

Office Correspondence

FEDERAL RESERVE
BOARDDate January 3, 1936.Governor EcclesSubject: Gold suit against FederalFrom Mr. Wyatt, General Counsel.Reserve Bank of New York.

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CONFIDENTIAL.

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This is written in accordance with your request to remind you to discuss with Governor Harrison the gold suit filed against the Federal Reserve Bank of New York by the British-American Tobacco Company, Ltd, of London, England, and the question whether the Bank should retain Honorable Newton D. Baker to represent it in the litigation.

Mr. Baker is probably the best qualified lawyer of national repute to represent the Federal Reserve Bank in this litigation, and it would seem proper for the Bank to retain him if he will accept the case, since he has represented the Federal Reserve System in all litigation of national importance since 1923, has a thorough knowledge of the Federal Reserve System and has already made a study of the gold questions, about which he was retained to advise the Board and the Federal Reserve banks.

The only possible question about retaining him in this connection arises out of the fact that he apparently is not very sympathetic with the Gold Reserve Act and the present Administration, and the Administration may not feel very friendly toward him. However, this would not prevent Mr. Baker from putting forth his very best efforts to defend the Federal Reserve Bank if he should accept the case; because he is a man of such high character that he would not accept the case unless he felt that he could give his client his whole-hearted support.

This case is of such far reaching importance to the entire Federal Reserve System that the Federal Reserve Bank of New York should be represented by the best counsel obtainable; and I believe that, in view of his previous experience in Federal Reserve litigation, his familiarity with the Federal Reserve System and the special studies he has made of the gold problem as it affects the Federal Reserve banks, Mr. Baker is the best man available.

Respectfully,



Walter Wyatt,
General Counsel.

C O P Y

January 30, 1934.

Honorable Eugene R. Black, Governor,
Federal Reserve Board,
Washington, D. C.

Dear Governor Black:

H. R. 6976, known as the "Gold Reserve Act of 1934" has now passed both Houses and been signed by the President.

At all stages of the discussion of the subject covered by this legislation we have been constantly in touch with the legal questions involved and our views both as to the form the transaction should take and as to the legal questions involved have been reported from time to time to the Federal Reserve Board and to the Governors of the Federal reserve banks. Facing the practical question presented by the passage of the legislation we have been asked to advise whether voluntary compliance with the requirements of the Act as it affects the stock of gold owned or controlled by the Federal Reserve System is safe and wise.

We are of the opinion that the Federal Reserve Board, the Federal reserve banks and the Federal reserve agents can safely comply with the provisions of this legislation as finally enacted and that no reservation or protest is necessary to save whatever rights they have or to fulfill any duty imposed upon them by law, particularly in view of the fact that the transactions are between them and the Government of the United States, which is ultimately responsible for the monetary

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policy of the Nation, for the payment of Federal reserve notes and for the credit and welfare of the Federal Reserve System established by it as an instrumentality for the performance of public functions.

We therefore answer both questions submitted to us in the affirmative.

Respectfully yours,

Walter Wyatt,
General Counsel, Federal Reserve Board.

Newton D. Baker,
Special Counsel for the Federal Reserve
Board and the Federal Reserve System.

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