DIARY OF TRIP TO LONDON

JUNE 1933

Personnel: Professor Sprague for the Treasury;
Mr. James Warburg for the State Department;
Governor Harrison and Mr. J. E. Crane
for the Federal Reserve Bank of New York.

Friday, June 2nd to Friday, June 9th:

On the SS OLYMPIC we had several discussions with Mr. Cox as to procedure at the conference; formation of committees, handling of central bank topics and such matters. We also had one or two discussions about exchange stabilization. In general, Professor Sprague indicated that he was inclined to go slowly and not enter into any very definite arrangement at the outset. He was fearful that stabilization might retard recovery and that it would be better to ride along on the present basis for the next three months, hoping that the exchanges would remain fairly stable. During that period some underpinning could be given to the improvement inbusiness. Mr. Warburg outlined the difficulties which would be encountered both at home and abroad in agreeing upon any arrangement of exchange stabilization. Governor Harrison indicated that he was in favor of de facto stabilization as soon as possible.

Friday, June 9th:

Governor Harrison and Professor Sprague had tea at the Bank of England with Governor Norman, but there was no discussion of the problem.

Saturday, June 10th:

Professor Sprague and Mr. Warburg met at the British Treasury at 11 o'clock in the morning with Sir Frederick Phillips and Mr. Wayley [Waley] of the British Treasury, and Messrs. Bizot and Rueff of the French Treasury. Sprague and Warburg told us after the meeting that very little had been accomplished; that Phillips was reluctant to commit himself in any way, andthat whilethe French indicated that they favored prompt stabilization they seemed to be somewhat confused as to how that might be accomplished. Phillips also indicated that the British were inclined to do nothing until prices went up.

Governor Harrison and I were at the Bank of England from about 11 a.m. until 2 p.m. Governor Norman refused to talk stabilization until the governments had made up their minds what they were going to do. Mr. Farnier and Mr. Lacour-Gayet from the Bank of France were at the Bank of England and spent a good deal of time with us but did not get down to brass tacks. We just talked generalities about the position in the United States and France.

At 3 p.m. we had a meeting here at the Hotel Berkeley with Sprague and Warburg when they reported what had taken place at the meeting with the Treasury people in the morning. Governor Harrison and Mr.Warburg both told Sprague that in their opinion a plan of stabilization ought to be worked out promptly, provided an avenue of retreat was left open to us. Sprague agreed to take a much more definite line than he had up to the present, and in order to get something down on paper Mr. Warburg dictated the attached draft of acable which might be sent by Sprague to the Secretary of the Treasury. (Exhibit A). He also dictated a draft of a secondcable which he could send to the President. (Exhibit B)

There was no thought that these cableswere anything more than an effort to put down inwriting what might be a plan of operation. Warburg urged Sprague very strongly not to propose stabilization because Warburg was sure that the English would not agree to stabilize and it would be much better tactics to put the onus on them.

Sunday, June 11th:

Governor Moret, Mr. Farnier and Mr. Lacour-Gayet called at the Hotel Berkeley at 9:30 a.m. Nothing much was accomplished, but Governor Moret was anxious to know what the monetary policy of our government was to be, and Governor Harrison said he would prefer to have Governor Moret get that from Sprague. Governor Harrison indicated that he was personally in favor of stabilization but that he would rather wait until our government's policy had been explained by Sprague before discussing the technical aspects of the question with Governor Moret.

A second meeting of the Treasury representatives was held at 5 p.m. yesterday afternoon, June 10) for the purpose of framing questions to be asked of the central banks, and at 11 o'clock this morning the Treasury representatives and the central bankers came together for a joint meeting at the British Treasury. Phillips presided and explained the purpose of the meeting. The first question he said was whether the central bankers considered that the exchanges would remain steady if no positive action were taken for the next few weeks. The answer given by the three governors was in the negative.

The second question, Phillips said, was whether the exchanges would remain stable if thethree governments issued a statement to the effect that they did not anticipate taking any action calculated to disturb the exchanges for the immediate future, it being understood that their anticipation to take no action which might upset the exchanges wouldbe based on the assumption that no new internal emergency would compel them to take positive action. Moret said he thought it would be useless to have a short period of stabilization for the duration ofthe conference; that it wouldhave to be for a longer period, otherwise speculators would upset the exchanges and try to estimate what would happen after the conference. He realized that legal stabilization was not possible now, but he thought that de facto stabilization should be put into effect. Sprague said that he thought the conference would be in itself a disturbing factor upon the exchanges; that a permanent stabilization commitment was now entirely out of the question so far as the United States is concerned, since in his government's opinion the question of permanent stabilization depends in part on the successful outcome of the conference and in part upon domestic conditions at home. Sprague added that in his opinion the present discussions were merely to consider whether it would be desirable to effect a temporary stabilization arrangement to act as a stop-gap for the next two months when it might be determined whether more permanent stabilization were desirable. Governor Norman said that he shared Sprague's views and Governor Moret stated that he did not thinkthe purpose of the present discussions was to consider stabilization only for the period of the conference. Governor Moret then asked for a definition of those measures which thethree governments might agree not to undertake in order not to upset the exchanges. Sprague said that in the United States a law had been passed known as the Thomas amendment; that the provisions inthe amendment were permissive, would be used unwillingly and not utilized unless the domestic situation were bad; that no use of those powers would probably be made inthe immediate future and would not be used at all if the recovery of trade continued. Sprague added that his government would regard ~~a temporary~~ stabilization, avoidance of the use of the provisions in the Thomas amendment and the stabilization of exchanges as stepping stones; that it is impossible to stabilize currencies as long as economic conditions in the world are unstable, and that his government would like to progress gradually from temporary to more permanent stabilization. The difficulties in the way of permanent stabilization he thought were the conference and the condition of trade, it being impracticable to take more than tentative measures which might envisage further action later on if the world conference has a successful outcome and if trade continues to improve.

Phillips asked Governor Harrison whether he would reply to the question under consideration. Governor Harrison said he thought that a statement on the part of the governments such as Phillips had outlined would remove one of the fundamental causes of exchange instability,but would not insure stability. In other words, he said that he thought it would be hopeless to expect stability unless such a declaration were made, but that he did not think a declaration alone would guarantee stability. Farnier asked Sprague what he considered the external obstacles to stability so far as the United States is concerned. Sprague replied that he thought there were no external obstacles, but that the difficulties were purely internal and economic. A few months ago, he said,there was danger that the entire economic structure in the United States would break down. Much of the improvement which we have had he said had been initiated by the hope of inflation and that we were now anxious to get a more solid foundation for recovery. If the United States definitely announced now apermanent policy of stabilization, Sprague said he feared a reaction and that the improvement which we were getting might come to an end. Farnier then asked whether we expected to use the Thomas amendment in case the improvement did not continue. Sprague replied that he would prefer to have Farnier make his own guess about that. Phillips then asked Governor Norman for hisreply to the second question and Governor Norman said he agreed with both Governor Harrison and Governor Moret.

Phillips then put thethirdquestion, which was whether it would be practicable for the central banks to impose restrictions so as to limit operations in forward exchange to genuine commercial transactions. Governor Moret said that he was not in favor of artificial restrictions, that it was difficult to impose restrictions on exchange operations in Paris and that he was not in favor of doing anything along that line. Governor Harrison said that in New York such restrictions would be practicable, but he did not think if they were imposed that they would insure exchange stability. Governor Norman said that he thought such restrictions wouldbe impossible without legislation and without censorship of mail, cable and telephone communications.

Phillips then put the fourth question as follows: Assuming that the object is to obtain relative exchange stability during the life of the conference what suggestions have the central bankers to makeas to the technical means of obtaining stability, assuming that the three governments would announce not to take any positive measures which would upset the exchanges. Governor Harrison said he felt stabilization was most desirable; that if it were possible to work out a satisfactory program he felt very strongly that it should be done. He indicated that he did not thinkit possible to achieve stability unless positive measures were taken by the central banks, and as a basis for discussion he outlined briefly the plan which we had worked out in New York - the buying and selling exchange at fixed rates. He said that he was anxious to explore some such arrangement because he felt that instability in the exchanges would risk the world conference and the whole program of recovery. He added that he was merely expressing his personal views and not talking for the bank or the Federal Reserve Board. Governor Moret said he thought the solution of the problem lay in the hands ofthe three governments and that technical measures which might be adopted by the central banks would not succeed without government cooperation. He added that whenthe public became reassured by governmental action it wouldbe easy toachieve de facto stabilization. Governor Moret also said that he thought any program of stabilization should be for a prolonged period and not of a temporary nature during the life of the conference. Governor Norman said that the Bankof England had had some experience as to the ease or difficulty of holding one fluctuating exchange against two stable exchanges, and that the present problem was to hold two unstable exchanges against one stable exchange. The latter he said would certainly be much more difficult than the former. He said that he did not wish to appear cynical, but that he felt very strongly that there was one man with a loaded gun who was entitled to say what shall be done in this matter. Governor Harrison, he said, could decide upon and maintain any rate that he wished to alone. The difficulty about a tripartite arrangement to stabilize the

Crane 5/12 & 5/25

three exchanges Governor Norman said was that it would result in the weak currency paying the bill. He said he foresaw great difficulties and many quarrels.

At <u>3 p.m.</u> there was a meeting of the central bankers to discuss the technicalmeasures which might be adopted to bring about exchange stability. Governor Norman said that in considering the problem it should be borne in mind that the franc was stable on gold; that sterling had been held fairly stable against the franc, but that the dollar was unstabilized and that therefore it would be necessary to define the dollar within definite limits. He suggested to Governor Harrison that in the United States we were trying to do two things at the same time, namely, to get the benefit of inflation and yet have exchange stability. Governor Harrison said that he thought the question to be discussed now was whether there was anything which the central bankers could do to insure stable exchanges, provided the governments would agree to take no positive action to upset the exchanges, but added that he wanted stability as much as anyone else and that he thought it would be very disturbing if the exchanges continue to fluctuate. He indicated that there were three alternatives: (1) legal stabilization; (2) defacto stabilization; and (3) fluctuating exchanges. He said that he was not in favor of (1) or (3) but was anxious to do something under (2).

Governor Norman thenasked the question whether if the central banks decided not to fix exchange rates but to fix the value of their currencies in terms of gold it would be possible to maintain a stable price of gold not for a certain period but by the expenditure of a certain amount. As to the amount Governor Norman suggested $100 million. He might be willing to spend more than that amount but he would probably not be willing to do so at one rate. Governor Harrison said that he would be glad to consider any particular method of achieving stability since he was in favor of provisional stability as the important objective. There followed a prolonged discussion during which Governor Norman explained in detail the plan which he had in mindfor fixing the price of gold in sterling and dollars. A resume of this plan as prepared by Professor Clay is attached. (Exhibit C)

Governor Moret indicated that he much preferred Governor Norman's plan which would link the two currencies to gold and would provide for immediate cash settlement, whereas the plan of buying and selling exchanges at fixed rates, which Governor Harrison had suggested, would mean deferring settlement for the period of the arrangement. In this connection Governor Moret pointed out that the Bank of France is not permitted by law to buy foreign exchange. Governor Harrison said he would be glad to consider the plan which Governor Norman had suggested since, as he had pointed out before, the important thing in his opinion was to achieve provisional stability and that the method by which that was done was not so important.

At 5 p.m. the representatives of the three Treasuries joined the central bankers and Governor Norman outlined the discussion which had taken place between the central bankers inregard to his plan to fix the price of gold. He emphasized that the object of his plan was temporarily to stabilize the price of gold rather than the exchanges; that he would rather make a commitment for a fixed amount than for a fixed rate; that his plan involved no real change at Paris but contemplated that in New York and London the price of gold wouldbe fixed in terms of those two currencies. He went on to say that after the amount had beenexhausted the central bankers would take another look at the matter and the result wouldbe that either at the first shot or through trial and error the central banks would discover what was the correct price of gold in dollars and sterling. Governor Harrison again stated that the important question is the principle of provisional stabilization which he said he favored and was prepared to recommend, but that in considering the two plans suggested he saw some advantage inthe exchange operation because that could be concealed. Governor Moret reiterated his preference for Governor Norman's plan whichhe said he preferred in principle and which would be more suitable to the Bank of France since they could not buy foreign exchange. Governor Harrison said that he would gladly study the project. Warburg asked whether the amount suggested by Governor Norman would be sufficient to last through the conference and Governor Norman replied that he thought the amount would surely be used up possibly in a short time and that by means of trial and error the proper rate would be discovered. Sprague said that he welcomed the proposal but that he thought the publicity which it involved was a disadvantage. He added that Washington, which was at a great distance, had ~~not~~ been thinking interms of an exchange operation and that it might be difficult to change their thinking to a gold operation.

Monday, June 12th:

At 11:15 a.m. a meeting of the central bankers was held at the Bank of England at which Governor Norman was not present, Mr.Hambro and Professor Clay representing the Bank of England. Mr.Hambro handed the central bankers a draft of Governor Norman's plan copy of which is attached. Governor Harrison said that he felt something must be done to stabilize the exchanges; that these present discussions should not stop without accomplishing something, and that he felt it might be possible to do something along the line suggested by Governor Norman although he added that he saw important disadvantages as well as advantages to the proposal. He thensaid that he would like to have a discussion of the effect of complete and immediate disclosure of the gold operations. Governor Moret said that in his opinion publicity might be inconvenient although the total amount would not be known and he thought that efforts should be made to try to cover up operations in the central bank statements. He added however that he did not know whether that would be possible. Governor Harrison said that it would not be possible withus, that we would not want to try todoit. Hambro said he was not sure in his own mind that publicity would be bad if the total amount would be kept secret and that he was not sure that the

Bank of England would want tohide the operations. Governor Harrison suggested that if one of the parties to the agreement was compelled to disclose the operations that all parties should do so. Hambro said that he assumed that under the Norman plan the Federal Reserve Bank of New York and the Bank of England would sellgold only to central banks or for delivery to them. That being so, he pointed out that all of the other demands for gold, whether for hoarding or other purposes, would fall upon the banks of France, Switzerland and Holland and the London gold market. Governor Harrison pointed out that that was exactly the present situation and that therefore the adoption of any plan such as suggested by Governor Norman would not change conditions inthat respect. Hambro said he assumed both banks would publicly declare their buying and selling prices to which Governor Harrison agreed. Hambro thensaid he assumed each central bank would have tobuy gold for delivery at the other central bank. After some discussion on that point, during which it was pointed out that if gold were bought for delivery abroad allowance would have to be made for the cost of bringing the gold home, it was agreed that consideration would also be givento the possibility of the central banks buying gold for forward delivery. Governor Harrison then raised the question as to whether the amount which Governor Norman had suggested yesterday, namely $100 million, would be sufficient. He said he thought that if the amount were so smallthat it became quickly exhausted it would lead to a feeling of instability since rates would probably have to be changed in a short time. Hambro said that he thought the amount suggested by Norman was on the smallside and Governor Moret heartily agreed with that. Governor Harrison said that he thought whenthe first tranche was used up and it was necessary to consider a new tranche at the same or new rates it should be provided that all three participants must agree on rates, otherwise the plan should not continue. Governor Harrison added that he hesitated to bring up the next point lest Governor Moret might think he had any doubt about their desire or ability to stay on gold, but Governor Harrison thought it encumbent upon him to point out that since there seemed to be some political agitation in France for abandoning gold it would be desirable for the Bank of France to take part in the agreement for the same amounts as the other participants, that is to say for the Bank of France to agree to spend up to $100 million of gold before changing the rate. Governor Moret at first shied at that suggestion because he thought Governor Harrison had in mind some publicity on the point, which Governor Moret felt would lead the public to believe that France was not firmly determined to maintain the present rate. Governor Harrison, however, explained that he had no such publicity in mind and Governor Moret then said that he was quite willing to go along as Governor Harrison had suggested. Hambro also indicated that he thought the Bank of France should share equally in the arrangement. Governor Harrison said that he wished it understood that he regarded the present discussions as entirely preliminary without any commitments, solely for the purpose of exploring the possibility of reaching an understanding. He pointed out that in considering an exchange operation he had felt a larger amount than $100 million was desirable and that he was inclined to feel the same way about the gold plan because it appeared to him desirable to avoid a quick change of rates, which might be necessary if $100 million proved to be too little at one rate. Both Hambro and Clay indicated their agreement but added that they did not know what the amount ought to be. Hambro said that he did not think $100 million would be used up in a few days because based on the Bank of England's experience the flights which had taken place in the past, both to and from sterling, had gone in waves of about 20 million pounds each. Governor Harrison said that he felt very strongly that if this gold plan or some other arrangement for provisional stability were attempted it would be most desirable for allthree of the banks to try to stop speculation in forwards, using for that purpose whatever methods were appropriate in each market. He said he thought a good deal could be accomplished in New York and that the same was true with respect to London, but that with regard to Paris he did not know enough about the market. Governor Moret said he thought it would be very difficult to accomplish much in Paris, but that the Bank of France would be glad to call the banks together and use moral suasion with them; in fact he said that he would be willing to write letters as well as talk to them. Hambro said that they could ask the banks in London to stop speculation in forwards and that he thought something could be accomplished along that line.

Tuesday, June 13th:

At 12:15 p.m. a meeting of the central bankers was held at the Bank of England. Mr. Hambro asked how much of a declaration we would be able to get from the treasuries and whether we could get a satisfactory declaration. Governor Harrison said that he thought the most we couldget from the United States Treasury was an undertaking not to do anything to upset the exchanges during the period of the Conference. He added that he did not think the United States Treasury was ready to say at this time to what rate the dollar would be devalued. Governor Moret asked whether it would not be possible to get a declaration for a period longer than the duration of the Conference. Governor Harrison replied that he thought one could be obtained only for the duration of the Conference and with the reserve of using the Thomas amendment if conditions at home required it. He added that he did not think the Thomas amendment put us in any different position than England. Governor Norman said that he thought it did because England was pushed off gold and did not know when she could go back, while the United States was not pushed off and could go back whenever she chose to do so. Governor Harrison said he thought Governor Norman was looking at our relation to the gold standard purely from an international point of view and not in the light of our domestic position. Governor Norman said that he thought the important point was that Washington would not give the assurances which England and France wanted without putting a tail on such assurances which nullified them. He said that he had proposed a plan whereby the dollar and the pound would be stabilized in terms of gold; that our answer to his plan was no, whereas it was acceptable to both Great Britain and France. He went on to say that we had said no to his plan because it would not suit us to acquire or lose gold daily. Governor Harrison said that while the principle of Governor Norman's plan is satisfactory, he did not like daily settlements in gold; that a plan might be worked out on the basis of monthly settlements since daily gold movements might prove to be disturbing. He added that he was afraid Governor Norman's plan would be regarded as an immediate return to the gold standard which he did not think would be to our advantage or to theirs. Governor Moret said that he thought there was no difference between the exchange plan and the gold plan so far as the public were concerned. Governor Harrison suggested that that was not so since under the exchange plan only the net movement of gold over a certain period would be shown. Governor Moret said he was not directly concerned in the gold plan or the exchange plan because France is on the gold standard, but he said that he liked the plan which was the nearest to a return to the gold standard. Governor Harrison said that the difficulty with the gold plan was, so far as we are concerned, that its effect in the United States might be harmful and that by adopting it we might hamper the recovery ofbusiness. Governor Moret said that if the gold plan was not adopted and we were going to discuss merely a plan to support the exchange, each country coulddo that for itself alone. Governor Norman said yes, he felt the same way about it. Governor Moret said that he thought the first and most important thing was to get a declaration from the governments that their ultimate aim was to stabilize their currencies in terms ofgold and that in the mean time they would give a clear indication of their monetary policy. He added that if we were going merely to support currencies there was no need for a tripartite arrangement. If we wanted to buy francs he said we could of course convert them into gold. Mr. Hambro said that if we were to look at the problem from that point of view it was clear that so far as France is concerned there is no difficulty whatever and nothing to be done since she is on gold. Furthermore, he said with respect to England they have kept the pound stable in terms of gold for months and would of course continue to do so. The only problem he said is with respect to the dollar which the Federal Reserve Bank could keep stable in terms of francs if it wished to. First he said the Federal Reserve Bank might have to buy dollars but later he was certain it would have to sell them. He suggested that since the gold plan was not suitable to us we should consider a new suggestion, namely: that France and England go on as at present keeping their currencies stable in terms of gold and that the Federal Reserve Bank undertake to do the same thing for the dollar.

Wednesday, June 14th, and Thursday, June 15th:

No joint meetings were held between the central bankers and the Treasury representatives. During these two days the central bankers had several meetings and discussed the various drafts of an arrangement, copies of which are attached. Much of the time was taken in a discussion between the Bank of France and ourselves as to who should assume the risk on any francs purchased for the two-day period between the time purchased and when they were delivered. During these discussions Governor Harrison pointed out many times to Governor Moret that one heard rumors in New York from time to time about the possibility of France abandoning gold; that we of course did not believe such rumors - that we are convinced the Bank of France and the French Government were determined to remain on gold and we do not fear in our own mind that she would be forced off gold. Nevertheless, Governor Harrison said it is necessary in making an arrangement such as we were considering to take account of all risks which might be involved. He added that he would certainly be asked when he returned home whether the arrangement involved any risks whatever and he said that he was of course most anxious to be in a position to say that there were no risks, since if he had to admit any risks whatever he would be compelled to discuss the possibility of France's leaving gold, which he did not want to do. He suggested that in a tripartite arrangement for stabilization of three currencies the proper principle to follow was for each central bank to take the risk of its own currency. If that principle were followed he said we would of course be prepared to buy dollars at any time but it would be up to the Bank of France to buy francs when that exchange needed support. If the Bank of France needed to buy francs Governor Harrison said that we would be glad to let them have dollars against gold earmarked for our account in Paris in exactly the same arrangement as they were prepared to let us have francs against gold earmarked in New York. As soon as this point was brought up for discussion Governor Moret took a very positive stand that he was doing all he could by remaining on gold, that he should be asked to make no further contribution and that his statutes would not permit him to acquire dollars and hold them even for an instant. Throughout the discussion on this point Governor Norman rather took sides with the French, at least to the extent of indicating that he did not think it necessary to get the protection which we were asking for the two-day period. He indicated that if he had to buy francs he would be glad to do so and take the risk for 48 hours. This attitude on his part made our discussion with the French more difficult because they felt we were being unreasonable since we were demanding something which the Bank of England did not make it necessary to require. We pointed out that our case was somewhat different in that Governor Norman expected to operate mostly in gold rather than in French francs so that generally he would be buying gold rather than French francs, but we made little headway against the Bank of France on this point. All of the discussions with the Bank of France were in a most friendly spirit but we were unable to move them an inch with regard to supporting their own currency. Finally a compromise was suggested to cover us on the 48 hour risk which is embodied in the draft letters attached, one being from Governor Moret to

Governor Harrison and the other being Governor Harrison's reply. In a word, this provides that the Bank of France will give us francs in Paris for immediate delivery against gold earmarked for our account in New York. They willthen sell us gold with the francs which we have acquired and when that gold is earmarked in our account in Paris they will permit us to release the gold which has been earmarked in New York for which they will debit our account in Paris. This leaves us with gold earmarked in Paris and a net ~~debit~~ debit in our account in Paris to pay for it. Their statutes require them to charge two days interest on the transaction and this has been allowed for in the rate.

Friday, June 16th:

At noon a joint meeting was held at the British Treasury between the central bankers and the representatives of the Treasuries. Sir Frederick Phillips presented the preliminary declarations which had been drawn up by the Treasury representatives and there was considerable discussion as to the wording of these declarations. Following this the seventh draft of the central bank document was considered in detail.

At 6:25 p.m. a second joint meeting was held in order to give consideration to the rates to be fixed in the arrangement and to the amount. Professor Sprague suggested that a rate between the dollar and the pound somewhere near the recent level should be adopted and stated that he thought a mean rate of $4 would be satisfactory. The French indicated that they had nothing to say on that point, and Sir Frederick Phillips said that his government was prepared to accept a rate of $4 for the pound if it were understood that the British Government reserved the right to bring up in two weeks the question of lowering the rate to say $3.90, even though the gold was not used up. Sprague and Bizot indicated that that was satisfactory to them and a proces verbal was written covering that point and initialled by the representatives of the three Treasuries. Governor Harrison asked whether the contract between the central banks would remain in force if the British Treasury raised the question of rate in the next two weeks and asked for $3.90 and our government did not agree. Governor Norman and Governor Moret agreed that the contract would remain in force and the representatives of the three Treasuries indicated their assent. In fact, Governor Harrison put his question to Governor Norman in writing on the attached sheet of paper, and Governor Norman replied "yes" in his own handwriting thereon. Mr. Warburg said he understood that even if the British Government did raise the question of the rate he understood that the United States Government need not necessarily agree.

Following the meeting on June 16, Governor Norman and Mr.Hambro brought up the question of availability of their dollars in New York. In fact, at the end of the meeting Governor Norman put the question in his own handwriting on the attached slip of paper. He said that the agreement provided that their dollars could be used by mutual consent and that he wanted to point out that they might want to use their dollars in order to protect their gold. We asked Hambro how he anticipated using them and he said that if we should be accumulating francs he might ask us to swap our francs for his dollars. We said we could see no objection to that but we gave them no definite assurances other than to indicate that we would be glad to cooperate with them when the question arose.

<u>Exhibit B.</u> Draft of cable to be sent by Mr. Warburg to the President.
6/10/33

Referring to cable to Woodin today suggested action goes no further than we have previously agreed to do. It does involve theoretical willingness to export gold up to a maximum amount equal to the amount to be agreed upon for each bank to purchase, but probabilities are that gold will move to us at termination of agreement.

Am thoroughly convinced that proposed action is in interest of successful conference and not counter to our own selfish interest so long as we are protected by rate of withdrawal as stated in cable. Doubt very much whether agreement will be reached because do not believe English want it but feel we should not lose opportunity clearly to express our willingness to cooperate in providing proper background for conference by immediate tentative stabilization so that if such background not provided we will have done our utmost.