

FEDERAL RESERVE BANK  
OF NEW YORK

3 3 3-6-1

June 11, 1923.

My dear Governor:

Since June 1, when I acknowledged your letter of May 31 and advised you that copies were being sent to members of the Open Market Investment Committee, I have heard from each of them and find that each received the letter with the same surprise as that which I had expressed to you in our telephone conversation on June 6.

The facts are as follows: Early in May it was suggested that the Open Market Investment Committee should have its next meeting in Cleveland on or about June 25. The Board was advised of the proposed meeting and on May 9 requested that the meeting be held in Washington as there were some other matters which the Board might like to discuss with the committee. At about the same time the committee decided that an earlier meeting would be advisable, and this meeting the Board arranged should be held in Washington on Wednesday, May 23. At this meeting the first act of the committee, all the members being present, was to advise the Board that the committee was in session and to inquire if the Board had anything to communicate to it. The Board replied that it had nothing to communicate to the committee. Toward the end of the morning I was called into a meeting of the Board to discuss a currency matter, and while there I stated to the Board that the committee was proposing to recommend to the Federal reserve banks the sale of about \$50,000,000. of Government securities. This statement was received by the members of the Board without comment. A resolution to this effect was finally adopted by the committee. Late in the day and towards the end of our session, Vice Governor Platt attended our meeting but expressed no dissent from the program we had adopted.

The surprise of the members of the committee arises out of the fact that a few days after our meeting, the Board having been fully advised of our action which we felt was in entire accord with the letter and spirit of the Board's letter No. X-3689, the Board should not only express disapproval of our action but without opportunity for discussion should in substance direct the committee to take action to dispose immediately of all the remaining Government securities held by the banks.

The Open Market Investment Committee succeeded the "Committee of Governors on Centralized Execution of Purchases and Sales of Government Securities. This committee functioned for about a year and had several meetings in New York, Cleveland and Boston. At nearly all of these a member of the Board was present throughout, Messrs. Platt, Miller and Mitchell having from time to time represented the Board on these occasions. The presence of the Board member permitted, through discussions of policy and of market and credit conditions, the development of a program for recommendation by the committee on which the Board and the committee were in full and harmonious agreement. The new Open Market Investment Committee had assumed that the same relationship would prevail in connection with their meetings and work. The members of the committee hope that at its next meeting the Board will be represented throughout as in the past, that they

See also 6/16/23

Hon. D. R. Crissinger  
Washington, D. C.

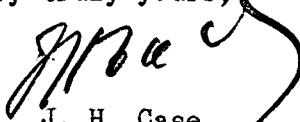
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may then have the opportunity of discussing with the Board its views concerning the disposal of the remaining Government securities, and that the Board will give the committee its opinion as to the manner in which such a course would accommodate commerce and business, and affect the general credit situation, these being the principles by which, under the Board's resolution, open market operations should be governed.

Your letter of May 31 requests me to "advise promptly of the sales of the Government holdings of the various banks, and to what extent each of the banks contributed." I am sending you herewith a statement showing in detail the holdings of Government securities of the various Federal reserve banks as at May 23, 1923, amounting in the aggregate to \$140,788,000. exclusive of about \$31,000,000. held as miscellaneous investments for self-insurance funds, etc., and about \$15,000,000. held under sales contract. Appended to this statement are the quotas for sales which the committee has suggested to the respective banks, and the amounts sold up to June 8, 1923. As a result of the sales already consummated you will note that four of the Federal reserve banks, namely, New York, Richmond, Atlanta and Dallas, hold no Governments except fluctuating amounts of securities held under sales contracts, and nominal amounts of miscellaneous long-term securities held as investment for certain special funds.

Governor Norris of Philadelphia, a member of the committee, has just sent me as its chairman, a communication upon this subject, copy of which, with his permission, I am transmitting herewith.

Very truly yours,



J. H. Case

Chairman, Open Market Investment  
Committee for the Federal Reserve  
System

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Honorable D. R. Crissinger,  
Governor, Federal Reserve Board,  
Washington, D. C.