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**MINUTES OF THE MEETING OF THE OPEN MARKET INVESTMENT COMMITTEE FOR THE FEDERAL RESERVE SYSTEM, HELD AT THE FEDERAL RESERVE BOARD, WASHINGTON, D. C.,
MAY 23, 1923**

PRESENT:

Messrs. Harding, Case, Fancher and McDougal
Mr. W. B. Matteson, Secretary of the Committee

There were also present by invitation:
Vice Governor Platt of the Federal Reserve Board
Mr. J. F. Herson of the Federal Reserve Board
Mr. B. A. McKinney, Governor of the Federal Reserve Bank of Dallas

The Chairman stated that an informal discussion had taken place at the Federal Reserve Bank of New York on May 22, 1923, (all the members of the Committee except Governor Harding being present) at which time the Secretary's report of the activities of the Committee, since its organization on April 1, 1923, were reviewed. The Chairman also stated that at the informal meeting there had been some talk of the current credit situation, the present investment holdings of the Federal reserve banks and of open market policy.

An extended discussion on these subjects followed. In the course of the discussion it was brought out that the understanding arrived at at the last meeting of the Committee on April 13, 1923, with respect to confining bill purchases at the minimum rate (4%) to short bills only, had not been fully carried out some longer bills having since been purchased by the New York bank at the minimum rate. The Chairman stated that at present New York was not making purchases at 4% for a longer maturity than 30 days and that it was the intention of the officers to gradually cut this down until only 15 day bills are bought at the minimum rate.

As a result of the discussion, and the general feeling that an ease in money had recently occurred due partly to a lessened demand for security loans and partly to an increase in the imports of gold, it was felt that the present was an opportune time to dispose of some of the open market investments of the System. The following resolution was thereupon offered by Governor Fancher, seconded by Governor McDougal and unanimously adopted:

*Final Minutes
W.B.M.
5/23/23*

- 2 -

"WHEREAS, a review of current credit conditions clearly indicates that we are passing through a period of temporary ease in the money market;

WHEREAS, the representative of the New York bank reports that there has recently been a substantial reduction in the stock exchange loan account;

WHEREAS, it develops that there is now and has recently been a considerable amount of foreign gold imported into this country;

WHEREAS, the belief exists that there may be substantial demands for additional credit this autumn accompanied by possible gold exports;

WHEREAS, the System as a whole now has a surplus of such Open Market Investments;

THEREFORE BE IT RESOLVED, that the present offers a favorable opportunity for the Federal reserve banks to dispose of an additional amount of their Government security holdings and the Chairman is hereby authorized and directed to undertake to arrange with the twelve Federal reserve banks for the sale of \$50,000,000 of such securities on a pro rata basis at as early a date as is practicable."

A further discussion followed with regard to economic conditions generally and Mr. Platt suggested that the present was in his opinion an opportune time for the Federal reserve banks to pay out gold notes in cases where such action is practicable.

The Chairman called attention to the minutes of the first meeting of the Open Market Investment Committee held in Philadelphia last month which provide that the Committee should make an equitable distribution among all twelve banks of bills purchased by the Federal Reserve System and in this connection presented a memorandum from Mr. O'Hara recommending that participation should be made upon the basis of the ratios of the reserve percentages of the different banks. It was understood without formal action that this course would be followed.

The meeting thereupon adjourned.



SECRETARY