

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Saturday, June 24, 1939, at 10:30 a.m.

PRESENT: Mr. Ransom, Vice Chairman
Mr. Szymczak
Mr. McKee
Mr. Davis
Mr. Draper

Mr. Bethea, Assistant Secretary
Mr. Thurston, Special Assistant to
the Chairman
Mr. Dreibelbis, Assistant General
Counsel

Mr. Ransom stated that he had called the meeting in order that he might acquaint the other members of the Board with the status of S.2618, a bill introduced in the Senate by Senator Glass to extend the period during which direct obligations of the United States may be used as collateral security for Federal Reserve notes. He then talked by telephone with Chairman Steagall of the House Banking and Currency Committee in an effort to ascertain what the prospects were for the prompt enactment of the companion bill (H.R. 6913) which Congressman Steagall had introduced in the House on June 19, 1939. At the conclusion of his conversation, which was carried on in the presence of those in attendance at the meeting, he stated that Congressman Steagall was unable to give him any assurance as to whether prompt action would be taken. He said that Mr. Steagall had assured him, however, that he would call the bill up in his committee on Monday although he could not predict, in

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view of opposition which had developed on the part of some members of his committee, as to what the outcome would be. Mr. Ransom said that he had communicated with Mr. Steagall by telephone every day this week in an effort to obtain action in view of the approaching expiration on June 30, 1939, of the authority in existing law.

Mr. Ransom stated that, as he had advised the other members of the Board at yesterday's meeting, he had talked with Rixey Smith, Secretary to Senator Glass, on Wednesday, June 21, 1939, and had been informed that Senator Glass had polled his subcommittee and had reported to Senator Wagner, Chairman of the Senate Committee on Banking and Currency, that the subcommittee had reported the bill out favorably. He said that Mr. Smith had contacted Senator Wagner personally and explained to him that it was important that the bill be reported out promptly by the Senate Committee on Banking and Currency. He also said that he had endeavored on a number of occasions to contact Senator Wagner but he had been very busy and it had not been possible to reach him as yet. He added that in view of the impasse which had been reached he had decided to lay the situation before the other members of the Board in order to get the benefit of any suggestions which they might have, particularly since he did not think it advisable to have the matter go over the week-end without further action in behalf of obtaining congressional consideration of the bills.

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Mr. Davis suggested that it might be helpful to supplement the letter which the Chairman sent to Congressman Steagall on June 15, 1939, by another letter restating the Board's position and emphasizing the importance of enacting legislation extending the existing authority, pointing out particularly that, while it would be unnecessary to use the authority at this time, an emergency might arise in which gold would leave the country in large amounts as it had done on previous occasions in which event the System, in the absence of authority to pledge United States Government obligations for Federal Reserve notes, might find itself compelled to adopt a restrictive credit policy at a time when such policy might start a disastrous deflationary development, or aggravate one that was under way. Mr. Davis said that although such a letter might not produce the desired results it would at least make it clear to Mr. Steagall that he would have to assume some of the responsibility for failure of the Congress to extend the existing authority by reason of inaction by his Committee. He said that he thought it would also improve the record from the Board's standpoint and that possibly Mr. Steagall would not be willing to assume any part of such responsibility if he were conscious of all the implications.

Mr. McKee indicated that he would favor the sending of a second letter to Chairman Steagall and thought that a similar letter should be sent to Senator Wagner. On the other hand he said

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that he recognized that it would not be necessary to use the authority at this time and that an emergency situation would probably not occur prior to the next session of Congress and that if an emergency should develop it would doubtless be possible to have appropriate legislation enacted at that time.

Mr. Ransom suggested that it might be well to make one more attempt to contact Senator Wagner and he thereupon put in a telephone call in an effort to reach him. It developed that Senator Wagner was on the floor of the Senate but the call was put through whereupon Mr. Ransom advised the Senator of the action taken by the subcommittee of the Senate Banking and Currency Committee and reminded him of the necessity for prompt action if legislation were to be enacted extending the existing authority before it expires on June 30, 1939. He reported at the close of his conversation that Senator Wagner apparently did not have all the facts in mind and that he had asked that he be given a statement containing the pertinent facts not later than Tuesday morning. Mr. Ransom said that he had assured him that he would hand him a memorandum prior to that time, together with a copy of the Board's letter of June 22, 1939, expressing its views as to the merits of the bill.

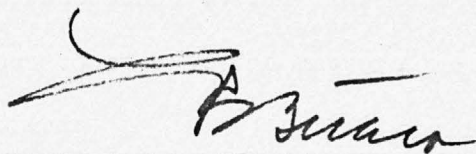
Mr. Goldenweiser entered the meeting at this point and Mr. Ransom asked that he prepare a memorandum, which he (Mr. Ransom) might hand to Senator Wagner on Monday, summarizing the purposes

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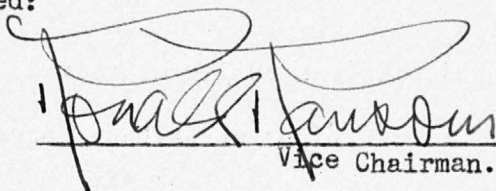
sought to be accomplished by the proposed legislation, the reasons why the existing authority should be extended, and the difficulties with which the System would be confronted in the event of a large outflow of gold.

Thereupon the meeting adjourned.



Assistant Secretary.

Approved:



Vice Chairman.