At a conference between the Federal Reserve Board and certain bankers and others, held in the office of the Governor of the Board on Wednesday, September 12, at eleven A. M:

Present:

Assistant Secretary of the Treasury Crosby, presiding;

Mr. Harding,	Mr. Hamlin,
Mr. Warburg,	Mr. Williams,
Mr. Delano,	Mr. Willis, Secretary.

Present also:

Mr. Wing, of Boston;	Mr. James Brown,
Mr. Strong,	Mr. J. E. Gardin,
Mr. Curtis,	Mr. Albert Strauss,

Mr. Rovensky, all of New York City.

General discussion of the question of gold export control under the terms of the President's recent proclamation and Executive Order relating to that subject, were taken up, and special problems relating to the shipment of gold out of the United States to the Argentine Republic through the National City Bank, were outlined by Mr. Crosby. Methods of earmarking gold and the effect of such earmarking, were also considered. A draft of suggestions regarding the management of the gold embargo was discussed and modified, finally assuming the following form:

"It appears to me that the following principles should be observed by the Federal Reserve Board in granting or refusing licenses for the export of gold.

"Shipments of gold should not be permitted unless it is clearly shown that the gold is used for the payment of goods. In other words, the transaction must be run down to a discovery of the purchaser and seller and the ultimate destination before the granting of a license for shipment will be considered.

"In each case the applying concern should be requested to state exactly the name of the consignee and the nature of the underlying transaction.

"This will, generally speaking, exclude shipments by banks, local and foreign, for their own account.

"When information as complete as possible has been obtained, if the fact of American purchase and consumption has been established, a presumption will arise in favor of allowing the proposed shipment. If, however, it should appear that the proposed shipment of gold involves payment for goods bought in one foreign country and destined for another, the presumption will be against the proposed shipment. Such presumptions will in neither case be conclusive. Thus the presumption in favor of a shipment may be overcome by the character or quantity of the articles imported considered in relation to their utility in the present war conditions, or political or international considerations may dictate a course at variance with commercial indications.

"A ruling of this kind would at once throw back upon foreign countries the burden of shipping gold insofar as it is needed for their purchases in other countries, and will enable each country in turn to deal with its own nationals in regulating their purchases in foreign lands, involving shipments of gold.

"It will become the duty of each country, including our own, to scrutinize the character and quantity of goods that are being paid for by gold remittances.

"Whenever it is a question of excessive purchases of articles which are not necessaries, licenses for gold exports should be refused. This function might be exercised to better effect by an import council, similar to the export council, which will control importations.

"Any hardships involved in this procedure might be mitigated if the banks in foreign countries which would be unfavorably effected through these measures, instead of exacting gold would either buy their own or other securities held in the United States, or buy our securities - be it our existing Government securities or Government securities to be issued for that purpose - or if, as in some cases they might, they would take our circulating notes.

"In this connection, it may become necessary for the Secretary of the Treasury or the Board, or both, to circularize the banks of the country in order to advise them that they must not without special authority earmark or take into custody any more gold for foreign concerns or Governments. This applies also to the Federal Reserve Banks. Earmarking or keeping in custody has in every respect the same effect as exportation and it might be advisable to ask all banks to state, for the confidential use of the Government, what amounts they have earmarked at this time and for whom.

"It is urged that an understanding be sought with allied countries - particularly England and France - dealing with this problem. The so-called foreign exchange problem can be solved if, as far as consistent with war requirements, each country involved will try to adhere to the policy of not permitting its nationals to buy in a foreign country a larger quantity of goods than the purchasing country can pay for by shipping goods or selling securities, or for which the selling country is willing to grant an extended credit.

P.M.W."

Discussion with reference to the methods of distinguishing between the earmarking and safe deposit of gold, continued with a view to determining the scope to be given to further regulation, if any, on that subject, was resumed.

Mr. Strong called attention to the fact that in essence the proposed plan of control would be simply that of connecting specific gold shipments with specific purchases of exchange, and specific purchases of exchange with specific transactions in goods.

Mr. Brown expressed the opinion that as soon as a country really owes gold, such gold is bound to be exported unless the exportation is actually prohibited. Regulation and methods of control may have some effect in delaying the movement, but nothing more.

Mr. Crosby stated that it was his view that there was no danger of any general gold export movement, owing to our heavy favorable balance of trade.

In reply Mr. Brown called attention to the fact that our favorable balance of trade was not large with respect to neutral countries as distinguished from the allied belligerent countries.

In further discussion the idea was generally advanced that a control over trade designed to regulate the

balance by preventing unnecessary importations, was the only feasible way of checking gold movement.

Commenting on this view, Mr. Crosby called attention to the fact that there had been inserted in the Trading with the Enemy Act, now pending, a provision giving the President power over import movements.

Mr. Strong expressed the opinion that absolute prohibition of gold exports would be of very little use, and that the effect of it would be merely to lead to lack of confidence and withdrawal of gold from banks.

Mr. Crosby said that the discussion impressed him as bringing out the concrete question whether gold exports should be absolutely connected in each case with shipments of gold. He thought a definite conclusion on this should be reached.

Considerable difference of opinion on this point was indicated, Messrs. Strong and Cardin opposing the idea, while Mr. Rovensky thought it was workable and feasible if restriction was what was wanted.

Mr. Wing raised the question whether the control of gold exports was intended to apply to contracts which involved future payments. For instance, could a contract be made today which would involve a future transaction based

on gold, and would authority have to be obtained for making such a contract. Further, what would be the attitude of the Government with respect to such contract made in the past. He thought that the real question to be considered was whether foreign trade operations were based on or involved articles that were actually needed for the welfare of the United States. If needed they should be licensed and then payment should be made in whatever form was necessary. If not needed, they should not be licensed. There would then be no further trouble about gold shipments. Mr. Strauss called attention to the fact that such a policy would probably result in a group of unlicensed transactions to be settled and disposed of in some way. These would take up the floating supply of exchange, while the licensed transactions would be provided for by gold exports, so that the situation might not be improved.

General discussion of the silver question and of the price of silver ensued, and the informal concensus of opinion was reached that silver is in a different position from gold, and that shipment of it should be considered in the same light as any other necessary article, such as steel.

Mr. Crosby then stated to the Conference the situation as to certain special problems of gold shipment now pending before him, covering the Spanish situation, the Japanses situation

(in which gold is admittedly being imported by the Japanese to pay for cotton in India), and certain shipments proposed to be sent to Batavia. It was agreed that on most of these matters more information was necessary, and that time might well be taken to reach a settlement. The Spanish situation was regarded as the easiest to settle, opinion being opposed to further shipments to Spain.

At 1:10 P. M. the meeting adjourned until 2:30 P. M.

At 2:50 P. M. at an adjourned conference between the Federal Reserve Board and certain bankers, held in the office o of the Governor of the Board;

Present:

Assistant Secretary of the Treasury Crosby, presiding,

Mr. Harding, Mr. Hamlin,

Mr. Delano, Mr. Warburg,

Mr. Willis, Secretary.

Present also:

Mr. Brown, Mr. Wing,

Mr. Rovensky, Mr. Strauss,

Mr. Strong Mr. Gardin.

The question of gold shipments to India to pay for jute was considered in this connection, Mr. Crosby outlining the requirements of the British Government, and the probabil-

ity that large silver shipments to India would be made on British account.

Mr. Warburg called attention to the difference between the policies to be pursued with regard to silver and gold shipments, and general discussion ensued with reference to methods of obtaining silver, consideration being given to the question whether silver dollars or metal derived from them could be used to furnish silver for export.

Discussion having been resumed with reference to the whole policy of controlling gold exports, Mr. Strong said he was opposed to any plan that would refuse such exports. He thought it well to temporize with the question by charging a license fee that would make gold exports expensive, by requiring additional information, and by otherwise delaying action to some extent. Other members of the Conference called attention to the fact that the President's proclamation had established the fact of gold export control, and the question was now merely how to exercise that control. It was admitted, however, that there could be a marked distinction in policy between liberality and strictness in administering the system.

Mr. Crosby stated to the conference that he thought it desirable to raise with the principal foreign countries affected the question what was absolutely needed by each one, in order to get at the essential basis of the situation and lay down

a sound general policy. He thought this was more necessary than immediate or prompt action on pending applications except in emergencies. He then outlined some facts with regard to the exchange and gold requirements of sundry foreign countries, emphasizing the confidential character of the internation situation. He further called attention to the fact that the Mexican Government desires authority to ship some eight million pesos in gold to Mexico.

It was informally agreed that the Conference should break up into small committees, after such further consultation as might be deemed necessary, each such committee working on a different phase of the situation.

The members of the Board then withdrew from the room, the Conference adjourning at 3:45 P. M.

APPROVED:

Chairman.

Secretary.