

DECLASSIFIED
 Authority E.O. 12356

Minutes of the Meeting of the
 Open Market Investment Committee, Washington, D. C.
 Monday, March 21, 1927.

333.-62
 Final Minutes
 3/21/27

The meeting was called to order at 10:30, Acting Chairman Case of the Federal Reserve Bank of New York presiding. There were also present Governors Norris, Harding, McDougal and Fancher, Mr. Goldenweiser, and Mr. Burgess. The chairman presented his own and the secretary's report. After consideration and discussion, these reports were adopted.

After extended discussion of the policy to be pursued as to the replacement of the 25 million dollars of United States Government securities which had matured from the special investment account, and the 50 million dollars which had matured from foreign accounts on March 15, the committee agreed that it would be desirable to replace the 25 million immediately. It was further agreed that, in view of the reduction of system holdings of bankers acceptances, due to their sale to a foreign correspondent in replacement of securities matured March 15, the committee should be prepared to make additional purchases of government securities up to an amount of about 50 million dollars, if necessary, to avoid a drastic tightening of the money market.

At 11:40 the committee met with the Federal Reserve Board, with Governor Crissinger in the chair. The members of the board present, in addition to Governor Crissinger, were: Mr. Miller, Mr. Platt, Mr. Hamlin, Mr. James, and Mr. McIntosh. Mr. Case presented to the board the report of the Acting Chairman, and the action of the committee, upon which there was general discussion until 1 o'clock, when the meeting adjourned to reconvene at 2 p. m. At 2 p. m. the meeting reconvened and discussion of the action proposed by the committee was resumed.

Trans letter 3/24/27 filed 333.-6-2

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At 2:45 the committee left the meeting of the Federal Reserve Board and reconvened as a committee, those present being Deputy Governor Case, and Governors Norris, Harding, McDougal and Fancher, and Mr. Burgess.

Mr. Case read a letter from Governor Biggs of St. Louis, calling attention to the fact that the seasonal movement of trade in the St. Louis district was such that the earning assets of the St. Louis bank in the spring of the year were less than sufficient to earn expenses and dividends, whereas in the autumn of the year the local demands for rediscounts were so large that the bank could not accept its pro rata share of open market purchases without unduly depleting its reserves. In considering the question raised by this letter, there was extended discussion of the principles and practice governing the distribution of system purchases of bills and securities. As a result of this discussion it was agreed that the general method which had been followed, of making allotments with regard to requirements for expenses, dividends and chargeoffs, was the most satisfactory plan which had been suggested and came the nearest to providing each bank with the necessary earning assets which the individual banks would have themselves found it necessary to acquire if they had been operating as separate units. With regard to Governor Bigg's request, it was agreed that, in view of the seasonal movement of earning assets in St. Louis, the St. Louis bank should be allotted a somewhat larger proportion of system purchases in the spring of the year, and that this should be compensated for by a corresponding reduction in its proportion in the autumn.

At this point Governor Crissinger joined the meeting and presented the following letter conveying the action of the Federal Reserve Board on the recommendations of the committee:

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"FEDERAL RESERVE BOARD
WASHINGTON

Office of Governor

March 21, 1927.

Mr. J. H. Case, Acting Chairman,
Open Market Investment Committee,
C/o Federal Reserve Bank,
New York, N. Y.

Dear Mr. Case:

Following the meeting today with the Open Market Investment Committee, the Federal Reserve Board considered the Committee's recommendations, which you made verbally, to the effect that the Open Market Investment Committee be authorized to replace the amount (\$25,000,000) of government securities which were held in the Special Investment Account and matured on March 15th, and that the Committee be authorized to purchase an additional \$50,000,000 of short-term government securities should a situation develop that would seem to justify such action.

The Board voted to authorize the Committee to replace the \$25,000,000 of government securities which matured from the Special Investment Account on March 15th, and will hold itself ready, upon advice from the Open Market Investment Committee, as a committee, or from the Federal Reserve Bank of New York, if the Committee prefers to leave the matter in the hands of the Federal Reserve Bank, to act upon a recommendation for the purchase of an additional \$50,000,000 of short-term government securities, at any time such a course should appear to be desirable.

Very truly yours,

(Signed) D. R. Crissinger,
Governor."

With reference to the procedure in dealing with the possible additional purchase of 50 million dollars of securities, it was agreed that Mr. Case would follow the money situation closely in the New York market, and would communicate with the other members of the committee if and when such a purchase appeared to be necessary.

The meeting adjourned at 3:45.