

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Friday, October 9, 1936, at 10:50 a. m.

PRESENT: Mr. Eccles, Chairman
Mr. Szymczak
Mr. McKee
Mr. Davis

Mr. Morrill, Secretary
Mr. Bethea, Assistant Secretary
Mr. Carpenter, Assistant Secretary
Mr. Clayton, Assistant to the Chairman
Mr. Thurston, Special Assistant to the
Chairman
Mr. Wyatt, General Counsel
Mr. Vest, Assistant General Counsel
Mr. Dreibelbis, Assistant General Counsel
Mr. Gardner, Research Assistant, Division
of Research and Statistics

Mr. Wyatt stated that members of the Board had been served in the suit, to which reference was made at the meeting on October 6, 1936, to enjoin the members of the Board from the "further exercise of the power to coin money and regulate the value thereof other than in accordance with the provisions of the Constitution of the United States of America, etc."; that he had discussed with Mr. George P. Barse, Counsel to the Comptroller of the Currency, and Mr. Bernard Bernstein of the office of counsel to the Secretary of the Treasury, the question of the procedure that should be followed; and that they were all agreed that the case should be referred to the Department of Justice as a routine matter. Mr. Wyatt expressed the feeling, with which he said Mr. Bernstein agreed, that it would be desirable to seek the disposition of

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the case through motion to dismiss on technical grounds. However, Mr. Wyatt stated, the Comptroller of the Currency was of the opinion that the suit offered an opportunity for a decision on the question of the constitutionality of the Federal Reserve Act, that, therefore, the case should be made a test case in order to bring about a final disposition of that question, and that he proposed to call on the Attorney General of the United States and state that view and had requested Messrs. Barse and Wyatt to accompany him for that purpose.

During the discussion which followed the members of the Board expressed agreement with the opinion held by Mr. Wyatt, and it was agreed unanimously that Chairman Eccles should discuss the matter with Mr. Herman Oliphant, General Counsel of the Treasury Department; that Mr. Wyatt should advise the Comptroller of the Currency of the Board's position in the matter; and that, if it appeared to be necessary, Mr. Wyatt should accompany the Comptroller of the Currency on his visit to the Attorney General, or call upon the Attorney General separately, for the purpose of stating the Board's views.

It was also agreed unanimously that, in accordance with the action taken at the meeting of the Board on October 6, 1936, and in order that the Attorney General may be formally advised as soon as possible of the filing of the suit, a letter should be sent promptly to the Department of Justice referring the suit to the Department as a routine matter.

Chairman Eccles referred to the discussion at the meeting of the Board on October 6, 1936, with respect to the proposed conference

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with Messrs. Harrison, Sproul and Knoke of the Federal Reserve Bank of New York for the purpose of discussing the procedure to be followed with regard to the relationships and transactions entered into by the Federal Reserve Bank of New York with foreign banks or bankers under the provisions of Section 14(g) of the Federal Reserve Act, and stated that, in accordance with the suggestion made at that meeting, he had conferred with the Secretary of the Treasury regarding a procedure that might be adopted by which the Board could be kept currently advised of important developments within the knowledge of the Treasury which might enter into or affect the determination of questions of policy for which the Board is responsible. The Secretary reviewed for his information, Chairman Eccles stated, certain activities in the field of currency stabilization but requested that he treat the information as confidential for the time being as none of the matters involved any responsibility at this time on the part of the Board. Chairman Eccles stated that, in the event the Board were requested to take any action in connection therewith, all of the details would be furnished in sufficient time, and he would be in a position to advise with the members of the Board and inform them of all of the details of the matter, so as to enable the Board to reach a considered decision.

Mr. McKee stated that he had no objection to such an arrangement for the time being but that he would not be willing to agree to a con-

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timing procedure under which the Board would not be currently informed on matters handled by the Treasury Department which affect the fields in which the Board has a responsibility.

Chairman Eccles stated that he had suggested to the Secretary of the Treasury that it might be desirable for the Secretary, Assistant Secretary of the Treasury Wayne C. Taylor, and the Chairman and Vice Chairman of the Board of Governors to meet weekly for the purpose of exchanging information and discussing matters which have an effect upon the respective activities and responsibilities of the Treasury Department and the Board of Governors, and that if such a procedure were followed, there would be a current discussion and exchange of information on matters of common interest, as a result of which the Chairman and Vice Chairman of the Board would be in possession of any information or background that might be necessary to enable the Board to take carefully considered action on any problem that might be presented in connection with which the activities of the Treasury Department should be given consideration. Mr. Eccles said he had also suggested that Mr. Goldenweiser, Director of the Board's Division of Research and Statistics and Mr. Gardner maintain close contacts with Messrs. Haas and White of the Treasury's Division of Research and Statistics and Mr. Lochhead, Technical Assistant to the Secretary of the Treasury, on international problems and matters of domestic credit in which the

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Board and the Department are mutually interested.

Following the discussion, Chairman Eccles stated that he would have a further meeting with the Secretary of the Treasury on Tuesday, October 13, for the purpose of giving further consideration to the suggestion and it was agreed that following the Chairman's conference with Secretary Morgenthau an outline would be prepared of the procedure to be discussed with Messrs. Harrison, Sproul and Knoke of the Federal Reserve Bank of New York with respect to relationships and transactions entered into by the New York bank under the provisions of Section 14(g) of the Federal Reserve Act.

There was then presented a memorandum dated October 8, 1936, from Mr. Gardner, Research Assistant in the Division of Research and Statistics, stating that, in accordance with the action taken at the meeting of the Board on October 6, 1936, he had called upon Mr. Herbert Feis, Economic Adviser to the State Department, and, at his suggestion, had discussed in some detail with Mr. Livesey, Assistant Economic Adviser, and Mr. Harrison of the Division of Eastern European Affairs in charge of Polish matters, the letter from President Harrison of the Federal Reserve Bank of New York dated September 29, 1936, with respect to foreign exchange control by the Polish Government. The memorandum also stated that it developed during the discussions that the State Department had had under consideration for some time the question what action should be taken in the case of default or partial default on interest payments on Polish loans held in the United States; that the

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question about which the Department was chiefly concerned is that of possible discrimination against American creditors as compared with creditors in other countries, that inquiries had been made abroad and present information indicated that most foreign creditors of Poland would be paid on a more favorable basis, and that if such a situation occurs it is probable that the State Department will register a vigorous protest. The memorandum further reported that the State Department was not informed of a creditors' meeting in London and contemplated no direct action to arrange for American representation should a meeting take place, that the Department might, however, raise the question with the Foreign Bondholders Protective Council as to what was being done along these lines; and that Mr. Livesey had suggested that, in this connection, it might be helpful to have available President Harrison's letter of September 29 and any further relevant information that might develop. The memorandum suggested that, therefore, the Board may wish to consider (1) sending a copy of President Harrison's letter to the State Department for its information, and (2) requesting the Federal Reserve Bank of New York to send the Board any further information of significance which it might receive with regard to the situation in order that the Board may, in its discretion, transmit this information to the State Department.

After a discussion of the suggestions contained in Mr. Gardner's memorandum, Mr.

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Davis moved that Mr. Gardner be instructed to furnish Mr. Livesey informally with a copy of President Harrison's letter of September 29, and that the Secretary be requested to prepare and circulate among the members of the Board for approval a draft of letter to President Harrison advising him that a copy of his letter had been handed informally to the State Department and that the Board will communicate with him in due course in the event further action by the New York bank is desired in the matter.

Carried unanimously.

At this point Messrs. Thurston, Wyatt, Vest, Dreibelbis and Gardner left the meeting and consideration was then given to each of the matters hereinafter referred to and the action stated with respect thereto was taken by the Board:

The minutes of the meeting of the Board of Governors of the Federal Reserve System held on October 8, 1936, were approved unanimously.

Telegrams to Messrs. Kimball and Clark, Secretaries of the Federal Reserve Banks of New York and Atlanta, respectively, stating that the Board approves the establishment without change by the New York bank on October 8, 1936, and by the Atlanta bank today, of the rates of discount and purchase in their existing schedules.

Approved unanimously.

Memorandum dated October 7, 1936, from Mr. Wyatt, General Counsel, recommending that Miss Allene Herring, a stenographer in the Legal Division, be authorized to take as sick leave any amount of time not exceeding the amount of sick leave to which she is entitled, twelve days, and which may be necessary on account of the last illness and impending death of her mother.

Approved unanimously.

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Letter to Mr. Young, President of the Federal Reserve Bank of Boston, reading as follows:

"Reference is made to your letter of October 2 in regard to the forthcoming annual meeting of stockholders of the Federal Reserve bank to be held in Boston on November 12.

"The Board of Governors of the Federal Reserve System approves the expenditure authorized by the Board of Directors of your bank in connection with the reimbursement of any member bank represented at the meeting for the amount expended by not more than one representative of such bank for railroad fare and Pullman accommodation in attending the meeting."

Approved unanimously.

Letter to the presidents of all Federal reserve banks, reading as follows:

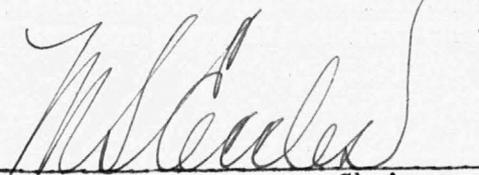
"Replies have been received from all of the Federal reserve banks in response to letter X-9693 of September 12, 1936, raising a question as to the desirability of continuing the practice now followed by the Board of forwarding by mail confirmations of all telegrams sent to Federal reserve banks or branches.

"Inasmuch as none of the reserve banks offered any objection to the discontinuance of the practice referred to, and since this course appears to be in the interests of economy and efficiency, the Board hereafter will not forward confirmations of telegrams to Federal reserve banks and branches, except in special cases when the circumstances warrant a departure from the customary procedure."

Approved unanimously.

Thereupon the meeting adjourned.

Approved:


Chairman.


Secretary.