

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Friday, September 10, 1943, at 10:30 a.m.

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

Mr. Bethea, Assistant Secretary
Mr. Carpenter, Assistant Secretary
Mr. Clayton, Assistant to the Chairman
Mr. Goldenweiser, Director of the
Division of Research and Statistics
Mr. Smead, Chief of the Division of
Bank Operations
Mr. Leonard, Director of the Division
of Personnel Administration
Mr. Vest, Assistant General Attorney
Mr. Wyatt, General Counsel

There were presented telegrams to Messrs. Treiber and Clouse, Secretaries of the Federal Reserve Banks of New York and Cleveland, respectively, Mr. Leach, President of the Federal Reserve Bank of Richmond, Mr. Dillard, Vice President of the Federal Reserve Bank of Chicago, Mr. Stewart, Secretary of the Federal Reserve Bank of St. Louis, Mr. Powell, First Vice President of the Federal Reserve Bank of Minneapolis, 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 September 7, by the Federal Reserve Bank of Kansas City on September 8, and by the

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Federal Reserve Banks of New York, Cleveland, Richmond, Chicago, St. Louis, Minneapolis, Kansas City, and Dallas on September 9, 1943, of the rates of discount and purchase in their existing schedules.

Approved unanimously.

There was then presented a memorandum dated August 11, 1943, from the Personnel Committee, which had been circulated among the members of the Board, and in which it was recommended (1) that the Chairman of the Federal Reserve Bank of New York be requested to ascertain informally whether Mr. Robert D. Calkins, Dean of the School of Business of Columbia University, would accept appointment as a Class C director of the Federal Reserve Bank of New York for the unexpired portion of the term ending December 31, 1943, and that the appointment be tendered to him if he would accept, and (2) that Mr. William I. Myers, who was appointed a Class C director of the Bank on January 1, 1943, be designated as Deputy Chairman.

There was a discussion of Mr. Calkins' qualifications as disclosed by the information that had been developed by the Personnel Committee with respect to him, at the conclusion of which, upon motion by Mr. Szymczak, the recommendations of the Personnel Committee were approved, Mr. Ransom voting "no" with respect to the appointment of Mr. Calkins as a Class C director of the New York Bank.

At this point Mr. Goldenweiser left the meeting.

Before this meeting Mr. Szymczak had placed in circulation among the members of the Board a memorandum dated August 21, 1943, from Mr. Smead summarizing the principal features of a report agreed

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upon by the members of the Insurance Committee of the Presidents' Conference at a meeting held in Chicago on August 9, 1943, which set forth the conditions which the committee agreed should be incorporated in the insurance agreement of the Federal Reserve Banks, if such agreement were to be extended to cover bankers' blanket bond and registered mail and express risks now covered by purchased insurance. Mr. Smead discussed the principal features of the report of the Insurance Committee, calling attention to the fact that a majority of the members of the committee were opposed to the cancellation of purchased insurance covering these risks. (Only the representatives from Atlanta, Minneapolis, Kansas City, and Dallas were in favor of the bankers' blanket bond portion of the plan, and only the representatives from Richmond, Kansas City, Dallas, and San Francisco were in favor of the registered mail portion of the plan). He also stated that it was anticipated that the report would be submitted for consideration at the meeting of the Presidents' Conference to be held in New York during the latter part of the week of October 11.

In the course of a discussion of the report, the opinion was expressed by Chairman Eccles, and concurred in by the other members of the Board, that every effort should be made while the Presidents are in Washington during the week of October 18 to reach an agreement with respect to the extent to which the existing insurance agreement should be expanded.

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At the conclusion of the discussion, Mr. McKee moved that a draft of letter to Mr. Day, as Chairman of the Presidents' Conference, be prepared for consideration by the Board, in which it would be stated that the Board felt that a determination of the matter should be made at the forthcoming meeting of the Board with the Presidents in October and that it was the hope of the Board that at the next Conference of Presidents a program could be agreed upon that would be acceptable to the Board.

This motion was put by the chair and carried unanimously, with the understanding that before the meeting with the Presidents the matter would be given further consideration by the Board for the purpose of determining the kind of program it would like to have put into effect in the event a satisfactory proposal was not agreed upon at the next Presidents' Conference.

At this point Messrs. Smead, Leonard, Vest, and Wyatt withdrew from the meeting, and the action stated with respect to each of the matters hereinafter 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 September 9, 1943, were approved unanimously.

Memorandum of this date from Mr. Nelson, Assistant Secretary, recommending that Mrs. Caroline R. Poore be appointed as a charwoman in the Secretary's Office on a temporary basis for an indefinite period, with basic salary at the rate of \$1,200 per annum, effective as of the date upon which she enters upon the performance of her duties after

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having passed satisfactorily the usual physical examination, with the understanding that if anything derogatory should develop in the investigation of her references her services may be terminated immediately.

Approved unanimously.

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

"The Board of Governors approves the payment of a fee of \$20 to directors of the Head Office for attendance at Executive Committee meetings and to the directors of the Detroit Branch for attendance at meetings of the Board of Directors, in accordance with the excerpt from the minutes of the meeting of the Board of Directors of the Federal Reserve Bank of Chicago held on August 25, 1943, which was submitted with your letter of August 30, 1943."

Approved unanimously.

Letters to the "Lockport Exchange Trust Company", Lockport, New York, the "United States Trust Company of Paterson, New Jersey", Paterson, New Jersey, the "Citizens Bank of Hattiesburg", Hattiesburg, Mississippi, and "The Bank of Holyrood", Holyrood, Kansas, reading as follows:

"The Board is glad to learn that you have completed all arrangements for the admission of your bank to the Federal Reserve System and takes pleasure in transmitting herewith a formal certificate of your membership.

"It will be appreciated if you will acknowledge receipt of this certificate."

Approved unanimously.

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Telegram to Mr. Knoke, Vice President of the Federal Reserve Bank of New York, reading as follows:

"Referring your wire September 9, Board approves Federal Reserve Bank of New York advising of its willingness to make advances, and the making of such advances, to Banque Mellie Iran against United States Treasury certificates, for not more than 90 days, at the rate of one per cent per annum, in amounts up to full face value of the collateral, subject to possible limitation of the total outstanding if deemed desirable."

Approved unanimously, and the Secretary's Office was authorized to inform the other Federal Reserve Banks that the Board approves their participation in any advances made by the New York Bank under this authority.

Thereupon the meeting recessed and reconvened in executive session at 3:30 p.m. with the members of the Board and Mr. Leonard present. Following the afternoon session the Secretary's Office was advised that the following actions had been taken:

Recommendations having been made in memoranda submitted by the respective division heads, the following increases in basic annual salaries of employees of the Board were approved effective September 16, 1943, Mr. McKee voting "no" on the increases proposed for the three employees in the Division of Research and Statistics and Mr. Draper voting "no" on the increase proposed for Mr. Bach:

<u>Name</u>	<u>Designation</u>	<u>Date of Memorandum</u>	<u>Salary Increase</u>	
			<u>From</u>	<u>To</u>
<u>Secretary's Office</u>				
Mrs. Yvonne Shaw	Secretary to Mr. Morrill	6/26/43	\$2,800	\$2,900
<u>Division of Research and Statistics</u>				
J. Burke Knapp	Economist	8/25/43	5,000	5,600
G. L. Bach	Economist	8/25/43	5,000	5,600
Richard A. Musgrave	Economist	8/25/43	5,000	5,600

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Approval was also given to the following letter prepared for Mr. Leonard's signature as Chairman of the Board's Committee on Deferment to Mr. Robert M. Barnett, Chairman of the Review Committee on Deferment of Government Employees of the War Manpower Commission. On this action Messrs. McKee and Draper voted "no":

"Under the provisions of Section IV, 1-b, of Executive Order 9309, the Agency Committee submits herewith in triplicate, a request for the deferment for six months from September 30, 1943, of Mr. J. Burke Knapp, Assistant Head of the International Section of the Board's Division of Research and Statistics.

"Since our letter to you of July 7, the situation with respect to the work of our International Section has changed in two respects:

1. As indicated in a letter dated September 3, from Lieut. Colonel Shoemaker of the Military Government Division, the work being done for the Military Government Division of the War Department has been expanded beyond the original plans of the Military Government Division. A copy of Colonel Shoemaker's letter of September 3 regarding this expansion is attached.

2. For the use of the State Department in international negotiations and discussions with other countries, the Board is undertaking, at the request of the Secretary of State, to assemble and analyze information regarding the financial situation of a large number of foreign countries. The full resources of the International Section and the services of Mr. Knapp in particular will be needed in this work.

"In the circumstances, Mr. Knapp is truly a necessary man, whom it would be exceedingly difficult, if not impossible, to replace at this time.

"As stated previously, Mr. Knapp is uniquely fitted for his work in the International Section. Following graduation from college in 1933, where he majored in economics, he was a Rhodes Scholar at Oxford University in England

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"for three years and then for three years was associated with an international banking firm serving in the Berlin and London offices. He has been in the Board's International Section since February 1940, when he returned from Europe."

Unanimous approval was given to the following statement which had been prepared with the thought that, if approved by the Board, a copy would be delivered to the employees' committee at a meeting to be held tomorrow of that committee and the Board's Personnel Committee:

"Since the two committees met last May, considerable thought and discussion have been given to the matters discussed at that time and some developments have occurred.

Revision of the Retirement System

"Distinct progress is being made in the revision of both the regular plan and in the formulation of a special plan for the Board's employees.

"The Board has approved a revision of the Retirement System submitted by the Presidents' Conference liberalizing the benefits, particularly for the lower paid employees. Present rights of employees will not be adversely affected and in nearly all cases the revision will increase the benefits. The Board's employees will have the option to continue under this revised Bank plan or to elect the provisions of the so-called Board of Governors plan discussed below. It is expected that the board of trustees of the Retirement System will have approved the revised Bank plan by October.

"Meanwhile, the Board of Governors plan has been approved by the Board in principle. This plan has been discussed with members of your subcommittee on retirement. It is expected that the various technicalities and formalities will be completed so that the final draft can be submitted to the employees in sufficient time for them to compare the two plans and make their election by the end of November.

Leave

"The leave policies with respect to maternity leave and to the use of accumulated leave for short periods

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"were modified and liberalized in July. These changes were discussed with your committee before adoption.

Military Benefits

"The benefits which had been accorded to the employees leaving to enter military service had been limited to employees other than temporary. In June, this was modified to the extent that a payment of unearned salary in varying amounts, depending upon the length of employment, is made to temporary and indefinite employees who have been in the employ of the Board for nine consecutive months or more and who leave to enter military service. This change was likewise discussed with your committee before adoption.

Classification Plan

"Much thought has been given to the question of the classification plan, which, your committee has reported, has been a matter of concern to a number of the employees for some time.

"The basic policy that the Civil Service Classification Plan and Pay Scales be considered as a guide in acting upon salaries of all positions in the Board's organization below those of Assistant Chiefs of Divisions and exclusive of those in the Board Members' and Fiscal Agent's Offices is to be continued without change. The following changes as to procedure will be put into effect:

- a. The present classification procedure and the staff classification committee will be discontinued.
- b. The Civil Service terminology as to grades, for example, CAF-3, P-2, etc., will be discontinued and there will be a straight alphabetical or numerical designation of the salary brackets.
- c. The Division of Personnel Administration will have the responsibility for allocating, after consultation with the respective division heads, an appropriate salary bracket for each employee. The allocations will be made on the basis of (1) work description sheets reflecting the work actually performed, (2) discussions with the respective divisions as to duties and responsibilities of the individual employees, (3) surveys as to practices in other Federal Agencies. In making the allocations, the best Civil Service

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"standards and practices will be followed in so far as practicable.

d. An individual employee upon request will be advised of his allocation. If he wishes to discuss his individual allocation, he should take the matter up with the head of his office or division and if he should desire to pursue the matter further, then with the Division of Personnel Administration. In case either the head of the respective division or the Division of Personnel Administration so desires, the matter will be submitted to the heads of all divisions who as a group will constitute a review committee.

"It is expected that in working out the details of the revised procedure, the Employees' Committee will be consulted.

Plan of Promotion

"It is the Board's stated policy to fill positions by promotions from within as far as practicable. The Division of Personnel Administration checks to see whether there are qualified employees for whom the position would be a promotion and who are available for the position.

"There are, however, two sides to this question of transfer. The Board desires the employees to benefit through promotion. There is also the necessity for maintaining an efficient organization.

"The desire of an employee to transfer from one division to another, or from one job to another can not always be met, particularly with the difficulty these days of obtaining competent replacements. Transfers frequently may mean that two inexperienced people would have to be trained instead of one. It sometimes happens that an employee who might be qualified for another job is not available because he can not be spared from his present position. In such cases, however, the individual should not be penalized salarywise because of the fact that he is not available for promotion to another position for which he is qualified and special consideration is given to see that no injustice results to the employee.

"It is expected that any employee who is not satisfied as to his job, his progress, or his prospects, will discuss the matter first with the head or assistant head of his division or office and then, if he wishes, with the Division of Personnel Administration.

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"Salary Advances

"The Employees' Committee has referred to the consideration of salary advances as being somewhat haphazard. Under standing instructions, a division is required to review each salary in the division at least annually. A recent survey shows that 75 per cent of the employees, exclusive of heads and assistant heads of divisions and assistants to the Chairman, who were in the employ of the Board on July 1, 1943 and had had a year or more of service, received salary increases during the period July 2, 1942 - August 16, 1943. This would indicate that the salary reviews have not been haphazard as suggested by your committee.

"The employees who had not received increases for a year or more included:

1. Some who have retired or are approaching retirement.
2. Some who have reached the maximum salary for the position.
3. Some who apparently have reached the maximum of their capabilities and value to the organization.
4. The remainder, for whom further salary adjustments may be contemplated in due course, have been and are under review.

Employee Discussions

"The Employees' Committee has referred to the 'Lack of a responsible person with whom an employee can talk over his problems and have a hearing of his case with assurance of unprejudiced consideration, in those instances where resort to regular channels of discussion had proved unsatisfactory or appears inadvisable to the employee'.

"Among the responsibilities of the heads of divisions and offices is the duty of dealing sympathetically and fairly with the employees under their supervision. Therefore, whenever any employee feels that he has a question which should be considered, he should take the matter up with one of such supervisors. The Board is confident that its employees can rely upon fair treatment. Moreover, unprejudiced consideration will be given to matters taken up with the Division of Personnel Administration. Either Mr. Leonard, Mr. Johnson, or Mrs. Bangs is available for consultation on such matters.

Employees' Committee

"The Employees' Committee is now about a year and one-half old. It is understood that the committee has some uncertainty as to its place in the scheme of things and as to its functions and responsibilities.

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"It is believed that the committee's greatest contributions can be:

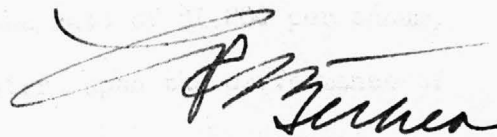
1. Bringing to the attention of the Division of Personnel Administration and of the Personnel Committee any personnel policies which the committee feels should be considered.

2. Serving as a group through which representative opinions can be obtained as to the viewpoint of the employees on questions of personnel policy.

"It is believed that this can best be accomplished through informal meetings and discussions with the Division of Personnel Administration or the Board's Personnel Committee.

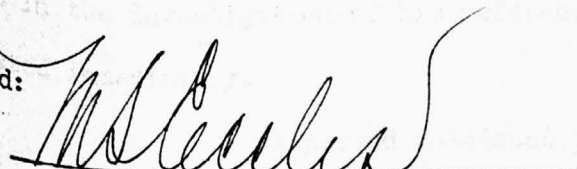
"The normal procedure should be to submit any matter first to the Division of Personnel Administration. However, the Employees' Committee may also request a meeting with the Personnel Committee of the Board on any question of personnel policy which it feels warrants further discussion. The Personnel Committee will endeavor to arrange such a meeting promptly."

Thereupon the meeting adjourned.



Assistant Secretary.

Approved:



Chairman.