

A meeting of the Federal Reserve Board with the Federal Open Market Committee was held in Washington on Friday, July 21, 1933, at 11:10 a. m.

PRESENT: Mr. Black, Governor
Mr. Hamlin
Mr. Miller
Mr. James
Mr. Thomas
Mr. Szymczak

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

ALSO PRESENT: Governors Harrison, Fancher, Seay, Martin, Geery, Hamilton, McKinney, and Calkins; Mr. Johns, Acting Governor of the Federal Reserve Bank of Atlanta; Mr. Paddock, Deputy Governor of the Federal Reserve Bank of Boston; Mr. Hutt, Deputy Governor of the Federal Reserve Bank of Philadelphia; and Mr. McKay, Deputy Governor of the Federal Reserve Bank of Chicago.

Mr. Burgess, Secretary of the Federal Open Market Committee.

Dr. O. M. W. Sprague, Financial Executive Assistant to the Secretary of the Treasury, was also present and outlined for the information of those present the probable financing program of the Treasury. Mr. Harlan, Senior Legal Assistant to the Under Secretary of the Treasury, joined the meeting during Dr. Sprague's statement. At the conclusion of Dr. Sprague's statement and the ensuing discussion, Governor Black summarized certain suggestions made by Dr. Sprague as follows: (1) That the Federal Open Market Committee consider what steps can be taken to aid the Treasury in enlisting the support of insurance companies, mutual savings banks and

7/21/33

-2-

banks in the interior of the United States in the flotation of Government securities which it will be necessary to issue during July and August, (2) that a committee of the Federal Open Market Committee visit Under Secretary of the Treasury Acheson at his home where he is confined by illness, for the purpose of discussing this matter with him, and (3) that the Committee, if it so desires, express its views as to the desirability of a fixed monetary policy in this country.

Dr. Sprague and Mr. Harlan then left the meeting.

Governor Black expressed the opinion, in which the other members of the Board concurred, that it would be undesirable for the Committee to give a formal expression of its views in response to the third suggestion made by Dr. Sprague.

It was understood that the Chairman of the Federal Open Market Committee would appoint a committee to visit Mr. Acheson and that the Federal Open Market Committee in separate session would consider the second and third suggestions made by Dr. Sprague.

There were then distributed to the members of the Board copies of the preliminary memorandum prepared by Governor Harrison for the meeting of the Federal Open Market Committee and of the report of the Secretary of the Open Market Policy Conference.

The meeting recessed and reconvened at 2:15 p.m., with the same attendance as at the morning session and, in addition, Mr. O'Connor.

Mr. Goldenweiser reviewed briefly, on the basis of his memorandum of July 18, 1933, recent credit and business conditions.

There followed a discussion of System open market policy in the

7/21/33

-3-

light of recent developments and the opinion was expressed by the individual members of the Federal Open Market Committee and the Federal Reserve Board that, because of the many uncertain elements in the present situation, the Executive Committee of the Federal Open Market Committee should be authorized, through further purchases of Government securities, within the powers previously granted to it, to meet any emergency which might arise.

In response to an inquiry from Governor Harrison as to when the Board expected to issue a regulation in accordance with the provisions of section 11(b) of the Banking Act of 1933 with regard to rates of interest to be paid by member banks on time deposits, the Committee was advised that it was hoped that a tentative draft of regulation would be available for consideration by the Board within the next few days.

Governor Harrison also raised the question as to the eligibility, under the provisions of section 33 of the Banking Act of 1933, of the present Class A directors of Federal reserve banks to serve in that capacity, and the Committee was advised that the Board was considering the question.

Governor Hamilton stated that he had heard the suggestion made that the Federal reserve banks be asked to make examinations of all State member banks in their respective districts for consideration in connection with their applications for stock in the Federal Deposit Insurance Corporation, and that he felt that if this responsibility is to be placed on the Federal reserve banks they should be advised of it as promptly as possible so that the necessary organization can be set up.

Mr. O'Connor referred to the fact that, as Comptroller of the Currency, he and his department have had little acquaintance with State

7/21/33

-4-

banks and, as the directors of the Federal Deposit Insurance Corporation, of which he is one, will be brought into close contact with State banks, he would appreciate it if the governors would furnish him with the names and addresses of four or five men in each State in their respective districts who are outstanding State bankers, with a statement of their experience, etc., in order that when the Corporation is in need of advice and suggestions of representative State bankers, a file of names from whom reliable information can be obtained will be available. The governors indicated that they would comply with Mr. O'Connor's request.

There then followed a brief discussion as to the policy which the Board and the Federal reserve banks should adopt in the light of the Banking Act of 1933 with regard to borrowings of member banks from Federal reserve banks while they have outstanding loans to brokers and dealers in securities.

At the conclusion of this discussion the meeting adjourned, and the Federal Open Market Committee went into separate session.

Walter Merrill
Secretary.

Approved:

E. R. Black
Governor.