

A meeting of the Federal Reserve Board was held in Washington on Wednesday, March 8, 1933, at 10:55 a. m.

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

Mr. Morrill, Secretary
Mr. Harrison, Assistant to the Governor.

The Governor read for the information in strict confidence of the other members of the Board the following memorandum, stating that, having been informed about the plan outlined in the memorandum he had requested and obtained from the Secretary of the Treasury permission to tell the other members of the Board about it:

"The purpose of this program is to give to the country as promptly as possible adequate banking facilities and an adequate and sound currency and to restore confidence.

"It is, therefore, proposed:

"(1) That under the Presidential Decree of March 6th wholly solvent banks of the country shall be opened for business Friday morning. There are many banks, members of the Federal Reserve System, well distributed throughout the country, that the Secretary of the Treasury would be able to pass immediately as sound banks. These banks could be authorized to open for business on Friday morning.

"(2) Other banks not members of the Federal Reserve System and other members of the System not specifically named in paragraph (1) could, no doubt, promptly satisfy the Secretary of the Treasury on further investigation that they are solvent banks. Such banks could thereupon be permitted to open for business.

"(3) Steps should be taken at once to reorganize all banks not now wholly solvent so that they might open at the earliest possible date as new banks of unquestioned solvency. In order to expedite this program of reorganization it might be practicable to consider dealing first with these institutions in cities of populations of 100,000 and over (of which there are 93), leaving institutions outside of these cities to run along under such local plans as have been devised and under the protection that is afforded by the general emergency control.

3/8/33

-2-

"(4) To supplement this plan and to insure an adequate supply of currency, the Federal Reserve banks should be authorized to make loans direct to corporations, firms, or individuals on their notes secured by Government securities and to issue Federal Reserve bank notes secured by such Government securities, or by notes collateraled by such securities. This will enable any holder of Government securities to procure Federal Reserve bank note currency direct from Federal Reserve banks. There are approximately eleven billions of dollars of such securities outstanding in the hands of the public other than banking institutions.

"(5) In order to enable any solvent bank to open for business under this program to procure currency sufficient to liquidate all of its deposits, if demanded, Federal Reserve banks should be authorized to lend to any bank regardless of its size on its sound assets. As any bank authorized to open is to be sound this would permit all loans in amounts sufficient to pay off all of the deposits of such a bank, if demanded.

"(6) In order to provide adequate Federal Reserve bank currency to satisfy the possible demands of this program Federal Reserve banks should be authorized to issue Federal Reserve bank notes, not only against Government securities or notes secured by such securities, but also against any member bank note secured by sound assets.

"(7) During the early stages of this program and until further notice, the embargo on gold payments, except under license, should be continued and appropriate steps should be taken to penalize the continued hoarding of gold or currency. The continuing to hold gold or currency in excess quantities should be considered hoarding.

"(8) Because of the emergency character of this program, the United States should be expected ultimately to insure the Federal Reserve banks against any loss which might result on account of Federal Reserve bank notes issued under this program against assets other than Government securities. This is only to assure the unquestioned integrity of the position of the Federal Reserve banks."

After discussion of various aspects of the plan embodied in the memorandum, the Governor also read to the members of the Board a telegram, which is quoted below, which had been sent out by the Secretary of the Treasury to the Chairmen of all Federal reserve banks. He stated, however,

3/8/33

-3-

that while no action on the part of the Board had been requested he desired the Board to be informed about it:

"Please prepare as soon as possible tomorrow a list of member banks in your district which you regard to be solvent as going institutions on fair appraisals not on liquidating basis. Segregate banks by states. Specify total deposits and capital position."

The Governor reported to the Board that he had been advised that the Federal Reserve Bank of Chicago had decided to rediscount pursuant to the Board's order of yesterday; that the Boston bank is considering buying bankers' acceptances in accordance with the permission granted by that order; that the St. Louis bank has not reached a conclusion, but may buy bills; and that the directors of the Federal Reserve Banks of Cleveland and Richmond are considering the matter.

There was also presented for the Board's consideration the following telegram, which had been drawn for the purpose of carrying out the Board's instructions of yesterday with respect to obtaining information from the Federal reserve banks with regard to gold withdrawals since February 1st:

"It is requested that you prepare and forward to the Board as soon as possible after March 13, 1933, as complete a list as can be made from information you are able to obtain, of the names and addresses of all persons who have withdrawn gold from your bank or a member bank in your district since February 1, 1933, and who have not redeposited it in a bank on or before March 13, 1933."

After discussion the telegram was approved, with the understanding that Secretary Morrill would bring it to the attention of Mr. Ballantine and, if he had no objection, the telegram should be sent out immediately.

3/8/33

-4-

The following regulations issued by the Secretary of the Treasury under the authority conferred upon him by the President's Proclamation of March 6, 1933, declaring a bank holiday which had previously been brought to the individual attention of the members of the Board, were presented for the record:

"(15) The permission granted in Regulation Number 7 that deposits heretofore received by any banking institution pursuant to agreement or legislative authority providing for segregation and repayment without restriction may be paid on demand, includes any bank in which any such deposits have been redeposited by or on behalf of the receiving bank in accordance with such agreement or legislative authority."

"(K) Any Federal reserve bank is authorized, at its discretion, within the limitations of the Federal Reserve Act and the regulations of the Federal Reserve Board thereunder, (1) to make transfers of credit on its books between foreign current accounts, (2) to make transfers on its books of bills and securities between foreign accounts, (3) to make transfers of earmarked gold from one foreign custody account to another, (4) to receive gold which is released from earmark for foreign account, provided that the proceeds thereof are credited on its books in dollars, (5) to make transfers on its books from foreign current accounts to the accounts of member banks and/or nonmember clearing banks, (6) to receive payments in dollars or gold or any other form acceptable to it on account of, or in settlement of, obligations due it from foreign correspondents, and (7) to credit on its books to foreign current accounts United States currency or gold deposited with it. Unless otherwise ordered by the Secretary of the Treasury, no such transactions shall involve the export or paying out of any gold or silver coin or bullion or currency, the transfer of credit from the United States to any place abroad, or an increase in the total amount of gold held by such Federal reserve bank under earmark for foreign account."

Thereupon the meeting adjourned.

W. E. Stewart
Secretary.

Approved:

Eugene Meyer
Governor.