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Authority E.O. 10501C O P Y

FEDERAL RESERVE BANK OF SAN FRANCISCO

June 16, 1930.

Mr. Roy A. Young,
Governor, Federal Reserve Board,
Washington, D. C.

My dear Governor Young:

Recalling somewhat late a remark you made to the effect that when a bank disapproves of the recommendations of the Open Market Policy Conference it might properly advise the Board as to the reasons for its disapproval, I think I may briefly summarize our reasons for not participating in the \$50,000,000 Governments recently purchased as follows:

a. With credit cheap and redundant we do not believe that business recovery will be accelerated by making credit cheaper and more redundant.

b. We find no reason to believe that excessively cheap money will promote or create a bond market, seeing evidence in the recent past to the contrary, and, further, do not consider the promotion or creation of a bond market one of the functions of the Federal Reserve System.

c. We believe that there may come an opportune moment to put money into the market when that action will have a beneficial effect and feel that if, at such a time, our open market portfolio of Governments is excessive there may be hesitation to increase it.

There is much more that might be argued, but I have endeavored to summarize briefly.

Yours very truly,

(s) Jno. U. Calkins,
Governor.