

A meeting of the Federal Reserve Board with the Open Market Policy Conference was held in Washington on Wednesday, January 4, 1933, at 10:40 a.m.

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

Mr. Morrill, Secretary  
Mr. McClelland, Assistant Secretary  
Mr. Harrison, Assistant to the Governor  
Mr. Wyatt, General Counsel  
Mr. Smead, Chief, Division of Bank Operations  
Mr. Goldenweiser, Director, Division of Research and Statistics

Governors Young, Harrison, Norris, Fancher, Seay, Black, McDougal, Martin, Geery, Hamilton, McKinney and Calkins, Members of Open Market Policy Conference

Mr. Burgess, Secretary, Open Market Policy Conference.

At the request of the Board Mr. Goldenweiser reviewed for the information of those present the factors entering into the business and credit situation. During Mr. Goldenweiser's statement the Chairman of the Board joined the meeting. At the conclusion of his statement there were distributed to the members of the Open Market Policy Conference and the Board copies of a confidential memorandum prepared in the Division of Research and Statistics under date of January 3, 1933, on the subject of business and credit conditions.

Governor Meyer stated that probably at no time since the war has the relation between the Open Market Policy of the Federal Reserve System and the general economic situation been so important and that for this reason it is particularly necessary that the decision of the Open Market Policy Conference be of such a character as to be capable of expression in definite terms which

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will be understandable to the public and justify confidence in the soundness and stability of the System's policy. He referred to the agitation, especially in Congress, for the adoption of inflationary measures and pointed out that under conditions like these the System must of necessity give due consideration to such factors in reaching a determination as to future policy. He also stated that during his recent visits to seven of the Federal reserve banks, when he discussed the open market policy with the directors of those banks, he found what appeared to be general approval, and expressed the opinion that the policies of the System, in the light of conditions which have existed during the last two years, have been remarkably free from public criticism.

At the suggestion of Governor Harrison, the Secretary of the Open Market Policy Conference, Mr. Burgess, read a preliminary memorandum which had been prepared under date of December 31, 1932, for the consideration of the Conference.

The Secretary of the Treasury then outlined briefly, for the information of the Conference in connection with general credit conditions, the situation of the Treasury with respect to the budget and the financing operations which, at the present time, appear to be required during the remainder of this and the next fiscal year. He stated that he felt that the Treasury Department, as such, is not directly or indirectly interested in the decision to be reached by the Open Market Policy Conference and gave his reasons therefor, explaining among other things that in his opinion, the Treasury should not expect to borrow at such rates as have recently prevailed and that its policy with respect to its financing operations should be based

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upon fundamental considerations apart from the Open Market Policy of the Federal Reserve System.

At the suggestion of Governor Meyer, Governor Harrison then undertook to summarize the various arguments which might be advanced at this time for and against a change in the System's open market policy, with special reference to the advisability of disposition of a portion of the System's holdings of United States Government obligations. He stated that in the circumstances existing at this time he regarded the decision to be reached as not only one of the most difficult that the System had faced but one of the most important.

There followed a general discussion in which various members of the Conference participated regarding the advisability of a change in the present policy and the nature thereof, with special reference to the principles which should govern the policy and particularly its effect upon the amount of excess reserves of member banks and in turn the effect of the accumulation of excess reserves upon credit conditions.

At the conclusion of the discussion the meeting adjourned for luncheon with the understanding that the members of the Open Market Policy Conference would meet immediately thereafter in separate session.

Walter Merrill  
Secretary.

Approved:

Ernest C. Lusk  
Governor.