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MINUTES OF MEETING
OF THE OPEN MARKET POLICY CONFERENCE
SATURDAY, APRIL 22, 1933,
WASHINGTON, D. C.

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Final Minutes

4/28/33

The meeting was called to order at 11 a. m., there being present the following:

Governor Harrison, chairman, and
Governors Young, Norris, Fancher, Seay, Black, Martin,
Geery, Hamilton, McKinney, and Calkins, and
Deputy Governor McKay.

Following completion of the deliberations of the governors conference, a meeting of the open market policy conference was convened to consider what, if any, action should be taken by the conference with a view to giving the executive committee power to function if necessary in the emergency pending another meeting of the conference.

The report of the secretary of the operations in the system account since the last meeting, which had been previously distributed, was received and ordered to be placed on file. The conference then considered the preliminary memorandum which had also been distributed during the course of the governors conference. There was a general discussion of the memorandum and a review of banking and business conditions which had been considered during the course of the governors conference. Particular reference was made to the Thomas Amendment to the Farm Bill giving the President among other powers the right to direct the Secretary of the Treasury to arrange with the Federal reserve banks for the purchase of government obligations up to three billion dollars. As drafted, this provision of the law is not obligatory so far as the Federal reserve banks are concerned. But the conference was generally in agreement that during the period of the emergency it would be ^{necessary} advisable for the Federal reserve banks, so far as possible and consistent with their own position and requirements, to cooperate with the Treasury with a view to facilitating any necessary issues of government securities or to support the

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market for government securities in order to make such public issues possible. The majority of the conference however did not feel that at the present time it would be advisable for the Federal reserve banks to purchase government securities solely for the purpose of increasing member bank reserves. After further discussion and in order that the executive committee might be prepared, if deemed advisable at the time, to purchase government securities with a view to making it possible for the Treasury to meet its requirements, it was

VOTED to be the sense of the conference that subject to approval of the Federal Reserve Board the executive committee be authorized to arrange with the Secretary of the Treasury from time to time to purchase up to one billion dollars of government securities to meet Treasury requirements.

Deputy Governor McKay of the Federal Reserve Bank of Chicago asked to be recorded as not voting. All the other governors voted in the affirmative.

During the debate on this resolution it was pointed out that this authority, if approved by the Federal Reserve Board, would permit the executive committee to purchase government securities in the market as a means of facilitating public issues of government securities rather than to force the Treasury to seek accommodation directly from the Federal reserve banks. It was understood that a purchase in such circumstances would be with a view to meeting Treasury requirements as specified in the resolution.

The conference then considered the question of the average maturity of the securities held in the system account, it being pointed out that in present circumstances a larger proportion of longer time government securities might not be inappropriate, especially if the exchange of short term securities for longer maturities would facilitate the marketing of government issues when necessary. It was emphasized that it might be possible by shifting various issues in the system account from shorter to longer maturities to promote a better relationship of rates in the government security market and also tone up the market so as to facilitate public issues where otherwise direct recourse to

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the Federal reserve banks might be sought. After discussion it was un-
animously

VOTED to be the sense of the conference that while as a general principle the average maturity of governments held in the system account should be kept as short as possible, nevertheless in the present emergency and especially in view of the need of full cooperation with the Treasury in meeting its fiscal problems, the executive committee should be authorized from time to time to shift maturities in the system account if conditions in the market or requirements of the Treasury appear to make that advisable. Furthermore, it is understood that in replacing maturities in the system account the executive committee will use its discretion in the light of existing conditions and this resolution in selecting replacements. *a.e.*

In view of the fact that the present emergency might make it necessary or advisable for the Federal reserve banks to acquire further amounts of government securities, it was the belief of the conference that there should be the fullest cooperation on the part of the several Federal reserve banks in reallocating existing and possible future holdings of government securities as between reserve banks to enable the reserve banks to operate effectively as a System. *new*

Accordingly, it was unanimously

VOTED to be the sense of the conference that the executive committee (should) be instructed to work out a system of allotment of existing holdings as well as new purchases of government securities with a view to arriving at a more equitable relationship of reserve percentages. *||*

It was pointed out that the reallocation of securities between reserve banks might be necessary not only to permit of further purchases of securities by the system but also to enable any Federal reserve bank freely to accommodate its member banks on 10 B loans in cases where large amounts of such loans might be required to keep open licensed member banks in its district.

At 11:50 a. m. the open market policy conference met with the Federal Reserve Board. The three resolutions adopted were read to the Board, it being pointed out that the first resolution authorizing the executive committee to purchase up to one billion dollars of government securities would require the

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approval of the Federal Reserve Board. Governor Harrison outlined some of the reasons which prompted the adoption of the resolutions in the form submitted.

At 12:30 the meeting adjourned.

George L. Harrison,
Chairman.