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Final minutes

MINUTES OF THE MEETING OF THE OPEN MARKET INVESTMENT COMMITTEE
FOR THE FEDERAL RESERVE SYSTEM, HELD AT THE FEDERAL RESERVE
BOARD IN WASHINGTON, FEBRUARY 8, 1924

2/8/24

Present:

Governors Strong, McDougal and Norris
Mr. Matteson, Secretary of the Committee.

There were also present by invitation:

Honorable D. R. Crissinger, Governor of the
Federal Reserve Board
Dr. Adolph C. Miller of the Federal Reserve Board
Dr. W. R. Burgess, Assistant Federal Reserve Agent,
Federal Reserve Bank of New York

The meeting was called to order at 10:45 a. m. by Governor Strong,
Chairman.

The minutes of the meeting of the Committee held January 14, 1924 were
presented and on motion approved.

The Secretary also presented reports covering the activities of the
Committee since the last meeting accompanied by exhibits showing loans and invest-
ment holdings of the Federal reserve banks, and a memorandum on the business and
credit situation.

The question was raised as to what action should be taken by the Committee
with reference to special orders for the purchase of bills and Government securities
in addition to regular allotments. It was agreed by those present that such pur-
chases interfered with a unified program of purchases for the System and the opinion
was expressed that the practice should be discontinued or some method adopted which
would preserve the percentage plan of allotment. In order, therefore, to meet the
needs of certain of the banks, which at times desire larger holdings of Government
securities and bills than they would normally obtain through the regular allotments,

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it was suggested that bills and securities be redistributed, so far as possible, from the allotments of banks whose earning assets are more ample and who will consent to such redistribution. With this exception it was the opinion of the Committee that the principle of allotting all purchases in accordance with the approved formula should be strictly adhered to.

In the statement showing purchases and allotments of bankers acceptances during the period from December 12, 1923 to January 30, 1924, it was noted that certain of the banks had received larger amounts of bills than their pro rata share, due to direct purchases by those banks. It was understood that the Secretary would endeavor to arrange adjustments which would result in the re-distribution of these excess amounts.

In view of higher current prices for bankers acceptances and Government securities, it was suggested that a possible avenue for investment might be found in short-term municipal securities. It was agreed by those present, however, that it was not desirable to make such purchases.

At this point Governor Crissinger and Dr. Miller joined the meeting and after a general discussion of present credit and banking conditions throughout the country, the Committee discussed proposals for extending its purchases of Government securities and raising somewhat the authorized buying prices.

After considering the probable effect, it was the sense of the meeting that some further purchases could be made at slightly higher prices without any large immediate effect on the credit situation, the probable result being simply a decrease in the loan account of the Federal Reserve Bank of New York corresponding to the amount of securities purchased.

The question was raised as to whether the program of the Committee should be determined solely with regard to credit policy or whether it should be influenced by the desire of some of the banks to increase their investments

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in order that their earnings might at all times be large enough to pay their expenses and dividends without going into surplus. The Committee recognized that there was a division of opinion among the banks on this question and it was suggested that it would be desirable for members of the Committee together with representatives of the Federal Reserve Board to meet periodically with the Boards of Directors of the different Federal reserve banks represented on the Committee in order to create a better understanding by discussing with the different Boards of Directors the various transactions of the Committee.

The following motions were thereupon made and carried:

(1) That the Secretary be instructed to estimate from the reports of earnings and expenses made to the Committee on Economy and Efficiency the amounts of earning assets required by the various Federal reserve banks to earn their expenses and dividends, in order that the Committee may be informed as to banks which request special reallocations, and banks which might be in a position to transfer a portion of their allotments of bills and Government securities.

(2) That special orders for purchases of bills or Government securities be not executed in the market without Committee action but that the Committee endeavor to arrange when necessary for transfers from those banks which are willing to surrender them.

(3) That the authorized prices for purchase of Government securities be revised to an extent that will permit of increased purchases in moderate volume, say up to the amount of \$100,000,000 as previously agreed upon, and that a new schedule of prices be sent to the members of the Committee for their approval.

(4) That the Committee recommend to the Federal Reserve Board that one or more members of the Board join the Committee in

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meetings to be held by the Committee with the Board of Directors of the Federal Reserve Banks of Boston, New York, Philadelphia, Cleveland and Chicago, those being the banks whose Governors at present constitute the Committee.

On motion the meeting adjourned.

(Signed) W. B. MATTESON

Secretary.