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MINUTES OF MEETING OF EXECUTIVE COMMITTEE OF THE
OPEN MARKET POLICY CONFERENCE - MAY 23, 1933

A meeting of the executive committee of the Open Market Policy Conference was called in Washington at Governor Black's office on Tuesday, May 23, at 11 a. m. There were present:

Governor Harrison, Chairman,
Governors Young, Norris, Fancher
and McKay, and
Governor Black.

Governor Harrison called attention to the fact that because of Governor Black's appointment to the Federal Reserve Board, there was a vacancy on the executive committee of the Open Market Policy Conference and that with the approval of the other members of the committee he had invited Governor Fancher to serve in Governor Black's place pending another meeting of the Open Market Policy Conference.

Governor Harrison then presented to the committee the secretary's report of operations and a preliminary memorandum on credit conditions which was read and discussed in some detail. Governor Harrison referred to the fact that the Federal Reserve Board's approval of purchases of United States Government securities by the executive committee of the Open Market Policy Conference up to an aggregate of \$1,000,000,000 was broader in scope than the resolution adopted at the last meeting of the conference on April 22, and stated that Governor Black had requested him to take up with all of the members of the conference in some appropriate fashion the question whether or not the authority given to the executive committee by the resolution passed at the last meeting of the conference might not be extended. After discussion it was voted unanimously to be the sense of the executive committee that the authority given to the executive committee at the last meeting of the conference, which limits the right to purchase government securities, either in the

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market or direct from the Treasury, "to meet Treasury requirements," should be amended so as to remove that restriction in order that purchases of securities may be made promptly if in the judgment of the committee such purchases are considered desirable, whether or not to meet Treasury requirements. It was pointed out that this action, if approved by the conference, would enlarge the powers of the committee to conform to the broader action of the Federal Reserve Board in approving purchases of United States Government obligations without the limitation as to Treasury requirements.

Governor Black expressed himself as being in agreement with this action by the executive committee.

The committee then discussed the general situation in the light of the preliminary memorandum with a view to ascertaining whether or not it would be advisable to initiate some purchases of government securities at this time. After discussion it was unanimously voted that the committee should purchase \$25 million of government securities this statement week provided a majority of the Open Market Policy Conference approved of the proposed extension of authority to the executive committee. Governor Young explained that his vote was predicated on the assumption that the Treasury would approve this action.

Governor Black advised the members of the committee that he was inclined to believe that a larger amount of securities - possibly \$100,000,000 or \$200,000,000 - should be purchased, when there was more evidence of a real need therefor. He inquired whether, if the present improvement in business activities and prices should fall off seriously, the committee would then be in favor of heavy purchases of securities. Members of the committee expressed the view that they would be in favor of such purchases under such circumstances. Governor Black then stated that in consideration of the views expressed at this meeting, as to the possible advantages of prompt action, he was agreeable to

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the proposal to buy \$25,000,000 of securities this statement week, with the understanding that, if need for more vigorous action develops, such action will be taken promptly.

Governor Black advised the committee, prior to the final action on the resolution to purchase government securities, about proposed legislation to eliminate the so-called gold clause from new issues of government securities. He showed the committee a memorandum prepared by the Treasury on this subject and stated that the Treasury and Administration were in favor of the bill. At this point Secretary Woodin joined the meeting. Governor Harrison advised the secretary that the committee had voted to purchase \$25 million of securities this statement week, but that one of the members of the committee wanted to be informed of the views of the Treasury with respect to such a program. Secretary Woodin stated that he and the Treasury would have no opposition to open market operations, but he felt, as did a majority of the committee, that there is no necessity for Treasury approval of the proposal.

At the request of Governor Black each member of the executive committee then expressed his opinions regarding: (1) the proposed open market operations; (2) the problem of keeping open licensed member banks; and (3) liberalization of membership requirements in the Federal Reserve System. During the course of this discussion it appeared to be the unanimous opinion that one of the most important problems now before the system is to devise a procedure or program for keeping open all member banks which have been licensed to open. To accomplish this, either the Federal reserve banks should have some legal protection against losses on account of liberal 10(b) loans made for the purpose of keeping member banks open, or else the Reconstruction Finance Corporation Act should be amended so as to make it possible for the R. F. C. to advance sufficient funds to keep open any member bank that had been licensed to open. If this were done, and membership requirements in the Federal Reserve System were liberalized, and prompt

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action taken upon the applications of sound state banks for membership, it was felt that it would be possible adequately to take care of all sound banks either through liberal 10(b) loans by the Federal reserve banks, or by loans through the R. F. C. Governor Black reported steps which were being taken designed to handle these problems, but stated that there might be difficulty in obtaining the requisite amendments to the law.

During the course of the discussion it was pointed out that various governmental agencies had substantially different yardsticks for appraising loan values and that it would be helpful were a more uniform basis of appraising values arrived at. There was also some feeling that the office of the Comptroller of the Currency was becoming more strict rather than more liberal in the reopening of closed banks and that the present regulations of the Federal Reserve Board regarding the admission of state banks to membership in the system are probably more strict than present circumstances require.

George L. Harrison,
Chairman.