EXTRACT OF MINUTES OF THE MEETING OF THE OPEN MARKET INVESTMENT COMMITTEE WITH THE FEDERAL RESERVE BOARD HELD IN WASHINGTON, FRIDAY, DECEMBER 19, 1924 PERTAINING TO THE ACTIVITIES OF THE OPEN MARKET INVESTMENT COMMITTEE

333.-b-2
Final Minutes
12/19/24

PRESENT: Messrs. Crissinger, Platt, Hamlin, Miller, James, Cunningham (Members of the Federal Reserve Board)
Honorable G. B. Winston, Under Secretary of the Treasury
Honorable J. W. McIntosh, Comptroller of the Currency
Messrs. Strong, Harding, Fancher, McDougal and Norris (Members of the Open Market Investment Committee)
Mr. Matteson (Secretary of the Committee).

Governor Crissinger called the meeting to order at 10:30 a. m.

Governor Strong then presented written reports by himself as Chairman of the Committee and by the Secretary of the Committee and reviewed recent activities with relation to the Committee's account as follows:

(1) Selling March 15, 1925 certificates of indebtedness and Treasury Notes in order to provide an opportunity for subscribers to the new Treasury 4% loan to obtain securities to be used in exchange for the new bonds. As the market was bare of these securities the Committee supplied freely, from a 2 per cent. basis down to one transaction on a 1 per cent. basis, certificates to the extent that about $85,000,000 of the System holdings of March maturities were liquidated.

(2) Purchase of other United States Government securities for the Committee account in order to turn back into the market the funds taken out through the sale of the $85,000,000 March maturities referred to, thereby avoiding the market losing this entire amount of funds. The result was to replace all of these sales, except about $17,000,000.

Reference was also made to the $65,000,000 of December 15, 1924 maturities which were partially replaced by the purchase of $15,000,000 of other issues of short-term securities, thus reducing the System's account by $50,000,000 without any appreciable effect on the money market.

See Strauss letter 1/17/25 filed 333.-b-2

If was the feeling of the Committee that from now on the account should probably not be increased above the present amount and that from time to time we should liquidate some of our holdings. It was also felt that if member bank borrowing should be necessary, it would best be in the form of discounts and when the seasonal return of funds takes place after January 1 the discounts would act as a buffer along with maturing bills and sales of securities to absorb the return flow of holiday currency. If then there is any excess of funds it might be advisable to market some of the investment account.

It was considered that the withdrawing of some $70,000,000 by the Treasury from depositing banks to make its payments during the December 15 tax period might induce some further borrowing and in anticipation the Reserve Bank of New York expects it will be necessary to advance the bill rate to 3 per cent. That would likely be the last advance to make at present and would result in having the same rate, 3 per cent., on both bills and discounts. After considerable discussion as to what the reserve banks' buying rate for acceptances should be and as to the probable effect of a change to 3 per cent., it was the opinion that the rate on bills maturing over 30 days should be 3 per cent. and that for the present the 2 3/4 per cent. rate on short bills should continue, with a gradual change later on to 3 per cent. as and when conditions warranted. It was, however, considered that in view of the possibility of a change in the situation after January 1 the Committee should arrange to meet shortly thereafter to review the effects of this rate change on the money market and the effect of any sales before any further action is taken.

Mr. Hamlin then moved that the Board note with approval the report of the Committee, including its proposed future action as contained in the statements of the Chairman. This motion was unanimously carried.

The meeting adjourned at 12:40 p. m.

(Signed) W. B. Matteson
Secretary

out - See Board's minutes 1/21/25