

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Thursday, September 24, 1936, at 11:45 a. m.

PRESENT: Mr. Ransom, Vice Chairman
Mr. Szymczak

Mr. Morrill, Secretary
Mr. Bethea, Assistant Secretary
Mr. Clayton, Assistant to the Chairman

Vice Chairman Ransom reported that President Harrison, of the Federal Reserve Bank of New York, had talked with him over the telephone regarding the balance maintained by the Federal reserve banks in the Bank of France, which aggregates at the present time approximately \$130,000. Mr. Harrison stated that a portion of this balance is invested in French bills, the remainder being carried uninvested, that the Federal Open Market Committee had authorized the New York bank to permit these bills to run off at maturity, but that the earliest maturity was approximately two months off. He also stated that the balance carried with the Bank of France had been materially reduced during the last year and a half to its present amount; that at the time of the devaluation of the dollar the 40% increase had not been written up on the books of the bank and that even if the French Government were to devalue the franc to the extent of, say, 40% the operation as a whole would leave the Federal reserve banks about \$9,000 "to the good". He pointed out, however, that if the balance were withdrawn now the Federal reserve banks would get the advantage of the devaluation of the dollar without suffering any loss if

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there should be a devaluation of the franc. Mr. Harrison made some reference to current press stories about the French situation and to the general belief that the French devaluation would possibly occur within a short period. He further stated that he had submitted this situation to his own board of directors last Thursday, their first reaction being that the balance should be drawn down but that after discussion they had decided to leave the final decision to him and that they recognized that some broad questions of general policy were involved. At this time it was his best judgment that the balance should not be disturbed, that the bills held should not be sold, and that the possible alternative of selling francs short should not be resorted to. Vice Chairman Ransom stated that he had asked Mr. Harrison if he desired the Board in Washington to consider the matter at this time but that Mr. Harrison said that he was not seeking any action by the Board and saw no reason for requesting it, nor did he contemplate asking for a consideration of the matter by the Federal Open Market Committee. He also did not think it desirable to submit the situation to the Treasury for consideration as to its possible international aspects. He stated that his purpose in calling Mr. Ransom on the telephone was merely to discuss informally with him a rather difficult situation and a rather difficult problem. He added that he might communicate with Mr. Ransom later in the day. Mr. Ransom stated that he advised Mr. Harrison that he would discuss the French situation with Mr. Goldenweiser and others on the Board's staff, as well as with Mr. Szymczak, the only other Board member present at the time, and that should anything develop from this conversation which

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he thought Mr. Harrison would like to know, he would call him back. Vice Chairman Ransom then discussed the matter with Mr. Szymczak, Mr. Goldenweiser, Mr. Gardner, Mr. Clayton, Mr. Thurston and Mr. Morrill. Mr. Goldenweiser took the position that in the light of the information before the Board there was nothing that should be done which might disturb the existing situation and expressed the view that Mr. Harrison was following the only possible course at the moment, with which all the others concurred. Later Mr. Ransom reported that his secretary had advised him that Mr. Harrison had called Mr. Ransom on the telephone but learning that Mr. Ransom was in a meeting had stated that he would call Mr. Ransom the next day, Friday, September 25.

Consideration was then given to each of the matters hereinafter referred to and the action stated with respect thereto was taken by the Board:

Telegrams to Mr. Leach, President of the Federal Reserve Bank of Richmond, and Mr. Thomas, Chairman of the Federal Reserve Bank of Kansas City, stating that the Board approves the establishment without change by the respective banks today of the rates of discount and purchase in their existing schedules.

Approved unanimously.

Telegram to Mr. Wood, Vice President of the Federal Reserve Bank of St. Louis, reading as follows:

"Relet September 19 transmitting request of 'Planters Bank and Trust Company', Hopkinsville, Kentucky, for permission in accordance with membership condition numbered

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"8 to expend approximately \$30,000 in making improvements to banking quarters. In view of your recommendation and fact that expenditure of such amount does not appear to be unduly large or improper, Board will interpose no objection thereto and you are requested to so advise the bank."

Approved unanimously.

Thereupon the meeting adjourned.

Oliver Howell
Secretary.

Approved:

Wm. H. Johnson
Vice Chairman.