

CONFIDENTIAL

MINUTES OF THE MEETING OF THE OPEN MARKET INVESTMENT COMMITTEE  
HELD AT THE OFFICES OF THE FEDERAL RESERVE BOARD  
WASHINGTON, D. C., March 24 and 25, 1930

333-62

Final Minutes

3/24/30

The meeting was called to order at 10:40 a. m., there being present -

From the Federal Reserve Board,  
Governor Young and Messrs. Cunningham, Hamlin, James,  
Miller and Platt;  
From the Board's staff,  
Dr. Goldenweiser and Messrs. Smead, McClelland, Noell  
and Carter;  
From the Federal Reserve Banks,  
Governors Norris, Seay, Black, Fancher, McDougal, Gerry,  
Martin, Talley, and Calkins, Mr. Case, Chairman of the  
Board, and Deputy Governors Paddock and Worthington, and  
Mr. Burgess, acting secretary.

The preliminary memorandum on the credit situation and the Secretary's report were presented to the meeting. Dr. Goldenweiser then discussed the credit situation in connection with a series of charts.

Governor Young and Mr. Case then reviewed the occasion for the purchase of \$50,000,000 of Government securities originally acquired for the account of the Federal Reserve Bank of New York, between March 6 and 14, and subsequently participated among eight of the Reserve banks thus becoming a part of the Open Market Investment Account.

There ensued a general discussion of this transaction and of the general business and credit situation, including a discussion of the relationship between this transaction and the findings of the meeting of January 28th and 29th. In the course of this discussion it was brought out that the primary purpose of the transaction was to attempt to aid business which had developed a more serious depression than had been anticipated at the time of the previous meeting. A number of the governors indicated that they had not been in sympathy with this purchase of Governments and felt that money rates had been eased more rapidly than was desirable. A number of the other governors indicated that they were in accord with the procedure which had been followed.

2

The meeting adjourned at 1:30 to reconvene at 2:45 with only the representatives of the Reserve banks present. After some further discussion the following minute was adopted as representing the views of the meeting:

The Open Market Committee, including informally representatives of all the reserve banks, has considered the information submitted in the Chairman's preliminary memorandum, by the Federal Reserve Board, and by representatives of the several banks.

While Treasury tax period operations have distorted the near-time view of the money situation, it is clear that since the meeting of the Committee on January 28 and 29 money conditions have eased substantially and money has become more freely available and the ease has been extended from the short time to the long time money market.

The Committee believes the steps already taken by the Federal Reserve System in easing the money market through open market operations have gone as far in providing the stimulus of easy money for business use as seems desirable at this time. The Committee believes that at present there is no occasion for further purchases of Government securities.

In the interest of flexibility and preparedness for the unexpected, the Committee favors a reduction in the minimum buying rate on bills, fixed by the Reserve Board, to 2 1/2%. It is the sense of the meeting, however, that in the absence of some developments that cannot now be anticipated, bills should not be bought below 3%.

At 3:50 the following members of the Federal Reserve Board joined the meeting:

Governor Young and Messrs. Cunningham, Hamlin, James, Miller, and Platt.

The minute adopted by the representatives of the banks was read and discussed informally without any action being taken.

Governor Young raised the question as to the extent it was desirable to call full meetings of representatives of the Reserve banks to consider questions of this sort as compared with the policy of handling these questions by correspondence. Messrs Calkins, Talley, and Seay indicated that they favored conferences as the most satisfactory method of accomplishing the purpose.

The question was then raised as to the procedure to be followed in the future by Open Market meetings in view of the fact that the procedure suggested by

3

the Federal Reserve Board in its letter of January 23 had never been put into effect, but that each Reserve bank had made comments upon that letter, including various suggestions for modification.

Mr. Hamlin presented a digest of the replies made by the several Reserve banks to the Board's letter. After some further discussion Mr. James moved that the Governor of the Federal Reserve Board and the representatives of the Federal reserve banks there present should constitute a committee to consider amendments to the open market procedure outlined in the Board's letter of January 23. This motion was carried.

The meeting adjourned at 6:05.

At 8:30 p. m. Governor Young and the representatives of the twelve Federal reserve banks, with the exception of Mr. Case, who had found it necessary to return to New York, reconvened at the Hotel Carlton to consider the open market procedure suggested in the Federal Reserve Board's letter of January 23, Governor Young acting as chairman of the meeting. The several provisions of the letter were taken up in order, and a series of proposals modifying to some extent the Board's suggestions was adopted. These proposals are included in the minutes of the meeting of the following morning, with a few minor changes made at that time.

At the conclusion of this meeting the representatives of the Reserve banks present elected Governor Calkins chairman pro tempore and discussed the question of the chairmanship of the conference and the composition of the executive committee. Thereupon it was

Voted to be the sense of the representatives of the Federal reserve banks present at the meeting that the representative of the Federal Reserve Bank of New York be elected Chairman of the Conference for one year; that the Executive Committee provided for in the proposed procedure should consist of the Chairman and the representatives of the Federal Reserve Banks of Boston, Cleveland, Philadelphia, and Chicago for one year; also, that the Conference adopt the principle of reasonable rotation in the membership of the Executive Committee

after the first year.

The meeting adjourned at 11:45 p. m.

The meeting reconvened with the Federal Reserve Board at 10:30 on March 25 in the Federal Reserve Board rooms, there being present

From the Federal Reserve Board,  
Vice Governor Platt, presiding, and  
Messrs. Cunningham, Hamlin, James, and Miller;  
From the Board's staff,  
Messrs. Goldenweiser, Smead, and McClelland,  
Representing the Federal reserve banks,  
Governors Norris, Seay, Fancher, McDougal, Martin,  
Geery, Talley, and Calkins, and Deputy Governors  
Paddock and Worthington. Mr. Burgess, acting  
secretary.

The conclusions reached by the committee the preceding evening were presented to the meeting and discussed in order. One or two minor changes were agreed to by the representatives of the Reserve banks present. The proposals unanimously adopted by the representatives of the Reserve banks present at the evening and morning meetings were as follows:

(1) The Open Market Investment Committee, as at present constituted, to be discontinued and a new committee, voluntary in character, to be known as the Open Market Policy Conference, to be set up in its place.

(2) The Open Market Policy Conference to consist of a representative from each Federal Reserve Bank, designated by the Board of Directors of the bank.

(3) The Conference to meet with the Federal Reserve Board upon the call of the Governor of the Federal Reserve Board or the Chairman of the Executive Committee after consultation with the Governor of the Federal Reserve Board.

(4) The function of the Open Market Policy Conference to be to consider, develop, and recommend policies and plans with regard to open market operations.

(5) The time, character, and volume of purchases and sales to be governed with the view of accommodating commerce and business and with regard to their bearing upon the credit situation.

(6) The conclusions and/or recommendations of the Open Market Policy Conference, when approved by the Federal Reserve Board, to be submitted to each Federal reserve bank for determination as to whether it will participate in any purchases or sales recommended; any Federal reserve bank dissenting from the proposed policy to be expected to acquaint the Federal Reserve Board and the Chairman of the Executive Committee with the reasons for its dissent.

5

(7) An executive committee of five to be selected from and by the members of the Conference for a term of one year, with full power to act in the execution of the policies adopted by the Open Market Policy Conference and approved by the Federal Reserve Board, and to hold meetings with the Board as frequently as may be desirable.

(8) Each Federal Reserve Bank participating in the Open Market Policy Conference to be considered as waiving none of its rights under the Federal Reserve Act; each Federal Reserve Bank to have the right at its option to retire as a member of the Open Market Policy Conference, but each bank while a member of the Conference to respect its Conference obligations.

It was understood that in agreeing to these proposals the representatives of the Reserve banks there present were in no sense committing their institutions, and it was understood that the proposals would be submitted by the Federal Reserve Board to the Boards of the several Reserve banks after the Federal Reserve Board has itself discussed them.

The meeting adjourned at 11:50 a. m.

W. Randolph Burgess,  
Acting Secretary.