

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

Chairman E. A. Tamm
How Evans

Office Correspondence

Date January 15, 1948

To Mr. Thomas

Subject: _____

From Mr. Knapp

The following is an excerpt from a recent report by Mr. Tomlinson, Treasury Attache in Paris, concerning a conversation with M. LeNorcy, Economic Counselor of the Bank of France. It indicates that in France at least, the Treasury shows great sympathy with the idea of "secondary reserve requirements" for the commercial banking system.

(M. LeNorcy)

"He/said that consideration had been given to a measure, following the Belgian example, whereby the banks were required to hold a fixed proportion of their liabilities in the form of government paper. He mentioned that not only was this a very sensitive problem from the viewpoint of the relations of the government and the Bank of France with the banking community, but at the same time they were faced with a problem in which the proportion of government paper held by the banks in relation to their liabilities varied considerably. Some banks hold as much as 80 per cent, while other banks hold as little as 15 per cent. When it was mentioned that stating a fixed minimum of, say, 50 to 60 per cent would not necessarily mean that the banks holding 80 per cent would reduce their holdings to that percentage, LeNorcy agreed, but said that this was a decision which must be made by the Government and not by the Bank of France. LeNorcy appeared convinced of the effectiveness of such a measure, particularly if adopted as part of a broad stabilization program. He seemed quite anxious to have the matter brought to the attention of the Ministry of Finance officials in subsequent talks that we might have with them."