

August 11, 1943

CURRENCY STABILIZATION

Problems to be discussed on Thursday, Aug. 12

- I. Shall the Board in general agree to support the Treasury proposals, leaving technical details to the technicians?

It would seem best to do so, because in general the plans aim in the right direction, and the Board cannot afford to oppose them.

- II. However, there are several qualifications and reservations that the Board may wish to make:

- (1) Currency stabilization is worth undertaking only if it is a part of a broad program, including relief, rehabilitation, long-term investment, commodity corporations, etc. Without these, currency stabilization is not feasible and the effort to organize the machinery will be largely wasted.
- (2) The Board may want assurances that it will have a place in the proposed organization. Possibly it will share with State and Treasury the responsibility of selecting and supervising the American director of the Fund. This is what was proposed in the Inter-American Bank.
- (3) The Board should be assured of Administration support in asking for additional powers in order to be able to handle the credit situation with the additional reserves that may come to us as a result of the program. What powers do we need?
 - (a) Authority to double present maximum reserve requirements--and make applicable to all banks receiving demand deposits. (See Special Report to Congress Dec. 31, 1940).
 - (b) Power to increase requirements on new deposits to a larger figure (75%?)
 - (c) Conversion of consumer credit Executive Order into law and addition of other selective controls (real estate, commodities)
 - (d) Authority to require that official foreign balances be held with Federal Reserve.

and/or

- (e) Requirement that gold acquired from the Fund be automatically held inactive.

III. Control over gold.

- (1) Treasury has gone about as far as it feels it can in increasing gold contributions to the Fund by countries that have gold.
- (2) To seek more power for the Fund over gold will probably require more education of our own Congress and public. While only 2 billion of the 11 billion dollars of foreign gold will be contributed to the Fund, and new gold production of 1 billion dollars every year will accumulate outside the Fund's control, the Fund will play a useful role even without adequate powers.

IV. Meetings.

- (1) Does the Board want another meeting with Harry White? It would seem to be of doubtful value.
- (2) The Treasury is planning to hold meetings with Reserve Banks. What is the Board's attitude? They probably better be under Board auspices.