A meeting of the Federal Reserve Board was held in the office of the Governor on Monday, November 25, 1929 at 11:45 a.m.

PRESENT: The Chairman
Governor Young
Mr. Platt
Mr. Hamlin
Mr. Miller
Mr. James
Mr. Cunningham
Mr. Pole
Mr. McClelland, Asst. Secretary

The Governor referred to the resolution adopted by the board of directors of the Federal Reserve Bank of New York on November 7th, which was presented to the Board on November 8th, and the report submitted to the Board by the Open Market Investment Committee on November 12th, regarding System open market policy and reviewed the action of the Board on November 13th in addressing a letter to the Chairman of the Open Market Investment Committee, setting forth arrangements made for prompt consideration by the Board of any emergency open market operation that may be necessary but expressing the Board's feeling that the general situation was not sufficiently clarified for the System to formulate and adopt a permanent open market policy at that time. He advised the Board that the directors of the Federal Reserve Bank of New York subsequently authorized the officers to purchase $50,000,000 of Government securities at their discretion for account of that bank. He stated that he discussed last week with Directors Young, Woolley and Reyburn of the New York bank, who were in Washington attending the President's conference, the matter of procedure in open market operations, advising them of the position of the Board that it has the duty and responsibility under the Federal Reserve Act of passing upon open market operations by the Federal Reserve banks. These directors, he stated, expressed the opinion that it was entirely within the rights of the Board for it to concern itself about purchases in the
open market and that all such major operations should have the approval of the Board, although it seemed to them that the Board would not care to have ordinary transactions in small amounts submitted to it. They expressed the opinion that the New York bank or the Open Market Investment Committee should submit to the Board recommendations as to policy and if approved by the Board should request and receive authority to make purchases to carry out such policy. The Governor stated that this appears to him to be the solution of the difficulty which has existed between the New York bank and the Board regarding jurisdiction in open market operations. He also stated that Governor Harrison of the New York bank was in Washington on Saturday and advised that he is prepared to recommend to his directors that the New York bank refrain from major credit operations in the open market on its own account, except with the approval of the Board.

The Governor stated that he wished to recommend to the Board that the general principles as to System policy laid down by the New York directors in their resolution of November 7th and the Open Market Investment Committee in its report of November 12th be approved and that the Board authorize the Open Market Investment Committee to purchase, from time to time, not to exceed in the aggregate $200,000,000 of Government securities, with the understanding that if at any time the Board should feel that purchases are being made too rapidly, it will so express itself to the Committee and reconsider the whole situation.

A detailed discussion then ensued during which certain members of the Board expressed the opinion that in taking the action recommended by the Governor, the Board would be waiving its responsibility in connection with open market operations and that no authority for the purchase of Government securities should be granted unless and until the Board itself feels that purchases should
be made as a matter of System policy.

Following the discussion, Governor Young moved reconsideration by the Board of its action of November 13th in advising the Chairman of the Open Market Investment Committee that, in its opinion, the general situation is not sufficiently clarified for the System to formulate and adopt a permanent open market policy.

Carried.

Governor Young then moved that the general principles as to System policy laid down by the New York directors in their resolution of November 7th and the Open Market Investment Committee in its report of November 12th be approved and that the Board authorize the Open Market Investment Committee to purchase, from time to time, not to exceed in the aggregate $200,000,000 of Government securities, with the understanding that if at any time that Board should feel that purchases are being made too rapidly, it will so express itself to the Committee and reconsider the whole situation.

Governor Young's motion, being put by the Chair was carried, the members voting as follows:

The Chairman, "aye"
Governor Young, "aye"
Mr. Platt, "aye"
Mr. Hamlin, "aye"
Mr. Pole, "aye"
Mr. Miller, "no"
Mr. James, "no"
Mr. Cunningham, "no"

Mr. Platt stated that although he voted for the Governor's motion, he would have preferred to advise the Open Market Investment Committee along the following lines:

"Since the meeting of the Open Market Committee on November 12th money rates in New York, and to some extent elsewhere, have continued to work lower, due to the very great release of credit from the securities market. This tendency continues, and it does not appear to be yet possible to predict its limits. It appears therefore to the Board that the time has not yet come to determine how far it may be advisable to reduce the rediscounts of the mem-

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"ber banks by purchasing Government securities. The Board, however, realizes that the present tendency towards lower rates may be interrupted by the December demand for currency or by other causes and is willing therefore to approve the authority asked by the Open Market Committee to purchase not to exceed $200,000,000 of Government securities, with the understanding that such purchases should be made to offset tightening tendencies, and with a view to their liquidation as currency returns after the turn of the year, unless the Board and the Committee then determine that a lowering of the level of rediscounts is advisable."

Mr. Cunningham then stated that he would have been agreeable to the adoption of a policy such as outlined by Mr. Platt and would have voted in favor of advising the Open Market Investment Committee accordingly, had Mr. Platt's suggestion been submitted for action by the Board. He stated, however, that since the policy of the System is to be toward an easing in the credit situation throughout the country, he wished to call up for consideration at the next meeting of the Board the letter to all Federal Reserve banks submitted by him at the meeting on August 10th on the subject of special rates on commodity paper.

Copies of the letter referred to by Mr. Cunningham were ordered furnished to each member of the Board.

The Chairman and Mr. Pole then left the meeting.

The Governor then stated that some of the Federal Reserve banks have inquired regarding the fall conferences of Governors and Federal Reserve Agents which were originally scheduled to begin on November 13th and were indefinitely postponed by the Board. He suggested Wednesday, December 11th, as the date for the Conferences. Upon motion, the matter was referred to the Governor with power.

The Governor then stated that in accordance with the directions of the Board at its meeting on November 22nd, he conferred with the Comptroller of the Currency regarding the request made of the Federal Reserve Agent at San Francisco by the
United States Attorney at Los Angeles for an expression as to whether, at this late date, it would be advisable for the Department of Justice to prosecute in connection with the alleged irregularities disclosed in the report of examination of the former Pacific Southwest Trust and Savings Bank of Los Angeles made under date of February 5, 1927. He stated that a similar request was addressed to the Comptroller of the Currency, who intends to reply advising that, in his opinion, it would not be to the public interest for the Department of Justice to prosecute at this time. The Governor suggested that the Board advise the Federal Reserve Agent at San Francisco that he should reply to the United States Attorney at Los Angeles that it is felt the Department of Justice is in better position to determine the advisability of prosecution than the Federal Reserve System.

Mr. Hamlin called attention to the fact that if it has not already done so, the statute of limitations will very shortly become effective on the irregularities in question which were reported to the United States Attorney by the Federal Reserve Agent in September, 1928.

Upon motion, the Governor was requested to prepare an advice to the Federal Reserve Agent along the lines of his suggestion.

The Governor then reported that all Federal Reserve banks have replied to the letter addressed to them in accordance with the action of the Board at the meeting on October 24th, expressing a willingness to render assistance to the Bureau of Engraving and Printing, as requested by the Treasury Department, under the proposition involving an order for the delivery during the current fiscal year of 2,950,000 additional sheets of completed Federal Reserve notes at a cost of $264,025.00 and the establishment at the Bureau of a revolving
fund of $241,738.75 to provide for a reserve stock of 4,250,000 sheets of notes in process - approximately a three months' supply.

After discussion, upon motion, the placing of the requisite orders with the Bureau of Engraving and Printing was approved.

Mr. James then moved that the Board, in its Annual Report, make mention of the placing of these additional orders and the necessity therefor.

At the request of the Governor, action on Mr. James' motion was deferred.

The meeting adjourned at 1:15 p.m.

Approved:

[Signature]

Chairman.