

A meeting of the Federal Reserve Board was held in Washington on Saturday, March 4, 1933, at 12:05 a. m.

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

Mr. Morrill, Secretary
Mr. Harrison, Assistant to the Governor
Mr. Wyatt, General Counsel
Mr. Goldenweiser, Director, Division of
Research and Statistics
Mr. Smead, Chief, Division of Bank Operations.

The proposed letter to the President urging that a nationwide bank holiday be declared, referred to in Governor Meyer's telephone conversation with Secretary Mills while the latter was at the White House, and to which a postscript referring to the resolution adopted by the Executive Committee of the board of directors of the Federal Reserve Bank of Chicago, had been added, was considered, the letter reading as follows:

"Referring to your letter of March 2, 1933, and subsequent conversations, the Federal Reserve Board has been in session again this evening reviewing the latest reports of developments. The situation as reported from Chicago has reached the point of extreme tension, with prospects that by the end of banking hours tomorrow the gold reserves of the Federal Reserve Bank of Chicago will be dangerously depleted. Representative bankers are assembled there tonight and have requested that a national holiday be proclaimed as the only method they know of dealing with the immediate exigency with which they are confronted.

"There is enclosed a copy of a resolution adopted by the board of directors of the Federal Reserve Bank of New York, now in session. This resolution speaks for itself as to the New York situation.

"Similar conditions are developing rapidly in other Federal reserve districts.

"The Federal Reserve Board has considered two methods of dealing with this emergency, one by executive order and the other by joint resolution of Congress. The

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"Senate having adjourned for the day, the issuance of an executive order seems to be the only alternative to meet the immediate situation. A form of executive order is enclosed for your consideration.

"The Federal Reserve Board feels that it cannot too strongly urge that the situation has reached a point where immediate action is necessary to prevent a banking collapse.

"P. S. Since this letter was dictated, there has been communicated to us, by telephone, a resolution adopted by the Executive Committee of the Federal Reserve Bank of Chicago, now in session. A copy of this resolution also is enclosed."

Mr. Hamlin moved that the proposed letter be sent to the White House. After some discussion, Mr. Mills said that he would like to have the following statement noted in the minutes:

"The Attorney-General holds that the authority under the Trading with the Enemy Act is of the thinnest possible kind and at most there is the barest color of authority and that he does not believe the President can do it without the agreement of the President-elect, to be followed by a validating Act by the Congress. I think it should be further noted that it was my understanding when I left the President ten minutes ago that Governor Roosevelt felt that in view of the information he had from New York that he did not see the occasion for him to request a national holiday, or, indeed, to assume joint responsibility for it. I think therefore that in view of the opinion given by the Attorney-General that I do not see how the President can act on the recommendation of the Board tonight unless the whole question is to be reopened. I don't differ with the other members of the Board on the practical situation as it exists now at midnight. There is no formal opinion from the Attorney-General."

Mr. Miller called attention to the contents of the letter of March 2 received from the President, in which the President stated that "If it is the view of the Board that these powers (referring to the emergency powers under Section 5 of the Trading with the Enemy Act as amended) should

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be exerted I would be glad to have your recommendation accompanied by a form of proclamation, as it would seem to me it should be issued by me before banking hours tomorrow morning," and said that, while the President was familiar with the developments that had taken place, the Board had not answered the letter in writing and he felt that it should do so. Mr. Mills stated that "last night (Thursday) I informed you that the Attorney-General advised the President not to issue such a proclamation and on the basis of that report of mine you decided it was unnecessary to answer the letter. We didn't answer the letter last night or this morning. The Attorney-General didn't think it advisable to issue that proclamation under all the circumstances." Mr. Wyatt then said that "earlier in the evening (Thursday) the Attorney-General asked me to convey to the Secretary of the Treasury the message that he had considered the Trading with the Enemy Act last evening about 8:30 and that he considered it was sufficient to justify the President in acting if he considered the emergency great enough." Mr. Mills replied that "later that evening the Attorney-General advised me that in his opinion he was not justified in acting under the Trading with the Enemy Act and I so reported to the Board last night." Governor Meyer stated that "the question of legal authority is one thing and the question whether you will act with or without agreement with the President-elect is another thing." Mr. Miller referred to the contents of the proposed letter to the President, and Mr. Mills stated that he had not objected to the letter but that he wanted to call attention to what had happened Thursday. Mr. Hamlin pointed out that the members of the Board had been advised that on Thursday evening in Secretary Mills' office the Attorney-General had dictated a form of proclamation for the President to sign, and that it was after information was received that the President-elect would not assume joint responsibility that the Attorney-General ex-

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pressed the opinion that the President would not be justified in acting under the Trading with the Enemy Act.

Mr. Mills moved to strike out the words "referring to your letter of March 2 and subsequent conversations" in the proposed letter because he felt that the letter was not in response to the President's letter of March 2. Mr. Hamlin stated that he did not object to the amendment and moved that the letter as amended be sent to the President immediately.

Thereupon, without objection, the change was agreed to and the proposed letter, as amended, was unanimously approved.

Reference was then made to the proposed draft of a ratifying resolution to be adopted by the Congress which was not expressly referred to in the letter. Mr. Mills thought it would be of no use to send the ratifying resolution, and the Board decided not to transmit it.

Thereupon Governor Meyer signed the letter, and at 12:30 a. m. sent it by his secretary (Mr. Fahy) to the White House.

The letter in its final form read as follows:

"The Federal Reserve Board has been in session again this evening reviewing the latest reports of developments. The situation as reported from Chicago has reached the point of extreme tension, with prospects that by the end of banking hours tomorrow the gold reserves of the Federal Reserve Bank of Chicago will be dangerously depleted. Representative bankers are assembled there tonight and have requested that a national holiday be proclaimed as the only method they know of dealing with the immediate exigency with which they are confronted.

"There is enclosed a copy of a resolution adopted by the Board of Directors of the Federal Reserve Bank of New York, now in session. This resolution speaks for itself as to the New York situation.

"Similar conditions are developing rapidly in other Federal reserve districts.

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"The Federal Reserve Board has considered two methods of dealing with this emergency, one by executive order and the other by joint resolution of Congress. The Senate having adjourned for the day, the issuance of an executive order seems to be the only alternative to meet the immediate situation. A form of executive order is enclosed for your consideration.

"The Federal Reserve Board feels that it cannot too strongly urge that the situation has reached a point where immediate action is necessary to prevent a banking collapse.

"P. S. Since this letter was dictated, there has been communicated to us, by telephone, a resolution adopted by the Executive Committee of the Federal Reserve Bank of Chicago, now in session. A copy of this resolution also is enclosed."

The proposed form of executive order enclosed for the consideration of the President was as follows:

"WHEREAS the nation's banking institutions are being subjected to heavy withdrawals of currency for hoarding; and

"WHEREAS there is increasing speculative activity in foreign exchanges; and

"WHEREAS these conditions have created a national emergency in which it is in the best interest of all bank depositors that a period of respite be provided with a view to preventing further hoarding of coin, bullion or currency or speculation in foreign exchange, and permitting the application of appropriate measures for dealing with the emergency in order to protect the interests of all the people; and

"WHEREAS it is provided in Section 5(b) of the Act of October 6, 1917, as amended, that 'The President may investigate, regulate, or prohibit, under such rules and regulations as he may prescribe, by means of licenses or otherwise, any transactions in foreign exchange and the export, hoarding, melting, or earmarkings of gold or silver coin or bullion or currency * * *'; and

"WHEREAS it is provided in Section 16 of the said Act that 'Whoever shall willfully violate any of the provisions of this Act or of any license, rule, or regulation issued thereunder, and whoever shall willfully violate, neglect, or refuse to comply with any order of the President issued in compliance

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"with the provisions of this Act shall, upon conviction, be fined not more than \$10,000, or, if a natural person, imprisoned for not more than ten years, or both * * *;

"NOW, THEREFORE, pursuant to the authority granted by said Act, I hereby order, direct and declare that:

"1. From Saturday, the fourth day of March, to Tuesday, the Seventh day of March, Nineteen Hundred and Thirty Three, both dates inclusive, there shall be maintained and observed throughout the United States of America a bank holiday for all of the purposes hereinafter set forth;

"2. During said holiday, no banking institution as hereinafter defined shall pay out, export, earmark, or permit the withdrawal or transfer in any manner or by any device whatsoever of any gold or silver coin or bullion or currency or take any other action which might facilitate the hoarding thereof; nor shall any such banking institution pay out deposits, make loans or discounts, deal in foreign exchange, or transact any other banking business whatsoever.

"3. Upon the expiration of said holiday and until otherwise ordered by the President of the United States, such banking institutions may pay out, export, earmark or permit the withdrawal or transfer of gold or silver coin or bullion or currency, or deal in foreign exchange to such extent as may be permitted by license or otherwise under regulations issued by the Secretary of the Treasury with the approval of the President.

"4. The Secretary of the Treasury, with the approval of the President, is authorized and empowered to prescribe such regulations as he may find necessary to carry out the purposes of this order.

"5. The term 'banking institution' as herein used shall include all Federal reserve banks, national banking associations, banks, trust companies, savings banks, building and loan associations, credit unions, or other corporations, partnerships, associations or persons engaged in the business of receiving deposits, making loans, discounting business paper, or transacting any other form of banking business.

The White House
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Mr. Mills stated that the Senate would not meet until 10:30 a.m. March 4; that the Senate majority leader, Senator Robinson, would not be there, and that it would be practically useless to attempt to get legislation Saturday morning.

Governor Meyer's secretary (Mr. Fahy) returned to the office shortly after one a. m. and reported that, when he arrived at the White House, he was informed that the President had retired at 12:06 a. m., and that the attendants there hesitated to disturb him. Finally, however, they telephoned to Mr. Richey, one of the President's secretaries, who authorized them to deliver the letter to the President at once.

Mr. Morrill reported that at 1:00 a. m. Chairman Stevens of the Federal Reserve Bank of Chicago, talking over the long distance telephone, said:

"The banks have already made a demand on us .. the big banks will be here at 8:30 to take gold for the amount of the Federal reserve notes that they have. One bank has made a demand for \$73,000,000 and the other banks all say that they are going to do the same thing with their Federal reserve notes. What I meant in my previous conversation was that it will take all the gold that we have above our required reserves of 40%. We have in gold coin and in gold certificates somewhere around \$225,000,000. We have a little less than \$50,000,000 of gold coins and we have about \$220,000,000 including what the Agent has of gold certificates and we would have to figure just what we have to put up in governments to release the gold to get down to our 40% basis or whatever basis the Board agrees upon. We haven't got all these figures now. I think the primary reason they want the gold is that they are very much incensed about the gold going to New York. They want to keep the gold in this district instead of letting it go down there. I take it they feel that this gold should be here instead of being sent down to New York. I think that is their main reason. It is not because of calls to any such extent for gold, I think, that they are doing this. You have

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"probably heard something about a \$40,000,000 transaction at New York."

Mr. Morrill added that, at this point, Mr. McKay entered the conversation and said:

"Here is what I understand about redeeming Federal reserve notes. They are redeemable in gold coin at the Treasury and in gold or lawful money at the Federal reserve banks. We would not have enough lawful money to redeem what they are talking about. Instead of the gold coin being paid out I think the gold certificates would meet the requirement if that would make any particular difference. We have about \$220,000,000 gold certificates here and we would have about \$200,000,000 of free gold including these certificates. The First National wants the \$73,000,000."

Mr. Mills tried to reach Governor Pinchot of Pennsylvania by telephone at his Washington residence with the view of discussing with him the question of a bank holiday in Pennsylvania, but was unsuccessful. In the meantime, Counsel for the Federal Reserve Bank of Philadelphia had been in touch with the Attorney-General of Pennsylvania, who, in turn, had taken the matter up with other State officials and they, too, were endeavoring to reach Governor Pinchot. Governor Meyer talked over the telephone with Governor White of Ohio at the Mayflower Hotel, and with Governor Herring of Iowa at the Willard Hotel regarding the banking situation and the possibility of declaring bank holidays in their respective States if the Governors of New York and Illinois decided to act.

At 2:22 a. m. Mr. Mills reported that he had received information which indicated that, in all probability, the Governors of Illinois and New York would declare bank holidays in their respective States.

At 2:45 a. m. Mr. Stevens of Chicago advised over the long distance telephone that a proclamation was being drafted which it was expected that

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the Governor of Illinois would sign, providing for a full legal holiday on Saturday with the possibility as to Monday, Tuesday and Wednesday, that the amount of withdrawals would be restricted to not exceeding 10%.

At 3:00 a. m. Mr. Hamlin moved that the Chicago bank be instructed to close if the Governor declared a holiday.

Mr. Miller suggested that the Federal Reserve Bank be advised that the Board assumes that the bank will close unless it has assurance that there is no need for closing by the clearing house banks of Chicago.

Mr. James thought it would be better for each bank to work out its own decision.

Mr. Miller then suggested that each bank be advised that, if in its judgment it is advisable to close, the Board will interpose no objection.

At 3:10 a. m. Governor Harrison advised over the long distance telephone that a legal holiday lasting through Monday will be declared by the Governor of New York, and that, in the circumstances, the Federal Reserve Bank of New York will close today.

At 3:20 a. m. Chairman Stevens advised that a legal holiday will be declared, by proclamation of the Governor of Illinois, at least for Saturday with the possibility of a restriction as to withdrawals of deposits on Monday and Tuesday, and that in the circumstances, the Federal Reserve Bank of Chicago will close today.

Thereupon the Board adjourned, with the understanding that members of its staff would communicate the developments in the situation to the Governors of all the Federal reserve banks (other than Chicago and New York),

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and would point out to them the advisability of considering what action they should take in order to protect their situation in view of the declarations of bank holidays in New York and Illinois and the consequent closing of the Federal Reserve Banks of New York and Chicago.

Chester Morrill
Secretary.

Approved:

Agnew
Governor.

Memorandum of the Secretary for the Minutes
of the Federal Reserve Board.

On March 4 and also on March 5 and 6 the members of the Federal Reserve Board were in their offices and participated in frequent conferences, including an informal conference arranged by Secretary Woodin for March 5 at which Treasury officials and others were present, regarding the developments in the banking situation and various methods of coping with it, but held no formal Board meetings. During the morning of March 4 the Governor received the following letter from President Hoover which he brought to the attention of the other Board members informally:

"Hon. Eugene Meyer
Federal Reserve Board
Washington, D. C.

My dear Governor Meyer:

I received at half past one this morning your letter dated March 3rd. I must assume that this letter was written on the basis of information received by you prior to 11.30 o'clock last night for the reason that before your letter was sent you had certain information as follows:

a. At 11 o'clock last night the President-elect had informed me he did not wish such a proclamation issued.

b. The Attorney General had renewed the same opinion which he had already given to the Board that the authorities on which you were relying were inadequate unless supported by the incoming Administration.

c. That groups of representative bankers in both Chicago and New York, embracing members of the Board of Directors of the Federal Reserve Banks

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in those cities, were then in conference with the governors of the states of Illinois and New York, and that the governors of these two states were prepared to act if these representative groups so recommended. It appears that the governors did take action under their authorities, declaring a temporary holiday in these two critical states, and thus accomplishing the major purposes which the Board apparently had in mind.

In view of the above I am at a loss to understand why such a communication should have been sent to me in the last few hours of this Administration, which I believe the Board must now admit was neither justified nor necessary.

Yours faithfully,

HERBERT HOOVER"

In the evening of March 5, the President, after conferring with Secretary Woodin, the Attorney General, and others, decided to issue a proclamation declaring a nation-wide bank holiday from March 6 to March 9, inclusive.

The proclamation, the form of which was made available to the press about 11.30 p.m., is as follows:

"WHEREAS there have been heavy and unwarranted withdrawals of gold and currency from our banking institutions for the purpose of hoarding; and

"WHEREAS continuous and increasingly extensive speculative activity abroad in foreign exchange has resulted in severe drains on the Nation's stocks of gold; and

"WHEREAS these conditions have created a national emergency; and

"WHEREAS it is in the best interests of all bank depositors that a period of respite be provided with a view to preventing further hoarding of coin, bullion or currency or speculation in foreign exchange and permitting the application of appropriate measures to protect the interests of our people; and

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"WHEREAS it is provided in Section 5(b) of the Act of October 6, 1917 (40 Stat.L.411) as amended, 'That the President may investigate, regulate, or prohibit, under such rules and regulations as he may prescribe, by means of licenses or otherwise, any transactions in foreign exchange and the export, hoarding, melting, or earmarkings of gold or silver coin or bullion or currency ***'; and

"WHEREAS it is provided in Section 16 of the said Act 'that whoever shall willfully violate any of the provisions of this Act or of any license, rule, or regulation issued thereunder, and whoever shall willfully violate, neglect, or refuse to comply with any order of the President issued in compliance with the provisions of this Act, shall, upon conviction, be fined not more than \$10,000, or, if a natural person, imprisoned for not more than ten years, or both;***';

"NOW, THEREFORE, I, FRANKLIN D. ROOSEVELT, President of the United States of America, in view of such national emergency and by virtue of the authority vested in me by said Act and in order to prevent the export, hoarding, or earmarking of gold or silver coin or bullion or currency, do hereby proclaim, order, direct and declare that from Monday, the sixth day of March, to Thursday, the ninth day of March, Nineteen Hundred and Thirty Three, both dates inclusive, there shall be maintained and observed by all banking institutions and all branches thereof located in the United States of America, including the territories and insular possessions, a bank holiday, and that during said period all banking transactions shall be suspended. During such holiday, excepting as hereinafter provided, no such banking institution or branch shall pay out, export, earmark, or permit the withdrawal or transfer in any manner or by any device whatsoever, of any gold or silver coin or bullion or currency or take any other action which might facilitate the hoarding thereof; nor shall any such banking institution or branch pay out deposits, make loans or discounts, deal in foreign exchange, transfer credits from the United States to any place abroad, or transact any other banking business whatsoever.

"During such holiday, the Secretary of the Treasury, with the approval of the President and under such regulations as he may prescribe, is authorized and empowered (a) to permit any or all of such banking institutions to perform any or all of the usual banking functions, (b) to direct, require or permit the issuance of clearing house certificates or other evidences of claims against assets of banking institutions, and (c) to authorize and direct the creation in such banking institutions of special trust accounts for the receipt of new deposits which shall be subject to withdrawal on demand without any restriction or limitation and shall be kept separately in cash or on deposit in Federal Reserve Banks or invested in obligations of the United States.

"As used in this order the term "banking institutions" shall include all Federal Reserve banks, national banking associations, banks, trust companies, savings banks, building and loan associations, credit unions, or other corporations, partnerships, associations or persons, engaged in the business of receiving deposits, making loans, discounting business paper, or transacting any other form of banking business.

"IN WITNESS WHEREOF, I have hereunto set my hand and caused the seal of the United States to be affixed.

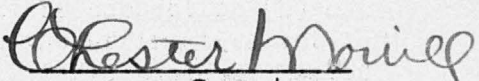
"Done in the City of Washington this 6th day of March -
1 A.M. in the year of our Lord One
Thousand Nine Hundred and Thirty-three,
(Seal) and of the Independence of the United
States the One Hundred and Fifty-
seventh.

FRANKLIN D. ROOSEVELT

By the President:

CORDELL HULL
Secretary of State"

It was also announced during the evening that the President had called a special session of the Congress to meet on Thursday, March 9, 1933.


Secretary.