

First meeting

April 13, 1923.

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Final Minutes

The first meeting of the Open Market Investment Committee for the 4/13/23 Federal Reserve System was held at the office of the Federal Reserve Bank of Philadelphia on Friday, April 13, 1923, at 10:00 o'clock A. M.

There were present:

Mr. W. P. G. Harding,	Governor of the Federal Reserve Bank of Boston,
Mr. J. H. Case,	Deputy " " " " " " " " New York,
Mr. George W. Norris,	" " " " " " " " Philadelphia,
Mr. E. R. Fancher,	" " " " " " " " Cleveland,
Mr. J. B. McDougall,	" " " " " " " " Chicago.

Mr. Edmund Platt, Acting Governor of the Federal Reserve Board, was also in attendance and called the meeting to order.

Mr. Case was chosen Chairman of the meeting.

Mr. W. A. Dyer of the Federal Reserve Bank of Philadelphia acted as Secretary.

Consideration was then given to the matter of a permanent chairman of the Committee and it was voted that the Governor of the New York Federal Reserve Bank, or, in his absence the Acting Governor, should serve in that capacity.

It was voted that Mr. W. B. Matteson of the New York bank should serve as Secretary of the Committee, it being understood that in that capacity he will continue to keep all Federal reserve banks fully advised of all the open market operations of the entire System in the same manner as has been done by him as Secretary of the Committee of Governors on Centralized Execution of Purchases and Sales of Government Securities by Federal reserve banks.

The Chairman, referring to the Federal Reserve Board's letter (X3689) dated April 7, 1923, on the subject "Policy Governing Open Market Purchases by Federal Reserve Banks and the Administration Thereof," stated that this program had also been approved at the recent joint conference of the Governors of the Federal reserve banks with the Federal Reserve Board and pointed out that, under this program, it was "the duty of this Committee to devise and recommend plans for the purchase, sale and distribution of the open market purchases of

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the Federal reserve banks in accordance with the above principles and such regulations as may from time to time be laid down by the Federal Reserve Board."

After careful consideration and a full discussion of all the different phases of open market operations by Federal reserve banks, the following program was unanimously agreed upon. It was directed that copies of the program (SEE EXHIBIT "A" ATTACHED) be sent to the Governor of the Federal Reserve Board and to all Federal reserve banks.

Following a discussion of the rates now obtaining in the open market, it was voted to suggest to all Federal reserve banks that a minimum buying rate of 4% on bills should be established at this time. It was further suggested that in order to bring about a gradual distribution of Federal reserve bank holdings of bills in the open market, without disturbance to the market, it would be helpful if all Federal reserve banks, in making future purchases, arrange that the volume of bills purchased be somewhat smaller than current maturities.

Careful consideration was given to the Treasury Department's desire to liquidate gradually the Federal reserve bank holdings of Government securities and in this regard it was unanimously agreed that the members of the Committee would recommend to the Directors of their own banks that if and when the Treasury wishes to take up the 36 million, or thereabouts, of September certificates of indebtedness now held by the Federal reserve banks that they be offered to the Treasury at par and interest. It was understood that this suggestion would also be conveyed to the other Governors.

A discussion followed as to what constitutes the "going" rate for money and it was unanimously agreed by the Committee that the average rate charged by member banks in financial centers for customers' loans together with the current rate at which commercial paper is selling in the open market is the actual "going" rate for money, and that at the present time such rate is 5 1/4% to 5 1/2%.

In this connection it was observed that rates in the rural districts do not

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fluctuate with changes occurring in the open market, or with changes in Federal reserve bank discount rates, but that these rates are quite uniform at 6% or higher.

A memorandum prepared by Mr. Kenzel (EXHIBIT "B" ATTACHED) explaining the customs of central banks of issue was read and directed to be sent to all Federal reserve banks.

There being no further business the meeting adjourned at 4:45 p. m.

W. A. DYER

Secretary of the Meeting.