Navy and has been advised that he is physically fit except that his eyes are not good enough for sea duty. We have heard confidentially that he has been approved for a commission as ensign in the Navy but he has not been so advised. He is directly in charge of the compilation of the Board's index of industrial production which is used by various Government agencies, and a statement of his duties which has been approved by Messrs. Goldenweiser and Thomas, Director and Assistant Director, respectively, of the Division of Research and Statistics, is as follows:

"Mr. Paul Simpson is the member of the Board's research staff primarily responsible for the analysis of developments in industrial production. In this capacity he has charge of the construction and compilation of the Federal Reserve index of industrial production, the standard authoritative measure of production on which all departments of the Government and the public in general rely. This index and its various subdivisions provide an essential instrument for measuring the progress of the war effort, and changes in the supply of civilian goods. One subdivision of the index, developed by Mr. Simpson, is a

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"measure of the production of war goods. He is now directing the construction of a new index to measure the production of various groups of consumer goods. These techniques of quantitative measurement of various phases of the war economy are of vital importance to the War Production Board, the Office of Price Administration, and the Office of Economic Stabilization, as well as to the Federal Reserve Board and to others.

"Construction and compilation of such indexes of production are complicated processes which require constant adjustment and revision to take care of economic changes. This is work of a professional and highly specialized character, requiring a high degree of ability in handling mathematical techniques and in analysis of economic data and also thorough familiarity with available sources of information. This particular combination of qualifications is possessed by few people and can be obtained only on the basis of a number of years of experience.

"Mr. Simpson came to work for the Board in the midst of a fundamental revision in the methods of construction of the production index and has been engaged during three years of drastic economic change in keeping the index constantly representative of current conditions.

"The comprehensive revision of the index was completed in 1940. Since that time the man who was in charge of the revision and a number of his principal assistants in the work have left the employ of the Board. Mr. Simpson is now the only man in the section who participated in the revision and is thoroughly familiar with the basic composition of the index as well as with subsequent changes. At present the work of further revising the Index and compiling new measures of production is at a critical stage and requires the services of Mr. Simpson for completion.

"For some time the Board has had many vacancies on its economic staff, which it has been endeavoring to fill. There has for some time been an urgent demand for economists on the part of Government agencies and the scarcity of such manpower is well-recognized. It would be particularly difficult to find some one with the special abilities required to take over Mr. Simpson's work, and almost impossible to train some one for the task within a period of months."

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Mr. Thomas understands that Mr. Simpson is wholly passive on the question whether he should be deferred and that he will accept the Board's decision and take his chances on obtaining a commission at a later date.

Mr. Szymczak stated that the first thing on which action should be taken by the Board was the appointment of the committee called for by the President's Executive Order.

Thereupon he moved that the Board appoint a Committee on Deferment of Board Employees consisting of Mr. Leonard as Chairman and Messrs. Clayton and Morrill as members.

Mr. Szymczak's motion was put by the chair and carried unanimously.

Mr. Szymczak then said that another question to be decided by the Board was whether it would ask for any deferments and that it was assumed that such requests would be made on a selective basis, that the cases would be submitted by the head of the division concerned to the Committee on Deferment and by the Committee to the Board, and that if a request for deferment were made the employee would be advised accordingly and a record made of any objection that he might have. He also said that if deferment were granted the division head should be told that another employee should be trained as promptly as possible to do the work being done by the employee for whom deferment had been requested, and that there should be no expectation on the part of anyone that a renewal of the deferment would be requested.

Mr. Szymczak then moved that the request for the deferment of Mr. Simpson be approved, with the understanding that Mr. Goldenweiser would be instructed to train someone as promptly as possible to take Mr. Simpson's place.

Mr. Szymczak's motion was put by the chair and carried unanimously.

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Mr. McKee suggested that in following the procedure outlined by Mr. Szymczak a written statement should be obtained from the employee for whom deferment was requested showing that he had been acquainted with the steps being taken by the Board.

At this point, Mr. Evans left the meeting to keep another appointment.

There ensued a discussion of the question whether action should be taken by the Board to request the deferment of Mr. Hackley, Assistant Attorney, even though the 10-day period provided for the appeal from his classification as I-A had expired. The circumstances with respect to Mr. Hackley's draft status were set forth in a memorandum dated March 2, 1943, from Mr. Dreibelbis, General Attorney, which was considered by the Board at the meeting on March 8, 1943.

There was unanimous agreement that in the event the way was still open for such action the Board should request the deferment of Mr. Hackley for a six months' period.

Thereupon the meeting adjourned.

Robert Morrie
Secretary.

Approved:

William Ransom
Vice Chairman.