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Final Minutes

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MINUTES OF MEETING OF EXECUTIVE COMMITTEE OF THE
FEDERAL OPEN MARKET COMMITTEE
HELD AT
FEDERAL RESERVE BANK OF NEW YORK, SEPTEMBER 21, 1933

The meeting was called to order at 10:50 a. m., there being present:

Governor Harrison, chairman, Governors Young, Norris and Fancher, and Deputy Governors McKay and Burgess, secretary.

The report of operations and the preliminary memorandum on credit conditions were distributed and read.

Governor Harrison reviewed recent developments with respect to monetary policy, referring particularly to the relation between Federal reserve policy and the monetary policy of the Administration.

Governor Harrison read a memorandum regarding a conversation on September 16 with Governor Black concerning open market operations. The following paragraphs are quoted from this memorandum:

✓ "As I see the picture, I said, we now have, largely through open market operations and a return flow of currency, created approximately \$700,000,000 of excess reserves and a very easy money market position. Certainly from the point of view of the credit and banking situation there would appear to be no need for any further purchases of Government securities. Our operations to date, together with other factors, have resulted in placing the banks of the country as a whole in a position to make a very substantial expansion of bank credit as soon as there is a demand for it by borrowers entitled to have it on the basis of good credit risk. Consequently, further purchases of Government securities in the open market must be justified by factors outside the immediate banking and credit picture or, to put it differently, outside those matters specifically and immediately within the jurisdiction of the Federal reserve banks, as central banks.

"For some weeks now, under the authority granted by the Open Market Committee with the approval of the Federal Reserve Board in May the Executive Committee has been making weekly purchases partly because of the need for creating an easy banking position but in latter weeks largely because we

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have been informed by Governor Black, Secretary Woodin, Mr. Acheson, Mr. Sprague and others from Washington, that this is an important and advisable way for the Federal reserve banks to cooperate with the Government's program of recovery and an especially weighty factor in minimizing the risk of drastic methods of currency inflation, such as greenbacks. I explained to Governor Black, however, that I had some hesitation in recommending a continuance of open market operations for these reasons alone, unless I was definitely sure that his views as to the need for these purchases represented the views of the Federal Reserve Board as a whole. In other words, there being no clear cut need from the banking and credit position, I wanted to be sure that the Federal Reserve Board considers that a continuance of open market purchases are advisable or necessary as a contribution to the Governmental program of recovery and also as a substantial means of minimizing the risk of greenbacks.

"Governor Black said he understood my position perfectly; that he agreed with it entirely; and that I was quite right in assuming that the Federal Reserve Board, as well as he, felt that it is advisable to continue open market purchases at about the present rate."

There ensued a general discussion in which those present all indicated general agreement with the view which Governor Harrison had expressed to Governor Black in the memorandum; namely, that the committee saw no present need for further open market operations purely on the basis of monetary considerations as they appeared from the strict viewpoint of the bank of issue. But it was agreed that because of the other considerations mentioned in the memorandum it was desirable for the present to continue purchases. It was voted that purchases not to exceed \$36,000,000 be made in the current statement week with the understanding that a lesser amount might be purchased if a change in conditions appeared to make that advisable.

At this point Secretary Woodin entered the meeting, and in the course of the discussion Secretary Woodin stated that a continuation of open market operations at about the recent scale was very desirable as an aid to the Administration program.

Secretary Woodin left the meeting shortly thereafter.

The question of the allotment of purchases of securities was then discussed and consideration was given particularly to a proposal made by Deputy

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Governor McKay of the Federal Reserve Bank of Chicago by which the participation of the Federal Reserve Bank of Chicago might be somewhat reduced. In the course of this conversation Governor Black called Governor Harrison by telephone to say that it might be disturbing at this time to make any considerable change in the open market program either with respect to the amounts purchased or the method of allotment. Governor Black saw no objection, however, to the slight change in basis of allotment outlined below.

After further discussion it was voted that the general program of allotting new purchases of government securities on the basis of excess reserves be continued, but that in the application of this formula the minimum reserve percentage considered should be 50% rather than 55%. This change was believed to be justified in view of the considerable evening up of reserve percentages which has resulted from the distribution of new security purchases. Changes in the ratios of participations of the twelve banks are given in the attached exhibit.

There was some further discussion of the amount of securities to be purchased during the statement week, and it was agreed that if the dollar should be very weak in the foreign exchange markets, consideration might properly be given to reducing somewhat the rate of purchases.

The meeting adjourned at 12:45 p. m.

W. Randolph Burgess,
Secretary.

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Per cent Distribution of Excess Reserves
of Federal Reserve Banks on September 13, 1933

	<u>Over 40%</u>	<u>Over 45%</u>	<u>Over 50%</u>	<u>Over 55%</u>
Boston	8.6	9.1	9.7	11.0
New York	23.9	22.4	20.0	15.5
Philadelphia	5.9	5.7	5.4	4.8
Cleveland	7.1	6.8	6.5	5.9
Richmond	4.2	4.2	4.3	4.5
Atlanta	3.1	3.1	3.1	3.1
Chicago	28.1	29.6	31.8	35.9
St. Louis	4.2	4.2	4.3	4.4
Minneapolis	2.2	2.1	2.0	1.8
Kansas City	4.0	4.1	4.1	4.2
Dallas	1.4	1.4	1.3	1.2
San Francisco	7.3	7.3	7.5	7.7
Total	100.0%	100.0%	100.0%	100.0%