

Office Correspondence

Date April 13, 1935To Governor EcclesSubject: Open market operationsFrom Mr. Goldenweiser *Call*related items 1929-1935

16-852

In accordance with your request I am sending you a table which shows as of the end of each month since January 1929 the total volume of bills discounted, bills bought and United States Government securities held by the Reserve banks; also monetary gold stock, money in circulation, Treasury cash and deposits with the Reserve banks, and excess reserves of member banks.

You will note that security purchases of the Reserve banks began in October 1929 at the time of the stock exchange crash; that during 1930, leaving out the year-end transactions, purchases were about \$120,000,000; that in 1931 purchases were about \$140,000,000, and in 1932 they were \$1,100,000,000. In 1933 there was an additional \$600,000,000 purchased and after that time there were no further purchases.

The table shows that in 1929 and 1930 funds resulting from purchases of Government securities were used chiefly to reduce indebtedness of member banks to the Federal Reserve banks; that in 1931 they were used to meet losses of gold and increases in money in circulation, but that they were not sufficient for that purpose, with the consequence that member bank indebtedness increased by \$400,000,000. Purchases in 1932 once more resulted in a liquidation of member bank discounts and in the building up of more than \$500,000,000 of excess reserves. Purchases in 1933 still further reduced discounts and increased excess reserves to over \$800,000,000. Since the beginning of 1934 there have been no purchases of Government securities, but bills discounted and bills bought have been reduced to a negligible amount by gold imports, which also raised excess reserves to a figure that has been fluctuating around \$2,000,000,000 for a number of months.

RESERVE BANK CREDIT AND RELATED ITEMS (END OF MONTH SERIES)
January 1929 through March 1935
(In millions of dollars)

Date	Reserve bank credit outstanding			Monetary gold stock	Money in circulation	Treasury cash and deposits with F.R. banks	Excess reserves 2/
	Bills discounted	Bills bought	U. S. Government securities				
1929-January	805	440	202	<i>Total</i> 4,127	4,657	223	
February	973	330	169	4,153	4,698	228	
March	1,095	200	172	4,188	4,748	229	
April	934	179	163	4,260	4,676	243	
May	1,068	117	143	4,301	4,738	248	
June	1,037	82	216	4,324	4,746	240	
July	1,076	75	147	4,341	4,717	226	
August	1,046	176	150	4,360	4,840	218	
September	958	293	162	4,372	4,819	278	
October	1,000	355	321	4,386	4,838	221	
November	1,030	256	326	4,367	4,929	258	
December	632	392	511	4,284	4,865	245	
1930-January	394	294	479	4,291	4,560	249	
February	353	270	480	4,352	4,576	261	
March	310	279	535	4,423	4,549	251	
April	233	210	530	4,491	4,476	234	
May	313	185	528	4,517	4,551	250	
June	272	128	591	4,535	4,522	237	
July	200	130	577	4,517	4,426	236	
August	215	168	602	4,501	4,533	231	
September	272	209	597	4,511	4,501	255	
October	207	163	602	4,535	4,493	230	
November	275	175	599	4,571	4,660	235	
December	251	364	729	4,593	4,890	230	
1931-January	232	125	610	4,643	4,610	236	
February	198	109	599	4,665	4,620	250	
March	250	124	599	4,697	4,608	273	
April	157	163	598	4,726	4,652	253	
May	174	125	598	4,798	4,702	235	
June	149	106	668	4,956	4,822	271	
July	195	73	678	4,949	4,837	237	
August	255	215	728	4,995	5,052	294	
September	328	469	742	4,741	5,246	249	159
October	728	681	727	4,292	5,540	257	74
November	718	452	717	4,414	5,536	258	-3
December	638	339	817	4,460	5,647	276	-33
1932-January	899	153	746	4,416	5,641	266	40
February	828	109	740	4,354	5,604	265	-3
March	639	68	872	4,390	5,459	255	87
April	556	48	1,228	4,367	5,465	256	263
May	490	36	1,549	4,152	5,480	257	270
June	440	67	1,784	3,919	5,695	222	162
July	538	43	1,841	3,974	5,726	299	259
August	433	34	1,852	4,088	5,692	306	330

RESERVE BANK CREDIT AND RELATED ITEMS (END OF MONTH SERIES) (Continued)
January 1929 through March 1935
(In millions of dollars)

Date	Reserve bank credit outstanding			Monetary gold stock	Money in circu- lation	Treasury cash and deposits with F.R.banks	Ex- cess re- serves ^{2/}
	Bills discounted	Bills bought	U. S. Government securities				
1932-September	332	33	1,854	4,193	5,653	315	375
October	328	34	1,851	4,264	5,628	278	499
November	309	35	1,851	4,340	5,648	275	498
December	235	33	1,855	4,513	5,675	280	576
1933-January	274	31	1,763	4,552	5,645	333	507
February	582	336	1,866	4,380	6,545	279	317
March	447	305	1,838	4,282	6,320	405	249
April	435	171	1,837	4,312	6,003	397	366
May	302	20	1,890	4,315	5,812	345	339
June	164	48	1,998	4,318	5,721	299	475
July	167	9	2,028	4,320	5,630	357	468
August	153	7	2,129	4,328	5,612	341	595
September	128	7	2,277	4,324	5,650	331	713
October	116	7	2,421	4,323	5,635	299	842
November	119	24	2,432	4,323	5,742	369	727
December	98	133	2,437	4,323	5,806	287	859
1934-January	83	111	2,434	4,033	5,289	597	745
February	64	62	2,432	^{1/} 7,438	5,355	^{1/} 3,440	1,146
March	54	29	2,447	7,694	5,394	3,293	1,444
April	39	9	2,431	7,757	5,368	3,148	1,534
May	31	5	2,430	7,779	5,357	3,053	1,662
June	25	5	2,432	7,856	5,373	3,016	1,732
July	22	5	2,432	7,931	5,317	2,971	1,875
August	23	5	2,432	7,978	5,396	2,968	1,867
September	15	6	2,431	7,978	5,456	3,051	1,727
October	11	6	2,430	8,002	5,453	3,031	1,748
November	11	6	2,430	8,132	5,549	3,022	1,801
December	7	6	2,430	8,239	5,536	3,150	1,814
1935-January	7	6	2,430	8,391	5,380	2,989	2,206
February	6	6	2,430	8,526	5,467	3,003	2,199
March	8	5	2,437	8,567	5,494	3,358	1,846

^{1/} Increase from previous date represents principally increment resulting from reduction in the weight of gold dollar on January 31, 1934.

^{2/} Month-end estimates prior to September 1931 not available, but average daily data indicate unimportant amounts. Range of average daily data \$33,000,000 to \$129,000,000.