

The Papers of Eugene Meyer (mss52019)

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Subject File, Federal Reserve Board, General Correspondence, 1933

EUGENE MEYER

SUBJECT FILE

FEDERAL RESERVE BOARD
GENERAL CORRESPONDENCE

1933

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January 16, 1933.

Mr. W. S. Griffin,
Greenville, South Carolina

Dear Mr. Griffin:

I have been out of the city for a few days, and this is the first opportunity I have had to acknowledge the receipt of your letter of January 9, 1933.

I have read with interest the memorandum which accompanied your letter and appreciate your thought in sending it to me. As you indicate, the plan you present would require legislation by the States, and I do not feel that I could undertake to express any opinion concerning it.

Under Section 14 of the Federal Reserve Act, the Federal reserve banks are authorized to purchase warrants issued "in anticipation of the collection of taxes, or in anticipation of the receipt of assured revenues, by any State, county, political subdivision, or municipality in the continental United States", but it does not appear from your statement that the warrants which you propose would come within the terms of this authorization. I enclose for your information in this connection a copy of Regulation E of the Federal Reserve Board regarding the purchase of warrants.

So far as the Reconstruction Finance Corporation is concerned, I assume that Mr. Couch has already advised you as to whether there is any provision in the Act under which that Corporation is operating which would enable it to make advances against warrants of the kind you propose.

Very truly yours,

FILE COPY
Governor

W. S. GRIFFIN
GREENVILLE, SOUTH CAROLINA

January 9, 1932.

Mr. Eugene Meyer, Chairman,
Federal Reserve Board,
Washington, D. C.

Dear Mr. Meyer:

While in Washington recently I discussed briefly with Mr. Harvey Couch a plan for the issuance of "Warrants" or "Certificates" against cotton stored in this State along the lines of the enclosed memorandum. Mr. Couch appeared to think the idea good and asked if I had discussed the matter with you. Finding I had not he called you on the phone and found that you were absent. I waited over a day hoping to see you but you were still away.

I will appreciate your criticism of this plan and if favorable would like to know if these "Warrants" could find lodging with the Federal Reserve or the Reconstruction Finance Corporation in the event any Bank accepting them should desire to so use them, assuming, of course, that the legality of the "Warrants" is established to the satisfaction of the Federal Reserve and or the Reconstruction Finance Corporation.

With kind regards,

Very truly yours,

WSG/b

RECEIVED

W. S. Griffin

JAN 10 1933

OFFICE OF THE GOVERNOR
FEDERAL RESERVE BOARD

MEMORANDUM OF PLAN FOR ASSISTING COTTON FARMERS OF STATE
AND FOR THE HELP OF GENERAL BUSINESS IN THE STATE.

The farmers of this State are now holding on the farm several hundred thousand bales of cotton, some of it carried over from previous crops and a good deal of it from this year's crop. The major portion of this cotton is uninsured and a good deal of it is exposed to weather. At present it is just so much dead capital.

Due to the fact that we have lost about seventy five per cent. of our banks in the past four years a great many sections are without banking facilities. During the past fifteen months in many cases the farmers could not borrow from any of the banks against their cotton and now where loans are obtainable they are having to pay seven to eight per cent. interest and from twenty five to fifty cents per bale for storage and insurance per month.

By the passage of an act of the Legislature authorizing the State of South Carolina to accept cotton in approved warehouses and the appointment of a commission of say three men experienced in the handling of cotton and in whom the people have confidence, cotton to be received on the basis of five cents per pound for middling and storage and insurance arranged for at fifteen to twenty cents per month, these warehouse receipts to be lodged with the State, either in the hands of the commission or in the hands of the State Treasurer, the State to issue therefor "Warrants" or "Certificates" in denominations like money from \$5.00 up, these "Warrants" or "Certificates" to bear 4% interest, retirable at the option of the State within two years, a charge of fifty cents per bale to be paid by the owner of cotton at time it is placed in store to cover costs to State of handling and supervising operation of plan. It could be arranged so that they would pass current in trade with merchants, with State Banks and with National Banks; an outlet, where it is needed, to be arranged either with the Reconstruction Finance Corporation or the Federal Reserve Bank for South Carolina Banks to secure credit against their "Warrants."

It is my opinion that investors would take them since they are practically call money at 4% with the State behind them and secured by middling cotton at five cents per pound. They would be much stronger than any State, County or Municipal Bonds. The extreme liability to the State of South Carolina would be cotton basis middling at five cents per pound plus carrying charges above mentioned. Cotton has only sold at five cents per pound four times in one hundred years; twice between 1840 and 1850, once in 1898 and one in 1931.

This plan would enable the farmer to secure the handling of his cotton at about one-half the cost of present facilities.

#2.

This plan is not confined to farmers. Merchants or Mills or any owner of cotton would have access to the plan. The farmer would now be receiving in the equivalent of money a sum equal to within one cent per pound of what he could now sell his cotton for and permit him to discharge any obligations he may now have on which he is paying a higher rate of interest and at the same time leave him in control of the time in which to sell, whether it be three months, six months, twelve months or two years. If the holders of cotton in the State only took advantage of this plan to the extent of two hundred thousand bales it would mean the equivalent of five million dollars or fifty million dollars of credit and should be very helpful to the owners of cotton since all of them are desirous of holding their cotton at the present low price level, in which they are fully warranted, and at the same time would greatly stimulate business within the State and it is my opinion that if this plan is put through in this State it will be followed by similar action in other cotton states.

While there is not the same stringency of currency that existed in 1907 at which time Clearing House Certificates were generally issued, which were not so good as the issuance of "Warrants" by the State against middling cotton at five cents per pound, there exists today a great stringency of credit and an absolute need for a more flexible currency. In this case the State of South Carolina would be issuing "Warrants" which would pass as money against cotton at five cents per pound whereas the Federal Government issues currency against gold bullion and Federal Reserve notes through trade acceptances for commodities and other eligibles.

This plan is favorably looked upon by some of the best minds and banks in this State as well as in Washington.

This memorandum is a rough draft of the salient features, - details to be worked out carefully in framing the bill.

Very respectfully,

W. A. Gifford

Mr. Harrison

Noted with interest.

Many thanks.

A handwritten signature in dark ink, appearing to be 'J. A. W.' or similar, written in a cursive style.

g ✓ +
W. S. GRIFFIN
GREENVILLE, SOUTH CAROLINA

January 16, 1933.

answered
1/16/33

Mr. Eugene Meyer, Chairman,
Federal Reserve Board,
Washington, D.C.

Dear Mr. Meyer:

Referring to my letter of the
9th. inst. Being desirous of discussing
this plan with the State Legislature
I would appreciate a reply to this letter
from you as soon as you can conveniently
favor me with it.

Yours very truly,

W. S. Griffin

WSG/b

JAN 17 1933

OFFICE OF THE GOVERNOR
FEDERAL RESERVE BOARD

PETER NORBECK, S. DAK., CHAIRMAN
 SMITH W. BROOKHART, IOWA
 PHILLIPS LEE GOLDSBOROUGH, MD.
 JOHN G. TOWNSEND, JR., DEL.
 FREDERIC C. WALCOTT, CONN.
 JOHN J. BLAINE, WIS.
 ROBERT D. CAREY, WYO.
 JAMES E. WATSON, IND.
 JAMES COUZENS, MICH.
 FREDERICK STEIWER, OREG.
 DUNCAN U. FLETCHER, FLA.
 CARTER GLASS, VA.
 ROBERT F. WAGNER, N. Y.
 ALBEN W. BARKLEY, KY.
 ROBERT J. BULKLEY, OHIO
 THOMAS P. GORE, OKLA.
 EDWARD P. COSTIGAN, COLO.
 CORDELL HULL, TENN.
 ROBERT R. REYNOLDS, N. C.

JULIAN W. BLOUNT, CLERK

United States Senate

COMMITTEE ON
BANKING AND CURRENCY

January 16, 1933.

Hon. Eugene Meyer, Governor,
Federal Reserve Board,
Treasury Department,
Washington, D.C.

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My dear Governor:

A sub-committee of the Senate Committee on Banking and Currency will give a hearing on Senate 4550, "A bill to amend section 13 of the Federal Reserve Act by making notes of finance and credit companies subject to discount," introduced by Senator Sheppard of Texas, on Wednesday, January 18th, at eleven o'clock A.M., in the Banking and Currency Committee room, Senate Office Building.

This hearing is being given at the request of Senator Sheppard.

I have before me a letter which you addressed to Senator Norbeck, Chairman of the Committee on Banking and Currency, under date of June 28, 1932, making an adverse report on Senate 4550.

I assume there will be present at this hearing witnesses favoring the passage of this proposed legislation, and it is thought that possibly you might wish to have the Department represented in order that its views on the bill might also be presented.

Very truly yours,

P. L. Goldsborough

P. L. GOLDSBOROUGH,
Chairman of the Sub-committee.

G-M/g

1/17/33

Phoned Sen. G's secretary
that Gov. Meyer, and one or
two men from the Board's staff
would attend the hearing.

J. d. f.

Blaine
Barkley

RECEIVED

JAN 17 1933

OFFICE OF THE GOVERNOR
FEDERAL RESERVE BOARD

January 27, 1933.

Henry Green, Esq.,
1350 Broadway,
New York, N. Y.

Dear Mr. Green:

Thank you for your letter of January 26
enclosing a copy of a letter to you dated January 13
from the Honorable Henry T. Rainey.

The matter referred to in the correspondence
is one that is not within the province of the Federal
reserve system, and, in the circumstances, I do not
feel that I can undertake to comment on or express any
opinion concerning it.

Very truly yours,

Governor

FILE COPY

HENRY GREEN
1350 BROADWAY
NEW YORK

January 26th, 1933.

Hon. Eugene Meyer
U. S. Treasury
Washington, D. C.

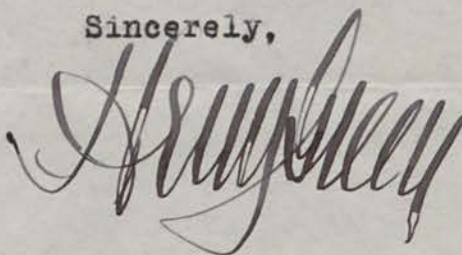
My dear Mr. Meyer:

I am herewith enclosing a copy of letter received from my distinguished friend, the Hon. Henry T. Rainey, the Majority leader of the House, and no doubt who will be the next speaker, which speaks for itself.

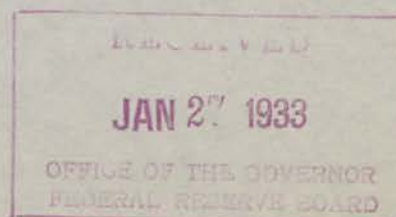
I would greatly appreciate your wisdom and advice as well.

Hoping to hear from you and with kindest personal regards, I am

Sincerely,



HG:AR
ENCL.



HENRY GREEN
1350 BROADWAY
NEW YORK

January 13th, 1933.

C
O
P
Y

Mr. Henry Green
25 Broad St.
New York City

My dear Mr. Green:-

Thank you for your letter. I will be very glad indeed to cooperate with you in every possible way in the matter of recognizing Russia and trading with her. What we need is just such an organization as you suggest.

I know of no one who can handle the proposition as well as you in this matter and I will be glad to cooperate and I hope I may have the pleasure of personally meeting you the next time you come to Washington to discuss the matter. Whenever you come please let me know you are in town and I will look you up.

Very truly yours,

Henry T. Rainey, The Majority
leader of the
House of Congress.

Mr. P. F. Groome,
60 Beaver Street,
New York, N. Y.

Dear Mr. Groome:

Upon my return to the office after a few days' absence, your letter and the accompanying memorandum were brought to my attention.

I appreciate your thought in sending me the memorandum, and I have read it with interest. As you indicate, however, the matter is one that does not fall within the province of the Federal Reserve Board, and I do not feel, in the circumstances, that I can undertake to comment on or express any opinion concerning it.

Very truly yours,

Governor

FILE COPY

P. F. GROOME
60 BEAVER STREET
NEW YORK CITY

CABLE ADDRESS:
GROOME-NEW YORK

TELEPHONE
BOWLING GREEN 8847

January 30, 1933

PERSONAL

Honorable Eugene Meyer,
Federal Reserve Bank,
Washington, D. C.

Re: FARM RELIEF

Sir:

I take the liberty of addressing you on a subject of mutual and national interest. Recalling very vividly a conference we had some years ago on this subject in the office of Mr. Griscom, Bankers Trust Company Building, New York, when you were Chairman of the War Trade Finance Corporation, at which time our minds were working along the same line.

I have studied very carefully all the so-called Farm Relief schemes set forth by prolific economic writers and farmer politicians and my reason for being skeptical is that, not one of these schemes so far proposed contains a line promoting distribution, consumption, new usages or new markets for cotton and/or wheat. Every one of these proposed plans will actually decrease consumption and add to our present unwieldy surpluses. Furthermore, in order to put them into action they require a huge administration staff.

I am enclosing a synopsis of a plan I have worked out, (and which I have with-held owing to the activities of the Farm Board). If your reaction is favorable I would appreciate an interview so that I might explain it more fully.

I realize that farm relief is foreign to your present office, but the farmers buying power is so closely interwoven with our national financial structure that they must be considered together.

Yours very truly,

P. F. Groome

JAN 31 1933

OPEN
FEB 1 1933

EMERGENCY FARM RELIEF

The theory underlying my proposed plan, boiled down, is simply this:

In 1929, the cotton and wheat marketing machinery was stopped on dead-center causing stoppage of all traffic while carrying huge unliquidated surplus stocks. This stoppage on dead-center was caused by artificial government interference (Federal Farm Boards' noble experiment of price-fixing and stabilization). In order to get this delicate piece of marketing machinery off dead-center and moving again in a normal way, it will be necessary to restore trade confidence without graft or setting up governmental machinery.

Leverage in the way of Federal credit must be applied technically at the critical points to pry loose these two major commodities, cotton and wheat, move them right through the usual chain into consumption wherever there is a potential consumer by extending long-term commodity credits to the domestic and foreign processor. This plan is not in any sense an experiment. It is simply a credit risk which will be safeguarded with the usual trade conditions.

As soon as the pressure has been removed from surplus stocks of cotton and wheat by passing same into consumption, frozen commodity capital will be released, people will be put to gainful work, and other farm products as well as the security markets will quickly reflect.

This plan purposely does not suggest any control of acreage or products to be produced, because no business can succeed on a constantly shrinking and entrenching policy. Progress means growth and growth means expansion.

P. G. Rooney

January 31, 1933.

Mr. P. F. Groome,
60 Beaver Street,
New York, N. Y.

Dear Mr. Groome:

In the absence of Governor Meyer, permit me
to acknowledge the receipt of your letter of January 30,
which I shall bring to the Governor's attention upon his
return to the office.

Very truly yours,

Secretary to the Governor

FILE COPY

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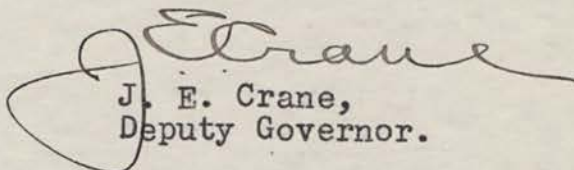
FEDERAL RESERVE BANK
OF NEW YORK

March 15, 1933.

Dear Governor Meyer:

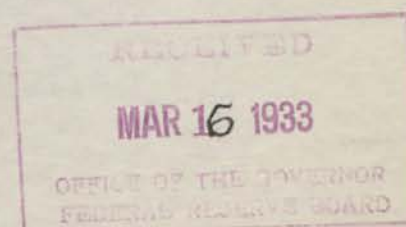
We take pleasure in enclosing herewith for your information copy of a wire which we have sent to the Governors of the other Federal reserve banks today regarding steps which we have taken to carry out the control of foreign exchange transactions in this district as contemplated by the Executive Order of March 10, 1933.

Very truly yours,


J. E. Crane,
Deputy Governor.

Honorable Eugene Meyer,
Governor, Federal Reserve Board,
Washington, D. C.

Copy to: Mr. Miller, Mr. Hamlin, Mr. James
Mr. Morrill, Mr. Wyatt, Mr. Smead
Enc. Mr. Goldenweiser



March 15, 1932.

TO GOVERNORS OF THE OTHER FEDERAL RESERVE BANKS

Referring to our wire of March 12 regarding the control of foreign exchange transactions we are now receiving daily reports from the banks and bankers, stock exchange houses and exporters in this district who carry their own accounts abroad or who carry accounts here on their books for foreigners. These reports when received are divided into three main groups: (1) banks and bankers, (2) stock exchange houses, and (3) exporters. The figures on the individual reports in each group are being consolidated daily upon the same five forms which are used for individual reports and of which we have sent you copies. The figures from these three main groups are in turn consolidated upon the same five forms to show aggregates of all reports received. We shall send daily to the Secretary of the Treasury and the Federal Reserve Board copies of consolidated reports both for groups and totals of groups. We are sending you by mail samples of the loose leaf ledger sheets which we use to consolidate the figures. If you decide to follow a procedure similar to the one outlined in this wire we should appreciate it if you would send us copies of the reports which you send to Washington. In addition to the consolidation of the figures from individual reports as described above we are arranging to have the individual reports examined as they come in by men experienced in foreign exchange with a view to checking up the operations described in the reports. That is one of the steps which we are taking to keep currently informed of transactions in foreign exchange in this district in order that we may report to the Secretary of the Treasury and the Federal Reserve Board any

transactions in foreign exchange which are prohibited. Another step which we have taken to carry out the instructions in the Executive Order of March 10, 1933 is the formation of a committee representing the principal banks and bankers in New York, this committee acting as a point of contact with us and a clearing house for the exchange of information between this bank and the principal dealers in foreign exchange.

CRANE

COPY

DAVIS POLK WARDWELL GARDINER & REED

15 Broad Street
New York

March 17, 1933.

Personal: Urgent.

Walter Wyatt, Esq.,
General Counsel,
Federal Reserve Board,
Washington, D. C.

Dear Walter:

The Federal Reserve Bank has advised me that there are a number of foreign obligations shortly falling due in New York payable in gold dollars of the usual weight and fineness. Foreign obligors are prepared to import or release from earmark the necessary gold, but under the present Regulations any bank designated as paying agent is unable to pay out such gold. While a foreign exchange transaction, nevertheless, it is the reverse of any flight of capital. So I replied, saying that the situation could be readily handled by the Treasury licensing a designated bank to pay out such gold as paying agent.

But the question raises a much more fundamental problem and one which will become acute shortly. There are about to mature in New York and elsewhere throughout the country a number of domestic obligations, individual and corporate, which contain the usual gold clause. The problem is to devise a means which will relieve the obligor from the requirement of paying gold.

It is the considered opinion here that any Federal legislation, and certainly any Treasury Regulation, which undertakes to permit an obligor to discharge the obligation by payment of lawful money in lieu of gold would present very grave, if not insurmountable, constitutional difficulties, and I feel that any attempt to solve the problem from this approach is futile. But if the problem is considered from the standpoint of the remedy as distinguished from the right, we believe the problem can be successfully met.

You tell me that the Treasury is now engaged in drawing Regulations requiring everyone who now possesses or may hereafter receive gold to turn in such gold to the Federal Reserve Banks and receive in exchange therefor lawful currency in an equivalent amount. Such Regulations undoubtedly are authorized under the present emergency legislation. If drawn with the problem which I have raised in mind, these anti-hoarding Regulations will, I believe, solve the problem.

Suppose an obligation payable in gold falls due on March 25th. The obligor tenders lawful money. The obligee may accept, in which event he waives the gold clause, or he may reject as not being in conformity with the contract. If the latter occurs, his remedy lies in Court action. We do not believe that under such circumstances he may sue in equity for specific performance on account of the nature of the contract. Therefore, he must have resort to an action at law for damages and his damages, if any, will be the

difference between the current value of the gold called for and the currency tendered. Let us assume that the currency is at a discount abroad in terms of gold. We do not believe that the defense of impossibility of performance will necessarily stand, for it is still possible to obtain gold, such as, for instance, through a legitimate export transaction followed by the importation of the proceeds in gold. But on the score of damages, with the Treasury Regulations in contemplation in effect, if the obligor had tendered gold in full compliance with the contract, the obligee on the receipt of such gold would under the Regulations be required immediately to turn it into the Federal Reserve Bank and would under such Regulations have received in payment therefor precisely that which the obligor tendered on maturity. Under these circumstances, the obligee has sustained no damage and the infraction of the contract is dammum absque injuria.

The Courts, we believe, will be very friendly under the emergency existing. Given any opportunity, they will strive to reach a result obviously in accord with national needs. Under the plan suggested we believe that there is little or no doubt that the Courts would find no damages sustained. I have discussed the matter with Mr. Davis and my other partners and all concur.

But the Treasury Regulations should be drawn carefully with a view of the end in view. Mr. Crane tells me that a number of foreign banks legitimately carry on deposit here in New York sizable amounts of gold which were not earmarked prior to March 6th, and that some provision must be made in the Regulations for the retention of gold for legitimate needs under Treasury license. Then, of course, there is the question of gold needed in the arts, which, presumably, will be covered by license. But if a system of licenses is adopted, the Regulations, it seems to me, must contain a categorical provision that no license will be issued where the sole requirement for the gold is to meet a current maturing obligation. Otherwise, a recalcitrant obligee bringing suit might assert that if tendered the gold he might continue to hold it under license or even export it under license, thus undermining the obligor's defense of no damage. The success of the plans turns directly upon imposing an unqualified and unqualifiable obligation upon the creditor forthwith to deliver any gold on receipt to the Federal Reserve Banks.

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The details are, of course, a matter for you and the Treasury to work out. I only raise the point in order to urge you to consider the pending Regulations from the standpoint of our problem as well as from the standpoint of the anti-hoarding needs. The problem is nationwide, for obligations of all kinds and varieties payable in gold will come due during the period of the emergency.

Unless a plan is devised to meet the problem before it becomes acute, great confusion is bound to result.

Governor Harrison has considered and approves the plan.

Very truly yours,

(signed) Montgomery B. Angell.

*Mr. Angell's draft with
changes made at Bd. Mtg
3/14/33 incorporated therein.* March 12, 1933
Treasury Department

Washington, D. C., March _____, 1933.

REGULATIONS GOVERNING FOREIGN EXCHANGE TRANSACTIONS

Under authority contained in the Proclamation of the President dated March 6, 1933, as extended by the Proclamation dated March 9, 1933, and the authority contained in the Executive Order of March 10, 1933, the Secretary of the Treasury, with the approval of the President, issues the following regulations governing transactions in foreign exchange.

1. All transactions in foreign exchange, transfers of credit in any form (other than credits relating solely to transactions to be executed wholly within the United States) and transfers of evidences of indebtedness between the United States and any foreign country are hereby prohibited, except such transactions or transfers as may be undertaken -

- (a) For legitimate and normal business requirements;
- (b) For reasonable traveling and personal requirements; and
- (c) For the fulfillment of contracts entered into prior to March 6, 1933.

2. Each Federal reserve bank is hereby authorized to regulate, supervise and control all foreign exchange transactions within its district. In carrying out such regulation and supervision, each Federal reserve bank shall be governed by these regulations and the purpose of the limitations imposed above upon foreign exchange transactions.

3. The several Federal Reserve Banks shall establish an appropriate procedure for the purpose of accomplishing substantial uniformity in carrying out these regulations.

4. Each Federal reserve bank may require regular or special reports from any or all dealers in foreign exchange carrying on foreign exchange transactions within its district, which reports shall show the position of such dealer at any given time.

5. Each Federal reserve bank shall assemble all such reports received from dealers in foreign exchange within its district and shall transmit such reports to the Federal Reserve Bank of New York, which bank shall tabulate such reports and submit such tabulations to the Secretary of the Treasury.

6. If any violation of the requirements of the executive order of March 10, 1933, in respect of foreign exchange transactions, or of these regulations, shall come to the attention of any Federal reserve bank, such Federal reserve bank may notify the dealer involved of the alleged violation and shall immediately make a report of such violation to the Secretary of the Treasury, forwarding such information and suggestions as it may deem advisable, and shall in addition make a formal recommendation

as to whether or not such dealer in foreign exchange shall be permitted to engage in any further foreign exchange transactions. Upon the receipt of such report, the Secretary of the Treasury shall consider the alleged violation, and, depending upon the nature of the violation, the Secretary of the Treasury may, within his discretion, (1) prohibit the dealer from engaging in any further foreign exchange transactions, (2) require that the dealer shall not thereafter engage in any foreign exchange transaction unless in each instance he shall have first informed the Federal reserve bank of the nature of the transaction and shall have received the approval of such Federal reserve bank, or (3) otherwise limit transactions in foreign exchange by such dealer.

7. The Federal Reserve Bank of New York shall transmit to the Federal Reserve Board for its information copies of all tabulations of reports submitted to the Secretary of the Treasury pursuant to the requirements of paragraph 5 of these regulations; and each Federal reserve bank shall transmit to the Federal Reserve Board for its information copies of all reports made by such bank to the Secretary of the Treasury pursuant to the requirements of paragraph 6 of these regulations.

8. The word "person" in these regulations means any individual, partnership, association or corporation; a "dealer in foreign exchange" means any person engaged primarily or incidentally in the business (1) of buying, selling or dealing in foreign exchange, or (2) or buying, selling or dealing in securities for or through foreign correspondents.

or (3) any person who carries accounts or securities with or for foreign correspondents; and the term "foreign exchange" means checks, drafts, bills of exchange, cable transfers, or any form of negotiable or assignable instrument, or order used (a) to transfer credit or to order the payment of funds in any foreign country, or (b) to transfer credit or to order the payment of funds within the United States for foreign account.

9. Whoever willfully violates any provision of these regulations is subject, upon conviction, to a fine of not more than \$10,000, or, if a natural person, may be imprisoned for not more than ten years, or both; and any officer, director or agent of any corporation who knowingly participates in such violation may be punished by a like fine, imprisonment, or both.

W. H. Woodin

Secretary of the Treasury

Approved:

President of the United States.

*Mr. Angel's final
Draft of 3/14/33*

March 11, 1933

Treasury Department

Washington, D.C., March _____, 1933.

REGULATIONS GOVERNING FOREIGN EXCHANGE TRANSACTIONS.

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1. All transactions in foreign exchange, transfers of credit in any form (other than credits relating solely to transactions to be executed wholly within the United States) and transfers of evidences of indebtedness between the United States and any foreign country are hereby prohibited, except such transactions or transfers as may be undertaken -

- (a) For legitimate and normal business requirements;
- (b) For reasonable traveling and personal requirements; and
- (c) For the fulfillment of contracts entered into prior to March 6, 1933.

2. Each Federal reserve bank is hereby authorized to regulate, supervise and control all foreign exchange transactions within its district. In carrying out such regulation and supervision, each Federal reserve bank shall be governed by these regulations and the purpose of the limitations imposed above upon foreign exchange transactions.

3. The several Federal Reserve Banks shall establish an appropriate procedure for the purpose of accomplishing substantial uniformity in carrying out these regulations.

4. Each Federal reserve bank may require regular or special reports from any or all dealers in foreign exchange carrying on foreign exchange transactions within its district, which report shall show the position of such dealer at any given time.

5. Each Federal reserve bank shall assemble all such reports received from dealers in foreign exchange within its district and shall transmit such reports to the Federal Reserve Bank of New York, which bank shall tabulate such reports and submit such tabulations to the Federal Reserve Board in Washington.

6. If any violation of the requirements of the executive order of March 10, 1933, in respect of foreign exchange transactions, or of these regulations, shall come to the attention of any Federal reserve bank, such Federal reserve bank notify the dealer involved of the alleged violation, and shall immediately make a report of such violation to the Federal Reserve Board in Washington, forwarding such information and suggestions as it may deem advisable, and shall in addition make a formal recommendation

as to whether or not such dealer in foreign exchange shall be permitted to engage in any further foreign exchange transactions. Upon the receipt of such report, the Federal Reserve Board shall consider the alleged violation, and, depending upon the nature of the violation, it may within its discretion, with the approval of the Secretary of the Treasury, prohibit the dealer from engaging in any further foreign exchange transactions, or it may require that the dealer shall not thereafter engage in any foreign exchange transaction unless in each instance he shall have first informed the Federal reserve bank of the nature of the transaction and shall have received the approval of such Federal reserve bank.

7. The word "person" in these regulations means any individual, partnership, association or corporation; a "dealer in foreign exchange" means any person engaged primarily or incidentally in the business (1) of buying, selling or dealing in foreign exchange, or (2) of buying, selling or dealing in securities for or through foreign correspondents, or (3) any person who carries accounts or securities with or for foreign correspondents; and the term "foreign exchange" means checks, drafts, bills of exchange, cable transfers, or any form of negotiable or assignable instrument, or order used (a) to transfer credit or to order the payment of funds in any foreign country, or (b) to transfer credit or to order the payment of funds within the United States for foreign account.

8. Whoever willfully violates any provision of this regulation is subject, upon conviction, to a fine of not more than \$10,000, or, if a natural person, may be imprisoned for not more than ten years, or both; and any officer, director or agent of any corporation who knowingly participates in such violation may be punished by a like fine, imprisonment, or both.

W. H. Woodin

Secretary of the Treasury

Approved:

President of the United States

TREASURY REGULATIONS GOVERNING FOREIGN EXCHANGE TRANSACTIONS.

Under authority contained in the proclamation of the President dated March 6, 1933, as extended by the proclamation dated March 9, 1933, and the authority contained in the executive order of March 10, 1933, the Secretary of the Treasury, with the approval of the President, issues the following regulations governing transactions in foreign exchange.

1. All transactions in foreign exchange, the transfers of credit in any form (other than credits relating solely to transactions to be executed wholly within the United States) and transfers of evidences of indebtedness between the United States and any foreign country are hereby prohibited, except transactions in transfers conducted in conformity with these regulations.

2. The following transactions in foreign exchange may be engaged in: (a) When in connection with and undertaken for legitimate or normal business requirements; (b) for reasonable traveling and other personal requirements, and (c) for the fulfilment of contracts entered into prior to March 6, 1933.

3. Each Federal reserve bank is hereby authorized to regulate, supervise and control all foreign exchange transactions within its respective district. In carrying out such regulation and supervision, each Federal reserve bank shall be governed by the limitations imposed above upon foreign exchange transactions.

4. In case any Federal reserve bank shall be in doubt as to whether a particular transaction comes within the rules so prescribed by the Secretary of the Treasury, such Federal reserve bank shall advise and consult with the Federal Reserve Bank of New York with a view of accomplishing substantial uniformity in carrying out these regulations.

5. Each Federal reserve bank shall obtain daily (or weekly) written reports from all dealers in foreign exchange carrying on foreign exchange transactions within its district, which report shall show the condition of such dealer at any given time.

6. Each Federal reserve bank shall assemble all such reports received from dealers in foreign exchange within its district and shall transmit such reports to the Federal Reserve Bank of New York, which bank shall tabulate such reports and submit such tabulation to the Federal Reserve Board in Washington.

7. If any violation of the executive order of March 10, 1933 or of these regulations shall come to the attention of any Federal reserve bank, such Federal reserve bank shall immediately notify the dealer involved of the alleged violation and shall immediately make a report of such violation to the Federal Reserve Board in Washington, together with such information and suggestions as it may deem advisable and shall in addition, make a formal recommendation

as to whether or not such dealer in foreign exchange shall be permitted to engage in any further foreign exchange transactions. Upon the receipt of such report, the Federal Reserve Board shall consider the alleged violation, and, depending upon the nature of the violation, it may within its discretion, with the approval of the Secretary of the Treasury, prohibit the dealers from engaging in any further foreign exchange transactions or it may require that the dealer shall, before engaging in any foreign exchange transactions, first obtain from the Federal Reserve Board a license so to do, or it may require that the dealer shall not thereafter engage in any foreign exchange transaction unless he shall have first submitted the nature of the transaction to the Federal reserve bank and shall have received the approval of such Federal reserve bank.

8. Where, following a violation a license is refused, the dealer involved shall not thereafter engage in any foreign exchange transactions. Where a license is issued the Federal Reserve Board, with the approval of the Secretary of the Treasury, may make it a condition of the license that the dealer involved may engage in foreign exchange only on the condition that in each instance he shall have first submitted the nature of the transaction to the Federal reserve bank in his district and shall have received the approval of such bank.

9. The word "person" in these regulations means any individual, partnership, association or corporation; a "dealer in foreign exchange" means any person engaged primarily or incidentally in the business (1) of buying, selling or dealing in foreign exchange, or (2) of buying, selling or dealing in securities for or through foreign correspondents, or (3) any person who carries accounts or securities with or for foreign correspondents; and the term "foreign exchange" means checks, drafts, bills of exchange, cable transfers, or any form of negotiable or assignable instrument, or order used (a) to transfer credit or to order the payment of funds in any foreign country, or (b) to transfer credit or to order the payment of funds within the United States for foreign account.

C O P Y

(Confidential - Tentative draft as revised by Treasury Department, March 17, 1933)

Treasury Department
Washington, D. C.

ORDER REQUIRING RETURN OF GOLD

Pursuant to the power conferred upon me by subsection (n) of Section 11 of the Federal Reserve Act, as amended by Section 3 of the Act "To provide relief in the existing national emergency in banking, and for other purposes", approved March 9, 1933, and finding this action necessary to protect the currency system of the United States, I, W. H. Woodin, Secretary of the Treasury, do hereby require all individuals, partnerships, associations and corporations owning any gold coin, gold bullion or gold certificates, held within the United States of America, including its territories and insular possessions, forthwith to pay and deliver to the Treasurer of the United States, or to a Federal reserve bank as fiscal agent of the United States, all such gold coin, gold bullion and gold certificates. Upon receipt of such gold coin, gold bullion or gold certificates, the Secretary of the Treasury, or such Federal reserve bank, will pay therefor an equivalent amount of any other form of coin or currency coined or issued under the laws of the United States.

The payment and delivery of such gold coin, gold bullion and gold certificates may be effected (other than by member banks of the Federal Reserve System) by delivery thereof to a bank which is a member of the Federal Reserve System. Such bank shall pay therefor an equivalent amount of any other form of coin or currency coined or

Draft of March 17, 1933
3 P. M.

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issued under the laws of the United States, and shall thereupon deliver such gold coin, gold bullion and gold certificates to the Treasurer of the United States or to the Federal reserve bank in its district and receive credit or payment therefor.

In any case where the location of such gold coin, gold bullion or gold certificates is such that delivery thereof to the Treasurer of the United States or to a Federal reserve bank or to a bank which is a member of the Federal Reserve System cannot reasonably be made within the time specified below, delivery may be made to a United States Custom Office or Post Office. Such Custom Office or Post Office will pay therefor an equivalent amount of any other form of coin or currency coined or issued under the laws of the United States, and shall thereupon deliver such gold coin, gold bullion and gold certificates to the Treasurer of the United States or to a Federal reserve bank and receive payment therefor.

Member banks shall deliver all gold coin, gold bullion and gold certificates owned by them to the Treasurer of the United States or to the Federal reserve bank in their respective districts and receive credit or payment therefor.

The Secretary of the Treasury will pay all reasonable costs of transportation of such gold coin, gold bullion or gold certificates, including the cost of insurance, protection, and such other incidental costs as may be reasonably necessary, upon production of satisfactory evidence of such costs. Forms of voucher for this purpose may be procured from Federal reserve banks.

Draft of March 17, 1933
3 P. M.

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Any individual, partnership, association or corporation owning such gold coin, gold bullion or gold certificates prior to March 28, 1933, and failing to comply with the above requirements before 3 P. M., Eastern Standard Time, March 31, 1933, shall be subject to a penalty equal to twice the value of the gold coin, gold bullion and gold certificates in respect of which such failure occurred.

Any individual, partnership, association or corporation becoming the owner of any such gold coin, gold bullion or gold certificates on or after March 28, 1933, shall be subject to a like penalty if delivery thereof is not made as above provided not later than three days after such individual, partnership, association or corporation became the owner thereof.

In cases where the delivery of gold coin, gold bullion or gold certificates by the owners thereof within the time set forth above will involve extraordinary hardship, the Secretary of the Treasury may, in his discretion, extend the time within which such delivery must be made. Applications for such extensions must be made in writing under oath, addressed to the Secretary of the Treasury and filed with a Federal Reserve Bank within the time set forth above. Such applications must state the date to which the extension is desired, the amount and location of the gold coin, gold bullion and gold certificates in respect of which such application is made and the facts showing extension to be necessary to avoid extraordinary hardship. The penalties above provided shall not apply to any owner of gold coin, gold bullion or gold certificates between the time

of filing such an application and three days after such owner is notified of the denial thereof, unless the Secretary of the Treasury shall find that such application was not filed in good faith.

The provisions of this order shall not apply to (1) gold prior to refining and stocks of gold in reasonable amounts for the usual trade requirements of owners mining and refining such gold; (2) gold coins having a recognized special value to collectors of rare and unusual coins; (3) such amount of gold as may be reasonably required for legitimate and customary use in trade, profession or art; (4) gold coins and gold certificates in an amount not exceeding in the aggregate \$100.00 belonging to any one person; (5) gold authorized by the Secretary of the Treasury to be exported from the United States; (6) gold between such time as application for export thereof from the United States is filed with the Secretary of the Treasury and three days after the applicant is notified of the denial of such application; (7) gold imported into the United States for the purpose of being refined, provided such gold is exported or used in trade, profession or art within a reasonable time after the refining thereof; or (8) gold coin, gold bullion or gold certificates which were owned by a recognized foreign government or foreign central bank prior to March 6, 1933.

This order shall continue in effect until further order by the Secretary of the Treasury.

Secretary of the Treasury.

Charles

March 21, 1933.

MEMORANDUM

Governor Clyde Herring of Iowa rang up from Des Moines about six o'clock this evening and wanted to talk with Governor Meyer. As Governor Meyer had just left the office, Governor Herring, whom I have known for many years, talked with me. The Governor said the people in Des Moines would like to have a branch of the Federal Reserve Bank of Chicago established there. I told the Governor that I would tell Governor Meyer and the Board about his call.

F. R. H.
[Signature]

For CIRCULATION: _____

Mr. Hamlin ☒ _____
Mr. James ☒ _____
~~Mr. [unclear]~~ _____
Mr. Miller ☒ _____
~~Mr. [unclear]~~ _____
Mr. Harrison ☒ _____
Mr. Merrill ☒ _____
Mr. McClelland ☒ _____
Mr. Wyatt ☒ _____
Mr. _____
Mr. _____

Please note ~~initial~~
and return to GOVERNOR.

Checking copy

A meeting of the Executive Committee of the Federal Reserve Board was held in Washington on Thursday, March 30, 1933, at 10:30 a.m.

PRESENT: Mr. Meyer, Governor
Mr. Hamlin
Mr. Miller
Mr. James

Mr. Morrill, Secretary
Mr. McClelland, Assistant Secretary
Mr. Harrison, Assistant to the Governor
Mr. Wyatt, General Counsel
Mr. Paulger, Chief, Division of Examinations

ALSO PRESENT: Mr. C. R. McKay, Deputy Governor, Federal Reserve Bank of Chicago

Governor Meyer stated that the Chairman of the Board had been advised of this meeting, but that he was not expected to return to his office until after 12:30 p.m.

He then referred to the investigation made by one of the Board's examiners in connection with certain irregularities in the Fiscal Agency Department of the Federal Reserve Bank of Chicago. He requested Mr. McKay to review, for the information of the members present, the history of his association with the Federal Reserve Bank of Chicago and his present duties at the bank, and to make a statement to the committee with regard to the subscriptions through the fiscal agency department to issues of Government securities by officers, employees, and directors of the bank, the classification of such subscriptions and the allotment of securities thereunder. A ~~complete verbatim~~ ^{transcript} stenographic record of Mr. McKay's statement, and the replies made by him to questions asked by members of the Board and its staff, with regard to various matters covered in the report of the investigation above referred to, will be found in the Board's files. At the conclusion of Mr. McKay's testimony, it was stated that the transcript ~~thereof~~ ^{that he} will be in the hands of the Board tomorrow morning, and ~~he was requested to remain in Washington for~~ ^{will tomorrow}

As he asked permission to review his statement in order that he might correct any errors, it was suggested

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~~the purpose of making any necessary corrections in the testimony.~~

Before leaving the meeting, Mr. McKay stated that Mr. McDougal, Governor of the Federal Reserve Bank of Chicago, is showing some improvement but is still too ill to be at the bank.

The Committee then considered and acted upon the following matters:

Letter to Mr. Stevens, Federal Reserve Agent at Chicago, referring to the Board's letter of January 13, 1933, in which the agent was advised that the Board had no objection to his waiting an additional period of 60 days before submitting a recommendation for the appointment of a receiver for the City National Bank, Lansing, Michigan, which was absorbed by the Capital National Bank of Lansing on December 26, 1931, and stating that as it now appears that the Capital National Bank was placed in charge of a conservator on March 23, 1933, and, as the period of 60 days referred to above has expired, it is suggested that the agent submit a further report with respect to the probability of the City National Bank going into voluntary liquidation in the near future, together with such recommendation as he may desire to make as to the appointment of a receiver for the institution.

Approved.

Telegram to Mr. Stevens, Federal Reserve Agent at Chicago, replying to Assistant Federal Reserve Agent Young's letter of March 28, 1933, with regard to the application of the St. Joseph Loan and Trust Company, South Bend, Indiana, for permission to withdraw immediately from membership in the Federal Reserve System. The reply stated that the Board waives the usual requirement of six months' notice and that, accordingly, upon surrender of the Federal reserve bank stock issued to the trust company the Federal Reserve Bank of Chicago is authorized to cancel such stock and make a refund thereon.

Approved.

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other provisions of the Federal Reserve Act, and to the Act of March 24, 1933, providing for loans by Federal reserve banks to nonmember State banks and trust companies on the security of eligible or ineligible paper. The reply further stated that the security accepted by the Reconstruction Finance Corporation for loans which it has made both to member and nonmember banks has not been confined to paper which would be eligible for discount by Federal reserve banks, and that the question whether the Federal Reserve Act should be amended so that paper eligible for discount may include finance company and other similar paper is a matter of legislative policy for Congress to decide.

Approved.

Telegraphic reply to a telegram dated March 30, 1933, from Deputy Governor Rounds of the Federal Reserve Bank of New York, requesting authority to purchase from the First National Bank, Elmsford, New York, \$15,000 of tax notes of the Village of Elmsford. The reply stated that the Board authorizes the purchase with the understanding that the notes meet all requirements of Regulation E except that the population of the issuing municipality is less than 10,000, the amount of the notes offered exceeds 25% of the total outstanding warrants of the municipality, and one of the notes offered, in the amount of \$5,000, becomes due and payable before the ^{final} date on which taxes can be paid without penalty.

Approved.

Mr. Morrill stated that Under Secretary of the Treasury Ballantine had advised him that he is very anxious to learn ~~of~~ the Board's views with regard to the change^s submitted by him at the meeting yesterday in the proposed executive order prohibiting the hoarding of gold, and it was

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suggested that a meeting be held this afternoon for the purpose of giving further consideration to the order.

Accordingly, the meeting recessed and reconvened at 3:00 p.m., there being present the appointive members of the Board, Messrs. Morrill, McClelland, Harrison, Wyatt, Smead and Goldenweiser of the Board's staff, and Under Secretary of the Treasury Ballantine.

There was a resumption of the discussion with regard to the effect of the substitution for paragraphs (c), (d), and (e) in Section 2 of the form of executive order recommended by the Board on March 25, 1933 of the paragraph suggested by the Attorney General and presented by Mr. Ballantine at the meeting yesterday. It was pointed out that the substitute would require the issuance by the Secretary of the Treasury of licenses for all transactions referred to therein, including the holding under earmark of gold which was earmarked or held in trust prior to March 6, 1933, the date on which the Proclamation of the President of the United States, declaring a bank holiday, was issued, ~~whereas the form of order approved by the Board would not require such licenses.~~ During the course of the discussion, Mr. Miller suggested that the purposes sought to be accomplished by the change proposed by the Attorney General might be achieved in a more satisfactory manner by eliminating paragraph 2(e) from the form of order as recommended by the Board; by transposing paragraphs 2(d) and 2(c); and at the same time changing the latter to read as follows:

"Gold coin and bullion licensed for other legitimate transactions (not involving hoarding), including gold coin and bullion imported for reexport or held pending action on applications for export licenses"

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with a corresponding change in section 8 of the order, so as to contain a reference to paragraphs (a), (c) and (d) of Section 2. It was pointed out by Mr. Miller that this change would make available gold coin and bullion for legitimate transactions, both foreign and domestic, and would exempt from the requirement of a license earmarked gold coin and bullion held in this country on March 6, 1933, for recognized foreign governments, foreign central banks, or the Bank for International Settlements. During the discussion Mr. Ballantine left the room to talk over the telephone with Deputy Governor Burgess of the Federal Reserve Bank of New York and upon his return stated that Mr. Burgess had advised him that while the New York bank prefers the form of order as approved by the Board, it feels that the change suggested by the Attorney General is workable and would permit the delivery of gold to meet obligations payable in gold; also, that there is no strong objection to requiring a license covering gold now held under earmark in this country.

Mr. Ballantine also stated that the Attorney General feels that a form of order which ^{while much ~~preferred~~ specifically for licenses for the delivery of} ~~would not direct gold payments but~~ would permit ^{gold} ~~such~~ payments would be acceptable to him; that the Secretary of the Treasury is of the opinion that the President would accept the order in such form, and he agreed that, while Mr. Miller's suggestion perhaps ^{meeting} ^{payments} ^{upon} ^{continuous} ^{calls for} ^{gold,} meets these requirements in a better way than the change suggested by the Attorney General, the former makes no change in substance except that it does not require the licensing of gold held under earmark at the present time, and that in view of the expression of opinion from the Federal Reserve Bank of New York that this does not appear to be an important factor, he would like to follow the Attorney General's suggestion.

be broad enough to

the minimum of such license,

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It was expressed as the opinion of the members of the Board present that the exception from the requirement of licenses of gold now held under earmark is a very important consideration as it clearly demonstrates that it is the intention of the order to preserve the sanctity of obligations entered into before the holiday and leaves no doubt as to the validity and status of earmark transactions entered into before that date. It was the consensus that the form of order suggested by Mr. Miller should be submitted to the Attorney General for his consideration.

Attention was called to the assurance that was given privately, by the Federal Reserve Bank of New York under authority of the Secretary of the Treasury, shortly after the bank holiday was declared, to foreign central banks having earmarked gold in this market, and the Bank for International Settlements, that the export of such gold would be freely licensed, and it was ^{provided out} stated that the executive order in the form suggested by Mr. Miller would amount to a public statement of that assurance, which would not be the case should the order be approved in the form suggested by the Attorney General.

In a discussion as to the licensing of gold earmarked in the future, Mr. Ballantine stated that he thought the President feels that such transactions should be licensed, but that after the license is once issued and the gold earmarked, it should be at the unlimited disposal of the institution for whose account earmarked.

Mr. Ballantine also stated that Mr. Burgess had suggested that in the light of the proposed changes in section 2, section 3 does not make clear that the licensing of gold in the hands of the payor does not permit the retention of the gold in the hands of the payee. The matter was

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discussed briefly and Mr. Wyatt was requested to prepare a revision of section 3 to cover the point.

At this point Mr. Ballantine left the meeting.

At the request of Mr. James, Mr. Goldenweiser stated for the record that during conversations (previously reported to the members of the Board by Mr. Morrill) in which he had participated with Deputy Governor Burgess of the Federal Reserve Bank of New York and Under Secretary of the Treasury Ballantine, at one time, and Assistant Secretary of the Treasury Douglas, at another, Mr. Burgess had stated that he and Governor Harrison feel strongly that no licenses should be granted for the export of gold until some arrangement has been made with the Bank of England as to the course of action which England will pursue regarding the stabilization of the pound and that such an arrangement might possibly be made some time this week. Mr. Goldenweiser made it clear that the statement by Mr. Burgess was intended to apply only to gold earmarked in the future and not to gold now held under earmark. He stated that he had disagreed with Mr. Burgess' statement, and he suggested that the Board consider the advisability of recommending to the Secretary of the Treasury that licenses for the export of gold in legitimate transactions be granted very freely.

Mr. James stated that, in his opinion, the injection of an international question, as suggested by Mr. Burgess, into an endeavor to stop the hoarding of gold in the United States, at least entitles the Board to an explanation as to why the officers of the New York bank should assume the responsibility for such ^{an attitude} ~~action~~, especially before consulting the Board with regard to the matter.

Mr. Goldenweiser stated that he feels strongly that the issuance of the proposed order is an emergency matter, which has nothing to do with the international gold standard, and that this situation cannot properly be used as a lever in connection with the international situation.

The members of the Board appeared to agree with Mr. Goldenweiser's statement, and there was further discussion of the matter, but no action was taken.

Mr. Morrill stated that Mr. Stevens, Federal Reserve Agent at Chicago, had called him on the telephone today and advised that the conservators and attorneys of two Michigan banks, together with the Superintendent of Banks of Michigan, had presented to ^{Mr. Stevens} him a plan for reorganizing the two banks which apparently involves what appears to ^{him} Mr. Stevens to be an important question of future policy as to whether banks in Michigan reorganized in accordance with the plan will be permitted to continue as members of the Federal Reserve System; that the representatives of the banks are considering coming to Washington to present the situation to the Board; and that Mr. Stevens is writing the Board about the matter. Mr. Morrill also stated that he had advised Mr. Stevens that he would present the matter to the Board but that he did not think the Board would want to commit itself in any way until ^{the facts had been laid before the Board with a recommendation from Mr. Stevens, in a case requiring immediate action by the Board.} it had given it careful consideration.

After discussion, it was decided that if the representatives of the banks come to Washington, they should be received by Mr. Paulger, Chief of the Division of Examinations, for a thorough discussion of the matter, following which Mr. Paulger would ^{submit the matter to the Board} present to the Board for consideration and decision the questions of policy involved. ^{inform the Board as to any questions which might require its consideration.}

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Mr. Smead referred to the action taken at the meeting of the Board on March 21, 1933, with regard to the printing program for Federal reserve bank notes, stated that upon taking the matter up with the Bureau of Engraving and Printing it was found that the completion of work in process will bring the total printings of such notes up to approximately \$600,000,000 and suggested that in view of the situation the Board authorize the completion of the notes now in process. He also suggested that as the Federal Reserve Bank of Atlanta is in a position where, in the event it is called upon to make a substantial additional amount of 10(b) loans, it may be forced to issue Federal reserve bank notes, the Board approve the printing of \$19,200,000 additional of such notes for the Atlanta bank bringing the total for that bank up to \$30,000,000 and the total for the System up to approximately \$620,000,000.

After discussion, Mr. Smead's suggestions were approved.

Mr. Smead then referred to telephone advice which has been received from the Federal Reserve Bank of San Francisco that it might be called upon at an early date to assist a large member bank in that district through the extension of 10(b) loans, which are not eligible collateral for Federal reserve notes. He stated that the member bank in question may require this assistance because of transfers of funds which are being made to other Federal reserve districts resulting in a loss of gold by the Federal reserve bank through the gold settlement fund; that the Federal reserve bank is not able at the present time to substantially improve its position by rediscounting with other Federal reserve banks or the sale of Government securities; and that it may be ^{necessary for it to} forced to issue Federal reserve bank notes and, also, request other Federal reserve banks to rediscount notes representing advances to member banks under the

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provisions of section 10(b). The question⁶ of the policy to be adopted in connection with the ^{advance} payment of Federal reserve bank notes, particularly under circumstances such as those existing at the Federal reserve banks of Atlanta and San Francisco, and the ~~further question of one Federal re-~~ ^{regarding the} ~~serve bank rediscounting for another Federal reserve bank~~ ^{by one} ~~notes repre-~~ ^{for another of} senting 10(b) advances, were discussed but no action was taken.

Mr. Morrill then presented a letter dated March 28, 1933, from Governor Black of the Federal Reserve Bank of Atlanta stating that because of the limited banking facilities in Knoxville, Tennessee, the Federal reserve bank is working on a plan whereby some of the larger notes pledged as security for advances by the Federal reserve bank to the East Tennessee National Bank at Knoxville, which closed owing the Federal reserve bank approximately \$1,700,000, may be converted into direct loans under the provisions of the last paragraph of section 13 of the Federal Reserve Act as amended by the Act of March 9, 1933; that this action is being contemplated for the purpose of aiding people in Knoxville who need help now and for the purpose of keeping the notes alive instead of allowing them to become dormant; and that as the regulations of the Board do not permit the use of the proceeds of such direct advances to pay off indebtedness to other banking institutions without the approval of the Board, it is requested that the Board permit the application of the plan referred to to the Knoxville banks. In this connection Mr. James stated that he had discussed Governor Black's suggestion with representatives of the Knoxville bank, that they are contributing substantial sums in order to effect a reorganization of the bank, and that he feels approval by the Board of Governor Black's request would be of assistance in working out a solution of the problems in Knoxville.

After discussion, the matter was referred to Mr. Paulger for consideration and report to the Board.

Post-War Depressions

Mr. Griswold:

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Attached are charts showing business activity during Post-Napoleonic War and Post-World War periods.

The War of 1812 apparently terminated early in 1815, the Napoleonic Wars before mid-year. Accordingly 1815 is used in this chart as the beginning of the Post-Napoleonic period. The World War terminated in November, 1918, and 1919 is used as the beginning of the Post-World War period.

The curves are therefore apparently not over around 6 months from being strictly chronologically comparable.

You will note that when the depression began to lift in 1929, business activity increased very rapidly and was followed by a long period prosperity. Precisely the same thing happened in 1879.

P. B. T.

+ ✓

Hotel La Salle
30 East 60th Street
New York

April 13, 1933.

Mr. Eugene Meyer,
Federal Reserve Bank of N.Y.
33 Liberty Street,
New York City.

Dear Mr. Meyer:

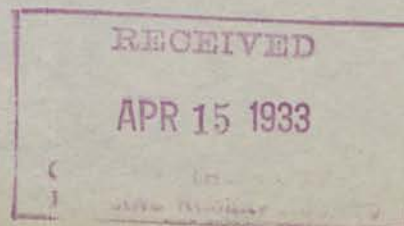
I hope you will not consider it an imposition for me to write you at this time, especially in view of the fact that several years have passed since I have been connected with your organization in Wall Street.

If some time in the near future you should have an opportunity to place an office assistant, may I ask that you keep me in mind? Since the death of my husband I have been the sole support of my two children, and I am desirous of securing a position that will be sufficiently remunerative for three persons.

I should be glad to come see you, if I may, to discuss the type of work which my qualifications would cover.

Gratefully yours,

Margaret S. Manee



C O P Y .

GOVERNOR MEYER'S RESIGNATION

It was not the intention of the framers of the Federal Reserve Act that a new Governor of the Reserve Board be appointed by each new Administration. On the contrary, it was hoped and, at the time, believed that the Governor should and could stand in much the same relation to the Federal Government as does the Chief Justice of the Supreme Court. In theory, he was to lead in the interpretation of economic principles as the Chief Justice is presumed to lead in the interpretation of legal principles. Lest his office become just another "job" to be filled from the ranks of the politically eligible every four years, his term, like that of the other appointed members of the Reserve Board, was set at ten years, with removal permitted only for cause.

Nevertheless, despite the intention of the Congress that set up the Reserve System and despite the fact that he has carried out his duties with no thought of partisan politics, the decision of Mr. Eugene Meyer to resign as Governor of the Reserve Board seems wise. Although his policies have been far-sighted -- Mr. Meyer has been one of the most outspoken advocates of a single banking system -- he is essentially a conservative. With his background and with his natural sympathies, friction would almost inevitably have developed between Mr. Meyer and the new Administration.

Had the ideal of a Federal Reserve Board acting toward economics as the Supreme Court acts toward the law proved practical, a conservative Governor would perhaps have been a desirable balance to a progressive Administration. But as the Reserve System has developed, the Governor has become more and more of an administrative officer, one of whose major duties is to put into effect policies determined by the Administration. Thus to Mr. Meyer is due a considerable measure of the credit for the various reflationary measures of the Hoover Administration. He helped devise them, he fought for them before Congress, and, to a large extent, he was responsible for the way they operated.

In the circumstances, for him to have remained as Governor of the Reserve Board would have been unwise and unjust to President Roosevelt, whose financial policies are markedly different from those of his predecessor. Having helped to place the Federal Reserve Board in a closer relationship to the Administration than the sponsors of the System intended, it was the duty of Mr. Meyer to permit President Roosevelt as free a hand as he may desire in using that relationship to further his own policies. That Mr. Meyer recognized and acted upon the situation is further evidence of the conscientiousness that has marked his long and devoted service to the public.

(From Hartford (Conn.) Courant, April 14, 1933)

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Mr. Crane reports that two statements have come over the ticker in the nature of unofficial statements resulting apparently from press conferences with the President.

The New York News Bureau states that the President has stated that any attempts to stabilize the American dollar have been abandoned. Until other nations with deflated currencies return to the gold standard, the dollar will have to take care of itself. No more gold will be exported abroad except that now earmarked for foreign governments.

Meeting of Governors

Present:

Deacy Woods
Gov. Nease
Mr. Miller
Mr. Hornum
Mr. Jones

Gov. Harrison
Gov. Quay
Gov. Black
Gov. Day
Gov. Gray
Gov. Lusk
Gov. Martin
Gov. Hamilton
Gov. Fitch
Gov. Harris
Depty. Gov. McKoy
Gov. McKinney

Mr. Stroter
Mr. Maurice
Mr. Woott
Mr. Goldenswain
Mr. Sisco
Mr. McClelland
Mr. Paulys
Mr. Carpenter
Mr. Best

April 19, 1933

11:30 am

FEDERAL RESERVE BOARD
WASHINGTON

Mr. Faby See me

Geo. Meyer

I suppose it is
all right to do this,
although the sketch
is libelous!

J. K.

1035 E. 125 St.
Cleveland, Ohio
April 23, 1933

The Hon. Mr. Eugene Meyer
Governor of the Federal Reserve
Washington, D.C.

My Dear Mr. Meyer,

I am a student of civics, still in high-school, and naturally I am interested in personages such as you in the public eye. I have sketched a portrait of you which is enclosed. I wonder if it would be asking too much of you if you were to autograph this sketch and return it to me? I would appreciate that favor very much. Thanking you very kindly,

I Remain,
Rubeu Schrank

