

A meeting of the Federal Reserve Board with the Governors of Federal Reserve Banks, the appointive directors of the Reconstruction Finance Corporation, and representatives of the Treasury Department and the office of the Comptroller of the Currency was held in Washington on Thursday, April 20, 1933, at 10:30 a. m.

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

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

ALSO PRESENT: Messrs. Young, Harrison, Norris, Fancher, Seay, Black, Martin, Geery, Hamilton, McKinney and Calkins, Governors of Federal reserve banks  
Mr. McKay, Deputy Governor of the Federal Reserve Bank of Chicago  
Mr. Strater, Secretary of the Governors' Conference.  
Messrs. Jones, Couch and McCarthy, Directors of the Reconstruction Finance Corporation  
Mr. Awalt, Acting Comptroller of the Currency  
Mr. Cummings, Executive Assistant to the Secretary of the Treasury.

Governor Meyer stated that he had been informed that the Secretary was occupied at the moment but expected to join the meeting later, and that in the meantime the meeting might consider the question as to what action can be taken to assist licensed banks in unsatisfactory condition and to expedite the opening of banks not yet licensed by the Secretary of the Treasury.

Governor Meyer then asked Mr. Jesse Jones, member of the Reconstruction Finance Corporation, to review the policy of the corporation in this regard.

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Mr. Jones replied that the corporation is doing everything possible to be of assistance to banks which are open and is meeting the problem of opening closed banks, wherever possible, through subscriptions to preferred stock, or by lending the money for the purchase of preferred stock by local interests, taking the preferred stock and additional collateral as security. He stated that the present policy in this connection is to require, when the corporation subscribes for preferred stock, that at least an equal amount be subscribed by others; that the chief difficulty met by the corporation is lack of local capital and the unwillingness of local interests to subscribe additional funds; that the corporation feels its subscription to the preferred stock of a bank results in increased confidence of the public in that institution so that care has to be exercised to see that the bank is reorganized on a sound basis; and that, in view of the responsibility on the part of the corporation, it has also adopted the policy of examining banks on its own behalf before subscribing for preferred stock therein. He also expressed the opinion that a number of banks were licensed to reopen which should not have been licensed, some of which are losing deposits, and that some of them will have to resort to the issuance of preferred stock, and be given substantial assistance by the Federal reserve banks and the Reconstruction Finance Corporation.

Mr. Jones stated that it is his feeling that there is no reason, in view of the recent amendments to the law, why any member bank should borrow from the Reconstruction Finance Corporation, but that the requirements of such banks should be taken care of by the Federal reserve banks. He suggested that the Federal reserve banks should obtain a list of the member

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banks borrowing from the Reconstruction Finance Corporation and make advances to them for the purpose of paying their loans to the Reconstruction Finance Corporation, and that this action is particularly desirable in view of the present requirement of the law that the loans made by the Reconstruction Finance Corporation be made public.

Governor Meyer called attention to the requirement of section 4 of the Federal Reserve Act that such discounts, advances and accommodations to member banks shall be extended by Federal reserve banks as may be safely and reasonably made with due regard for the claims and demands of other member banks; and to the fact that the total capital and surplus of the Federal reserve banks amounts to only approximately \$425,000,000 whereas the Reconstruction Finance Corporation has available resources of approximately \$4,000,000,000, and that the problem of assisting banks must be handled with due regard to the limits imposed by the capital and surplus of the Federal reserve banks, and in the light of the possible demands that may be made on them in the future, their responsibilities as banks of issue, and the risk involved in taking into their assets large amounts of unliquid paper which might result in unfavorable comment as to their condition.

Mr. Jones stated that it is believed that the amount which would be required to take over member bank loans from the Reconstruction Finance Corporation would not be more than approximately \$125,000,000.

At this point the Chairman joined the meeting.

Mr. Woodin stated that a new gold order has just been signed by the President but has not yet been released to the press; that a copy will be sent to the meeting; and that he would like to have it considered. He also



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stated that a bill, known as the Thomas Bill, is being drafted for introduction in the Senate, possibly today, and that he would furnish the Governors a copy as soon as possible; that he would like to discuss with the Governors the plan proposed to be inserted in the Glass Bill to provide for the insurance of bank deposits; and that he would appreciate it if they could arrange to remain in Washington during the remainder of the week. In response to the Chairman's suggestion all of the Governors indicated that, while they feel that they should return home as soon as possible for the reason that they should be at their respective posts of duty, they would remain in Washington as long as may be necessary. The Chairman then withdrew from the meeting.

The discussion of Mr. Jones' suggestion that the Federal reserve banks take over the loans made to member banks by the Reconstruction Finance Corporation was continued. Governor Meyer stated that as the Federal reserve banks are banks of issue, it is highly important that they be kept in a liquid position. He also stated that the Secretary of the Treasury and the Board feel that the problem to be considered is not the taking over by the Federal reserve banks of loans made to member banks by the Reconstruction Finance Corporation, but how the Federal reserve banks, the Reconstruction Finance Corporation and the Comptroller of the Currency can cooperate in being of further assistance to such banks.

A general discussion ensued during which Mr. Jones suggested the possibility of a procedure being adopted which would provide that whenever a member bank is in need of funds it make application both to the Federal

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reserve bank and the Reconstruction Finance Corporation, the immediate advance being made by the Federal reserve bank with a commitment on the part of the Reconstruction Finance Corporation to take over the loan at the expiration of a specified period, say, sixty days. He stated that under such a procedure, counsel for the corporation was of the opinion that the commitment of the Reconstruction Finance Corporation to the member bank need not be published, and stated that, before the time arrived for the taking over of the advance by the Reconstruction Finance Corporation, conditions in many cases might be so changed as to make an advance by the Reconstruction Finance Corporation unnecessary. The question was raised as to what method would be used in appraising assets which would be taken as security for advances under such a plan by the Federal reserve banks and later by the Reconstruction Finance Corporation, and the opinion was expressed that uniformity in this phase of the suggested procedure is very desirable. After some further discussion it was agreed that Mr. Awalt, Acting Comptroller of the Currency, Mr. Cummings, Executive Assistant to the Secretary of the Treasury, Mr. Jones, Member of the Reconstruction Finance Corporation, and Governor Fancher, representing the Governors of the Federal reserve banks, would act as a committee for the purpose of considering in detail Mr. Jones' suggestion and in general the matter of cooperation between these agencies. The directors of the Reconstruction Finance Corporation then left the meeting.

The Governor read the following Executive Order, a copy of which had just reached him from the office of the Secretary of the Treasury:

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"By virtue of the authority vested in me by Section 5(b) of the Act of October 6, 1917, as amended by Section 2 of the Act of March 9, 1933, entitled 'An Act to provide relief in the existing national emergency in banking, and for other purposes,' in which amendatory Act Congress declared that a serious emergency exists, I, Franklin D. Roosevelt, President of the United States of America, do declare that said national emergency still continues to exist and pursuant to said section and by virtue of all other authority vested in me, do hereby issue the following executive order:

"1. Until further order, the earmarking for foreign account and the export of gold coin, gold bullion or gold certificates from the United States or any place subject to the jurisdiction thereof are hereby prohibited, except that the Secretary of the Treasury, in his discretion and subject to such regulations as he may prescribe, may issue licenses authorizing the export of gold coin and bullion (a) earmarked or held in trust for a recognized foreign government or foreign central bank or the Bank for International Settlements, (b) imported for reexport or gold in reasonable amounts for usual trade requirements of refiners importing gold bearing materials under agreement to export gold, (c) actually required for the fulfilment of any contract entered into prior to the date of this order, by an applicant who in obedience to the Executive Order of April 5, 1933, has delivered gold coin, gold bullion or gold certificates, and (d) with the approval of the President, for transactions which he may deem necessary to promote the public interest.

"2. Until further order, the Secretary of the Treasury is authorized, through any agency that he may designate, to investigate, regulate, or prohibit, under such rules and regulations as he may prescribe, by means of licenses or otherwise, any transactions in foreign exchange, transfers of credit from any banking institution within the United States or any place subject to the jurisdiction thereof to any foreign branch or office of such banking institution or to any foreign bank or banker, and the export or withdrawal of currency from the United States or any place subject to the jurisdiction of the United States, by any individual, partnerships, association, or corporation within the United States or any place subject to the jurisdiction thereof; and the Secretary of the Treasury may require any individual, partnership, association, or corporation engaged in any transaction referred to herein to furnish under oath, complete information relative thereto, including the production of any books of account, contracts, letters or other papers, in connection therewith in the custody or control of such individual, partnership, association, or corporation either before or after such transaction is completed.

"3. The provisions relating to foreign exchange transactions contained in the Executive Order of March 10, 1933, shall remain in



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"full force and effect except as amended or supplemented by this order and by regulations issued hereunder.

"4. Applicants who have gold coin, gold bullion or gold certificates in their possession, or who in obedience to the Executive Order of April 5, 1933 have delivered gold coin, gold bullion or gold certificates shall be entitled to licenses as provided in Section 8 of said Executive Order for amounts not exceeding the equivalent of such coin, bullion or certificates held or delivered. The Secretary may in his discretion issue or decline to issue any other licenses under said Executive Order, which shall in all other respects remain in full force and effect.

"5. Whoever willfully violates any provision of this Executive Order or of any rule, regulation or license issued thereunder may be fined not more than \$10,000, or, if a natural person, may be imprisoned for not more than ten years, or both; and any officer, director, or agent of any corporation who knowingly participates in any such violation may be punished by a like fine, imprisonment, or both."

This order may be modified or revoked at any time.

FRANKLIN D. ROOSEVELT.

THE WHITE HOUSE  
April 20, 1933."

A discussion of the order ensued, particular attention being given to section 4, and Mr. Douglas, Assistant Secretary of the Treasury, was invited into the meeting to explain certain features of the order.

Mr. Douglas stated that, when it was decided not to issue licenses for the export of gold, it was felt that a new executive order was necessary in order (1) to protect the Secretary of the Treasury from the contention which might be made that he was under some legal obligation to issue licenses in certain classes of cases, and (2) to extend his authority to regulate foreign exchange transactions as far as the Act of March 9, 1933, might permit. He stated that, in the original draft of the new order, there was

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included a statement to the effect that nothing in the order of April 5, 1933, shall be construed to impose an obligation on the Secretary of the Treasury to issue licenses; that the Solicitor General felt that, although that would accomplish the purpose, it left grave doubt as to the effect of the order of April 5, because in drawing that order reliance was placed on the fact that whoever turned in gold was getting a fair value in return, whereas it seemed to him that some question may now arise as to whether that is the case; and that, after some discussion, section 4 was inserted in the new order with the thought that under its provisions nothing would be taken away without due process or proper compensation, the Solicitor General feeling satisfied that, if provision were made for issuing licenses for proper purposes to persons who have gold at the present time or who turned it in in reliance on the Executive Order of April 5, the order could be sustained.

Mr. Douglas also stated that section 4 of the new order is limited in its application by section 1(c) which requires that the purpose for which the gold is to be used shall be in fulfillment of a contract entered into prior to the date of the order; that under the new order the Secretary is under obligation to issue licenses for the export of gold only where a person has had gold which he has turned in in accordance with the Executive Order of April 5, or where he still has gold; that the Secretary is not under obligation to issue licenses in other cases; and that, while this might result in favoring persons who have not yet turned in their gold or did so after April 5, it was felt that section 4 was necessary in order to remove any question as to the validity of the order.

Mr. Douglas stated further that while the order had not yet been made public it would probably be issued today unless some further changes



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were determined upon.

Certain other phases of the order were discussed, following which Mr. Douglas left the meeting.

Governor Calkins then suggested that the meeting recess to afford the Governors an opportunity to hold a separate session for the purpose of developing, for the benefit of Governor Fancher, the views of the Governors with regard to the details of the program suggested by Mr. Jones of the Reconstruction Finance Corporation for lending assistance to member banks. Accordingly, the meeting recessed and reconvened at 4:00 p.m. with the appointive members of the Board, Messrs. Morrill, McClelland, Harrison, Smead, Goldenweiser, Wyatt and Vest of the Board's staff, the members of the Governors' Conference, and Mr. Strater being present.

Mr. Morrill read a draft of the so-called Thomas Bill, a confidential copy of which had been furnished to the meeting by the Secretary of the Treasury. The draft of the bill read as follows:

"AMENDMENT

"Intended to be proposed by Mr. \_\_\_\_\_ to the bill (H.R.3835) to relieve the existing national economic emergency by increasing agricultural purchasing power,

viz: On page 43, after line 5, insert:

Part 6--Financing--And Exercising Power Conferred  
by Section 8 of Article I of the Constitution: To  
Coin Money and to Regulate the Value Thereof

"Sec. 34. Whenever the President finds, upon investigation, that (1) the foreign commerce of the United States is adversely affected by reason of the depreciation in the value of the currency of any other government or governments in relation to the present standard value of gold, or (2) action under this section is necessary in order to regulate and maintain the parity of currency issues of the United States, or (3) that an economic

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"emergency requires an expansion of credit, or (4) that an expansion of credit is necessary to secure by international agreement a stabilization at proper levels of the currencies of various governments; the President is authorized, in his discretion, --

"(a) To direct the Secretary of the Treasury to enter into agreements with the several Federal reserve banks and with the Federal Reserve Board whereby the Federal Reserve Board will, notwithstanding any provisions of law or rules and regulations to the contrary, permit such reserve banks to agree, that they will (1) conduct, pursuant to existing law, throughout specified periods open market operations in obligations of the Federal Government or corporations in which the United States is the principal stockholder, and (2) purchase directly and hold in portfolio for an agreed period or periods of time, Treasury bills or other obligations of the United States Government in an aggregate sum of \$3,000,000,000 in addition to those they may then hold, unless prior to the termination of such period or periods the Secretary shall consent to their sale. The provisions of existing law requiring an automatic increase in the discount rate shall not result in an increase in such rate by reason of operations under this section.

"(b) If the Secretary, when directed by the President, is unable to secure the assent of the several Federal reserve banks and the Federal Reserve Board to the agreements authorized in this section or if operations under the above provisions prove to be inadequate to meet the purposes of this section of this Act, or if for any other reason additional measures are required in the judgment of the President to meet such purposes, then he is authorized --

"1. To direct the Secretary of the Treasury to cause to be issued in such amount or amounts as he may from time to time order, United States notes, as provided in the Act entitled 'An Act to authorize the issue of United States notes and for the redemption of funding thereof and for funding the floating debt of the United States,' approved February 25, 1862, and Acts supplementary thereto, and amendatory thereof, in the same size, and of similar color to the Federal reserve notes heretofore issued, and in denominations of \$1, \$5, \$10, \$20, \$50, \$100, \$500, \$1,000, and \$10,000; but notes issued under this subsection shall be issued only for the purpose of meeting maturing Federal obligations to repay sums borrowed by the United States and for purchasing United States bonds and other interest bearing obligations of the United States: Provided, That when any such notes are used for such purpose, the bond or other obligation so acquired or taken up shall be retired and canceled. Such notes shall be issued at such times and in such amounts as the President may approve, but the aggregate amount of such notes outstanding at any time shall not exceed

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"\$3,000,000,000. There is hereby appropriated, out of any money in the Treasury not otherwise appropriated, an amount sufficient to enable the Secretary of the Treasury to retire and cancel 4 per centum annually of such outstanding notes and the Secretary of the Treasury is hereby directed to retire and cancel annually 4 per centum of such outstanding notes. Such notes and all other coins and currencies heretofore or hereafter issued by or under the authority of the United States shall be legal tender for all debts public and private.

"2. By proclamation, to fix the weight of the gold dollar in grains nine-tenths fine at an amount that he finds is necessary from his investigation to protect the foreign commerce of the United States against the adverse effect of depreciated foreign currencies, or in case the Government of the United States enters into an agreement with any government or governments under the terms of which the ratio between the value of gold and other currency issued by the United States and by any such government or governments is established, the President may fix the weight of the gold dollar in accordance with the ratio so agreed upon, and such gold dollar, the weight of which is so fixed, shall be the standard unit of value, and all forms of money issued or coined by the United States shall be maintained at a parity with this standard and it shall be the duty of the Secretary of the Treasury to maintain such parity, but in no event shall the weight of the gold dollar be fixed so as to reduce its present weight more than 50 per centum.

"Sec. 35. The Secretary of the Treasury, with the approval of the President, is hereby authorized to make and promulgate rules and regulations covering any action taken or to be taken by the President under subsection (a), (b), or (c) of section 34.

"Sec. 36. (a) The President of the United States is authorized to accept silver, in amounts not to exceed in the aggregate in value in United States currency \$100,000,000, in payment of the whole or any part of any amount of principal or interest due from any foreign government or governments on account of any indebtedness to our Government, such silver to be accepted at not to exceed the price of 50 cents an ounce. The authority of the President to accept silver as herein authorized shall be limited to a period of not to exceed one year from the passage of this Act.

"(b) The silver bullion purchased under the provisions of this section shall be subject to the requirements of existing law and the regulations of the mint service governing the methods of determining the amount of pure silver contained, and the amount of the charges or deductions, if any, to be made; but such



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"silver bullion shall not be counted as part of the silver bullion authorized or required to be purchased and coined under the provisions of existing law.

"(c) The silver accepted and received under the provisions of this section shall be deposited in the Treasury of the United States, to be held, used, and disposed of as in this section provided.

"(d) The President shall cause silver certificates to be issued in denominations of \$1, to the total number of dollars for which such silver was accepted in payment of debts. Such silver certificates shall be used by the Treasurer of the United States in payment of any obligations of the United States.

"(e) The silver so accepted under this section shall be coined into standard silver dollars and subsidiary coins sufficient, in the opinion of the Secretary of the Treasury to meet any demands for redemption of such silver certificates issued under the provisions of this section, and such coins shall be retained in the Treasury for the payment of such certificates on demand. The silver so obtained and deposited under this section, except so much thereof as is coined under the provisions of this section, shall be held in the Treasury for the sole purpose of aiding in maintaining the parity of such certificates as provided in existing law. Any such certificates or reissued certificates, when presented at the Treasury, shall be redeemed in standard silver dollars, or in subsidiary silver coin, at the option of the holder of the certificates: Provided, That, in the redemption of such silver certificates issued under this section, not to exceed one-third of the coin required for such redemption may in the judgment of the Secretary of the Treasury be made in subsidiary coins, the balance to be made in standard silver dollars.

"(f) When any silver certificates issued under the provisions of this section are redeemed or received into the Treasury from any source whatsoever, and belong to the United States, they shall not be retired, cancelled, or destroyed, but shall be reissued and paid out again and kept in circulation; but nothing herein shall prevent the cancellation and destruction of mutilated certificates and the issue of other certificates of like denomination in their stead, as provided by law.

"(g) The Secretary of the Treasury is authorized to make rules and regulations for carrying out the provisions of this section."

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A detailed discussion ensued as to the probable effects of the bill, if it should be enacted into law. During the discussion it was stated that the bill, in substantially the form quoted above, had been introduced in the Senate this afternoon by Senator Thomas of Oklahoma as an amendment to the pending farm bill. It was also announced that the executive order prohibiting the export of gold had been issued by the President in the form submitted at the morning session.

Governor Meyer stated that the Secretary of the Treasury had informed him that Senator Glass had advised the Secretary that a copy of the revised Glass Bill would not be available until approved by the sub-committee of the Banking and Currency Committee of the Senate, and that, in the circumstances, it was apparent that the provision with regard to the insurance of bank deposits, which it is understood is to be included in the bill, could not be discussed by the meeting.

Thereupon the meeting adjourned.

Olester Morrie  
Secretary.

Approved:

Cupuerhe  
Governor.