

A meeting of the Federal Reserve Board was held in Washington on Thursday, July 13, 1933, at 2:35 p.m.

PRESENT: Mr. Black, Governor
Mr. Hamlin
Mr. Miller
Mr. James
Mr. Thomas
Mr. Szymczak
Mr. O'Connor

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

Governor Black made the following report:

"On Tuesday afternoon, July 11, 1933, Mr. Acheson brought me message from the President that he desired Federal Reserve Bank of New York to earmark twenty million of gold for the Bank of England, such gold not to be exported for two weeks unless necessary, and such gold to be used to establish a credit with Bank of England, which credit was to be used to prevent the pound from going above 4.86, this procedure to be followed for next two weeks and then the situation might be reviewed. Upon receiving this message I telephoned Governor Harrison of the Federal Reserve Bank of New York and asked him to be in Washington on Wednesday morning, July 12th. Governor Harrison came to Washington as requested and on the morning of July 12th I stated to him exact situation covered by the President's message. Governor Harrison was of opinion that situation could be handled as requested and without loss to Federal Reserve Bank of New York. He was of opinion that result of action contemplated depended largely upon nature of its reception by Bank of England. He felt that if it was fully explained that it was a temporary measure intended only to prevent violent fluctuation of the dollar which might push the pound above 4.86 it would be properly received by Bank of England with beneficial results, but if it was received and considered by Bank of England as stabilization of the pound at its present high rate which resultantly stabilized the dollar at its present low rate it would not be accepted properly and might result in a demoralization of both currencies.

"At twelve o'clock on Wednesday, July 12th, I conferred with Messrs. James, Miller, Hamlin and Thomas as members of our Board and fully acquainted them with the facts of the situation up to that hour. These gentlemen expressed their views on the subject, and were of opinion that if request was made by the President for cooperation of the System in the plan outlined it would be proper to give cooperation under the Board's powers, Mr. James stating that he desired fuller information.

"At 4:30 on July 12th I conferred with the President on this subject. I stated to him that I had received through Mr.

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"Acheson the message in question. He stated the message was correct except he wanted my views on the proposed plan. I stated to him that I concurred in the views of Governor Harrison as to the probable effects of this action, such effects being dependent upon the nature of its reception by the Bank of England, and its success being dependent upon its being received and understood by the Bank of England as a temporary measure for the duration of two weeks only intended to prevent such violent fluctuation in the dollar as would push the pound beyond the 4.86 point, but I hoped that all this might be made sufficiently clear to the Bank of England as to insure its proper reception, and that if so its purpose should be accomplished, I further stated that the action contemplated should result in temporarily quieting the unrest relative to rapid decline of the dollar and if this resulted it would in my opinion be beneficial. In this the President concurred.

"I stated to the President that his message to me had been laid before members of our Board for consideration and that Governor Harrison would have to submit the matter to his Board for its consideration, as the Federal Reserve Bank of New York could not act upon his suggestion without the approval of its Board, and that such approval must be transmitted to the Federal Reserve Board for its action. After a full discussion the following plan was formed:

"(1) The earmarking of \$20,000,000 of gold by the Federal Reserve Bank of New York for account of the Bank of England.

"(2) The granting of a license by the President for the exportation of this gold to the Bank of England during the next two weeks, such actual exportation to be done only as and if necessary.

"(3) This \$20,000,000 to be employed as necessary to establish a credit for the Federal Reserve Bank of New York with the Bank of England.

"(4) This credit to be used by the Federal Reserve Bank of New York during the next two weeks to avoid such fluctuation in the dollar as to send the pound above 4.86.

"(5) That Federal Reserve Bank of New York explain action fully to the Bank of England so that it will understand that this action is not a stabilization of the dollar, but is action intended during the next two weeks to prevent fluctuation in the dollar to the extent that the pound would pass the 4.86 point.

"(6) That this action was to embrace only the pound and that in the action the franc was not to be employed.

"(7) That the earmarked or exported gold would be reported by the Federal Reserve Bank of New York in the usual manner.

"(8) That this action would be handled through the President, the Federal Reserve Board and the Federal Reserve Bank of New York, the two agencies, the Federal Reserve Board and the

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"Federal Reserve Bank of New York, to take the usual and necessary steps to perfect the plan.

"After meeting with the President the proposed plan was stated by me to Governor Harrison. I later informally stated this full situation to Mr. Szymczak and Comptroller of the Currency O'Connor as members of the Board."

Governor Black then read a telegram dated July 13, which he had just received from Governor Harrison of the Federal Reserve Bank of New York, as follows:

"In accordance with conversation which I had with you in Washington yesterday followed by our telephone conversation this morning my directors have today authorized me to forward to the Secretary of the Treasury the following application for a license to export or earmark gold.

Quote We hereby apply for license during the two weeks ending July 28, 1933, to ship to England or to earmark here for account of Bank of England free for export by the latter at any time at their discretion up to \$20,000,000 gold bullion. End Quote.

In taking this action my directors requested me to forward to Acheson a separate telegram as follows: Quote I am today forwarding to the Treasury with approval of my board of directors formal application for a license to export or earmark up to \$20,000,000 gold bullion. In approving of this application my directors feel that it is not impossible that even within the two week period it may be necessary to file an application for an additional amount. Feeling as we do that a failure to sustain our objective once action has been taken would leave the Federal Reserve Bank in a wholly equivocal position we feel justified in assuming that an application for an additional amount would have quick action End Quote Will you please advise me whether the Federal Reserve Board approves of our applying for this license for the purposes which we have discussed and which I understand you will confirm by letter."

After discussion of the request contained in the foregoing telegram in the light of the circumstances reviewed by the Governor, the Board decided to grant the request. The Governor was authorized to inform Governor Harrison over the telephone as to the Board's action, with the understanding that it would be made clear to Governor Harrison that with respect to the amount of gold which might be exported the Board's per-

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mission covers an amount not exceeding \$20,000,000, and that, if there should develop the possibility indicated in Governor Harrison's telegram that the Federal Reserve Bank of New York would feel it advisable to request permission to export an additional amount of gold in furtherance of the purpose of the plan, consideration would be given to such request in the light of the circumstances then existing. The Board's Secretary was directed to prepare and transmit to Governor Harrison, with the approval of Governor Black, a letter confirming Governor Black's oral advice to Governor Harrison over the telephone.

Governor Black then reported to the Board that the letter to Under Secretary of the Treasury Acheson, which had been approved by the Board at its meeting on Tuesday, July 11, outlining the position of the Board in regard to the fourth section of a letter dated May 7 from the Governor of the Bank for International Settlements, was delivered to Mr. Acheson and by him to the President; that Governor Black had been advised that the views expressed in the letter met with the entire approval of the President; and that the President had directed that these views be communicated to the American delegation at London as the President's personal views. The Governor then reported on the resulting exchange of cablegrams and a conference which he had had with Assistant Secretary of the Treasury Thomas Hewes on this subject. After discussion, the Board authorized Governor Black to write Mr. Hewes a letter as follows:

"Following our conference relative to the letter to Secretary Acheson of date July 11, 1933, outlining the position of this Board relative to Section 4 of the letter from the Governor of the Bank for International Settlements dated May 7, 1933, I beg to advise that the Federal Reserve Board has again reviewed this matter and it sees no reason for any change in its position as outlined in that letter to

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"Secretary Acheson, but the Federal Reserve Board desires it to be fully understood that the Federal Reserve Banks of this country will be glad at opportune times to confer with other central banks on pertinent questions which are in line with national policies."

Thereupon the meeting adjourned.

Walter Merrill
Secretary.

Approved:

E. R. Acach
Governor.