

A meeting of the Federal Reserve Board with the Open Market Policy Conference of the Federal Reserve System was held in the office of the Federal Reserve Board on Tuesday, May 17, 1932, at 10:00 a. m.

PRESENT: Governor Meyer
Mr. Hamlin
Mr. Miller
Mr. James
Mr. Magee
Mr. Pole

Mr. Morrill, Secretary
Mr. McClelland, Assistant Secretary
Mr. Harrison, Assistant to the Governor.

PRESENT ALSO: Mr. Goldenweiser, Director, Division of Research
and Statistics
Mr. Smead, Chief, Division of Bank Operations
Mr. Wyatt, General Counsel

Governors Young, Harrison, Fancher, Seay, Black,
McDougal, Martin, Geery, McKinney,
Calkins, and Deputy Governor Worthington,
Members of the Open Market Policy Confer-
ence
Mr. Burgess, Secretary, Open Market Policy Confer-
ence.

Governor Meyer outlined confidentially, for the information of those present, some of the activities of the Reconstruction Finance Corporation during the period February 2, 1932, to May 14, 1932, inclusive.

He then referred to a memorandum which had been submitted by the Chairman of the Open Market Policy Conference and stated that it appeared to contain an adequate description of the operation and results of the System program to date and that the question before the meeting was that of the policy which should be followed during the approaching period. There was a general discussion, during which the Governors of the Federal reserve banks expressed their individual observations as to the results in their respective districts of the open market policy of the System, and of the

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activities of the Reconstruction Finance Corporation. The suggestion was made that the present policy of the System should be regarded only as a factor in a general program toward business recovery in which the Federal Reserve System should assume the leadership and enlist the cooperation of bankers and business men in an effort to break the existing stagnation of credit and business. Some of the governors indicated that they felt that there were practical difficulties at this time in the way of carrying out such a program. It appeared, however, that others either had taken steps in this direction or were favorable to doing so.

Toward the end of the discussion the Secretary of the Treasury joined the meeting.

At 1:00 o'clock the meeting recessed and the Federal Reserve Board reconvened at 3:30 p. m. in the office of the Secretary of the Board. The Chairman, Governor Meyer, and Messrs. Hamlin, Miller, James, Magee and Pole, were present; also Mr. Morrill, Secretary of the Board and Mr. McClelland, Assistant Secretary.

The Governor presented the following report, handed him by the Chairman of the Open Market Policy Conference, of action which had been taken at a meeting of the conference still in session in the Board room:

"After discussion of credit, banking and business conditions and the effects of the System's Open Market operations on those conditions in recent weeks, it was voted, subject to the approval of the Federal Reserve Board to authorize the Executive Committee of the Open Market Policy Conference to continue the purchase of Government securities for System account as may seem advisable from week to week but not to exceed an aggregate of \$500,000,000 without another meeting of the Open Market Policy Conference."

After some discussion, upon motion, the action of the Open Market Policy Conference was approved.

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The Governor then stated that the suggestion had been made that some statement should be issued to the press regarding the decision with respect to System open market operations reached at this meeting with the Open Market Policy Conference. He referred to the fact that he and Mr. Miller were expecting to appear tomorrow before the Committee on Banking and Currency of the United States Senate at its hearings on the so-called stabilization bills and said that he thought that it might be desirable for him to make some announcement during the hearing as to the future policy of the System. The matter was discussed at some length until 4:35 p. m., when the Board reconvened in the Board room with the Open Market Policy Conference.

Messrs. Floyd R. Harrison, Goldenweiser, Smead and Wyatt also entered the room at this time.

Governor Meyer requested that the meeting convene for the time being as a Governors' Conference and he presented an inquiry which had been received by the Board from the Chairman of the Federal Reserve Bank of Richmond as to whether there had been any change in the attitude of the Board, as expressed last Fall, with regard to flat reductions in the salaries of employees of the Federal reserve banks. The matter was discussed around the table and it was reported that the question had been receiving consideration at most of the Federal reserve banks but it appeared that, generally speaking, it was not expected that any action would be taken until the end of the year, in the light of conditions as they then exist.

The meeting then reconvened as a meeting with the Open Market Policy Conference and the question of the issuance of a public statement

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regarding System open market policy during the approaching period, in addition to an announcement of such policy by Governor Meyer before the Senate Committee on Banking and Currency tomorrow, was discussed in detail. The Governors of the Federal reserve banks, by a majority vote, favored the issuance of a press statement, and at the conclusion of the discussion the following announcement was approved for immediate release to the press:

"The Governors of the Federal Reserve Banks met today with the Federal Reserve Board and it was decided to continue open market operations by the purchase of government securities, the extent and amount to be determined from time to time as conditions justify."

Thereupon the meeting adjourned.

Walter Merrill
Secretary.

Approved:

Benjamin S. Meyer
Governor.