333.-C-2
Final minutes
6/16/32

~~CONFIDENTIAL~~

MINUTES OF THE MEETING OF THE EXECUTIVE COMMITTEE
OF THE OPEN MARKET POLICY CONFERENCE
THURSDAY, JUNE 16, 1932, NEW YORK, N. Y.

The meeting was called to order at 10:45 a. m., there being present:

From the Federal Reserve Board
Governor Meyer and Mr. Magee
From the Federal reserve banks
Governor Harrison, chairman, and Governors Young, Norris, Black, and McDougal, and Deputy Governor Burgess, secretary.

Governor Harrison reviewed the changes which had taken place in foreign accounts, the movement of gold in recent weeks, and the changes in short time foreign funds in the New York market.

There ensued a general discussion of the over-the-counter payments of gold coin by the different Reserve banks, in which it was brought out that while these payments had become heavier during May and the first week in June they had in the past few days become much lighter.

The preliminary memorandum and the secretary's report of open market operations were presented and read by those present.

The question was then raised as to the extent of future purchases of government securities, first, as to whether they should be continued, and second, as to what should be the objective. Governor Harrison pointed out the difficulty of deciding on the objective each week by telephone, and suggested instead that it might be better to endeavor to maintain the excess reserves of member banks at a figure somewhere between $250,000,000 and $300,000,000 until there was some expansion of credit which would make it desirable to reconsider the program. With the gold export movement reduced, it would probably be possible to maintain substantial excess reserves with smaller purchases than in the past, though there were likely to be considerable swings from week to week.

Trans letter 7/16/32 filed 333.-C-2

Governor Norris raised the question about what might have to be done to deal with window dressing and possible disturbances to the market in connection with the mid-year adjustments.

The following proposal was then discussed:

(1) That until further notice sufficient purchases of government securities should be made to keep excess reserves of member banks at a figure between $250,000,000 and $300,000,000.

(2) That the system should continue to show an increase from week to week in total holdings of government securities in order to avoid the creation of a feeling that the policy of the system had been changed, but that such increases should be in amounts as small as might be, to preserve these excess reserves, and take care of special conditions arising from week to week.

(3) That in the coming week it appeared that this purpose might be accomplished by smaller purchases, but at the end of June the Reserve banks should be prepared to do whatever was necessary to meet the situation.

This proposal was agreed to unanimously by the members of the committee, Governor Young pointing out that he was voting as a member of the committee to administer the policy determined by the Open Market Policy Conference rather than as a representative of his own district opinion.

There ensued an informal discussion of discount rates, salaries and other matters.

The meeting adjourned at 1:00 p. m.

The meeting reconvened at 3:15 p. m., there being present

From the Federal Reserve Board
  Mr. Magee,
From the Federal reserve banks
  Governors Norris, Black, and McDougal, and
  Deputy Governor Burgess.

There was an informal review of the distribution of government securities among the several Federal reserve banks. It was pointed out that a number of the banks were limited by relatively low reserve percentages from taking their full quota of participation in System purchases, and the New York bank had found it necessary to absorb a considerably larger amount of governments than its own share. Several of the Reserve banks had suggested that some basis of allotment be explored other than that currently used, which was put into effect at a time when various Reserve banks were finding difficulty in making sufficient earnings.

It was agreed that the secretary would prepare a number of tables showing how the participations would work out on several different formulae.

The meeting adjourned at 3:30 p. m.

W. R. Burgess

Secretary