

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

Office Correspondence

Date November 29, 1938To Chairman Eccles

Subject: _____

From Mr. Goldenweiser*9/29/38*

There was a meeting at the Treasury on the question of sterling at which there were present the Secretary, Mr. Hanes, Mr. Lochhead, and Mr. White, of the Treasury, Walter Stewart, Robert Warren, Butterworth, who is Financial Attaché in London, John Williams, and myself.

It appears that the Secretary has had a couple of meetings with Mr. Bewley at which some of the points suggested in the memorandum prepared by the visiting advisers last time were called to the attention of the British. Bewley promised to produce figures on the amount of short money in London on Thursday or Friday of this week.

At today's discussion there was nothing conclusive accomplished. The general advice of the group was that it was not the timely thing for the United States to do anything independently, which implies something of a hostile attitude. It was felt that continuous pressure for more information and encouragement to the British to use their reserves in supporting the pound was about all that could be done at this stage. There was some discussion of establishing a joint fund for supporting sterling, but the Secretary was very reluctant to undertake that, and most of those present were not favorable to it on the ground that it would be chiefly a gesture; might result in weakening sterling psychologically, and would be entirely inadequate against a fundamental movement.

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The Secretary seems to be inclined to turn now to some means of making it uncomfortable for foreign money to be in this country and has asked that all the proposals about hot money be reviewed. He expressed distrust of the 100 percent reserve against foreign deposits, however, on the general ground that he thought it was not a good time to bring up the problem of reserves, and also that this was a way to penalize the banks and not the depositors.

Stewart made the statement that this sort of advisory meeting was of no particular benefit because the advisers were not in close touch with daily developments and were not sufficiently free to work on the longer and more fundamental problems underlying the situation. The Secretary said that he had unlimited funds and would be glad to supply these people with staffs if they would prepare themselves to give him advice on broader general trends in regard to the position of the dollar, sterling, and other exchanges, and the general realignment of world currencies and trade.