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 Final Minutes

MINUTES OF THE MEETING OF THE EXECUTIVE COMMITTEE
 OF THE OPEN MARKET POLICY CONFERENCE
 HELD AT THE OFFICES OF THE FEDERAL RESERVE BOARD
 WASHINGTON, D. C., JUNE 23, 1930.

6/23/30

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

Governors Harrison (chairman), Norris, Fancher, McDougal, and
 Deputy Governors Paddock and Burgess (secretary).

A preliminary memorandum reviewing credit conditions, and the secretary's
 report were submitted to the meeting.

Governor McDougal expressed his desire to explain to the committee the
 reasons underlying Chicago's participation in the last purchase of Governments,
 even though as a member of the committee he had opposed the purchase. He expressed
 the opinion that when the transaction was under consideration there was a surplus
 of available credit; that money rates were low, and in his opinion too low, and
 consequently he had voted accordingly. Subsequently it was concluded that not-
 withstanding the action referred to, Chicago would accept its participation in the
 purchases because of a desire to support the majority of the committee in so far
 as possible.

Governor McDougal further stated that under conditions now current,
 rather than to further increase the System's holdings of securities, he would be
 willing to let the market have a part of the present holdings of the System, and,
 furthermore, would favor letting acceptances go to the investing public where they
 are in great demand, even though the System's holdings might be materially reduced.

Governor McDougal then moved that no further purchases of Government
 securities be made for system account at this time.

Governor Harrison stated that the occasion for the meeting was to review
 the results of purchases of \$50,000,000 of securities in the first two weeks in
 June and to determine whether the executive committee desired to recommend any
 further action to the Open Market Policy Conference. He then reviewed recent

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developments in business and in the banking situation, pointing out that the business situation appeared to be growing worse rather than better, that exports are still falling off, that commodity prices continue to decline and that there was as yet no definite indication of a turn for the better. He stated that it was the view of the directors of the New York bank that the Reserve System should continue to do everything possible to establish money conditions which would be favorable to the recovery of business, and particularly which would provide an ample supply of funds for the bond market and thus afford means of distributing capital to those businesses and sections of the world where purchasing power for our surplus goods is now seriously curtailed. The recent purchase of government securities had been followed by some further easing of money rates and by some improvement in the bond market, though that market was not strong and was having difficulty in meeting fully the demand for capital funds for business use. This purchase of securities had, however, been largely offset by a decline in the bill holdings of the Reserve System, and it had become clear that in order to keep some surplus supply of funds in the money market and thus stimulate the bond market it would be necessary to continue the purchase of Government securities further. Governor Harrison stated that the directors of the New York Reserve Bank voted at their last meeting that in their opinion further purchases in the amount of about \$25,000,000 a week should be continued. X

Governor Fancher left the meeting at 11:30 and returned about 12:15.

Governor Norris stated that the directors of his bank were opposed to any further purchases of Government securities. He indicated that in his view the current business and price recession was to be ascribed largely to over-production and excess productive capacity in a number of lines of business rather than to financial causes, and it was his belief that easier money and a better bond market would not help the situation but on the contrary might lead to further increases in productive capacity and further over-production.

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Governor McDougal's motion was then carried by a vote of four to one: that it was the opinion of the executive committee that it was not desirable at this time for the Federal Reserve System to undertake any further purchases of Government securities for System account at this time. Governor Harrison voted in the negative.

question was raised as to whether it would be desirable to distribute realized profits held in the Open Market Investment Account at the end of the half year rather than waiting until the conclusion of the year as had been voted at the Governors Conference in the autumn of 1929. It was agreed by those present that it was not desirable to make any change in the procedure agreed upon at that time inasmuch as keeping the profits undistributed for the calendar year made it possible to average out profits and losses. Governor Harrison raised the question as to what would be the policy of the System in case it was found that discounts of the System began to increase accompanying a continued seasonal decline in bill holdings. It was agreed by those present that any considerable increase in discounts should lead to a further consultation as to the policy to be pursued, since an increase in discounts was not desirable at this time.

The meeting adjourned at 1:35 p. m.

During lunch at the Hotel Washington at which all members of the committee were present the earning position of the different Reserve banks, as shown by a tabulation of actual figures for the first five months and estimated figures for the last seven months of the year was discussed. It was agreed by those present that it would not be desirable to have a general redistribution of security holdings in the System account, in view of the fact that most of the Reserve banks would probably show a loss in their operations for the year, and any distribution would simply operate to reduce the deficit shown by one bank at the expense of increasing the deficit shown by another bank. Those present, therefore, agreed that the distribution of purchases of bills and governments should

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continue to be made on the same basis as in recent months; that is, on the basis of the size and general earning requirements of the banks as determined by their expenses, dividends, and charge offs.

[Handwritten mark]

The meeting reconvened at 3:35 p. m. with the Federal Reserve Board, there being present

Vice Governor Platt and Messrs. Hamlin, James, and Pole, and also Messrs. McClelland, Smead, and Carpenter, and For the committee, Governors Harrison, Norris, and Fancher, and Deputy Governors Paddock and Burgess.

Governor McDougal found it necessary to take an earlier train.

Governor Harrison reported the findings of the Conference, stated the position of the New York bank, and summarized the views of the other members of the committee. These views were further amplified by Governor Norris, Governor Fancher, and Mr. Paddock. There ensued a general discussion.

[Handwritten question mark]

Mr. Platt submitted to the meeting a letter dated June 16 from Governor Calkins, a copy of which is attached herewith.

The meeting adjourned at 4:30 p. m.