

At a special meeting of the Federal Reserve Board held in the office of the Governor on Thursday, March 8, (1917) at 4 p.m.,

PRESENT:

- Mr. Mcadoo, presiding, Mr. Hamlin,
- Mr. Harding, Mr. Miller,
- Mr. Warburg, Mr. Williams,
- Mr. Delano, Mr. Willis, Secretary.

Mr. Mcadoo laid before the Board a draft of a proposed statement for publication with reference to the Board's position regarding foreign financing in the United States. The statement was discussed and modified in various particulars, and on motion, unanimously adopted.

On motion it was voted that the statement be issued to the press at once for use in the morning newspapers of Friday, March 9, and that the Secretary be directed to give it out accordingly. The statement in question is as follows:

"From statements which have been published from time to time, both in the American and foreign press, there appears to be a misunderstanding of the attitude of the Federal Reserve Board with respect to investments in foreign loans in the United States. On more than one occasion the Board has endeavored to remove this misunderstanding. So far from objecting to the placing of foreign loans in the American market, it regards them as a very important, natural and proper means of settling

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the balances created in our favor by our large export trade. There are times when such loans should be encouraged as an essential means of maintaining and protecting our foreign trade.

"The Board has already stated that its announcement of November 28, 1916, did not deal with the finances or the credit of any particular country, but only with banking principles which it seemed desirable to emphasize under the conditions existing at that time. The objection then made by the Board was to the undue employment by our banks of their funds in the purchase of foreign loans and not to the merits of foreign loans as investments. The Board was then, and is now, of the opinion that the liquid condition of our banks should not be impaired through undue or unwise use of their resources for investment operations. The position of the Board with respect to this principle has not changed. It still takes the view that foreign borrowings should appeal primarily to the investor and not involve the use of banking resources beyond the limits of sound practice. In view, however, of existing conditions, especially as they affect our foreign trade, the Board deems it desirable and in the public interest to remove any misconception that may be left in the minds of those who read the statement issued on the 28th of November, 1916. Since that date the country's gold reserve has been further materially strengthened and supplies a broad basis for additional credit. The Board considers that banks may perform a useful service in facilitating the distribution of investments, and in carrying out this process they may, with advantage, invest a reasonable amount of their resources in foreign securities. So long as this does not lead to an excessive tying up of funds and does not interfere with the liquid condition of the banks, there cannot be any objection to this course.

"The Board did not, of course, undertake to give advice concerning any particular loan. It desires, how-

ever, to make clear that it did not seek to create an unfavorable attitude on the part of American investors toward desirable foreign securities, and to emphasize the point that American funds available for investment may, with advantage to the country's foreign trade and the domestic economic situation, be employed in the purchase of such securities."

On motion at 4.55 p.m. the Board adjourned.

APPROVED:

H. P. ...
Secretary.

[Signature]
Chairman.