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Drafts

FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

June 22, 1927.

Dear Governor Strong:

Receipt is acknowledged of your letters of June 16th and 20th, supplementing your letter to me of June 9th and commenting upon the changed position of the money market due to the unexpectedly large overdraft of the Treasury in connection with June 15th transactions. I note your views regarding the possibility of further purchases by the Open Market Investment Committee and note the opinion of the officers of your bank concurred in by the members of your Board of Directors that it might be well to defer any further purchases until after the first of July, even though in the meantime money rates might have advanced somewhat in the general money market.

Your letters were brought to the attention of the Board and there was discussion of several of the matters mentioned. Particular reference was made to your statement that the Open Market Investment Committee had realized only about \$15,000,000 of the increase in the System's account which was contemplated when the Committee and the Board discussed the matter at the time of the Governors' Conference, and the further statement that "to realize fully the aims we had in mind at that time, we might still purchase an additional \$100,000,000 between now and August 1st."

Such purchase of an additional \$100,000,000 would result in an

Letter prepared by Mr. Miller, amended in accordance with suggestions made at meeting on June 21, 1927

enlargement of the System's investment account beyond the limit approved by the Board at its May 13th meeting. Action of the Board at that time was to approve the Committee's recommendation to purchase sufficient additional short term government obligations to bring the total of the investment account up to \$250,000,000, which is the amount now held in the account, accordingly to the Board's latest information.

In view of the contingencies pointed out in your letters and such other information as the Board has regarding money market conditions, it may later on be advisable to make additional purchases of securities on System account. The enlargement of the System's account in the near future, however, raises a new question, and the matter should, therefore, be submitted to the Board in the usual course, especially in view of the fact, as stated in your letter of June 20th, that at this time and "until the true position of the money market discloses itself", it can not be determined whether additional purchases would be advisable in the immediate future.

Very truly yours,

D. R. Crissinger,
Governor.

Mr. Benjamin Strong, Governor,
Federal Reserve Bank,
New York, N.Y.