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Final Minutes

CONFIDENTIAL

10/25/33

MINUTES OF THE MEETING OF EXECUTIVE COMMITTEE OF THE
FEDERAL OPEN MARKET COMMITTEE
HELD AT
FEDERAL RESERVE BANK OF NEW YORK, OCTOBER 25, 1933.

The meeting was called to order at 10:30, there being present:

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

Governor Harrison reported on recent developments with respect to the
financial program of the administration, including the plan for purchases of gold.

There ensued a discussion of the program of purchases of government
securities, and the question was raised whether it would be desirable to stop
purchases at once. The point was made that to do so would involve an abandonment
of a program of gradual reduction of purchases which had been carefully outlined
at the meeting of the Federal Open Market Committee in Washington on October 10,
1933. A further objection lay in the probable depressing effect on the bond
market of a sudden interruption of security purchases at a time when the bond
market was already adversely affected by recent developments.

After discussion it was generally agreed that the policy of gradually
diminishing purchases should be followed, and it was moved and carried that dur-
ing the coming statement week purchases of up to \$18,000,000 should be made
unless subsequent developments make it appear inadvisable. Mr. McKay voted in
the negative.

There was a discussion of the question of allotment of securities be-
tween Federal reserve banks, and it was agreed for the current statement week
and for the coming week to continue to base allotments on the percentage of each
bank's total reserves to the total reserves of the System. Mr. McKay stated that
the Chicago bank, by reason of the action of its executive committee, was not in

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a position to participate for more than 12%. It was agreed that other banks should be offered such amount of Chicago's participation as that bank did not take.

The question was then raised concerning the policy which should be followed with respect to the conversion of approximately \$84,000,000 Fourth 4 1/4% Liberty Bonds in System account which had been called for redemption next April 15. It was suggested that, generally speaking, any considerable holding of long term bonds was a violation of the principle of central banking. It was emphasized, however, quite apart from the desirability of cooperating in every way with the Government, that with their present large holdings the Reserve banks had a practical selfish consideration in the status of the government security market, and that the value of the holdings might be seriously affected by any failure of the conversion plan.

After extended discussion the following motion was passed, to be submitted to all members of the Federal Open Market Committee for their concurrence:

Voted to request the members of the open market committee to give the executive committee authority to offer for conversion all or such part of the called Fourth 4 1/4% bonds in the System portfolio as may in the judgment of the committee seem advisable from time to time in the light of all the circumstances.

The meeting adjourned at 12:55 p. m.

W. Randolph Burgess

Secretary