

DECLASSIFIED
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Final Minute
1/14/24

MINUTES OF THE MEETING OF THE OPEN MARKET INVESTMENT COMMITTEE
FOR THE FEDERAL RESERVE SYSTEM, HELD AT THE FEDERAL RESERVE
BANK OF NEW YORK (GOV. STRONG'S ROOM) JANUARY 14, 1924

Present:

Governors Fancher, Harding, Norris
and Deputy Governor Case representing Governor Strong
Mr. Matteson, Secretary of the Committee

There were also present by invitation:

Honorable D. R. Crissinger, Governor of the Federal Reserve Board
Dr. Adolph C. Miller of the Federal Reserve Board
Mr. Pierre Jay, Chairman, Federal Reserve Bank of New York
Mr. F. H. Curtiss, Chairman, Federal Reserve Bank of Boston
Mr. D. C. Wills, Chairman, Federal Reserve Bank of Cleveland
Dr. W. R. Burgess, Assistant Federal Reserve Agent, Federal Reserve
Bank of New York

The meeting was called to order at 10:45 a. m. by Mr. Case, who expressed for Governor Strong his regret at being unable to be present.

Bank Situation
Minneapolis
Chicago
Districts

On motion Mr. Case was nominated and elected Chairman of the meeting. Mr. Case thereupon reported a telephone message from Governor McDougal of the Federal Reserve Bank of Chicago, stating that at the last minute he found that he could not attend the meeting because at the request of Comptroller Dawes he was going to Minneapolis with his examiner to confer with Governor Young with regard to difficulties in some of the South Dakota banks which seemed likely to involve a small number of banks in his Iowa territory. This statement was followed by an informal discussion of the active efforts being made to sell 4½% Treasury Savings Certificates in districts where public confidence was shaken in the banks by reason of the loss of deposits and the large number of failures that have occurred. While it was not considered within the sphere of this Committee to take any formal action in this matter, Governor Crissinger volunteered to bring the situation to the attention of Secretary Mellon with the idea of suggesting that it might

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be advisable to slow up the present efforts to push the sale of the Savings Certificates in the sections referred to. It was also understood that Mr. Case would mention the matter to Under Secretary of the Treasury Winston.

Committee
Activities

Complete data and statements were presented by the Chairman showing the present investment holdings of the System, the status of the special investment account for the System, and information as to the present state of the short-term Government security market.

The data and statements were then read by the Secretary, including a memorandum from Dr. W. R. Burgess of the New York bank with regard to basic conditions in the money market. This was followed by a general discussion as to the existing temporary ease in money and as to the importance of gradually moving forward in acquiring a moderate portfolio of short-term Government securities. In this connection the Chairman read a telegram from Governor McDougal in which he stated that in his opinion the Committee should not at present make purchases, except of very short maturities.

Policy Respecting
Purchase of Govern-
ment Securities

All present were in agreement that in view of existing conditions in the money market this was a time for extreme caution and that for the moment we should adopt a waiting policy rather than to change our buying prices (thereby affecting yields) and follow the market downward. On motion of Governor Harding it was thereupon voted:

"That for the purchase of short Governments we do not advance buying prices above those already authorized, and that the Committee be authorized to purchase between now and the next meeting for the Special Investment Account not exceeding \$15,000,000 of Treasury Notes due December 15, 1925, at a price to yield not less than 4.30%.

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The maturities and price limits, as authorized, now stand as follows:

| <u>Maturity</u> | <u>Price Limit</u> |
|-----------------|--------------------|
| March 1924 | 3.85% |
| June 1924 | 3.95% |
| Sept. 1924 | 4.05% |
| Dec. 1924 | 4.10% |
| March 1925 | 4.25% |
| June 1925 | 4.30% |

The Committee adjourned for luncheon at 1:00 o'clock and reconvened at 2:30 p. m.

Bankers
Acceptances

Dr. Burgess' memorandum with reference to the possibility of the Committee exercising the same jurisdiction over the purchase and sale of bankers acceptances as it does over Government securities was discussed, but no action taken.

In connection with a telegraphic order for bills from the Dallas bank for resale to a member bank referred to the Committee for consideration, there was a discussion of the policy which should be followed in purchasing bills for member banks. It was agreed that when the open market rate is lower than the Federal Reserve System's buying rate the desirable procedure was to buy bills at the market for member banks (or in cases where the reserve bank concerned indicated specifically that the bills were purchased for resale to member banks), but that no bills should be purchased under the bank buying rate for the portfolios of reserve banks.

Execution of
Treasury Orders

A memorandum from the Secretary of the Committee showing the manner in which United States Treasury orders for Government bonds had been executed during the year 1923 by the New York bank was submitted for the information of the Committee.

Policy of
Paying Gold

A discussion followed regarding our present policy of paying out gold and the representatives of all the banks, as well as

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the members of the Federal Reserve Board, were in complete agreement that it was desirable to continue paying out gold to an amount sufficient to maintain the gold reserves at substantially the 1923 level.

Governor Harding at this point left the meeting.

Participation
In Foreign
Accounts

The Chairman reported that, pursuant to action taken at the last Governors' Conference, he was now reporting monthly to those members of the Open Market Investment Committee whose banks participated in the foreign business undertaken by the New York bank for account of the System, the important developments and changes of each month. He further stated that when the Boston Federal reserve bank withdrew last year from participating in the foreign bank account the New York bank assumed the Boston bank's share. A discussion followed on this point. Whereupon, on motion, it was voted

"That, whereas, these foreign transactions were undertaken as a matter of System policy, Boston's share should be divided among the other Federal reserve banks provided, of course, that the other banks desired to increase their participation by the small amount involved."

Japanese
Situation

The Chairman presented a brief summary of our relations with the Bank of Japan and for the information of the Committee and the members of the Federal Reserve Board present, reviewed the change that had occurred in the Japanese position owing to the fall of the Yen, which was reported to have been due to the heavy exports of American foods to Japan following the earthquake and the present abolition of Japanese import duties expiring March 31, 1924.

The meeting adjourned at 4:45 p. m.

W. B. MATTESON

Secretary