

A meeting of the Federal Reserve Board with the Open Market Policy Conference was held in Washington on Thursday, January 5, 1933, at 11:00 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

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

Mr. Burgess, Secretary, Open Market Policy Conference.

The following resolution adopted by the Open Market Policy Conference at a meeting this morning was presented to and approved by the Board:

"It is the sense of the Open Market Policy Conference that there should be no change in the system's policy intended to maintain a substantial amount of excess member bank reserves inasmuch as the continuance of excess reserves in substantial amounts is desirable in present conditions. In view of the return flow of currency during January and prospective gold movements the amount of excess reserves may rise considerably above the present level which is deemed appropriate under present conditions.

"BE IT RESOLVED, THEREFORE, That, pending another meeting of the Conference, the Executive Committee be given authority (a) to reduce the system's holdings of short term Treasury bills in order to offset such amount of the return flow of currency as may seem desirable, provided such action does not result in any substantial reduction in existing excess reserves and (b) if necessary to purchase Government securities in sufficient amounts to prevent member bank excess reserves falling below the present general level."

Governor Harrison reported the interpretations of the resolution upon

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which the conference was agreed.

The opinion was then expressed that some public statement, explaining the policy of the System, is necessary under present conditions. After discussion as to the form such a statement might take, Messrs. Miller and Hamlin of the Federal Reserve Board, and Governors Harrison and Norris of the Open Market Policy Conference, were requested to draft a statement for consideration by the Board and the Conference. Thereupon Messrs. Miller, Hamlin, Harrison and Norris left the meeting, and upon their return submitted the following form of statement, which was approved for release to the press at 4 P. M. today for publication in the morning papers of January 6, 1933:

"The Open Market Policy Conference of the Federal Reserve System, with representatives from all of the twelve Federal reserve banks in attendance, concluded its meetings with the Federal Reserve Board today. The sessions of the Conference were devoted to a review of economic, business, financial and banking conditions in each of the twelve Federal reserve districts and to the economic and financial situation in the country as a whole. Particular reference was made in the discussions to the workings and effects of the open market policy thus far pursued by the Federal Reserve System during the course of the economic depression. Consideration was also given to the attitude of the System in adjusting its operations to conditions and needs as they may change and develop.

"The first and immediate objective of the open market policy was to contribute factors of safety and stability in meeting the forces of deflation. The larger objectives of the System's open market policy, to assist and accelerate the forces of economic recovery, are now assuming importance.

"With this purpose in mind, the Conference has decided that there should be no change in the System's policy intended to maintain a substantial amount of excess member bank reserves, the continuance of which is deemed desirable in present conditions. Adjustments in the System's holdings in the open market account will be in accordance with this policy."

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Governor Meyer then stated that it is the opinion of the Federal Reserve Board that the Governors of the Federal reserve banks can contribute a great deal to the success of the System open market policy by explaining to member banks in a positive way, whenever an opportunity is afforded, the purposes sought to be accomplished by the policy.

Reference was then made to the desirability of the Federal reserve banks continuing to give close attention to the steps which may be taken by them, in conjunction with the various banking and industrial committees, to stimulate the use by member banks of the excess reserve funds which are held by them.

Governor Meyer then stated, for the information of the Governors present, that the Board had upon applications from two of the Federal reserve banks since January 1, approved a reduction from 5 1/2% to 5% in the rate charged by those banks on advances to member banks under the provisions of section 10(b) of the Federal Reserve Act, the latter rate having also been established by the Reconstruction Finance Corporation for loans made to banks by it since January 1, and that the Board would be willing to take similar action upon any further applications that might be received from the Federal reserve banks. It appeared to be the consensus of the conference that a reduction in the rate would be desirable.

The Governor then advised the Governors of the opinion of the Board that the future successful operation of the System depends upon the banks taking advantage of opportunities to strengthen their personnel. He stressed the importance to each Federal reserve bank of giving careful consideration to the desirability, when filling vacancies or making any reorganization in



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staff, of bringing into the bank experienced and able young men, who may be expected to develop the ability to assume the responsibilities of management of the Federal reserve banks in the future.

Thereupon the meeting adjourned.

Robert M. Miller  
Secretary.

Approved:

Ernest C. Ferguson  
Governor.