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END SHEET

KIND OF MATERIAL OR NUMBER **333.-b-2**

NAME OR SUBJECT **Open Market Investment Committee
Meetings
Open Market Operations**

DATES (Inclusive) **Jul 1928 - 1929**

PART NUMBER **Part 5**

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333.6-iv

November 23, 1929

Dear Mr. Matteson:

I acknowledge receipt of your letter of the 22nd instant and thank you for the two copies of the preliminary memorandum presented at the meeting of the Open Market Investment Committee held in Washington on November 12th.

Very truly yours,

(Signed) E. M. McClelland

E. M. McClelland,
Assistant Secretary

Mr. W. B. Matteson, Secretary,
Open Market Investment Committee,
c/o Federal Reserve Bank,
New York, N. Y.

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333-6-2

FEDERAL RESERVE BANK
OF NEW YORK

CONFIDENTIAL

November 22, 1929

Federal Reserve Board,
Washington, D. C.

Gentlemen:

Attention: Mr. E. M. McClelland

In compliance with your telephone request, we are pleased to enclose herewith, for your files, two copies of the preliminary memorandum ¹¹⁻¹¹⁻²⁹ presented at the meeting of the Open Market Investment Committee held in Washington on November 12.

Very truly yours,

W. B. Matteson,
Secretary, Open Market
Investment Committee

Encls. (2)

see ans 1/23/29

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333-62

November 22, 1929.

Dear Mr. Matteson:

Receipt is acknowledged of your letter of
November 19, addressed to Governor Young, enclosing
11/12/29 filed 333-62 7 min of minutes
copy of the minutes of the meeting of the Open Mar-
ket Investment Committee held in Washington on Novem-
ber 12.

Very truly yours,

E. M. McClelland,
Assistant Secretary.

Mr. W. B. Matteson, Secretary,
Open Market Investment Committee,
Federal Reserve Bank,
New York City, N. Y.

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Form No. 131

333-6-2

Office Correspondence

FEDERAL RESERVE BOARD

Date November 21, 1929

To All Members of the Board

Subject: _____

From Mr. McClelland

2-8495



At the meeting this morning, there was ordered circulated the attached letter from the Secretary of the Open Market Investment Committee, dated November 19th, transmitting the minutes of the meeting of the Committee held here on November 12th, together with reports considered at that meeting.

11/22/29 filed
333-6-2
Final Minutes

- ↓ Governor Young
- Mr. Platt ✓
- Mr. Hamlin ✓
- Mr. James ✓
- Mr. Cunningham ✓
- Dr. Miller ✓
- Mr. Pole ✓

Please circulate promptly and return to the Secretary's Office.

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Authority E.O. 12356

333-6-2

FEDERAL RESERVE BANK
OF NEW YORK


PERSONAL

November 19, 1929

Dear Governor Young:

There is enclosed, for your files, copy of the ^{11/12/29 filed 333.-6-2 final minutes} minutes of the meeting of the Open Market Investment Committee held in Washington on November 12, together with copies of the preliminary memorandum and the secretary's report submitted to the committee.

Very truly yours,



W. B. Matteson
Secretary, Open Market
Investment Committee

Honorable Roy A. Young,
Governor, Federal Reserve Board,
Washington, D. C.

Encls. (3)

Ordered Circulated
AT BOARD MEETING.

NOV 21 1929



see ans 11/22/29

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333.31
Mtg
Open Market Investment
Comm

FEDERAL RESERVE BANK
OF NEW YORK

CONFIDENTIAL

November 19, 1929

Dear Governor Young:

There is enclosed herewith for your information
11/12/29 filed 333.31-6-2 Final Minutes
the minutes of the meeting of the Open Market Investment
Committee held in Washington on November 12, together with
copies of the preliminary memorandum and the secretary's
report submitted to the committee.

Very truly yours,

W. B. Matteson
Secretary, Open Market
Investment Committee

*11/20/29
Matteson*

Honorable Roy A. Young,
Governor, Federal Reserve Board,
Washington, D. C.

Encls. (3)

Confidential 333-62
11/12/29

Since the meeting of the Committee on September 24, the credit situation has changed abruptly. There has been a severe liquidation of credit against securities under circumstances which constitute a serious threat to business stability at a time when there were already indications of a business recession. This seems clearly to indicate the need of having the Federal Reserve System do all within its power toward assuring the ready availability of money for business, at reasonable rates.

In view of these circumstances and for the purpose of avoiding any increase, and if possible facilitating some reduction, in the total volume of member bank discounts, the Committee believes that the System should be prepared to increase the open market holdings of the Federal reserve banks through the purchase of bills if they can be acquired in sufficient amounts without interfering with their present desirable distribution, and if not, through the purchase of Government securities.

It is believed by the Committee that this may be done with safety in the interest of business without the risk that funds so put out by the Federal reserve banks would be used to stimulate any abnormal or unnecessary expansion of member bank credit. The Committee also has in mind the fact that present conditions may possibly develop to the point where, as an emergency measure, in the interest of maintaining banking and business stability, it may be necessary quickly to purchase large amounts of Government securities in order to avoid any undue stringency in credit.

The Committee therefore recommends that the present limit of \$25,000,000 per week on the purchase of Government securities be removed and that the Committee be authorized in lieu thereof to purchase not to exceed \$200,000,000 of Government securities for account of such banks as care to participate, in order that it might be empowered and prepared to make purchases

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-2-

of Government securities as and when it may seem to be necessary for the purposes, or in the contingencies outlined above, but only with the understanding that there be a careful current review by the Federal Reserve Board and the Committee of the consequences of any such purchases that may be made, and that another meeting with the Board be held at any time it may seem desirable to the Board or the Committee, and that in any event there be another such meeting not later than the first week in January.

Submitted
AT BOARD MEETING

¹²
NOV 13 1929



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CONFIDENTIAL

333.7-2

REPORT OF THE SECRETARY OF THE OPEN MARKET INVESTMENT COMMITTEE
TO THE MEETING OF THE COMMITTEE AT WASHINGTON ON NOVEMBER 12, 1929

At the time of the last meeting of the Open Market Investment Committee, which was held at Washington on September 24, 1929, the total outright holdings of Government securities in the System Special Investment Account amounted to - - - - - \$17,500,000

Since that time purchases of short-term Government securities have been made for the System Account as follows:

During the statement week ending September 25, 1929:

Purchased in replacement of sale to the Treasury of \$5,000,000 Fourth 4 1/4s which had been held temporarily in the System Account - - - - -	5,000,000
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During the statement week ending October 30, 1929:

<u>Purchased</u> pursuant to the recommendations contained in the report of the Open Market Investment Committee dated September 24, 1929 - - - - -	25,000,000
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During the statement week ending November 6, 1929:

With approval of the Open Market Investment Committee there was <u>transferred</u> to the System Account from the purchases which had been made by the Federal Reserve Bank of New York - - - - -	25,000,000
---	------------

After close of statement week ending November 6, 1929:

With approval of the Open Market Investment Committee on November 7, a <u>further transfer</u> was made to the System Account from the Federal Reserve Bank of New York purchases of - - - - -	25,000,000
--	------------

Total holdings in System Account - - - - -	\$97,500,000
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Purchases of Government securities made by the New York Reserve Bank to afford a measure of relief to the situation in the market, reached an aggregate of \$158,000,000. As stated above, \$50,000,000 of the total securities

2

purchased have been transferred to the Open Market Investment Account and distributed among participating Federal Reserve Banks, leaving the balance of such purchases held by the Federal Reserve Bank of New York \$108,809,950 at the close of business November 8, made up as follows:

4 1/4%	C/I due	December 15, 1929	\$ 500,000
4 3/4%	" " "	" 15, 1929	3,562,000
5 1/8%	" " "	March 15, 1930	10,290,000
4 7/8%	" " "	June 16, 1930	17,300,000
3 1/2%	T/N "	March 15, 1932	26,301,900
3 1/2%	" " "	September 15, 1932	10,951,750
3 1/2%	" " "	December 15, 1932	4,904,300
3 1/2%	First Liberty Loan bonds		25,000,000
4 1/4%	Fourth Liberty Loan bonds		<u>10,000,000</u>
	Total		<u>\$108,809,950</u>

The reserve banks participating in the System's Government securities purchases at present and each bank's reserve ratio at the close of business Wednesday, November 6, 1929, are as follows:

	<u>Reserve Ratios</u>
Boston	85.6%
New York	75.1%
Philadelphia	59.7%
Atlanta	59.8%
Chicago	76.3%
St. Louis	70.8%
Dallas	56.6%

The reserve banks which are not participating in the System's Government security purchases at present and each bank's reserve ratio at the close of business Wednesday, November 6, 1929, are as follows:

	<u>Reserve Ratios</u>
Cleveland	52.4%
Richmond	66.3%
Minneapolis	65.0%
Kansas City	58.2%
San Francisco	63.4%

3

The securities which were held temporarily in the System Account at the time of the last meeting of the Open Market Investment Committee, namely, \$8,625,000 par value of various issues of Government securities for the Federal Reserve Bank of St. Louis, were repurchased by the St. Louis Bank on October 9, 1929.

Participation in System Purchases of Bills

On October 1, 1929, owing to the low reserve position of the Federal Reserve Bank of Minneapolis it discontinued participation in the System's purchases of bills, until further notice.

On November 2, 1929, owing to the low reserve position of the Federal Reserve Bank of Kansas City it discontinued participation in the System's purchases of bills, until further notice.

Attached are statements showing:

Exhibit "A" - Outright holdings of Government securities by individual Federal reserve banks and their participation in the System Special Investment Account; also, classification of issues held in System Account by maturities, all as of close of business November 8, 1929.

Exhibit "B" - Bills purchased outright by the System by weeks from December 27, 1928 to October 30, 1929.

Exhibit "C" - Statement showing earning asset holdings of all Federal reserve banks November 6, 1929 as compared with previous week and November 7, 1928; also weekly average of earning assets from January 3, 1929 to November 6, 1929, as compared with corresponding period 1928 and entire year 1928.

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EXHIBIT "A"

STATEMENT SHOWING HOLDINGS OF GOVERNMENT SECURITIES BY FEDERAL RESERVE BANKS
(Excluding Sales Contracts)

	<u>Outright Holdings of Government Securities by Federal Reserve Banks as at the close of Business Nov. 8, 1929</u>	<u>Participation by Federal Reserve Banks in System Special Investment Acct. Government Securities as at the close of Business Nov. 8, 1929</u>	<u>Totals</u>
Boston	\$ 755,000	\$ 8,812,000	\$ 9,567,000
New York	110,284,000	32,537,000	142,821,000
Philadelphia	15,021,000	9,283,000	24,304,000
Cleveland	15,548,000	5,181,000	20,729,000
Richmond	1,152,000	657,000	1,809,000
Atlanta	2,618,000	6,226,000	8,844,000
Chicago	19,937,000	17,093,000	37,030,000
St. Louis	8,625,000	6,156,000	14,781,000
Minneapolis	7,833,000	943,000	8,776,000
Kansas City	3,000	3,060,000	3,063,000
Dallas	9,988,000	5,379,000	15,367,000
San Francisco	<u>9,710,000</u>	<u>2,173,000</u>	<u>11,883,000</u>
Totals	<u>\$201,474,000</u>	<u>\$97,500,000</u>	<u>\$298,974,000</u>

CLASSIFICATION OF ISSUES OF GOVERNMENT SECURITIES
HELD IN THE SYSTEM SPECIAL INVESTMENT ACCOUNT
CLOSE OF BUSINESS NOVEMBER 8, 1929

4 1/4% C/I due Dec. 15, 1929	\$12,442,000
4 3/4% " " " Dec. 15, 1929	32,458,000
5 1/8% " " " Mar. 15, 1930	7,000,000
4 7/8% " " " June 16, 1930	27,500,000
3 1/2% T/N " Mar. 15, 1932	3,100,000
3 1/2% " " " Dec. 15, 1932	<u>15,000,000</u>
Total	<u>\$97,500,000</u>

EXHIBIT "B" (a)

CLASSIFICATION BY MATURITIES OF BILLS PURCHASED
BY FEDERAL RESERVE BANKS IN THEIR RESPECTIVE DISTRICTS
DURING THE PERIOD FROM DECEMBER 27, 1928 TO OCTOBER 30, 1929
(EXCLUDING SALES CONTRACTS)
(000 Omitted)

	<u>1-30 days</u>	<u>31-60 days</u>	<u>61-90 days</u>	<u>Over 90-days</u>	<u>Total</u>
Boston	\$ 23,596	\$ 25,940	\$ 52,608	\$ 2,877	\$ 105,021
New York	318,357	126,562	270,180	20,161	735,260
Philadelphia	26,588	17,360	31,006	0	74,954
Cleveland	6,065	3,848	7,440	0	17,353
Richmond	2,648	3,758	4,973	0	11,379
Atlanta	22,996	4,460	5,863	374	33,693
Chicago	15,702	9,599	5,039	0	30,340
Dallas	12,080	12,800	7,283	4,234	36,397
San Francisco	<u>14,023</u>	<u>28,516</u>	<u>32,729</u>	<u>3,066</u>	<u>78,334</u>
Totals	<u>\$442,055</u>	<u>\$232,843</u>	<u>\$417,121</u>	<u>\$30,712</u>	<u>\$1,122,731</u>

BILLS PURCHASED QUARANT BY SYSTEM BY WEEKS
FROM DECEMBER 27, 1928 TO OCTOBER 30, 1929
(000 Omitted)

Exhibit "B"

Weeks Ending	Boston	New York			Phila.	Cleveland	Richmond	Atlanta	Chicago	Dallas	San Fran.	Totals	INCREASE or DECREASE in Holdings Including Sales Contracts		Dealers Operations With Other Districts	
		Banks	Dealers	Total									New York Operations	System Operations	Received	Sent
Jan. 2	\$ 9,301	\$ 14,263	\$ 28,227	\$ 42,490	\$ 1,956	-0-	-0-	\$ 1,148	\$ 1,216	\$ 966	\$ 3,021	\$ 60,098	\$ 12,721-	\$ 4,912-	\$ 1,519	\$ 17,156
9	15,601	8,624	7,684	16,308	2,925	-0-	150	-0-	2,782	504	10,059	48,329	26,633-	7,258-	1,557	9,808
16	8,792	18,089	7,047	25,136	3,058	1,251	547	127	1,727	747	3,297	44,684	10,283-	4,139+	5,574	7,422
23	4,605	14,543	10,624	25,167	2,144	539	357	-0-	1,554	509	1,684	36,559	26,014-	27,021-	2,573	5,604
30	1,148	14,893	1,107	16,000	2,524	-0-	1,134	1,430	290	672	972	24,170	15,620-	18,609-	2,852	3,060
Feb. 6	1,726	16,870	1,694	18,564	3,155	717	75	112	883	505	1,298	27,035	17,956-	24,867-	2,010	2,031
13	550	9,382	5,346	14,728	1,129	1,303	568	125	577	1,069	5,582	25,631	18,448-	19,684-	327	5,582
20	816	25,293	5,099	30,392	553	476	250	201	1,088	1,517	2,704	37,997	25,738-	35,422-	903	6,257
27	1,564	8,457	705	9,162	969	253	-0-	1,201	1,349	983	263	15,744	15,273-	21,561-	3,641	3,575
March 6	1,579	13,256	2,244	15,500	3,311	418	515	405	592	729	1,935	24,984	14,398-	29,431-	2,521	4,920
13	6,389	2,018	5,567	7,585	2,124	1,510	150	200	623	1,093	2,539	22,213	12,823-	21,543-	3,575	5,243
20	1,506	9,752	7,508	17,260	1,227	863	469	1,302	25	808	3,294	26,754	35,520-	46,263-	2,556	5,459
27	4,701	5,648	12,097	17,745	516	1,424	1,305	657	621	602	3,400	30,971	17,464-	28,411-	1,866	17,510
April 3	929	9,073	6,584	15,657	1,410	498	275	340	95	1,012	353	20,569	18,573-	33,724-	3,490	6,274
10	1,665	6,752	2,531	9,263	1,639	-0-	228	403	14	1,490	592	15,294	13,862-	17,386-	3,436	2,853
17	4,281	3,525	2,504	6,029	1,594	2,042	134	778	20	642	241	15,761	13,772-	16,290-	4,739	3,744
24	2,496	8,321	416	8,737	2,554	-0-	25	1,214	218	722	338	16,304	2,116+	148+	2,421	3,557
May 1	3,050	13,843	8,654	22,497	2,387	-0-	-0-	524	539	714	1,036	30,747	20,847+	29,246+	1,904	3,653
8	1,442	7,408	191	7,599	1,689	250	278	1,287	192	1,132	1,698	15,567	13,132-	13,240-	2,311	1,775
15	3,230	4,385	9,634	14,019	1,399	8	101	761	728	1,682	323	22,251	3,759-	11,074-	2,080	2,904
22	1,742	6,382	11,898	18,280	1,623	-0-	400	650	330	1,308	1,626	26,459	5,063-	8,121-	1,884	2,211
29	1,442	3,834	6,390	10,224	1,946	502	100	806	1,480	1,101	1,742	19,343	15,933-	20,067-	4,747	2,403
June 5	1,594	4,856	2,902	7,758	2,113	-0-	200	1,145	204	518	847	14,379	4,566+	5,172-	5,083	3,203
12	1,040	4,008	1,355	5,363	2,177	-0-	225	991	271	969	748	11,884	6,402+	1,370+	6,212	2,082
19	114	2,810	2,883	5,693	991	792	-0-	303	450	654	1,769	10,766	22,822-	27,085-	3,000	4,900
26	339	4,374	945	5,319	877	1,050	313	178	643	874	769	10,367	762-	4,193-	2,547	4,945
July 3	1,686	15	6,606	6,621	1,305	-0-	-0-	531	629	613	354	11,744	3,292-	8,917-	2,080	10,463
10	-0-	-0-	1,270	1,270	45	-0-	-0-	851	50	720	-0-	2,936	2,137-	7,946-	3,836	297
17	604	847	-0-	847	124	-0-	-0-	729	30	1,210	700	4,244	1,793+	1,662+	7,227	2,973
24	598	1,575	8,654	10,229	771	-0-	453	575	526	1,125	869	15,151	1,426-	1,204+	2,646	6,818
31	864	4,831	-0-	4,831	588	-0-	147	293	61	500	898	8,187	6,197+	5,725+	4,785	1,715
AUG. 7	720	3,031	-0-	3,031	1,090	-0-	-0-	143	470	390	68	5,912	2,361+	4,591+	891	2,083
14	4,857	2,038	6,707	8,745	1,356	-0-	380	365	1,326	738	1,737	19,504	32,877+	38,727+	2,938	4,853
21	2,281	3,929	2,819	6,748	1,556	104	-0-	354	1,330	825	2,710	16,410	3,949+	14,252+	2,003	4,123
28	2,686	6,585	5,926	12,511	3,644	593	55	1,060	217	514	2,492	23,807	17,515+	24,377+	3,824	1,323
Sept. 4	1,411	2,919	8,265	11,184	1,958	1,190	100	1,563	324	393	2,069	20,690	21,232+	26,402+	1,125	1,403
11	1,334	16,779	21,431	38,210	2,023	-0-	350	2,089	425	314	869	46,113	32,231+	39,313+	5,645	3,252
18	1,131	13,090	13,974	27,064	2,202	200	160	1,140	631	501	1,839	34,868	17,403+	18,874+	5,733	3,098
25	357	16,556	5,151	21,707	2,304	75	358	208	614	1,041	2,314	28,978	20,257+	22,831+	6,220	2,860
Oct. 2	1,014	14,113	52,986	67,099	2,938	479	65	682	476	866	2,317	75,936	54,263+	58,884+	4,070	3,129
9	1,125	9,828	41,463	51,291	1,981	-0-	166	2,792	1,970	686	2,789	62,800	4,065+	10,333+	1,516	1,537
16	962	13,966	18,963	32,929	1,943	400	-0-	1,347	551	371	2,334	41,297	24,396+	26,959+	3,457	4,310
23	1,744	2,323	30,092	32,415	952	351	313	1,413	343	757	333	39,434	22,846+	19,273+	10,067	5,299
30	5	6,053	-0-	6,053	234	-0-	225	260	74	204	1,013	9,860	29,293-	39,498-	6,629	3,754
TOTALS	\$105,021	\$359,117	\$375,143	\$735,260	\$74,954	\$17,353	\$11,379	\$33,693	\$30,340	\$33,397	\$73,334	\$1,122,731	\$102,626-	\$149,385-	\$150,020	\$201,421

DECLASSIFIED
Authority E.O. 12356

333-6-2

CONFIDENTIAL

November 11, 1929

PRELIMINARY MEMORANDUM FOR THE
OPEN MARKET INVESTMENT COMMITTEE

At the last meeting of the committee on September 24 the following resolution was adopted and approved by the Federal Reserve Board:

"The Committee has reviewed a preliminary memorandum and current credit conditions.

"During the past eighteen months interest rates in this country have gradually risen and money, especially for new undertakings, has become more difficult to obtain. While business continues at a high level, there are some indications of a possible impending recession.

"Rates in many foreign centers have risen even more markedly and the loss of reserves of central banks threatens further increases in rates and probable curtailment of Europe's capacity to buy this country's products.

"In accordance with the System policy adopted on August 8th seasonal requirements for Federal reserve credit have been met by bill purchases, and in fact such purchases have been sufficient to reduce rediscounts to some extent.

"For the purpose of avoiding any increase and, if possible, facilitating some further reduction in the total volume of member bank discounts during the fall season, if this can be done without stimulating unnecessary or abnormal expansion of member bank credit, the Committee favors a further increase of the open market holdings of the Federal reserve banks. It favors an increase of these holdings by the continued purchase of bills if they can be obtained in sufficient amounts to accomplish this purpose. If bills cannot be obtained in sufficient amounts without interfering with the present desirable distribution, it favors the purchase of Government certificates of the short maturities.

"The Committee therefore recommends that it be authorized to purchase not to exceed \$25,000,000 a week of such certificates for account of such banks as care to participate, with the understanding that such purchases be made only under the conditions above stated, and with the further understanding that there be careful current review of the consequences of such purchases, in order that there may be another meeting with the Board at any time that that may seem advisable either to the Board or to the Committee. In any event, the Committee feels that there should be another such meeting not later than November 1st."

Since that meeting the following changes have occurred in System holdings of bankers acceptances and government securities.

2

(In Millions)

<u>Week Ended</u>	<u>Acceptances</u>	<u>Change in Week</u>	<u>Government Securities</u>	<u>Change in Week</u>
Sept. 25	264	+ 23	152	- 26
Oct. 2	323	+ 59	146	- 6
Oct. 9	333	+ 10	141	- 5
Oct. 16	360	+ 27	138	- 3
Oct. 23	379	+ 19	136	- 2
Oct. 30	340	- 39	293	+157
Nov. 6	330	- 10	293	-

Up until mid-October acceptances were offered in sufficient volumes to meet System requirements, but from then on offerings were small due to demand from other buyers, and it was necessary to increase holdings of government securities to achieve the end in view.

The changes in holdings of acceptances and government securities and bills discounted as compared with the estimated seasonal requirement for Federal reserve credit are shown in the attached chart. It indicates that until the latter part of October purchases of bills and governments were more than sufficient to meet seasonal needs for Federal reserve funds and bills discounted declined somewhat.

In the period up to the middle of October the policies pursued were as successful as could have been anticipated. The decline in discounts was followed by easier money rates in New York. The bond market strengthened and, influenced as well by higher money rates abroad, foreign exchange rates recovered to a point where gold exports began.

In the past three weeks the whole credit situation has been changed by a violent decline of stock prices. The result has been a reversal of the credit trends which had continued for two years, - and the Federal Reserve System now faces a very different credit situation from that which prevailed a few weeks ago. The major changes in the situation may be summarized as follows:

- (1) The demand for credit for speculative use which for two years made necessary a system policy of protecting its

credit, has subsided.

(2) The conversion of over a billion dollars of brokers loans from other account to bank loans has placed a considerable strain upon member banks and increased their borrowing at the Reserve bank to a total of over \$900,000,000.

(3) Business activity has continued to show some recession and there is a threat of further recession due in part to some destruction of purchasing power and a disturbed business psychology due to stock market liquidation.

These changes have taken place with great rapidity. For some days, in fact, the credit situation in New York appeared to be at a critical stage due to the huge burden thrown upon the New York City banks when other lenders in the Stock Exchange money market suddenly withdrew their funds and borrowers resorted to the New York City banks. This occurred at a time when the security market was going through a panic which might easily have spread more generally to the banking situation. It was in these circumstances that the Federal Reserve Bank of New York on October 29 purchased about \$100,000,000 of securities in order to make funds freely available to the money market thus to minimize the possibility of an advance in rates which would have added materially to the difficulties of the situation. The daily changes are shown on the attached table.

In the following two weeks portions of these security purchases were turned over to the special investment account to make up the \$25,000,000 a week of security purchases agreed upon at the last meeting of the committee and by the Federal Reserve Board in the event that bills could not be purchased in sufficient amount.

Seasonal Expectation. The seasonal expectation in the demand for Federal reserve credit is that this demand will remain relatively constant until the last week in November, and between that time and the end of the year it will increase nearly \$300,000,000 due largely to Christmas currency requirements. In the

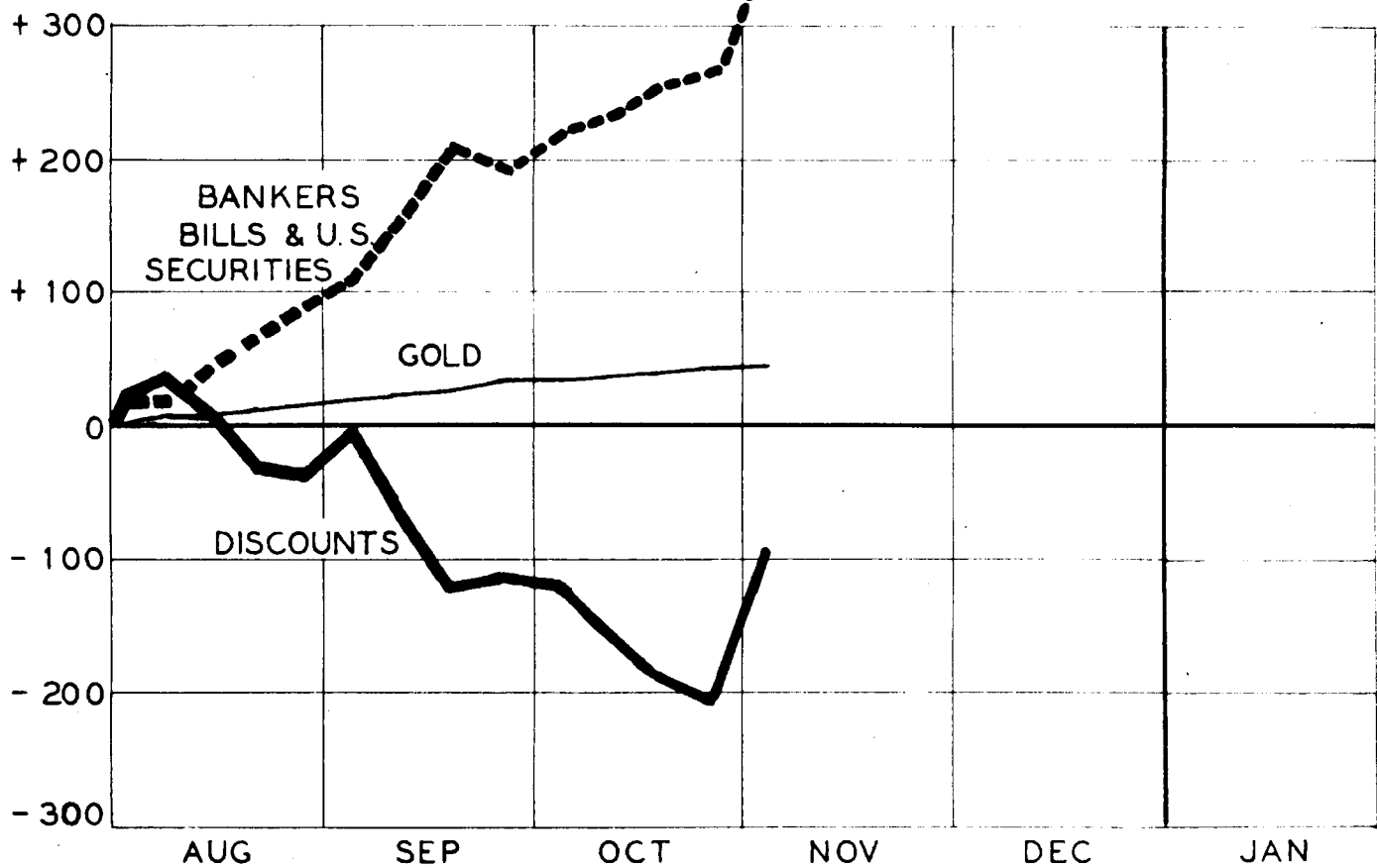
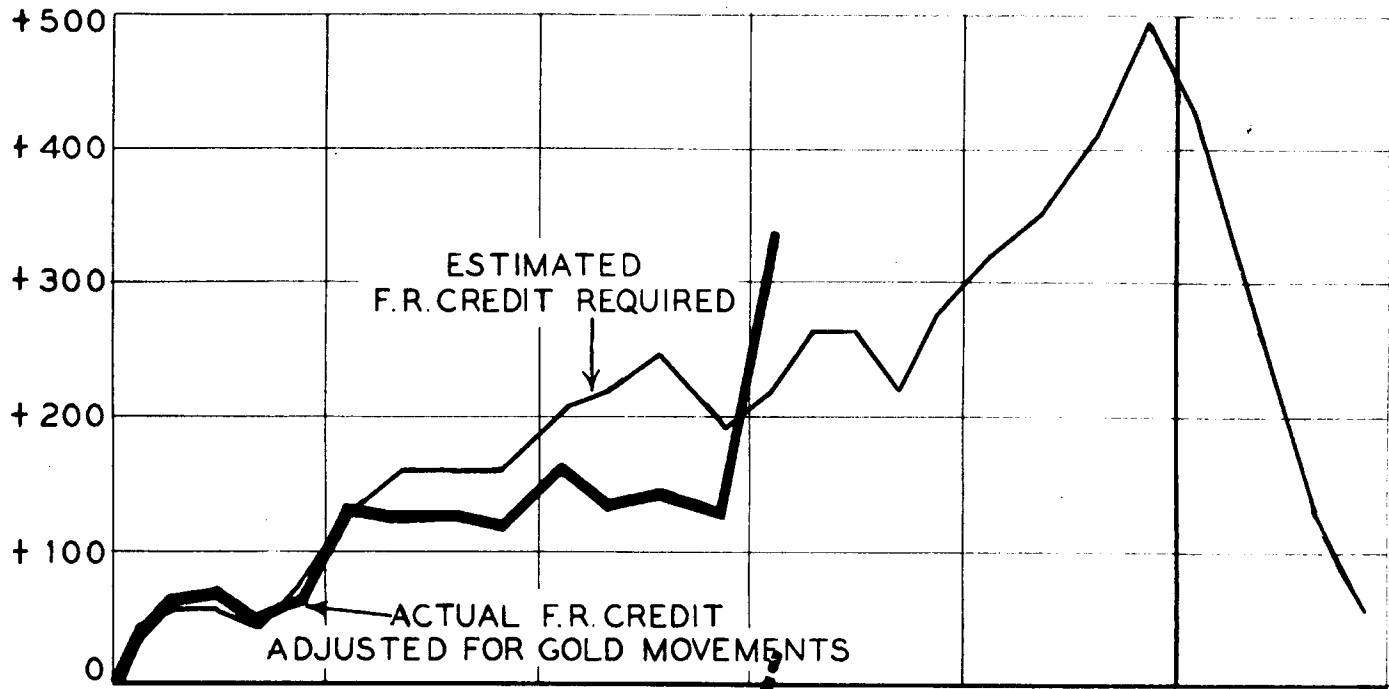
absence of open market operations it might be anticipated that this demand would lead to an increase in rediscounts of member banks from about \$900,000,000 at present to about \$1,200,000,000. Such a change would ordinarily be accompanied by somewhat more stringent money conditions. After the end of the year it might be expected that the requirement for Federal reserve credit would decrease between \$400,000,000 and \$500,000,000. A part of the decrease after the first of the year would be absorbed by partial liquidation of the System's portfolio of bankers acceptances, and the remainder would be taken up by reductions in rediscounts or in holdings of Government securities.

Condition of the Bill Market. The shift of funds from call loans to other employment has been accompanied by a largely increased demand for bankers acceptances as a consequence of which few bills have recently been offered to the reserve banks and total bill holdings have declined during a period when an increase is usual. The present prospect appears to be that this investment demand for bills will continue for some weeks and the Reserve System is likely to receive less than the usual offerings, so that little increase in the open market portfolio is to be anticipated from this source.

DECLASSIFIED
 Authority E.O. 12356

1875

MILLIONS OF DOLLARS



Increase in Federal Reserve Credit Since End of July, Compared With Estimated Amount of Federal Reserve Credit Required for Autumn Season; Reduction in Discounts for Member Banks Effected by Purchases of Bankers Bills and U.S. Securities and Gold Imports, After Provision for Additional F.R. Credit Required.

Stock Prices, Brokers Loans, and Federal Reserve Bank Credit
(Dollar figures in millions; changes are shown from previous day)

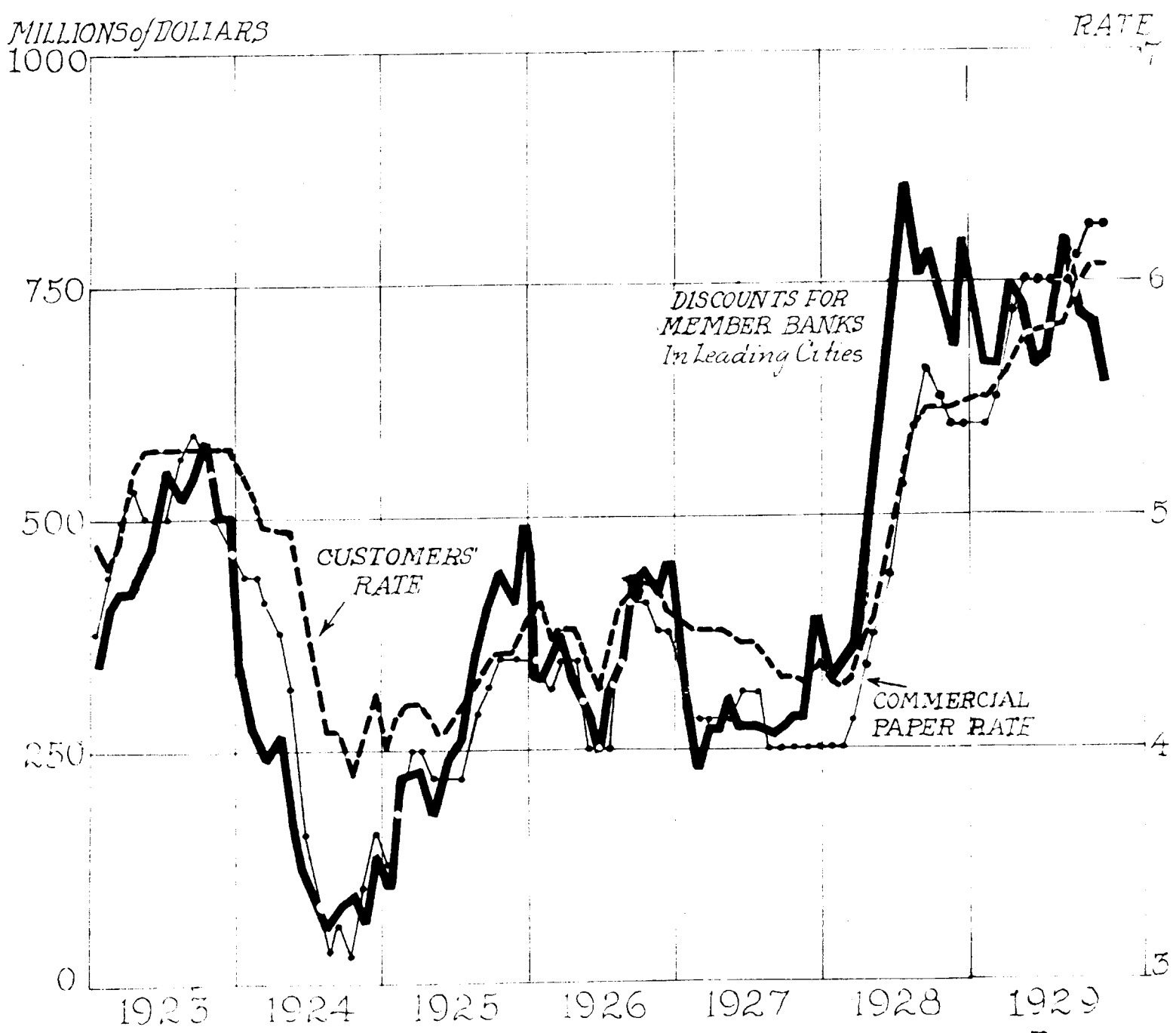
Date	*Stock Price Index		Loans to Brokers and Dealers				Reserve Requirements New York City Banks		Federal Reserve Bank of New York											
	Actual	Change	Own Account Actual Change	Out-of-town Banks Actual Change	Others Actual Change	Total Actual Change	Actual	Change	Discounts Actual Change	U. S. Governments Actual Change	Bills Actual Change	Total Bills & Securities Actual Change								
Oct. 9 (Wed.)	240.4		\$1036	\$1807	\$3388	\$6831	\$699		\$131	\$22	\$102	\$268								
10	244.7	+ 4.3	1039	+ 3	1797	- 10	3962	- 26	6798	- 33	702	+ 3	132	+ 1	13	- 9	83	- 19	240	- 28
11	244.3	- 0.4	1109	+ 70	1804	+ 7	3953	- 9	6866	+ 68	712	+ 10	213	+ 81	13	0	92	+ 9	330	+ 0
12	Holiday																			
14	242.6	- 1.7	1183	+ 74	1790	- 14	3940	- 13	6913	+ 47	716	+ 4	179	- 34	14	+ 1	92	0	298	- 32
15	240.6	- 2.0	1185	+ 2	1812	+ 22	3915	- 25	6912	- 1	719	+ 3	128	- 51	17	+ 3	121	+ 29	283	- 15
16 (Wed.)	232.2	- 8.4	1161	- 24	1839	+ 27	3922	+ 7	6921	+ 9	720	+ 1	130	+ 2	19	+ 2	112	- 9	277	- 6
Change for Week		- 8.2		+125		+ 32		- 66		+ 90		+ 21		- 1		- 3		+10		+ 9
17	236.0	+ 3.8	1122	- 39	1863	+ 24	3915	- 7	6901	- 20	721	+ 1	121	- 9	13	- 6	107	- 5	257	- 20
18	229.2	- 6.8	1136	+ 14	1836	- 27	3919	+ 4	6891	- 10	708	- 13	113	- 8	12	- 1	99	- 8	241	- 16
19	222.6	- 6.6	1140	+ 4	1832	- 4	3922	+ 3	6895	+ 4	699	- 9	130	+ 17	12	0	81	- 18	249	+ 8
21	220.4	- 2.2	1213	+ 73	1817	- 15	3864	- 58	6895	0	730	+ 31	131	+ 1	14	+ 2	93	+ 12	254	+ 5
22	224.7	+ 4.3	1167	- 46	1785	- 32	3844	- 20	6796	- 99	723	- 7	133	+ 2	15	+ 1	102	+ 9	267	+ 13
23 (Wed.)	211.3	-13.4	1147	- 20	1741	- 44	3865	+ 21	6753	- 43	724	+ 1	107	- 26	16	+ 1	124	+ 22	264	- 3
Change for Week		-20.9		- 14		- 98		- 57		- 168		+ 4		- 23		- 3		+12		- 13
24	204.7	- 6.6	1269	+122	1654	- 87	3728	- 137	6651	- 102	745	+ 21	131	+ 24	17	+ 1	100	- 24	265	+ 1
25	207.3	+ 2.6	1484	+215	1512	-142	3415	- 313	6411	- 240	776	+ 31	161	+ 30	29	+ 12	94	- 6	301	+ 36
26	206.1	- 1.2	1494	+ 10	1511	- 1	3411	- 4	6417	+ 6	767	- 9	213	+ 52	29	0	95	+ 1	353	+ 52
28	180.7	-25.4	1414	- 80	1470	- 41	3322	- 89	6206	- 211	778	+ 11	126	- 87	38	+ 9	90	- 5	271	- 82
29	162.2	-18.5	1951	+537	1238	-232	2834	- 488	6023	- 183	877	+ 99	194	+ 68	120	+ 82	91	+ 1	422	+151
30 (Wed.)	182.7	+20.5	2131	+180	1011	-227	2487	- 347	5628	- 375	925	+ 48	246	+ 52	157	+ 37	101	+ 10	521	+ 99
Change for Week		-28.6		+284		-730		-1378		-1125		+201		+139		+141		- 21		+257
Nov. 1	192.2	+ 3.5	1911	-220	985	- 26	2433	- 54	5329	- 239	925	0	228	- 18	169	+ 12	116	+ 15	530	+ 9
2			1946	+ 35	953	- 32	2387	- 46	5287	- 42	929	+ 4	222	- 6	145	- 24	102	- 14	484	- 46
4	182.1	-10.1	1931	- 15	959	+ 6	2398	+ 11	5288	+ 1	915	- 14	225	+ 3	145	0	101	- 1	486	+ 2
5			1725	-206	939	+ 40	2392	- 6	5116	- 172	897	- 18	204	- 21	144	- 1	92	- 9	456	- 30
6 (Wed.)	164.1	-18.0	1589	-136	969	- 30	2421	+ 29	4779	- 137	890	- 7	221	+ 17	140	- 4	96	+ 4	472	+ 16
Change for Week		-18.6		-542		- 42		- 66		- 649		- 35		- 25		- 17		- 5		- 4
7	170.1	+ 6.0	1550	- 39	905	- 64	2356	- 65	4811	- 168	882	- 8	169	- 52	129	- 11	94	- 2	405	- 67

* 1929 high - 253.5 on September 7

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R1317.1



Money Rates and Discounts for Member Banks in Leading Cities

Confidential.

333-6-2

(November 11, 1929)

PRELIMINARY MEMORANDUM FOR THE
OPEN MARKET INVESTMENT COMMITTEE

At the last meeting of the committee on September 24 the following resolution was adopted and approved by the Federal Reserve Board:

"The Committee has reviewed a preliminary memorandum and current credit conditions.

"During the past eighteen months interest rates in this country have gradually risen and money, especially for new undertakings, has become more difficult to obtain. While business continues at a high level, there are some indications of a possible impending recession.

"Rates in many foreign centers have risen even more markedly and the loss of reserves of central banks threatens further increases in rates and probable curtailment of Europe's capacity to buy this country's products.

"In accordance with the System policy adopted on August 8th seasonal requirements for Federal reserve credit have been met by bill purchases, and in fact such purchases have been sufficient to reduce rediscounts to some extent.

"For the purpose of avoiding any increase and, if possible, facilitating some further reduction in the total volume of member bank discounts during the fall season, if this can be done without stimulating unnecessary or abnormal expansion of member bank credit, the Committee favors a further increase of the open market holdings of the Federal reserve banks. It favors an increase of these holdings by the continued purchase of bills if they can be obtained in sufficient amounts to accomplish this purpose. If bills cannot be obtained in sufficient amounts without interfering with the present desirable distribution, it favors the purchase of Government certificates of the short maturities.

"The Committee therefore recommends that it be authorized to purchase not to exceed \$25,000,000 a week of such certificates for account of such banks as care to participate, with the understanding that such purchases be made only under the conditions above stated, and with the further understanding that there be careful current review of the consequences of such purchases, in order that there may be another meeting with the Board at any time that that may seem advisable either to the Board or to the Committee. In any event, the Committee feels that there should be another such meeting not later than November 1st."

Since that meeting the following changes have occurred in System holdings of bankers acceptances and government securities.

- 2 -

(In Millions)

<u>Week Ended</u>	<u>Acceptances</u>	<u>Change in Week</u>	<u>Government Securities</u>	<u>Change in Week</u>
Sept. 25	264	+ 23	152	- 26
Oct. 2	323	+ 59	146	- 6
" 9	333	+ 10	141	- 5
" 16	360	+ 27	138	- 3
" 23	379	+ 19	136	- 2
" 30	340	- 39	293	+ 157
Nov. 6	330	- 10	293	-

Up until mid-October acceptances were offered in sufficient volumes to meet System requirements, but from then on offerings were small due to demand from other buyers, and it was necessary to increase holdings of government securities to achieve the end in view.

The changes in holdings of acceptances and government securities and bills discounted as compared with the estimated seasonal requirement for Federal reserve credit are shown in the attached chart. It indicates that until the latter part of October purchases of bills and governments were more than sufficient to meet seasonal needs for Federal reserve funds and bills discounted declined somewhat.

In the period up to the middle of October the policies pursued were as successful as could have been anticipated. The decline in discounts was followed by easier money rates in New York. The bond market strengthened and, influenced as well by higher money rates abroad, foreign exchange rates recovered to a point where gold exports began.

In the past three weeks the whole credit situation has been changed by a violent decline of stock prices. The result has been a reversal of the credit trends which had continued for two years, - and the Federal Reserve System now faces a very different credit situation from that which prevailed a few weeks ago. The major changes in the situation may be summarized as follows:

(1) The demand for credit for speculative use which for two years made necessary a system policy of protecting its credit, has subsided.

- 3 -

(2) The conversion of over a billion dollars of brokers loans from other account to bank loans has placed a considerable strain upon member banks and increased their borrowing at the Reserve bank to a total of over \$900,000,000.

(3) Business activity has continued to show some recession and there is a threat of further recession due in part to some destruction of purchasing power and a disturbed business psychology due to stock market liquidation.

These changes have taken place with great rapidity. For some days, in fact, the credit situation in New York appeared to be at a critical stage due to the huge burden thrown upon the New York City banks when other lenders in the Stock Exchange money market suddenly withdrew their funds and borrowers resorted to the New York City banks. This occurred at a time when the security market was going through a panic which might easily have spread more generally to the banking situation. It was in these circumstances that the Federal Reserve Bank of New York on October 29 purchased about \$100,000,000 of securities in order to make funds freely available to the money market.

thus to minimize the possibility of an advance in rates which would have added materially to the difficulties of the situation.

The daily changes in the situation are shown on the attached table.

In the following two weeks portions of these security purchases were turned over to the special investment account to make up the \$25,000,000 a week of security purchases agreed upon at the last meeting of the committee and by the Federal Reserve Board in the event that bills could not be purchased in sufficient amount.

Seasonal Expectation. The seasonal expectation in the demand for Federal reserve credit is that this demand will remain relatively constant until the last week in November, and between that time and the end of the year it will increase nearly \$300,000,000 due largely to Christmas currency requirements. In the absence of open market operations it might be anticipated that this demand would lead to an increase in rediscounts of member banks from about

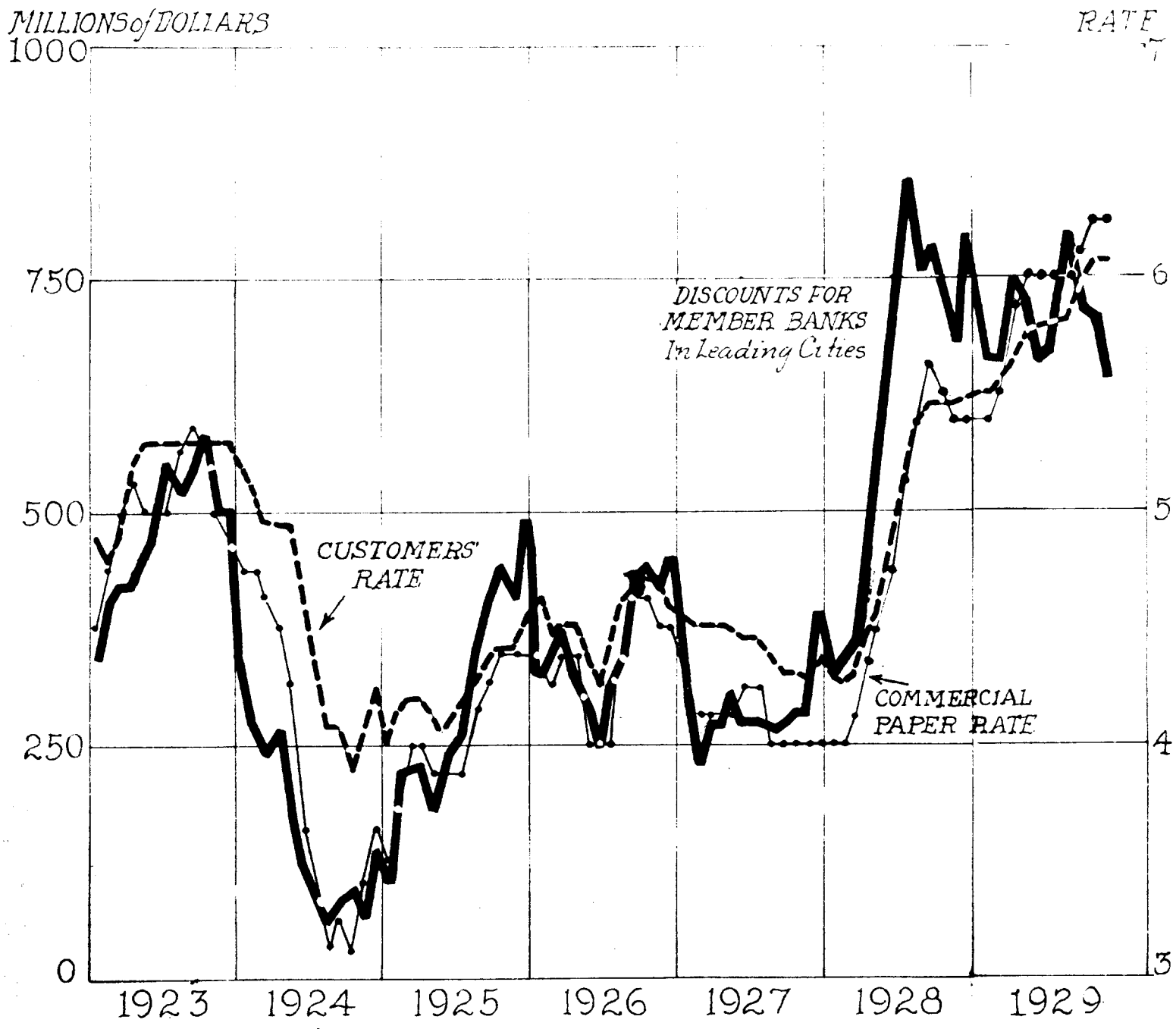
- 4 -

\$900,000,000 at present to about \$1,200,000,000. Such a change would ordinarily be accompanied by somewhat more stringent money conditions. After the end of the year it might be expected that the requirement for Federal reserve credit would decrease between \$400,000,000 and \$500,000,000. A part of the decrease after the first of the year would be absorbed by partial liquidation of the System's portfolio of bankers acceptances, and the remainder would be taken up by reductions in rediscounts or in holdings of Government securities.

Condition of the Bill Market. The shift of funds from call loans to other employment has been accompanied by a largely increased demand for bankers acceptances as a consequence of which few bills have recently been offered to the reserve banks and total bill holdings have declined during a period when an increase is usual. The present prospect appears to be that this investment demand for bills will continue for some weeks and the Reserve System is likely to receive less than the usual offerings, so that little increase in the open market portfolio is to be anticipated from this source.

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Authority E.O. 12356

R/1317.1



Money Rates and Discounts for Member Banks in Leading Cities

Stock Prices, Brokers Loans, and Federal Reserve Bank Credit
 (Dollar figures in millions; changes are shown from previous day)

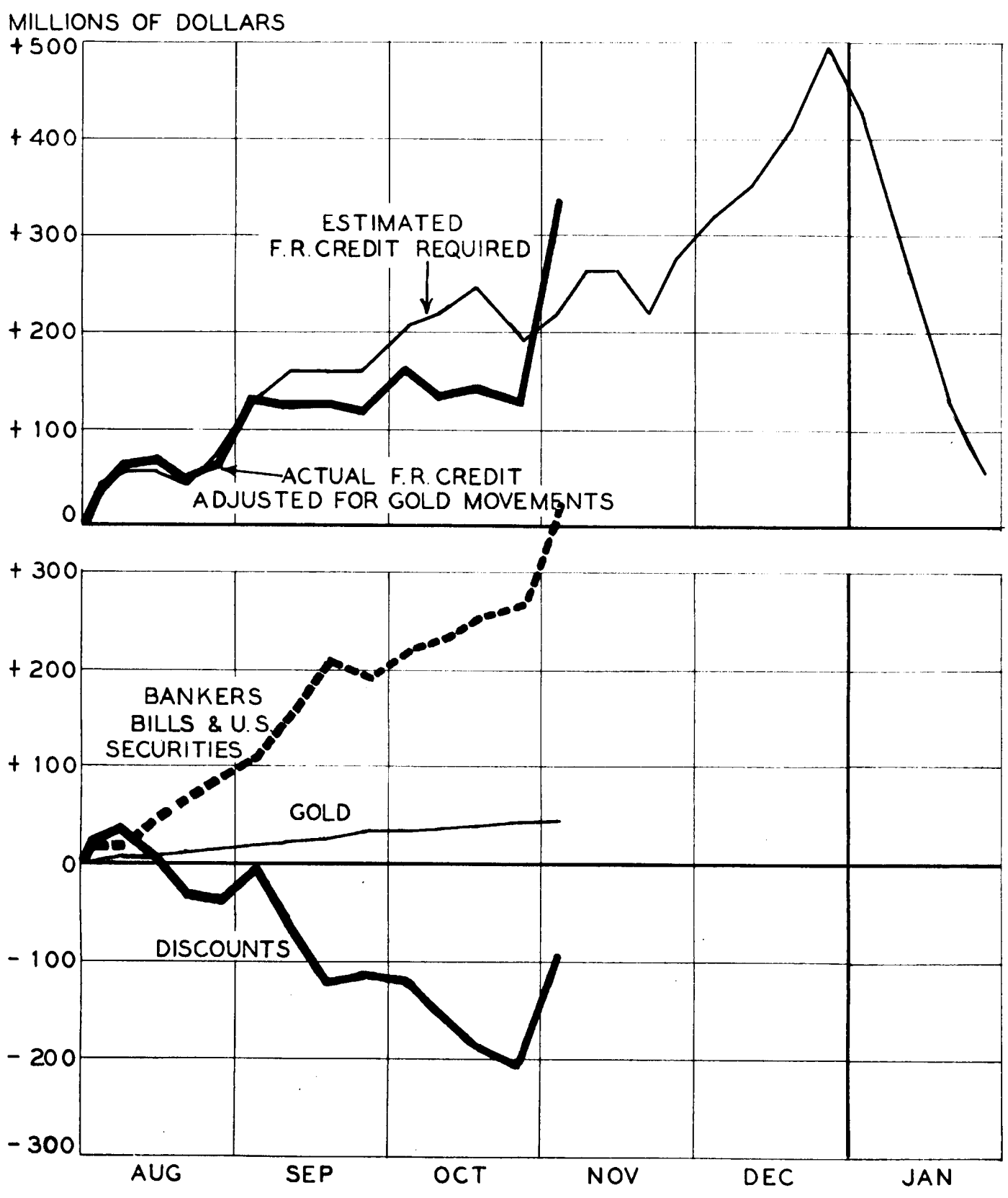
Date	*Stock Price Index		Loans to Brokers and Dealers				Reserve Requirements New York City Banks		Federal Reserve Bank of New York			
	Actual	Change	Own Account Actual	Out-of-town Banks Actual	Others Actual	Total Actual	Actual	Change	Discounts Actual	U. S. Governments Actual	Bills Actual	Total Bills & Securities Actual
9 (Wed.)	240.4		\$1026	\$1807	\$3988	\$6831	\$699		\$131	\$22	\$102	\$268
10	244.7	+ 4.3	1029	1797	3962	6798	702	+ 3	122	+ 1	83	240
11	244.3	- 0.4	1109	1804	3953	6866	712	+ 10	213	+ 81	92	330
12	Holiday											
14	242.6	- 1.7	1183	1790	3940	6913	716	+ 4	179	- 34	92	298
15	240.6	- 2.0	1185	1812	3915	6912	719	+ 3	128	- 51	121	283
16 (Wed.)	232.2	- 8.4	1161	1839	3922	6921	720	+ 1	130	+ 2	118	277
Change for Week		- 8.2	+125	+ 32	- 66	+ 90	+ 21		- 1	- 3	+ 10	+ 9
17	236.0	+ 3.8	1122	1863	3915	6901	721	+ 1	121	- 9	107	257
18	229.2	- 6.8	1136	1836	3919	6891	708	- 13	113	- 8	99	241
19	222.6	- 6.6	1140	1832	3922	6895	699	- 9	130	+ 17	81	249
21	220.4	- 2.2	1213	1817	3864	6895	730	+ 31	131	+ 1	93	254
22	224.7	+ 4.3	1167	1785	3844	6796	723	- 7	133	+ 2	102	267
23 (Wed.)	211.3	-13.4	1147	1741	3865	6753	724	+ 1	107	- 26	124	264
Change for Week		-20.9	- 14	- 98	- 57	- 168	+ 4		- 23	- 3	+ 12	- 13
24	204.7	- 6.6	1269	1654	3728	6651	745	+ 21	131	+ 24	100	265
25	207.3	+ 2.6	1484	1512	3415	6411	776	+ 31	161	+ 30	94	301
26	206.1	- 1.2	1494	1511	3411	6417	767	- 9	213	+ 52	95	353
28	180.7	-25.4	1414	1470	3322	6206	778	+ 11	126	- 87	90	271
29	162.2	-18.5	1951	1238	2834	6023	877	+ 99	194	+ 68	91	422
30 (Wed.)	182.7	+20.5	2131	1011	2487	5628	925	+ 48	246	+ 52	101	521
Change for Week		-28.6	+984	-720	-1378	-1125	+201		+139	+141	- 23	+257
31	192.2	+ 9.5	1911	985	2433	5329	925	0	228	- 18	116	530
1			1946	952	2387	5287	929	+ 4	222	- 6	102	484
2			1931	957	2398	5288	915	- 14	225	+ 3	101	486
4	182.1	-10.1	1725	999	2392	5116	897	- 18	204	- 21	92	456
5	Holiday											
6 (Wed.)	164.1	-18.0	1589	969	2421	4979	890	- 7	221	+ 17	96	472
Change for Week		-18.6	-542	- 42	- 66	- 649	- 35		- 25	- 17	- 5	- 49
7	170.1	+ 6.0	1550	905	2356	4811	882	- 8	169	- 52	94	405

* 1929 high - 253.5 on September 7

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 Authority E.O. 12356

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 Authority E.O. 12356

1875



Increase in Federal Reserve Credit Since End of July, Compared With Estimated Amount of Federal Reserve Credit Required for Autumn Season; Reduction in Discounts for Member Banks Effected by Purchases of Bankers Bills and U.S. Securities and Gold Imports, After Provision for Additional F.R. Credit Required.

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Authority E.O. 12356

333-b-2

September 30, 1929

Dear Doctor Burgess:

Complying with the request contained in your letter of September 23th addressed to Governor Young, I would advise that the correction to which you call attention has been made in the copies of the minutes of the meeting of the Open Market Investment Committee, held on September 24, 1929.

9/24/29 filed 333.-b-2
Final Minutes

Very truly yours,

J. C. Noell,
Assistant Secretary

Mr. W. Randolph Burgess, Acting Secretary,
Open Market Investment Committee,
o/o Federal Reserve Bank,
New York, N. Y.

DECLASSIFIED
Authority E.O. 12356

333-6-2

FEDERAL RESERVE BANK
OF NEW YORK

PERSONAL AND
CONFIDENTIAL

September 28, 1929

Dear Governor Young:

We find that a typographical error was made in
9-24-29 filed 333-6-2 Final Minutes
the minutes of the Open Market Investment Committee meet-
ing. On page 2, in the third line of the second para-
graph, the phrase "such banks as can participate" should
read, "such banks as care to participate." Will you
please have this change made in your copy^{ies} of the minutes.

Very truly yours,



W. Randolph Burgess
Acting Secretary,
Open Market Investment
Committee

Honorable R. A. Young,
Governor, Federal Reserve Board,
Washington, D. C.

see ans 9/30/29

DECLASSIFIED
Authority E.O. 12356

333-b-2

September 27, 1929

Dear Dr. Burgess:

This will acknowledge receipt of your letter of September 26th enclosing, for the Board's files, copies of the minutes of the meeting of the Open Market Investment Committee on September 24th; also copies of the preliminary memorandum on the credit situation and the secretary's report.

9/24/29 filed 333-b-2
Final Minutes

May thanks for your prompt action.

Yours very truly,

R. A. Young,
Governor

Dr. W. Randolph Burgess, Acting Secretary,
Open Market Investment Committee,
c/o Federal Reserve Bank,
New York, N. Y.

DECLASSIFIED
Authority E.O. 12356

333-6-2

FOR SPECIAL CIRCULATION

PLEASE RE PROMPTLY, INITIAL AND RETURN TO SECRETARY'S OFFICE

- ✓ Gov. Young
- ✓ Mr. Hamlin
- ✓ Mr. James
- ✓ Mr. Platt
- Mr. Miller
- Mr. Cunningham
- Mr. Pole

FEDERAL RESERVE BANK

OF NEW YORK

R. A. Y.
SEP 27 1929

September 26, 1929.

PERSONAL

Dear Governor Young:

I am enclosing herewith for your files copy of the
9/24/29 files 333.-6-27 serial minutes
 minutes of the meeting of the Open Market Investment Committee
 on September 24, together with a preliminary memorandum on the
 credit situation and the secretary's report which were submitted
 to the Committee.

Very truly yours,

W. Randolph Burgess
 Acting Secretary
 Open Market Investment Committee.

Honorable Roy A. Young,
 Governor, Federal Reserve Board,
 Washington, D. C.

Encl. (3)

*See recommendations
filed 333-6-1 9-25-29*

see ans 9/27/29

DECLASSIFIED
Authority E.O. 12356

333.31
-mtg
op mkt
Invest Comm

FEDERAL RESERVE BANK
OF NEW YORK

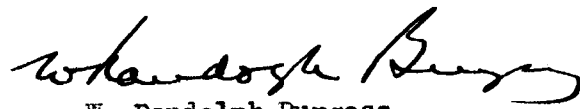
CONFIDENTIAL

September 26, 1929

Dear Governor Young:

I am enclosing herewith for your files copy of the
9/24/29 filed 333.-6-27 final minutes
minutes of the meeting of the Open Market Investment Committee
on September 24, together with a preliminary memorandum on the
credit situation and the Secretary's report, which were sub-
mitted to the Committee.

Very truly yours,



W. Randolph Burgess
Acting Secretary, Open Market
Investment Committee

Honorable Roy A. Young,
Governor, Federal Reserve Board,
Washington, D. C.

Encls. (3)

see ans 9/27/29

DECLASSIFIED
Authority E.O. 12356

333-62

REPORT OF THE SECRETARY OF THE OPEN MARKET INVESTMENT COMMITTEE
TO THE MEETING OF THE COMMITTEE ON SEPTEMBER 24, 1929

At the time of the last meeting of the Open Market Investment Committee which was held in Washington during the Governors' Conference on April 1, 1929, the total outright holdings of Government securities in the System Special Investment Account amounted to - - - - \$40,000,000. During the period April 12 to April 24, 1929, sales were made from the Account as follows:

Sales to the market - - - - -	\$17,000,000	
Sales to the Treasury, account Surplus Money	<u>5,500,000</u>	<u>22,500,000</u>

These sales reduced the total outright holdings in the Account at the close of business April 24, 1929 to - - - \$17,500,000

No further sales of short-term Government securities from holdings in the System Account have been made since April 24, 1929.

However, there have been several blocks of securities taken over temporarily into the System Account from the outright holdings of other Federal reserve banks since the last Committee meeting, most of which have been either repurchased by the respective Federal reserve bank or, at its request, the securities have been sold to the market or to the Treasury.

At the present time the temporary holdings in the System Account consist of \$8,625,000 par value of various issues of Government securities which are being held temporarily for the Federal Reserve Bank of St. Louis and which bring the total amount of holdings in the System Account up to - - - - - \$26,125,000

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Authority E.O. 12356CONFIDENTIAL
333-62

Preliminary Memorandum for the Open Market Investment Committee

September 24, 1929.

At a meeting of the Governors of all Federal reserve banks at Washington, D. C., on August 7 and 8, the following resolution was adopted:

"It is the judgment of the Governors that the demand for increased credit incident to the autumn requirements of crop moving and business should be met, so far as possible, by an increase of the bill portfolio of such banks as care to participate in bill purchases.

"The Governors are also of the opinion that this procedure can best and most safely be undertaken, and with least risk of abuse in the use of Federal Reserve credit, under the protection of an effective discount rate in the New York district.

"They are further led to this conclusion by the expressed belief that an increase in the discount rate of the Federal Reserve Bank of New York would necessitate increases in few, if any, of the other Federal reserve banks during the period of seasonal business demand; and the desire of the directors and officers of all other Reserve banks to avoid increases, if possible. It is, therefore, recommended that the Reserve Board act favorably on any application that may be made by the Federal Reserve Bank of New York for an increase in its existing rate."

This resolution was approved by the Federal Reserve Board and on August 8 the Federal Reserve Bank of New York raised its discount rate from five to six per cent and reduced its buying rate for bills from 5 1/4 to 5 1/8 per cent.

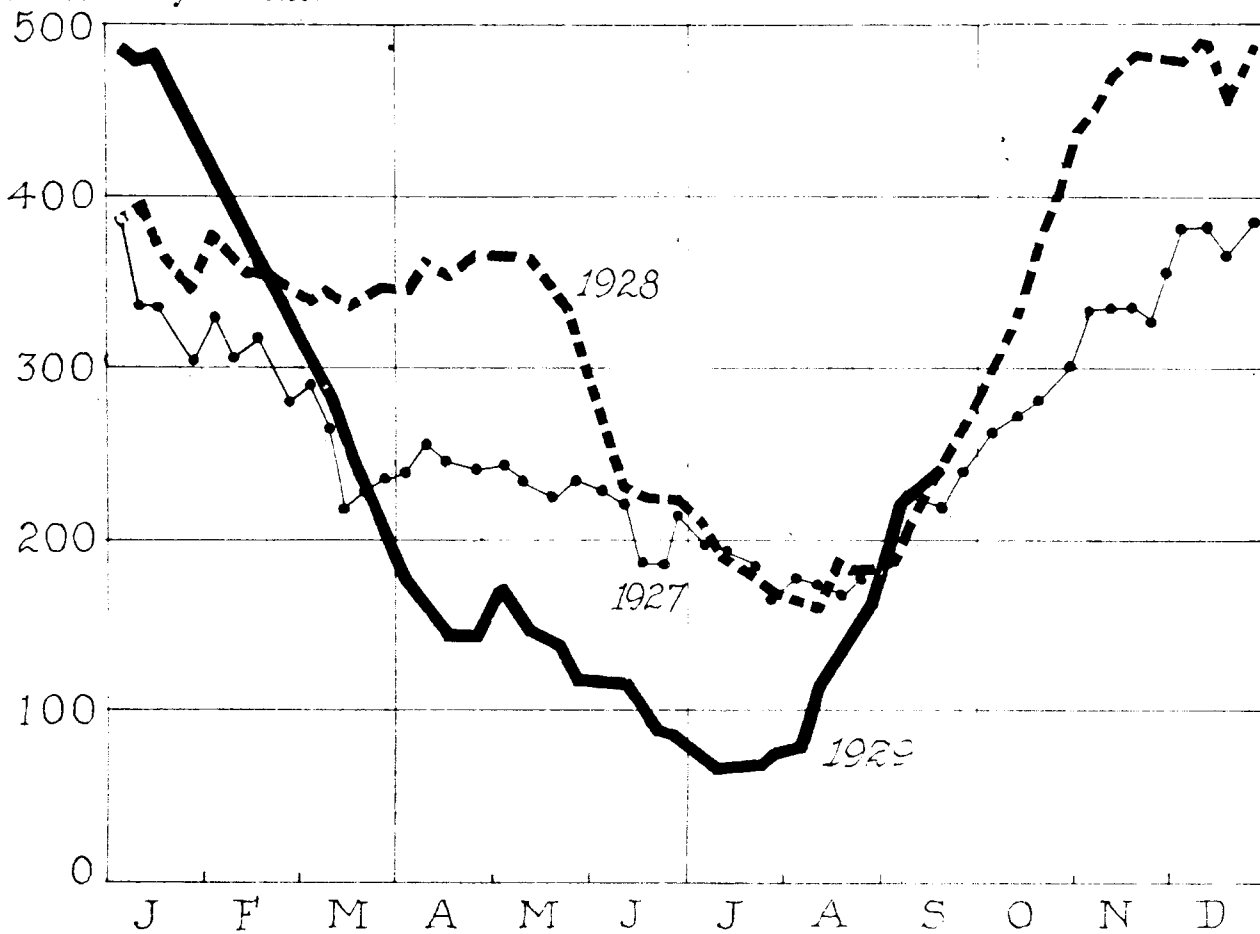
In the six weeks which have elapsed since the adoption of the program, seasonal demands for Federal reserve credit have been entirely met by increases in holdings of bankers acceptances by the Federal reserve banks. In fact, from the statement of August 7 to that of September 18, the total amount of Federal reserve credit outstanding has increased \$57,000,000, the amount of bankers acceptances held has increased \$162,000,000, discounts of member banks have decreased \$130,000,000, and holdings of government securities have increased \$20,000,000, due to an increase in holdings of securities under sales contract.

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Bill Holdings

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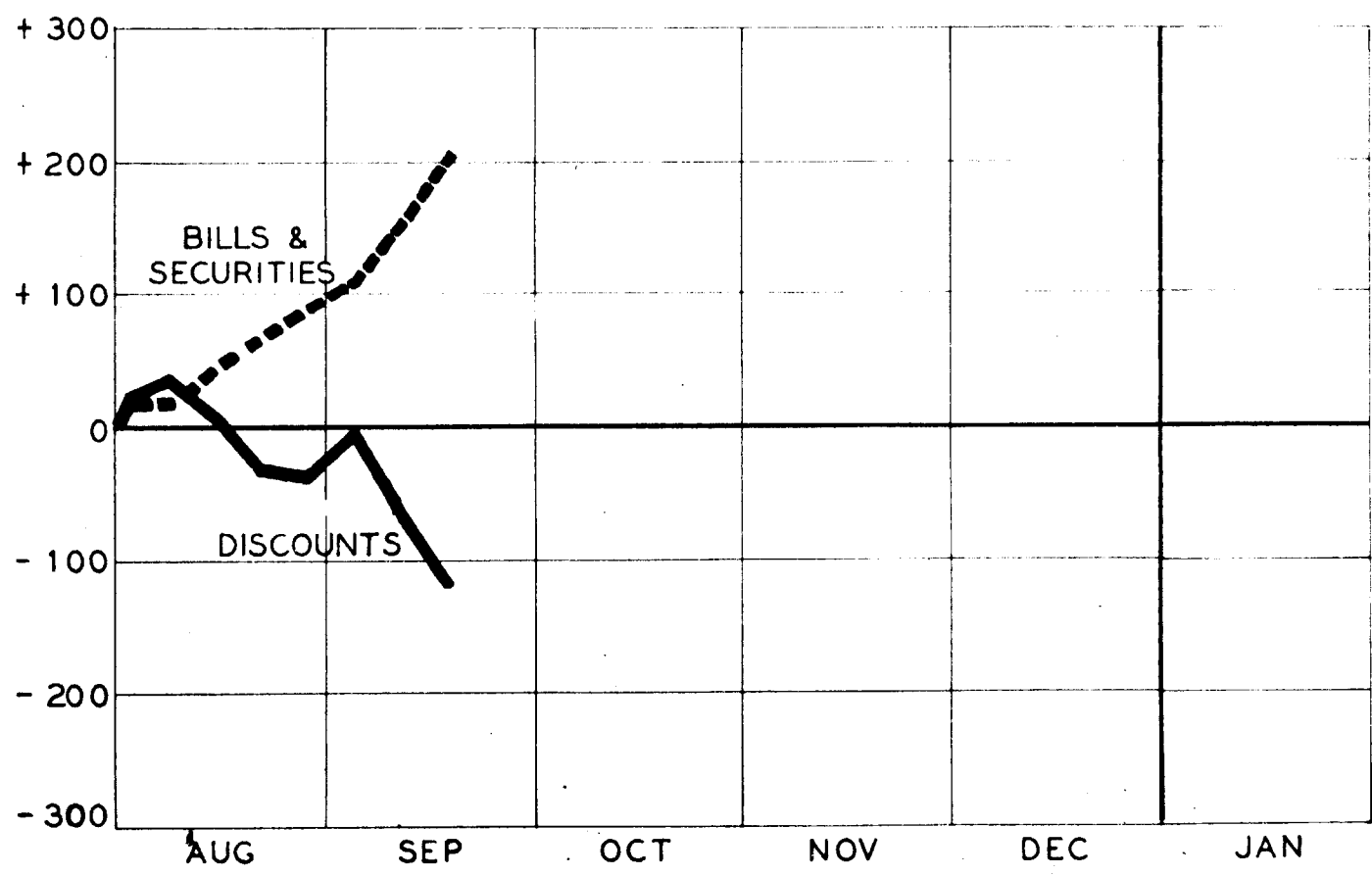
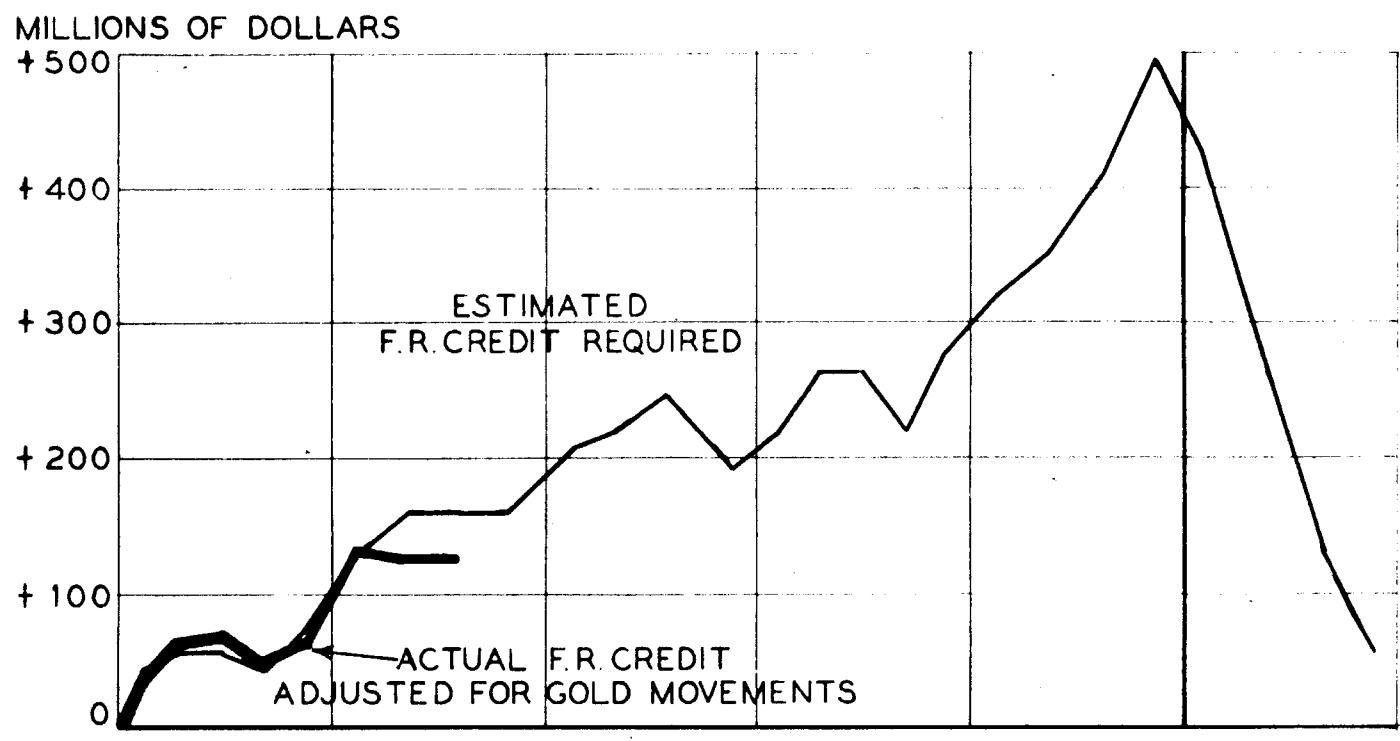
MILLIONS of DOLLARS



Bill Holdings of the Federal Reserve System

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1875



The statement for September 18 shows total bills discounted of \$934,000,000, equivalent to 68.5% of total bills and securities, compared with \$1,064,000,000 on August 7, equal to 81% of total bills and securities.

The accompanying diagram shows that the increase in the total of Federal reserve credit since the last week of July, when the seasonal expansion normally begins, has been in accordance with the normally to be expected increase on the basis of previous experience.

A second diagram shows the changes in System holdings of bankers acceptances for the past three years, and shows that during August System holdings increased more rapidly than last year, but since then have about kept pace with the figures for the past two years. During current week, however, there appears to have been a noticeable decline in the rate of increase in bill holdings.

It is still early to pass judgment fully on the effects of the policies adopted. The immediate psychological effect of the rate change passed quickly. Since then there has been some evidence that the economic consequences of these policies may be of considerably greater importance.

Effects on Money Rates The following table compares open market money rates on September 23 with corresponding rates in the first week of August and indicates that except for a slightly firmer tendency in commercial paper and in time money there has been no appreciable change in interest rates.

Money Rates at New York

	<u>First Week August 1929</u>	<u>Sept. 20, 1929</u>
Stock Exchange call loans	8 - 12	8
Stock Exchange 90-day loans	8 3/4 - 9	9
Prime commercial paper	6	6 1/4
Bills - 90-day unindorsed	5 1/8	5 1/8
Customers' rates on commercial loans	* 6.00	6.07
Treasury certificates and notes		
Maturing December 15	4.79	4.54
Maturing March 15	4.56	4.51
Fed. Res. Bk. of New York rediscount rate	5	6
Fed. Res. Bk. of New York buying rate for 90-day bills	5 1/4	5 1/8

* Average rate of leading banks at middle of August; July rate 5.80

An analysis of the rates actually charged by commercial banks to their commercial customers in the second district indicates practically no change in the rates charged by banks outside of New York City which are generally uniform at 6 per cent. In the cities 6% is the commonest rate. A slight movement upward is shown in the fact that fewer loans are made at 5 1/2 and 5 3/4 per cent, and possibly a few more are made at rates above 6 per cent. Thus the average of rates is fractionally higher on that account, continuing an upward tendency which has been reflected in an increase month by month from 5.50 per cent in February to 6.07 in September, as indicated by reports of ten New York City banks.

Effect in Member Bank Position Since the rate increase there has been little net change in the total loans and investments of reporting member banks, in spite of an increase of \$230,000,000 in commercial loans. This increase has been about offset by a decline of \$140,000,000 in collateral loans and \$110,000,000 in investments. Brokers loans have continued to expand and are now \$549,000,000 higher than they were early in August when the discount rate was increased. But this increase has been largely in loans for account of others and in face of a decline in the total loans on collateral by reporting member banks.

In a number of ways the statistics appear to reveal an attitude on the part of member banks generally. The following points are interesting.

1. Bank loans on collateral have declined during a period when brokers loans were rising steadily.
2. Funds made available to member banks by Federal reserve acceptance purchases in excess of seasonal needs were used entirely to reduce indebtedness at the Reserve banks. There was no increase in bank credit.
3. Decreases in rediscounts have not yet been reflected in any easing in money rates, although, as illustrated by the attached chart, we might expect that a continued reduction in total volume of discounts will ultimately tend to decrease interest rates.

All these appear to show an unwillingness of the banks to continue in debt and a vigorous and general attempt to liquidate this debt.

Effect on Movement of Funds Following the increase of discount rate at New York a considerable flow of funds from other districts was a possible danger which might have forced other Reserve banks to protect their reserves. In the week immediately following the rate change there was some movement to New York, but this was of short duration and was followed by a loss of funds following much the usual seasonal course.

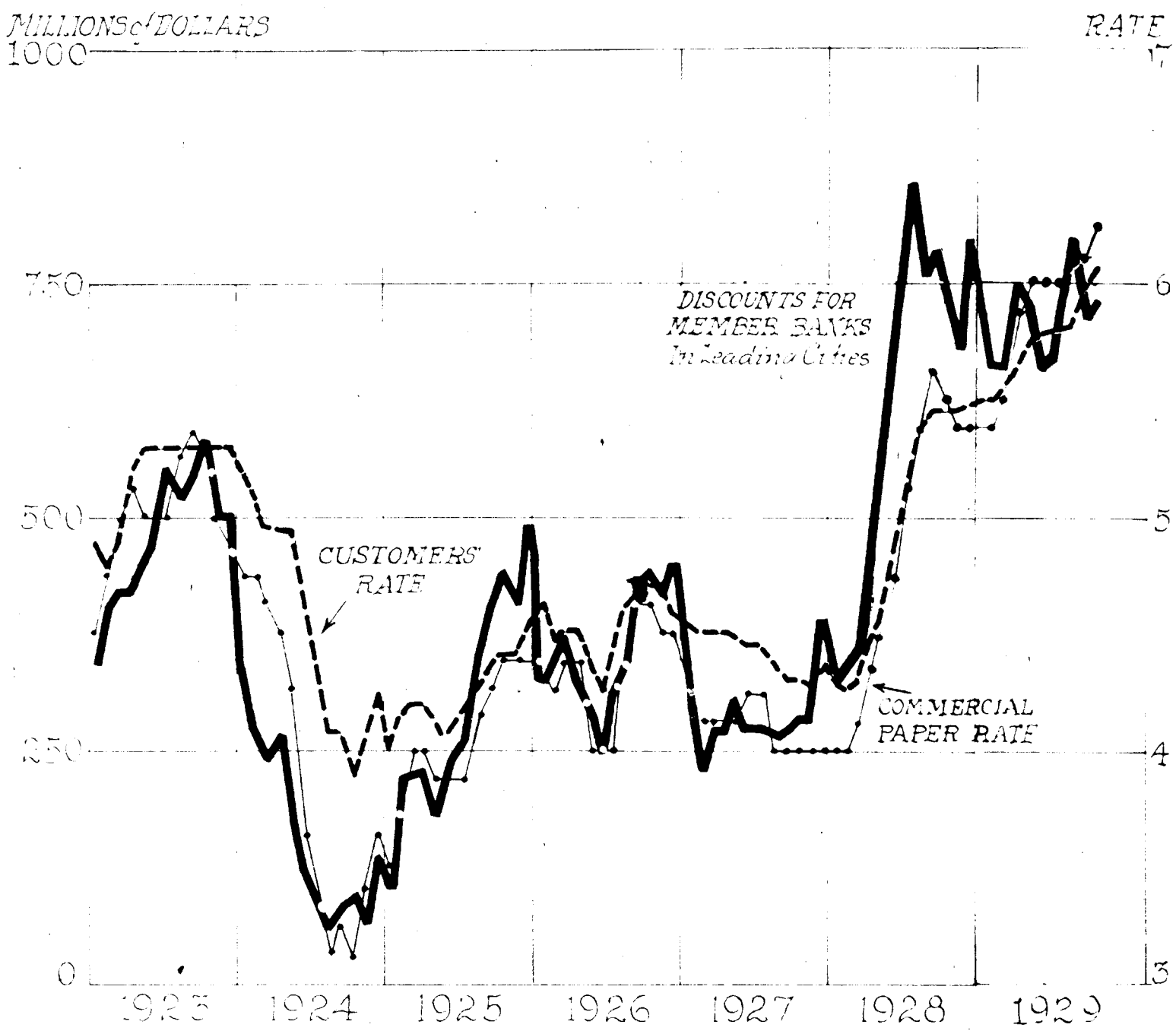
This result is probably ascribable to the fact that the discount rate was already so far below market rates that the increase had little effect on market rates.

On the other hand funds made available by the purchase of acceptances have largely gone to liquidate discounts at the New York Reserve Bank and discounts at other Reserve banks have followed much the usual seasonal course. The rate change has apparently had little effect on the movement of funds between the United States and Europe. Confidential reports to the New York bank indicate a slight increase in foreign balances between the end of July and the end of August, but this increase cannot be attributed to higher rates in this market, for it took altogether the form of an increase in holdings of bankers acceptances and Treasury certificates the yields on which have not increased. There was, moreover, a decrease of \$24,000,000 in the amount of foreign funds employed on time or call in this market, the first decrease that has occurred in this account for some time. It is perhaps significant that it accompanied a level of call money rates slightly lower than had prevailed for some months previous.

The European Situation The flow of gold from Europe has continued at about the same rate as before the policies of August 8 were adopted. Since that time the Bank of England has lost an additional \$22,000,000 (mostly to France and Germany) of gold and its reserves have been reduced from £141,400,000 to £136,900,000. While there have been no marked changes in European money rates,

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Money Rates and Discounts for Member Banks in Leading Cities

the indications are that the pressure upon Europe due to high money rates, is becoming constantly more intense and is tending to retard industrial and business development. August figures show an unseasonal decline in United States exports, though a single month's figures are not sufficient to indicate a trend. There is evidence of a backing up of wheat in shipping centers which is probably attributable in part at least to a restraint on the part of foreign buyers.

The Domestic Business Situation Business is still operating at a high level, above any of the computed "normal" lines based on previous years experience and allowing for growth. In recent weeks, however, there has been a declining tendency in a number of basic industries. Building activity has been reduced still further; automobile production has been receding, and steel production has reflected these tendencies. These recessions have not, however, progressed far enough to warrant definite conclusions as to the trend.

Agricultural Conditions The size of the year's crops is expected to be generally smaller than a year ago. With higher prices the total return to the farmer may be not short of a year ago, but certain sections of the country have suffered severely through the drought. The continued pressure on the credit situation has also been reflected by increasing reports from some localities of difficulties of agriculture in securing an adequate supply of credit.

(4th Draft - Sept. 23, 1929)

Preliminary Memorandum for the Open Market Investment Committee
September 24, 1929.

At a meeting of the Governors of all Federal reserve banks at Washington, D. C., on August 7 and 8, the following resolution was adopted:

"It is the judgment of the Governors that the demand for increased credit incident to the autumn requirements of crop moving and business should be met, so far as possible, by an increase of the bill portfolio of such banks as care to participate in bill purchases.

"The Governors are also of the opinion that this procedure can best and most safely be undertaken, and with least risk of abuse in the use of Federal Reserve credit, under the protection of an effective discount rate in the New York district.

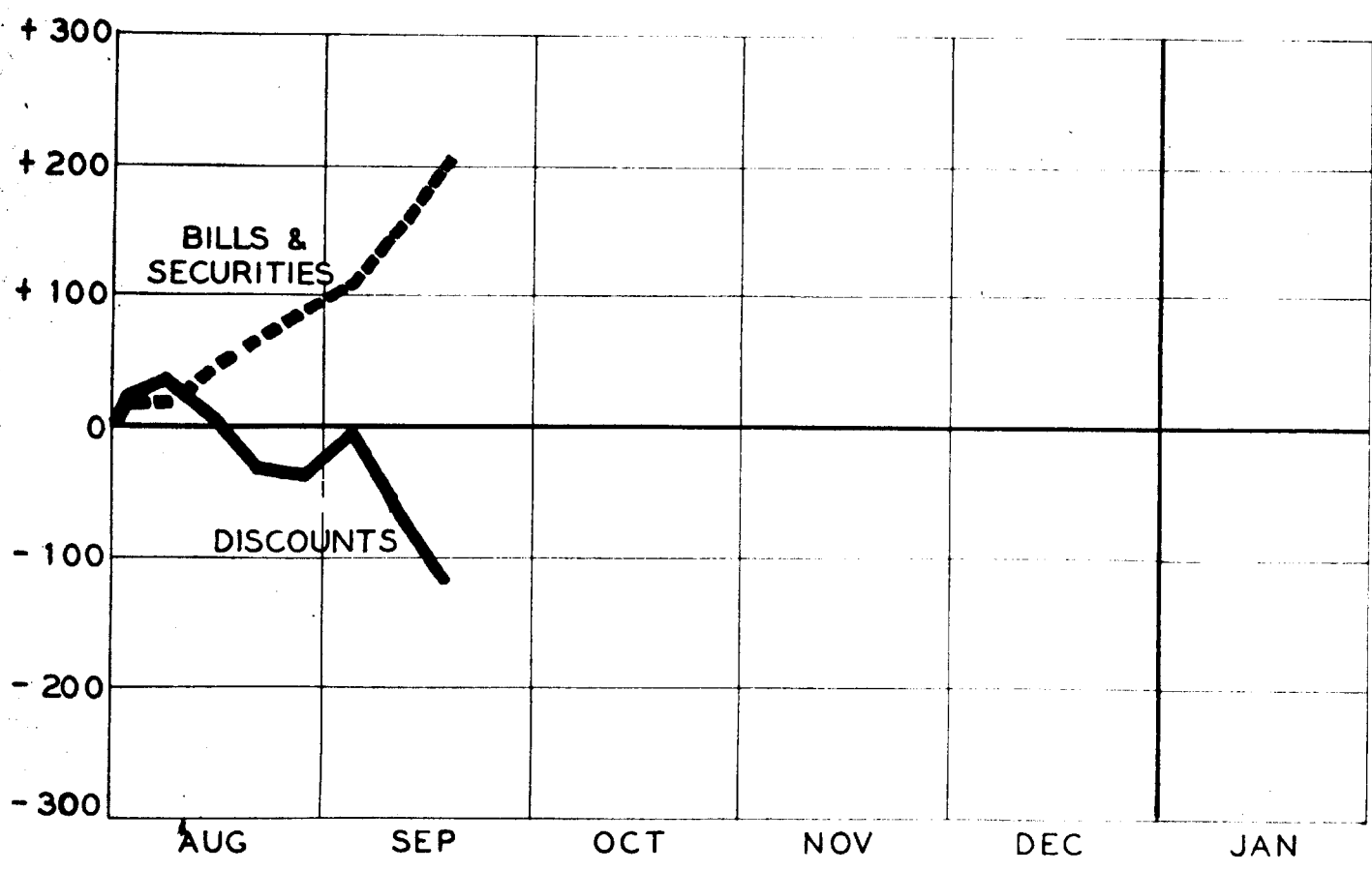
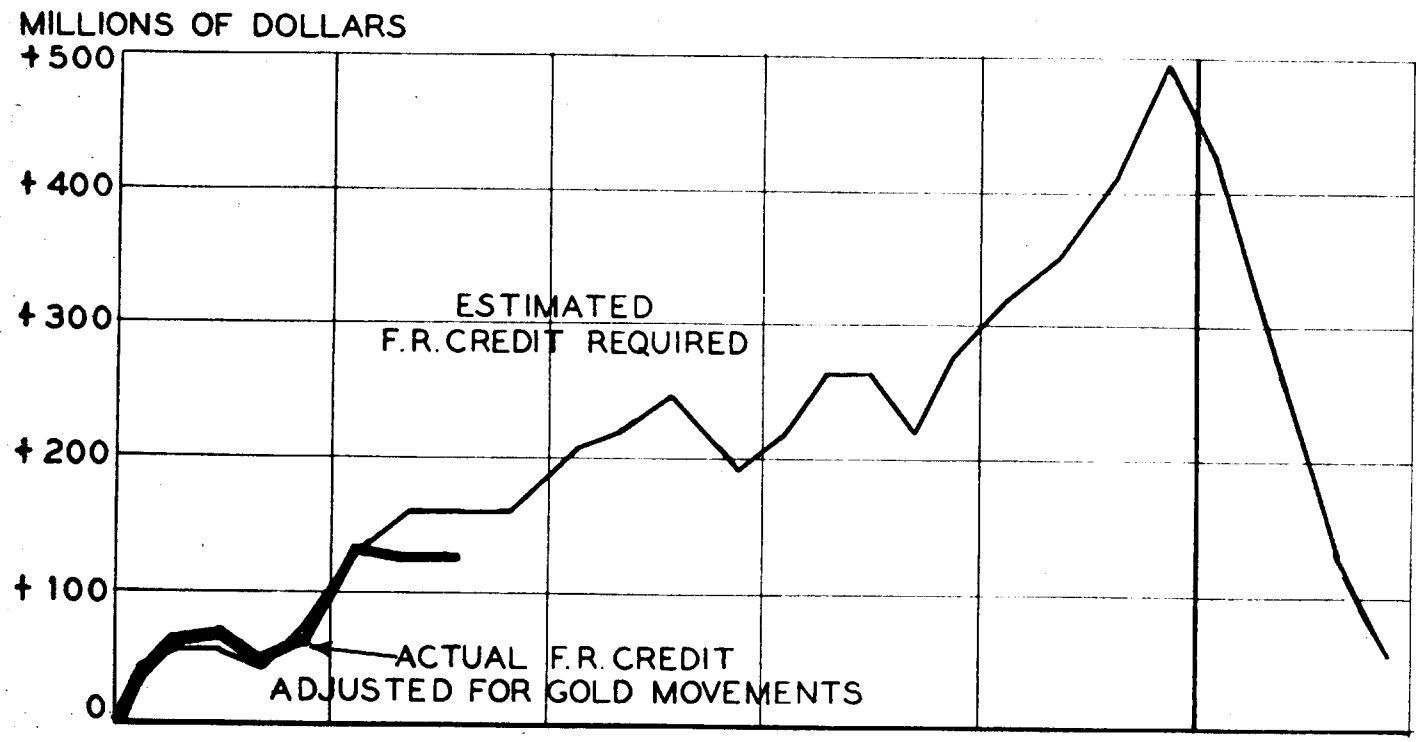
"They are further led to this conclusion by the expressed belief that an increase in the discount rates of the Federal Reserve Bank of New York would necessitate increases in few, if any, of the other Federal reserve banks during the period of seasonal business demand; and the desire of the directors and officers of all other Reserve banks to avoid increases, if possible. It is, therefore, recommended that the Reserve Board act favorably on any application that may be made by the Federal Reserve Bank of New York for an increase in its existing rate."

This resolution was approved by the Federal Reserve Board and on August 8 the Federal Reserve Bank of New York raised its discount rate from five to six per cent and reduced its buying rate for bills from $5 \frac{1}{4}$ to $5 \frac{1}{8}$ per cent.

In the six weeks which have elapsed since the adoption of the program, seasonal demands for Federal reserve credit have been entirely met by increases in holdings of bankers acceptances by the Federal reserve banks. In fact, from the statement of August 7 to that of September 18, the total amount of Federal reserve credit outstanding has increased \$57,000,000, the amount of bankers acceptances held has increased \$162,000,000, discounts of member banks have decreased \$130,000,000, and holdings of government securities have increased \$20,000,000, due to an increase in holdings of securities under sales contract. The statement for September 18 shows total bills discounted of \$954,000,000, equivalent to 83.5% of total bills and securities, compared with \$1,084,000,000 on August 7, equal to 81% of total bills and securities.

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1875



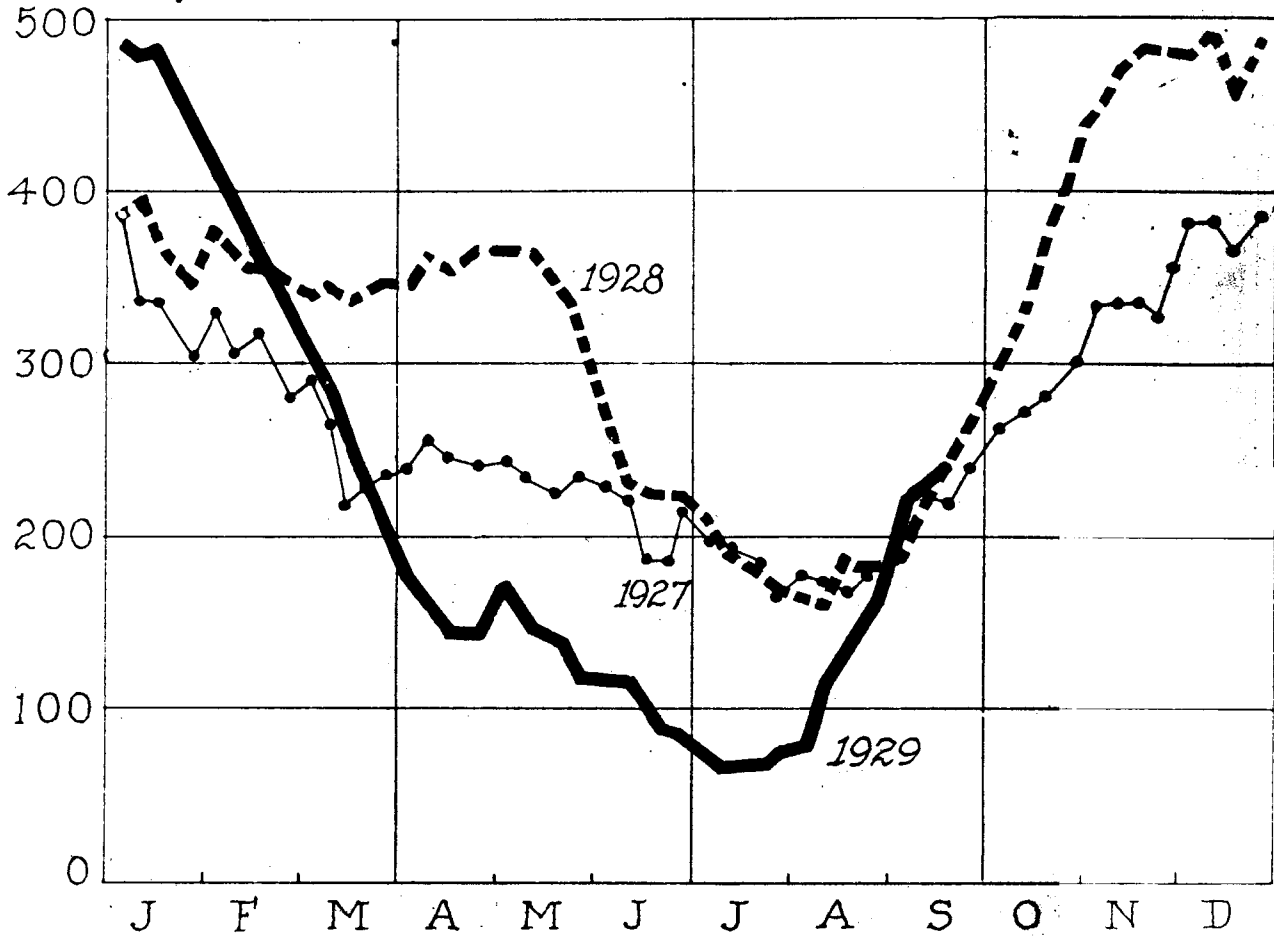
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Bill Holdings

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MILLIONS of DOLLARS



Bill Holdings of the Federal Reserve System

- 2 -

The accompanying diagram shows that the increase in the total of Federal reserve credit since the last week of July, when the seasonal expansion normally begins, has been almost ~~proportionally~~ in accordance with the normally to be expected increase on the basis of previous experience.

A second diagram shows the changes in System holdings of bankers acceptances for the past three years, and shows that during August System holdings increased more rapidly than last year, but since then have about kept pace with the figures for the past two years. During current week, however, there appears noticeable to have been a decline in the rate of increase in bill holdings.

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Effects on Money Rates. The following table compares open market money rates on September 25 with corresponding rates in the first week of August and indicates that except for a slightly firmer tendency in commercial paper and in time money there has been no appreciable change in interest rates.

Money Rates at New York

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Stock Exchange call loans	8 - 12	8
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- 5 -

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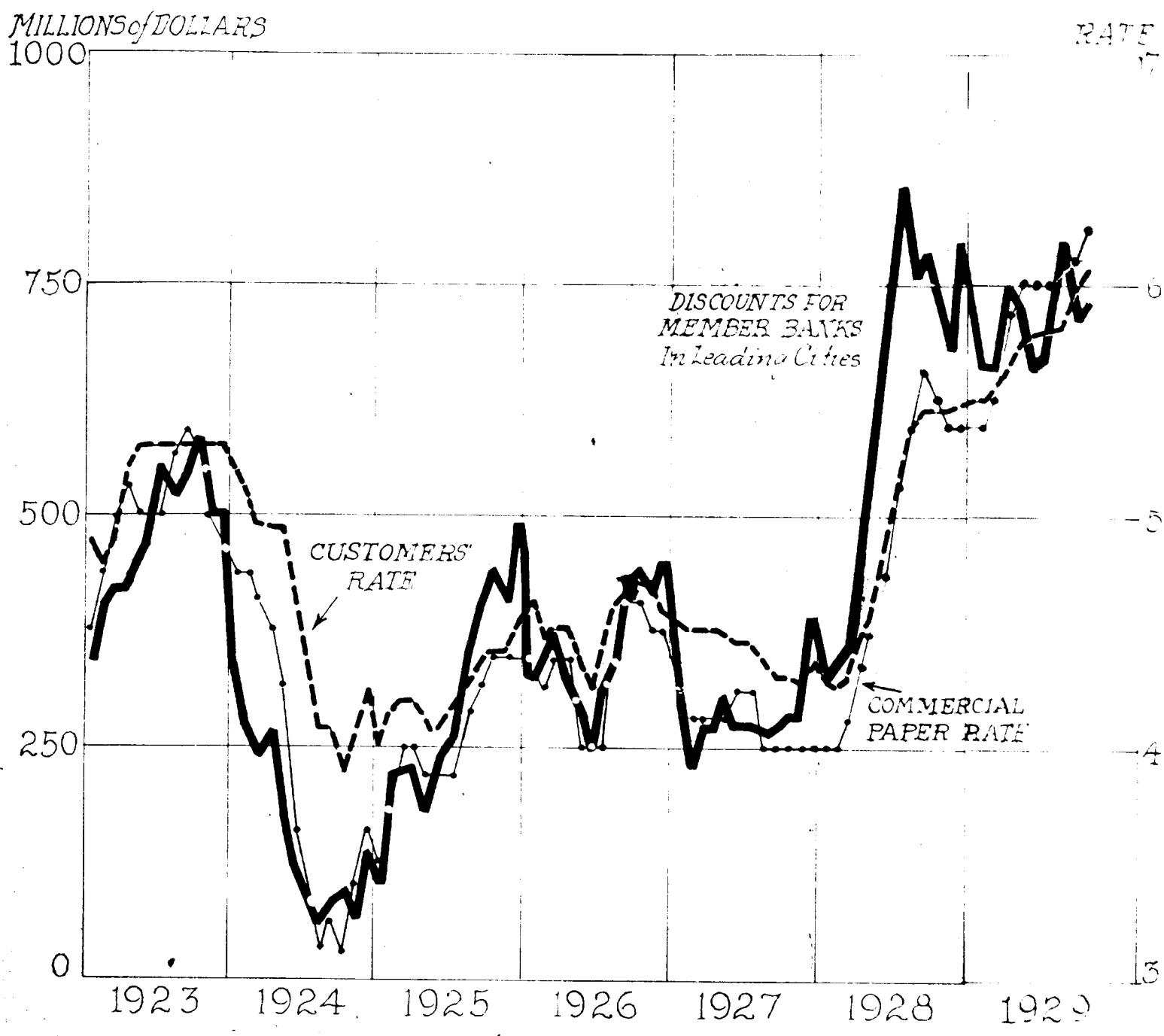
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Money Rates and Discounts for Member Banks in Leading Cities

- 4 -

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- 5 -

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FEDERAL RESERVE BANK
OF NEW YORK

CONFIDENTIAL

April 13, 1929

Federal Reserve Board,
Washington, D. C.

S i r s :

I am glad to enclose herewith for your information a copy of the minutes of the last meeting of the Open Market Investment Committee, the substance of which was reported at the Joint Conference with the Federal Reserve Board on April 4, 1929.

I am also enclosing a copy of the report of the secretary of the Open Market Investment Committee as well as a copy of the preliminary memorandum relating to credit conditions, referred to in the minutes.

Very truly yours,

George L. Harrison
George L. Harrison
Chairman, Open Market
Investment Committee

Encls. (3)

Ordered Circulated
AT BOARD MEETING.

APR 16 1929

[Signature]

see ans 4/15/29

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333-6-2

April 15, 1929

not in files

Dear Governor Harrison:

Receipt is acknowledged of your two letters of April 13th, one addressed to the Federal Reserve Board and the other to Governor Young, transmitting the minutes of the meeting of the Open Market Investment Committee, held in Washington on April 1st, together with the report of the secretary of the Committee and the preliminary memorandum relating to credit conditions which were submitted at the meeting. These documents will be brought to the attention of the Federal Reserve Board.

*4/1/29
filed 333-6-2
Final minutes*

Very truly yours,

(Signed) E. M. McCLELLAND

E. M. McClelland,
Assistant Secretary

Mr. George L. Harrison, Chairman,
Open Market Investment Committee,
c/o Federal Reserve Bank,
New York, N. Y.

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Form No. 131

Office Correspondence

FEDERAL RESERVE
BOARD

333-82

Date April 16, 1929.

To All members of the Board

Subject:

From Mr. McClelland.

2-8495

4-13-29

At the meeting this morning there was ordered circulated the attached letter from the Chairman of the Open Market Investment Committee, transmitting copy of the minutes of the meeting of the Committee held on April 1st, together with reports submitted at that meeting.

4-1-29 filed 333-8-2 Final Minutes

- ✓ Governor Young
- ✓ Mr. Platt
- ✓ Mr. Hamlin
- ✓ Mr. James
- ✓ Mr. Cunningham
- ✓ Mr. Miller.
- ✓ Mr. Pole.

Please circulate promptly and return to the Secretary's office for filing.

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CONFIDENTIAL

REPORT OF THE SECRETARY OF THE OPEN MARKET INVESTMENT COMMITTEE
TO THE GOVERNORS' CONFERENCE, APRIL 1, 1929

At the time of the last Governors' Conference, which was held in Washington during the week of November 12, 1928, the total holdings of Government securities in the System Special Investment Account amounted to approximately - - - - - \$75,000,000

Since that time there have been changes in the amount of total holdings as follows:

1929

Feb. 7 to Account decreased by sales of approximately
13 incl. \$21,500,000 Government securities pursuant to decision of the Open Market Investment Committee, in view of gold imports, to sell short-term Governments from the System Account as and when such sales could be made without demoralization of the Government security market.

These sales reduced the total holdings in the Account at the close of business February 13 to approximately - - - - - \$54,000,000

Feb.19 to Account further decreased by gradual sales of
March 4 approximately \$14,000,000 Government
incl. securities.

These sales reduced the total holdings in the Account to an even - - - - - \$40,000,000

No further sales of short-term Government securities from holdings in the System Account have been made since March 4, 1929.

Other principal transactions in Government securities since November 12, 1928, which either did not affect the amount of total holdings in the System Account, or affected them only temporarily, consisted of:

Nov. 1928 On November 19 and 20, 1928, a block of \$38,800,000 3 1/2% Treasury Notes due March 15, 1930-32, was taken over from a foreign correspondent and held temporarily in the System Account. During the succeeding two weeks offsetting sales were made to the market of

\$33,800,000 - 3 1/2% Treasury Notes due
March 15, 1930-32
5,000,000 - 3 1/2% Treasury Notes due
Dec. 15, 1930-32

Dec. 1928 Transactions in connection with the December 15, 1928, Treasury financing, consisting of sales from the System Account as follows:

(a) To the Treasury for redemption:

\$13,187,500 - 3 1/4% certificates of indebtedness
due December 15, 1928

(b) To foreign correspondents (in partial replacement of their holdings of certificates of indebtedness which matured on December 15, 1928):

\$32,420,000 March 15, 1929 certificates
750,000 Dec. 15, 1929 "

These sales to the Treasury and to foreign correspondents involved the acquisition of other short-term Government securities in replacement.

Dec. 24, 1928 Sale by the Federal Reserve Bank of Dallas of their participation of Government securities in the System Account. These securities were sold to other participating banks with the understanding that Dallas would take back their participation within 90 days. (See paragraph under date of March 18, 1929).

Feb. 20, 1929 In order to facilitate the sale to the market for account foreign correspondent of \$5,000,000 - 3 1/2% Treasury Notes due September 15, 1930-32, an exchange was effected in the market from holdings in the System Account of \$2,500,000 - 3 1/2%

Treasury Notes due March 15, 1930-32, for a like amount of 3 1/4%

Treasury Notes due September 15, 1930-32, both at the same price.

Mar. 15, 1929 The purchase in the New York and Chicago markets of approximately \$33,000,000 Treasury certificates of indebtedness maturing next June and September. These certificates were purchased for account of foreign correspondent in partial replacement of their holdings of Treasury certificates which matured on March 15, 1929. Although the total holdings by foreign correspondents of Treasury certificates which matured March 15 amounted to \$86,000,000, only \$33,000,000 of this amount was replaced by short-term Treasury certificates, the balance being replaced partly by purchases of bankers' bills, partly by the purchase of other short-term investments and partly by payments to the market.

Mar. 18, 1929 The Federal Reserve Bank of Dallas took back their participation of Government securities in System Account.

Distribution of System Purchases of Bankers Acceptances

In accordance with the plan agreed upon by the governors of the Federal reserve banks, the previous practice of making allotments of bills purchased for System Account during the early part of the year, namely, in the proportion that each bank's expenses and dividends bear to the total expenses and dividends of all the banks, has been in effect since the beginning of the year.

The following requests were received by the Committee, on the dates stated, from Federal reserve banks relative to the distribution of bills purchased:

- On Jan. 16 the Federal Reserve Bank of St. Louis advised that their Board of Directors at a meeting that day authorized that their participation in System purchases of bills be increased from \$250,000 to \$500,000 daily.
- On Jan. 23 the Federal Reserve Bank of Philadelphia requested the Committee to allot them their share of System purchases of bills until the total of such allotments reached \$4,500,000.
- On Feb. 25 the Federal Reserve Bank of Chicago requested, until further notice, that they be excluded from participation in System purchases of bills.
- On Mar. 5 the Federal Reserve Bank of San Francisco requested that we discontinue allotting them their share of System purchases of bills until further notice.
- On Mar. 16 the Federal Reserve Bank of Boston advised that they preferred not to make distribution of their overpurchases of bills for week ending March 13, 1929, to other participating banks as their portfolio was declining.
- Attached are statements showing:
- Exhibit "A" - Outright holdings of Government securities by individual Federal reserve banks and their participation in the System Special Investment Account; also, classification of issues held in System Account by maturities, all as of close of business March 27, 1929.
- Exhibit "B" - Bills purchased outright by the System by weeks from Dec. 29, 1927 to Dec. 26, 1928, and from Dec. 27, 1928 to March 20, 1929.
- Exhibit "C" - Statement showing earning asset holdings of all Federal reserve banks March 27, 1929, as compared with previous week and March 28, 1928; also weekly average of earning assets from January 3, 1929 to March 27, 1929, as compared with corresponding period 1928 and entire year 1928.
- Exhibit "D" - Statement containing data regarding earnings and expenses of all Federal reserve banks for the months of January and February 1929.

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EXHIBIT "A"

STATEMENT SHOWING HOLDINGS OF GOVERNMENT SECURITIES BY FEDERAL RESERVE BANKS
 (Excluding Sales Contracts)

	Outright Holdings of Government Securities by Federal Reserve Banks as at the Close of <u>Business March 27, 1929</u>	Participation by Federal Reserve Banks in System Special Investment Acct. Government Securities as at the Close of <u>Business March 27, 1929</u>	<u>Totals</u>
Boston	\$ 2,057,500	\$ 3,279,500	\$ 5,337,000
New York	5,444,500*	11,323,500	16,768,000
Philadelphia	15,012,000	3,099,000	18,111,000
Cleveland	25,710,500	3,604,500	29,315,000
Richmond	1,152,000	1,204,000	2,356,000
Atlanta	2,674,000	1,102,000	3,776,000
Chicago	19,937,500	6,571,500	26,509,000
St. Louis	16,863,000	2,200,000	19,063,000
Minneapolis	7,603,000	1,654,000	9,257,000
Kansas City	9,793,000	0	9,793,000
Dallas	10,012,000	2,279,000	12,291,000
San Francisco	<u>9,706,000</u>	<u>3,683,000</u>	<u>13,389,000</u>
Totals	<u><u>\$125,965,000</u></u>	<u><u>\$40,000,000</u></u>	<u><u>\$165,965,000</u></u>

CLASSIFICATION OF ISSUES OF GOVERNMENT SECURITIES
HELD IN THE SYSTEM SPECIAL INVESTMENT ACCOUNT
CLOSE OF BUSINESS MARCH 27, 1929

4 1/4% C/I due Dec. 15, 1929	\$10,000,000
3 1/2% T/N " Dec. 15, 1932	<u>30,000,000</u>
Total - - - - -	<u><u>\$40,000,000</u></u>

* Of this amount \$4,000,000 is being held temporarily.

BILLS PURCHASED OUTRIGHT BY SYSTEM BY WEEKS
FROM DECEMBER 29, 1927 TO DECEMBER 27, 1928 AND FROM DECEMBER 27, 1928 TO MARCH 20, 1929
 (OO Omitted)

EXHIBIT "B"

Weeks Ending 1928	Boston	New York			Phila.	Cleveland	Richmond	Atlanta	Chicago	Dallas	San Fran.	Totals	INCREASE or DECREASE in Holdings Including Sales Contracts		Dealers Operations With Other Districts	
		Banks	Dealers	Total									New York Operations	System Operations	Received	Sent
Jan. 4	\$ 3,029	\$ 18,275	\$ 8,202	\$ 26,477	\$ 4,083	\$ 1,200	\$ 1,724	\$ 241	\$ 2,397	\$ 1,149	\$ 3,164	\$ 43,964	\$ 4,400-	\$ 1,600+	\$ 2,773	\$ 7,658
11	12,855	28,708	20,825	49,533	2,147	2,080	200	66	1,293	1,711	2,700	72,585	1,900+	5,400+	1,835	12,008
18	5,472	26,824	7,351	34,175	4,899	530	130	222	2,320	779	2,304	50,831	13,700-	23,500-	1,505	7,320
25	5,584	19,208	4,565	23,773	4,696	713	210	88	5,028	506	1,275	41,873	15,500-	21,700-	2,836	9,901
Feb. 1	11,071	40,225	4,946	45,171	5,411	1,613	155	152	5,713	1,042	2,367	72,695	30,700+	30,000+	4,962	9,923
8	7,508	14,111	5,702	19,813	4,842	2,272	433	32	4,393	762	1,099	41,154	13,800-	8,100-	5,299	9,526
15	1,083	4,584	6,174	10,758	5,177	716	-0-	457	388	210	1,053	19,842	15,200-	14,500-	3,337	3,463
21	3,736	10,531	2,839	13,370	3,820	809	-0-	131	1,356	584	439	24,245	2,100-	1,500-	2,461	6,827
29	3,407	17,003	3,760	20,763	4,641	252	918	98	2,109	275	1,649	34,112	9,300-	9,500-	3,631	4,802
Mar. 7	4,015	15,991	2,375	18,366	928	1,909	244	107	1,738	1,259	1,001	29,567	8,700-	5,300-	2,384	4,437
14	7,162	17,290	5,214	22,504	2,342	380	215	105	2,536	1,152	1,670	38,066	7,700+	4,900+	1,313	5,061
21	4,529	16,891	2,733	19,624	2,921	723	270	4	2,840	1,034	4,968	36,913	10,500-	10,600-	1,916	6,091
28	8,591	26,150	2,042	28,192	2,409	714	-0-	30	1,676	926	997	43,535	12,600+	13,500+	919	10,736
April 4	10,256	21,347	5,903	27,250	6,476	795	450	348	7,849	281	2,297	56,002	2,800-	2,500-	5,746	12,589
11	21,547	15,300	3,744	19,044	3,853	184	100	107	2,041	1,377	1,704	49,957	1,600-	18,000+	1,075	17,812
18	13,632	19,997	10,643	30,640	7,770	500	122	60	4,898	1,041	4,830	63,493	10,500-	10,800-	877	10,170
25	15,553	23,258	6,623	29,831	5,500	-0-	398	203	622	1,132	3,391	56,680	1,200+	15,100+	106	12,537
May 2	7,510	24,765	6,253	31,018	3,366	727	-0-	5	2,025	1,364	1,459	47,474	3,800-	2,700-	8,215	6,713
9	4,703	20,887	10,938	31,825	4,771	100	1,134	184	2,319	638	278	45,952	1,600+	2,000+	5,146	3,324
16	1,944	12,772	3,702	16,474	3,364	507	735	411	1,568	608	3,120	28,731	19,266-	17,812-	2,763	5,922
23	3,548	9,043	2,421	11,464	755	636	50	126	3,539	865	554	21,537	14,666-	16,730-	3,872	4,780
29	7,527	7,437	1,928	9,365	714	198	165	139	187	750	219	19,264	21,617-	26,574-	2,166	5,273
June 6	2,965	4,342	3,835	8,177	883	1,007	127	-0-	517	1,370	1,826	16,872	34,583-	37,594-	5,070	4,047
13	5,982	3,865	4,165	8,030	2,283	531	491	-0-	336	829	786	19,268	26,746-	25,977-	5,584	4,361
20	5,093	2,727	4,810	7,537	1,524	977	506	31	439	665	3,542	20,314	16,471-	16,535-	3,873	6,044
27	8,726	5,582	4,836	10,418	2,967	1,226	178	-0-	925	969	1,216	26,625	5,549-	450-	1,559	7,396
July 3	3,035	6,933	3,747	10,680	2,088	1,007	-0-	-0-	37	1,108	2,276	20,231	136+	13,768-	4,497	4,503
11	8,666	11,122	2,069	13,191	2,140	1,357	342	6	1,342	643	4,653	32,340	22,768-	22,022-	2,846	7,188
18	6,939	12,158	1,256	13,414	1,341	-0-	115	-0-	7	459	1,559	23,834	5,495-	6,607-	4,644	3,414
25	5,625	10,775	2,201	12,976	853	629	151	117	13	567	2,153	23,084	13,278-	11,952-	2,738	6,264
Aug. 1	8,684	6,607	1,962	8,569	1,501	745	253	-0-	283	695	2,855	23,585	2,897-	3,204-	5,312	10,326
8	4,243	8,459	2,579	11,038	357	126	-0-	-0-	-0-	566	934	17,264	5,228-	4,032-	3,090	4,852
15	6,352	15,487	6,871	22,358	1,353	1,283	202	60	75	662	2,230	34,575	19,135+	28,055+	2,350	5,377
22	4,021	7,817	3,243	11,060	140	421	340	-0-	545	1,216	979	18,722	8,832-	6,302-	4,027	6,825
29	3,939	15,077	3,525	18,602	195	779	450	24	498	900	1,772	27,159	2,690-	699+	3,929	3,694
Sept. 5	4,355	5,047	3,195	8,242	933	119	50	-0-	67	273	3,864	17,903	1,298-	2,497+	1,906	5,960
12	8,374	145	13,704	13,849	2,221	580	326	-0-	995	939	8,147	35,431	11,034+	24,364+	2,249	9,791
19	4,483	9,481	30,876	40,357	4,960	789	175	50	442	665	4,186	56,107	17,115+	26,029+	1,979	6,391
26	3,473	17,662	13,051	30,713	4,113	637	-0-	6	919	1,132	4,256	45,249	21,587+	26,230+	2,565	3,654
Oct. 3	3,423	17,742	20,519	38,261	1,935	1,503	291	-0-	514	368	3,836	50,131	36,589+	46,557+	2,262	5,269
10	1,938	21,097	18,053	39,150	1,817	543	100	6	817	596	5,568	50,535	16,624+	21,792+	2,459	3,761
17	8,315	12,578	20,333	32,911	1,857	338	236	-0-	976	481	4,656	49,770	41,895+	47,641+	2,055	3,677
24	10,832	32,881	5,323	38,204	1,746	1,127	384	11	902	1,295	3,383	57,884	11,810+	22,069+	3,623	9,092
31	6,584	33,560	7,399	40,959	2,534	793	152	50	272	506	2,863	54,713	29,218+	38,898+	2,516	7,251
Nov. 7	4,544	23,857	7,029	30,886	2,343	454	1,938	-0-	229	304	4,763	45,461	4,133+	8,269+	2,450	4,341
14	10,282	20,958	5,247	26,205	1,999	1,418	-0-	17	411	107	3,515	43,954	15,803+	25,755+	5,160	7,342
21	8,051	22,337	9,940	32,277	309	-0-	50	-0-	1,424	972	4,364	47,447	8,079+	9,764+	3,040	8,226
28	13,065	18,145	5,300	23,445	1,382	853	479	17	1,125	592	5,906	46,864	580-	1,821-	4,497	13,873
Dec. 5	8,548	14,226	1,195	15,421	1,781	-0-	411	60	1,075	611	2,763	30,670	5,916-	4,573-	3,597	12,497
12	7,714	20,478	4,215	24,693	1,175	256	657	-0-	613	465	5,102	40,675	14,357+	16,553+	4,195	6,478
19	12,272	12,624	5,953	18,577	4,315	-0-	800	49	2,210	1,241	6,942	46,406	53,865-	41,212-	3,319	16,571
26	9,615	8,959	18,094	27,053	2,789	-0-	495	10	2,232	608	8,319	51,121	19,980+	36,159+	1,938	5,739
TOTALS	\$364,400	\$813,325	\$363,408	\$1,176,733	\$140,719	\$37,056	\$17,352	\$3,830	\$79,575	\$41,249	\$151,752	\$2,012,666	\$70,450-	\$103,966+	\$164,466	\$381,577

-1929-																	
Jan. 2	9,301	14,263	28,227	42,490	1,956	-0-	-0-	1,148	1,216	966	3,021	60,098	12,721-	4,912-	1,519	17,156	
9	15,601	8,624	7,684	16,308	2,925	-0-	150	-0-	2,782	504	10,059	48,329	26,633-	7,258-	1,557	9,808	
16	8,792	18,089	7,047	25,136	3,058	1,251	547	127	1,727	749	3,297	44,684	10,283-	4,139+	5,574	7,422	
23	4,605	14,543	10,624	25,167	2,144	539	357	-0-	1,554	509	1,684	36,559	26,014-	27,021-	2,573	5,604	
30	1,148	14,893	1,107	16,000	2,524	-0-	1,134	1,430	290	672	972	24,170	15,620-	18,609-	2,852	3,060	
Feb. 6	1,726	16,870	1,694	18,564	3,155	717	75	112	883	505	1,298	27,035	17,956-	24,867-	2,010	2,031	
13	550	9,382	5,346	14,728	1,129	1,303	568	125	577	1,069	5,582	25,631	18,448-	19,684-	327	5,582	
20	816	25,293	5,099	30,392	553	476	250	201	1,088	1,517	2,704	37,997	25,738-	35,422-	903	6,257	
27	1,564	8,457	705	9,162	969	253	-0-	1,201	1,349	983	263	15,744	15,273-	21,561-	3,641	3,575	
Mar. 6	1,579	13,256	2,244	15,500	3,311	418	515	405	592	729	1,935	24,984	14,398-	29,431-	2,521	4,920	
13	6,389	2,018	5,557	7,585	2,124	1,510	150	200	623	1,093	2,539	22,213	12,823-				

	18	5,472	26,824	7,351	34,175	4,899	530	130	222	2,320	779	2,304	50,831	13,700-	23,900-	1,505	7,320
	25	5,584	19,208	4,565	23,773	4,696	713	210	88	5,028	506	1,275	41,873	15,500-	21,700-	2,836	9,901
Feb.	1	11,071	40,225	4,946	45,171	5,411	1,613	155	152	5,713	1,042	2,367	72,695	30,700+	30,000+	4,962	9,923
	8	7,508	14,111	5,702	19,813	4,842	2,272	433	32	4,393	762	1,099	41,154	13,800-	8,100-	5,299	9,526
	15	1,083	4,584	6,174	10,758	5,177	716	-0-	457	388	210	1,053	19,842	15,200-	14,500-	3,337	3,463
	21	3,736	10,531	2,839	13,370	3,820	809	-0-	131	1,356	584	439	24,245	2,100-	1,500-	2,461	6,827
	29	3,407	17,003	3,760	20,763	4,641	252	918	98	2,109	275	1,649	34,112	9,300-	9,500-	3,631	4,802
Mar.	7	4,015	15,991	2,375	18,366	928	1,909	244	107	1,738	1,259	1,001	29,567	8,700-	5,300-	2,384	4,437
	14	7,162	17,290	5,214	22,504	2,342	380	215	105	2,536	1,152	1,670	38,066	7,700+	4,900+	1,313	5,061
	21	4,529	16,891	2,733	19,624	2,921	723	270	4	2,840	1,034	4,968	36,913	10,500-	10,600-	1,916	6,091
	28	8,591	26,150	2,042	28,192	2,409	714	-0-	30	1,676	926	997	43,535	12,600+	13,500+	919	10,736
April	4	10,256	21,347	5,903	27,250	6,476	795	450	348	7,849	281	2,297	56,002	2,800-	2,500-	5,746	12,589
	11	21,547	15,300	3,744	19,044	3,853	184	100	107	2,041	1,377	1,704	49,957	1,600-	18,000+	1,075	17,812
	18	13,632	19,997	10,643	30,640	7,770	500	122	60	4,898	1,041	4,830	63,493	30,500-	10,800-	877	10,170
	25	15,553	23,258	6,623	29,881	5,500	-0-	398	203	622	1,132	3,391	56,680	1,200+	15,100+	106	12,537
May	2	7,510	24,765	6,253	31,018	3,366	727	-0-	5	2,025	1,364	1,459	47,474	3,800-	2,700-	8,215	6,713
	9	4,703	20,887	10,938	31,825	4,771	100	1,134	184	2,319	638	278	45,952	1,600+	2,000+	5,146	3,324
	16	1,944	12,772	3,702	16,474	3,364	507	735	411	1,568	608	3,120	28,731	19,266-	17,812-	2,763	5,922
	23	3,548	9,043	2,421	11,464	755	636	50	126	3,539	865	554	21,537	14,666-	16,730-	3,872	4,780
	29	7,527	7,437	1,928	9,365	714	198	165	139	187	750	219	19,264	21,617-	26,574-	2,166	5,273
June	6	2,965	4,342	3,835	8,177	883	1,007	127	-0-	517	1,370	1,826	16,972	34,583-	37,594-	5,070	4,047
	13	5,982	3,865	4,165	8,030	2,283	531	491	-0-	336	829	786	19,268	26,746-	25,977-	5,584	4,361
	20	5,093	2,727	4,810	7,537	1,524	977	506	31	439	665	3,542	20,314	16,471-	16,535-	3,873	6,044
	27	8,726	5,582	4,836	10,418	2,967	1,226	178	-0-	925	969	1,216	26,625	5,549-	450-	1,559	7,396
July	3	3,035	6,933	3,747	10,680	2,088	1,007	-0-	-0-	37	1,108	2,276	20,231	136+	13,768-	4,497	4,503
	11	8,666	11,122	2,069	13,191	2,140	1,357	342	6	1,342	643	4,653	32,340	22,768-	22,022-	2,846	7,188
	18	6,939	12,158	1,256	13,414	1,341	-0-	115	-0-	7	459	1,559	23,834	5,495-	6,607-	4,644	3,414
	25	5,625	10,775	2,201	12,976	853	629	151	117	13	567	2,153	23,084	13,278-	11,952-	2,738	6,264
Aug.	1	8,684	6,607	1,962	8,569	1,501	745	253	-0-	283	695	2,855	23,585	2,897-	3,204-	5,312	10,326
	8	4,243	8,459	2,579	11,038	357	126	-0-	-0-	566	934	934	17,264	5,228-	4,032-	3,090	4,852
	15	6,352	15,487	6,871	22,358	1,353	1,283	202	60	75	662	2,230	34,575	19,135+	28,055+	2,350	5,377
	22	4,021	7,817	3,243	11,060	140	421	340	-0-	545	1,216	979	18,722	8,832-	6,302-	4,027	6,825
	29	3,939	15,077	3,525	18,602	195	779	450	24	498	900	1,772	27,159	2,690-	699+	3,929	3,694
Sept.	5	4,355	5,047	3,195	8,242	933	119	50	-0-	67	273	3,864	17,903	1,298-	2,497+	1,906	5,960
	12	8,374	145	13,704	13,849	2,221	580	326	-0-	995	939	8,147	35,431	11,034+	24,364+	2,249	9,791
	19	4,483	9,481	30,876	40,357	4,960	789	175	50	442	665	4,186	56,107	17,115+	26,029+	1,979	6,391
	26	3,473	17,662	13,051	30,713	4,113	637	-0-	6	919	1,132	4,256	45,249	21,587+	26,230+	2,565	3,654
Oct.	3	3,423	17,742	20,519	38,261	1,935	1,503	291	-0-	514	368	3,836	50,131	36,589+	46,557+	2,262	5,269
	10	1,938	21,097	18,053	39,150	1,817	543	100	6	817	596	5,568	50,535	16,624+	21,792+	2,459	3,761
	17	8,315	12,578	20,333	32,911	1,857	338	236	-0-	976	481	4,656	49,770	41,895+	47,641+	2,055	3,677
	24	10,832	32,881	5,323	38,204	1,746	1,127	384	11	902	1,295	3,383	57,884	11,810+	22,069+	3,623	9,092
	31	6,584	33,560	7,399	40,959	2,534	793	152	50	272	506	2,863	54,713	29,218+	38,898+	2,516	7,251
Nov.	7	4,544	23,857	7,029	30,886	2,343	454	1,938	-0-	229	304	4,763	45,461	4,133+	8,269+	2,450	4,341
	14	10,282	20,958	5,247	26,205	1,999	1,418	-0-	17	411	107	3,515	43,954	15,803+	25,755+	5,160	7,342
	21	8,051	22,337	9,940	32,277	309	-0-	50	-0-	1,424	972	4,364	47,447	8,079+	9,764+	3,040	8,226
	28	13,065	18,145	5,300	23,445	1,382	853	479	17	1,125	592	5,906	46,864	580-	1,821-	4,497	13,873
Dec.	5	8,548	14,226	1,195	15,421	1,781	-0-	411	60	1,075	611	2,763	30,670	5,916-	4,573-	3,597	12,497
	12	7,714	20,478	4,215	24,693	1,175	256	657	-0-	613	465	5,102	40,675	14,357+	16,553+	4,195	6,478
	19	12,272	12,624	5,953	18,577	4,315	-0-	800	49	2,210	1,241	6,942	46,406	53,865-	41,212-	3,319	16,571
	26	9,615	8,959	18,094	27,053	2,789	-0-	495	10	2,232	608	8,319	51,121	19,980+	36,159+	1,938	5,739
TOTALS		\$364,400	\$813,325	\$363,408	\$1,176,733	\$140,719	\$37,056	\$17,352	\$3,830	\$79,575	\$41,249	\$151,752	\$2,012,666	\$70,450-	\$103,966+	\$164,466	\$381,577
-1929-																	
Jan.	2	9,301	14,263	28,227	42,490	1,956	-0-	-0-	1,148	1,216	966	3,021	60,098	12,721-	4,912-	1,519	17,156
	9	15,601	8,624	7,684	16,308	2,925	-0-	150	-0-	2,782	504	10,059	48,329	26,633-	7,258-	1,557	9,808
	16	8,792	18,089	7,047	25,136	3,058	1,251	547	127	1,727	749	3,297	44,684	10,283-	4,139+	5,574	7,422
	23	4,605	14,543	10,624	25,167	2,144	539	357	-0-	1,554	509	1,684	36,559	26,014-	27,021-	2,573	5,604
	30	1,148	14,893	1,107	16,000	2,524	-0-	1,134	1,430	290	672	972	24,170	15,620-	18,609-	2,852	3,060
Feb.	6	1,726	16,870	1,694	18,564	3,155	717	75	112	883	505	1,298	27,035	17,956-	24,867-	2,010	2,031
	13	550	9,382	5,346	14,728	1,129	1,303	568	125	577	1,069	5,582	25,631	18,448-	19,684-	327	5,582
	20	816	25,293	5,099	30,392	553	476	250	201	1,088	1,517	2,704	37,997	25,738-	35,422-	903	6,257
	27	1,564	8,457	705	9,162	969	253	-0-	1,201	1,349	983	263	15,744	15,273-	21,561-	3,641	3,575
Mar.	6	1,579	13,256	2,244	15,500	3,311	418	515	405	592	729	1,935	24,984	14,398-	29,431-	2,521	4,920
	13	6,389	2,018	5,567	7,585	2,124	1,510	150	200	623	1,093	2,539	22,213	12,823-	21,543-	3,575	5,243
	20	1,506	9,752	7,508	17,260	1,227	863	469	1,302	25	808	3,294	26,754	35,520-	46,263-	2,556	5,459
TOTALS		\$53,577	\$155,440	\$82,852	\$238,292	\$25,075	\$7,330	\$4,215	\$6,251	\$12,706	\$10,104	\$36,648	\$394,198	\$231,427-	\$252,432-	\$29,608	\$76,117

DECLASSIFIED
Authority E.O. 12356

Exhibit "B" (a)

CLASSIFICATION BY MATURITIES OF BILLS PURCHASED
BY FEDERAL RESERVE BANKS IN THEIR RESPECTIVE DISTRICTS
DURING THE PERIOD FROM DECEMBER 29, 1927 TO DECEMBER 26, 1928
AND FROM DECEMBER 27, 1928 TO MARCH 20, 1929
EXCLUDING SALES CONTRACTS

(000 Omitted)

	December 29, 1927 to December 26, 1928				Totals
	1-30 days	31-60 days	61-90 days	Over 90-days	
Boston	\$ 77,736	\$ 72,720	\$191,591	\$22,353	\$ 364,400
New York	479,276	235,835	422,533	39,089	1,176,733
Philadelphia	23,693	38,384	78,642	0	140,719
Cleveland	768	12,401	22,599	1,288	37,056
Richmond	3,857	4,876	8,619	0	17,352
Atlanta	1,069	1,054	1,699	8	3,830
Chicago	23,219	36,547	19,809	0	79,575
Dallas	5,632	9,816	13,451	12,350	41,249
San Francisco	24,913	40,778	77,686	8,375	151,752
Totals	\$640,163	\$452,411	\$836,629	\$83,463	\$2,012,666

	December 27, 1928 to March 20, 1929				Totals
	1-30 days	31-60 days	61-90 days	Over 90-days	
Boston	\$ 11,250	\$ 7,564	\$ 34,044	\$ 719	\$ 53,577
New York	110,550	48,375	71,535	7,832	238,292
Philadelphia	6,656	4,137	14,282	0	25,075
Cleveland	1,629	1,390	4,311	0	7,330
Richmond	600	1,361	2,254	0	4,215
Atlanta	4,970	730	493	58	6,251
Chicago	6,806	1,457	4,443	0	12,706
Dallas	1,445	3,141	3,131	2,387	10,104
San Francisco	4,463	7,296	22,929	1,960	36,648
Totals	\$148,369	\$ 75,451	\$157,422	\$12,956	\$ 394,198

Exhibit "D"

DATA REGARDING EARNINGS AND EXPENSES
OF ALL FEDERAL RESERVE BANKS FOR
JANUARY AND FEBRUARY 1929

(000 Omitted)

	<u>Gross Earnings</u>	<u>Expenses and Dividends</u>	<u>Net Earnings</u>
Boston	\$ 1,013	\$ 473	\$ 540
New York	3,073	1,659	1,414
Philadelphia	943	503	440
Cleveland	1,201	598	603
Richmond	502	327	175
Atlanta	691	291	400
Chicago	1,844	833	1,011
St. Louis	514	288	226
Minneapolis	302	197	105
Kansas City	416	309	107
Dallas	415	253	162
San Francisco	<u>982</u>	<u>542</u>	<u>440</u>
Totals	<u>\$11,896</u>	<u>\$6,273</u>	<u>\$5,623</u>
		Total for same period 1928	<u>\$1,653</u>

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233-6-2

Preliminary Memorandum for the Open Market Investment Committee

April 1, 1929.

(1) Since the last meeting of the Committee on January 7, the System's holdings of U. S. Government securities have been reduced approximately 70 million dollars, due in part to the liquidation of sales contract holdings, and in part to a reduction in the System Special Investment Account from \$75,591,000 to \$40,000,000, largely made as an offset to gold imports. In addition, the policy of allowing acceptance holdings to mature without replacement has been reflected in a reduction in these holdings from \$485,000,000 to \$208,000,000.

(2)

Gold Movements

The principal gold transactions from January 1 to date have been the following:

(Approximate figures in millions of dollars)

Imports from Canada - - - - -	42
" " England - - - - -	29
" " Germany - - - - -	16 1/2
" " Argentina - - - - -	4 1/2
Other net imports - - - - -	<u>2 1/2</u>
 Total imports - - - - -	 94 1/2
 Net increase in earmarked gold - - - - -	 <u>57 1/2</u>
 Net gain of gold - - - - -	 37

Thus the reduction in the System Special Investment Account has about offset the total gain in gold since the first of the year.

Reduction in Bill Holdings

This leaves as the principal influence on the money market from open market transactions, the reduction in the Reserve Banks' bill

portfolios which has been accomplished by permitting bills to mature and avoiding new purchases to replace them, by declining to take green bills. The reduction in bill holdings since the first of the year has been greater than in any recent year.

While higher bill rates have resulted, sufficient investment demand has arisen to absorb the new bills coming into the market and thus reduce the dependence of the bill market upon the System. A considerable part of the demand has represented foreign buying, but buying by domestic institutions has also been stimulated somewhat by the higher yields now being offered.

Largely as a consequence of the rapid reduction of the System bill portfolio the borrowings of member banks declined less in January than might have been expected and since the end of January have increased from an average level of 850 million to about 1,000 million dollars, with resulting increased pressure upon the money market.

Member Bank Credit

Since early in February changes in the principal types of loans and investments of weekly reporting member bank credit have been as follows:

(Figures in millions of dollars)

	<u>Feb. 6</u>	<u>Mar. 20</u>	<u>Change</u>
Loans on securities - - - - -	7,558	7,642	+ 84
Other loans - - - - -	8,696	8,910	+214
U. S. security holdings - - - - -	3,103	3,113	+ 10
Other investments - - - - -	<u>2,938</u>	<u>2,915</u>	<u>- 23</u>
Total loans and investments - - -	22,295	22,581	+286

During this period there has been a reduction of 153 million dollars in the amounts loaned by reporting banks outside of New York to security brokers and dealers in New York, but the loans of these banks to brokers elsewhere have increased 87 million and security loans to customers have increased 176 million,

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giving a net increase of 110 million in their total security loans. In New York City there has been little net change in security loans either to brokers or to customers.

The increase in "other loans" largely commercial has been in keeping with the usual seasonal tendencies.

Brokers Loans

Meanwhile the demand for security loans has shown lulls, accompanying temporary reactions in the security markets, but in general has shown a tendency to increase further, rather than to decline. Total brokers loans after some reduction in February increased again in March and on March 20 reached a level 124 million dollars above the previous high point of February 6. There has been some reduction subsequently. The additional funds have been obtained from sources other than member banks, but it has been evident that increasingly high rates have been required to attract a sufficient supply.

Money Rates

These increasingly high rates offered by brokers have been accompanied by further advances in rates charged on commercial borrowing. Changes in money rates since January have been as follows:

	Prevailing rates for week ended	
	<u>January 7</u>	<u>March 30</u>
Call loans - - - - -	6 - 10	8 - 20
90 day time money - - - - -	7 1/2 - 7 3/4	8 - 8 1/2
Commercial paper - - - - -	5 1/4 - 5 1/2	5 3/4 - 6
90 day bills - - - - -	4 3/4	5 1/2 - 5 5/8
Customers' com'l loans, N. Y. C.*-	5 1/2	5 1/2 - 5 3/4

* Middle of each month.

Effects On Business

The higher money rates do not appear to have restricted short term commercial borrowing, but in a number of other ways the present high level of money rates is beginning to have a detrimental effect upon business.

1. The volume of building operations has been declining largely because of difficulty in obtaining second mortgage money and loans for building operations and also difficulty in selling real estate bonds. Stock financing which has been resorted to in some cases has only partly met the requirements.

2. A good many state, municipal, railway and other projects, ordinarily financed through bonds and notes, have been postponed because of difficulty in securing funds at reasonable prices. There is no way as yet of measuring the precise effect of these postponements upon business conditions. The decrease in bond financing has been partly offset by increases in stock financing. An analysis of new securities issued during the first two months of this year indicates, however, that out of a total of about \$2,500,000,000 of stocks issued, less than one-fifth represented actual additions to the working capital of domestic commercial and industrial corporations. The remainder represented largely securities of investment trusts and other financial corporations, securities issued in mergers and consolidations, and refunding issues.

3. Reduced foreign financing in the United States, together with rising money rates and stringent money conditions in England, Holland, Germany and Italy, due largely to our high call loan rates, are diminishing the purchasing power of those countries for our products, a tendency which is likely to be reflected sooner or later in reduced exports.

It thus seems reasonably certain that present money conditions, if long continued, will have a seriously detrimental effect upon business

5

conditions, and the longer they are continued the more serious will be the effect. The volume of business now appears to be sustained in part by the production of automobiles considerably in excess of retail purchases with a consequent stimulating effect upon the steel industry, and by the stimulation arising from paper profits in the stock market.

The policies which have been adopted by the system since the first of the year appear to have slowed down somewhat the rate of increase in the use of funds for speculative operations. They do not yet appear, however, to have been successful in restoring a condition in which steps may be taken to ease the money market and restore conditions more wholesome for business. //

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Form No. 131

Office Correspondence

FEDERAL RESERVE
BOARD

333.6-2

Date January 18, 1929.

To All Members of the Board

Subject: _____

From Mr. McClelland

... 2-8495

At the meeting of the Board this morning, there was ordered circulated the attached letter from the Governor of the Federal Reserve Bank of New York, dated January 15th, transmitting a copy of the minutes of *1/17/29 filed* the meeting of the Open Market Investment Committee held on January 7, *333.6-2* 1929 in Washington, together with copies of the Secretary's report and *final minutes* preliminary memorandum submitted at the meeting.

- ✓ Governor Young
- ✓ Mr. Platt
- ✓ Mr. Hamlin
- ✓ Mr. James
- ✓ Mr. Cunningham
- ✓ Mr. Miller
- ✓ Mr. Pole

Please return to Secretary's office.

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333-62

January 17, 1929

Dear Mr. Matteson:

This will acknowledge receipt of your letter of January 15, enclosing a copy of the minutes of the meeting of the Open Market Investment Committee held on January 7, 1929, in Washington, together with a copy of the Secretary's report and a copy of the memorandum covering the credit situation, for which I thank you.

1/17/29 filed 333-6-2
Final
minutes

Yours very truly,

R. A. Young,
Governor.

Mr. W. B. Matteson, Secretary,
Open Market Investment Committee,
Federal Reserve Bank,
New York City, N. Y.



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Booklet
~~ATTN: Young~~

333-62

FEDERAL RESERVE BANK
OF NEW YORK

RECEIVED
JAN 16 1929
THE GOVERNMENT

CONFIDENTIAL

January 15, 1929

Dear Governor Young:

I beg to enclose herewith a copy of the minutes of the meeting of the Open Market Investment Committee held on January 7, 1929 in Washington, also for your convenience in reference, a copy of the Secretary's report and a copy of the preliminary memorandum to which reference is made in the minutes.

1-7-29 filed
333-62
Final minutes

Very truly yours,

George L. Harrison
George L. Harrison
Governor

Honorable Roy A. Young,
Governor, Federal Reserve Board,
Washington, D. C.

Ordered Circulated
AT BOARD MEETING
JAN 18 1929

Encls. (3)

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Form 148

TELEGRAM
FEDERAL RESERVE BOARD
LEASED WIRE SERVICE
WASHINGTON

2-9454 . . .

January 12, 1939

Harrison

New York

Your letter January 10. I have no objection to your dispatching the minutes as prepared to the other Federal reserve banks but believe you should eliminate the last sentence of the first paragraph of page three wherein I am quoted because it may be interpreted as a conclusion of the Board and I am not prepared to say that it is. It seems to me it would be better to let the Board reply officially to the inquiry made in the minutes.

Young

FEDERAL RESERVE BOARD

WASHINGTON

January 12, 1929

OFFICE OF GOVERNOR

Dear Governor Harrison:

The following appeared in the written report of the Open Market Investment Committee meeting of January 7:

"Concerning the question of the relation of the committee to the Federal Reserve Board, the question was raised whether as a matter of procedure the Board was prepared as in the past to approve in advance a policy recommended by the committee, which would then be executed by the committee, or whether, as implied in the Board's letter of November 27, 1928, the Board would only approve any purchase or sale of Government securities at the time it was to be made".

The Board has reviewed all of the minutes and recommendations of the Open Market Investment Committee since the meeting held on November 2, 1927, and in view of the recommendations made and the actions subsequently taken, it has arrived at the conclusion that it is extremely difficult, in the great majority of cases, to lay down any definite policy for the purchase or sale of Government securities.

There was one exception during this period which occurred at the January 22th meeting. On that date the Committee recommended that the program should work toward somewhat firmer money conditions so far as necessary to check unduly rapid increases in the volume of credit, and that there be a further sale of Government securities. That, in the opinion of the Board, was a definite policy and it was in a position to approve, which it did.

Therefore, the Board's reply to the inquiry is that a situation might arise, and probably will arise, wherein it can approve definitely a movement in one direction or another. However, the future is so indefinite, and whether the system buys or sells depends upon so many factors that judgment alone can determine what should be done or what should not be done, that the Board reserves the right to consider the matter when the purchase or sale is to be made.

Yours very truly,

Mr. Geo. L. Harrison, Chairman,
Open Market Investment Committee,
Federal Reserve Bank,
Washington, D. C.

R. A. Young,
Governor.

not sent

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Authority E.O. 12356

333-6-2

RECEIVED
JAN 11 1929
CHIEF OF
THE BUREAU

FEDERAL RESERVE BANK
OF NEW YORK

CONFIDENTIAL

January 10, 1929.

Dear Governor Young:

I am enclosing herewith copy of the minutes of ¹⁻⁷⁻²⁹ Monday's meeting of the Open Market Investment Committee, which is being sent to-day only to you and to the members of the committee in order to secure any suggested corrections which may be necessary. Inasmuch as the minutes refer to some discussions with you, I should appreciate your going over them and letting me know by telephone or telegraph whether you think any changes in wording should be made before they are sent to all reserve banks.

Very truly yours,

George L. Harrison
George L. Harrison
Governor

Honorable Roy A Young,
Governor, Federal Reserve Board,
Washington, D. C.

enc.

see ans 1/12/29

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333-2

In view of the recent continued tendency toward an increase in the volume of credit, it is the opinion of the Committee that the System should be prepared to sell up to \$50,000,000 of Government securities during January or February, if the amount of member bank indebtedness in principal cities should diminish to an amount where money rates become so easy as to stimulate further increases in the ^{total} volume of credit beyond that required for business purposes. The Committee, however, sees no occasion ^{now} to make a definite recommendation either as to the purchase or sale of ^{government securities for System account} securities. The Committee feels that there should be ^{more concrete definition} of its functions. In the past the Committee has felt and has understood that the Board concurred in the view that it was a reasonable and proper division of authority and responsibility that it should recommend policies, that these policies should then be approved or disapproved by the Federal Reserve Board, and that the Committee should then have authority, within agreed limits, to take such action as may be appropriate to carry out the policies so approved. It is manifest that if the Committee were at liberty to both determine and execute policies, the Board would be without authority. If on the other hand the Committee cannot either determine or execute policies, it is without authority and would not seem to serve its most useful purpose.

that it would be desirable to have some

part of minute of open market ^{concern} Jan. 7.

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382-6-2

MINUTES OF THE MEETING OF THE OPEN MARKET INVESTMENT COMMITTEE
 HELD AT THE OFFICES OF THE FEDERAL RESERVE BOARD
 WASHINGTON, D. C., JANUARY 7, 1929

The meeting was called to order at 10:45 A.M. The following were present:

Governors Harrison (Chairman), Fancher, Harding,
 McDougal, Norris and Seay
 Mr. Burgess, Acting Secretary.

It was voted to invite Governor Seay and Governor Calkins, who were in Washington on other matters, to attend the meeting of the committee and to invite Governor Young to attend after a preliminary discussion.

The preliminary memorandum on credit conditions and the report of the secretary were read, and on motion, accepted.

Governor Harrison made a statement concerning the position of the accounts of foreign correspondents, and the effects upon these accounts and upon business generally of a continued period of high money rates in the United States. He indicated that the principal important banks of issue abroad, with the exception of Germany, have used large amounts of their foreign balances in sustaining their exchanges, and that the Bank of England had lost large amounts of gold also. Moreover, in most of the countries of Europe the return of production and trade to more normal volume has created a demand for additional credit and bank reserves. Under these conditions there has already been some stiffening in money rates abroad and some increases in the discount rates of banks of issue. This movement is likely to go further if money rates continue high in this country. It seems likely, moreover, that Europe may require further amounts of gold.

At this point Governor Calkins entered the meeting (11:07 A. M.).

Governor McDougal raised the question whether it was desirable for the Federal reserve banks to make the present charge of one eighth for their guaranty on bills bought for the account of foreign correspondent banks. Governor Harrison indicated that this was a customary charge by banks in this country for this service,

Draft of minutes

-2-

and that if for no other reason it was desirable for the Federal reserve banks to conform to the practice in this country so as not to compete unfairly with member banks.

There ensued an informal discussion of the general credit situation and the methods which might be employed by the reserve banks to prevent further excessive increases in the volume of credit, including a discussion of the year-end situation and the probable return flow of funds to principal centers during January and February. The discussion included also a review of the methods employed by the reserve banks represented in dealing with member banks who were large or continuous borrowers. It appeared to be the general view of those present that interviews with member bankers, to secure their cooperation in preventing excessive use of Federal reserve funds, were of great value, particularly at this time, as a means of making sure that the seasonal return flow of funds is employed in the reduction of bills and securities of the Federal Reserve System.

The committee also discussed the possible desirability of a sale of securities as a means of preventing the stimulation of further increases in the volume of credit in the first two months of the year.

The committee then discussed the position of the present Open Market Committee in view, (1) of the fact that at the joint conference the representatives of all the banks indicated a desire for the reorganization of the committee, and (2) of the form of the Federal Reserve Board's disapproval of the recommendation adopted by the meeting of the committee in November.

At 12:35 Governor Young was invited to join the meeting. Governor Harrison summarized for Governor Young the discussion which had taken place. Thereupon the members of the Committee discussed with Governor Young the status of the committee indicating some possible embarrassment in acting when not constituted in accordance with the wishes expressed by the joint conference.

Governor Young indicated that the Board was still considering the recommendations of the conference and that he hoped for action in the near future.

-3-

Concerning the question of the relation of the committee to the Federal Reserve Board, the question was raised whether as a matter of procedure the Board was prepared as in the past to approve in advance a policy recommended by the committee, which would then be executed by the committee, or whether, as implied in the Board's letter of November 27, 1928, the Board would only approve any purchase or sale of Government securities at the time it was to be made. Governor Young indicated that in his view, and he believed in the view of a majority of the Board, there was so great difficulty in predicting in advance what policy should be followed in the purchase or sale of Government securities that he believed the Board would wish to defer the approval of any policy until the time when the purchase or sale of securities was to take place.

There ensued a discussion of policy as to the discount rates, direct action, or the purchase or sale of Government securities.

The meeting adjourned at 2 p. m.

The committee re-convened at 3 p. m., there being present

Governors Harrison, Fancher, Harding, McDougal,
Norris, Calkins and Seay,
Mr. Burgess, acting secretary.

The discussion of general credit policy and possible open market operations was resumed. In view of the recent continued tendency toward an increase in the volume of credit, the committee was of the opinion that the System should be prepared to sell up to \$50,000,000 of Government securities during January or February, if the amount of member bank indebtedness in principal cities should diminish to an amount where money rates become so easy as to stimulate further increases in the total volume of credit beyond that required for business purposes. It was the sense of the committee, however, that there is no occasion now to make a recommendation, either as to the purchase or sale of Government securities for System Account.

After further consideration of the matters discussed at the morning session the committee expressed the view that it would be helpful and desirable to have some

-4-

more definite understanding or definition of its functions. In the past the Committee has felt, and has understood that the Board concurred in the view that it was a reasonable and proper division of authority and responsibility that the Committee should recommend policies, that these policies should then be approved or disapproved by the Federal Reserve Board and the participating Federal reserve banks, and that if approved by the Board the Committee should then have authority, within specified limits, to take such action as may be appropriate to carry out the policies so approved for account of all banks desiring to participate.

It was the opinion of the Committee that a continuance of this procedure would be desirable and would facilitate the Committee's serving its most useful purpose, especially if the membership of the committee is enlarged to twelve as recommended by the joint conference last November.

At 4:05 the committee met with the Federal Reserve Board, there being present in addition to those noted above -

Governor Young,
Messrs. Platt, Hamlin, James, Cunningham, and Pole,
Messrs. Goldenweiser, Eddy and McClelland.

Copies of the preliminary memorandum on credit conditions were distributed to those present.

Governor Harrison then made a statement reviewing the general credit situation and the position of foreign banks of issue, and summarizing the committee's discussion at the morning session. He read to the meeting the preliminary draft of the minute which had been prepared to cover the Committee's views with regard to the possible sale of securities and the scope of the functions of the Committee.

There ensued a discussion concerning the general credit situation, and particularly the prospective movement of funds during January and February.

There was also an informal discussion concerning the possibilities of broadening the bill market. Some members of the Board raised the question whether

-5-

the sale of bills from reserve bank portfolios would aid in the distribution of bills. Representatives of the reserve banks present reported that in their opinion there is an ample supply of bills available at all times for investors without the necessity of selling bills from reserve bank portfolios.

The meeting adjourned at 5:15 p. m.

W. Randolph Burgess
Acting Secretary

333-6-2

CONFIDENTIALREPORT OF THE SECRETARY TO THE OPEN MARKET INVESTMENT COMMITTEE
MEETING HELD IN WASHINGTON ON JANUARY 7, 1929

At the time of the last Open Market Investment Committee meeting, which was held in Washington during the week of the Governors' Conference beginning November 12, 1928, the total holdings of Government securities in the System Special Investment Account amounted to approximately - - - - - \$75,000,000.

There has been no change in the amount of total holdings in the System Account since that time aside from increases and decreases of a temporary nature incidental to the completion of two major transactions, namely,

1. - On November 19 and 20 a block of \$38,800,000 - 3 1/2%

Treasury notes due March 15, 1930-32 was taken over from a foreign correspondent and held temporarily in the System Account. During the succeeding two weeks offsetting sales were made to the market of

\$33,800,000 - 3 1/2% Treasury notes due
March 15, 1930-32
5,000,000 - 3 1/2% Treasury notes due
December 15, 1930-32

2. - Transactions in connection with the December 15, 1928

Treasury financing, consisting of sales from the System Account as follows:

- (a) To the Treasury for redemption;

\$13,187,500 - 3 1/4% certificates
of indebtedness due
December 15, 1928

- (b) To foreign correspondents (in partial replacement of their holdings of certificates of indebtedness which matured on December 15, 1928):

\$32,420,000 March 15, 1929 certificates
750,000 December 15, 1929 "

2

These sales to the Treasury and foreign correspondents involved the acquisition for the System Account of other short-term Government securities, almost half of which consisted of the new 4 1/4% certificates of indebtedness due December 15, 1929 obtained by subscription.

Other transactions in Government securities which had no effect on the amount of total holdings in the account consisted of

November 8 - Sales to the market of \$6,000,000 -

3 1/2% Treasury notes due 1930-32
held in the System Account and the
purchase of a like amount of short-
term certificates of indebtedness.

December 24 - Sale by the Federal Reserve Bank of
Dallas of their participation of
Government securities in the System
Account amounting to \$4,306,500.
These securities were sold to the
other participating banks with the
understanding that Dallas would re-
purchase them within 90 days.

Since the last meeting of the Open Market Investment Committee the following requests were received by the Committee relative to the distribution of bills purchased:

November 23 - The Federal Reserve Bank of Kansas City, due to their reserve position, asked to be relieved of \$10,000,000 of their holdings of bankers acceptances. These bills were taken over by the Committee on November 26 and distributed to the participating Federal reserve banks in the same manner as other bills purchased for System

Account. (Note: The Federal Reserve Bank of Kansas City had previously requested to be omitted as participants in System purchases of bills for the balance of the year).

November 28 - The Federal Reserve Bank of St. Louis resumed their participation in System purchases of bills which participation they had temporarily discontinued on October 27.

Distribution of System Purchases of Bankers Acceptances

In accordance with the action taken at the meeting of the Open Market Investment Committee on July 18, 1928, allotments of System purchases of bills were made for the second half of the year 1928 in the same manner as they were made during the first half of that year, namely, in the proportion that each bank's expenses, dividends and charge-offs bore to the total of those items. Bills purchased by the Federal Reserve Bank of Boston in excess of its pro rata share were distributed among banks who were in a position to participate therein with the exception of the Chicago, Philadelphia and Richmond banks. The first named bank advised that they did not wish to participate in Boston's over-purchases, and the Philadelphia and Richmond banks advised that they did not wish to participate in over-purchases of any Federal reserve bank. The accompanying statement (Exhibit "D") shows the earnings and expenses of all of the Federal reserve banks for the year 1928 (first 11 months actual, last month estimated).

It therefore appeared desirable, in accordance with the usual practice, to make allotments of all bills purchased for System Account, beginning with the new year, in the proportion that each bank's expenses and dividends bear to the total expenses and dividends of all of the banks, and after obtaining the approval of the other members of the Committee, the Chairman so advised all Federal reserve banks, at the same time asking if they would care to participate in bill purchases on the same basis as last

4

year. All of the banks replied in the affirmative except Philadelphia, who advised that they did not wish to participate in any System purchases. The Federal Reserve Bank of St. Louis requested that their allotment be limited to \$250,000 daily for the present. The Federal Reserve Banks of Philadelphia and St. Louis' share of bills will be apportioned proportionately to other banks who expressed a willingness to participate in such purchases.

Attached are statements showing

- Exhibit "A" - Outright holdings of Government securities by individual Federal reserve banks and their participation in the System Special Investment Account; also, classification of issues held in System Account by maturities, all as of close of business January 2, 1929.
- Exhibit "B" - Bills purchased outright by the System by weeks from December 29, 1927 to December 26, 1928
- Exhibit "C" - Statement showing earning asset holdings of all Federal reserve banks January 2, 1929, as compared with previous week and January 4, 1928; also weekly average of earning assets from December 28, 1927 to January 2, 1929, as compared with corresponding period 1927 and entire year 1927.
- Exhibit "D" - Statement containing data regarding earnings and expenses of all Federal reserve banks for the year 1928 (first eleven months actual, last month estimated).

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EXHIBIT "A"

STATEMENT SHOWING HOLDINGS OF GOVERNMENT SECURITIES BY FEDERAL RESERVE BANKS
 (Excluding Sales Contracts)

	Outright Holdings of Government Securities by Federal Reserve Banks as at the Close of Business January 2, 1929	Participation by Federal Reserve Banks in System Special Investment Acct. Government Securities as at the Close of Business January 2, 1929	Totals
Boston	\$ 1,588,500	\$ 6,584,500	\$ 8,173,000
New York	1,443,700	22,743,300	24,187,000
Philadelphia	15,223,000	6,224,000	21,447,000
Cleveland	25,739,000	7,223,000	32,962,000
Richmond	1,152,000	2,275,000	3,427,000
Atlanta	2,741,500	2,207,500	4,949,000
Chicago	19,937,500	13,197,500	33,135,000
St. Louis	16,625,500	4,417,500	21,043,000
Minneapolis	7,584,500	3,322,500	10,907,000
Kansas City	9,763,000	0	9,763,000
Dallas	10,008,000	0	10,008,000
San Francisco	<u>9,705,000</u>	<u>7,397,000</u>	<u>17,102,000</u>
Totals	<u>\$121,511,200</u>	<u>\$75,591,800</u>	<u>\$197,103,000</u>

CLASSIFICATION OF ISSUES OF GOVERNMENT SECURITIES
 HELD IN THE SYSTEM SPECIAL INVESTMENT ACCOUNT
 CLOSE OF BUSINESS JANUARY 2, 1929

3	3/8%	C/I	due	March 15,	1929	\$ 8,091,000
3	7/8%	"	"	"	15, 1929	6,993,000
4	1/2%	"	"	June 15,	1929	6,582,000
4	1/4%	"	"	Sept. 15,	1929	2,500,000
4	1/4%	"	"	Dec. 15,	1929	16,125,000
3	1/2%	T/N	"	March 15,	1932	5,000,000
3	1/2%	"	"	Dec. 15,	1932	<u>30,300,800</u>
Total - - - - -						<u>\$75,591,800</u>

BILLS PURCHASED OUTRIGHT BY SYSTEM BY WEEKS
 FROM DECEMBER 29, 1927 TO DECEMBER 26, 1928
 (CCC Critical)

EXHIBIT "B"

Weeks Ending	Boston	New York			Phila.	Cleveland	Richmond	Atlanta	Chicago	Dallas	San Fran.	Totals	INCREASE or DECREASE in Holdings Including Sales Contracts		Dealers Operations With Other Districts	
		Banks	Dealers	Total									New York Operations	System Operations	Received	Sent
Jan. 4	\$ 3,029	\$ 18,275	\$ 8,202	\$ 26,477	\$ 4,083	\$ 1,200	\$ 1,724	\$ 241	\$ 2,897	\$ 1,149	\$ 3,164	\$ 43,964	\$ 4,400-	\$ 1,600+	\$ 2,773	\$ 7,658
11	12,855	28,708	20,825	49,533	2,147	2,080	200	66	1,293	1,711	2,700	72,585	1,900+	5,400+	1,835	12,008
18	5,472	26,824	7,351	34,175	4,999	530	130	222	2,320	779	2,304	50,831	13,700-	23,500-	1,505	7,320
25	5,584	19,208	4,565	23,773	4,696	713	210	88	5,028	506	1,275	41,873	15,500-	21,700-	2,836	9,901
Feb. 1	11,071	40,225	4,946	45,171	5,411	1,613	155	152	5,713	1,042	2,367	72,595	30,700+	30,000+	4,962	9,923
8	7,508	14,111	5,702	19,813	4,842	2,272	433	32	4,393	762	1,099	41,154	13,800-	8,100-	5,299	9,526
15	1,083	4,584	6,174	10,758	5,177	716	-0-	457	388	210	1,053	19,842	15,200-	14,500-	3,337	3,463
21	3,736	10,531	2,839	13,370	3,820	809	-0-	131	1,356	584	439	24,245	2,100-	1,500-	2,461	6,327
29	3,407	17,003	3,760	20,763	4,641	252	918	98	2,109	275	1,649	34,112	9,300-	9,500-	3,631	4,802
March 7	4,015	15,991	2,375	18,366	928	1,909	244	107	1,738	1,259	1,001	29,567	8,700-	5,300-	2,384	4,437
14	7,162	17,290	5,214	22,504	2,342	380	215	105	2,536	1,152	1,570	38,066	7,700+	4,900+	1,313	5,061
21	4,529	16,591	2,733	19,624	2,921	723	270	4	2,840	1,034	4,968	36,913	10,500-	10,600-	1,916	6,091
28	8,591	26,150	2,042	28,192	2,409	714	-0-	30	1,676	926	997	43,535	12,600+	13,500+	919	10,736
April 4	10,256	21,347	5,903	27,250	6,476	795	450	348	7,849	281	2,297	56,002	2,800-	2,500-	5,746	12,589
11	21,547	15,300	3,744	19,044	3,853	184	100	107	2,041	1,377	1,704	49,957	1,600-	18,000+	1,075	17,812
18	13,632	19,997	10,643	30,640	7,770	500	122	60	4,898	1,041	4,830	63,493	30,500-	10,800-	877	10,170
25	15,553	23,258	6,623	29,881	5,500	-0-	398	203	622	1,132	3,391	56,680	1,200+	15,100+	106	12,537
May 2	7,510	24,765	6,253	31,018	3,366	727	-0-	5	2,025	1,364	1,459	47,474	3,800-	2,700-	8,215	6,713
9	4,703	20,887	10,938	31,825	4,771	100	1,134	184	2,319	638	278	45,952	1,600+	2,000+	5,146	3,324
16	1,944	12,772	3,702	16,474	3,364	507	735	411	1,568	608	3,120	28,731	19,266-	17,812-	2,763	5,922
23	3,548	9,043	2,421	11,464	755	636	50	126	3,539	865	554	21,537	14,666-	16,730-	3,872	4,780
29	7,527	7,437	1,928	9,365	714	198	165	139	187	750	219	19,264	21,617-	26,574-	2,166	5,273
June 6	2,965	4,342	3,835	8,177	883	1,007	127	-0-	517	1,370	1,826	16,872	34,583-	37,594-	5,070	4,047
13	5,982	3,865	4,165	8,030	2,283	531	491	-0-	336	829	786	19,268	26,746-	25,977-	5,584	4,861
20	5,093	2,727	4,810	7,537	1,524	977	506	-1	439	665	3,542	20,314	16,471-	16,535-	3,873	6,044
27	8,726	5,582	4,836	10,418	2,967	1,226	173	-0-	925	969	1,216	26,625	5,549-	450-	1,559	7,396
July 3	3,035	6,933	3,747	10,680	2,088	1,007	-0-	-0-	37	1,108	2,276	20,231	136+	13,768-	4,497	4,503
11	8,666	11,122	2,069	13,191	2,140	1,357	342	6	1,342	643	4,653	32,340	22,768-	22,022-	2,846	7,188
18	6,939	12,158	1,256	13,414	1,341	-0-	115	-0-	7	459	1,559	23,834	5,495-	6,607-	4,644	3,414
25	5,625	10,775	2,201	12,976	853	629	151	117	13	567	2,153	23,084	13,278-	11,952-	2,738	6,264
Aug. 1	8,684	6,607	1,962	8,569	1,501	745	253	-0-	283	695	2,855	23,585	2,897-	3,204-	5,312	10,326
8	4,243	8,459	2,579	11,038	357	126	-0-	-0-	566	934	17,264	5,228-	4,032-	3,090	4,852	
15	6,352	15,487	6,871	22,358	1,353	1,283	202	60	75	662	2,230	34,575	19,135+	28,055+	2,350	5,377
22	4,021	7,817	3,243	11,060	140	421	340	-0-	545	1,216	979	18,722	8,832-	6,302-	4,027	6,825
29	3,939	15,077	3,525	18,602	195	779	450	24	498	900	1,772	27,159	2,690-	699+	3,929	3,694
Sept. 5	4,355	5,047	3,195	8,242	933	119	50	-0-	67	273	3,864	17,903	1,298-	2,497+	1,906	5,960
12	8,374	145	13,704	13,849	2,221	580	326	-0-	995	939	8,147	35,431	11,034+	24,364+	2,249	9,791
19	4,483	9,481	30,876	40,357	4,960	789	175	50	442	665	4,186	56,107	17,115+	26,029+	1,979	6,391
26	3,473	17,662	13,051	30,713	4,113	637	-0-	6	919	1,132	4,256	45,249	21,587+	26,230+	2,565	3,654
Oct. 3	3,423	17,742	20,519	38,261	1,935	1,503	291	-0-	514	368	3,836	50,131	36,589+	46,557+	2,262	5,269
10	1,938	21,097	18,053	39,150	1,817	543	100	6	817	596	5,568	50,535	16,624+	21,792+	2,459	3,761
17	8,315	12,578	20,333	32,911	1,857	338	236	-0-	976	481	4,656	49,770	41,895+	47,641+	2,055	3,677
24	10,832	32,881	5,323	38,204	1,746	1,127	384	11	902	1,295	3,383	57,884	11,810+	22,069+	3,623	9,092
31	6,584	33,560	7,399	40,959	2,534	793	152	50	272	506	2,863	54,713	29,218+	38,898+	2,516	7,251
Nov. 7	4,544	23,857	7,029	30,886	2,343	454	1,938	-0-	229	304	4,763	45,461	4,133+	8,269+	2,450	4,341
14	10,282	20,958	5,247	26,205	1,999	1,418	-0-	17	411	107	3,515	43,954	15,803+	25,755+	5,160	7,342
21	8,051	22,337	9,940	32,277	309	-0-	50	-0-	1,424	972	4,364	47,447	8,079+	9,764+	3,040	8,226
28	13,065	18,145	5,300	23,445	1,382	853	479	17	1,125	592	5,906	46,864	580-	1,821-	4,497	13,873
Dec. 5	8,548	14,226	1,195	15,421	1,781	-0-	411	60	1,075	611	2,763	30,670	5,916-	4,573-	3,597	12,497
12	7,714	20,478	4,215	24,693	1,175	256	657	-0-	613	465	5,102	40,675	14,357+	16,553+	4,195	6,478
19	12,272	12,624	5,953	18,577	4,315	-0-	800	49	2,210	1,241	6,942	46,406	53,865-	41,212-	3,319	16,571
26	9,615	8,959	13,094	27,053	2,739	-0-	495	10	2,232	608	3,319	51,121	19,980+	36,159+	1,938	5,739
TOTALS	\$364,400	\$813,325	\$363,408	\$1,176,733	\$140,719	\$37,056	\$17,352	\$3,930	\$79,575	\$41,249	\$151,752	\$2,012,666	\$70,450-	\$103,966+	\$164,466	\$381,577

Outright Sales Contracts Net Change
 \$107,749+ \$3,783- \$103,966+
 66,291- 4,159- 70,450-

Actual change in system's holdings during period based exclusively on New York's operations, Chicago and San Francisco

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EXHIBIT "B" (a)

CLASSIFICATION BY MATURITIES OF BILLS PURCHASED
BY FEDERAL RESERVE BANKS IN THEIR RESPECTIVE DISTRICTS
DURING THE PERIOD FROM DECEMBER 29, 1927 TO DECEMBER 26, 1928
EXCLUDING SALES CONTRACTS
(000 Omitted)

	<u>1-30 days</u>	<u>31-60 days</u>	<u>61-90 days</u>	<u>Over 90-days</u>	<u>Totals</u>
Boston	\$ 77,736	\$ 72,720	\$191,591	\$22,353	\$ 364,400
New York	479,276	235,835	422,533	39,089	1,176,733
Philadelphia	23,693	38,384	78,642	0	140,719
Cleveland	768	12,401	22,599	1,288	37,056
Richmond	3,857	4,876	8,619	0	17,352
Atlanta	1,069	1,054	1,699	8	3,830
Chicago	23,219	36,547	19,809	0	79,575
Dallas	5,632	9,816	13,451	12,350	41,249
San Francisco	<u>24,913</u>	<u>40,778</u>	<u>77,686</u>	<u>8,375</u>	<u>151,752</u>
Totals	<u>\$640,163</u>	<u>\$452,411</u>	<u>\$836,629</u>	<u>\$83,463</u>	<u>\$2,012,666</u>

STATEMENT SHOWING EARNING ASSET HOLDINGS OF ALL FEDERAL RESERVE BANKS JANUARY 2, 1929 COMPARED WITH PREVIOUS WEEK AND JANUARY 4, 1928; ALSO WEEKLY AVERAGE OF EARNING ASSETS FROM DECEMBER 28, 1927 TO JANUARY 2, 1929 AS COMPARED WITH CORRESPONDING PERIOD 1927 AND ENTIRE YEAR 1927
(000 Omitted)

		Boston	New York	Phila.	Cleveland	Richmond	Atlanta	Chicago	St. Louis	Minn.	Kan. City	Dallas	San Fran.	Totals
Bills Discounted	- Dec. 26	\$91,947	\$387,841	\$96,304	\$112,640	\$40,517	\$59,882	\$201,769	\$43,177	\$13,201	\$48,533	\$15,660	\$56,108	\$1,167,579
"	Jan. 2	55,859	495,458	83,723	91,775	46,284	55,278	173,850	38,540	9,457	40,199	16,957	44,084	1,151,464
Net Change		36,088-	107,617+	12,581-	20,865-	5,767+	4,604-	27,919-	4,637-	3,744-	8,334-	1,297+	12,024-	16,115-
Bills Purchased	- Dec. 26	49,284	159,387	15,502	51,699	25,130	30,645	40,205	11,653	21,932	1,209	24,539	58,085	489,270
"	Jan. 2	54,667	146,789	16,353	52,996	24,705	31,877	39,494	11,172	21,671	1,264	25,273	58,097	484,358
Net Change		5,383+	12,598-	851+	1,297+	425-	1,232+	711-	481-	261-	55+	734+	12+	4,912-
Government Securities	- Dec. 26	8,173	54,792	21,447	32,962	3,427	5,285	36,690	21,042	10,907	10,513	9,988	17,102	232,328
"	Jan. 2	8,173	67,627	21,447	32,962	3,427	5,279	35,465	21,043	10,907	10,513	10,008	17,102	243,953
Net Change		-0-	12,835+	-0-	-0-	-0-	6-	1,225-	1+	-0-	-0-	20+	-0-	11,625+
Total Earning Assets	- Dec. 26	149,404	602,020	133,253	197,301	69,074	95,812	278,664	75,872	47,925	61,755	56,687	131,545	1,899,312
"	Jan. 2	118,699	709,874	121,523	177,733	74,416	92,434	248,809	70,755	43,670	53,476	58,738	119,533	1,889,660
Net Change		30,705-	107,854+	11,730-	19,568-	5,342+	3,378-	29,855-	5,117-	4,255-	8,279-	2,051+	12,012-	9,652-
<u>Comparison of Weekly Average of Earning Assets</u>														
Dec. 28, 1927 to Jan. 2, 1929		104,083	411,684	124,189	144,588	63,767	79,004	195,869	66,926	40,382	58,269	51,428	115,630	1,455,819
Same period 1927		79,546	282,822	88,085	111,895	55,679	49,115	155,812	59,695	35,537	55,562	46,416	100,415	1,120,579
Entire year 1927		79,546	282,822	88,085	111,895	55,679	49,115	155,812	59,695	35,537	55,562	46,416	100,415	1,120,579
Net Change from same period 1927		24,537+	128,862+	36,104+	32,693+	8,088+	29,889+	40,057+	7,231+	4,845+	2,707+	5,012+	15,255+	335,240+
" " " " entire year 1927		24,537+	128,862+	36,104+	32,693+	8,088+	29,889+	40,057+	7,231+	4,845+	2,707+	5,012+	15,255+	335,240+
<u>Comparison of Earning Assets</u>														
January 2, 1929		118,699	709,874	121,523	177,733	74,416	92,434	248,809	70,755	43,670	53,476	58,738	119,533	1,889,660
" 4, 1928		105,767	465,048	146,259	152,069	83,546	47,224	214,798	62,565	44,791	60,636	57,769	95,821	1,536,293
Net Change		12,932+	244,826+	24,736-	25,664+	9,130-	45,210+	34,011+	8,190+	1,121-	7,160-	969+	23,712+	353,367+

SUMMARY FOR SYSTEM

Bills Discounted for week	\$16,115-
Bills Purchased for week	4,912-
Government Securities for week	11,625+
Total Earning Assets for week	9,652-
Comparison of Weekly Average of Earning Assets Dec. 28, 1927 to Jan. 2, 1929 with same period 1927	335,240+
Comparison of Weekly Average of Earning Assets Dec. 28, 1927 to Jan. 2, 1929 with entire year 1927	335,240+
Comparison of Earning Assets January 2, 1929 with January 4, 1928	353,367+

EXHIBIT "D"

DATA REGARDING EARNINGS AND EXPENSES OF ALL
FEDERAL RESERVE BANKS FOR THE YEAR 1928
(First eleven months actual, last month estimated)
(000 Omitted)

	<u>Gross Earnings</u>	<u>Expenses and Dividends</u>	<u>Estimated Year-end Charge- offs</u>	<u>Net Earnings</u>
Boston	\$ 4,455	\$ 2,599	\$ 162	\$ 1,694
New York	18,062	9,589	484	7,989
Philadelphia	5,308	2,999	163	2,146
Cleveland	6,133	3,575	293	2,265
Richmond	2,863	1,874	83	906
Atlanta	3,582	1,610	751	1,221
Chicago	8,730	5,037	528	3,165
St. Louis	2,890	2,062	443	385
Minneapolis	1,684	1,219	92	373
Kansas City	2,637	2,057	168	412
Dallas	2,129	1,614	42	473
San Francisco	<u>4,808</u>	<u>3,166</u>	<u>340</u>	<u>1,302</u>
Totals	<u>\$63,281</u>	<u>\$37,401</u>	<u>\$3,549</u>	<u>\$22,331</u>

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333-62

PRELIMINARY MEMORANDUM FOR THE
OPEN MARKET INVESTMENT COMMITTEE
January 7, 1929

The total volume of business in 1928 as compared with 1927, including manufacturing, trade, crop production, building, etc., showed (as nearly as can now be estimated) an increase for the year of approximately 3 per cent.

A comparable figure for the growth in the amount of credit in use is less easy to compute because much of the increase in credit did not take the form of bank loans but rather loans made by individuals and corporations, and was reflected in the banking figures in the increased velocity of bank deposits. If, however, the growth in bank loans and investments from June 1927 to June 1928 (to take the mid-points of each year) is increased by the increase in recorded loans for individuals and corporations made on the New York Stock Exchange, there appears to have been a total increase in credit of more than 8 per cent. An equal rate of growth is shown if the figures are taken from December 1927 to December 1928, as nearly as can now be estimated.

The computation can be made another way by computing the change in bank deposits multiplied by their velocity (M V of the equation of exchange) which would give an indication of the use of credit. These figures show an increase of about 25 per cent from the last quarter of 1927 to the last quarter of 1928. This compares with a 15 per cent increase in 1927.

Thus, the best estimates that we can make indicate that the increase in the use of credit has been quite out of relation to the increase in business. In past years such a lack of relationship has usually been accompanied by changes in prices of different kinds, and often by speculation in commodities or securities. During the past year, as we know from the segregated reports, much of the increase in credit has found its way into loans to brokers on the Stock Exchange.

At a number of times during the year there was some evidence that the expansion of credit had been checked. This was true in February, in June, and again early in December. But on each occasion the expansion was again resumed.

Submitted
AT BOARD MEETING

2

after a brief pause and while the total loans and investments of reporting member banks are only slightly higher than in May of 1928, nevertheless the total of all credit in use has continued to increase.

While this credit expansion, does not as yet constitute any considerable drain on the country's basic bank reserves since it has not expanded bank deposits by any large amount, it is a potential drain for the loans made by corporations and individuals, constantly threaten to be converted into bank loans, particularly at times of strain, as was illustrated at the year-end when New York City banks were called upon to put \$581,000,000 in the market in the last five days of the year, with the consequence that the reserve ratio of the New York bank was reduced to 55 per cent on December 31. So that, quite aside from any dangers that may be incident to the possibility of a deflation in the present level of stock prices, the continued growth in credit is at least a potential use of bank reserves at a more rapid rate than could be continued indefinitely especially in the face of actual and possible future losses of gold.

The Federal Reserve System thus appears to be facing at the beginning of the year the same general problem which it has faced during the entire year of 1928; that is, the problem of checking any unnecessary expansion of credit without, if possible, seriously penalizing business.

Year End Movement of Funds. The Christmas and year-end requirements for funds called into use a slightly larger additional amount of Federal reserve credit than in preceding years. Total bills and securities in the System were increased from \$1,500,000,000 about the middle of November to nearly \$1,900,000,000 in the last week of the year. In recent years the retirement of Federal reserve credit during January has been a little over \$400,000,000, and the problem this month appears to be to make sure that the seasonal return flow of currency and credit is applied to a reduction of Federal Reserve credit in use so that it will not be made the basis of any unnecessary expansion of bank credit.

The following figures show the changes in Federal reserve credit at reporting dates of January and February in the past two years, taking as a starting point the figures for the last reporting date of the preceding year.

Changes in Supply of Federal Reserve Credit from last reporting date
in previous year
(In millions of dollars)
(Cumulative figures)

		Bills		Government Securities		Discounts		Total	
1927	1928	1927	1928	1927	1928	1927	1928	1927	1928
(Dec. 29)	(Dec. 28)								
Jan. 5	Jan. 4	+ 10	+ 1	- 3	+ 24	- 78	- 88	- 70	- 63
12	11	- 41	+ 7	- 6	- 58	-221	-170	-267	-221
19	18	- 42	- 17	- 4	-104	-295	-197	-341	-318
26	25	- 77	- 39	- 14	-162	-346	-224	-438	-425
Feb. 2	Feb. 1	- 50	- 9	- 13	-169	-318	-186	-381	-364
9	8	- 76	- 17	- 12	-202	-332	-150	-421	-369
16	15	- 64	- 31	- 5	-195	-315	-128	-385	-354
23	21	- 99	- 33	- 12	-201	-313	-148	-425	-383
Mar. 2	29	- 90	- 42	- 6	-195	-276	-116	-373	-354

It will be observed from these figures that last year the diminution in the bill portfolio during January was smaller and more gradual than in 1927, thus offsetting somewhat the effectiveness of large sales of government securities. The liquidation of bills will be somewhat difficult this year because of the present relatively low position of bill rates in the market, although recent increases of bill rates should aid in securing a normal reduction of bill holdings.

If we assume a normal reduction of \$50,000,000 to \$100,000,000 in bill holdings during January, and a withdrawal of funds through gold earmarking of \$75,000,000 in the first two weeks of the year, there might be expected to be a reduction of about \$250,000,000 or \$300,000,000 in bills discounted. This would mean a reduction of rediscounts for the System to \$850,000,000 or \$900,000,000

4

during January and February, or about the same amount as was maintained during October and November, a period during which there was a vigorous increase in bank credit, and during which money rates tended to ease somewhat. Already borrowings of New York City banks have been reduced to about \$200,000,000 and further reductions are likely.

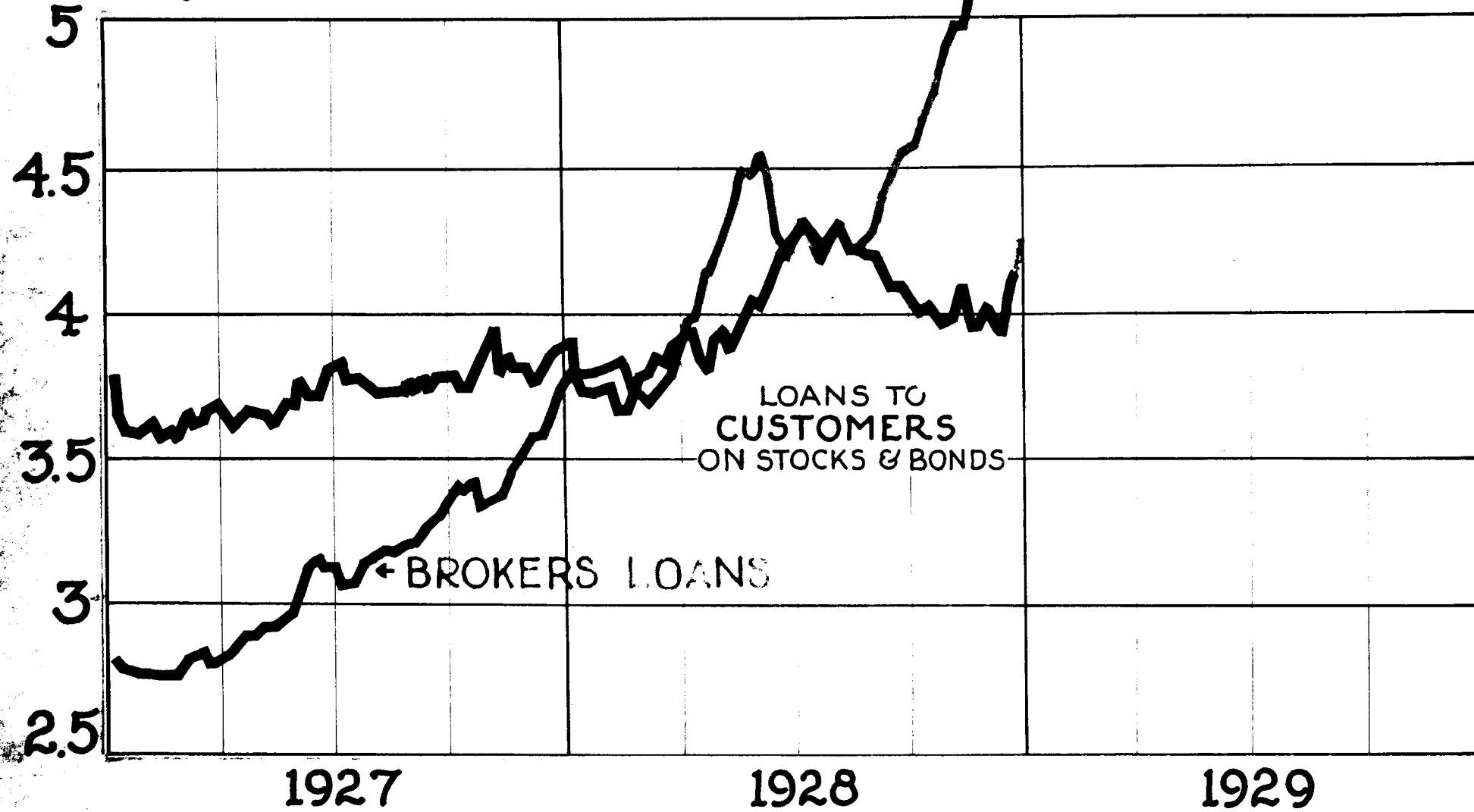
The two possible methods for maintaining the amount of discounts would be the sale of government securities or an additional liquidation of the bill portfolio beyond what normally takes place. The two possible means of making any given amount of member bank indebtedness more effective in its pressure on the credit situation, if this is regarded as necessary, would appear to be increases in discount rates or direct dealing with member banks.

In determining what, if any change in policy, should be adopted, and the methods to be employed to effect it, the three major points for consideration should, of course be

1. The effectiveness of such action in controlling unnecessary expansion of credit.
2. The effect of any such action upon domestic business.
3. The effect of such action upon the world monetary situation and indirectly upon world trade.

SECURITY LOANS

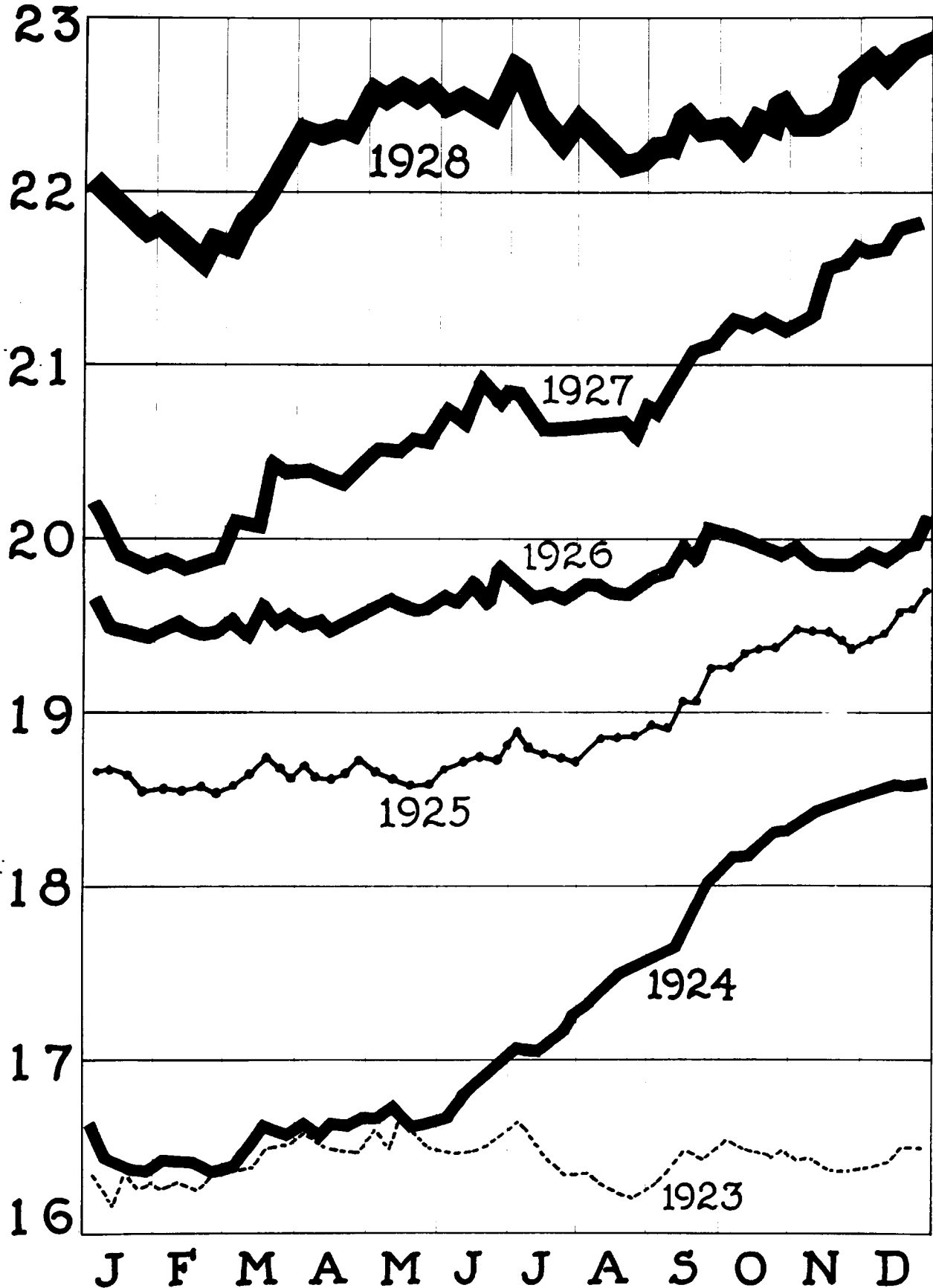
BILLIONS of DOLLARS



DECLASSIFIED
Authority E.O. 12356

TOTAL LOANS & INVESTMENTS

BILLIONS of
DOLLARS



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Authority E.O. 12356

333-6-2

Form No. 131.

Office Correspondence

FEDERAL RESERVE
BOARD

Date December 3, 1928.

To All members of the Board

Subject: _____

From Mr. McClelland.

2-6496
GPO

At the meeting today there was ordered circulated the attached letter dated November 26th from the Acting Secretary of the Open Market Investment Committee transmitting copies of minutes of the meetings of the Committee held in Washington at the time of the recent Governors' Conference, together with data submitted to the Committee at that time. *11/13/28 filed 333-6-2*

- ✓ Governor Young
- ✓ Mr. Hamlin
- ✓ Mr. Platt
- ✓ Mr. James
- ✓ Mr. Cunningham
- ✓ Mr. Miller
- Mr. Pole. *absent*

Please circulate promptly and return to the Secretary's Office.

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Authority E.O. 12356

333-6-2

FEDERAL RESERVE BANK
OF NEW YORK

NOV 28 1928
Mr. Eddy

CONFIDENTIAL

November 26, 1928.

Dear Governor Young:

11/13/28 filed 333-6-2
Final Minutes

I am glad to enclose herewith copies of the minutes of the meetings of the Open Market Investment Committee held on November 13 and November 15, as well as a copy of the minutes of the meeting of the Open Market Investment Committee and the Governors Conference in joint session with the Federal Reserve Board on November 16. For your convenience in reference I am enclosing with these documents a copy of the secretary's report as well as a copy of the preliminary memorandum to which reference is made in the report of the Open Market Investment Committee.

In forwarding these minutes to the Federal reserve banks I have done so with the understanding that the Federal Reserve Board has not yet taken any action with respect to the report. I have informed them that I would advise them as soon as we are informed of the action of the Board.

Very truly yours,

George L. Harrison
GEORGE L. HARRISON,
Acting Secretary, Open Market
Investment Committee.

Ordered Circulated

AT BOARD MEETING

3 1928



Honorable R. A. Young,
Governor, Federal Reserve Board,
Washington, D. C.

Encs.

See minutes on letter to Young

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Authority E.O. 12356

333-6-2
RECEIVED
NOV 27 1928
THE GOVERNOR

FEDERAL RESERVE BANK
OF NEW YORK

PERSONAL

November 26, 1928.

Dear Governor Young:

I am glad to enclose herewith copies of the minutes of the meetings of the Open Market Investment Committee held on November 13 and November 15, as well as a copy of the minutes of the meeting of the Open Market Investment Committee and the Governors Conference in joint session with the Federal Reserve Board on November 16. For your convenience in reference I am enclosing with these documents a copy of the secretary's report as well as a copy of the preliminary memorandum to which reference is made in the report of the Open Market Investment Committee.

11/13/28 filed 333-6-2
Final Minutes

not in file

not in file

11-12-28

11-14-28

Very truly yours,

George L. Harrison
GEORGE L. HARRISON,
Acting Secretary, Open Market
Investment Committee.

Honorable R. A. Young,
Governor, Federal Reserve Board,
Washington, D. C.

Encs.

DECLASSIFIED
Authority E.O. 12356

2.

November 1 1928.

CONFIDENTIAL

REPORT OF THE OPEN MARKET INVESTMENT COMMITTEE

11 The Committee has reviewed the preliminary memorandum submitted by the Chairman in relation to credit and money market conditions of the past year. It has given special consideration to the development of conditions since the last report of the Committee on August 13th and to the effect of Federal Reserve policies on the volume of credit and the rates for money during the period of credit movement whose peak has probably now passed. The Committee feels that the policy of the System has been substantially effective in providing credit for seasonal agricultural and commercial purposes at relatively low rates and without any abnormal increase in the total volume of member bank loans and investments for this period of the year.

The Committee is of the opinion, however, that it should still be the policy of the System, if possible, to prevent any unduly rapid or unnecessary further increase in the total volume of bank credit, although in fact the total loans and investments of all reporting member banks are now slightly below the high point of May in spite of the usual Fall increase in the demand for credit for crop movement purposes. But we are approaching the usual seasonal demand for currency for holiday purposes. This will result in increased borrowings from the Federal Reserve Banks except to the extent that further gold imports offset the demand for Federal Reserve accommodation. It is not possible to estimate the extent of the present gold movement or its ultimate effect upon credit conditions and money rates. Already there is some evidence of easier money rates contributed to partly by the inflow of gold and partly by the large increase in the bill port-

Actions Required
AT BOARD MEETING
NOV 19 1928

Submitted
AT BOARD MEETING
NOV 16 1928

9

- 2 -

folio of the Federal Reserve Banks, each of which has caused a reduction of member bank discounts in the New York district. Some of this increase in the bill portfolio is due to the sale of bills by foreign banks to support their exchanges, which have felt the pressure of high rates in this country.

But while these conditions appear to have an easier tendency at the moment, nevertheless the uncertainty of the gold movement, the approaching demand for currency, and the usual demand for Federal Reserve credit during December suggest to the Committee that the System should still be prepared in the event of an emergency to prevent any undue stringency of credit during this period.

With all these facts in mind, the Committee renews the recommendation contained in its report of August 13th that it should be the policy of the System to purchase Government securities if and when it might become necessary to avoid an acute credit stringency.

The Committee would expect to take such steps as may be needed to carry out this policy, if approved, with the understanding however that it would be advisable to have another meeting of the Committee in the event that any substantial change in conditions makes that necessary. "

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333.-6-2

CONFIDENTIAL

November 14, 1928.

PRELIMINARY MEMORANDUM FOR THE OPEN MARKET INVESTMENT COMMITTEE

DECLASSIFIED
 Authority E.O. 12812
 By [Signature] NARA Date 11/16/82

In the summer of 1927 the Federal Reserve System adopted a policy favoring easier money conditions, given effect by the purchase of a moderate amount of Government securities and a reduction in discount rates from 4 per cent to 3 1/2 per cent. The primary purposes of this policy were: first, to avoid a continued gold import and a serious stringency in world money markets, which might have delayed world financial recovery and reacted adversely upon world trade and the trade of this country; and second, to cushion, as far as it could be done by easy money, the business recession which was beginning in this country. When this policy was adopted, it was recognized that there was danger of stimulating excessive use of credit in speculation.

In general, the results desired from this policy came to pass. Foreign exchanges which in several cases had been close to the levels at which gold would tend to flow to this country were almost immediately strengthened, stringency in world money markets was thus avoided, and our foreign trade was maintained at high levels. In fact the gold and the dollar exchange which other countries acquired in the summer and autumn of 1927 placed them in a position of such strength that they have since that time been less dependent upon conditions in this country. Although the recession in business activity continued until the end of the year and there was some unemployment during the winter, the recession was not serious and was followed by a quick recovery which was probably aided by easy money.

Gold Outflow

The strengthening of the exchanges proceeded to such an extent that in the autumn of 1927 gold began to move from New York on exchange

transactions. These exports were in addition to a large movement of gold to France in connection with that country's preparations for the return to the gold standard, a movement which would probably have taken place regardless of the exchange position. Altogether net gold exports totaled over \$500,000,000, an unexpectedly large amount.

During the early part of this gold outflow the policy of buying Government securities to prevent a tightening of the market was adopted. Additional securities were purchased also to offset sales in August and September of sterling which had been acquired earlier in the year by a sale of gold. As the autumn advanced, however, it became evident that credit was expanding more rapidly than the country's business required. To meet this situation and in view of the fact that the purposes of the easy money policy adopted earlier had been largely accomplished, the purchase of securities was discontinued in November, although the gold movement continued. In January the Reserve Banks began selling securities, a procedure the necessity of which had been forecast in the Open Market Committee report to the Governors' Conference in October. The effect of these sales, together with gold exports, was to lessen the seasonal liquidation of member bank borrowings and largely to prevent the usual softening of money rates in January.

Effects of Security Sales and Discount Rate Advances

The sales of securities were followed in February by a general advance in discount rates, which with later advances are shown in the accompanying schedule of discount rates of the different Reserve Banks. For a time speculative activity subsided somewhat, and reporting member bank loans and investments decreased moderately in January and February. However, a new outburst of speculation on a larger scale than ever before

occurred in March and April, which led to a renewed and more rapid increase in bank credit (Chart II). Within a period of ten weeks the loans and investments of reporting member banks increased a billion dollars, an increase nearly equal to a full year's growth under ordinary circumstances.

The sale of securities from the System Special Investment Account was resumed in the latter part of March and continued more rapidly in April, although the market for governments was so weak that it was difficult to sell such securities. As securities were sold open market money rates advanced. But as a consequence funds were attracted from other districts, and there was increased discounting at the Reserve Banks in those districts. This flow of funds to New York largely offset the effect of security sales in New York, so that the indebtedness of New York City banks showed for some time no material increase. Moreover, as money became tighter, the general distribution of bills was retarded and the Federal Reserve portfolio declined less than usual at this season. In this situation, funds coming into the money market from sources outside of New York were supplemented by a substantial increase in the loans of New York City banks for their own account.

It was not until the second advance in Reserve Bank discount rates was made effective in the latter part of April and in May that expansion of credit was halted. Except for a temporary rapid increase early in July which was followed by a further rise in discount rates in all but four western districts, the loans and investments of New York City banks tended to decline from May to August, and in other districts the expansion was checked.

Although the activity of the security markets has again increased to new high levels during the past two months, and prices have advanced higher than ever before, a considerable part of the required

credit has been obtained from sources other than member banks and the total loans and investments of the weekly reporting banks have remained below the May levels. The increase in brokers loans for account of others represents, however, a potential expansion of bank credit because the banks would be obliged to take over loans called suddenly by these other leaders.

Autumn Credit Requirements

As the season of autumn currency and credit requirements approached it was recognized that the steady rise in money rates, which had followed the gold outflow and Reserve Bank sales of securities and rate advances, constituted a danger to the business of the country if it proceeded much further. The comparison of rates prevailing in August with those of a year previous indicates the extent of the rise.

(Average or prevailing rate during month)

	<u>August 1927</u>	<u>August 1928</u>
Call money - renewal rate	3 5/8	5 7/8
Time money - 90 day	4 1/4	6 1/2
Prime commercial paper	4	5 1/4-1/2
Bills - 90 day unindorsed	3 1/8	4 5/8
Customers' rates on commercial loans	*4.38	*5.34
Treasury certificates and notes		
Maturing December 15	2.70	4.36
Maturing March 15	3.06	4.43
Federal Reserve Bank of New York rediscount rate	3 1/2	5
Federal Reserve Bank of New York buying rate for 90 day bills	3 1/4	4 1/2

* Prevailing rate for 7 day period ended October 15.

While the largest advances had occurred in rates on "street loans," the advances in commercial rates had been substantial and the tendency was toward still higher rates. It was pointed out at the July meeting of the committee that high commercial money rates in past years had been followed frequently by a recession in business activity after

an interval of six months to a year, attributable mainly to the curtailment of building activity and to the partial stoppage of new capital for business enterprises.

To prevent money conditions from becoming more stringent during the season of autumn trade and crop moving, the purchase of Government securities was considered but it was felt that such action would be followed immediately by a new outburst of speculative demand for additional credit which might absorb the credit extended for business uses. It was finally decided that the policy of maintaining bill rates at their current levels and purchasing freely bills offered by banks and dealers would probably put into the market sufficient Federal Reserve funds to meet autumn credit needs, thus preventing a further rise in commercial money rates.

Effects of 1928 Bill Purchases

Due to an extraordinarily large volume of bills in the market and the presence of few other buyers of bills because of the low level of acceptance rates relative to other open market money rates, the volume of acceptances offered to the Reserve Banks for purchase has been much larger than in any previous year and has exceeded the seasonal increase in the demand for Federal Reserve credit, thus tending to cause a reduction of about 100 million dollars in member bank indebtedness and some easing in money rates at a time when the demand for credit for speculative use is as strong as ever before.

Unless conditions change it seems probable that money rates will continue at present levels, with call money between 6 and 7 per cent, for a few weeks before the holiday currency requirements are encountered. Further, it seems likely, if present tendencies continue and if the bill

portfolio continues large, that the total indebtedness of member banks after the return of currency from circulation in January will be reduced temporarily to 750 million or less, and the indebtedness of New York City banks may be reduced to an extent that would be an incentive to expansion of loans by these banks.

Credit Policy

Methods which the Reserve Banks may well consider to avoid too easy money are: an increase in bill buying rates, the sale of securities, and dealing directly with member banks.

The question, therefore, to which the open market should give consideration is whether sales of Government securities should be made either immediately or after the first of the year, if it seems wise to continue the policy pursued in recent months.

The Three Major Factors

As bearing upon the question of continuing the present policy directed toward high money rates, especially for speculative use, the outcome of the present situation would appear to depend mainly on three factors and on the timing of these factors:

1. Culmination of expansion of credit for stock speculation
2. Effect of present money rates on the volume of business
3. Effect of present money rates on world money rates and world trade.

1. As far as stock speculation is concerned, it is, of course, impossible to set a date when the present movement will culminate. It is impossible to pass judgment now upon the extent to which the recent movement is upon a sound economic basis and the extent to which it represents boom psychology. The question can only be settled by time and the test of high interest rates.

2. Although rates on commercial loans are $1\frac{1}{4}$ to $1\frac{1}{2}$ per cent higher than a year ago, and higher rates usually react upon business, there is as yet no evidence that these rates or the condition of the money market have been found prohibitive to the issuance of all necessary short-term credit for agricultural and business purposes. Industrial activity showed a rapid recovery early in the year and has since maintained a high level, and commodity prices have risen moderately. The higher money rates have caused a substantial decline in the flotation of long-term bond issues, but domestic corporations have continued to obtain large amounts of new capital, as conditions have been favorable to obtaining larger amounts through stock issues than in any previous year.

New Capital Issues of Domestic Corporations
(excluding refunding)

(In millions of dollars)

	<u>Bonds and Notes</u>		<u>Stocks</u>		<u>Total of Bonds, Notes, and Stocks</u>	
	<u>1927</u>	<u>1928</u>	<u>1927</u>	<u>1928</u>	<u>1927</u>	<u>1928</u>
January	347	224	94	109	441	333
February	268	261	258	115	526	376
March	255	197	106	135	361	332
April	233	240	81	204	314	444
May	290	212	125	229	415	441
June	371	153	111	337	482	490
July	206	101	72	172	278	273
August	169	120	79	61	248	181
September	189	181	107	148	296	329
October	350	198	95	356	445	554
Total	2,678	1,887	1,128	1,866	3,806	3,753

3. Present money rates have plainly had a depressing effect on foreign exchanges and have retarded the flotations of foreign securities in the market. A relatively small return flow of gold to this country has occurred during the past two months, and some of the European exchanges have required support to prevent larger gold shipments. Nearly all countries

are in a much better position than a year ago to protect their exchanges, but present money rates in this country, if long continued, would probably force higher rate levels in other markets. The effect of somewhat higher rates on world trade and new foreign issues in this market are compared below:

Foreign ExchangesCable Rates

<u>Country</u>	<u>November 7, 1927</u>	<u>November 7, 1928</u>
Belgium	\$.1393	\$.1390
England	4.8701	4.8479
France	.0393	.0390
Germany	.2386	.2382
Netherlands	.4034	.4011
Switzerland	.1928	.1924
Canada	1.0013	.9989
Argentina	.9699	.9577
Brazil	.1193	.1195

Foreign Issues Floated in United States
(Refunding issues excluded)

(In millions of dollars)

	<u>1927</u>	<u>1928</u>
January	127	115
February	78	98
March	107	114
April	217	113
May	43	216
June	124	193
July	70	48
August	109	1
September	85	95
October	234	81 (preliminary)
November	107	
December	81	

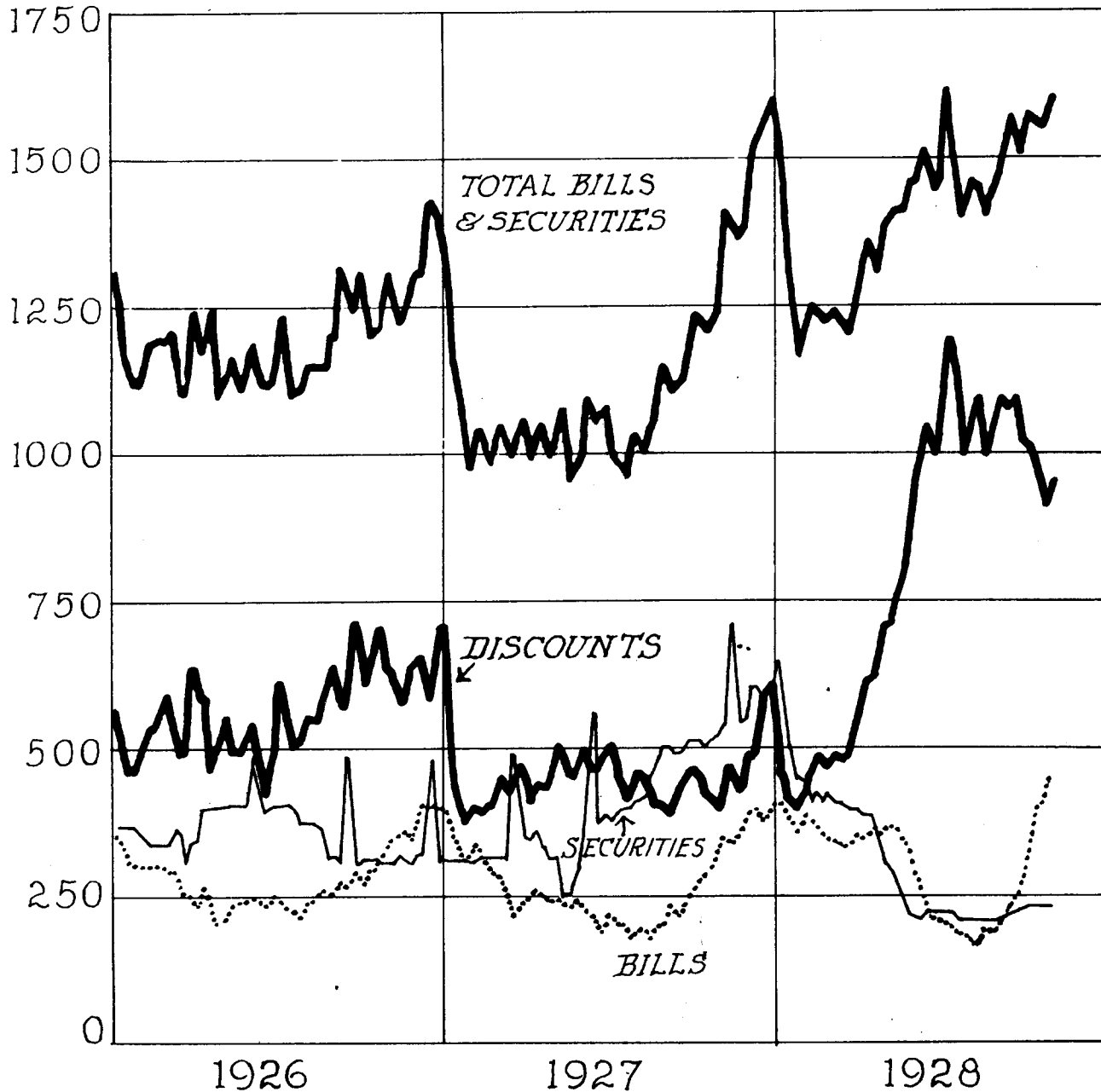
This consideration of major factors affecting policy may be summarized by saying that there does not appear recently to have been any change in the situation which would suggest the desirability of discontinuing the policy pursued since the early part of 1928.

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Sp. 1706

Reserve Bank Credit All Federal Reserve Banks

MILLIONS of DOLLARS



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 Authority **E.O. 12356**

Reserve Bank
Discount Rate Changes

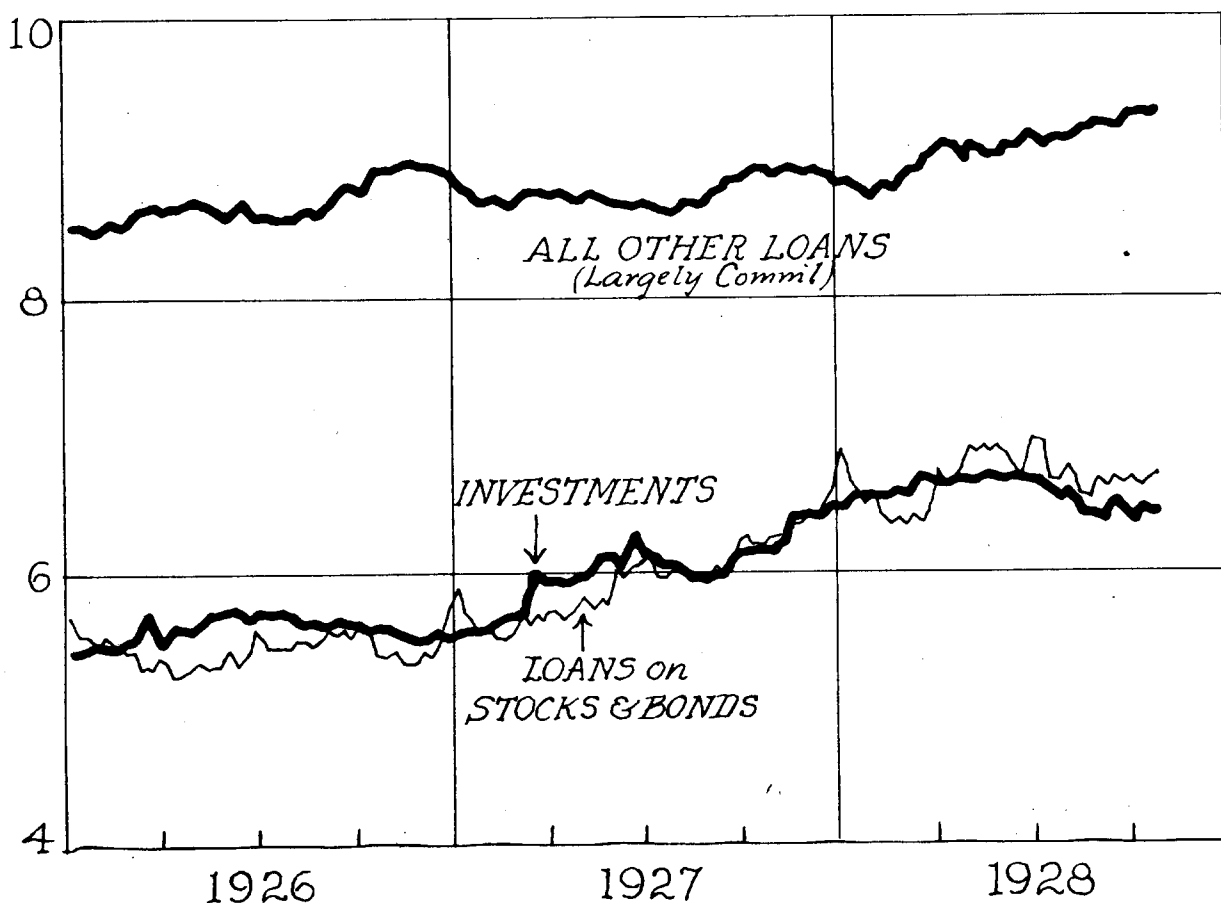
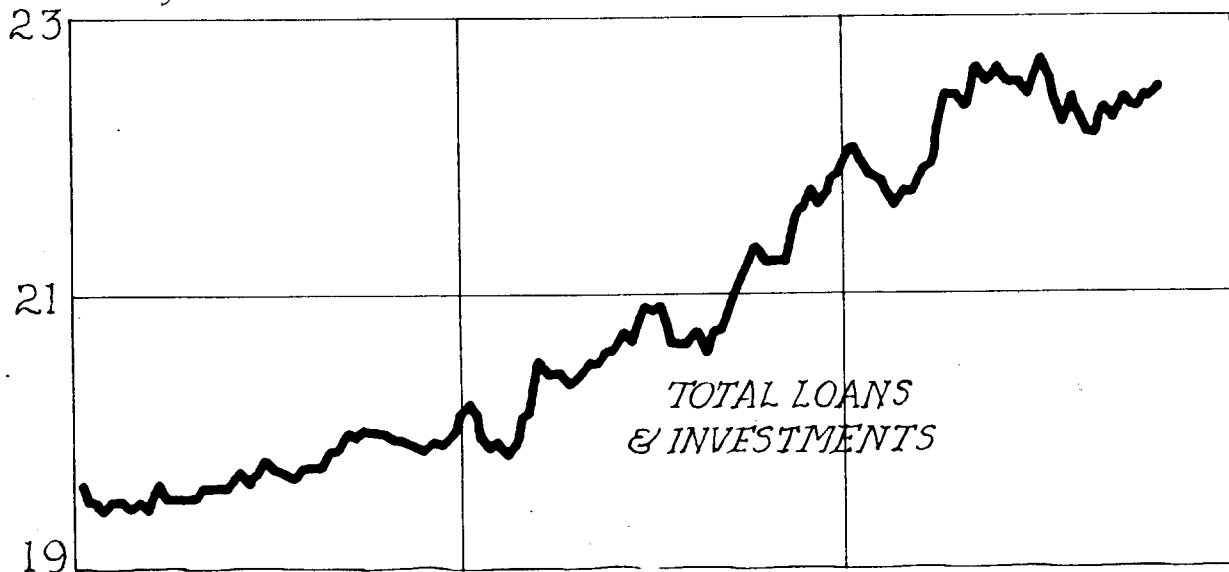
Date Effective	Bos- ton	N.Y.	Phila.	Cleve- land	Rich- mond	At- lanta	Chica- go	St. Louis	Minn.	Kan. City	Dal- las	San Fran.
Rates in effect 1/1/28	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2
Jan. 25							4					
27					4							
Feb. 3		4										4
4												
7									4			
8	4										4	
9										4		
10						4						
16			4									
21								4				
Mar. 1				4								
Apr. 20	4 1/2						4 1/2					
23								4 1/2				
24					4 1/2							
25									4 1/2			
May 7											4 1/2	
17			4 1/2									
18		4 1/2										
25				4 1/2								
26						4 1/2						
June 2												4 1/2
7										4 1/2		
July 11							5					
13		5			5							
14						5						
19	5							5				
26			5									
Aug. 1				5								

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81703 :

Member Bank Credit All Weekly Reporting Members

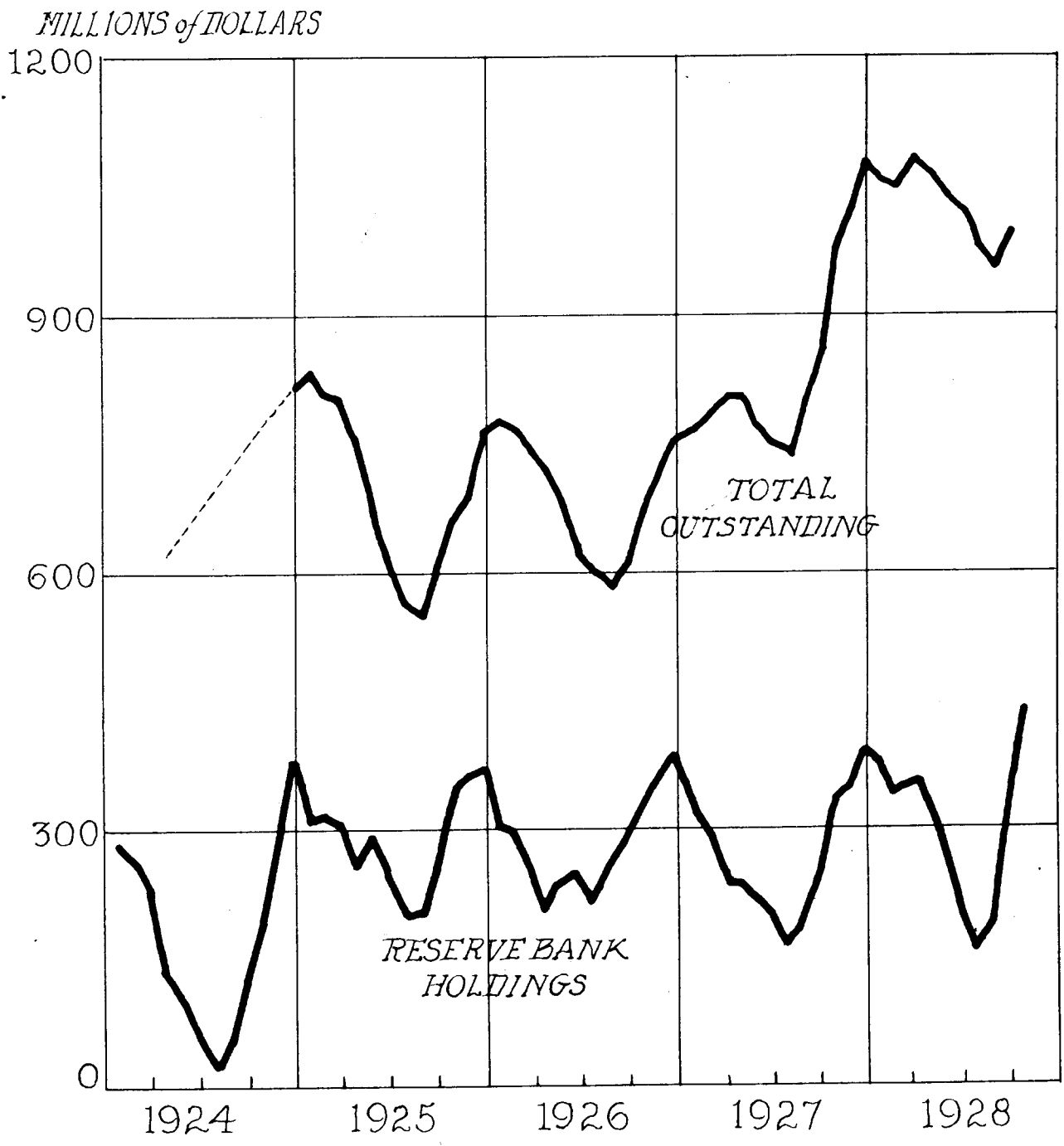
BILLIONS of DOLLARS



DECLASSIFIED
Authority E.O. 12356

81704

Volume of Bankers Acceptances Outstanding and Amount Held by Federal Reserve Banks End of Each Month



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333.-6-2

CONFIDENTIAL

REPORT OF THE SECRETARY OF THE OPEN MARKET INVESTMENT COMMITTEE
TO THE GOVERNORS' CONFERENCE, NOVEMBER 12, 1928.

At the time of the last Governors' Conference, which was held in Washington at the end of April 1928, the total holdings of Government securities in the System Special Investment Account amounted to approximately - - - - - \$170,000,000. Since that time there have been changes in the amount of total holdings as follows:

1928
May

Account decreased by sales of approximately \$70,000,000

Government securities pursuant to the action taken at the meeting of the Open Market Committee on April 30 to continue the policy agreed on in January, i. e., to make further sales of Government securities, the object being to check further unduly rapid increase in volume of credit.

These sales reduced the total holdings in the Account at the close of business May 23 to an even - - - - - \$100,000,000.

Last week
in May and
first week
in June

Account further decreased by sales of approximately \$25,000,000 Government securities in accordance with policy agreed on at meeting of Open Market Committee on May 25, 1928, that sales of Government securities should be continued at least during the following week.

These sales reduced the total holdings in the Account during the forepart of June to approximately - - - - - \$ 75,000,000.

There was no further reduction in the total holdings in the Account since the last mentioned sales in June, and with the exception of periods of a few days, due to transactions mentioned later on in this report or when the Committee

2

took over temporarily at the market price the Federal Reserve Bank of St. Louis' outright holdings of Government securities, the total holdings in the Account remained at that level. The amounts of these temporary purchases of Government securities taken over from the Federal Reserve Bank of St. Louis, due to the heavy demands from their member banks, and the periods they were held in the System Account were as follows:

<u>Date</u>	<u>Amount Purchased</u>	<u>Date</u>	<u>Amount Resold</u>
May 31	\$ 6,000,000	Aug. 2	\$9,500,000
June 1	3,500,000	Sept. 24	5,125,000
Aug. 23	16,625,000	" 26	6,500,000
		Oct. 8	5,000,000

Other principal Government security transactions consummated in the System Account which either did not affect the total holdings in the Account or affected them only temporarily, pending completion of the transactions, were as follows:

June 15 Redemption of \$11,765,000 - 3 1/8% Treasury certificates of indebtedness which matured on that day. These certificates were replaced in the Account by purchase in the market of a like amount of short-term Governments.

May 23 During this period there were exchanges of issues in the Account to amounting to approximately \$25,000,000. These consisted chiefly

July 11 of the exchange of 3 1/4% certificates due December 15, 1928, (of which we held in the Account at that time \$69,407,500 par value against total holdings in the Account of \$100,000,000 par value) for other issues which consisted principally of 3 1/2% Treasury notes. These exchanges, however, did not result in any increase in the total holdings in the Account of 3 1/2% Treasury notes at that time, due to sales of large blocks of notes to the Fiscal Agent of the British Government.

- August 22 Sale was made to the Treasury of \$8,000,000 December 15, 1928 - 3 1/4% certificates of indebtedness which was replaced by a purchase from the Treasury for account of the Mixed Claims Commission of \$8,000,000 March 15, 1929 - 3 7/8% certificates. These transactions enabled the Treasury to redeem the December certificates and provided the Mixed Claims Commission with funds needed in one of their trust accounts.
- September 8 In order not to disturb the holdings of the System Account, the Federal Reserve Bank of New York took over into their Investment Account from a foreign correspondent, \$23,100,000 December 15, 1928 - 3 1/4% certificates of indebtedness. Some of these certificates were acquired by the Treasury for redemption, the balance having been gradually sold to the market.
- October 11 A foreign correspondent asked to have converted into cash \$40,200,000 United States 3 1/2% Treasury notes due December 15, 1930-32. The Open Market Committee discussed ways and means of handling this transaction and after consultation with the Treasury the following program was agreed to:
1. The Committee took over the \$40,200,000 December 15, 1930-32 Treasury notes.
 2. There was sold from the Special Account to the Treasury for redemption \$30,000,000 of 3 1/4% certificates due December 15, 1928.
 3. The balance of \$10,200,000 notes were subsequently sold to the market.
- October 18 In order to meet the requirements of the Federal Intermediate Credit Bank of Wichita, Kansas, in connection with the financing of the cotton crop, the participation in the Open Market Account of the Federal Reserve Bank of Kansas City was taken over by

4

the Committee at the market price and distributed to other participating Federal reserve banks. The amount of the securities taken over was \$5,122,000 par value.

At the meeting of the Open Market Committee held on July 18 the method of distributing System purchases of bills and securities during the second half of the year was considered. In view of the earning position of all of the banks as shown by actual figures for the first half of the year 1928, and estimated for the second half, which reflected that the net earnings of all of the banks for the year would be more than sufficient to cover their expenses, dividends and charge-offs, it was voted to continue apportioning System purchases of bankers acceptances on the basis of each bank's expenses, dividends and charge-offs.

The following requests were received by the Committee from Federal reserve banks relative to the distribution of bills purchased:

On April 20 the Federal Reserve Bank of St. Louis discontinued their participation in System purchases of bills and did not resume their participation until October 8.

On April 28 the Federal Reserve Bank of Chicago advised that they did not wish to participate in the distribution by the Federal Reserve Bank of Boston of over-purchases of bills made by the latter.

On May 11 the Federal Reserve Bank of Chicago also requested that until further notice their share of System purchases of bills be reduced one-half. Their allotment percentage was accordingly reduced from 14% to 7% and apportioned to the other participating banks.

On May 17 the Federal Reserve Bank of Philadelphia, by resolution of their Board of Directors, requested, until further notice, to be omitted from participation in the over-purchases of bills

5

by other Federal reserve banks, as their holdings of acceptances were very large as compared with the previous year.

On May 31 the Federal Reserve Bank of Richmond asked to be eliminated from participation in the over-purchases of bills by other Federal reserve banks as their reserve ratio was running below 60% for some time.

On October 2 the Federal Reserve Bank of Kansas City requested that for the balance of the year, at least, they be eliminated from over-purchases of bills by the Boston bank.

On October 27 the Federal Reserve Bank of St. Louis asked to be relieved temporarily of their participation in System purchases of bills.

On November 5 the Federal Reserve Bank of Kansas City asked to be relieved of their participation in all purchases of bills for System Account for the balance of this year.

Attached are statements showing:

Exhibit "A" - Outright holdings of Government securities by individual Federal reserve banks and their participation in the System Special Investment Account; also classification of issues held in System Account by maturities, all as of close of business November 7, 1928.

Exhibit "B" - Bills purchased outright by System by weeks from December 29, 1927 to October 31, 1928.

Exhibit "C" - Statement showing earning asset holdings of all Federal reserve banks November 7, 1928 as compared with previous week and November 9, 1927; also weekly average of earning assets from December 28, 1927 to November 7, 1928 as compared with corresponding period 1927 and entire year 1927.

Exhibit "D" - Statement showing actual earnings of all Federal reserve banks for the first ten months in 1928.

Exhibit "A"

STATEMENT SHOWING HOLDINGS OF GOVERNMENT SECURITIES BY FEDERAL RESERVE BANKS

	Outright Holdings of Government Securities by Federal Reserve Banks as at the Close of Business Nov. 7, 1928	Participation by Fed. Res. Banks in System Spec. Inv. Acct. Gov't Securities as at the Close of Business Nov. 7, 1928.	Totals
Boston	\$ 701,500	\$ 6,186,500	\$ 6,888,000
New York	1,384,200	21,372,800	22,757,000
Philadelphia	15,224,000	5,848,000	21,072,000
Cleveland	26,483,000	6,803,000	33,286,000
Richmond	1,152,500	2,271,500	3,424,000
Atlanta	3,099,000	2,080,000	5,179,000
Chicago	19,927,500	12,402,500	32,330,000
St. Louis	16,625,000	4,151,000	20,776,000
Minneapolis	7,584,500	3,121,500	10,706,000
Kansas City	9,732,000	0	9,732,000
Dallas	9,987,500	4,300,500	14,288,000
San Francisco	<u>9,684,000</u>	<u>6,951,000</u>	<u>16,635,000</u>
Totals	<u>\$121,584,700</u>	<u>\$75,488,300</u>	<u>\$197,073,000</u>

CLASSIFICATION OF ISSUES OF GOVERNMENT SECURITIES HELD IN
THE SYSTEM SPECIAL INVESTMENT ACCOUNT CLOSE OF BUSINESS NOVEMBER 7

3	1/4%	C/I	due	Dec.	15,	1928	\$10,187,500
3	3/8%	"	"	Mar.	15,	1929	11,450,000
3	7/8%	"	"	Mar.	15,	1929	12,550,000
3	1/2%	T/N	"	Sept.	15,	1932	5,000,000
3	1/2%	"	"	Dec.	15,	1932	<u>36,300,800</u>
							<u>\$75,488,300</u>

BILLS PURCHASED OUTRIGHT BY SYSTEM BY WEEKS
 FROM DECEMBER 29, 1927 TO OCTOBER 31, 1928
 (000 Omitted)

EXHIBIT "B"

Weeks Ending	Boston	New York			Phila.	Cleveland	Richmond	Atlanta	Chicago	Dallas	San Fran.	Totals	INCREASE or DECREASE in Holdings Including Sales Contracts		Dealers Operations With Other Districts	
		Banks	Dealers	Total									New York Operations	System Operations	Received	Sent
Jan. 4	\$ 3,029	\$ 18,275	\$ 8,202	\$ 26,477	\$ 4,083	\$ 1,200	\$ 1,724	\$ 241	\$ 2,897	\$ 1,149	\$ 3,164	\$ 43,964	\$ 4,400-	\$ 1,600+	\$ 2,773	\$ 7,658
11	12,855	28,708	20,825	49,533	2,147	2,080	200	66	1,293	1,711	2,700	72,585	1,900+	5,400+	1,835	12,008
18	5,472	26,824	7,351	34,175	4,899	530	130	222	2,320	779	2,304	50,831	13,700-	23,500-	1,505	7,320
25	5,584	19,208	4,565	23,773	4,696	713	210	88	5,028	506	1,275	41,873	15,500-	21,700-	2,836	9,901
Feb. 1	11,071	40,225	4,946	45,171	5,411	1,613	155	152	5,713	1,042	2,367	72,695	30,700+	30,000+	4,962	9,923
8	7,508	14,111	5,702	19,813	4,842	2,272	433	32	4,393	762	1,099	41,154	13,800-	8,100-	5,299	9,526
15	1,083	4,584	6,174	10,758	5,177	716	-0-	457	388	210	1,053	19,842	15,200-	14,500-	3,227	3,463
21	3,736	10,531	2,839	13,370	3,820	809	-0-	131	1,356	584	439	24,245	2,100-	1,500-	2,461	6,827
29	3,407	17,003	3,760	20,763	4,641	252	918	98	2,109	275	1,649	34,112	9,300-	9,500-	3,621	4,802
Mar. 7	4,015	15,991	2,375	18,366	928	1,909	244	107	1,738	1,259	1,001	29,567	8,700-	5,300-	2,384	4,437
14	7,162	17,290	5,214	22,504	2,342	380	215	105	2,536	1,152	1,670	38,066	7,700+	4,900+	1,313	5,061
21	4,529	16,891	2,733	19,624	2,921	723	270	4	2,840	1,034	4,968	36,913	10,500-	10,600-	1,916	6,091
28	8,591	26,150	2,042	28,192	2,409	714	-0-	30	1,676	926	997	43,535	12,600+	13,500+	919	10,736
Apr. 4	10,256	21,347	5,903	27,250	6,476	795	450	348	7,849	281	2,297	56,002	2,800-	2,500-	5,746	12,589
11	21,547	15,300	3,744	19,044	3,853	184	100	107	2,041	1,377	1,704	49,957	1,600+	18,000+	1,075	17,812
18	13,632	19,997	10,643	30,640	7,770	500	122	60	4,898	1,041	4,830	63,493	30,500-	10,800-	877	10,170
25	15,553	23,258	6,623	29,881	5,500	-0-	398	203	622	1,132	3,391	56,680	1,200+	15,100+	106	12,537
May 2	7,510	24,765	6,253	31,018	3,366	727	-0-	5	2,025	1,364	1,459	47,474	3,800-	2,700-	8,215	6,713
9	4,703	20,887	10,938	31,825	4,771	100	1,134	184	2,319	638	278	45,952	1,600+	2,000+	5,146	3,324
16	1,944	12,772	3,702	16,474	3,364	507	735	411	1,568	608	3,120	28,731	19,266-	17,812-	2,763	5,922
23	3,548	9,043	2,421	11,464	755	636	50	126	3,539	865	554	21,537	14,666-	16,730-	3,872	4,780
29	7,527	7,437	1,928	9,365	714	198	165	139	187	750	219	19,264	21,617-	26,574-	2,166	5,273
June 6	2,965	4,342	3,835	8,177	883	1,007	127	-0-	517	1,370	1,826	16,872	34,583-	37,594-	5,070	4,047
13	5,982	3,865	4,165	8,030	2,283	531	491	-0-	336	829	786	19,268	26,746-	25,977-	5,584	4,861
20	5,093	2,727	4,810	7,537	1,524	977	506	31	439	665	3,542	20,314	16,471-	16,535-	3,873	6,044
27	8,726	5,582	4,836	10,418	2,967	1,226	178	-0-	925	969	1,216	26,625	5,549-	450-	1,599	7,396
July 3	3,035	6,933	3,747	10,680	2,088	1,007	-0-	-0-	37	1,108	2,276	20,231	136+	13,768-	4,407	4,503
11	8,666	11,122	2,069	13,191	2,140	1,357	342	6	1,342	643	4,653	32,340	22,768-	22,022-	2,846	7,188
18	6,939	12,158	1,256	13,414	1,341	-0-	115	-0-	7	459	1,559	23,834	5,495-	6,607-	4,628	3,414
25	5,625	10,775	2,201	12,976	853	629	151	117	13	567	2,153	23,084	13,278-	11,952-	2,728	6,264
Aug. 1	8,684	6,607	1,962	8,569	1,501	745	253	-0-	283	695	2,855	23,585	2,897-	3,204+	5,212	10,326
8	4,243	8,459	2,579	11,038	357	126	-0-	-0-	566	934	934	17,264	5,228-	4,032-	2,090	4,852
15	6,352	15,487	6,871	22,358	1,353	1,283	202	60	75	662	2,230	34,575	19,135+	28,055+	2,370	5,377
22	4,021	7,817	3,243	11,060	140	421	340	-0-	545	1,216	979	18,722	8,832-	6,302-	4,627	6,825
29	3,939	15,077	3,525	18,602	195	779	450	24	498	900	1,772	27,159	2,690-	699+	3,929	3,694
Sept. 5	4,355	5,047	3,195	8,242	933	119	50	-0-	67	273	3,864	17,903	1,298-	2,497+	1,906	5,960
12	8,374	145	13,704	13,849	2,221	580	326	-0-	995	939	8,147	35,431	11,034+	24,364+	2,240	9,791
19	4,483	9,481	30,876	40,357	4,960	789	175	50	442	665	4,186	56,107	17,115+	26,029+	1,979	6,391
26	3,473	17,662	13,051	30,713	4,113	637	-0-	6	919	1,132	4,256	45,249	21,587+	26,230+	2,565	3,654
Oct. 3	3,423	17,742	20,519	38,261	1,935	1,503	291	-0-	514	368	3,836	50,131	36,589+	46,557+	2,262	5,269
10	1,938	21,097	18,053	39,150	1,817	543	100	6	817	596	5,568	50,535	16,624+	21,792+	2,459	3,761
17	8,315	12,578	20,333	32,911	1,857	338	236	-0-	976	481	4,656	49,770	41,895+	47,641+	2,095	3,677
24	10,832	32,881	5,323	38,204	1,746	1,127	384	11	902	1,295	3,383	57,884	11,810+	22,069+	3,623	9,092
31	6,584	33,560	7,399	40,959	2,534	793	152	50	272	506	2,863	54,713	29,218+	38,898+	2,516	7,251
TOTALS	\$290,309	\$671,741	\$306,435	\$978,176	\$124,626	\$34,075	\$12,522	\$3,677	\$70,256	\$36,349	\$110,078	\$1,660,068	\$72,441-	\$55,072+	\$126,270	\$306,510

Outright Sales Contracts Net Change

Actual change in System's holdings during period \$41,550+
 Based exclusively on New York's operations, change would have been 77,590- \$13,522+ \$5,149+ \$55,072+ 72,441-

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Exhibit "B" (a)

MATURITIES OF BILLS PURCHASED BY THE SYSTEM
DURING THE PERIOD FROM DECEMBER 29, 1927 TO OCTOBER 31, 1928

EXCLUDING SALES CONTRACTS

(000 OMITTED)

	<u>1-30 days</u>	<u>31-60 days</u>	<u>61-90 days</u>	<u>Over 90-days</u>	<u>Totals</u>
Boston	\$ 68,605	\$ 61,632	\$138,909	\$21,163	\$ 290,309
New York	433,982	197,435	312,530	34,229	978,176
Philadelphia	21,253	35,598	67,775	0	124,626
Cleveland	768	11,805	20,214	1,288	34,075
Richmond	3,574	3,512	5,436	0	12,522
Atlanta	1,009	1,054	1,610	4	3,677
Chicago	20,827	33,528	15,901	0	70,256
Dallas	5,395	9,012	11,118	10,824	36,349
San Francisco	<u>22,316</u>	<u>31,996</u>	<u>49,487</u>	<u>6,279</u>	<u>110,078</u>
Totals	<u>\$577,729</u>	<u>\$385,572</u>	<u>\$622,980</u>	<u>\$73,787</u>	<u>\$1,660,068</u>

STATEMENT SHOWING EARNING ASSET HOLDINGS OF ALL FEDERAL RESERVE BANKS NOVEMBER 7, 1928 COMPARED WITH PREVIOUS WEEK AND NOVEMBER 9, 1927; ALSO WEEKLY AVERAGE OF EARNING ASSETS FROM DECEMBER 28, 1927 TO NOVEMBER 7, 1928 AS COMPARED WITH CORRESPONDING PERIOD 1927 AND ENTIRE YEAR 1927
(000 Omitted)

		Boston	New York	Phila.	Cleveland	Richmond	Atlanta	Chicago	St. Louis	Minn.	Kan. City	Dallas	San Fran.	Totals
Bills Discounted	- Oct. 31	\$32,826	\$261,461	\$86,118	\$71,130	\$44,615	\$76,186	\$168,031	\$47,393	\$13,643	\$38,078	\$22,474	\$70,316	\$ 932,371
"	Nov. 7	32,474	294,522	79,849	84,085	42,770	72,049	152,596	43,085	14,596	41,191	24,434	75,759	957,390
Net Change		352-	33,061+	6,269-	12,955+	1,845-	4,137-	15,455-	4,308-	953+	3,113+	1,960+	5,448+	25,119+
Bills Purchased	- Oct. 31	43,895	138,196	20,671	41,531	20,998	25,614	31,619	11,918	19,018	24,908	21,732	40,296	440,376
"	Nov. 7	43,421	131,564	21,570	45,773	24,102	26,678	34,620	11,642	19,749	26,408	22,475	40,643	448,645
Net Change		474-	6,632-	899+	4,242+	3,104+	1,064+	3,001+	276-	731+	1,500+	743+	367+	8,269+
Government Securities	- Oct. 31	6,888	47,327	21,072	33,286	3,424	5,270	34,325	20,776	10,706	11,482	15,908	16,635	227,899
"	Nov. 7	6,888	43,172	21,072	33,286	3,424	5,373	32,855	20,776	10,706	12,482	16,013	16,635	222,682
Net Change		-0-	4,155-	-0-	-0-	-0-	103+	1,470-	-0-	-0-	1,000+	105+	-0-	4,417-
Total Earning Assets	- Oct. 31	83,609	447,184	127,891	145,947	69,037	107,070	233,975	80,087	43,867	74,468	63,114	127,227	1,603,476
"	Nov. 7	82,783	469,458	122,521	163,144	70,296	104,100	220,051	75,503	45,551	80,081	65,922	133,037	1,632,447
Net Change		826-	22,274+	5,370-	17,197+	1,259+	2,970-	13,924-	4,584-	1,684+	5,613+	2,808+	5,810+	28,971+

Comparison of Weekly Average of Earning Assets

Dec. 28, 1927 to Nov. 7, 1928	101,776	393,831	124,118	137,586	62,640	76,120	187,857	65,996	39,525	57,031	49,585	112,959	1,409,824
Same period 1927	73,618	263,723	82,507	107,977	51,116	48,655	147,886	59,482	33,450	53,960	44,257	101,623	1,068,454
Entire year 1927	79,546	282,822	88,085	111,895	55,679	49,115	155,812	59,695	35,537	55,562	46,416	100,415	1,120,579
Net Change from same period 1927	28,158+	130,108+	41,611+	29,609+	11,524+	27,465+	39,971+	6,514+	6,075+	3,071+	5,328+	11,136+	340,570+
" " " " entire year 1927	22,230+	111,009+	36,033+	25,691+	6,961+	27,005+	32,045+	6,301+	3,988+	1,469+	3,169+	12,544+	288,445+

Comparison of Earning Assets

November 7, 1928	82,783	469,458	122,521	163,144	70,296	104,100	220,051	75,503	45,551	80,081	65,922	133,037	1,632,447
" 9, 1927	104,151	353,452	109,104	134,577	83,542	41,391	175,258	60,003	50,437	66,216	61,980	87,753	1,327,864
Net Change	21,368-	116,006+	13,417+	28,567+	13,246-	62,709+	44,793+	15,500+	4,886-	13,865+	3,942+	45,284+	304,583+

SUMMARY FOR SYSTEM

Bills Discounted for week	\$ 25,119+
Bills Purchased for week	8,269+
Government Securities for week	4,417-
Total Earning Assets for week	28,971+
Comparison of Weekly Average of Earning Assets Dec. 28, 1927 to Nov. 7, 1928 with same period 1927	340,570+
Comparison of Weekly Average of Earning Assets Dec. 28, 1927 to Nov. 7, 1928 with entire year 1927	288,445+
Comparison of Earning Assets November 7, 1928 with November 9, 1927	304,583+

Exhibit "D"

STATEMENT SHOWING ACTUAL EARNINGS OF ALL FEDERAL
RESERVE BANKS FOR THE FIRST TEN MONTHS IN 1928

<u>Federal Reserve Bank</u>	<u>Gross Earnings</u>	<u>Current Expenses</u>	<u>Net Deduction From Current Net Earnings</u>	<u>Available for Depreciation Allowances, Reserves, Surplus and Franchise Tax Oct. 31, 1928</u>	<u>Available for Depreciation Allowances, Reserves, Surplus and Franchise Tax for same period 1927</u>
Boston	\$ 3,561,840	\$ 1,548,425	\$ 620,524	\$ 1,392,891	\$ 223,380
New York	14,519,209	5,339,852	2,642,260	6,537,097	1,038,424
Philadelphia	4,377,564	1,667,617	813,145	1,896,802	263,091
Cleveland	4,794,683	2,163,041	837,555	1,794,087	563,415
Richmond	2,274,125	1,163,936	387,377	722,812	174,334
Atlanta	2,765,400	1,032,272	307,698	1,425,430	456,084
Chicago	6,964,568	3,112,958	1,164,287	2,687,323	791,235
St. Louis	2,317,335	1,111,252	673,616	532,467	482,921
Minneapolis	1,353,344	821,907	198,137	333,300	82,008
Kansas City	2,056,896	1,391,000	302,635	363,261	279,564
Dallas	1,641,448	1,028,672	292,451	320,325	127,755
San Francisco	<u>3,776,640</u>	<u>2,021,767</u>	<u>624,182</u>	<u>1,130,691</u>	<u>792,301</u>
TOTALS	<u>\$50,403,052</u>	<u>\$22,402,699</u>	<u>\$8,863,867</u>	<u>\$19,136,486</u>	<u>\$5,274,512</u>

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333-62

FEDERAL RESERVE BANK
OF NEW YORK

RECEIVED
AUG 20 1928
OFFICE OF
THE GOVERNOR

PERSONAL

August 18, 1928

RECEIVED
AUG 31 1928
F. A. Y.

Dear Governor Young:

I am enclosing herewith, for your files, a copy of the minutes of the meeting of the Open Market Investment Committee held in Washington on August 13, 1928, together with a copy of the secretary's report to the meeting, and a copy of a memorandum covering the credit situation presented by the Committee to the Federal Reserve Board.

Very truly yours,

W. B. Matteson

W. B. Matteson
Secretary, Open Market
Investment Committee

Honorable Roy A. Young,
Governor, Federal Reserve Board,
Washington, D. C.

Encls.

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333-b-v

FEDERAL RESERVE BANK
OF NEW YORK

RECEIVED
AUG 20 1928
THE GOVERNOR

CONFIDENTIAL

SEP 29 1928
R. A. Y.

August 18, 1928

Dear Governor Young:

I am enclosing a copy of the minutes of the
meeting of the Open Market Investment Committee held in
Washington on August 13, 1928.

8/13/28 filed 333-b-2
Final Minutes

Very truly yours,

W. B. Matteson

W. B. Matteson
Secretary, Open Market
Investment Committee

Honorable Roy A. Young,
Governor, Federal Reserve Board,
Washington, D. C.

Encls.

no acknowledgment in file

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(COPY)

333-6-2

August 16, 1928

826 21904
 AUG 17 1928
 R. A. Y.

Dear Mr. Harrison:

The Board has reviewed carefully the report of the Open Market Investment Committee and its recommendations of August 13, and has also considered the verbal discussion which took place during the meeting, and it is in agreement with the Committee that the seasonal requirements of credit will probably develop a strain upon the future credit situation which may react unfavorably upon commerce and industry, and that if such a situation should develop, the System should take some action to relieve the strain.

The Board would not care to agree to the purchase of Government securities, except as a last resort. We understand from the discussion had with your committee that you favor easing through the bill market, if possible, and through the Government security market only if unavoidable. With this understanding, the Board approves the purchase of Government securities by the committee but limits the amount to \$100,000,000. If a situation should develop which will require reconsideration, the Board will be glad to meet the committee at any time for that purpose.

Very truly yours,

R. A. Young,
 Governor

Mr. George L. Harrison, Acting Chairman,
 Open Market Investment Committee,
 c/o Federal Reserve Bank,
 New York, N. Y.

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REPORT OF OPEN MARKET COMMITTEE AUGUST 1, 1928. 333-62

CONFIDENTIAL.

The policy recommended by the committee in most of its meetings since January, has been to check or prevent unduly rapid or unnecessary increase in the volume of bank credit. While the total volume of loans and investments of reporting member banks is now considerably above what it was at the low point in February, nevertheless, it is approximately \$300,000,000 below the high point of May, and there is evidence that member banks are making continued efforts to reduce their borrowings at Federal Reserve Banks. 8/13/58

The Committee does not believe that conditions necessitate an immediate purchase of securities by the System. It is of the opinion, however, that as pointed out at its last meeting, an extended period of high money rates and heavy pressure resulting from large borrowings by member banks would not be wholesome and that there are some indications that with the approaching fall demands for credit it may soon be possible or necessary to take steps looking toward the reduction, or at least the avoidance of the necessity of any substantial increase in the volume of member bank discounts. With these facts in view and realizing that if and when the time arrives undue delay may be hurtful to the situation, the Committee recommends that it should be the policy of the System to purchase securities whenever that should become necessary to avoid undue credit stringency.

The Committee would expect to take such steps as may be needed to carry out this policy, if approved, believing, however, that it might be advisable to have another meeting of the Committee to review the effect of any steps that may be taken in pursuance of this policy.

No action

AT BOARD MEETING

AUG 14 1928

333-6-2

CONFIDENTIALREPORT OF SECRETARY OF THE OPEN MARKET INVESTMENT COMMITTEE
TO THE MEETING OF THE COMMITTEE ON AUGUST 13, 1928

As reported at the last meeting of the Committee on July 18, 1928, the total holdings in the System Account on July 11 were \$84,988,300. Since that time the only transaction in the Account was the repurchase on August 2 by the Federal Reserve Bank of St. Louis of the \$9,500,000 short-term Governments which were previously taken over temporarily from that bank's portfolio. This left the total holdings in the Account on August 8, 1928, at \$75,488,300.

At the last meeting it was voted, in view of the earning position of the banks as shown by actual figures for the first half of the year and estimated for the second half, to continue apportioning System purchases of bankers acceptances on the basis of each bank's expenses, dividends and charge-offs. Attached is statement (Exhibit "A") showing actual expenses, dividends and charge-offs of all the banks for the first seven months of the year and estimated figures for the last five months, upon which the current ratios of distribution are based. It will be noted that, according to the new figures obtained, the net earnings of all the banks for the year 1928 will be more than sufficient to cover expenses, dividends and charge-offs.

Attached also is statement (Exhibit "B") showing earning asset holdings of all Federal reserve banks August 8, 1928, as compared with previous week and with August 10, 1927; also weekly average of earning assets from December 28, 1927 to August 8, 1928, as compared with corresponding period 1927 and with entire year 1927.

DATA ON EARNINGS, EXPENSES AND REQUIREMENTS OF ALL FEDERAL RESERVE BANKS BASED ON FIGURES FURNISHED THE OPEN MARKET INVESTMENT DEPARTMENT AT THE CLOSE OF BUSINESS JULY 31, 1928

Exhibit "A"

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)
	Gross Earnings	Expenses and Dividends	Estimated Year-end Charge-offs	Net Earnings	Ratio of Expenses Dividends & Charge-offs to Total	Distribution of Net Earnings on Ratios of Expenses Dividends and Charge-offs	Estimated Earnings from Gov't Security Holdings Last Five Months 1928	Estimated Earnings from Bills Purchased Last Five Months 1928	Estimated Earnings from Bills Discounted and Miscellaneous Sources Last Five Months 1928	Amount of Earnings Required from Bills Purchased During Balance of Year to Effect Proper Distribution	Ratio of Col. 10	Amount of Earnings Required From Other Than Gov't Sec. During Balance of Year to Effect Proper Distribution	Ratio of Col. 12
YEAR 1928													
BOSTON													
Actual for 7 months	\$2,528	\$1,526		\$1,002									
Estimated " 5 "	1,748	1,022		574			112	340	1,296			1,169	5 1/2%
Total	\$4,276	\$2,548	152	\$1,576	6 3/4%	1,109				127 Over	0		
NEW YORK													
Actual for 7 months	9,032	5,585		3,447									
Estimated " 5 "	7,449	4,095		2,880			586	544	6,319			4,684	22 1/2%
Total	\$16,481	\$9,680	474	\$6,327	25 1/2%	4,148				1,635 Over	0		
PHILADELPHIA													
Actual for 7 months	2,748	1,730		1,018									
Estimated " 5 "	2,208	1,314		777			309	235	1,664			1,418	6 3/4%
Total	\$4,956	\$3,044	117	\$1,795	8 %	1,314				246 Over	0		
CLEVELAND													
Actual for 7 months	3,187	2,103		1,084									
Estimated " 5 "	2,156	1,522		341			495	288	1,373			1,838	8 1/2%
Total	\$5,343	\$3,625	293	\$1,425	9 3/4%	1,602				465	9		
RICHMOND													
Actual for 7 months	1,433	1,081		352									
Estimated " 5 "	1,022	780		125			44	104	874			1,323	6 1/4%
Total	\$2,455	\$1,861	117	\$ 477	5 %	822				449	8 1/2%		
ATLANTA													
Actual for 7 months	1,541	944		597									
Estimated " 5 "	1,609	648		691			77	207	1,325			984	4 1/2%
Total	\$3,150	\$1,592	270	\$1,288	4 1/2%	739				341 Over	0		
CHICAGO													
Actual for 7 months	4,600	3,047		1,553									
Estimated " 5 "	2,676	2,041		10			560	203	1,913			2,894	13 1/2%
Total	\$7,276	\$5,088	625	\$1,563	14 1/2%	2,341				981	19 1/2%		
ST LOUIS													
Actual for 7 months	1,466	1,073		393									
Estimated " 5 "	1,232	703		342			108	0	1,124			1,211	5 1/2%
Total	\$2,698	\$1,776	187	\$ 735	5 %	822				87	1 1/2%		
MINNEAPOLIS													
Actual for 7 months	893	726		167									
Estimated " 5 "	545	495		42 Short			175	170	200			779	3 1/2%
Total	\$1,438	\$1,221	92	\$ 125	3 1/2%	534				579	11 1/2%		
KANSAS CITY													
Actual for 7 months	1,372	1,188		184									
Estimated " 5 "	945	852		75 Short			301	147	497			1,439	6 3/4%
Total	\$2,317	\$2,040	168	\$ 109	5 1/2%	904				942	18 1/2%		
DALLAS													
Actual for 7 months	980	920		60									
Estimated " 5 "	923	627		254			242	185	496			1,024	5 %
Total	\$1,903	\$1,547	42	\$ 314	4 %	657				528	10 1/2%		
SAN FRANCISCO													
Actual for 7 months	2,354	1,887		467									
Estimated " 5 "	1,854	1,315		229			257	313	1,279			2,339	11 %
Total	\$4,208	\$3,202	310	\$ 696	8 1/2%	1,458				1,060	20 1/2%		
SYSTEM TOTALS													
	\$56,501	\$37,224	\$2,847	\$16,430	100%	\$16,430	\$3,266	\$2,741	\$18,360	\$5,091	100%	\$21,102	100%
		2,847											
		\$40,071											

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Authority E.O. 13526

STATEMENT SHOWING EARNING ASSET HOLDINGS OF ALL FEDERAL RESERVE BANKS AUGUST 8, 1928 COMPARED WITH PREVIOUS WEEK AND AUGUST 10, 1927; ALSO WEEKLY AVERAGE OF EARNING ASSETS FROM DECEMBER 28, 1927 TO AUGUST 8, 1928 AS COMPARED WITH CORRESPONDING PERIOD 1927 AND ENTIRE YEAR 1927
(000 Omitted)

		Beston	New York	Phila.	Cleveland	Richmond	Atlanta	Chicago	St. Louis	Minn.	Kan. City	Dallas	San Fran.	Totals
Bills Discounted	- Aug. 1	\$66,047	\$339,883	\$94,398	\$87,299	\$56,347	\$71,540	\$186,141	\$55,139	\$16,038	\$22,176	\$26,758	\$64,010	\$1,085,776
"	" 8	63,403	329,393	91,677	85,148	54,736	75,302	164,878	54,274	14,953	23,966	30,774	72,781	1,061,285
Net Change		2,644-	10,490-	721-	2,151-	1,611-	3,762+	21,263-	865-	1,085-	1,790+	4,016+	8,771+	24,491-
Bills Purchased	- Aug. 1	19,856	35,288	14,290	17,318	6,677	12,406	10,676	136	9,971	8,467	10,707	20,087	165,879
"	" 8	14,361	32,170	13,890	18,678	7,461	12,754	11,507	128	10,184	8,512	11,835	20,367	161,847
Net Change		5,495-	3,118-	400-	1,360+	784+	348+	831+	8-	213+	45+	1,128+	280+	4,032-
Government Securities	- Aug. 1	7,616	35,479	21,648	33,897	3,544	5,227	34,318	7,125	11,045	18,558	15,824	17,382	211,663
"	" 8	6,843	28,501	20,927	33,107	3,276	4,984	32,971	16,625	10,658	18,129	15,326	16,521	207,868
Net Change		773-	6,978-	721-	790-	268-	243-	1,347-	9,500+	387-	429-	498-	861-	3,795-
Total Earning Assets	- Aug. 1	93,519	410,650	130,336	138,514	66,568	89,173	231,135	62,400	37,544	49,201	53,289	101,479	1,463,808
"	" 8	84,607	390,064	126,494	136,923	65,473	93,040	209,356	71,027	36,285	50,607	57,935	109,669	1,431,490
Net Change		8,912-	20,586-	3,842-	1,581-	1,095-	3,867+	21,779-	8,627+	1,259-	1,406+	4,646+	8,190+	32,318-
Comparison of Weekly Average of Earning Assets														
Dec. 28, 1927 to Aug. 8, 1928		109,092	372,507	120,218	137,663	60,831	66,161	188,572	63,602	38,582	55,530	45,281	105,541	1,363,580
Same period 1927		70,088	243,915	81,327	107,407	41,363	49,367	150,785	57,576	31,808	52,866	41,220	104,032	1,031,754
Entire year 1927		79,546	282,822	88,085	111,895	55,679	49,115	155,812	59,695	35,537	55,562	46,416	100,415	1,120,579
Net Change from same period 1927		39,004+	128,592+	38,891+	30,256+	19,468+	16,794+	37,787+	6,026+	6,774+	2,664+	4,061+	1,509+	331,826+
" " " entire year 1927		29,546+	89,685+	32,133+	25,768+	5,152+	17,046+	32,760+	3,907+	3,045+	32-	1,135-	5,126+	243,001+
Comparison of Earning Assets														
August 8, 1928		84,607	390,064	126,494	136,923	65,473	93,040	209,356	71,027	36,285	50,607	57,935	109,669	1,431,490
" 10, 1927		63,381	274,626	76,573	96,411	45,464	52,123	129,442	55,692	29,348	44,781	44,536	98,006	1,010,389
Net Change		21,226+	115,438+	49,921+	40,522+	20,009+	40,917+	79,914+	15,329+	6,937+	5,826+	13,399+	11,663+	421,101+

SUMMARY FOR SYSTEM

Bills Discounted for week	324,491-
Bills Purchased for week	4,032-
Government Securities for week	3,795-
Total Earning Assets for week	32,318-
Comparison of Weekly Average of Earning Assets Dec. 28, 1927 to Aug. 8, 1928 with same period 1927	331,826+
Comparison of Weekly Average of Earning Assets Dec. 28, 1927 to Aug. 8, 1928 with entire year 1927	243,001+
Comparison of Earning Assets August 8, 1928 with August 10, 1927	421,101+

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① 333-62

August 13, 1928.

Memorandum on Credit Conditions

Since the last meeting of the committee the effects on the credit situation of gold exports and Federal Reserve action have become more evident and may be summarized as follows:

1. Interest rates are generally higher. Time money in particular is firm and difficult to obtain.
- ② 2. The total volume of bank credit is somewhat further reduced, (300 million dollars since May), though the reduction is still confined to New York City banks and total loans and investments are still 8 per cent larger than a year ago. Total deposits are about 2 per cent larger than a year ago.
3. The volume of issues of new securities has decreased and the market is congested.
4. Bond prices have declined further and average about 4 points under the year's high, and slightly under the 1927 low.
5. The market for government securities has weakened further and the July issue is nearly two points under par.
6. Stock prices have moved irregularly. Average prices (New York Tribune, 100 stocks) are about 8 points or 5 per cent under the year's high point. Trading is reduced in volume. Bank stocks continue weak.
7. Banks are showing concern about the credit situation and applying pressure to reduce borrowing at the Reserve Banks. New York City banks have sold \$118,000,000 of government securities since July 11.
8. European exchanges have weakened further and those of England, France, Italy, and Holland are only slightly above the points at which gold

August 13, 1928.

2

will move to this country, unless prevented by higher rates abroad or sale of their balances here to support the exchanges.

9. There is no evidence of restriction of business, though profits are reported small in some lines. Building and automobile production are particularly large. There appears to be an ample supply of credit for business at moderate rates.

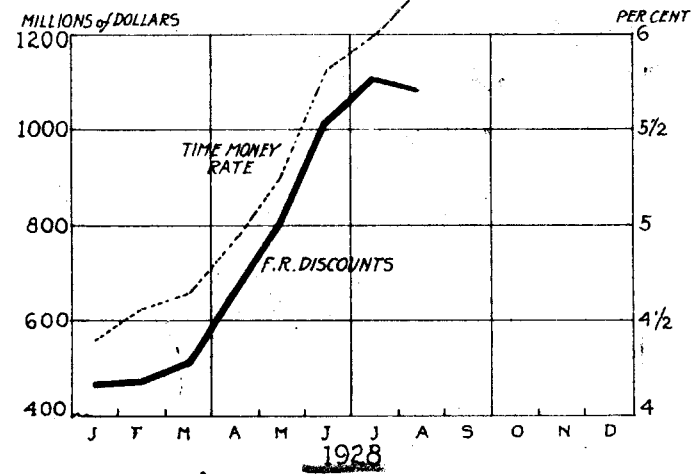
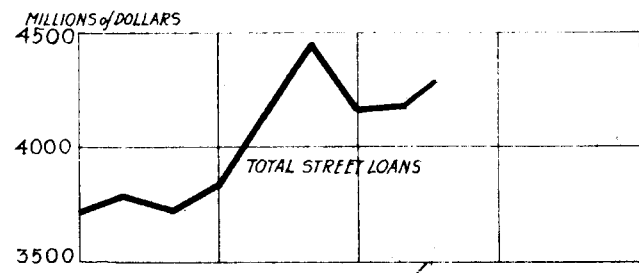
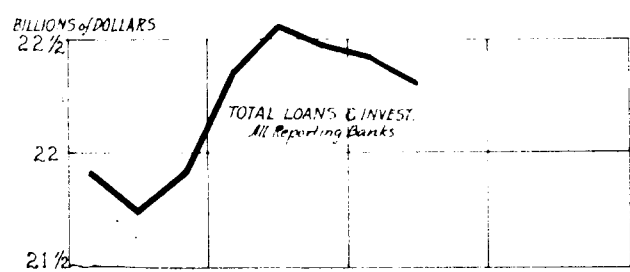
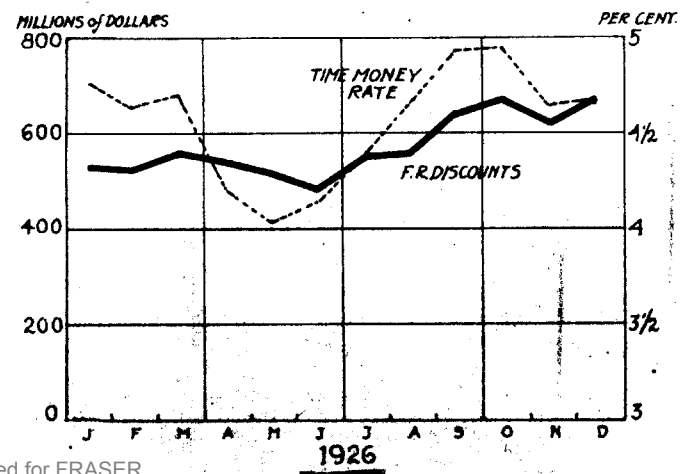
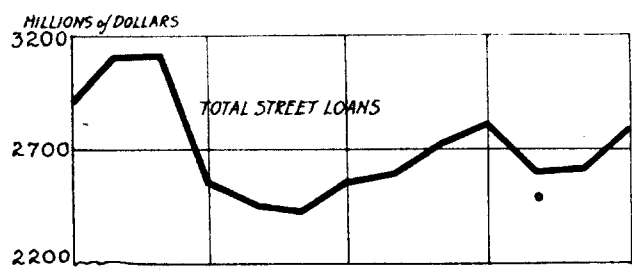
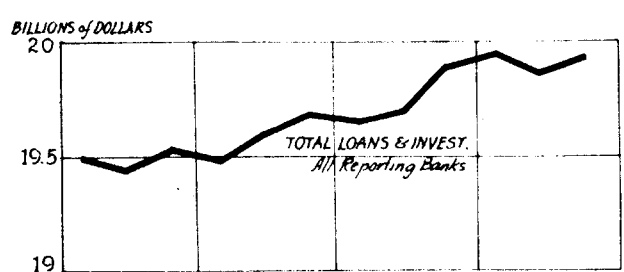
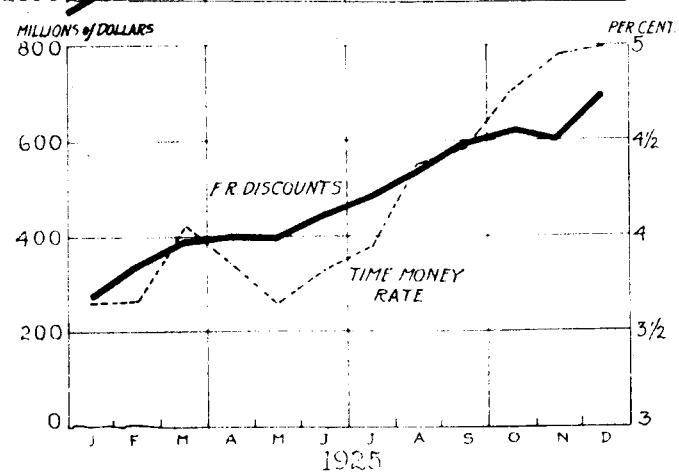
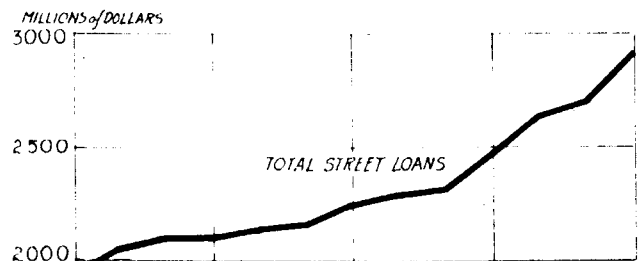
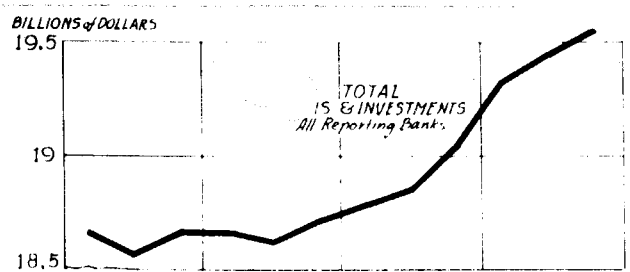
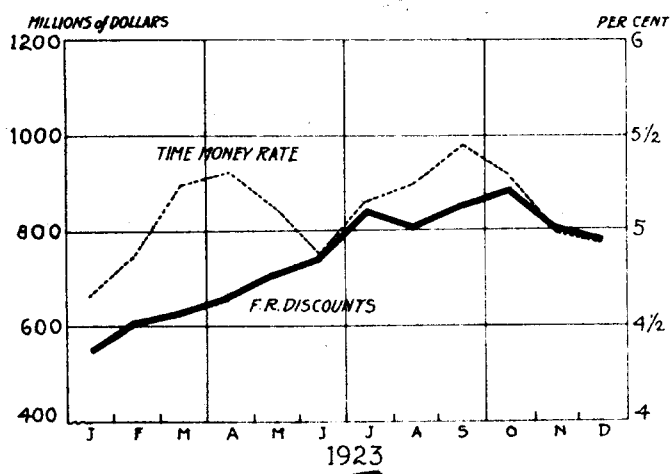
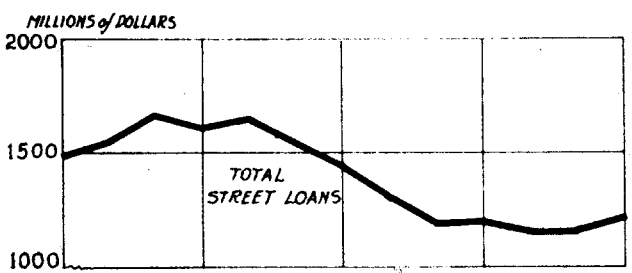
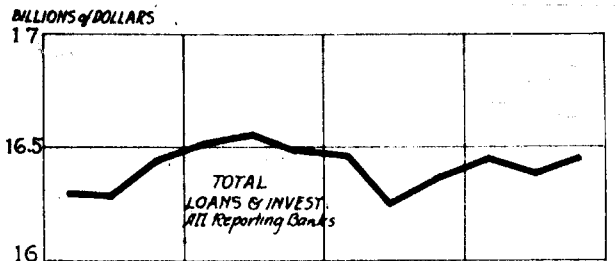
Another development, apparently unrelated to credit conditions, has been a sharp decline in prices of certain agricultural products, accompanying estimates of larger crops. As a result it seems probable that the farm income will be reduced from earlier estimates and possibly less than last year.

These various developments raise the question as to whether and when a change of policy is desirable.

Earlier Periods For Comparison

Bearing upon the question of the timing of any change in policy, a comparison of this year's developments with those of recent previous periods of credit readjustment is made in the attached chart. The three periods shown for comparison are 1923 and 1925, when the System sold securities heavily in the spring simultaneous with rate increases, and 1926 when readjustment followed rate increases in November 1925 and January 1926. The 1925 readjustment was so temporary as hardly to show in the figures, but in 1923 and 1926 bills discounted amounting to between 500 and 700 million, and discount rates at 4 1/2 and 4 per cent respectively, appeared to be sufficient to check the expansion of credit, though in neither case was there any substantial liquidation of the total volume of credit.

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August 13, 1928.

4

What Would Be A Normal Status?

The method or methods to be employed toward some relaxation in credit, when that becomes possible, depend upon the ends to be sought - especially what might be considered in the future to be a proper average of member bank borrowings and a normal level of rates.

The comparative ineffectiveness of rate increases this spring at a time when member banks owed the Reserve Banks about 500 million dollars, raises the question as to the relation between open market rates and Federal Reserve discount rates, and this raises the further question whether it is possible to bring about a different relation between Federal Reserve rates and the market. Experience appears to show that large indebtedness forces market rates high relative to the discount rate, and that the most feasible method of securing a somewhat more effective adjustment of market and discount rates would be to reduce the amount of member bank indebtedness while leaving rates unchanged.

But apart from any attempt to bring about a somewhat different relation between discount rates and market rates, there are some reasons for believing that the present amount of member bank borrowing is too large to be continued over an extended period without some unfortunate results.

1. Almost regardless of the discount rate, it keeps severe pressure on the credit situation.
2. By keeping open market rates high relative to the discount rate, it tends to make the cost of financing through acceptances higher than direct borrowing at banks and tends to dry up the bill market.
3. By keeping open market rates high relative to the discount rate, it makes borrowing profitable and creates difficulty in dealing with borrowing banks. "Good" banks work out of debt taking losses; less cooperative banks use the Reserve System for profit.

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Form No. 181

Office Correspondence

FEDERAL RESERVE
BOARD333.-6-2
Date July 27, 1928To All Members of the Board

Subject: _____

From Mr. Noell

... 2-6495

At the meeting of the Executive Committee this morning, there was ordered circulated the attached letter, dated July 20th, from the Secretary of the Open Market Investment Committee, transmitting a copy of the minutes of the meeting of the committee held in Washington on July 18th, together with reports and memoranda considered at that meeting.

7/18/28 filed 333.-6-2 Final Minutes
Governor Young ✓

Mr. Platt ✓

Mr. Hamlin ✓

Mr. James ✓

Mr. Cunningham *absent*Dr. Miller *absent*

Col. McIntosh ✓

Please return to the Secretary's office for filing.

DECLASSIFIED
Authority E.O. 12356

333.-6-2

July 23, 1928

Dear Mr. Matteson:

7/18/28 filed 333.-6-2 Final Minutes

During the absence of Governor Young, I acknowledge receipt of your letter of July 20, enclosing a copy of the minutes of the meeting of the Open Market Investment Committee held in Washington on July 18, together with a copy of the Secretary's report, a copy of memorandum covering the credit situation presented by the Committee to the Federal Reserve Board, and a memorandum relative to distribution of System bill purchases during the balance of the year.

Very truly yours,

S. R. Carpenter,
Secretary to the Governor.

Mr. W. B. Matteson, Secretary,
Open Market Investment Committee,
Federal Reserve Bank,
New York City, N. Y.

DECLASSIFIED
Authority E.O. 12356

333.-6-2

July 21, 1928

Dear Mr. Matteson:

I acknowledge receipt of and thank you for your letter of the 20th instant, addressed to Governor Young, enclosing a copy of the minutes of the meeting of the Open Market Investment Committee held in Washington on July 18, 1928.

7/18/28 filed
333.-6-2
Final Minutes

Very truly yours,

Walter L. Eddy,
Secretary

Mr. W. B. Matteson, Secretary,
Open Market Investment Committee,
Federal Reserve Bank,
New York, N. Y.

DECLASSIFIED
Authority E.O. 12356

333.-6-2

FEDERAL RESERVE BANK
OF NEW YORK

RECEIVED
JUL 21 1928
COMMERCIAL BANK
THE GOVERNOR

PERSONAL

July 20, 1928

Dear Governor Young:

I am enclosing herewith, for your files, a copy of
7-18-28 files 333.-6-2 Final Minutes
the minutes of the meeting of the Open Market Investment Com-
mittee held in Washington on July 18, 1928, together with a
copy of the Secretary's report, a copy of memorandum covering
the credit situation presented by the Committee to the Federal
Reserve Board, and a memorandum relative to distribution of
System bill purchases during the balance of the year.

Very truly yours,

W. B. Matteson
Secretary, Open Market
Investment Committee

Honorable Roy A. Young,
Governor, Federal Reserve Board,
Washington, D. C.

Encls. (4)

DECLASSIFIED
Authority E.O. 12356

333-62

RECEIVED
JUL 21 1928
COMMUNICATIONS SECTION
FEDERAL RESERVE BOARD

FEDERAL RESERVE BANK
OF NEW YORK

CONFIDENTIAL

July 20, 1928

Dear Governor Young:

I am enclosing a copy of the minutes ^{7-18-28 filed 333-62} of the meeting ^{Final minutes} of the Open Market Investment Committee held in Washington on July 18, 1928.

Very truly yours,

W. B. Matteson
Secretary, Open Market
Investment Committee

Honorable Roy A. Young,
Governor, Federal Reserve Board,
Washington, D. C.

Encls. (1)

see ans 7/21/28

DECLASSIFIED
Authority E.O. 12356

333-62

FEDERAL RESERVE BANK
OF NEW YORK

CONFIDENTIAL

RECEIVED
JUL 21 1928
OFFICE OF
MR. PLATT.

July 20, 1928

Dear Governor Platt:

7/18/28 filed 333-6-2
Final Minutes

I am enclosing herewith a copy of the minutes of the meeting of the Open Market Investment Committee held in Washington on July 18, together with a copy of the Secretary's report, a copy of memorandum covering the credit situation presented by the Committee to the Federal Reserve Board, and a memorandum relative to distribution of System bill purchases during the balance of the year.

Very truly yours,
W. B. Matteson
W. B. Matteson
Secretary, Open Market
Investment Committee

Honorable Edmund Platt,
Vice Governor, Federal Reserve Board,
Washington, D. C.

Ordered Circulated
EXECUTIVE COMMITTEE
MEETING,

Encls. (4)

JUL 27 1928

(Handwritten mark)

no acknowledgment in files

Committee Report

333-6 ✓

7/18/28.

The committee has considered the preliminary memorandum submitted by the chairman and other features of the current credit situation.

The committee recommends that no open market action be taken at present, or until the present moderately high level of money rates has continued long enough to provide a testing of the credit situation, which may have the effect of checking unsound uses of credit.

The committee believes, however, that the present amount of member bank borrowing at the Reserve Banks and present money rates would not be wholesome if continued over an extended period and believes the Reserve System should be prepared, if and when conditions warrant, to exercise its influence to modify these conditions. The committee believes this situation should have careful, continuous study, and would expect to meet again for its consideration within a few weeks.

Presented
AT BOARD MEETING
JUL 18 1928
Jen

DECLASSIFIED
 Authority **E.O. 12356**

333-6-2

CONFIDENTIAL

REPORT OF THE SECRETARY OF THE OPEN MARKET INVESTMENT COMMITTEE
TO THE MEETING OF THE COMMITTEE ON JULY 18, 1928

Holdings of Government securities in the System Account on May 23, 1928, as reported at the last meeting of the Committee on May 25, 1928, amounted to - - - - - \$100,000,000

In accordance with the policy agreed to at the said meeting, net sales in the Account have resulted in a further reduction of - - - - - 24,511,700

leaving the total holdings in the Account on July 11 - - - - - \$75,488,300

Plus Treasury notes held temporarily for Federal Reserve Bank of St. Louis - - - - - 9,500,000

\$ 84,988,300

The principal transactions in the Account since May 23, by statement weeks, were as follows:

Holdings in Account on May 23 - - - - - \$100,000,000

Changes week ending May 29:

Sales to Foreign Account	\$	100,000
" " J. P. Morgan & Company as Fiscal Agent		<u>27,000,000</u>
		\$27,100,000

Purchases from Foreign Correspondent & Treasury Accts.	<u>8,790,000</u>	<u>18,310,000</u>
		\$ 81,690,000

Changes week ending June 6:

Sales to Market	\$	7,000,000
Purchase from St. Louis' portfolio, to be held temporarily		9,500,000
Purchase from Treasury		<u>400,000</u>
		<u>2,900,000</u>
		\$ 84,590,000

Changes week ending June 13:

Sale to Foreign Account	\$	1,180,000
		<u>1,180,000</u>
		\$ 83,410,000

2

	(brought forward)	\$ 83,410,000
 <u>Changes week ending June 20:</u>		
Redemption of June 15 certificates	\$11,765,000	
Sale to Treasury	1,356,700	
" " Foreign Account	<u>2,000,000</u>	
	\$15,121,700	
 Purchases in New York and Chicago Markets	 <u>15,450,000</u>	 <u>328,300</u>
		\$ 83,738,300
 <u>Changes week ending June 27:</u>		
Sale to Treasury	1,000,000	
Purchase from Foreign Account	750,000	
" in Market	<u>1,000,000</u>	<u>750,000</u>
		\$ 84,488,300
 <u>Changes week ending July 3:</u>		
		0
 <u>Changes week ending July 11:</u>		
Sale to Foreign Account	1,000,000	
Purchase in Market	<u>1,500,000</u>	<u>500,000</u>
Total holdings in Account close of July 11		<u><u>\$ 84,988,300</u></u>

During the period May 23 to July 11, there were several exchanges of issues made in the Account amounting to approximately \$25,000,000, which did not affect the total holdings in the Account, almost all of which consisted of the exchange of 3 1/4% certificates due December 15, 1928 for a like amount of 3 1/2% Treasury notes due 1930-32.

On May 26 the Federal Reserve Bank of St. Louis sold temporarily to other participating banks their share of Government security holdings in the System Account amounting to \$5,137,500.

The temporary purchase of \$9,500,000 Treasury notes from St. Louis' portfolio, referred to in the foregoing statement, was made at the request of the St. Louis bank on May 31 and June 1, due to the heavy demand from their member banks, and while it was expected at the time that they would repurchase these notes

3

shortly, the St. Louis bank has since requested that, in view of existing conditions, the repurchase of these notes by them be deferred for the present.

On May 31 the Federal Reserve Bank of Richmond asked to be eliminated from participation in the overage purchase of acceptances by other Federal reserve banks, as their reserve ratio was running below 60% for some time.

Attached are statements showing:

Exhibit A - Outright holdings of Government securities by individual Federal reserve banks and their participation in the System Special Investment Account, Government securities; also classification of issues held in the System Account by maturities as of close of business July 11, 1928.

Exhibit B - Statement showing earning asset holdings of all Federal reserve banks July 11, 1928, as compared with previous week and July 13, 1927; also weekly average of earning assets from December 28, 1927, to July 11, 1928, as compared with corresponding period 1927, and entire year 1927.

Exhibit C - Statement showing actual earnings of all Federal reserve banks for the first six months in 1928.

Exhibit D - Bills purchased outright by System by weeks from December 29, 1927, to July 11, 1928.

Exhibit "A"

STATEMENT SHOWING HOLDINGS OF GOVERNMENT SECURITIES BY FEDERAL RESERVE BANKS

	Outright Holdings of Government Securities by Federal Reserve Banks as at the Close of Business July 11, 1928	Participation by Fed. Res. Banks in System Spec. Inv. Acct. Gov't Securities as at the Close of Business July 11	Totals
Boston	\$ 704,000	\$ 6,913,000	\$ 7,617,000
New York	6,384,000 *	23,774,300	30,158,300
Philadelphia	15,197,000	6,451,000	21,648,000
Cleveland	26,436,000	7,462,000	33,898,000
Richmond	1,153,000	2,391,000	3,544,000
Atlanta	3,102,000	2,103,000	5,205,000
Chicago	19,927,000	13,801,000	33,728,000
St. Louis	7,125,000	0	7,125,000
Minneapolis	7,585,000	3,460,000	11,045,000
Kansas City	9,733,000	6,075,500	15,808,500
Dallas	9,994,000	4,859,000	14,853,000
San Francisco	<u>9,683,000</u>	<u>7,698,500</u>	<u>17,381,500</u>
Totals	<u>\$117,023,000</u>	<u>\$84,988,300 **</u>	<u>\$202,011,300</u>

* Includes \$5,000,000 Third 4 1/4s held temporarily for resale to Treasury after close of statement week July 11, 1928.

** Includes temporary purchase from St. Louis' portfolio of \$9,500,000 - 3 1/2% Treasury Notes.

CLASSIFICATION OF ISSUES OF GOVERNMENT SECURITIES HELD IN
THE SYSTEM SPECIAL INVESTMENT ACCOUNT

3 1/4% C/I due Dec. 15, 1928	\$39,987,500
3 3/8% " " Mar. 15, 1929	12,950,000
3 7/8% " " Mar. 15, 1929	3,450,000
3 1/2% T/N " Mar. 15, 1932	10,460,000
3 1/2% " " Sept. 15, 1932	3,000,000
3 1/2% " " Dec. 15, 1932	<u>5,640,800</u>
	\$75,488,300
Plus temporary purchase from St. Louis' portfolio 3 1/2% T/N due 1930-32	<u>9,500,000</u>
Total	<u>\$84,988,300</u>

STATEMENT SHOWING EARNING ASSET HOLDINGS OF ALL FEDERAL RESERVE BANKS JULY 11, 1928 COMPARED WITH PREVIOUS WEEK AND JULY 13, 1927; ALSO WEEKLY AVERAGE OF EARNING ASSETS FROM DECEMBER 28, 1927 TO JULY 11, 1928 AS COMPARED WITH CORRESPONDING PERIOD 1927 AND ENTIRE YEAR 1927
(000 Omitted)

	Boston	New York	Phila.	Cleveland	Richmond	Atlanta	Chicago	St. Louis	Minn.	Kan. City	Dallas	San Fran.	Totals
Bills Discounted - July 3	\$82,367	\$436,537	\$106,008	\$116,135	\$50,571	\$63,933	\$181,089	\$54,337	\$8,135	\$23,733	\$11,910	\$56,255	\$1,191,010
" " " 11	58,348	449,633	85,748	101,103	53,411	66,520	138,523	47,292	7,933	19,379	11,479	49,899	1,089,268
Net Change	24,019-	13,096+	20,260-	15,032-	2,840+	2,587+	42,566-	7,045-	202-	4,354-	431-	6,356-	101,742-
Bills Purchased - July 3	24,881	49,409	20,407	18,789	9,014	13,975	14,354	322	13,183	11,485	12,687	21,158	209,664
" " " 11	24,915	33,486	20,449	18,107	6,740	13,340	14,589	147	12,426	10,407	12,003	21,033	187,642
Net Change	34+	15,923-	42+	682-	2,274-	635-	235+	175-	757-	1,078-	684-	125-	22,022-
Government Securities - July 3	7,577	40,923	21,609	33,854	3,530	5,274	36,572	7,125	11,024	18,522	16,219	17,336	219,565
" " " 11	7,617	40,297	21,648	33,898	3,544	5,205	35,728	7,125	11,045	18,558	15,718	17,382	217,765
Net Change	40+	626-	39+	44+	14+	69-	844-	-0-	21+	36+	501-	46+	1,800-
Total Earning Assets - July 3	114,825	526,869	148,024	168,778	63,115	83,182	232,015	61,784	32,832	53,740	40,816	94,749	1,620,729
" " " 11	90,880	523,416	127,845	153,108	63,695	85,065	188,840	54,564	31,894	48,344	39,200	88,314	1,495,165
Net Change	23,945-	3,453-	20,179-	15,670-	580+	1,883+	43,175-	7,220-	938-	5,396-	1,616-	6,435-	125,564-
Comparison of Weekly Average of Earning Assets													
Dec. 28, 1927 to July 11, 1928	111,696	370,609	118,890	137,108	60,081	62,632	185,316	63,305	38,884	55,960	44,443	105,873	1,354,797
Same period 1927	71,599	246,486	81,153	109,040	40,697	48,536	152,640	57,111	32,089	53,402	40,614	103,930	1,037,297
Entire year 1927	79,546	282,822	88,085	111,895	55,679	49,115	155,812	59,695	35,537	55,562	46,416	100,415	1,120,579
Net Change from same period 1927	40,097+	124,123+	37,737+	28,068+	19,384+	14,096+	32,676+	6,194+	6,795+	2,558+	3,829+	1,943+	317,500+
" " " entire year 1927	32,150+	87,787+	30,805+	25,213+	4,402+	13,517+	29,504+	3,610+	3,347+	398+	1,973-	5,458+	234,218+
Comparison of Earning Assets													
July 11, 1928	90,880	523,416	127,845	153,108	63,695	85,065	188,840	54,564	31,894	48,344	39,200	88,314	1,495,165
July 13, 1927	53,478	235,498	87,001	101,729	48,744	55,622	128,404	64,120	29,300	55,213	43,998	95,405	998,512
Net Change	37,402+	287,918+	40,844+	51,379+	14,951+	29,443+	60,436+	9,556-	2,594+	6,869-	4,798-	7,091-	496,653+

SUMMARY FOR SYSTEM

Bills Discounted for week	\$101,742-
Bills Purchased for week	22,022-
Government Securities for week	1,800-
Total Earning Assets for week	125,564-
Comparison of Weekly Average of Earning Assets Dec. 28, 1927 to July 11, 1928 with same period 1927	317,500+
Comparison of Weekly Average of Earning Assets Dec. 28, 1927 to July 11, 1928 with entire year 1927	234,218+
Comparison of Earning Assets July 11, 1928 with July 13, 1927	496,653+

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Exhibit "C"

STATEMENT SHOWING ACTUAL EARNINGS OF ALL FEDERAL
RESERVE BANKS FOR THE FIRST SIX MONTHS IN 1928

<u>Federal Reserve Bank</u>	<u>Gross Earnings</u>	<u>Current Expenses</u>	<u>Net Deduction From Current Net Earnings</u>	<u>Available for Depreciation Allowances, Reserves, Surplus and Franchise Tax</u>
Boston	\$ 2,154,332	\$ 929,965	\$ 384,413	\$ 839,954
New York	7,247,880	3,214,769	1,601,335	2,431,776
Philadelphia	2,253,446	996,512	500,936	755,998
Cleveland	2,625,043	1,326,918	497,099	801,026
Richmond	1,178,709	702,379	231,476	244,854
Atlanta	1,213,058	620,660	188,882	403,516
Chicago	3,768,223	1,895,897	733,180	1,139,146
St. Louis	1,227,798	668,245	265,686	293,867
Minneapolis	757,399	499,923	129,782	127,694
Kansas City	1,166,393	847,256	181,275	137,862
Dallas	827,477	608,461	187,264	31,752
San Francisco	<u>2,010,167</u>	<u>1,228,213</u>	<u>384,076</u>	<u>397,878</u>
TOTALS	<u>\$26,429,925</u>	<u>\$13,539,198</u>	<u>\$5,285,404</u>	<u>\$7,605,323</u>
		Total for same period 1927		<u>\$2,486,736</u>

EXHIBIT "D"

BILLS PURCHASED OUTRIGHT BY SYSTEM BY WEEK
FROM DECEMBER 29, 1927 TO JULY 11, 1928
(000 Omitted)

Weeks Ending	Boston	New York			Phila.	Cleveland	Richmond	Atlanta	Chicago	Dallas	San Fran.	Totals	INCREASE or DECREASE in Holdings Including Sales Contracts		Dealers Operations With Other Districts	
		Banks	Dealers	Total									New York Operations	System Operations	Received	Sent
Jan. 4	\$ 3,029	\$ 18,275	\$ 8,202	\$ 26,477	\$ 4,083	\$ 1,200	\$ 1,724	\$ 241	\$ 2,897	\$ 1,149	\$ 3,154	\$ 43,964	\$ 4,400+	\$ 1,600+	\$ 2,773	\$ 7,658
11	12,855	28,708	20,825	49,533	2,147	2,080	200	66	1,293	1,711	2,700	72,585	1,900+	5,400+	1,835	12,008
18	5,472	26,824	7,351	34,175	4,899	530	130	222	2,320	779	2,304	50,831	13,700-	23,500-	1,505	7,320
25	5,584	19,208	4,565	23,773	4,696	713	210	88	5,028	506	1,275	41,873	15,500-	21,700-	2,836	9,901
Feb. 1	11,071	40,225	4,946	45,171	5,411	1,613	155	152	5,713	1,042	2,367	72,695	30,700+	30,000+	4,962	9,923
8	7,508	14,111	5,702	19,813	4,842	2,272	433	32	4,393	762	1,099	41,154	13,300-	8,100-	5,299	9,526
15	1,083	4,584	6,174	10,758	5,177	716	-0-	457	388	210	1,053	19,842	15,200-	14,500-	3,337	3,463
21	3,736	10,531	2,839	13,370	3,820	809	-0-	131	1,356	584	439	24,245	2,100-	1,500-	2,461	6,827
29	3,407	17,003	3,760	20,763	4,641	252	918	98	2,109	275	1,649	34,112	9,300-	9,500-	3,631	4,802
Mar. 7	4,015	15,991	2,375	18,366	928	1,909	244	107	1,738	1,259	1,001	29,567	6,700-	5,300-	2,384	4,437
14	7,162	17,290	5,214	22,504	2,342	330	215	105	2,536	1,152	1,670	38,066	7,700+	4,900+	1,313	5,061
21	4,529	16,891	2,733	19,624	2,921	723	270	4	2,840	1,034	4,968	36,913	10,500-	10,600-	1,916	6,091
28	8,591	26,150	2,042	28,192	2,409	714	-0-	30	1,676	926	997	43,535	12,600+	13,500+	919	10,736
Apr. 4	10,256	21,347	5,903	27,250	6,476	795	450	348	7,849	281	2,297	56,002	2,900-	2,500-	5,746	12,589
11	21,547	15,300	3,744	19,044	3,853	184	100	107	2,041	1,377	1,704	49,977	1,600-	18,000+	1,075	17,812
18	13,632	19,997	10,643	30,640	7,770	500	122	60	4,898	1,041	4,820	63,493	30,500-	10,800-	877	10,170
25	15,553	23,258	6,623	29,881	5,500	-0-	398	203	622	1,132	3,391	56,680	1,200+	15,100+	106	12,537
May 2	7,510	24,765	6,253	31,018	3,366	727	-0-	5	2,025	1,364	1,459	47,474	3,800-	2,700-	8,215	6,713
9	4,703	20,887	10,938	31,825	4,771	100	1,134	184	2,319	638	278	45,952	1,600+	2,000+	5,146	3,324
16	1,944	12,772	3,702	16,474	3,364	507	735	411	1,568	608	3,120	28,731	19,256-	17,812-	2,763	5,922
23	3,548	9,043	2,421	11,464	755	636	50	126	3,539	865	554	21,537	14,666-	16,730-	3,872	4,780
29	7,527	7,437	1,928	9,365	714	198	165	139	187	750	219	19,264	21,617-	26,574-	2,166	5,273
June 6	2,965	4,342	3,835	8,177	883	1,007	127	-0-	517	1,370	1,826	16,872	34,583-	37,594-	5,070	4,047
13	5,982	3,865	4,165	8,030	2,285	531	491	-0-	336	829	786	19,268	26,746-	25,977-	5,584	4,861
20	5,093	2,727	4,810	7,537	1,524	977	506	31	439	665	3,542	20,314	16,471-	16,535-	3,873	6,044
27	8,726	5,582	4,836	10,418	2,967	1,226	178	-0-	925	969	1,216	26,625	5,549-	450-	1,559	7,396
July 3	3,035	6,933	3,747	10,680	2,088	1,007	-0-	-0-	37	1,108	2,276	20,231	136+	13,768-	4,497	4,503
11	8,666	11,122	2,069	13,191	2,140	1,357	342	6	1,342	643	4,653	32,340	22,768-	22,022-	2,846	7,188
TOTALS	\$198,729	\$445,168	\$152,345	\$597,513	\$96,770	\$25,663	\$9,297	\$3,353	\$62,931	\$25,029	\$56,837	\$1,074,122	\$237,730-	\$197,662-	\$88,566	\$210,912

Actual change in System's holdings during period
Based exclusively on New York's operations, change would have been

Outright
\$132,000-
189,000-

Sales
Contracts
\$65,700-
48,200-

Net
Change
\$197,700-
237,700-

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Exhibit "D (a)"

MATURITIES OF BILLS PURCHASED BY THE SYSTEM
DURING THE PERIOD FROM DECEMBER 29, 1927 TO JULY 11, 1928

EXCLUDING SALES CONTRACTS

(000 OMITTED)

	<u>1-30 days</u>	<u>31-60 days</u>	<u>61-90 days</u>	<u>Over 90-days</u>	<u>Totals</u>
Boston	\$ 50,172	\$ 44,358	\$ 93,678	\$ 10,521	\$ 198,729
New York	267,059	155,539	150,965	23,950	597,513
Philadelphia	16,685	29,561	50,524	0	96,770
Cleveland	727	9,063	12,585	1,288	23,663
Richmond	3,100	2,833	3,364	0	9,297
Atlanta	959	1,004	1,386	4	3,353
Chicago	17,408	31,999	13,524	0	62,931
Dallas	4,427	6,761	7,094	6,747	25,029
San Francisco	<u>13,852</u>	<u>18,522</u>	<u>21,440</u>	<u>3,023</u>	<u>56,837</u>
Totals	<u>\$374,389</u>	<u>\$299,640</u>	<u>\$354,560</u>	<u>\$45,533</u>	<u>\$1,074,122</u>

MEMORANDUM FOR OPEN MARKET INVESTMENT COMMITTEE

333-6-2

7/18/28

The attached statement shows the net earnings of the banks after paying expenses and dividends for the first six months of the year 1928, also the estimated results after expenses and dividends and also charge-offs for the second six months of the year. It will be noted that with one exception the present indications are that every bank will fully earn its expenses, dividends and charge-offs. That bank, San Francisco, has estimated gross earnings for the second half of the year as only approximately one-half the actual earnings for the first half of the year. This estimate would appear to be very conservative and it seems probable, therefore, that the actual net earnings of this bank will be somewhat in excess of the estimate.

During the past three years the earnings of the system have been but a comparatively small amount above requirements for expenses, dividends and charge-offs, so that it has been necessary to distribute earning assets with considerable care in order that every bank might approximately earn its requirements. This year the situation is somewhat different as present indications point to net earnings for the system of over \$13,000,000.

The question presents itself, therefore, as to whether the committee should undertake to distribute earning assets in such a manner as would result in a distribution of NET EARNINGS in the ratio of expenses, dividends and charge-offs, or whether, after satisfying itself that all banks will safely earn their charges, it should distribute its purchases on this ratio regardless of the effect on net earnings.

During the past three years it has been the policy during the first half of each year to distribute all purchases in the ratio of expenses, dividends and charge-offs, but during the second half of the year to make such adjustments in the distribution ratios as would result in giving the banks NET EARNINGS in the ratio of expenses, dividends and charge-offs. That is to say, the committee has taken into consideration in its distribution the earnings of the banks from sources other than purchases by the committee.

2

Two courses present themselves:

First: Shall the committee effect such a distribution of earning assets as will distribute the NET EARNINGS of the system for the year as nearly as possible in the ratio of expenses, dividends and charge-offs? If so, it will be necessary to make a rather drastic revision of the distribution ratios during the remainder of the year. The figures would be approximately as indicated in column 11 of the attached statement, from which it will be noted that four banks would not participate at all. These figures would, however, have to be revised somewhat for the reason that several of the banks would probably find it impossible to receive their full share.

Second: Shall the committee distribute purchases made by it in the ratio of expenses, dividends and charge-offs, making only such adjustments as may be necessary to assure every bank of fully covering its charges regardless of the amount of net profits remaining? If this plan is followed it is probable that only minor adjustments, if any at all, will be necessary in the present ratios during the remainder of this year.

The following of the latter course is suggested.

DATA REGARDING EARNINGS, EXPENSES AND REQUIREMENTS OF FEDERAL RESERVE BANKS BASED ON FIGURES FURNISHED THE OPEN MARKET INVESTMENT COMMITTEE
AS AT THE CLOSE OF BUSINESS JUNE 30, 1928
(This statement for departmental records only)

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)
	Gross Earnings	Expenses and Dividends	Estimated Year-end Charge-offs	Net Earnings	Ratio of Expenses Dividends and Charge-offs to System Total	Distribution of Net Earnings on Ratios of Expenses Dividends and Charge-offs	Estimated earnings from Gov't Security Holdings Last Six Months 1928	Estimated Earnings from Bills Purchased Last Six Months 1928	Estimated Earnings from Bills Discounted and Miscellaneous Sources Last Six Months 1928	Amount of Earnings Required from Bills Purchased During Balance of Year to Effect Proper Distribution	Ratio of Col. 10	Amount of Earnings Required from Other Than Gov't Sec. During Balance of Year to Effect Proper Distribution	Ratio of Col. 12
YEAR 1928													
BOSTON													
Actual for 6 months	\$2,154	\$1,314		\$ 840									
Estimated " " "	2,654	1,226		1,281			134	685	1,835				
Total	\$4,808	\$2,540	147	\$2,121	6 1/2%	860				576 Over	0	1,259	5 1/2%
NEW YORK													
Actual for 6 months	7,249	4,816		2,432									
Estimated " " "	8,219	4,581		3,164			615	730	6,874	1,624 Over	0	5,250	23 %
Total	\$15,467	\$9,397	474	\$5,596	24 1/2%	3,242							
PHILADELPHIA													
Actual for 6 months	2,254	1,497		757									
Estimated " " "	2,466	1,547		802			355	414	1,687	87 Over	0	1,600	7 %
Total	\$ 4,720	\$ 3,044	117	\$1,559	8 %	1,058							
CLEVELAND													
Actual for 6 months	2,625	1,824		801									
Estimated " " "	2,650	1,800		557			592	425	1,633				
Total	\$5,275	\$3,624	293	\$1,358	10 %	1,323				390	6%	2,023	9 %
RICHMOND													
Actual for 6 months	1,179	934		245									
Estimated " " "	1,189	988		79			52	168	969				
Total	\$2,368	\$1,922	122	\$ 324	5 %	662				506	8%	1,475	6 1/2%
ATLANTA													
Actual for 6 months	1,213	810		403									
Estimated " " "	1,482	787		437			149	268	1,065				
Total	\$2,695	\$1,597	258	\$ 840	4 1/2%	595				23	1/2%	1,088	5 %
CHICAGO													
Actual for 6 months	3,768	2,629		1,139									
Estimated " " "	3,320	2,446		204		Short	694	317	2,009				
Total	\$6,788	\$5,075	778	\$ 935	14 1/2%	1,918				1,300	20%	3,309	14 1/2%
ST LOUIS													
Actual for 6 months	1,228	934		294									
Estimated " " "	1,470	842		441			129	1,340					
Total	\$2,698	\$1,776	187	\$ 735	5 %	662				72 Over	0	1,268	5 1/2%
MINNEAPOLIS													
Actual for 6 months	758	630		128									
Estimated " " "	608	601		85		Short	202	241	165				
Total	1,366	\$1,231	92	\$ 43	3 1/2%	463				661	10%	926	3 1/2%
KANSAS CITY													
Actual for 6 months	1,166	1,029		137									
Estimated " " "	1,062	1,010		116		Short	349	215	500				
Total	\$2,228	\$2,039	168	\$ 21	5 1/2%	728				920	14 1/2%	1,420	6 %
DALLAS													
Actual for 6 months	827	796		31									
Estimated " " "	876	750		84			382	275	219				
Total	\$1,703	\$1,546	42	\$115	4 %	529				689	10 1/2%	908	4 %
SAN FRANCISCO													
Actual for 6 months	2,010	1,612		398									
Estimated " " "	1,060	1,564		814		Short	297	364	399				
Total	\$3,070	\$3,176	310	Short \$416	9 %	1,191				1,971	30 1/2%	2,370	10 1/2%
SYSTEM TOTALS	\$53,186	\$36,967	\$2,928	\$13,231	100%	\$13,231	\$2,960	\$4,101	\$12,595	\$6,460	100%	\$22,796	100%

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July 17, 1928.

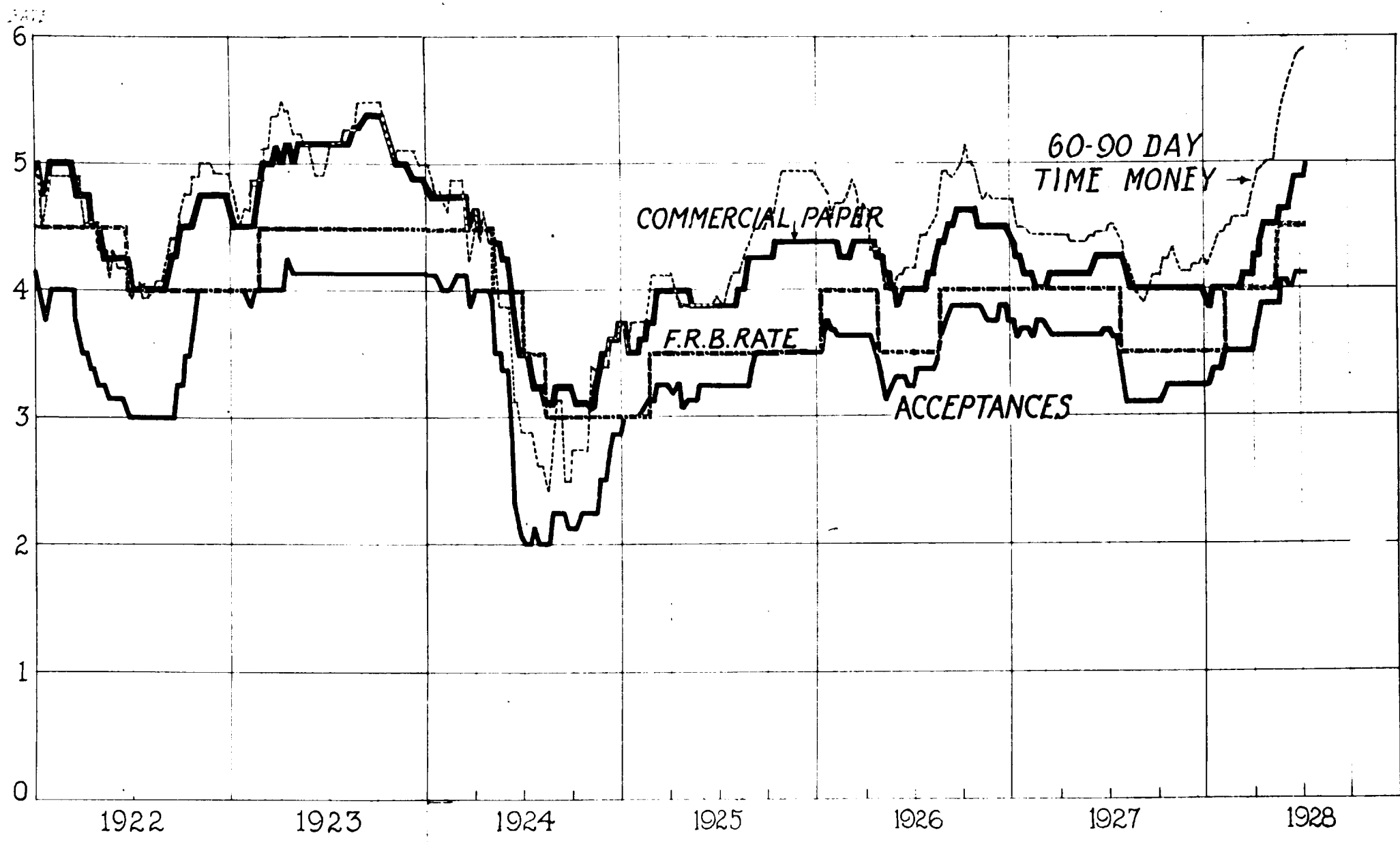
THE CREDIT SITUATION*Presented*
AT BOARD MEETINGJUL 18 1928
*Len*Interest Rates

Interest rates are higher today than at any time since 1921. The primary reason for high money rates is that the member banks owe the Federal Reserve Banks about one billion dollars, compared with an average borrowing of about 500 million for the preceding six years and 400 million last summer. The heavy borrowing is due primarily to gold exports of 500 million dollars since last autumn, sales of 300 million of securities by the Federal Reserve Banks, and some additions to reserve requirements of member banks because of ^{excess} credit expansion, ~~for speculative use~~. Partly offsetting these losses of funds, there has been a gain through the retirement of over 100 million of currency (reflecting some reduction in factory payrolls and increased use of checks).

As the autumn demand for funds comes on, larger borrowings and still higher money rates may be anticipated unless counteracting steps are taken. Ordinarily autumn trade requires nearly 100 million additional rediscounts (exclusive of additional Federal Reserve credit called into use through the seasonal expansion in holdings of bankers acceptances).

Testing the Credit Situation

The present high money rates are testing the credit situation and it seems reasonable to believe that pressure will be felt most at the weakest point, whether this is the prices of industrial securities, the volume of new issues, the amount of new building, or whatever else. It seems likely that a brief period of ^{reticent present check} testing is likely to result in a check to movements which may have gone beyond a sound economic basis. The fact that such a testing is going on is evidenced by the changes in the total volume of credit, which with the exception of a temporary rise



Weekly Rates in the New York Money Market.

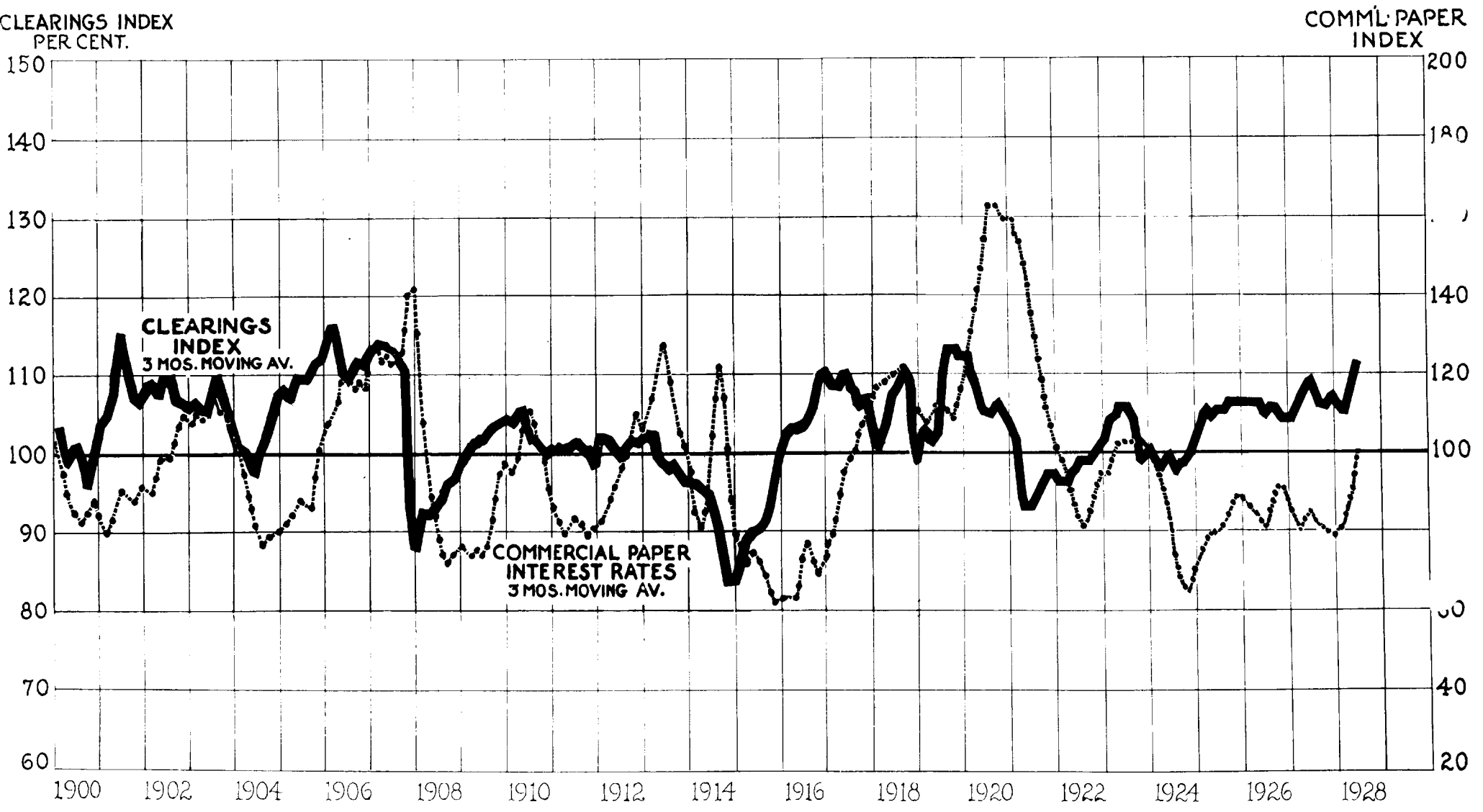
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at the first of July has shown no increase since the early part of May. The volume of new long time security issues also shows some sign of pause, and security prices of various types are considerably lower than they were early in May.

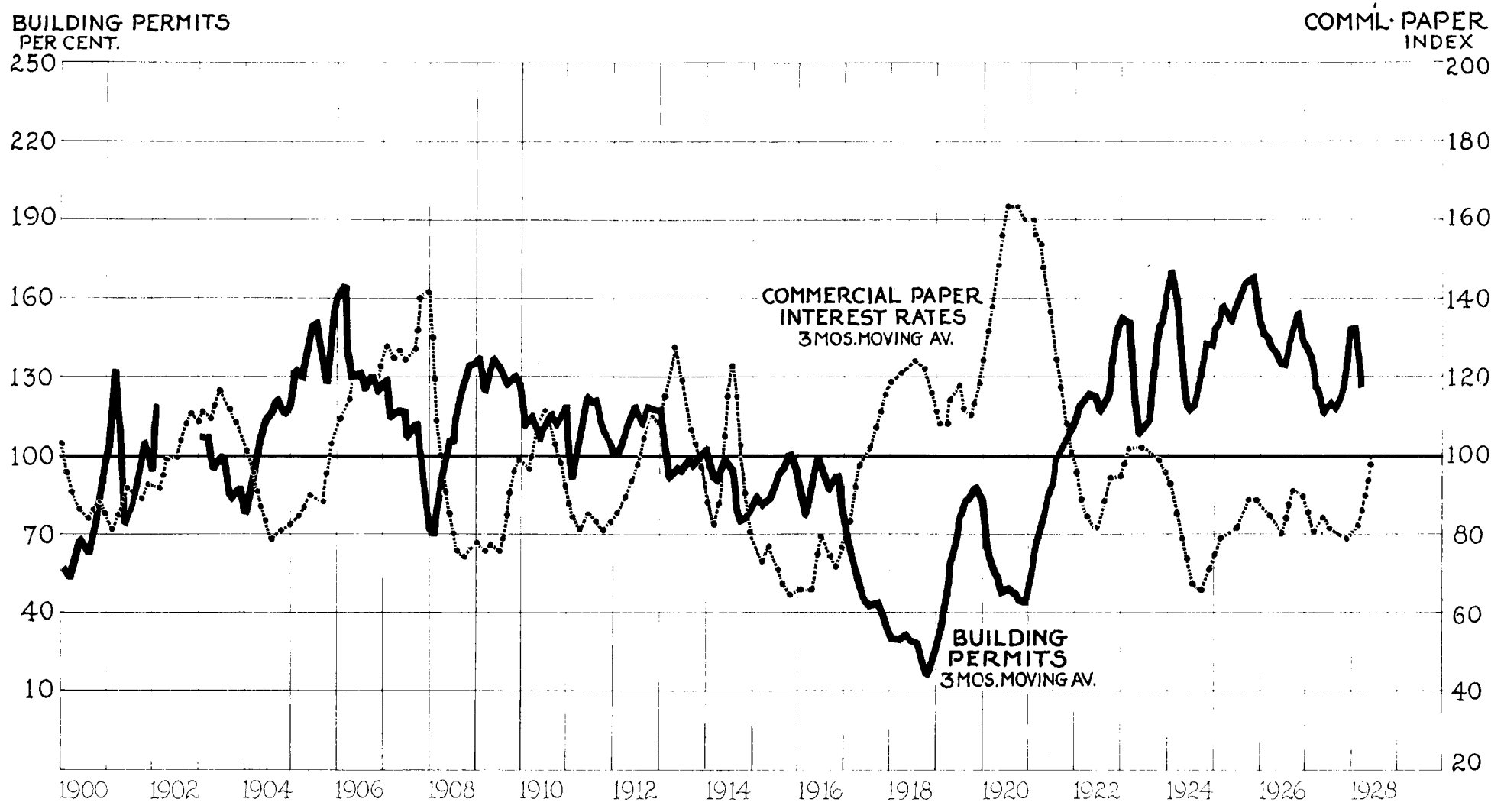
Effect on Business

If the present high interest rates are continued for several months it seems probable that business activity may be affected six months or a year from now. The evidence for this probability may be summarized briefly.

1. Charts of business volume and interest rates since 1900 show that continued high rates have almost invariably been followed by business declines after a lag of six months to a year.
2. A reasonable explanation is found in the restriction of new enterprises by high money rates.
 - (a) High money rates discourage speculative building construction - as indicated by declines in building six months to a year following high money rates.
 - (b) High money rates tend to discourage new financing, which would lead to business activity six months to a year distant.
3. Present business conditions may be peculiarly susceptible to restriction of credit.
 - (a) There was considerable unemployment last winter. Outdoor work, particularly building, has largely absorbed surplus labor, but factory employment has increased very little. When outdoor work slackens, further unemployment is at best a danger.
 - (b) Any considerable unemployment will give installment selling its first considerable test.



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It should be noted, however, that high money rates have not continued long enough for any noticeable adverse effects. On the contrary, the figures which would first reflect adverse consequences show that -

1. In the first six months of this year the volume of building contracts has broken all previous records. The figures reported by the F. W. Dodge Company for the first six months of recent years follow:

1925 - - - - -	\$2,748,695,000
1926 - - - - -	3,128,158,000
1927 - - - - -	3,187,993,000
1928 - - - - -	3,444,868,000

2. Similarly, the volume of new financing has broken all previous records, as shown by the following table:

(In millions of dollars)

<u>First Six Months</u>	<u>Domestic</u>	<u>Foreign</u>	<u>Total</u>
1925	3,130	571	3,701
1926	3,436	616	4,052
1927	4,508	786	5,294
1928	4,528	1,135	5,664

The foregoing figures suggest perhaps an excess rather than a deficiency of new undertakings. A little slower pace would probably be wholesome. There is beginning to be some evidence that the pace is in fact slowing down. Just in recent weeks new issues have diminished.

Effects on World Finance

In recent months European money centers have not been adversely affected by high rates here, largely because of extraordinary movements of funds connected with the French reconstruction. A more normal relation between rates and movements of funds is now beginning. Sterling has declined steadily since the French stabilization. The exchanges are still generally high, but long continued high rates

here would undoubtedly draw funds from abroad and lead to higher money rates abroad and lower exchange rates, and perhaps eventually gold shipments to this country. It would probably take some weeks for these developments to occur, and it may also be said that the speculation which has taken place in this country has been paralleled by similar movements abroad, encouraged by cheap money; and somewhat firmer money conditions here may not be unwholesome.

Germany is a particular case with peculiar conditions. She has had heavy speculation, rising prices and wages, together with high money rates; and as far as temporary money market conditions are concerned they may perhaps be bettered rather than injured by firm money rates here. In the long run, however, the payment of German reparations is dependent upon a steady flow of money from this country.

The foreign aspects of future policy may be summarized by saying that they appear to offer no pressure toward immediately lower rates here, but in the long run would be adversely affected by a continuation of abnormally high rates here.

Future Program

From these various considerations and other aspects of the current situation, it would appear that some further period of testing the credit situation by firm money conditions might not be undesirable. But it would also appear that too extended a period of high money rates would be detrimental to business and would react unfavorably on the world financial position.

Looking into the autumn problem for Federal Reserve policy appears to be to find a means of bringing about somewhat easier credit conditions, without at the same time encouraging a renewed expansion of credit. It seems particularly desirable that money should be somewhat more easily available for the crop moving season.

The two alternatives which naturally present themselves are a reduction in discount rates or the purchase of government securities.

There are a number of objections to considering rate reductions under anything like present conditions -

1. Even after recent increases discount rates are low relative to open market rates, and offer encouragement to borrow.
2. The present volume of rediscounts is now so large that banks find it very difficult to keep out of debt at the Reserve Banks and the tradition against borrowing, which has been the principal source of effectiveness of Federal Reserve policy, appears to be breaking down.

The chief danger in open market purchases is that, as they appear in the statement, they may be regarded as an indication of a change of Federal Reserve policy and made the occasion for excessive demands for credit.

From these considerations it seems desirable -

1. That no precipitate change in policy is called for;
2. That rate reductions should be made only after the volume of member bank indebtedness has been materially reduced;
3. That open market purchases should be made at such times and in such quantities that they will be absorbed either -
 - (a) In meeting seasonal needs for additional credit; or
 - (b) In reducing the amount of indebtedness at the Reserve Banks.

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CONFIDENTIAL

(6)

July 17, 1928.

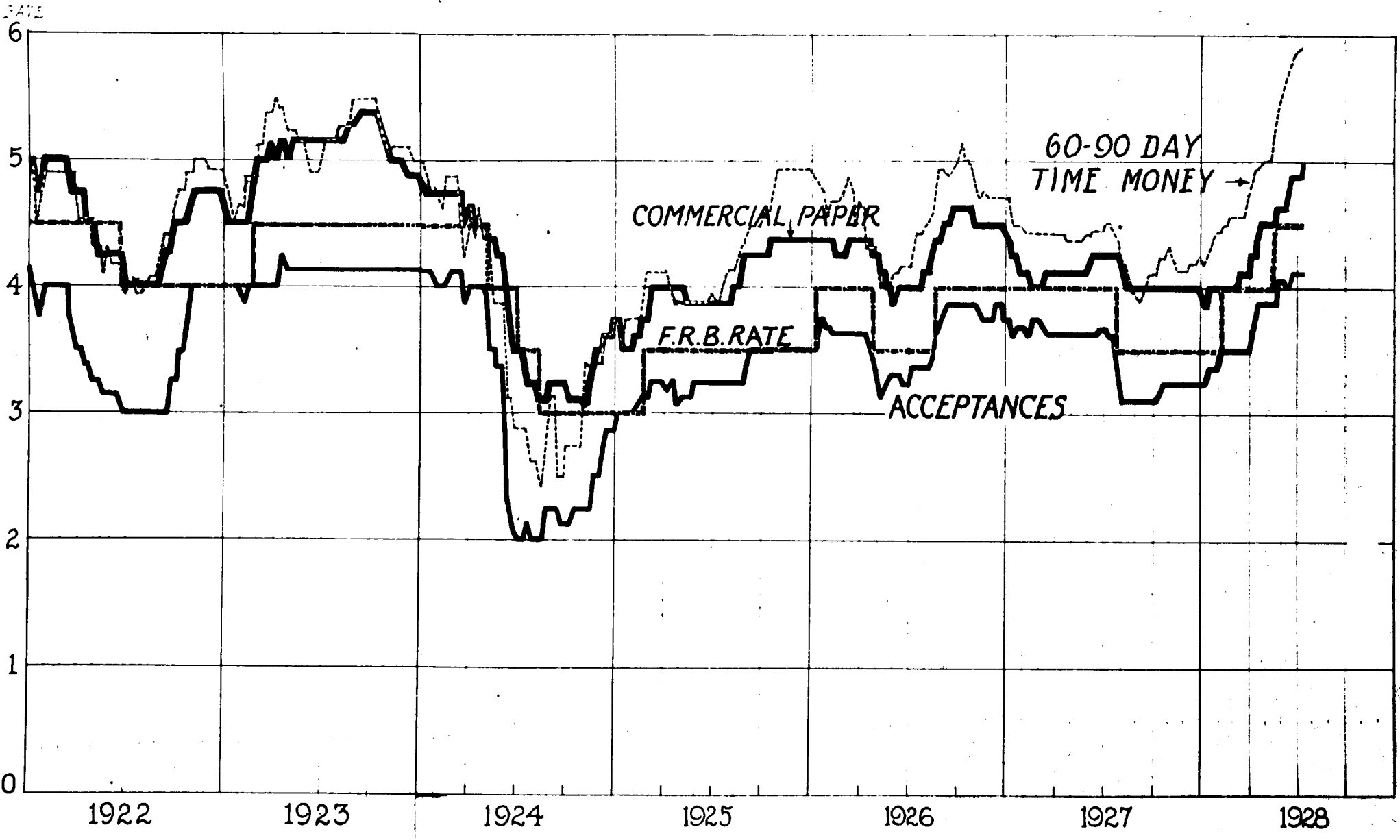
MEMORANDUM TO THE OPEN MARKET INVESTMENT COMMITTEEInterest Rates

Interest rates are higher today than at any time since 1921. The primary reason for high money rates is that the member banks owe the Federal Reserve Banks about one billion dollars, compared with an average borrowing of about 500 million for the preceding six years and 400 million last summer. The heavy borrowing is due primarily to gold exports of 500 million dollars since last autumn, sales of 300 million of securities by the Federal Reserve Banks, and some additions to reserve requirements of member banks because of excessive credit expansion. Partly offsetting these losses of funds, there has been a gain through the retirement of over 100 million of currency (reflecting some reduction in factory payrolls and increased use of checks).

As the autumn demand for funds comes on, larger borrowings and still higher money rates may be anticipated unless counteracting steps are taken. Ordinarily autumn trade requires nearly 100 million additional rediscounts (exclusive of additional Federal Reserve credit called into use through the seasonal expansion in holdings of bankers acceptances).

Testing the Credit Situation

The present high money rates are testing the credit situation and it seems reasonable to believe that pressure will be felt most at the weakest point, whether this is the prices of industrial securities, the volume of new issues, the amount of new building, or whatever else. It seems likely that a brief period of rates at present levels is likely to result in a check to movements which may have gone beyond a sound economic basis. The fact that such a testing is going on is evidenced by the changes in the total volume of credit, which with the exception of a temporary rise



Weekly Rates in the New York Money Market.

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2

at the first of July has shown no increase since the early part of May. The volume of new long time security issues also shows some sign of pause, and security prices of various types are considerably lower than they were early in May.

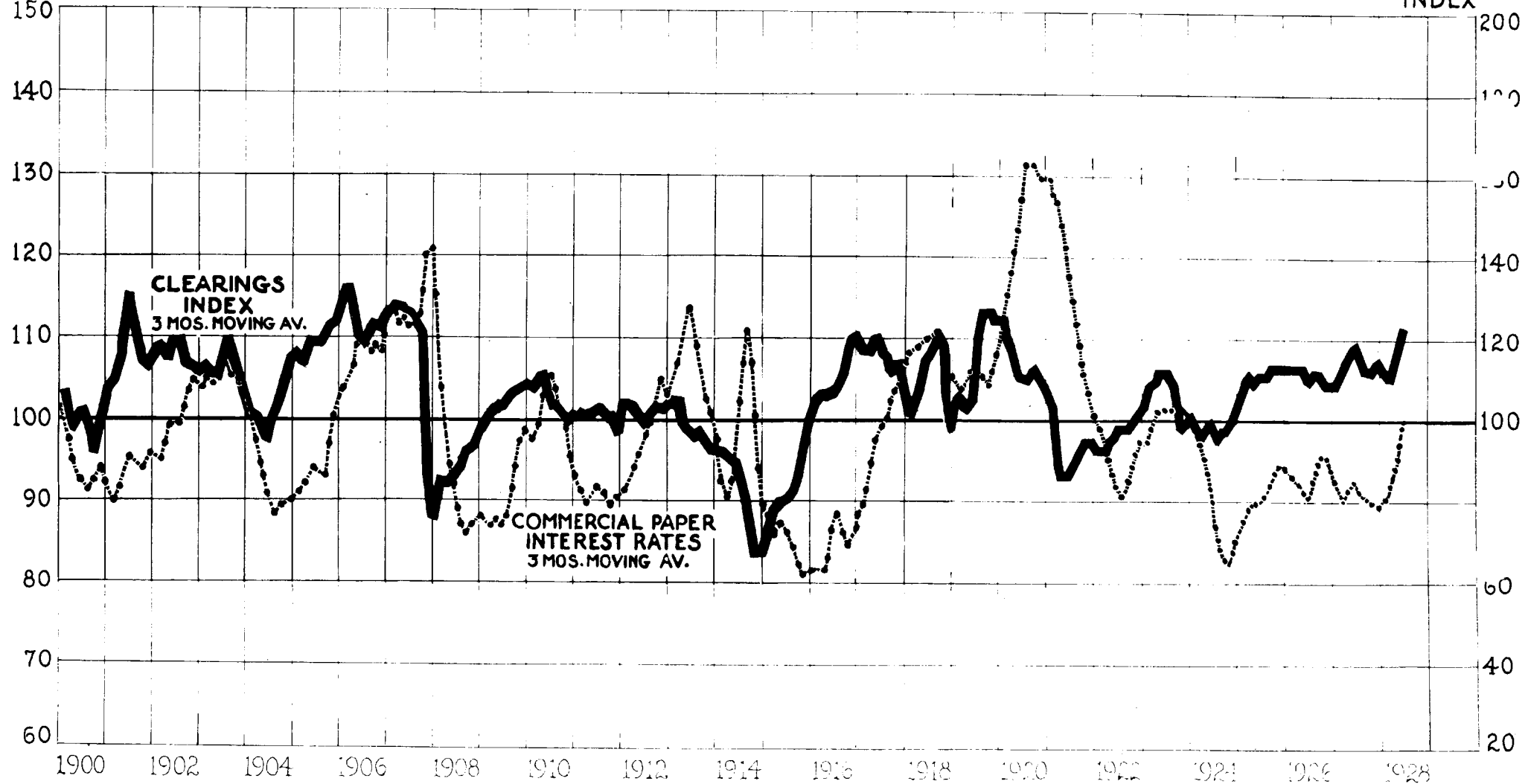
Effect on Business

If the present high interest rates are continued for several months it seems probable that business activity may be affected six months or a year from now. The evidence for this probability may be summarized briefly.

1. Charts of business volume and interest rates since 1900 show that continued high rates have almost invariably been followed by business declines after a lag of six months to a year.
2. A reasonable explanation is found in the restriction of new enterprises by high money rates.
 - (a) High money rates discourage speculative building construction - as indicated by declines in building six months to a year following high money rates.
 - (b) High money rates tend to discourage new financing, which would lead to business activity six months to a year distant.
3. Present business conditions may be peculiarly susceptible to restriction of credit.
 - (a) There was considerable unemployment last winter. Outdoor work, particularly building, has largely absorbed surplus labor, but factory employment has increased very little. When outdoor work slackens, further unemployment is at best a danger.
 - (b) Any considerable unemployment will give installment selling its first considerable test.

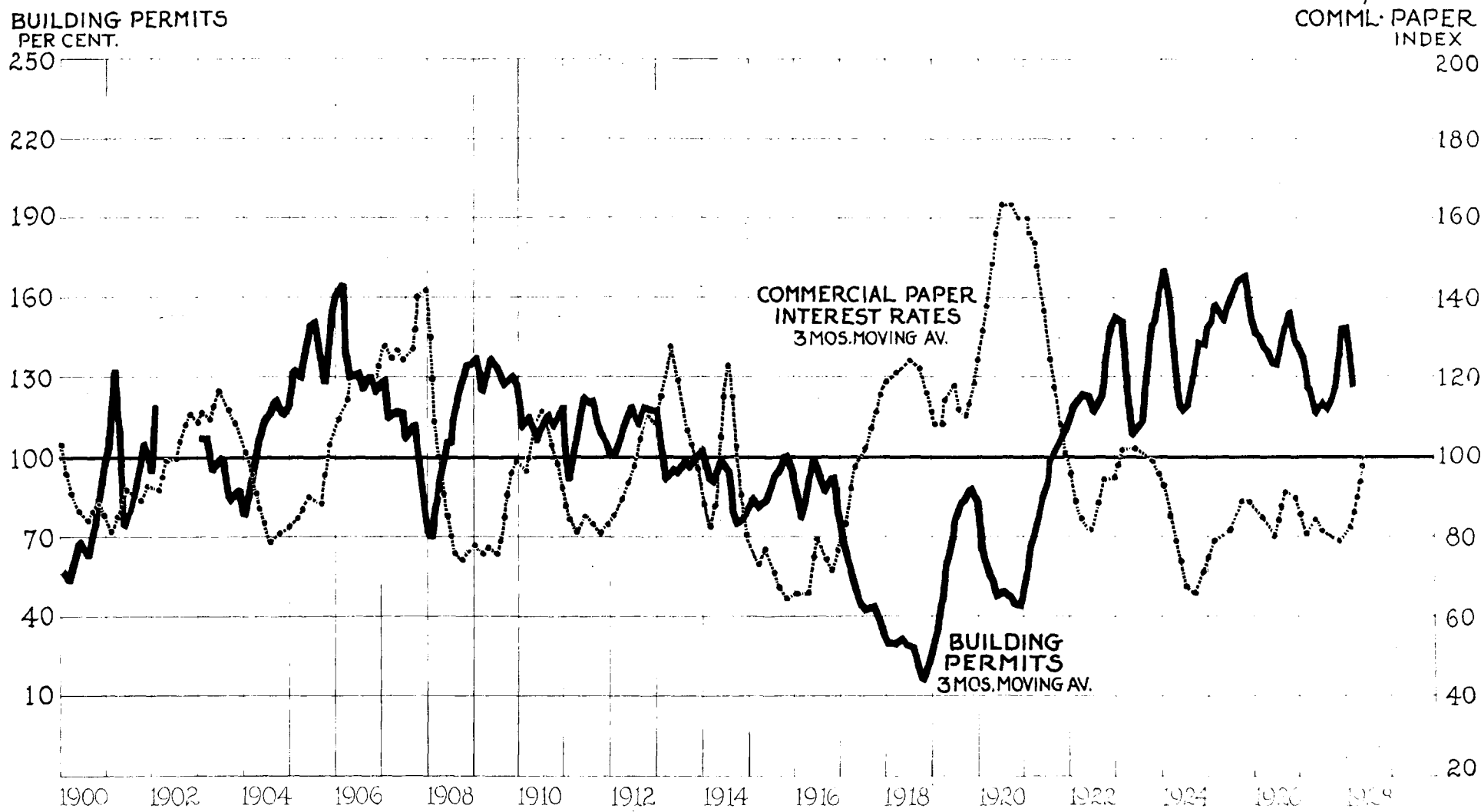
CLEARINGS INDEX
PER CENT.

COMML PAPER
INDEX



Clearings Index of Business Compared with Interest Rates

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Interest Rates & Volume of Building

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It should be noted, however, that high money rates have not continued long enough for any noticeable adverse effects. On the contrary, the figures which would first reflect adverse consequences show that -

1. In the first six months of this year the volume of building contracts has broken all previous records. The figures reported by the F. W. Dodge Company for the first six months of recent years follow:

1925 - - - - -	\$2,748,695,000
1926 - - - - -	3,128,158,000
1927 - - - - -	3,187,993,000
1928 - - - - -	3,444,868,000

2. Similarly, the volume of new financing has broken all previous records, as shown by the following table:

(In millions of dollars)

<u>First Six Months</u>	<u>Domestic</u>	<u>Foreign</u>	<u>Total</u>
1925	3,130	571	3,701
1926	3,436	616	4,052
1927	4,508	786	5,294
1928	4,528	1,135	5,664

The foregoing figures suggest perhaps an excess rather than a deficiency of new undertakings. A little slower pace would probably be wholesome. There is beginning to be some evidence that the pace is in fact slowing down. Just in recent weeks new issues have diminished.

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Future Program

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The chief danger in open market purchases is that, as they appear in the statement, they may be regarded as an indication of a change of Federal Reserve policy and made the occasion for excessive demands for credit.

From these considerations it seems desirable -

1. That no precipitate change in policy is called for;
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Subject

333-6-2

FEDERAL RESERVE BANK
OF NEW YORK

July 6, 1928.

Dear Governor Platt:

Referring to your letter of July 3, inasmuch as the suggested date for the meeting of the Open Market Investment Committee will be satisfactory to you, Dr. Miller and Mr. James, and as the probabilities are that Governor Young will be back in Washington at that time, I am today calling a meeting of the committee to be held in Washington on Wednesday morning, July 18, at ten o'clock (standard time), at the office of the Federal Reserve Board. Will you be good enough to make the usual arrangements.

Very truly yours,

J. H. CASE,
Acting Chairman, Open Market
Investment Committee.

Honorable Edmund Platt,
Vice Governor, Federal Reserve Board,
Washington, D. C.

Planned the N.Y. Bank on receipt of this letter and talked with Mr. Harrison, Mr. Case leaving gone for the day. Mr. Harrison promised to call Mr. Hamilton about the date.

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333-62

July 3, 1928.

Dear Mr. Case:

With reference to your two letters of June 28th and particularly the second one, suggesting July 18th as a good date for the next Open Market Committee meeting, I may say that this date will be satisfactory to me and to Mr. James. Mr. Miller you have already heard from. I have mentioned this date in letters to Governor Young and to Mr. Hamlin but do not yet know definitely whether Governor Young will be back here by that time but am pretty sure that he intends to.

Yours very truly,

Vice Governor.

Mr. J. H. Case, Deputy Governor,
Federal Reserve Bank,
New York, New York.

see ans 7/6/28

FEDERAL RESERVE BANK
OF NEW YORK

June 28, 1928.

Dear Governor Platt:

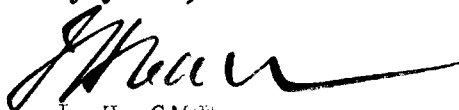
6/28/28

Since dictating my letter this morning on the subject of deferring the next meeting of the Open Market Investment Committee until about the middle of July, I have had a talk with Dr. Miller who, as you know, was in the bank today.

Dr. Miller suggests that probably Wednesday, July 18, would be far enough removed from the heavy turnover which is expected to take place early in July, to enable us to get a pretty clear picture of credit conditions. Governor Young, I understand, is likely to be back in Washington at that time; and as I also understand that Dr. Miller is planning to leave his office for a short holiday during the latter part of that week, the July 18 date suggested by Dr. Miller would appear to be a suitable one.

Will you be good enough to discuss the matter with your associates and let me know if July 18 will be satisfactory. If they are all agreed on that date, perhaps it would be well for you or Mr. Eddy to notify Governor Young so that he would definitely know that a date for the meeting has been fixed.

Very truly yours,



J. H. CASE,
Acting Chairman,
Open Market Investment Committee.

Honorable Edmund Platt,
Vice Governor, Federal Reserve Board,
Washington, D. C.

see ans 7/3/28

*Board files**333-82*

FEDERAL RESERVE BANK
OF NEW YORK

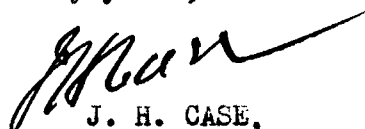
June 28, 1928.

Dear Governor Platt:

At its recent meeting held in Washington on May 25, 1928, the Open Market Investment Committee, in making its recommendations to the Federal Reserve Board, suggested that "the committee would expect to meet again within the next month."

In view of the absence at this time of Governor Young and other members of the Federal Reserve Board, and because of the important developments which have taken place since May 25 in respect of the expansion of credit that then existed, I am writing to inquire if, for any reason, you think it necessary or advisable to have a meeting of the Open Market Investment Committee in the near future. Personally, it seems to me (and the other members of the committee are in agreement with my thought) that no real need exists for a meeting at this time. So far as New York is concerned, it seems reasonably certain that the present scale of interest rates (with the possible exception of call money) is likely to hold until the early part of July, and, if you can see no objection, I should be inclined to defer calling a meeting of the committee at least for the present.

Very truly yours,



J. H. CASE,
Acting Chairman,
Open Market Investment Committee.

Honorable Edmund Platt,
Vice Governor, Federal Reserve Board,
Washington, D. C.

see ans 7/3/28
see letter 6/28/28