

A meeting of the Federal Reserve Board was held in Washington on Tuesday, March 21, 1933, at 12:05 p. m.

PRESENT: Mr. Woodin, Chairman  
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. Smead, Chief, Division of Bank Operations

Governor Meyer stated that the Governor of Pennsylvania had called him on the telephone yesterday and inquired whether it would be possible for Mr. Winfield Riefler, of the Board's Division of Research and Statistics, to assist the Pennsylvania authorities for a day or two in connection with the preparation of proposed banking legislation in the State of Pennsylvania. A discussion developed the consensus that, if Mr. Riefler can be spared from the division, the Board should interpose no objection to his assisting the Pennsylvania State authorities, it being understood that his services will be rendered in his personal capacity and that he in no way will represent, or be authorized to speak for, the Federal Reserve Board.

The Chairman referred to the gold situation in the United States and stated that, in view of the present situation with respect to the return of hoarded gold, the Treasury Department seems to be faced with the necessity of reaching a conclusion as to the advisability of the issuance of an order requiring the delivery of gold and gold certificates to the Treasurer of the United States, and what, if any, other steps should be taken, and that he would like to have the advice of the Fed-

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eral Reserve Board on the matter. Governor Meyer referred to the discussion at the meeting of the Executive Committee yesterday afternoon and stated that the opinion prevailed among the appointive members of the Board that some such order would be necessary but that it should be terminated as soon as practicable, and that the problem should be considered from the standpoint of a desire to avoid the imposition of requirements which are unnecessary in the public interest. At the conclusion of a general discussion, during which reference was made to the legal and other problems involved in an order requiring the delivery of gold to the Treasurer of the United States, it was agreed that the appointive members of the Board would meet this afternoon for a further discussion of the matter in which the Chairman would join if appointments in his office did not interfere.

Thereupon, the Secretary of the Treasury withdrew from the meeting which continued as a meeting of the Executive Committee.

Mr. Smead stated that the stock of unissued Federal reserve notes now on hand in Washington and at the Federal reserve banks amounts to approximately \$6,700,000,000, that as notes are being returned rapidly from circulation and that as the maximum amount of Federal reserve notes in circulation at any one time was approximately \$4,400,000,000, he would suggest that the Federal reserve banks return to a normal printing program and cancel all special orders now placed with the Bureau of Engraving and Printing with the possible exception of any orders which are necessary to fill shortages in certain denominations. He also stated that to date approximately \$387,000,000 of Federal reserve bank notes have been printed and that inasmuch as it now appears

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that there may be little or no necessity for the use of such notes, the question is presented whether the printing of additional Federal reserve bank notes should not be discontinued as soon as possible. He suggested that the Board authorize the printing of a maximum between \$450,000,000 and \$500,000,000 of Federal reserve bank notes which could be held as a reserve stock for use in an emergency, the additional amounts over approximately \$400,000,000 to be printed as far as possible in the larger denominations in order to reduce the printing cost to Federal reserve banks. He also suggested that the Federal Reserve Board consider the determination of a policy as to the payment of Federal reserve bank notes by Federal reserve banks.

After discussion the program for future printings outlined by Mr. Smead was approved, in general, with the understanding that the details will be worked out in the best manner that is practicable in the light of the existing situation at the Bureau of Engraving and Printing.

Mr. Morrill and Mr. Smead were requested to prepare and submit to the Board a letter to the Federal reserve banks along the lines of the suggestions made by Mr. Smead and expressing the opinion of the Board that Federal reserve bank notes are to be treated as temporary currency and not used for ordinary demands.

Mr. Harrison stated that Governor Norris of the Federal Reserve Bank of Philadelphia had called him on the telephone and advised that the building committee of the bank is desirous of meeting with the Board on Friday of this week or early next week in connection with some proposed changes in the bank's building program.

Mr. Harrison was requested to advise Governor Norris that the Board will meet with the committee at 12:00 o'clock noon on Monday, March 27, 1933, and to suggest to Governor Norris that if possible he submit to the Board in writing prior to that date the questions which the committee desires to present for the Board's consideration.

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The Executive Committee then considered and acted upon the following matters:

Telegram dated March 21, 1933, from the Secretary of the Federal Reserve Bank of Minneapolis stating that the board of directors, at its meeting today, made no change in the bank's existing schedule of rates of discount and purchase.

Without objection, noted with approval.

Letter dated March 20, 1933, from the Secretary of the Federal Reserve Bank of New York, stating that at its meeting on that date the executive committee of the bank established, as of the opening of business today, a minimum buying rate of  $1\frac{1}{2}$  per cent for the purchase of bankers' acceptances, at or above which currently effective minimum buying rates may be fixed by the officers of the bank.

The minimum buying rate of  $1\frac{1}{2}$  per cent fixed by the executive committee of the New York bank was approved.

Telegram dated March 21, 1933, from the Governor of the Federal Reserve Bank of St. Louis advising of the establishment at that bank on March 20, 1933, of the following schedule of effective buying rates on bankers' acceptances:

1 to 90 days	3%
91 to 120 days	3 $\frac{1}{8}$ %
121 to 180 days	3 $\frac{1}{2}$ %

Without objection, noted with approval.

Letter dated March 20, 1933, from Mr. L. B. Williams expressing his appreciation of the appointment which he has received from the Board as Federal Reserve Agent and Chairman of the board of directors

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of the Federal Reserve Bank of Cleveland.

Noted.

Telegram dated March 21, 1933, from the Chairman of the Federal Reserve Bank of New York stating that the committee on nominations for directors of the Federal reserve bank is sending, as of March 22, 1933, to member banks in group 1, its recommendations that Mr. George W. Davison, Chairman of the Board of Trustees of the Central Hanover Bank and Trust Company, New York City, New York, be nominated for class A director to succeed Mr. Albert H. Wiggin, resigned, and that Mr. Thomas J. Watson, President of the International Business Machines Corporation, New York City, New York, be nominated as a class B director to succeed Hon. William H. Woodin, resigned.

Noted.

Telegram dated March 21, 1933, from the Chairman of the Federal Reserve Bank of Chicago stating that Mr. James R. Leavell has been elected by the member banks in Group 1 as a class A director of the bank for the unexpired portion of the term ending December 31, 1933, to succeed Mr. George M. Reynolds, resigned.

Noted.

Reply to a letter dated March 16, 1933, from Deputy Governor Crane of the Federal Reserve Bank of New York stating that in order to administer the duties allocated to it by the executive order of the President on March 10, 1933, with respect to transactions in gold and foreign exchange

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under the terms of that order, the Act of March 9, 1933, and the regulations issued thereunder, the Federal Reserve Bank of New York has established a foreign exchange division which has necessitated the employment of a temporary staff equipped to perform the functions of such a division; that Mr. Fred I. Kent has been employed on a month-to-month basis and has been placed in charge of this work with salary at the rate of \$2,000 per month effective March 6, 1933, and that Messrs. Robert B. Raymond and Henry W. Schrader, examiners in the New York State Banking Department who have been loaned temporarily to the Federal reserve bank, also have been employed on a month-to-month basis to assist Mr. Kent, each with a salary at the rate of \$400 per month, effective March 6, 1933. The reply stated that the Board approves the salaries fixed for the employees referred to, and that as it is understood that the appointments are of a temporary character, it is assumed that the salaries are not properly subject to deduction in accordance with and during the period of the share-the-work plan adopted by the board of directors of the New York bank.

Approved.

In connection with the above, the question was raised as to whether the Federal reserve banks should request reimbursement from the appropriation of \$2,000,000 provided by section 501 of the Emergency Banking Act of March 9, 1933, for expenses incurred by them in connection with activities conducted by them under the provisions of the Act of March 9, 1933, and the proclamations, executive orders and regula-

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tions issued under the authority conferred by that act. The ensuing discussion developed the opinion that the matter might well be discussed with the Federal reserve banks to determine whether they desire to request reimbursement for the out-of-pocket expenses incurred by them in connection with the activities referred to.

Telegraphic reply to a telegram dated March 16, 1933, from the Governor of the Federal Reserve Bank of Boston inquiring (1) whether under a proposed State law a conservator could be appointed by State authorities for a member bank which has not been licensed to reopen, (2) assuming that a conservator should be appointed by State authorities permitting operation of the bank on a restricted basis, could such operation be permitted by the Secretary of the Treasury under the Act of March 9, 1933, and (3) would the institution operating under the direction of a conservator be permitted to retain the privileges of membership in the Federal Reserve System and to what extent. The reply, in answer to the first two inquiries, referred to the executive order of March 18, 1933, stating the conditions under which State supervisory authorities may appoint appropriate officials to conserve the assets of State member banks, and stated that the answer to the third question would depend in part on the provisions of the proposed State law, and that the Federal reserve bank should consult its counsel with regard thereto. The reply also stated that if a ruling of the Board is desired a copy of the State statute and advice of counsel's opinion, together with a statement of the reasons therefor, should be furnished to the Board.

Approved.

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Telegraphic reply to a telegram dated March 17, 1933, from the Governor of the Federal Reserve Bank of Boston stating that a State member bank contemplates freezing 85% of its deposits under the direction of the Commissioner of Banking and the payment of the remaining 15%, and inquiring (1) whether such frozen deposits would be considered a time deposit and subject to a 3% reserve, (2) whether the Federal reserve bank is permitted to carry on usual transactions with the member bank including a reduction of the reserve balance to 3% of the frozen deposits, (3) whether the Federal reserve bank may rediscount or discount for the member bank in order to enable it to pay 15% of its deposits and (4) whether the member bank can use cash in its vault or with correspondents to complete the transaction. The reply requested advice as to whether the bank in question has been licensed to perform usual banking functions, whether the contemplated freezing of deposits is to take place under authority of State law, or by agreement with depositors and if under authority of State law, that the Board be furnished with a copy of the statute in question or specific reference thereto. The reply also requested advice as to the opinion of the Federal reserve bank's counsel on the first question with a statement of the reasons therefor, and stated that the general subject covered by the last three questions is now under consideration by the Treasury Department and advice will be forwarded as soon as a ruling has been made.

Approved.

Telegraphic reply to a telegram dated March 15, 1933, from the Governor of the Federal Reserve Bank of Minneapolis inquiring whether banks which are not licensed to reopen by the Secretary of the Treasury

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may continue under regulation 10 to pay out money for payroll accounts, etc. The reply called attention to regulation 28 of the Secretary of the Treasury providing that regulations 6 and 10 shall be without force and effect after March 18 to authorize any banking transaction therein referred to, and stated that State member banks not yet licensed to open to perform usual banking functions may permit limited withdrawals under conditions specified in regulation 27.

Approved.

Telegraphic reply to a telegram dated March 18, 1933, from the Federal Reserve Agent at Dallas quoting a telegram received by him from the Federal Reserve Bank of New York in which it is stated that there are substantial mechanical difficulties involved in adopting a procedure at the New York bank to hold for the Federal Reserve Bank of Dallas collateral for Federal reserve bank notes other than Government obligations and that it would be more convenient to use Government obligations as collateral for Federal reserve bank notes; the Federal reserve agent inquiring whether any change is necessary in the power of attorney authorizing the pledge of security by the Federal Reserve Bank of New York with the Federal reserve agent at that bank for the account of the Federal Reserve Agent at Dallas. The reply stated that no change in the power of attorney seems to be necessary as the Federal reserve bank, if it becomes necessary, will hold notes, drafts and bills of exchange and bankers' acceptances in joint custody with the Federal Reserve Agent at New York as collateral security for Federal reserve bank notes issued to the Dallas bank.

Approved.

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Telegram to the Federal reserve agents at all Federal reserve banks stating that in some cases where the Board has been given telegraphic advice of applications for membership pursuant to the Board's telegram of March 12, 1933 (Trans. 1628), there has been a duplication of the amounts submitted under symbols L and N; that in connection with conditions of membership usually prescribed requiring the charge-offs of losses and depreciation in securities, it is important that duplication of amounts set out under these symbols be avoided whenever possible; and that in any case where such a duplication is involved the telegram to the Board should contain a concise explanation of the extent of such duplication.

Approved.

Reply to a letter dated March 3, 1933, from the Federal Reserve Agent at New York referring to previous correspondence with regard to the cancellation of the Federal reserve bank stock held by the Citizens National Bank of Long Branch, New Jersey, and recommending that pending the outcome of efforts to reopen the bank no action be taken with reference to the cancellation of the Federal reserve bank stock held by it. The reply referred to the Board's letter of February 14, 1933, stating that the Board had no objection to the agent waiting an additional period of three months before submitting a further report and recommendation on the matter and stated that, in accordance with the agent's recommendation of March 3, no action will be taken at this time and the Board will await the agent's further report which should be submitted at or before the expiration of the period of three months.

Approved.

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Telegram to Assistant Federal Reserve Agent Bailey at the Federal Reserve Bank of Minneapolis, replying to his wire of March 20, 1933, with regard to the application filed by the Iron Exchange Bank, Hurley, Wisconsin, 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 of intention to withdraw, and that the Federal Reserve Bank of Minneapolis is authorized to cancel the Federal reserve bank stock held by the bank and to make a refund thereon. The reply requested that the Board be advised when cancellation of the stock is effected; that the resolution of the bank's board of directors authorizing withdrawal be forwarded to the Board; and that the State banking authorities be advised promptly when withdrawal from membership has been effected, and informed that the Federal reserve agent's office will be glad, if desired, to furnish information as to the reasons advanced by the State bank in support of its request for the waiver of the usual requirement of six months' notice of intention to withdraw.

Approved.

Letter to the Federal Reserve Agent at New York, referring to the analysis of report of examination as of November 26, 1932, of the Marine Midland Trust Company, New York City, New York, which indicates that the institution has a liability of \$511,000 on account of mortgage participations sold, and requesting that, as the transaction of such business may be a violation of the general condition under which the trust company was admitted to membership in the Federal reserve system, the agent advise as to what extent and over what period the trust company has sold mortgage

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participations, together with advice as to the nature of its liability on mortgage participation certificates which it has sold. The letter also requested an expression of the agent's views as to any action which can be taken appropriately at this time in connection with this particular activity of the institution.

Approved.

Letter to the Federal Reserve Agent at New York, referring to the analysis of report of examination as of October 28, 1932, of the Lincoln-Alliance Bank and Trust Company, Rochester, New York, and suggesting that the agent consider the advisability of discussing with the Superintendent of Banks of the State of New York the question of a further reduction in the company's dividends, if not an entire elimination thereof, advising the Board of the results of any such discussion. The letter also requested advice as to the action taken by the bank with regard to the disposition of 130 shares of its own stock held as collateral to loans; as to the relationships of the bank with affiliated companies; and as to any improvements effected in the other features of the condition of the bank which were subjected to criticism in the report of examination above referred to.

Approved.

Letter to the Federal Reserve Agent at New York, referring to the analysis of report of examination, as of October 29, 1932, of the Bank of Nutley, New Jersey, which discloses that the institution owns 37% and 56%,

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respectively, of the outstanding stock of the First National Bank and the Franklin National Bank, both of Nutley, New Jersey, and stating that it appears that the acquisition of this stock is a change in the scope of the functions of the member bank within the meaning of the general condition under which it was admitted to membership in the Federal reserve system, and that it will appreciate it if the agent will advise the Board of the circumstances surrounding investment in the stock of the banks by the Bank of Nutley, and his views as to whether any action should be taken at this time in connection with the acquisition of such stock. The letter also requested additional information with regard to the acquisition by the member bank of 400 shares of stock of the Nutley Mortgage and Title Company and the relationship of the member bank to that company.

Approved.

Telegram to the chairmen and governors of all Federal reserve banks stating that Bill H. R. 3757 which passed the House of Representatives on March 20, 1933, is the same as the proposed revision of Bill S. 320 quoted in the Board's telegram of March 17, 1933, except that in the last paragraph, which is designated as section 2 in the House bill, the reference to section 29 of the Federal Reserve Act was changed to section 19.

Approved.

Reply on March 20, 1933, approved by four members of the Board, to letters dated February 11 and 28, 1933, from Congressman Walter

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Lambeth with reference to a suggestion that legislation be enacted requiring the Federal reserve banks to absorb the two cent tax on checks drawn in payment of items included in cash letters forwarded by them to State banks. The reply set forth the reasons for the Board's opinion that such legislation should not be enacted.

Approved.

Letter to the Federal Reserve Agent at Philadelphia with regard to the Clayton Act applications of Messrs. Arthur C. Dorrance, C. J. Ingersoll and William W. Bodine, involving the respective institutions named below:

- Arthur C. Dorrance      Philadelphia National Bank, Philadelphia, Pa.,  
Girard Trust Company, Philadelphia, Pa.,  
Guaranty Trust Company, New York, N. Y.
- C. J. Ingersoll      Girard Trust Company, Philadelphia, Pa.,  
Central-Penn National Bank, Philadelphia, Pa.
- William W. Bodine      First National Bank, Philadelphia, Pa.,  
Provident Trust Company, Philadelphia, Pa.

The letter stated that since it appears, from the information thus far transmitted, that the Philadelphia institutions are in competition, the Board is not prepared to grant the applications unless it is advised of some reason why it would be in the public interest to grant them, notwithstanding the existence of competition, and that while some explanation of the desire of the banks to have these directors and of the applicants to serve the banks involved has been furnished, which it appears is based on logical reasons, it does not appear to the Board that it constitutes sufficient grounds for finding that it would be affirmatively in the public

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interest to grant the applications. The letter also stated that it may be that the applicants or the institutions which they desire to serve will wish to furnish additional information or arguments bearing upon the question whether the granting of the permits will be compatible with the public interest and that the agent is requested to afford them an opportunity to do so although any additional information or arguments should be submitted as promptly as possible. The letter also requested that the agent review the applications in the light of the letter and additional information received by him, and that he submit to the Board his comments and recommendations in order that the Board may proceed further with the consideration of the applications.

Approved.

The following regulation issued by the Secretary of the Treasury on March 21, 1933, under authority conferred upon him by the President's proclamations of March 6 and 9, 1933, previously brought to the attention of the individual members of the Board, was presented for the record:

(29) "Any banking institution which is a member of the Federal Reserve System and is not licensed to perform usual banking functions may rediscount or pledge with another banking institution renewals of notes which were previously rediscounted or pledged with such other banking institution."

The following interpretations by the Secretary of the Treasury of the regulations issued by him under authority of the President's proclamations of March 6 and 9, 1933, were presented for the record, after having been brought previously to the attention of the individual members:

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- (1) "The term QUOTE food or feed products UNQUOTE in regulation six under the President's proclamation promulgated March sixth may be interpreted to include live stock on the way to slaughter."
- (2) "Regulation Number ten of March seven under the President's proclamation of March sixth is held to authorize payments on account of pensions, workmen's compensation disability insurance, relief and unemployment."
- (3) "The term QUOTE other corporations, partnerships, associations or persons engaged in the business of receiving deposits, making loans UNQUOTE, as used in the President's proclamation of March 6 declaring a bank holiday, is held to include brokers, pawn brokers, industrial loan companies, mortgage loan companies, chattel loan companies, personal finance companies, automobile finance companies and all other persons, firms and corporations engaged in the business of making loans of any kind, secured or unsecured."
- (4) "Regulation Number 5, dated March 6, 1933, is not to be interpreted as permitting any banking institutions to accept payment of any obligation not solely owned by it in any form which is not authorized by the person entitled to the proceeds."
- (5) "Regulation No. 10 issued under the President's proclamation is interpreted to authorize payments for fertilizer and for vegetable and agricultural seeds for spring planting, where such payments are absolutely necessary and where the seed and/or fertilizer are for immediate use."
- (6) "'Food or feed products' as used in Regulation 6 may be construed as including whole grain if such grain is intended for processing or consumption in the immediate future."
- (7) "Release of funds for purchase of cotton where absolutely necessary to maintain operation is interpreted as 'necessary current expenditures for the purpose of maintaining employment and for other similar essential purposes.'"
- (8) "Regarding release of funds for purchase of internal revenue stamps in connection with cigar manufacturing. Cigar manufacturing company should be referred to collector of internal revenue."
- (9) "Regulation No. 10 issued under the President's Proclamation is interpreted to authorize payments for nursery stock where such payments are absolutely necessary to prevent destruction of stock in transit on March 6, 1933, or prepared for and awaiting shipment on March 6, 1933 under bona fide commitments."
- (10) "The term 'mortgage loan companies', as used in Interpretation No. 3, is interpreted to include all corporations whose principal

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business consists of the investment in, sale and purchase of real estate mortgages and mortgage certificates guaranteed by such corporations."

(11) "Regulation No. 12 is not to be construed as permitting a banking institution, open for normal and usual functions under license of the Secretary of the Treasury, to require depositors to accept clearing house certificates or other evidences of claims against assets for all or any part of any withdrawal requested."

(12) "Regulation No. 27 is interpreted to permit any banking institution acting thereunder to carry on such usual banking functions as may be essential to permit restricted withdrawals and payments authorized by such regulation, subject to all of the provisions and restrictions therein contained and except as otherwise prohibited."

Thereupon the meeting of the Executive Committee recessed and reconvened at 3:00 p.m. with the appointive members of the Board in attendance and the same members of the staff as attended the morning session and, in addition, Messrs. Goldenweiser and Riefler.

In accordance with the request of the Secretary of the Treasury, there was a discussion of the questions of policy involved in the issuance by the Secretary of the Treasury of an order requiring the return of gold and gold certificates.

Mr. Hamlin submitted for consideration the following memorandum of procedure which might be followed:

"1. Issue the order at once.

"2. Provide in the new order:

"(a) That gold will be licensed for legitimate export transactions not involving hoarding or speculation.

"(b) Licenses will be issued to obtain gold from Federal reserve banks for meeting any gold obligation maturing within three months, when gold is demanded,

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whether the obligee is at home or abroad.

"(c) Point out that any citizen or foreigner residing in the United States demanding and receiving gold, is subject to the proclamation requiring its immediate return.

"(d) Announce that this order is temporary only, and that the Treasury hopes shortly to remove all restrictions on gold."

Mr. Miller pointed out that the procedure outlined in Mr. Hamlin's memorandum is based on the assumption that the Secretary of the Treasury will proceed to mobilize all gold in the country. He stated that he has proceeded on the theory that it is not necessary to go to that extreme, but that the action to be taken should be such as to bring back gold which has been hoarded. He suggested that the desired result might be obtained by the issuance of a press release along the following lines, which had been prepared by him on the latter premise:

"The Federal Reserve Board stated that there has been a gratifying return of gold to the Federal reserve banks following the announced request of the Federal Reserve Board on March 8, 1933, to Federal reserve and other banks to supply a list of names of persons who have withdrawn gold beginning February first of this year and who have not returned it by March 27th. To date \$\_\_\_\_\_ of gold and gold certificates have been turned in to the Federal reserve banks. After reports are received from Federal reserve banks March 27th, the Board will decide whether to ask the Secretary of the Treasury to proceed under the power conferred upon him by sub-section (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."

It was pointed out that before a formal order requiring the return of all gold in the country could be issued by the Secretary of the Treasury under section 3 of the Act of March 9, 1933, it would be necessary for the Secretary of the Treasury to reach the conclusion that "such

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action is necessary to protect the currency system of the United States", but that a finding of this character would not be required under section 2 of that Act. In this connection, Dr. Goldenweiser stated that from March 13 to March 18, 1933, money in circulation declined \$722,000,000, the return of gold coin and gold certificates alone amounting to \$246,000,000, that in the same period the reserves of the system increased from 46.5% to 52.7%, and that the system now holds in excess of \$3,000,000,000 in gold and has over \$1,000,000,000 in excess reserves. It was the consensus that, in view of the improvement in the currency position, it would be preferable to deal with the gold situation through the issuance of an order by the President of the United States prohibiting the hoarding of gold under section 2 of the Act of March 9, 1933, rather than the issuance by the Secretary of the Treasury under section 3 of the Act of March 9, 1933, of an order requiring the return to the Treasurer of all gold held in the country. It was suggested that, if the latter course were followed, this country would be embarking upon a program which no other country had ever followed except in the most extreme conditions in order to preserve its monetary system; that an order by the President of the United States prohibiting hoarding would leave much more freedom of action to the Treasury and the Federal reserve banks in the future than a general mobilization order; and that the disadvantages of a general mobilization of gold outweighed the considerations in favor of such action which have arisen from the public interpretations, as an order for the return of gold, of the Board's request of the Federal reserve banks for information regarding gold withdrawals since February 1, 1933.

It was agreed, tentatively, that any order issued by the President

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of the United States prohibiting the hoarding of gold should apply only to gold coin, gold bullion and gold certificates withdrawn and withheld from the recognized and customary channels of trade after June 30, 1931, on the ground, broadly, that withdrawals prior to that time were not governed by the same considerations that led to withdrawals later, particularly in recent months, and did not have a materially adverse effect upon the general public interest.

At the conclusion of the discussion, Mr. Wyatt, the Board's General Counsel, was requested to prepare for further consideration at a meeting of the Board to be held at 9:00 p.m. tonight, a draft of an executive order by the President of the United States prohibiting hoarding, along the lines tentatively agreed upon at this meeting, embracing the procedure outlined in Mr. Hamlin's memorandum, with such changes as were suggested during the discussion, and incorporating certain exceptions contained in a draft previously prepared in the Treasury Department of an order by the Secretary of the Treasury requiring the return of all gold.

At this point the Governor left the room for the purpose of ascertaining whether the Secretary of the Treasury could join the meeting at this time for a discussion of the form of order tentatively agreed upon by the other members of the Board. Upon his return he reported that the Secretary was engaged in another conference and had also indicated that he might not return to his office tonight unless it were absolutely necessary.

There followed a discussion of the question which has been raised by several Federal reserve banks as to what member banks which have not

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been licensed to resume ordinary banking operations can do in the way of renewing rediscounts with Federal reserve banks. Mr. Morrill reported that he understood from a telephone conversation that the Federal Reserve Bank of Atlanta, during the banking holiday, charged all maturities against reserve accounts but that since the expiration of the holiday member banks are making renewals and are desirous of offering them to the Federal reserve bank for rediscount. He stated that a telegram received from Governor Black of Atlanta regarding the matter was referred to the Committee on Interpretations of the Treasury Department which has drafted a regulation stating that any banking institution which is a member of the Federal Reserve System and is not licensed to perform usual banking functions may rediscount or pledge with another banking institution renewals of notes which were previously rediscounted or pledged with such other banking institution.

Mr. Morrill then presented copies of telegrams dispatched by the Reconstruction Finance Corporation to its various loan agencies, which had been called to the Board's attention by the Federal Reserve Bank of San Francisco, regarding loans to member banks of the Federal Reserve System, which indicated the adoption of a policy of referring all member bank applicants for loans to the Federal reserve banks and of endeavoring to shift to the Federal reserve banks loans already made by the Reconstruction Finance Corporation. Governor Meyer raised the question whether the Federal reserve banks could maintain confidence in their stability and their currency issues if required to take over all of the loans which were made by an institution which was created especially for

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the purpose of making loans of a type not ordinarily appropriate for institutions designed to perform the functions of the Federal reserve banks. Mr. Miller stated that the telegrams sent out by the Reconstruction Finance Corporation did not seem to him to be in accordance with the spirit of the Reconstruction Finance Corporation Act or with the spirit of the banking program which is now under way. Mr. Hamlin and Mr. James agreed with the points of view expressed by Governor Meyer and Mr. Miller and it was understood that the Governor would take the matter up with the Secretary of the Treasury.

Mr. Miller then reported a telephone conversation with the Chairman of the Federal Reserve Bank of Chicago during which Mr. Stevens advised that he had been discussing with his directors the question of the possible failure of nonmember banks which had been licensed by State authorities to reopen in full and which it is not expected by the Federal Reserve Bank of Chicago will be able to continue. He reported that Mr. Stevens had also advised him that the Auditor of Public Accounts of the State of Illinois has recommended that all nonmember banks licensed to reopen apply for membership in the system. In this connection, Mr. Harrison stated that the Treasury Department is now considering the cases of a number of member banks in the State of Texas which are open under licenses issued by the Superintendent of Banks after the Secretary of the Treasury had declined to issue licenses to them. He said that he understood that Mr. Douglas, Assistant Secretary of the Treasury, who has the matter under consideration, is inclined to request the Federal Reserve Board to expel the banks from membership in the system.

Thereupon the meeting again recessed and reconvened at 9:00 p.m.

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the same members of the Board and its staff being present as attended the afternoon session.

Mr. Wyatt presented a draft of a proposed executive order by the President of the United States to be issued under section 2 of the Act of March 9, 1933, forbidding the hoarding of gold coin, gold bullion and gold certificates, prepared by him in accordance with the discussion at the meeting this afternoon.

Dr. Goldenweiser presented a draft of a proposed statement prepared by him and Mr. Riefler with the thought that it might be issued by the Secretary of the Treasury or the President at the time of the issuance by the President of the executive order above referred to.

The proposed executive order was considered in detail and certain suggestions for changes therein were made. It was pointed out that either in the order or in separate regulations issued by the Secretary of the Treasury a definite statement should be made as to whether gold coin returned under the order is to be accepted at face or bullion value.

The statement submitted by Dr. Goldenweiser was then considered and it was the consensus that as a matter of policy the last paragraph stating "it is the desire of the President to remove all emergency restrictions on gold as soon as further improvement in the situation will make it possible" should be eliminated and that the preceding paragraph should be amended so as to eliminate the statement that certain exceptions are necessary "for the maintenance of the gold standard and for the protection of the value of the dollar at home and abroad and for

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safeguarding our country from the uncertainties of an unstable currency".

It was understood that the proposed executive order by the President and the proposed statement would be further revised in accordance with the discussion at this meeting and that the Governor would endeavor to arrange for the attendance of the Secretary of the Treasury at a meeting tomorrow at which the order can be further discussed and the views of the Board regarding it explained to the Secretary.

Report of Standing Committee dated March 21, 1933, recommending approval of the following change in stock at a Federal reserve bank:

<u>Application for ORIGINAL Stock:</u>	<u>Shares</u>	
District No. 7.		
National Bank of Detroit, Michigan.	13,500	13,500

Approved.

Thereupon the meeting adjourned.

Walter Merrill  
Secretary.

Approved:

Ernest C. Ferguson  
Governor.