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Authority EO 12958

Form F. R. 567

END SHEET

KIND OF MATERIAL OR NUMBER

333.-b-1

NAME OR SUBJECT

**Open Market Investment Committee
Open Market Operations**

DATES (Inclusive)

1923

PART NUMBER

Part 1

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333-6-1

FEDERAL RESERVE BANK
OF SAN FRANCISCO

December 27, 1923

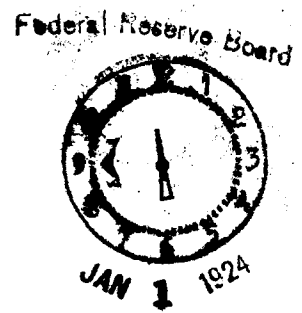
Federal Reserve Board,
Washington, D. C.

Dear Sirs: Attention: Mr. Walter L. Eddy

I beg to acknowledge receipt of your confidential
letter of December 3d, advising me of the resolution adopted
by the Federal Reserve Board on December 3, 1923.

Yours very truly,

Handwritten signature
Governor



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333-81

CONFIDENTIAL

December 24, 1923

My dear Governor

In accordance with my letter of December 12, 1923, we have considered the procedure to be followed in the handling of short-term investments in Government securities acquired for the System at the discretion of the Open Market Investment Committee, and have formulated a plan which will be simple and easy of operation and at the same time will provide for an equitable distribution of the investments and of the subsequent profits or losses, if any, resulting from these transactions.

The proposed plan, which has the approval of the Committee, is as follows:

1. As securities are purchased the New York Bank is to charge the cost of all purchases made to a special account to be carried on its books under the title "Special Investment U. S. Securities."
2. The par amount of all purchases made will be prorated to each reserve bank on the percentage basis already set forth in my letter of December 12, 1923, the New York bank crediting the total amount allotted to the other eleven banks to an account on its books entitled "Participation of Other Federal Reserve Banks in Special Investment U. S. Securities," at the same time advising each other reserve bank of the amount of its participation.
3. Upon receipt of these telegrams each other reserve bank will credit New York through the gold settlement fund, debiting an account on its books entitled "Participation in Special Investment U. S. Securities," the total of the participation by each bank to be carried on its balance sheet form 34 against this caption.
4. The figures reported on the weekly press statement will, of course, be against the usual captions "U. S. Certificates of Indebtedness" or "U. S. Bonds and Notes," as the case may be, and each bank will be advised each Wednesday night by the New York Bank as to the division of its quota between these two accounts.
5. The New York Bank will handle all accruals of earnings by first accruing the earnings on the entire fund to a special account to be styled "Interest Earned on Special Investment U. S. Securities," after which it will each day distribute the accrual to each bank in the same proportion as the investment, crediting each bank daily with its proportion through the gold settlement fund, and debiting an account to be entitled "Participation of Other Federal Reserve Banks in Interest on Special Investment U. S. Securities."
6. Each other reserve bank will credit its share of the earnings to its regular account "Interest Earned on U. S. Securities" or if it prefers, to an account "Interest Earned on Special Investment U. S. Securities."

*See 1-4-24
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7. As sales are made the operation will, of course, be reversed, New York crediting each bank with its proportion through the gold settlement fund, and each other reserve bank crediting its account "Special Investment U. S. Securities" upon receipt of the advice of sale.

8. In case of profits or losses resulting from sales, the distribution will be made in the same way, each bank being furnished with full information.

Under this plan the New York Bank will carry on its books the premium and discount accounts, if any, and also the "Accrued Interest Not Collected." The other eleven banks will have only the earning asset account representing the par amount of their participation in the total purchases and the earnings actually accrued. This will materially simplify the handling of these transactions so far as the accrual of earnings and the advising daily of entries over the wire is concerned.

In the event of changes in the ratios of distribution to the several reserve banks, the total account will be adjusted to the new percentages with appropriate wire advice to each bank concerning entries to be made or, when the adjustments are small, it will probably be absorbed in the first transaction thereafter, whether purchase or sale.

As and when other reserve banks are directed to make purchases for this account, such bank will receive payment in full from the New York bank, following which the New York Bank will make distribution in the same manner as though purchase had been made by it in the first instance. The securities purchased for this account will be retained by the New York Bank and will be lodged by it in a "Special Account" to be held for the System separate and apart from all other securities held by it.

The Committee has already invested \$3,500,000 in March 1924 certificates for this account and as soon as all of the banks have been heard from, this purchase with any others made in the meantime will be prorated in accordance with the foregoing.

Will you please let me know promptly if there is anything about this procedure that is not clear to you, or with which you are not entirely in accord.

Very truly yours,

Benj. Strong
Chairman, Open Market Investment Committee
for the Federal Reserve System

Note: For your information, we have received advices from the governors of all Federal reserve banks stating that the plan outlined in my previous letter has been presented to their respective boards and that it has their approval.

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Form No. 131.

Office Corresp

le cc FEDERAL RESERVE BOARD

254
January 17, 1923.

To Mr. Hamlin

Subject: _____

From Mr. Eddy

330 /

At the meeting this morning, you were appointed a committee of one, for the Board, to cooperate with Governor Strong and Mr. Jay in the preparation of a form of statement on the subject of open market operations for publication in the January, 1924 issue of the Federal Reserve Bulletin.

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Form No. 131.

Office Correspondence

FEDERAL RESERVE BOARD

254

Jan. 20, 1923

To Mr. Eddy

Subject: 333. - 6-1

From Mr. Stewart

~~333.1~~

7-6405

W.S.S.

Attached herewith is a copy for the Board minutes of the statement of open market policy which was adopted by the Board at its meeting yesterday.

(For Jan 1923 Bulletin)

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Constancy of reserve bank credit. - At the Federal reserve banks discounts increased rapidly during the year, but there was a corresponding decline in open-market holdings, with the result that total earning assets remained relatively stable. In fact, as shown by the chart, relative stability in the total volume, with changes in the composition, has been the principal characteristic of Federal reserve bank assets during the past two years. During these two years the country steadily used from \$1,000,000,000 to \$1,200,000,000 of reserve bank credit. In view of this relatively constant demand, the years 1922 and 1923 afford an opportunity of observing the effect of changes in the volume of open-market holdings upon the volume of member bank discounts. This changing relationship was commented on in the May and July issues of the Bulletin, and it now seems appropriate, at the close of the year, to make a more complete review of the relation between the two elements of Federal reserve credit policy -- rediscount operations and open-market operations.

In the early part of 1922 the reserve banks purchased a considerable volume of short term Government securities in the open-market, partly for the purpose of obtaining earnings, and in 1923 they ^{greatly reduced their holdings} ~~sold a large part~~ of these securities. In the absence of change in the aggregate demand for reserve bank credit, the increases in open-market purchases during 1922 were offset by a corresponding decline in the volume of discounts, and in 1923 the reduction in securities was accompanied by a substantially equivalent increase in discounts.

In 1922 when the reserve banks bought securities the funds which they paid to the sellers found their way into member banks and permitted these banks to repay an equal amount of their rediscounts. The aggregate amount of reserve

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bank credit in use was not increased or even materially changed; a certain amount of their "rediscounts" were merely thus converted into "securities." But the effect on the member banks, particularly in the large centers, was to add to their ^a liquid funds or to enable them to ^{reduce} their indebtedness at the reserve banks. Under such conditions banks are likely to lend more fully to their customers and others.

In 1923, on the other hand, when the reserve banks ~~sold securities~~, ^{reduced their holdings} they withdrew from the market an equivalent amount of funds. Following the withdrawal, the market borrowed substantially the same amount from the banks; and the banks, in turn, rediscounted substantially the same amount at the reserve banks, so that there was no material change in the total volume of Federal reserve bank credit in use.

Open-market policy. -

The volume of open-market holdings with which the reserve banks entered the year 1923 put them in possession of an admirable instrument for testing the degree of dependence of the credit structure upon Federal reserve bank accommodation and for placing the initiative upon member banks to determine the volume of reserve bank credit required to meet the needs of business and industry. For in rediscount operations the initiative is taken by the member banks, which borrow from the reserve banks at the established discount rate, while in open-market operations the initiative is taken by the reserve banks, which buy or sell short term securities in the market largely at their own volition and at market rates. The fact that the reduction of open-market holdings during 1923 was ^{accompanied} followed by an amount of discounting by member banks approximately equal to the volume of funds withdrawn through ^{from the market} ~~the sale of government securities~~ by Federal reserve banks indicated that the total volume of reserve bank credit outstanding was not in excess of requirements.

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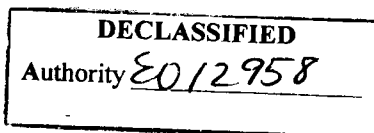
3.

Federal reserve credit policy during the year has been reflected chiefly in open-market operations. As the aggregate demand of the country for reserve bank credit may be met either through rediscount or open-market operations, the Federal Reserve Board felt that these two methods of extending credit should be brought into harmony. The Board, therefore, in April, 1923, appointed a committee of officers of reserve banks to act in conjunction with the Board in effecting a more complete coordination of all open-market operations of the reserve banks, both on their own account and in the execution of orders in government securities for the Treasury as fiscal agents of the government.

At the time the committee was appointed, the Federal Reserve Board adopted the principle:

"That the time, manner, character and volume of open-market investments purchased by Federal reserve banks be governed with primary regard to the accommodation of commerce and business and to the effect of such purchases or sales on the general credit situation."

As the Act provides that discount rates shall be fixed "with a view of accommodating commerce and business," the adoption of this principle definitely established open-market policies on the same basis as discount policies. Open-market operations provide a cushion of credit between the direct borrowings of member banks and the money market, and have facilitated the flow of credit into and out of the reserve banks, *exercise a steadying influence in the market and to* in such a way as to reduce the tendency toward periodical tightness of money formerly felt by business in the spring and by agriculture in the autumn. Indeed, open-market operations, particularly sales of securities, have proved to be a valuable adjunct to discount policy. The minor influence which sales of securities by reserve banks exerts may, at times, avoid the necessity for resorting to the major influence of a change



4.

Discount rates.

Discount rate changes in 1923 were fewer than in any other year in the history of the system. Advances in discount rates from 4 per cent to 4½ per cent at the Federal reserve banks of Boston, New York, and San Francisco were made early in the year, and since that time the level of rates has been the same at all the reserve banks. With the growth of discounts, however, which accompanied the reduction in the holdings of government securities, the influence of existing discount rates was extended to a larger proportion of the total Federal reserve bank credit in use, and the cost of obtaining reserve bank credit was borne more directly by member banks. Changes in discount rates attract more attention than open-market operations, and yet during the past year *changes in the volume held* ~~the~~ *of securities* by the reserve banks has been an important influence. The weekly statements of condition of the Federal reserve banks give full publicity to the amount and composition of open-market holdings and make it possible for the public to follow these changes from week to week. //

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December 19, 1923

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12-19-23

Governor Strong, Mr. Jay and Dr. Stewart appeared before the Board and submitted a revised draft of the statement on the subject of open market operations for insertion in the January issue of the Federal Reserve Bulletin, and after discussion and the suggestion of various amendments, these gentlemen withdrew from the meeting to rewrite the statement for submission to the Board at a meeting to be held at 2:30 this afternoon.

December 19, 1923

At this point governor Strong, Mr. Jay and Dr. Stewart entered the meeting and submitted to the Board final draft, as follows, of a statement on open market operations during the years 1922 and 1923, for insertion in the January issue of the Federal Reserve Bulletin:

"Constancy of reserve bank credit. - At the Federal reserve banks discounts increased rapidly during the year, but there was a corresponding decline in open market holdings, with the result that total earning assets remained relatively stable. In fact, as shown by the chart, relative stability in the total volume, with changes in the composition, has been the principal characteristic of Federal reserve bank assets during the past two years. During these two years the country steadily used from \$1,000,000,000 to \$1,200,000,000 of reserve bank credit. In view of this relatively constant demand, the years 1922 and 1923 afford an opportunity of observing the effect of changes in the volume of open-market holdings upon the volume of member bank discounts. This changing relationship was commented on in the May and July issues of the Bulletin, and it now seems appropriate, at the close of the year, to make a more complete review of the relation between the two elements of Federal reserve credit policy -- rediscount operations and open-market operations.

In the early part of 1922 the reserve banks purchased a considerable volume of short term Government securities in the open-market, partly for the purpose of obtaining earnings, and in 1923 they greatly reduced their holdings of these securities. In the absence of change in the aggregate demand for reserve bank credit, the increases in open-market purchases during 1922 were offset by a corresponding decline in the volume of discounts, and in 1923 the reduction in securities was accompanied by a substantially equivalent increase in discounts.

In 1922 when the reserve banks bought securities the funds which they paid to the sellers found their way into member banks and permitted these banks to repay an equal amount of their rediscounts. The aggregate amount of reserve bank credit in use was not increased or even materially changed; a certain amount of their 'rediscounts' were merely thus converted into 'securities.' But the effect on the member banks, particularly in the large centers, was to add to their loanable funds or to enable them to reduce their indebtedness at the reserve banks. Under such conditions banks are likely to lend more fully to their customers and others.

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December 19, 1923 (Cont'd)

In 1923, on the other hand, when the reserve banks reduced their security holdings, they withdrew from the market an equivalent amount of funds. Following the withdrawal, the market borrowed substantially the same amount from the banks; and the banks, in turn, rediscounted substantially the same amount at the reserve banks, so that there was no material change in the total volume of Federal reserve bank credit in use.

Open-market policy. - The volume of open-market holdings with which the reserve banks entered the year 1923 put them in possession of an admirable instrument for testing the degree of dependence of the credit structure upon Federal reserve bank accommodation and for placing the initiative upon member banks to determine the volume of reserve bank credit required to meet the needs of business and industry. For in rediscount operations the initiative is taken by member banks, which borrow from the reserve banks at the established discount rate, while in open-market operations the initiative is taken by the reserve banks, which buy or sell short term securities in the market largely at their own volition and at market rates. The fact that the reduction of open-market holdings during 1923 was accompanied by an amount of discounting by member banks approximately equal to the volume of funds withdrawn from the market by Federal reserve banks indicated that the total volume of reserve bank credit outstanding was not in excess of requirements.

Federal reserve credit policy during the year has been reflected chiefly in open-market operations. As the aggregate demand of the country for reserve bank credit may be met either through rediscount or open-market operations, the Federal Reserve Board felt that these two methods of extending credit should be brought into harmony. The Board, therefore, in April, 1923, appointed a committee of officers of reserve banks to act in conjunction with the Board in effecting a more complete coordination of all open-market operations of the reserve banks, both on their own account and in the execution of orders in government securities for the Treasury as fiscal agents of the government.

At the time the committee was appointed, the Federal Reserve Board adopted the principle:

'That the time, manner, character and volume of open-market investments purchased by Federal reserve banks be governed with primary regard to the accommodation of commerce and business and to the effect of such purchases or sales on the general credit situation.'

As the Act provides that discount rates shall be fixed 'with a view of accommodating commerce and business,' the adoption of this principle definitely established open-market policies on the same basis as discount policies. Open-market operations provide a cushion of credit between the direct borrowings of member banks and the money market, and have facilitated the flow of credit into and out of the reserve banks, in such a way as to exercise a steadying influence in the market and to reduce the tendency toward periodical tightness

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December 19, 1923 (Cont'd)

of money formerly felt by business in the spring and by agriculture in the autumn. Indeed, open-market operations, particularly sales of securities, have proved to be a valuable adjunct to discount policy. The minor influence which sales of securities by reserve banks exerts may, at times, avoid the necessity for resorting to the major influence of a change in discount rates.

Discount rate changes in 1923 were fewer than in any other year in the history of the system. Advances in discount rates from 4 per cent to $4\frac{1}{2}$ per cent at the Federal reserve banks of Boston, New York, and San Francisco were made early in the year, and since that time the level of rates has been the same at all the reserve banks. With the growth of discounts, however, which accompanied the reduction in the holdings of government securities, the influence of existing discount rates was extended to a larger proportion of the total Federal reserve bank credit in use, and the cost of obtaining reserve bank credit was borne more directly by member banks. Changes in discount rates attract more attention than open-market operations, and yet during the past year changes in the volume of securities held by the reserve banks has been an important influence. The weekly statements of condition of the Federal reserve banks give full publicity to the amount and composition of open-market holdings and make it possible for the public to follow these changes from week to week."

Mr. Hamlin moved that the statement submitted be approved.

Carried.

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12-17-23

December 17, 1923

The Governor presented a letter dated December 14th, (addressed to him by the Chairman of the Federal Reserve Bank of New York advising that at a meeting held on that date the directors of the bank had discussed the matter of participation in the program contemplating the purchases and sales of short term government securities, suggested by the Open Market Investment Committee under the terms of the Board's resolution of December 3rd, and that while they had voted to participate in the purchases and sales and are in full accord with the general purpose for which such purchases and sales would be made, they are impressed with the necessity of an appropriate public explanation concerning the whole subject of open market operations and without some such public explanation may wish to reconsider their decision to participate in the plan. ✓

The Governor then stated that he had invited Messrs. Strong and Jay to meet with the Board in order that the members might have first hand information regarding the attitude of the board of directors of the New York bank in this matter.

After a full discussion of the advisability of publicity such as that suggested by the New York directors, and the form which any statement issued by the Board might best take, Mr. Hamlin moved:

"It is the sense of the Board that some statement on Open Market policy be made in the January issue of the Federal Reserve Bulletin". ✱

Carried, Mr. Miller voting "no".

The Governor appointed Mr. Hamlin as a committee of one for the Board to cooperate with Messrs. Strong and Jay in the preparation of a form of statement to be submitted to the Board later.

December 18, 1923

At this point Governor Strong, Mr. Jay and Dr. Stewart joined the meeting and submitted to the Board draft of a statement on the subject of open market operations for insertion in the January issue of the Federal Reserve Bulletin, prepared in accordance with the action of the Board at its meeting on yesterday.

After discussion of the statement as submitted and the suggestion of several minor amendments, Mr. Hamlin moved that the committee return to conference and prepare a final draft of the statement for transmission to the Board at a meeting to be called at 10:00 o'clock tomorrow.

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Form No. 131.

Office Correspondence

FEDERAL RESERVE BOARD

Date: June 30, 1923.
DEC 16 1939
333 - 6-1

To Mr. Stewart

Subject:

From Mr. Hoxton, Secretary *with*

2-6495

As Secretary of the Committee on Discount and Open Market Policy, you are advised that Mr. Miller's proposed new plan for stating reserve positions at the Federal Reserve banks involving gold policy was taken from the table and referred to the Committee on Discount and Open Market Policy, said Committee consisting of Mr. Miller, Mr. Platt and Mr. Cunningham.

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DIVISION OF
ANALYSIS & RESEARCH.

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COMMITTEE ON DISCOUNT AND OPEN MARKET POLICY

Minutes of meeting of November 8,
 1933, at 2.30 p.m.

The Committee met at 2.30 p.m., on November 8th, in Mr. Miller's office.

Present: Mr. Miller, Mr. Platt, Mr. Stewart, Secretary, and Mr. Winston and Mr. Gilbert by invitation.

The Committee resumed consideration of the best method of putting into operation the separate reserve ratios. Mr. Stewart reported that by transferring the Boston and Cleveland banks from the 90 per cent to 100 per cent class, the Minneapolis bank from the 70 per cent to the 90 per cent class, and the Richmond bank from the 50 per cent to the 60 per cent class, it would have been possible to maintain during the first 10 months of 1933 a note reserve ratio for the System above the 90 per cent minimum. After some discussion it was concluded that the best plan of procedure was to follow the method indicated in the memorandum presented to the Committee on November 7th. It was the sense of the Committee that the plan should be put into operation early in 1934, that separate reserves should be maintained against notes and deposits by each individual bank, that note and deposit reserve ratios for the System should be published weekly by the Board, that statements of individual reserve banks show the amount of note reserve and of deposit reserve, but that it might be advisable to defer the publication of note and deposit ratios for the individual banks until experience with the plan indicated that their publication was desirable. In view of the reserve positions of the individual reserve banks, the Committee was of the opinion that it will probably be feasible when the plan is put into operation to maintain at least a 90 per cent note reserve for the System.

(Mr. Cunningham, who could not be present when the Committee first met, came in at this time.)

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The Committee considered the proposal made in Mr. Gilbert's letter of August 6th with regard to gold payments by Federal reserve banks. After discussion of the proposal the Committee recommended to the Board the following resolutions

Whereas it is the sense of the Federal Reserve Board that it is desirable that gold certificates be restored to circulation in order again to build up a secondary reserve; and

policy
Whereas it is important that a system in respect to gold payments should be adopted by the Federal Reserve System;

Resolved that the Federal Reserve Banks, acting in cooperation with the Federal Reserve Board (due regard being had to the reserve position of the respective banks) shall restore to circulation during the year 1934 an amount of gold certificates to an aggregate amount of five hundred millions of dollars;

Resolved further that the Governor be instructed to advise the Federal Reserve Banks of these resolutions and to transmit to the Federal Reserve Banks such further instructions as may be necessary to carry them into effect.

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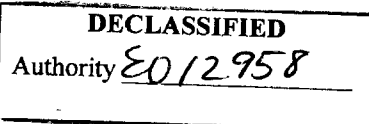
The Committee also considered the suggestion made in Mr. Gilbert's letter of August 3rd concerning the maintenance of a differential between the rediscount rate for commercial paper and open market rates. The Committee believes that the Board should reaffirm the principle that a differential should be recognized between rediscount rates on commercial paper and open market rates, and

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that the types of paper entitled to this differential and the extent of such differential should be given specific consideration in connection with any future general revision of rediscount rates.

The Committee adjourned at 4.30 p.m.



MINUTES OF THE DISCOUNT AND OPEN MARKET COMMITTEES.

August 14, Committee met in the Board Room, 3.30 p. m. Present:

Mr. Miller, Mr. Platt, Mr. Cunningham.

Under-Secretary of the Treasury, Mr. Gilbert, was present and furnished the Committee with a fuller explanation of his proposal for recognizing in discount rate policy the difference between paper which has a standing in the open market, such as bankers' acceptances and Treasury Certificates, and paper presented for discount for which there is no open market, customers' notes and line of credit loans. His letter to Governor Grissinger, in which the plan was first presented, is filed with the minutes of this meeting.

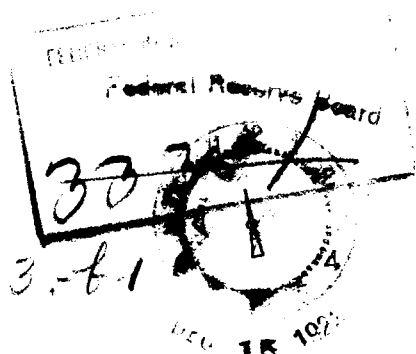
There was a general discussion of the plan by the members of the Committee participated in by Mr. Jay of the New York Federal Reserve Bank, who was invited to attend the meeting of the Committee. Though no formal action was taken it was suggested that Mr. Gilbert's proposal be referred to the Open Market Committee of the Governors and, if after discussion by them it was deemed advisable, that the plan also be referred for discussion to the Federal Advisory Council and to the joint conference of Governors and Chairman in November.

Walter W. Stewart,
Secretary of Committee.

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**FEDERAL RESERVE BANK
OF NEW YORK**



See Minutes
AT BOARD MEETING
DEC 17 1923

December 14, 1923.

IN REPLY PLEASE REFER
TO

S i r s :

At our directors meeting Wednesday morning the letter of the Chairman of the Open Market Investment Committee dated December 12 *See letter to Eddy* was read and considered. It invites this bank to participate in a programme contemplating the purchase and sale of short term government securities through the open market investment committee under the terms of the Federal Reserve Board's resolution of December 3. The invitation and the programme it involves were fully discussed and while the directors voted to participate in these purchases and sales, and while they are in full accord with the general purpose for which such purchases and sales would be made, nevertheless they expressed certain reservations not directly relating to that general purpose which they requested me to present to the Federal Reserve Board. *

When a reserve bank, by buying short term government securities, voluntarily places its funds in the money market, such purchases, under present conditions, merely create a condition in the market which enables member banks to reduce their borrowings at the reserve bank. On the other hand, sales of such securities, under present conditions, merely create a condition in the market which causes member banks to borrow at the reserve bank to replace the funds the reserve bank has withdrawn. In neither case is there a change in the total volume of reserve bank credit in use. The conversion of a certain portion of this credit from "rediscounts and advances" to "securities purchased," or vice versa, has the effect of relieving member banks from borrowing, or of

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FEDERAL RESERVE BANK OF NEW YORK

Federal Reserve Board

12/14/23.

impelling them to borrow, as the case may be. The extent to which they are borrowing at the reserve bank has its effect, in turn, upon the amounts they may be disposed to lend to their customers, as well as upon the rates they may charge.

During 1922 and 1923 considerable amounts of short term Government securities were purchased and sold by the Federal Reserve Banks for various purposes, including that of exerting an influence on credit conditions and of changing the form in which reserve bank credit was extended. The effect of such transactions has now been observed and in a measure tested. The present programme proposes that, as a result of such observation, the Federal Reserve Banks, with the approval of the Federal Reserve Board, should now put themselves in a position which would enable them in future to use this means of exercising an influence on credit conditions if occasion should arise. Such open market operations are a valuable and a moderate method of influencing credit conditions - a method well recognized abroad by banks of issue and by bankers and the public, but not yet understood by the public in this country, even though expressly provided for by the terms of Section 14 of the Federal Reserve Act. However clearly such operations are set forth in the weekly statement of the reserve system, nevertheless the public as yet is accustomed to look almost exclusively to the discount rate as the reflection of Federal reserve credit policy. X

Under these circumstances the directors question the wisdom of the Federal Reserve System's entering upon a further purchase of securities with the above purpose in view, unless an appropriate statement to the public is made by the Federal Reserve Board, in the bulletin or elsewhere, explaining not only the purpose and effect of such purchases and sales but also the method and machinery employed in effecting them. The directors realize entirely the wisdom of having a committee of Governors, appointed by, and operating in ✓

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FEDERAL RESERVE BANK OF NEW YORK ..

Federal Reserve Board

12/14/23.

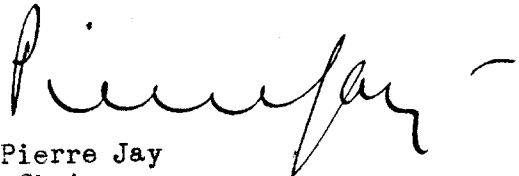
conjunction with the Federal Reserve Board, with authority to recommend a policy from time to time to the several reserve banks which participate in the programme and, when that policy has been approved, to execute it. But the importance of the programme, and of the advisory and ministerial functions of such committee, together with the fact that the committee is created under general, rather than specific, provision of law, has impressed our directors with the necessity of an appropriate public explanation concerning the whole subject.

They wish me to say that without some such public explanation they may wish to reconsider their decision to participate in the plan and might later prefer to dispose of the securities bought in accordance with it, as and when they think proper.

In this connection, our directors also request me to say that while they recognize the advisability of having some central control over the disposition of these particular securities, as indicated in the Federal Reserve Board's resolution of December 3, nevertheless, in thus accepting the invitation to participate in this plan they understand that their authority relating generally to the purchase and sale of Government securities remains as defined in Section 14 of the Act.

With regard to the programme generally and what is sought to be accomplished by it, our directors, as I have said, are in hearty accord; and the reservation which they express to our participation in it is made with no desire to impede its progress but merely to suggest the desirability of a public understanding of it which they believe will contribute greatly to its success.

Respectfully,



Pierre Jay
Chairman.

Federal Reserve Board,
Washington, D. C.

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333.6-1
12-12-23

December 12, 1923

The special committee appointed at the meeting on December 6th reported on its investigation of the origin of the Washington despatch appearing in the New York Journal of Commerce under date of December 4th, with reference to the meeting of the Board with the Open Market Investment Committee for the Federal Reserve System, held on Monday, December 3rd.

The report was read and accepted, and upon motion the special committee was discharged.

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FEDERAL RESERVE BANK
OF NEW YORK

333-61

12/12/23

December 12, 1923

Dear Mr. Eddy:

Copied

Referring to your letter of December 3, 1923 addressed to Governor Strong as Chairman of the Open Market Investment Committee, and Governor Strong's reply of the same date, I am now enclosing copy of letter written to-day by the Chairman of the Committee to the various Federal reserve banks, which letter is accompanied by a copy of the resolution of the Federal Reserve Board dated December 3, 1923.

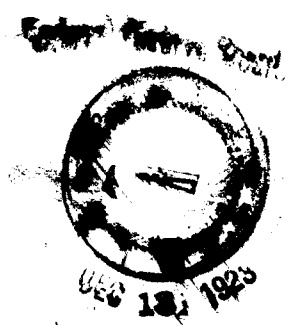
I am also enclosing copy of the minutes of the meeting held in Washington on December 3. *See 333.31*

Very truly yours,

W. B. Matteson
Secretary, Open Market Investment
Committee for the Federal Reserve
System

Mr. Walter L. Eddy,
Secretary, Federal Reserve Board,
Washington, D. C.

Encls.



333-62
Copy filed *333.31*
See also *12/14/23*

#6

DECLASSIFIED
Authority EO 12958

FEDERAL RESERVE BANK
OF NEW YORK
CONFIDENTIAL

C
O
P
Y

December 12, 1923

My dear Governor

Pursuant to the arrangement made at the Joint Conference held in Washington on November 12, the Committee on Open Market Investments held a meeting last week with the Federal Reserve Board at which the report (a copy of which was handed to you at the conference) and the subsequent recommendation of the Committee were considered.

The committee has now received a communication dated December 3, 1923, from the Federal Reserve Board, of which a copy has been sent to you by the Secretary of the Board, expressing its approval of the policy recommended by the committee. Please observe the terms of the resolution of the Federal Reserve Board.

After discussion of the Board's resolution, the committee authorized me to advise you as follows:

Those banks whose directors decide to participate in the purchases, which will be considered to be a "special account," will be understood to agree to turn in the securities so purchased for resale in whole or in part, upon receipt of advice from the committee from time to time.

Of course, participation in the account by each Federal reserve bank will be in the usual percentages, which are at present as follows:

Federal Reserve Bank of Boston	8.4%
" " " " New York	27. %
" " " " Philadelphia	8.1%
" " " " Cleveland	9.7%
" " " " Richmond	4.1%
" " " " Atlanta	4.8%
" " " " Chicago	16.3%
" " " " St. Louis	3.5%
" " " " Minneapolis	2.7%
" " " " Kansas City	3.4%
" " " " Dallas	2.9%
" " " " San Francisco	9.1%

In case, however, the directors of any reserve bank now or hereafter decide not to participate, the proportion which would have been allotted to that bank will be divided among those banks which do participate, and a new percentage will be figured, of which the participants will be advised.

The procedure which now governs the execution of orders and transactions for the Treasury and for reserve banks is not modified as a result of this authorization.

Regular advices of all transactions in this account will be sent to all participating reserve banks as usual and the participants will be kept fully in-

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Authority EO 12958

- 2 -

formed of the committee's activities; the account will be separately stated from other current transactions for account of the Federal reserve banks, or those for the Treasury Department, and the committee proposes, with the approval of the Federal Reserve Board, that whenever purchases reach the sum of \$100,000,000, the Federal Reserve Board and participating reserve banks will be asked to express their views as to further purchases.

You are asked especially to regard the confidential character of the matter and to advise the chairman of the committee promptly by wire of the decision of your bank as to participating.

This letter is sent you by direction of the committee.

Very truly yours,

Chairman, Open Market Investment Committee
for the Federal Reserve System

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COPY OF THE RESOLUTION OF THE FEDERAL RESERVE BOARD
DATED DECEMBER 3, 1923

WHEREAS, The Open Market Investment Committee of the Federal Reserve System (Governors Strong, Harding, McDougal, Fancher and Norris) has reported to the Board that it is expedient at the present time that the Federal reserve banks be given permission to assume a position toward the money market by the purchase of a suitable volume of Government securities of short time maturities, provided such purchases can be made without disturbing the conditions of the money market or of the market for Government securities,

NOW, THEREFORE, BE IT RESOLVED, That the Federal Reserve Board declares itself in favor of the purchase of a limited volume of short term Government securities at this time, it being understood that the Board reserves the right to discontinue purchases and to require the sale of any of the securities purchased in pursuance of this resolution at any time it may deem expedient, and

BE IT FURTHER RESOLVED, That copies of these resolutions be transmitted to the Chairman of the Open Market Investment Committee of the Federal Reserve System and to the Governors of all Federal reserve banks.

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Form No. 101.

Office Correspondence

FEDERAL RESERVE BOARD

Date Dec 10, 1923.

To Federal Reserve Board
From Special Committee on Investigation - Messrs. Hamlin, Miller and James.

Subject: Investigation of origin of the Washington dispatch appearing in the Journal of Commerce under date of December 4th, with reference to the meeting of the Board with the Open Market Investment Committee held Monday, December 3rd.

Charged

Pursuant to instructions from the Board your Committee prepared the following letter and addressed same to all persons present at the conference on December 3rd, viz:

Gov. Crissinger; Mr. Platt; Mr. Hamlin; Mr. Miller; Mr. James; Mr. Cunningham; Mr. Eddy, Secretary; Mr. Winston, Assistant Secretary of the Treasury; Mr. Stewart, Director, Research & Statistics Division; Gov. Strong; Gov. Harding; Gov. Fancher; Gov. Norris; Gov. McDougal; and Mr. Mattison, Secretary of Committee.

"December 6, 1923.

Dear Sir:

The Federal Reserve Board at its meeting today appointed Messrs. Miller and Hamlin and myself as a committee to investigate the origin of the Washington dispatch appearing in the New York Journal of Commerce, under date of December 4, 1923, copy of which is herewith attached. In undertaking the investigation assigned to it, the committee is making the following identical request of each member of the Board and each member of the Open Market Investment Committee for the Federal Reserve System attending the conference with the Board on Monday, December 3.

Please advise the committee whether you discussed or made any statement in connection with the proceedings of the conference to any person other than a member of the Board, a member of the Open Market Investment Committee or an employee of the Board.

Very truly yours,

(signed) George R. James, DEC 12 1923
Chairman." *Accepted*

Responses to this letter have been received from all of those present and all of the letters received, with one exception, categorically deny any conversation or reference to the matter referred to.

The one letter, to which exception is made, was from a member of the Board, who had conversation with Mr. Sargent, the representative of the Journal of Commerce in Washington. *1 Dec 12-7-55 Hamlin Platt*

The letters are all attached hereto and form a part of the Committee's report.

The Committee feels that the one letter referred to discloses a probable origin of the dispatch which was referred to the Committee for investigation and, therefore, asks to be discharged.

George R. James
Chairman
J. C. Miller

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333-f-1

FEDERAL RESERVE BOARD

WASHINGTON

December 10, 1923.

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

WWS:OEW

Mr. George R. James,
Federal Reserve Board,
Washington, D. C.

Dear Sir:

I have your letter of December 6th concerning the origin of the Washington dispatch appearing in the New York Journal of Commerce and discussing the prospective open market operations.

I have not discussed or made any statement in connection with the proceedings of the conference to any person who was not either present at the conference or an employee of the Board.

Yours very truly,

Walter W. Stewart

Walter W. Stewart,
Director, Division of
Research & Statistics

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233-6-1

FEDERAL RESERVE BOARD
WASHINGTON

December 8th, 1923.

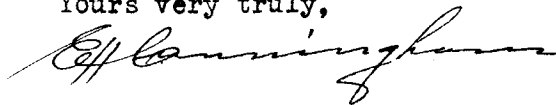
Hon. George R. James, Member,
Federal Reserve Board,
Washington, D. C.

Dear Sir:-

I have your letter under date of December sixth in which you advise of the committee appointment made by the Federal Reserve Board and the object which made this appointment necessary.

I also note your request as follows: "Please advise the Committee whether you discussed or made any statements of the proceedings of the conference to any person other than a Member of the Board or a member of the Open Market Investment Committee or an employee of the Board." In reply thereto I desire to inform you and your Committee that to the very best of my recollection I never mentioned or discussed the matters that were under consideration at the time of the conference with the Open Market Committee with any person outside of those who were in the session of the conference and only with them at the time of the conference. I have no recollection of ever having mentioned the subject outside of the meeting in which it was discussed.

Yours very truly,



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Authority EO 12958

333-f-1

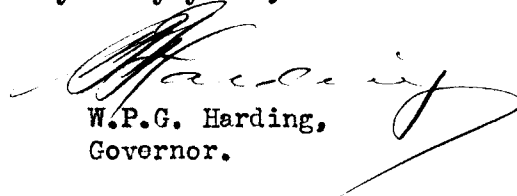
FEDERAL RESERVE BANK
OF BOSTON

December 8, 1923.

My dear Sir:

In reply to your letter of December 6, I wish to say that I did not discuss nor make any statement in connection with the proceedings of the conference of the Open Market Investment Committee with the Federal Reserve Board, which was held in Washington on Monday, December 3, 1923, with any person other than a member of the Board, a member of the Open Market Investment Committee, or the Secretary of the Board.

Very truly yours,


W.P.G. Harding,
Governor.

Hon. George R. James,
Chairman of Special Committee,
Federal Reserve Board,
Washington, D. C.

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Authority EO 12958

FEDERAL RESERVE BANK OF CHICAGO

230 SOUTH LASALLE STREET

333-61

OFFICE OF THE GOVERNOR

December 8, 1923.

CONFIDENTIAL

Federal Reserve Board,
Washington, D. C.

Gentlemen: Attention Mr. George R. James

I am today in receipt of your letter of the 6th instant, advising of the appointment of a committee to investigate the origin of an article published in the New York Journal of Commerce under date of December 4, 1923, and in response to the inquiry contained therein. I am pleased to advise you as follows:

X-3904

Prior to the date referred to I did not discuss nor did I make any statement in connection with the proceedings of the conference to any person other than a member of the Board, a member of the Open Market Investment Committee or an employee of the Board. I fully realize the extremely confidential nature of the entire matter and consequently when upon my arrival in Boston on the morning of the 5th instant, my attention was called to the article, I instantly recognized that a serious and extremely unfortunate mistake had been made.

Very truly yours,


Governor.

HS.

DECLASSIFIED
Authority EO 12958



OFFICE OF THE GOVERNOR

FEDERAL RESERVE BANK
OF DALLAS

333.6-1

December 8, 1923

Mc

Federal Reserve Board,
Washington, D. C.

Attention Mr. Eddy

Gentlemen:

The Board's letter of December 3, 1923,
quoting resolution adopted on that day by the
Federal Reserve Board expressing the approval of
that body for the purchase by Federal Reserve
Banks of a suitable volume of Government se-
curities of short time maturities, was received
yesterday morning and read to our Directors
at their regular monthly meeting held during
the day.

Very truly yours,

BAM McKinney
Governor

BAM EMc

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Authority EO 12958



THE UNDERSECRETARY OF THE TREASURY
WASHINGTON

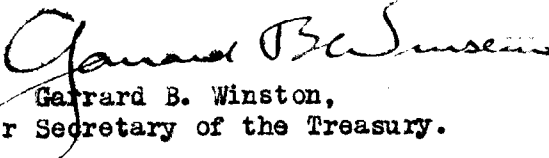
333-8-1

December 7, 1923.

Dear Mr. James:

I have your letter of December 6th. with reference to the Committee on Open Market Operations. I have discussed the meeting of Monday with no one except Secretary Mellon and those who attended the meeting. I did not talk with Mr. Mellon about this until Tuesday morning, which was after the publication of the report in the New York paper.

Very truly yours,


Garrard B. Winston,
Under Secretary of the Treasury.

Honorable George R. James,
Chairman, Federal Reserve Board
Investigating Committee,
Treasury Department.

DECLASSIFIED
Authority EO 12958

Form No. 181.

Office Correspondence

FEDERAL RESERVE
BOARD

Date Dec. 7, 1923.

To Federal Reserve Board.

Subject: 333-6-1

From Mr. James.

2-8495

With reference to the investigation conducted by the special committee, of which I am Chairman, I beg to say that I have not at any time discussed or made any statement in connection with the proceedings of the conferences to any person other than a member of the Board, a member of the Open Market Investment Committee or an employee of the Board.



Miso-37

DECLASSIFIED
Authority EO 12958

333-b-1

FEDERAL RESERVE BOARD
WASHINGTON

OFFICE OF GOVERNOR

December 7, 1923.

Dear Sir:

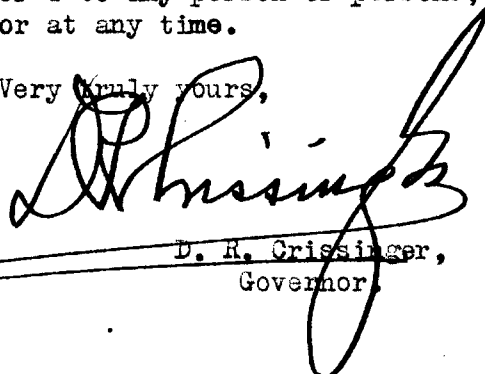
This will acknowledge and answer your letter of December 6.

You are advised that I had no conversation with any newspaper man or men, or with anybody else concerning the Open Market operations which were under consideration at the joint-conference of Governors and the Board. The article that appeared in the New York Journal of Commerce under date of December 4, 1923, was not inspired by me, or given out by me, or thought of by me, and was at no time authorized by me and I had no knowledge of it.

X-3937

You are further advised that I talked to no person in New York, to no newspaper man or men, to no other person or persons directly or indirectly, nor did I authorize any other person to so talk for me or represent me, nor did I give expression to any of the thoughts appearing in the article of December 4 to any person or persons, at any place or places, or at any time.

Very truly yours,



D. R. Crissinger,
Governor.

Hon. Geo. R. James,
Federal Reserve Board,
Washington, D. C.

DECLASSIFIED
Authority EO 12958

333-b-1

FEDERAL RESERVE BOARD
WASHINGTON

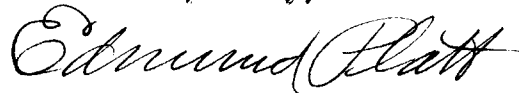
OFFICE OF VICE GOVERNOR

December 7, 1923.

Dear Sir:

Complying with the request in the last paragraph of your letter of December 6th, with relation to the publication of the article on open market operations in the New York Journal of Commerce of December 4th, I may say that on Monday afternoon after my return from the Capitol, where I had gone to attend the opening of Congress, Mr. Sargent, who represents the Journal of Commerce, came into my office, ostensibly for the purpose of asking me to write an article on branch banking for the New Year's edition of the paper. We discussed the matter somewhat and then, as nearly as I can recall, he said in a rather casual way "By the way, what is this Open Market Committee doing here today?" I replied that the Committee met from time to time to discuss details and report, and then he remarked that the open market holdings of Government securities were at a very low point, to which I replied in the affirmative, stating that he could see that from the last weekly statement of the Federal Reserve Banks. Nothing was said about any action by the Federal Reserve Board or of any desire or intention on the part of Federal Reserve Banks to purchase securities. He showed disposition to ask some further questions, when I told him that if he wanted any further information he would have to go to the Governor.

Yours very truly,



Hon. George R. James, Chairman,
Special Committee,
Federal Reserve Board.

DECLASSIFIED
Authority EO 12958

333.6-1

December 6, 1923

Dear Sir:

See X-3904

The Federal Reserve Board at its meeting today appointed Messrs. Miller and Hahlin, and myself as a committee to investigate the origin of the Washington despatch appearing in the New York Journal of Commerce, under date of December 4, 1923, copy of which is herewith attached. In undertaking the investigation assigned to it, the committee is making the following identical request of each member of the Board and each member of the Open Market Investment Committee for the Federal Reserve System attending the conference with the Board on Monday, December 3.

Please advise the committee whether you discussed or made any statement in connection with the proceedings of the conference to any person other than a member of the Board, a member of the Open Market Investment Committee or an employee of the Board.

Very truly yours,

George R. James,
Chairman

Hon. G. B. Winston,
Assistant Secretary of the Treasury,
Washington, D. C.

see ans 12/7/23

DECLASSIFIED
 Authority EO 12958

Form No. 131.

Office Correspondence

FEDERAL RESERVE
BOARD

Date December 7, 1923.

To Mr. James

Subject: 333-b.1

From Mr. Miller

2-9496

Replying to your inquiry of the 6th inst. I am writing to say, with respect to the origin of the Washington despatch appearing in the New York Journal of Commerce under date of December 4, 1923, with reference to the proceedings of the Conference of the Board with the Open Market Investment Committee, that I did not speak of the matters before the conference to anyone who was not present at the conference. To be more specific, I talked with no member of the press nor did any member of the press undertake to get any information either from me or from my office.

2-3906

A. Smith

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Authority EO 12958

333-8-1

FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

December 7, 1923

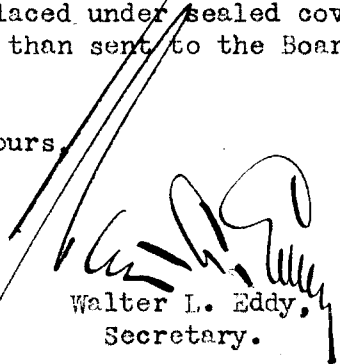
Dear Mr. James:

Replying to your letter of December 6th, regarding the Washington despatch appearing in the New York Journal of Commerce, under date of December 4, 1923, with respect to the conference of the Reserve Bank Open Market Committee with the Federal Reserve Board on December 3rd, I would state that I have not discussed the subject of the conference with any Member of the Federal Reserve Board, any member of the Open Market Investment Committee, any employee of the Board, any person connected in any way with the Federal Reserve System or the Treasury Department, nor with any other individual.

X 3701

I would state further that as a precaution against any possible disclosure of the purpose of the conference, I had prepared in my own office all written advices which the Secretary of the Board was instructed to prepare in connection with the conference, and all copies of such advices were immediately placed under sealed cover and retained in this office rather than sent to the Board's general files.

Very truly yours,


Walter L. Eddy,
Secretary.

Hon. George R. James,
Federal Reserve Board,
Washington, D. C.

DECLASSIFIED
Authority EO 12958

333-61

FEDERAL RESERVE BOARD

WASHINGTON

FOR

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

Dec. 7, 1923.

Dear Mr. James:

I have your letter of December 6, and in answer thereto would say that I never, at any time, have discussed or made any statement in connection with the proceedings of the conferences to any person other than a member of the Board, a member of the Open Market Investment Committee or an employee of the Board.

Very truly yours,

W. H. C. Williams

Hon. George R. James,
Chairman, Federal Reserve Board,
Washington, D. C.

DECLASSIFIED
Authority EO 12958

332-6-1

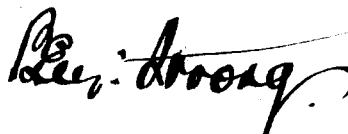
Washington, D. C.,
December 7, 1923.

Dear Sir:

Replying to your letter of December 6th,

I had no discussion with, and made no statement to any person, other than those mentioned in your letter, regarding the proceedings of the conference, with the sole exception of Mr. Winston, Under Secretary of the Treasury.

Very truly yours,



Hon. Geo. R. James,
Federal Reserve Board,
Washington, D. C.

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Authority EO 12958

33-6-1

FEDERAL RESERVE BANK
OF NEW YORK

December 7, 1923.

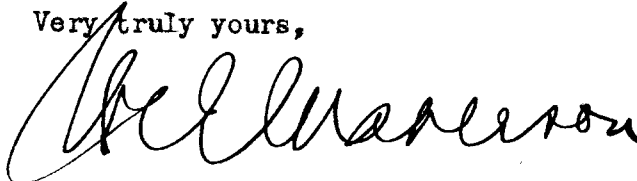
Dear Sir:

I beg to acknowledge receipt of your letter of December 6, 1923, enclosing a copy of the Washington despatch which appeared in the New York Journal of Commerce under date of December 4, 1923, in reference to the proceedings of the conference between the Open Market Investment Committee and the Federal Reserve Board on Monday, December 3, 1923.

See X-3904

I have never discussed these proceedings with, nor made any statement regarding them to, any person other than a member of the Federal Reserve Board, or a member of the Open Market Investment Committee, or an employe of the Board.

Very truly yours,



W. B. MATTESON,
Secretary, Open Market Investment
Committee for the Federal Reserve
System.

Honorable George R. James,
Federal Reserve Board,
Washington, D. C.

DECLASSIFIED
 Authority EO 12958

FEDERAL RESERVE BANK OF PHILADELPHIA

925 CHESTNUT STREET

333-61

GEORGE W. NORRIS, GOVERNOR
 WILLIAM H. HUTT, DEPUTY GOVERNOR
 WILLIAM A. DYER, CASHIER

RICHARD L. AUSTIN
 CHAIRMAN OF THE BOARD AND
 FEDERAL RESERVE AGENT
 HENRY B. THOMPSON
 DEPUTY CHAIRMAN OF THE BOARD

ASSISTANT CASHIERS
 C. A. McILHENNY W. J. DAVIS
 JAMES M. TOY R. M. MILLER, JR.
 FRANK W. LABOLD S. R. EARL

ASSISTANT FEDERAL RESERVE AGENTS
 ARTHUR E. POST
 WALTER T. GROSSCUP

December 7, 1923

My dear Mr. James:

I am this morning in receipt of your letter of December 6th enclosing copy of the article which appeared in the New York Journal of Commerce on the 4th instant. I noticed this article on that day, and it is so prejudicial to the success of the operation we plan that I was much disturbed by the publication, and am glad to know the Board is investigating its origin.

See X-3904

After the adjournment of our session in Washington on the 3d instant Governor Fancher and I lunched together at the Washington Hotel. I do not think that we discussed at all the subjects considered at the conference. If we did it was in a low tone of voice, and I recall that there were very few persons in the room at the time, and no one at the tables immediately adjoining us. Even if we did discuss these matters, therefore, it is impossible that anyone could have overheard us. When we finished lunch I went directly to the Union Station and took the two o'clock train to Philadelphia. I talked to no one on the train, and after my arrival in Philadelphia had some gentlemen from out of town dine with me, and after dinner I attended a public meeting. From the time that I left Governor Fancher I am absolutely certain that I never referred in conversation with anyone to the conference or even to the fact that I had been in Washington that day. I am therefore certain that the "leak" cannot possibly be chargeable to me.

I am,

Very truly yours,


 Governor

Mr. George R. James, Chairman,
 C/o Federal Reserve Board,
 Washington, D. C.

DECLASSIFIED
Authority EO 12958

FEDERAL RESERVE BANK OF CLEVELAND

333.6-1

OFFICE OF THE GOVERNOR

December 7, 1923.

CONFIDENTIAL

Dear Mr. James:

Your letter of December 6 is received, enclosing copy of article appearing in the New York Journal of Commerce of December 4, 1923, of which I had previously learned with much astonishment.

Dec X-3904

Answering your question specifically - I did not discuss the proceedings of the conference with any persons, except members of the Federal Reserve Board and of the Committee; neither did I discuss or make any statements in connection with same.

I recall quite distinctly in our discussions on Monday afternoon, the third, that I made mention of the fact that it was very important that the Board's communication to the Governors of the twelve Federal reserve banks conveying copy of the resolutions passed at the meeting on that date, be a confidential one, and also that the letter of the Chairman of the Committee to the banks be a confidential communication.

I think that I have full appreciation of how carefully the committee should guard the procedure it follows in connection with its Open Market Operations, and I also think it most unfortunate that the articles appearing in the Journal of Commerce on December 4 and 5 should have gained publicity.

Very truly yours,

E. A. Tamm Governor.

Mr. Geo. R. James, Chairman,
Federal Reserve Board,
Washington, D. C.

F.B

DECLASSIFIED
Authority EO 12958

McDonald

FEDERAL RESERVE BANK OF CHICAGO

333-6-1

230 SOUTH LA SALLE STREET

OFFICE OF THE GOVERNOR

December 7, 1923.

CONFIDENTIAL

Mr. Walter L. Eddy, Secretary,
Federal Reserve Board,
Washington, D. C.

Dear Mr. Eddy:

I am in receipt of your confidential letter of the 3rd instant, setting forth the resolution adopted by the Federal Reserve Board in pursuance of the recommendation of the Open Market Investment Committee with respect to the purchase of a limited volume of short-term Government securities at this time, and further advising that full details of the procedure to be followed will be received from the Chairman of the Open Market Investment Committee.

The Board's resolution was referred to our Executive Committee today and a decision reached that this bank will participate in the plan as adopted.

Very truly yours,

J. B. McManey
Governor.

HS.

DECLASSIFIED
Authority EO 12958

FEDERAL RESERVE BOARD
WASHINGTON

323-7-1

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD


December 6, 1923.

Dear Sir:

The Federal Reserve Board at its meeting today appointed Messrs. Miller and Hamlin, and myself as a committee to investigate the origin of the Washington despatch appearing in the New York Journal of Commerce, under date of December 4, 1923, copy of which is herewith attached. In undertaking the investigation assigned to it, the committee is making the following identical request of each member of the Board and each member of the Open Market Investment Committee for the Federal Reserve System attending the conference with the Board on Monday, December 3.

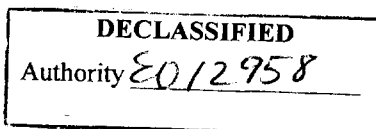
Please advise the committee whether you discussed or made any statement in connection with the proceedings of the conference to any person other than a member of the Board, a member of the Open Market Investment Committee or an employee of the Board.

Very truly yours,


George R. James,
Chairman

Hon. D. R. Crissinger, Governor,
Federal Reserve Board,
Washington, D. C.

see ans 12/7/23



X-3904

ARTICLE APPEARING IN THE NEW YORK JOURNAL OF COMMERCE
Tuesday, December 4, 1923.

RESERVE BANKS TO
BUY U. S. SECURITIES

HOLDINGS ARE FOUND TO BE
ALMOST AT MINIMUM.

Open Market Committee Confers
With Board - May Obviate the
Necessity for a Change in the
Rediscount Rates.

WASHINGTON, Dec. 3 - Renewed purchasing of Government securities in the open market by the Federal Reserve Banks on a considerable scale was expected tonight to result from the meeting of the Federal Reserve Board with its special committee on open market operations. The Reserve system's holding of Government securities were found to be almost at a minimum.

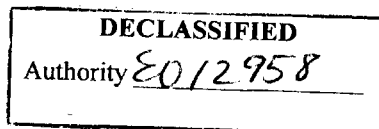
The open market committee, which includes in its membership Governor Strong, of the New York Reserve Bank, and Governor Harding, of the Boston Reserve Bank, the former governor of the board, met today with the board and was understood to have gone over the Government security holdings of the various Reserve banks in the light of the probable extent of future purchases under the system's uniform open market policy.

MAY OBTIATE RATE CHANGE

Open market operations of the Reserve system are particularly important in that their effect holds the possibility of producing results which obviate a necessity for a change in rediscount rates.

According to the board's latest reports, as of November 30, the entire holdings of Government securities of the twelve reserve banks is only about \$84,000,000, which is very near the low point for these assets, as compared with about \$300,000,000 on approximately the same date last year. Moreover, probably as much as \$50,000,000 of the present holdings of Government securities represent bonds which the banks would be virtually unable to sell except at a loss, as bonds taken to secure circulation are included in the total holdings.

Hence the shelves of the Reserve banks are getting bare of marketable Government securities and it is expected that the banks will shortly resume



- 2 -

X-3904

purchasing to replenish their stocks. Purchases probably will be devoted in the main to Treasury certificates of indebtedness.

HOLDINGS OF ACCEPTANCES.

Holdings of bankers' acceptances by the Reserve banks aggregate the respectable figure of \$289,000,000, as compared with \$259,000,000 a year ago, but sales of these bills on any appreciable scale would probably involve a change in the rate, so that if the Reserve banks are to continue the free use of the uniform market policy it will be necessary to stock up on open Government securities.

Despite the failure of the Federal Reserve Council at its recent conference with the Reserve Board to discuss the rediscount rate levels, there is a feeling in some quarters that a reduction of rates is in order. However, a resumption of purchasing in the open market by the reserve banks would result in more money being put on the market, or in other words, the extension of credit facilities by the reserve banks in the nature of an equivalent to a reduction in rates.

DECLASSIFIED
Authority EO 12958

333-6-1

December 6, 1923.

Dear Sir:

The Federal Reserve Board at its meeting today appointed Messrs. Miller and Hamlin, and myself as a committee to investigate the origin of the Washington despatch appearing in the New York Journal of Commerce, under date of December 4, 1923, copy of which is herewith attached. In undertaking the investigation assigned to it, the committee is making the following identical request of each member of the Board and each member of the Open Market Investment Committee for the Federal Reserve System attending the conference with the Board on Monday, December 3.

Please advise the committee whether you discussed or made any statement in connection with the proceedings of the conference to any person other than a member of the Board, a member of the Open Market Investment Committee or an employee of the Board.

Very truly yours,

George R. James,
Chairman

Hon. Edmund Platt,
Federal Reserve Board,
Washington, D. C.

See ans 12/7/23

DECLASSIFIED
Authority EO 12958

333-1-1

December 6, 1923

Dear Sir:

The Federal Reserve Board at its meeting today appointed Messrs. Miller and Hamlin, and myself as a committee to investigate the origin of the Washington despatch appearing in the New York Journal of Commerce, under date of December 4, 1923, copy of which is herewith attached. In undertaking the investigation assigned to it, the committee is making the following identical request of each member of the Board and each member of the Open Market Investment Committee for the Federal Reserve System attending the conference with the Board on Monday, December 3.

Please advise the committee whether you discussed or made any statement in connection with the proceedings of the conference to any person other than a member of the Board, a member of the Open Market Investment Committee or an employee of the Board.

Very truly yours,

George R. James,
Chairman

Hon. A. C. Miller,
Federal Reserve Board,
Washington, D. C.

See ans 12/7/23

DECLASSIFIED
Authority EO 12958

333, -b-1

FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

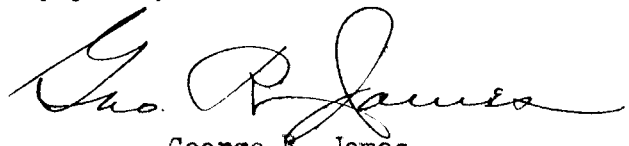
December 6, 1923.

Dear Sir:

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Please advise the committee whether you discussed or made any statement in connection with the proceedings of the conference to any person other than a member of the Board, a member of the Open Market Investment Committee or an employee of the Board.

Very truly yours,



George R. James,
Chairman

Hon. Charles S. Hamlin,
Federal Reserve Board,
Washington, D. C.

DECLASSIFIED
Authority EO 12958

333-6-1

December 6, 1923

Dear Sir:

The Federal Reserve Board at its meeting today appointed Messrs. Miller and Hamlin, and myself as a committee to investigate the origin of the Washington despatch appearing in the New York Journal of Commerce, under date of December 4, 1923, copy of which is herewith attached. In undertaking the investigation assigned to it, the committee is making the following identical request of each member of the Board and each member of the Open Market Investment Committee for the Federal Reserve System attending the conference with the Board on Monday, December 3.

Please advise the committee whether you discussed or made any statement in connection with the proceedings of the conference to any person other than a member of the Board, a member of the Open Market Investment Committee or an employee of the Board.

Very truly yours,

George R. James,
Chairman

Mr. Walter L. Eddy, Secretary,
Federal Reserve Board,
Washington, D. C.

see ans 12/7/23

DECLASSIFIED
Authority EO 12958

333.6-1

FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

December 6, 1923

*Letter received personally
Dec 7 * 1923
Courtesy of John Lake
E.H.C.*

Dear Sir:

The Federal Reserve Board at its meeting today appointed Messrs. Miller and Hamlin, and myself as a committee to investigate the origin of the Washington despatch appearing in the New York Journal of Commerce, under date of December 4, 1923, copy of which is herewith attached. In undertaking the investigation assigned to it, the committee is making the following identical request of each member of the Board and each member of the Open Market Investment Committee for the Federal Reserve System attending the conference with the Board on Monday, December 3.

Please advise the committee whether you discussed or made any statement in connection with the proceedings of the conference to any person other than a member of the Board, a member of the Open Market Investment Committee or an employee of the Board.

Very truly yours,



George R. James,
Chairman

Hon. E. H. Cunningham,
Federal Reserve Board,
Washington, D. C.

See letter 12/8/23

DECLASSIFIED
Authority EO 12958

~~333.3~~

333-61

FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

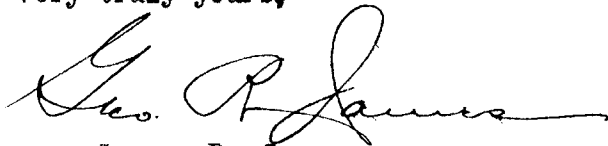
December 6, 1923.

Dear Sir:

The Federal Reserve Board at its meeting today appointed Messrs. Miller and Hamlin, and myself as a committee to investigate the origin of the Washington despatch appearing in the New York Journal of Commerce, under date of December 4, 1923, copy of which is herewith attached. In undertaking the investigation assigned to it, the committee is making the following identical request of each member of the Board and each member of the Open Market Investment Committee for the Federal Reserve System attending the conference with the Board on Monday, December 3.

Please advise the committee whether you discussed or made any statement in connection with the proceedings of the conference to any person other than a member of the Board, a member of the Open Market Investment Committee or an employee of the Board.

Very truly yours,



George R. James,
Chairman.

Dr. W. W. Stewart,
Director, Division of Research and Statistics,
Federal Reserve Board,
Washington, D. C.

See ans. 12-10-23

ans. 12/10/23

DECLASSIFIED
Authority EO 12958

333-6-1

December 6, 1923.

Dear Sir:

See X-3904

The Federal Reserve Board at its meeting today appointed Messrs. Miller and Hamlin, and myself as a committee to investigate the origin of the Washington despatch appearing in the New York Journal of Commerce, under date of December 4, 1923, copy of which is herewith attached. In undertaking the investigation assigned to it, the committee is making the following identical request of each member of the Board and each member of the Open Market Investment Committee for the Federal Reserve System attending the conference with the Board on Monday, December 3.

Please advise the committee whether you discussed or made any statement in connection with the proceedings of the conference to any person other than a member of the Board, a member of the Open Market Investment Committee or an employee of the Board.

Very truly yours,

George R. James,
Chairman.

Mr. W. P. G. Harding, Governor,
Federal Reserve Bank,
Boston, Mass.

see ans 12/8/23

DECLASSIFIED
Authority EO 12958

333-6-1

December 6, 1923.

Dear Sir:

The Federal Reserve Board at its meeting today appointed Messrs. Miller and Hamlin, and myself as a committee to investigate the origin of the Washington despatch appearing in the New York Journal of Commerce, under date of December 4, 1923, copy of which is herewith attached. In undertaking the investigation assigned to it, the committee is making the following identical request of each member of the Board and each member of the Open Market Investment Committee for the Federal Reserve System attending the conference with the Board on Monday, December 3.

Please advise the committee whether you discussed or made any statement in connection with the proceedings of the conference to any person other than a member of the Board, a member of the Open Market Investment Committee or an employee of the Board.

Very truly yours,

George R. James,
Chairman.

Mr. Benj. Strong, Governor,
Federal Reserve Bank,
New York, N. Y.

see ans 12/7/23

DECLASSIFIED
Authority EO 12958

333-6-1

December 6, 1923.

Dear Sir:

The Federal Reserve Board at its meeting today appointed Messrs. Miller and Hamlin, and myself as a committee to investigate the origin of the Washington despatch appearing in the New York Journal of Commerce, under date of December 4, 1923, copy of which is herewith attached. In undertaking the investigation assigned to it, the committee is making the following identical request of each member of the Board and each member of the Open Market Investment Committee for the Federal Reserve System attending the conference with the Board on Monday, December 3.

Please advise the committee whether you discussed or made any statement in connection with the proceedings of the conference to any person other than a member of the Board, a member of the Open Market Investment Committee or an employee of the Board.

Very truly yours,

George R. James,
Chairman.

Mr. W. B. Matteson, Secretary,
Open Market Investment Committee,
c/o Federal Reserve Bank,
New York, N. Y.

see ans 12/7/23

DECLASSIFIED
Authority EO 12958

333-61

December 6, 1923.

Dear Sir:

The Federal Reserve Board at its meeting today appointed Messrs. Miller and Hamlin, and myself as a committee to investigate the origin of the Washington despatch appearing in the New York Journal of Commerce, under date of December 4, 1923, copy of which is herewith attached. In undertaking the investigation assigned to it, the committee is making the following identical request of each member of the Board and each member of the Open Market Investment Committee for the Federal Reserve System attending the conference with the Board on Monday, December 3.

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Very truly yours,

George R. James,
Chairman.

Mr. Geo. W. Norris, Governor,
Federal Reserve Bank,
Philadelphia, Penna.

all ans 12/7/23

DECLASSIFIED
Authority EO 12958

333-6-1

December 6, 1923.

Dear Sir:

The Federal Reserve Board at its meeting today appointed Messrs. Miller and Hamlin, and myself as a committee to investigate the origin of the Washington despatch appearing in the New York Journal of Commerce, under date of December 4, 1923, copy of which is herewith attached. In undertaking the investigation assigned to it, the committee is making the following identical request of each member of the Board and each member of the Open Market Investment Committee for the Federal Reserve System attending the conference with the Board on Monday, December 3.

Please advise the committee whether you discussed or made any statement in connection with the proceedings of the conference to any person other than a member of the Board, a member of the Open Market Investment Committee or an employee of the Board.

Very truly yours,

George R. James,
Chairman.

Mr. E. R. Farnher, Governor,
Federal Reserve Bank,
Cleveland, Ohio.

see ans 12/7/23

DECLASSIFIED
Authority EO 12958

333-61

December 6, 1923.

Dear Sir:

see X-3907

The Federal Reserve Board at its meeting today appointed Messrs. Miller and H. H. H. and myself as a committee to investigate the origin of the Washington despatch appearing in the New York Journal of Commerce, under date of December 4, 1923, copy of which is herewith attached. In undertaking the investigation assigned to it, the committee is making the following identical request of each member of the Board and each member of the Open Market Investment Committee for the Federal Reserve System attending the conference with the Board on Monday, December 3.

Please advise the committee whether you discussed or made any statement in connection with the proceedings of the conference to any person other than a member of the Board, a member of the Open Market Investment Committee or an employee of the Board.

Very truly yours,

George R. James,
Chairman.

Mr. J. B. McDougal, Governor,
Federal Reserve Bank,
Chicago, Illinois.

see ans 12/8/23

DECLASSIFIED
Authority EO 12958

333.3
12/6/23

Dear Sir:

The Federal Reserve Board at its meeting today appointed Messrs. Miller, and Hamlin, and myself as a committee to investigate the origin of the Washington despatch appearing in the New York Journal of Commerce, under date of December 4, 1923, copy of which is herewith attached. In undertaking the investigation assigned to it, the committee is making the following identical request of each member of the Board and each member of the Open Market Investment Committee for the Federal Reserve System attending the conference with the Board on Monday, December 3.

See X-
3904

Please advise the committee whether you discussed or made any statement in connection with the proceedings of the conference to any person other than a member of the Board, a member of the Open Market Investment Committee or an employee of the Board.

Very truly yours,

George R. James,
Chairman

DECLASSIFIED
Authority EO 12958

PRESENT AT CONFERENCE DECEMBER 5, 1923.

333-6-1

12/6/23

- Gov. Crissinger ✓
- Mr. Platt ✓
- Mr. Hamlin ✓
- Mr. Miller ✓
- Mr. James
- Mr. Cunningham ✓
- Mr. Eddy, Secretary ✓
- Mr. Winston, Assistant Secretary of the Treasury. ✓
- Mr. Stewart, Director, Research & Statistics Div. ✓
- Gov. Strong ✓
- Gov. Harding ✓
- Gov. Fancher ✓
- Gov. Norris ✓
- Gov. McDougal ✓
- Mr. Mattison, Secretary of Committee. ✓

Committee
James
Hamlin
Miller

DECLASSIFIED
Authority EO 12958

Form No. 131.

Office Correspondence

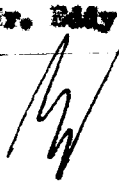
FEDERAL RESERVE BOARD

Date: October 6, 1923.

To Mr. Stewart

Subject: _____

From Mr. Eddy



333 - 6-1
RECEIVED
NOV -7 1923
DIVISION OF
RESEARCH & STATISTICS

The Board's Committee on Discount and Open Market Policy will hold a meeting in the Federal Reserve Board Room at 10 o'clock tomorrow morning, at which time it will consider the details of the Board's new plan for stating the reserve positions of the Federal Reserve banks, as well as Mr. Gilbert's letter of August 5th with regard to gold payments by Federal Reserve banks, and his letter of August 3rd suggesting a certain differential between the rediscount rate for commercial paper and the open market rate for bankers' acceptances. Mr. Gilbert and Mr. Winston have both been invited to attend this meeting.

?

332.03

DECLASSIFIED
Authority EO 12958

333-6-1
12-6-23

December 6, 1923

The Governor appointed Messrs. James, Hamlin and Miller as a special committee to investigate the origin of the Washington despatch appearing in the December 4th issue of the New York Journal of Commerce, concerning the meeting held by the Board on December 3rd with the Open Market Investment Committee for the Federal Reserve System.

DECLASSIFIED
Authority EO 12958

FEDERAL RESERVE BANK
OF RICHMOND

333-b-1

December 5, 1923.

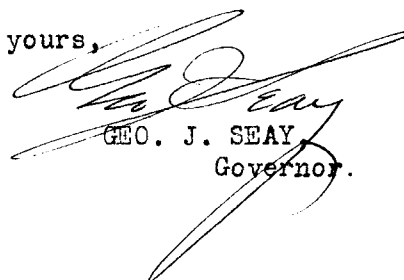
Federal Reserve Board,
Washington, D.C.

Attention Mr. W. L. Eddy, Secretary.

Gentlemen:

Receipt is acknowledged of the Board's letter of December 3 giving us confidential information for the use of our officers and directors with reference to purchase of short-time Government securities by the Open Market Investment Committee. We note that details of procedure to be followed will be given us by the Committee.

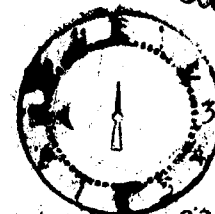
Very truly yours,



GEO. J. SEAY
Governor.

GJS-CCP

Federal Reserve Board



DEC 6 1923

DECLASSIFIED
Authority EO 12958

333.-B-1
12-5-23

December 5, 1923

Mr. Miller then called attention to an article appearing in the December 4th issue of the Journal of Commerce, said article being a Washington despatch containing a circumstantial report of the proceedings of the Board's conference of December 3rd with the Open Market Investment Committee of the Federal Reserve System; no statement in connection with the meeting having been authorized by the Board.

At this point Governor Strong was invited into the room and discussed with the members of the Board the probable source of the information contained in the article, and the importance of strictly regulating the publication of Federal reserve information.

DECLASSIFIED
Authority EO 12958

X-3904

333-f-1

ARTICLE APPEARING IN THE NEW YORK JOURNAL OF COMMERCE
Tuesday, December 4, 1923.

RESERVE BANKS TO
BUY U. S. SECURITIES

HOLDINGS ARE FOUND TO BE
ALMOST AT MINIMUM.

Harded

Open Market Committee Confers
With Board - May Obviate the
Necessity for a Change in the
Rediscount Rates.

WASHINGTON, Dec. 3 - Renewed purchasing of Government securities in the open market by the Federal Reserve Banks on a considerable scale was expected tonight to result from the meeting of the Federal Reserve Board with its special committee on open market operations. The Reserve system's holding of Government securities were found to be almost at a minimum.

The open market committee, which includes in its membership Governor Strong, of the New York Reserve Bank, and Governor Harding, of the Boston Reserve Bank, the former governor of the board, met today with the board and was understood to have gone over the Government security holdings of the various Reserve banks in the light of the probable extent of future purchases under the system's uniform open market policy.

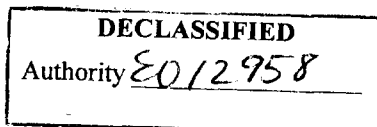
MAY OBVIATE RATE CHANGE

Open market operations of the Reserve system are particularly important in that their effect holds the possibility of producing results which obviate a necessity for a change in rediscount rates.

According to the board's latest reports, as of November 30, the entire holdings of Government securities of the twelve reserve banks is only about \$84,000,000, which is very near the low point for these assets, as compared with about \$300,000,000 on approximately the same date last year. Moreover, probably as much as \$50,000,000 of the present holdings of Government securities represent bonds which the banks would be virtually unable to sell except at a loss, as bonds taken to secure circulation are included in the total holdings.

Hence the shelves of the Reserve banks are getting bare of marketable Government securities and it is expected that the banks will shortly resume

Copy filed 333.



- 2 -

X-3904

purchasing to replenish their stocks. Purchases probably will be devoted in the main to Treasury certificates of indebtedness.

HOLDINGS OF ACCEPTANCES.

Holdings of bankers' acceptances by the Reserve banks aggregate the respectable figure of \$289,000,000, as compared with \$259,000,000 a year ago, but sales of these bills on any appreciable scale would probably involve a change in the rate, so that if the Reserve banks are to continue the free use of the uniform market policy it will be necessary to stock up on open Government securities.

Despite the failure of the Federal Reserve Council at its recent conference with the Reserve Board to discuss the rediscount rate levels, there is a feeling in some quarters that a reduction of rates is in order. However, a resumption of purchasing in the open market by the reserve banks would result in more money being put on the market, or in other words, the extension of credit facilities by the reserve banks in the nature of an equivalent to a reduction in rates.

DECLASSIFIED
Authority EO 12958

333-6-1

December 3, 1923

Dear Governor Strong:

You are advised that the Federal Reserve Board at its meeting today considered the report of your Committee and adopted the following resolutions:

"WHEREAS, The Open Market Investment Committee of the Federal Reserve System (Governors Strong, Harding, McDougal, Fancher and Norris) has reported to the Board that it is expedient at the present time that the Federal reserve banks be given permission to assume a position toward the money market by the purchase of a suitable volume of Government securities of short time maturities, provided such purchases can be made without disturbing the conditions of the money market or of the market for Government securities,

"NOW, THEREFORE, BE IT RESOLVED, That the Federal Reserve Board declares itself in favor of the purchase of a limited volume of short term Government securities at this time, it being understood that the Board reserves the right to discontinue purchases and to require the sale of any of the securities purchased in pursuance of this resolution at any time it may deem expedient, and

"BE IT FURTHER RESOLVED, That copies of these resolutions be transmitted to the Chairman of the Open Market Investment Committee of the Federal Reserve System and to the Governors of all Federal reserve banks."

By direction of the Federal Reserve Board.

Respectfully,

Walter L. Eddy,
Secretary

Mr. Benj. Strong, Chairman,
Open Market Investment Committee
of the Federal Reserve System.

Rec ans 12/12/23

DECLASSIFIED
Authority EO 12958

333.3

December 3, 1923

CONFIDENTIAL

Dear Governor Norris:

For the confidential information of yourself and the members of your board of directors, you are advised of the following resolution adopted today by the Federal Reserve Board:

"WHEREAS, The Open Market Investment Committee of the Federal Reserve System (Governors Strong, Harding, McDougal, Fancher and Norris) has reported to the Board that it is expedient at the present time that the Federal reserve banks be given permission to assume a position toward the money market by the purchase of a suitable volume of Government securities of short time maturities, provided such purchases can be made without disturbing the conditions of the money market or of the market for Government securities,

"NOW, THEREFORE, BE IT RESOLVED, That the Federal Reserve Board declares itself in favor of the purchase of a limited volume of short term Government securities at this time, it being understood that the Board reserves the right to discontinue purchases and to require the sale of any of the securities purchased in pursuance of this resolution at any time it may deem expedient, and

"BE IT FURTHER RESOLVED, That copies of these resolutions be transmitted to the Chairman of the Open Market Investment Committee of the Federal Reserve System and to the Governors of all Federal reserve banks."

Full details of the procedure to be followed by the Open Market Investment Committee and by the Federal reserve banks will be communicated to you by the Chairman of the Committee.

By direction of the Federal Reserve Board.

Very truly yours,

Walter L. Eddy,
Secretary.

Mr. Geo. W. Norris, Governor,
Federal Reserve Bank,
Philadelphia, Pa.

DECLASSIFIED
Authority EO 12958

333-7-1

December 3, 1925

CONFIDENTIAL

Dear Governor Fancher:

For the confidential information of yourself and the members of your board of directors, you are advised of the following resolution adopted today by the Federal Reserve Board:

"WHEREAS, The Open Market Investment Committee of the Federal Reserve System (Governors Strong, Harding, McDougal, Fancher and Norris) has reported to the Board that it is expedient at the present time that the Federal reserve banks be given permission to assume a position toward the money market by the purchase of a suitable volume of Government securities of short time maturities, provided such purchases can be made without disturbing the conditions of the money market or of the market for Government securities,

"NOW, THEREFORE, BE IT RESOLVED, That the Federal Reserve Board declares itself in favor of the purchase of a limited volume of short term Government securities at this time, it being understood that the Board reserves the right to discontinue purchases and to require the sale of any of the securities purchased in pursuance of this resolution at any time it may deem expedient, and

"BE IT FURTHER RESOLVED, That copies of these resolutions be transmitted to the Chairman of the Open Market Investment Committee of the Federal Reserve System and to the Governors of all Federal reserve banks."

Full details of the procedure to be followed by the Open Market Investment Committee and by the Federal reserve banks will be communicated to you by the Chairman of the Committee.

By direction of the Federal Reserve Board.

Very truly yours,

Walter L. Eddy,
Secretary.

Mr. E. R. Fancher, Governor,
Federal Reserve Bank,
Cleveland, Ohio.

DECLASSIFIED
Authority EO 12958

333-11

December 3, 1923

CONFIDENTIAL

Dear Governor Seay:

For the confidential information of yourself and the members of your board of directors, you are advised of the following resolution adopted today by the Federal Reserve Board:

"WHEREAS, The Open Market Investment Committee of the Federal Reserve System (Governors Strong, Harding, McDougal, Fancher and Norris) has reported to the Board that it is expedient at the present time that the Federal reserve banks be given permission to assume a position toward the money market by the purchase of a suitable volume of Government securities of short time maturities, provided such purchases can be made without disturbing the conditions of the money market or of the market for Government securities,

"NOW, THEREFORE, BE IT RESOLVED, That the Federal Reserve Board declares itself in favor of the purchase of a limited volume of short term Government securities at this time, it being understood that the Board reserves the right to discontinue purchases and to require the sale of any of the securities purchased in pursuance of this resolution at any time it may deem expedient, and

"BE IT FURTHER RESOLVED, That copies of these resolutions be transmitted to the Chairman of the Open Market Investment Committee of the Federal Reserve System and to the Governors of all Federal reserve banks."

Full details of the procedure to be followed by the Open Market Investment Committee and by the Federal reserve banks will be communicated to you by the Chairman of the Committee.

By direction of the Federal Reserve Board.

Very truly yours,

Walter L. Eddy,
Secretary.

Mr. George J. Seay, Governor,
Federal Reserve Bank,
Richmond, Virginia.

see memo 12/5/23

DECLASSIFIED
Authority EO 12958

333-6-1

December 3, 1925

CONFIDENTIAL

Dear Governor Wellborn:

For the confidential information of yourself and the members of your board of directors, you are advised of the following resolution adopted today by the Federal Reserve Board:

"WHEREAS, The Open Market Investment Committee of the Federal Reserve System (Governors Strong, Harding, McDougal, Fancher and Norris) has reported to the Board that it is expedient at the present time that the Federal reserve banks be given permission to assume a position toward the money market by the purchase of a suitable volume of Government securities of short time maturities, provided such purchases can be made without disturbing the conditions of the money market or of the market for Government securities,

"NOW, THEREFORE, BE IT RESOLVED, That the Federal Reserve Board declares itself in favor of the purchase of a limited volume of short term Government securities at this time, it being understood that the Board reserves the right to discontinue purchases and to require the sale of any of the securities purchased in pursuance of this resolution at any time it may deem expedient, and

"BE IT FURTHER RESOLVED, That copies of these resolutions be transmitted to the Chairman of the Open Market Investment Committee of the Federal Reserve System and to the Governors of all Federal reserve banks."

Full details of the procedure to be followed by the Open Market Investment Committee and by the Federal reserve banks will be communicated to you by the Chairman of the Committee.

By direction of the Federal Reserve Board.

Very truly yours,

Walter L. Eddy,
Secretary.

Mr. M. M. Wellborn, Governor,
Federal Reserve Bank,
Atlanta, Georgia.

DECLASSIFIED
Authority EO 12958

333-6-1

December 3, 1923.

CONFIDENTIAL

Dear Governor McDougal:

For the confidential information of yourself and the members of your board of directors, you are advised of the following resolution adopted today by the Federal Reserve Board:

"WHEREAS, The Open Market Investment Committee of the Federal Reserve System (Governors Strong, Harding, McDougal, Fancher and Norris) has reported to the Board that it is expedient at the present time that the Federal reserve banks be given permission to assume a position toward the money market by the purchase of a suitable volume of Government securities of short time maturities, provided such purchases can be made without disturbing the conditions of the money market or of the market for Government securities.

"NOW, THEREFORE, BE IT RESOLVED, That the Federal Reserve Board declares itself in favor of the purchase of a limited volume of short term Government securities at this time, it being understood that the Board reserves the right to discontinue purchases and to require the sale of any of the securities purchased in pursuance of this resolution at any time it may deem expedient, and

"BE IT FURTHER RESOLVED, That copies of these resolutions be transmitted to the Chairman of the Open Market Investment Committee of the Federal Reserve System and to the Governors of all Federal reserve banks."

Full details of the procedure to be followed by the Open Market Investment Committee and by the Federal reserve banks will be communicated to you by the Chairman of the Committee.

By direction of the Federal Reserve Board.

Very truly yours,

Mr. J. B. McDougal, Governor,
Federal Reserve Bank,
Chicago, Ills.

Walter L. Eddy,
Secretary.

see memo 12/7/23

DECLASSIFIED
Authority 8012958

December 3, 1923.

CONFIDENTIAL

Dear Governor Biggs:

For the confidential information of yourself and the members of your board of directors, you are advised of the following resolution adopted today by the Federal Reserve Board:

"WHEREAS, The Open Market Investment Committee of the Federal Reserve System (Governors Strong, Harding, McDougal, Fancher and Norris) has reported to the Board that it is expedient at the present time that the Federal reserve banks be given permission to assume a position toward the money market by the purchase of a suitable volume of Government securities of short time maturities, provided such purchases can be made without disturbing the conditions of the money market or of the market for Government securities,

"NOW, THEREFORE, BE IT RESOLVED, That the Federal Reserve Board declares itself in favor of the purchase of a limited volume of short term Government securities at this time, it being understood that the Board reserves the right to discontinue purchases and to require the sale of any of the securities purchased in pursuance of this resolution at any time it may deem expedient, and

"BE IT FURTHER RESOLVED, That copies of these resolutions be transmitted to the Chairman of the Open Market Investment Committee of the Federal Reserve System and to the Governors of all Federal reserve banks."

Full details of the procedure to be followed by the Open Market Investment Committee and by the Federal reserve banks will be communicated to you by the Chairman of the Committee.

By direction of the Federal Reserve Board.

Very truly yours,

Mr. D. C. Biggs, Governor,
Federal Reserve Bank,
St. Louis, Mo.

Walter L. Eddy,
Secretary.

DECLASSIFIED
Authority EO 12958

333-8-1

December 3, 1923.

CONFIDENTIAL

Dear Governor Young:

For the confidential information of yourself and the members of your board of directors, you are advised of the following resolution adopted today by the Federal Reserve Board:

"WHEREAS, The Open Market Investment Committee of the Federal Reserve System (Governors Strong, Harding, McDougal, Fancher and Norris) has reported to the Board that it is expedient at the present time that the Federal reserve banks be given permission to assume a position toward the money market by the purchase of a suitable volume of Government securities of short time maturities, provided such purchases can be made without disturbing the conditions of the money market or of the market for Government securities,

"NOW, THEREFORE, BE IT RESOLVED, That the Federal Reserve Board declares itself in favor of the purchase of a limited volume of short term Government securities at this time, it being understood that the Board reserves the right to discontinue purchases and to require the sale of any of the securities purchased in pursuance of this resolution at any time it may deem expedient, and

"BE IT FURTHER RESOLVED, That copies of these resolutions be transmitted to the Chairman of the Open Market Investment Committee of the Federal Reserve System and to the Governors of all Federal reserve banks."

Full details of the procedure to be followed by the Open Market Investment Committee and by the Federal reserve banks will be communicated to you by the Chairman of the Committee.

By direction of the Federal Reserve Board.

Very truly yours,

Mr. R. A. Young, Governor,
Federal Reserve Bank,
Minneapolis, Minn.

Walter L. Eddy,
Secretary.

DECLASSIFIED
Authority EO 12958

333-6-1

December 3, 1923.

CONFIDENTIAL

Dear Governor Bailey:

For the confidential information of yourself and the members of your board of directors, you are advised of the following resolution adopted today by the Federal Reserve Board:

"WHEREAS, The Open Market Investment Committee of the Federal Reserve System (Governors Strong, Harding, McDougal, Fancher and Norris) has reported to the Board that it is expedient at the present time that the Federal reserve banks be given permission to assume a position toward the money market by the purchase of a suitable volume of Government securities of short time maturities, provided such purchases can be made without disturbing the conditions of the money market or of the market for Government securities,

"NOW, THEREFORE, BE IT RESOLVED, That the Federal Reserve Board declares itself in favor of the purchase of a limited volume of short term Government securities at this time, it being understood that the Board reserves the right to discontinue purchases and to require the sale of any of the securities purchased in pursuance of this resolution at any time it may deem expedient, and

"BE IT FURTHER RESOLVED, That copies of these resolutions be transmitted to the Chairman of the Open Market Investment Committee of the Federal Reserve System and to the Governors of all Federal reserve banks."

Full details of the procedure to be followed by the Open Market Investment Committee and by the Federal reserve banks will be communicated to you by the Chairman of the Committee.

By direction of the Federal Reserve Board.

Very truly yours,

Mr. W. J. Bailey, Governor,
Federal Reserve Bank,
Kansas City, Mo.

Walter L. Eddy,
Secretary.

DECLASSIFIED
Authority EO 12958

333-f-1

December 3, 1923.

CONFIDENTIAL

Dear Governor McKinney:

For the confidential information of yourself and the members of your board of directors, you are advised of the following resolution adopted today by the Federal Reserve Board:

"WHEREAS, The Open Market Investment Committee of the Federal Reserve System (Governors Strong, Harding, McDougal, Fancher and Norris) has reported to the Board that it is expedient at the present time that the Federal reserve banks be given permission to assume a position toward the money market by the purchase of a suitable volume of Government securities of short time maturities, provided such purchases can be made without disturbing the conditions of the money market or of the market for Government securities,

"NOW, THEREFORE, BE IT RESOLVED, That the Federal Reserve Board declares itself in favor of the purchase of a limited volume of short term Government securities at this time, it being understood that the Board reserves the right to discontinue purchases and to require the sale of any of the securities purchased in pursuance of this resolution at any time it may deem expedient, and

"BE IT FURTHER RESOLVED, That copies of these resolutions be transmitted to the Chairman of the Open Market Investment Committee of the Federal Reserve System and to the Governors of all Federal reserve banks."

Full details of the procedure to be followed by the Open Market Investment Committee and by the Federal reserve banks will be communicated to you by the Chairman of the Committee.

By direction of the Federal Reserve Board.

Very truly yours,

Mr. B. A. McKinney, Governor,
Federal Reserve Bank,
Dallas, Texas.

Walter L. Eddy,
Secretary.

see ans 12/8/23

DECLASSIFIED
Authority EO 12958

333-1-1

December 3, 1923.

CONFIDENTIAL

Dear Governor Calkins:

For the confidential information of yourself and the members of your board of directors, you are advised of the following resolution adopted today by the Federal Reserve Board:

"WHEREAS, The Open Market Investment Committee of the Federal Reserve System (Governors Strong, Harding, McDougal, Fancher and Norris) has reported to the Board that it is expedient at the present time that the Federal reserve banks be given permission to assume a position toward the money market by the purchase of a suitable volume of Government securities of short time maturities, provided such purchases can be made without disturbing the conditions of the money market or of the market for Government securities,

"NOW, THEREFORE, BE IT RESOLVED, That the Federal Reserve Board declares itself in favor of the purchase of a limited volume of short term Government securities at this time, it being understood that the Board reserves the right to discontinue purchases and to require the sale of any of the securities purchased in pursuance of this resolution at any time it may deem expedient, and

"BE IT FURTHER RESOLVED, That copies of these resolutions be transmitted to the Chairman of the Open Market Investment Committee of the Federal Reserve System and to the Governors of all Federal reserve banks."

Full details of the procedure to be followed by the Open Market Investment Committee and by the Federal reserve banks will be communicated to you by the Chairman of the Committee,

By direction of the Federal Reserve Board.

Very truly yours,

Mr. J. U. Calkins, Governor,
Federal Reserve Bank,
San Francisco, Cal.

Walter L. Eddy,
Secretary.

see ans 12/27/23

DECLASSIFIED
Authority EO 12958

333-6-1
12-3-23

December 3, 1923

Consideration was given to the report submitted by the Open Market Investment Committee of the Federal Reserve System at the November conference of Governors and to the statements made by the members of the Committee at a conference with the Board on the morning of this date. After a discussion of the Committee's report and of the policy outlined therein, the following resolution was unanimously adopted:

"WHEREAS, The Open Market Investment Committee of the Federal Reserve System (Governors Strong, Harding, McDougal, Fancher and Norris) has reported to the Board that it is expedient at the present time that the Federal reserve banks be given permission to assume a position toward the money market by the purchase of a suitable volume of Government securities of short time maturities, provided such purchases can be made without disturbing the conditions of the money market or of the market for Government securities,

X

"NOW, THEREFORE, BE IT RESOLVED, That the Federal Reserve Board declares itself in favor of the purchase of a limited volume of short term Government securities at this time, it being understood that the Board reserves the right to discontinue purchases and to require the sale of any of the securities purchased in pursuance of this resolution at any time it may deem expedient, and

* []

"BE IT FURTHER RESOLVED, That copies of these resolutions be transmitted to the Chairman of the Open Market Investment Committee of the Federal Reserve System and to the Governors of all Federal reserve banks."

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 Authority EO 12958

Form No. 131.

Office Correspondence

FEDERAL RESERVE BOARD

FEDERAL RESERVE BOARD FILE
 Date November 21, 1923.
 Subject: Changes in Federal Reserve Bank
holdings of United States Securities.
 323-7-1

To Mr. Eddy

Subject: Changes in Federal Reserve Bank

From *[Signature]* Mr. Smead

holdings of United States Securities.

Attached hereto are twelve copies of stencil St. 3792, showing weekly changes in Federal reserve bank holdings of Government securities from January 3 to October 31, together with weekly purchases and sales subdivided so as to show transactions with the United States Treasury, the Alien Property Custodian, and all other transactions exclusive of transactions between Federal reserve banks. From an examination of the attached table you will note that the redemptions by the Treasury and sales to the Treasury between January 3 and October 31 exceeded purchases from the Treasury by \$224,539,000, also that holdings in investment accounts of the banks exclusive of one-day certificates held to cover Treasury overdrafts and securities held under repurchase agreement, declined \$247,666,000 during the same period. As sales to the Alien Property Custodian and to the Federal Land Banks exceeded purchases from the Alien Property Custodian by \$52,265,000, it is evident that in their strictly open market operations the purchases of the Federal reserve banks exceeded their sales by \$29,138,000, as will be seen from the following table:

<u>Transactions with --</u>	<u>Purchases</u>	<u>Sales or Redemptions</u>	<u>Net Decrease</u>
U. S. Treasurer (exclusive of temporary 1-day certificates).....	\$ 2,443,000	\$226,982,000	\$224,539,000
Alien Property Custodian.....	10,000,000	56,265,000	46,265,000
Federal Land Banks.....	---	6,000,000	6,000,000
All other (open market) transactions..	<u>170,314,000</u>	<u>141,176,000</u>	<u>*29,138,000</u>
Total.....	<u>\$182,757,000</u>	<u>\$430,423,000</u>	<u>\$247,666,000</u>

U. S. securities held in investment account (exclusive of 1-day certificates and securities held under repurchase agreement) --			
January 3, 1923.....		\$325,247,000	
October 31, 1923.....		<u>77,581,000</u>	<u>\$247,666,000</u>

U. S. securities held under repurchase agreement --			
January 3, 1923.....		\$ 43,307,000	
October 31, 1923.....		<u>14,256,000</u>	<u>\$ 29,051,000</u>

*Net increase.

CONFIDENTIAL

For use of Federal Reserve Board only

CHANGES IN FEDERAL RESERVE BANK HOLDINGS OF UNITED STATES GOVERNMENT SECURITIES,
BY WEEKS FROM JANUARY 3, TO OCTOBER 31, 1923.

St. 3792

(In thousands of dollars)

Week ending -	Holdings at end of week -				Purchases (exclusive of those under repurchase agreement)				Sales (exclusive of those under repurchase agreement)				
	Total	Under re-purchase agreement	In investment account		From U. S. Treasurer*	From Alien Property Custodian	All other purchases (a)	Total purchases	To U.S. Treasurer including redemptions before maturity	Redemptions by U. S. Treasurer at maturity*	To Alien Property Custodian	All other sales (a)	Total sales
			One-day certificates	All other									
Jan. 3	456,554	43,307	88,000	325,247	-	-	-	-	-	-	-	-	-
10	508,176	44,679	131,500	331,997	-	-	14,642	14,642	-	-	-	7,893	7,893
17	412,432	12,451	73,000	326,981	700	-	9,599	10,299	-	-	6,000	9,315	15,315
24	352,819	34,685	-	318,134	113	-	21,180	21,293	3,150	-	10,000	16,991	30,141
31	353,735	26,387	-	327,348	-	-	10,938	10,938	-	-	-	1,724	1,724
Feb. 7	353,124	22,945	-	330,179	2	10,000	14,351	24,353	-	-	15,000	6,521	21,521
14	353,523	24,042	-	329,481	-	-	2,367	2,367	-	-	-	3,065	3,065
21	354,034	22,550	-	331,484	-	-	4,534	4,534	-	-	1,000	1,531	2,531
28	363,074	28,062	-	335,012	-	-	3,912	3,912	-	-	-	383	383
Mar. 7	344,887	10,722	-	334,165	-	-	7,424	7,424	2,000	-	5,000	1,271	8,271
14	344,713	10,676	-	334,037	-	-	718	718	250	-	-	595	845
21	291,911	13,878	-	278,033	-	-	2,001	2,001	-	57,241	-	766	58,007
28	249,409	23,535	-	225,874	-	-	2,645	2,645	46,784	7,500	-	518	54,802
Apr. 4	239,149	16,306	-	222,843	-	-	359	359	-	-	-	3,392	3,392
11	238,154	15,405	-	222,749	-	-	476	476	-	-	-	569	569
18	238,007	16,951	-	221,056	-	-	1,201	1,201	-	-	-	2,894	2,894
25	193,810	9,422	-	184,388	-	-	685	685	34,024	-	-	3,330	37,354
May 2	184,772	10,762	-	174,010	-	-	1,829	1,829	-	-	-	12,206	12,206
9	185,814	10,481	-	175,333	-	-	2,742	2,742	-	-	-	1,419	1,419
16	188,889	14,453	-	174,436	432	-	12,074	12,506	11,850	-	-	1,553	13,403
23	206,959	31,671	5,000	170,286	293	-	744	1,037	-	-	-	5,187	5,187
30	189,288	19,250	-	170,038	1	-	2,132	2,133	-	-	-	2,382	2,382
June 6	182,751	23,668	-	159,083	-	-	11,586	11,586	10,000	-	-	12,538	22,538
13	158,100	19,373	-	138,727	2	-	11,334	11,336	9,780	-	-	21,911	31,691
20	121,529	30,516	-	91,013	21	-	2,577	2,598	17,488	2,311	23,588	6,925	50,312
27	134,976	42,936	-	92,040	-	-	1,491	1,491	-	-	-	464	464

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 Authority E.O. 12958

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For use of Federal Reserve Board only

**CHANGES IN FEDERAL RESERVE BANK HOLDINGS OF UNITED STATES GOVERNMENT SECURITIES,
BY WEEKS FROM JANUARY 3 TO OCTOBER 31, 1923.**

St. 3792

(In thousands of dollars)

Week ending-	Holdings at end of week -				Purchases (exclusive of those under repurchase agreement)				Sales (exclusive of those under repurchase agreement)				
	Total	Under re-purchase agreement	In investment account		From U. S. Treasurer*	From Alien Property Custodian	All other purchases (a)	Total purchases	To U. S. Treasurer including redemptions before maturity	Redemptions by U. S. Treasurer at maturity*	To Alien Property Custodian	All other sales (a)	Total sales
			One-day certificates	All other									
July 4	94,701	16,899	-	77,802	-	-	2,215	2,215	13,974	-	-	2,479	16,453
11	101,238	23,415	-	77,823	-	-	336	336	-	-	-	316	316
18	97,955	21,841	-	76,114	-	-	652	652	1,500	-	-	860	2,360
25	96,284	19,863	-	76,421	-	-	1,470	1,470	520	-	-	643	1,163
Aug. 1	93,793	16,290	-	77,503	-	-	2,063	2,063	575	-	-	406	981
8	90,206	14,302	-	75,904	-	-	801	801	2,129	-	-	272	2,401
15	89,841	13,925	-	75,916	-	-	118	118	-	-	-	106	106
22	84,759	12,128	-	72,631	-	-	746	746	3,500	-	-	531	4,031
29	93,530	20,641	-	72,889	-	-	1,375	1,375	330	-	-	787	1,117
Sept. 5	98,772	26,093	-	72,679	15	-	1,269	1,284	-	-	672	823	1,495
12	99,857	26,189	-	73,668	-	-	1,719	1,719	-	-	5	725	730
19	92,589	19,676	-	72,913	864	-	964	1,828	15	268	-	2,300	2,583
26	91,885	18,485	-	73,400	-	-	1,838	1,838	25	-	1,000	326	1,351
Oct. 3	95,142	22,290	-	72,852	-	-	400	400	750	-	-	198	948
10	91,883	14,164	-	77,719	-	-	5,304	5,304	-	-	-	437	437
17	94,041	19,814	-	74,227	-	-	830	830	1,018	-	-	3,304	4,322
24	88,193	13,757	-	74,436	-	-	536	536	-	-	-	327	327
31	91,837	14,256	-	77,581	-	-	4,137	4,137	-	-	-	993	993
TOTAL					2,443	10,000	170,314	182,757	159,662	67,320	(b) 62,265	141,176	430,423

FEDERAL RESERVE BOARD
DIVISION OF BANK OPERATIONS
NOVEMBER 21, 1923.

*Exclusive of temporary 1-day certificates to cover overdraft in Government account.
#Sold to Federal Land Banks.
(a) Exclusive of transactions between Federal Reserve Banks.
(b) Includes \$6,000,000 sold to Federal Land banks.

W.

DECLASSIFIED
Authority EO 12958

**ACCEPTANCES SOLD FROM OWN PORTFOLIO BY THE FEDERAL RESERVE
BANKS FROM JANUARY 1 TO OCTOBER 24, 1923.**

Week ending - 1923	Total	Philadelphia	Atlanta	Chicago	Dallas
Jan. 3 (3 days)	-	-	-	-	-
10	582	562	-	20	-
17	610	600	-	10	-
24	459	459	-	-	-
31	364	259	-	105	-
Feb. 7	612	587	-	25	-
14	591	591	-	-	-
21	216	186	25	5	-
28	461	461	-	-	-
Mar. 7	310	290	20	-	-
14	470	470	-	-	-
21	196	196	-	-	-
28	205	175	-	30	-
Apr. 4	55	55	-	-	-
11	830	820	-	-	-10
18	200	200	-	-	-
25	391	341	-	25	25
May 2	78	78	-	-	-
9	255	255	-	-	-
16	229	219	-	-	10
23	40	40	-	-	-
30	345	345	-	-	-
June 6	480	480	-	-	-
13	235	185	-	50	-
20	110	110	-	-	-
27	279	279	-	-	-
July 4	-	-	-	-	-
11	368	208	-	160	-
18	371	231	-	140	-
25	240	90	-	150	-
Aug. 1	265	265	-	-	-
8	239	239	-	-	-
15	201	201	-	-	-
22	366	366	-	-	-
29	547	547	-	-	-
Sept. 5	143	143	-	-	-
12	118	118	-	-	-
19	235	100	-	15	120
26	459	293	-	-	166
Oct. 3	365	301	-	-	64
10	487	391	-	-	96
17	622	425	-	-	197
24	593	353	5	-	235
TOTAL	14,222	12,514	50	735	923

DECLASSIFIED
 Authority EO 12958

**ACCEPTANCES SOLD FROM OWN PORTFOLIO BY THE FEDERAL RESERVE
BANKS FROM JANUARY 1 TO OCTOBER 24, 1923.**

Week ending - 1923	Total	Philadelphia	Atlanta	Chicago	Dallas
Jan. 3 (3 days)	-	-	-	-	-
10	582	562	-	20	-
17	610	600	-	10	-
24	459	459	-	-	-
31	364	259	-	105	-
Feb. 7	612	587	-	25	-
14	591	591	-	-	-
21	216	186	25	5	-
28	461	461	-	-	-
Mar. 7	310	290	20	-	-
14	470	470	-	-	-
21	196	196	-	-	-
28	205	175	-	30	-
Apr. 4	55	55	-	-	-
11	830	820	-	-	-10
18	200	200	-	-	-
25	391	341	-	25	25
May 2	78	78	-	-	-
9	255	255	-	-	-
16	229	219	-	-	10
23	40	40	-	-	-
30	345	345	-	-	-
June 6	480	480	-	-	-
13	235	185	-	50	-
20	110	110	-	-	-
27	279	279	-	-	-
July 4	-	-	-	-	-
11	368	208	-	160	-
18	371	251	-	140	-
25	240	90	-	150	-
Aug. 1	265	265	-	-	-
8	239	239	-	-	-
15	201	201	-	-	-
22	366	366	-	-	-
29	547	547	-	-	-
Sept. 5	143	143	-	-	-
12	118	118	-	-	-
19	235	100	-	15	120
26	459	293	-	-	166
Oct. 3	365	301	-	-	64
10	487	391	-	-	96
17	622	425	-	-	197
24	593	353	5	-	235
TOTAL	14,222	12,514	50	735	923

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Authority EO 12958

**U. S. SECURITIES PURCHASED ACCEPTANCES HELD BY FEDERAL
RESERVE BANKS ON EACH WEEKLY STATEMENT DATE DURING 1923.**

(In thousands of dollars)

Date	U. S. securities			Acceptances		
	Amount held	Weekly change		Amount held	Weekly change	
		Increase	Decrease		Increase	Decrease
Jan. 3	456,554	-	1,329	255,182	8,889	-
10	508,176	51,622	-	225,760	-	29,422
17	412,432	-	95,744	201,335	-	24,425
24	357,819	-	59,613	204,547	3,212	-
31	353,735	916	-	188,566	-	15,981
Feb. 7	353,124	-	611	184,345	-	3,621
14	353,523	399	-	184,476	-	469
21	354,034	511	-	182,353	-	2,123
28	363,074	9,040	-	207,678	25,325	-
Mar. 7	344,887	-	18,187	218,886	11,208	-
14	344,713	-	174	225,416	6,530	-
21	291,911	-	52,802	237,965	12,549	-
28	249,409	-	42,502	254,251	16,286	-
Apr. 4	239,149	-	10,260	259,879	5,628	-
11	238,154	-	995	274,389	14,510	-
18	238,007	-	147	277,447	3,058	-
25	193,810	-	44,197	274,041	-	3,406
May 2	184,772	-	9,038	275,429	1,388	-
9	185,814	1,042	-	266,992	-	8,437
16	188,889	3,075	-	281,609	14,617	-
23	206,959	18,070	-	270,850	-	10,759
29	189,288	-	17,671	257,818	-	13,032
June 6	182,751	-	6,537	248,234	-	9,584
13	158,100	-	24,651	218,618	-	29,616
20	121,529	-	36,571	205,716	-	12,902
27	134,976	13,447	-	204,225	-	1,491
July 3	94,701	-	40,275	198,912	-	5,313
11	101,238	6,537	-	186,284	-	12,628
18	97,955	-	3,283	183,121	-	3,163
25	96,284	-	1,671	176,864	-	6,257
Aug. 1	93,793	-	2,491	182,630	5,766	-
8	90,206	-	3,587	177,409	-	5,221
15	89,841	-	365	173,189	-	4,220
22	84,759	-	5,082	176,610	3,421	-
29	93,530	8,771	-	173,455	-	3,125
Sept. 5	98,772	5,242	-	174,563	1,078	-
12	99,857	1,085	-	179,313	4,750	-
19	92,589	-	7,268	171,044	-	8,269
26	91,885	-	704	172,124	1,080	-
Oct. 3	95,142	3,257	-	172,902	778	-
10	91,883	-	3,259	182,407	9,505	-
17	94,041	2,158	-	190,518	8,111	-
24	88,193	-	5,848	179,747	-	10,771

DECLASSIFIED

Authority EO 12958*Same letter sent to other 7/18/23*

333. -b-1

11/16/23

Open Market Investment Committee
for the Federal Reserve System

November 16, 1923

Mr. George W. Norris,
Governor, Federal Reserve Bank of Philadelphia,
Philadelphia, Pa.

My dear Governor Norris:

We have received a number of requests for further information regarding the details of the plan adopted by the Open Market Investment Committee relative to the distribution of bills purchased in the open market by the Federal Reserve System.

The plan provides that the distribution of bills shall be made in such a manner that the reserves of each participating Federal reserve bank will be so affected as to reduce the reserve percentages of each bank by the same per cent, or fraction of per cent. That is to say, that on a day when the total bills purchased were sufficient to reduce each participating bank's reserve percentage 1%, two banks having ratios of 80% and 60% respectively would after distribution have 79% and 59% reserve ratios respectively.

The proportion of total purchases to be allotted to each participating bank to achieve this result is arrived at for practical purposes by dividing the total of deposits and notes of each bank by the relative totals of all participating banks, the resulting fraction equaling the percentage ratio of distribution applicable to the individual bank.

Attached is a schedule showing how the plan would work based on the total deposit and Federal Reserve Note liabilities of all Federal reserve banks on November 7, 1923 and purchases of bills made during that week if all twelve banks participated.

In accordance with the resolution passed by the Committee, allotments would be made to Federal reserve banks by the Committee on this basis, adjusted, however, as to dollar amounts by the Committee, through its Secretary each week, in accordance with reports to the Committee of the amounts bought otherwise than through the Committee, by each participating bank during the week previous; the purpose of such adjustment being to maintain a practically constant ratio of investments in each bank.

I shall be glad to be advised whether this explanation of the plan is entirely clear, and if you wish to participate at this time.

Very truly yours,

W. B. Hitteson
Secretary of the Committee

Enclosure
SEC WBM:KAN

#4

DECLASSIFIED
Authority EO 12958

COMMITTEE ON DISCOUNT AND OTHER MARKET POLICY.

333-6-1

Minutes of meeting of November 8,
1923, at 2.30 p.m.

11-8-23

The Committee met at 2.30 p.m., on November 8th, in Mr. Miller's office.

Present: Mr. Miller, Mr. Platt, Mr. Stewart, Secretary, and Mr. Winston and Mr. Gilbert by invitation.

The Committee resumed consideration of the best method of putting into operation the separate reserve ratios. Mr. Stewart reported that by transferring the Boston and Cleveland banks from the 90 per cent to 100 per cent class, the Minneapolis bank from the 70 per cent to the 90 per cent class, and the Richmond bank from the 50 per cent to the 60 per cent class, it would have been possible to maintain during the first 10 months of 1923 a note reserve ratio for the System above the 90 per cent minimum. After some discussion it was concluded that the best plan of procedure was to follow the method indicated in the memorandum presented to the Committee on November 7th. It was the sense of the Committee that the plan should be put into operation early in 1924, that separate reserves should be maintained against notes and deposits by each individual bank, that note and deposit reserve ratios for the System should be published weekly by the Board, that statements of individual reserve banks show the amount of note reserve and of deposit reserve, but that it might be advisable to defer the publication of note and deposit ratios for the individual banks until experience with the plan indicated that their publication was desirable. In view of the reserve positions of the individual reserve banks, the Committee was of the opinion that it will probably be feasible when the plan is put into operation to maintain at least a 90 per cent note reserve for the System.

(Mr. Cunningham, who could not be present when the Committee first met, came in at this time.)

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2.

- - -

The Committee considered the proposal made in Mr. Gilbert's letter of August 6th with regard to gold payments by Federal reserve banks. After discussion of the proposal the Committee recommended to the Board the following resolutions

Whereas it is the sense of the Federal Reserve Board that it is desirable that gold certificates be restored to circulation in order again to build up a secondary reserve; and

Whereas it is important that a system ^{policy} in respect to gold payments should be adopted by the Federal Reserve System;

Resolved that the Federal Reserve Banks, acting in cooperation with the Federal Reserve Board (due regard being had to the reserve position of the respective banks) shall restore to circulation during the year 1934 an amount of gold certificates to an aggregate amount of five hundred millions of dollars;

Resolved further that the Governor be instructed to advise the Federal Reserve Banks of these resolutions and to transmit to the Federal Reserve Banks such further instructions as may be necessary to carry them into effect.

- - -

The Committee also considered the suggestion made in Mr. Gilbert's letter of August 3rd concerning the maintenance of a differential between the rediscount rate for commercial paper and open market rates. The Committee believes that the Board should reaffirm the principle that a differential should be recognized between rediscount rates on commercial paper and open market rates, and

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Authority EO 12958

3.

that the types of paper entitled to this differential and the extent of such differential should be given specific consideration in connection with any future general revision of rediscount rates.

The Committee adjourned at 4.30 p.m.

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COMMITTEE ON DISCOUNT AND OPEN MARKET POLICY.

IN FILE SECTION

DEC 16 1939

Minutes of meeting of November 8,
1939, at 10.00 a.m.

333.71

11-8-23

The Committee met in the Board Room at 10.00 a.m., November 8th. Present: Mr. Miller, Mr. Platt, Mr. Cunningham, and Mr. Stewart, Secretary. Mr. Winston was present by invitation.

The Committee continued the consideration of the plan for putting into operation the statement of note reserve and deposits reserve ratios. A supplementary memorandum was presented which modified the method proposed in the earlier memorandum. The modified proposal made possible the maintenance of a constant note reserve ratio for the System, but had the disadvantage of presenting System note ratio which was not computed entirely from the actual separation of reserves to be maintained by the individual banks. A copy of this supplementary memorandum is filed with the minutes of this meeting.

Mr. Miller suggested that instead of undertaking to maintain a constant note ratio for the System as a whole, the note ratio for the System be regarded as a minimum and that ratios of the individual banks be adjusted in such a manner as to keep the note ratio for the System as a whole from falling below the established minimum. The Division of Research and Statistics was instructed to consider and report back to the Committee what would be involved in the practical operation of such a method, assuming that under present conditions a 90 per cent minimum note ratio for the System be maintained.

The Committee adjourned to meet at 2.30 p.m.

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5
FEDERAL RESERVE SYSTEM
DEC 16 1938
333-2-1

COMMITTEE ON DISCOUNT AND OPEN MARKET POLICY.

11-7-23

The Committee on Discount and Open Market Policy met at the Board Room at 10.00 a.m., November 7th. Present: Mr. Miller, Mr. Platt, Mr. Cunningham, and Mr. Stewart, Secretary. At the invitation of the Committee Mr. Winston was present. Mr. Gilbert, who was unable to be present at the opening of the meeting, came in before the meeting closed.

Mr. Miller referred to the action of the Board on September 11, 1923, referring to the Committee the problem of working out all necessary details in connection with making recommendations for putting into operation the new plan of stating the reserve ratio separately for notes and deposits. The Committee had before it a memorandum prepared by the Division of Research and Statistics, which indicated a method by which the new plan could be made operative. A copy of this memorandum is attached to the minutes of this meeting.

There was a general discussion of the various aspects of the problem with special attention to the desirability of maintaining a note reserve ratio for the System that would be free from minor fluctuations and would change on occasion only in round numbers, for example, from 90 per cent to 85 per cent. The Division of Research and Statistics was instructed to prepare a supplementary memorandum which would consider the possibility of such a method of stating the reserve ratio for the System and still relating to the actual ^{New} operating ratios of individual banks.

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D. A. Miller



333-4-1

REC'D IN RECORDS SECTION
FEB 6 1958
333-4-1

THE UNDERSECRETARY OF THE TREASURY
WASHINGTON

November 6, 1923.

Dear Mr. Eddy:

I have your letter of this date, and note that the Federal Reserve Board's Committee on Discount and Open Market Policy will hold a meeting tomorrow morning at 10:00 o'clock to consider the details of the Board's new plan for stating the reserve positions of the Federal Reserve Banks, as well as the proposed resolution with respect to gold payments and the suggested differential between line of credit loans and open market paper. I have an appointment tomorrow morning that is likely to extend beyond 10:00 o'clock, but I shall be glad, if possible, to arrange to attend the meeting at sometime during the course of the discussion.

Very truly yours,

S. P. GILBERT, Jr.,
Under Secretary.

Walter L. Eddy, Esq.,
Secretary, Federal Reserve Board,
Washington, D. C.

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Authority EO 12958

November 2, 1923

333-6-1
11-2-23

The Governor stated that the purpose of the meeting was to consider a telephone request from the Chairman of the Board of Directors of the Federal Reserve Bank of Boston, for immediate permission to that bank to buy in the open market \$20,000,000 of United States treasury certificates of indebtedness, the purpose of the purchase being to build up the earning assets of the bank, on the theory that its reserve position is now high and the condition of the securities market is easy.

The Governor stated that Mr. Case, Deputy Governor of the Federal Reserve Bank of New York, also Acting Chairman of the Open Market Committee of Governors was in his office, having called in connection with another matter, and the members of the Board expressed a desire that Mr. Case be invited into the meeting. Upon the entrance of Mr. Case into the room a discussion ensued as to the conditions prevailing in the securities and general money markets and of the desirability and necessity of the Boston bank purchasing government securities or bills in the Open Market at this time. During the course of the discussion, Mr. Dawes was called from the meeting.

Mr. Case was interrogated as to the open market investment holdings of the Federal Reserve banks, more particularly with reference to their holdings of acceptances. In reply to a question put to him, he stated that the New York bank had about \$25,000,000 of acceptances purchased in the open market which it would be willing to sell to any Federal Reserve bank which needed investments in order to keep up its earnings.

Following the discussion, Dr. Miller offered the following resolution, all members then present voting its adoption:

"Board feels this to be very important matter, inasmuch as it marks first departure by any one of the larger Federal Reserve banks from the policy laid down to govern open market operations. Board feels that no change should be made in the general open market policy until matter is canvassed by Open Committee and views of the Committee presented to the Board. Board sees nothing in the condition of the money market which would warrant the Boston bank or any other Reserve bank purchasing Treasury securities at this time."

The Governor was requested to advise the Boston bank accordingly.

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TELEGRAM

FEDERAL RESERVE BOARD
WASHINGTON

333
FEDERAL RESERVE BOARD FILE
~~333~~
333-61

November 2, 1923.

Harding

Boston

Confirming what I told you over telephone regarding your bank being permitted to purchase government securities in open market matter considered by Board this morning and following resolution adopted quote "Board feels this to be very important matter, inasmuch as it marks first departure by any one of the larger Federal Reserve Banks from the policy laid down to govern open market operations. Board feels that no change should be made in the general open market policy until matter is canvassed by Open Market Committee and views of the Committee presented to the Board. Board sees nothing in the condition of the money market which would warrant the Boston bank or any other Reserve bank purchasing Treasury securities at this time. ✓

Crissinger

(Signed) D. R. Crissinger.

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Authority EO 12958

FEDERAL RESERVE BOARD FILE
33301

333-6-1

#11



OFFICE OF THE GOVERNOR

FEDERAL RESERVE BANK
OF DALLAS

October 10, 1923

Mr Platt

G.P.

Federal Reserve Board,
Washington, D. C.

Attention Mr. Platt

Gentlemen:

Receipt is acknowledged of Mr. Platt's
letter of October 4, which confirms the Board's tele-
gram of the same date in which we were advised that
the Board would not object to our purchasing in the
open market Government obligations of short maturities
to the amount of \$10,000,000. It is noted that the Treas-
ury would a little prefer that we buy notes rather than
certificates, and also that it is the desire of the Board
that we buy bills or perhaps even warrants to the extent
that we are able to do so before availing ourselves of
the permission granted by the Board.

Our reserve yesterday was in excess of 60
per cent and our earning assets had run down somewhat
from high point. As a result we authorized the Federal
Reserve Bank of New York to purchase for our account
\$7,000,000 of Government securities. Two million dol-
lars of these obligations were purchased from another
Federal Reserve Bank and the remaining amount in the
open market.

Mr. Eddy

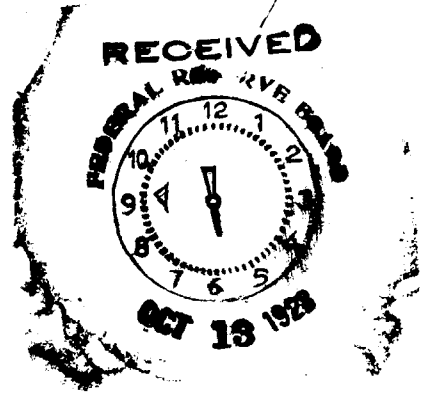
We are grateful to the Board for its action
in this connection.

Very truly yours,

BAMexumey

Governor

BAM EMO



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Authority EO 12958

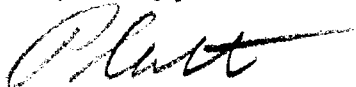
October 4, 1923.

Dear Governor McKinney:

I submitted your letter of September 29th to the Federal Reserve Board yesterday. In it you state that the loans of the Federal Reserve Bank of Dallas have decreased since September 1st from approximately \$50,000,000 to less than \$30,000,000, and you point out the necessity, or at least the advisability of keeping your earning assets up so as to have sufficient earnings to meet not only dividend requirements but possible losses that may occur in certain sections of the district. You ask that the Board give its sanction to the Federal Reserve Bank of Dallas for the purchase of Government obligations of short maturities.

The Board has taken the facts presented into consideration and agrees with you that the Federal Reserve Bank of Dallas should be considered at this time an exception to the general rule that Government securities should not be purchased for investment, and will offer no objection, therefore, to the purchase of say \$10,000,000 of such securities. This conclusion you have already received by telegraph. The Board would prefer to have you buy bills or perhaps even warrants but if you find it necessary to buy \$10,000,000 of short term Government securities it will make no objection. I may add that I understand that the Treasury would a little prefer to have you buy notes rather than certificates.

Yours very truly,



Vice Governor.

Mr. B. A. McKinney, Governor,
Federal Reserve Bank,
Dallas, Texas.

see ans 10/10/23

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Authority EO 12958

Form 148

323.

Handwritten:
Burchard
Govt Securities

~~TELEGRAM~~
FEDERAL RESERVE BOARD
LEASED WIRE SERVICE
WASHINGTON

Handwritten:
338-1

October 4, 1923.

McKinney - Dallas.

Board will make no objection to purchase by your bank of ten million securities suggested in your letter of September 29th.

PLATT.

DECLASSIFIED
Authority EO 12958

333-1-1

October 3, 1923

Mr. Platt presented a letter dated September 29th addressed to him by the Governor of the Federal Reserve Bank of Dallas with respect to the possibility of their purchasing in the open market a sufficient amount of short time government securities to enable them to maintain their earning assets at a proper figure, such purchases being agreed to by the members of the Open Market Investment Committee for the Federal Reserve System.

Upon motion, the Board voted to approve the purchase of short time government securities by the Federal Reserve Bank of Dallas, subject to a conference with officials of the Treasury.

X

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 Authority EO 12958

FEDERAL RESERVE BOARD

333-6-1

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

September 29, 1923.

Dear Mr. Platt:

Carded

You will recall that I spoke to you yesterday afternoon with reference to the importance of our maintaining our earning assets at a fairly maximum figure. As the members of the Board will understand, our discounts run off very rapidly early in the fall with the result that it soon becomes necessary for us to employ our surplus funds in outside or open market investments. Our loans to member banks reached their maximum on September 1st, the amount of these loans being approximately \$50,000,000.00. Beginning with September 2nd, they began to run off very rapidly and at the present time they are less than \$30,000,000.00. We have been able so far to purchase in the open market bankers' acceptances in the approximate amount of \$22,000,000.00, but at the present time we are experiencing considerable difficulty in finding bills. I was advised by Deputy Governor Emerson yesterday that just now we have unfilled orders to the amount of \$1,750,000.00. Bills seem to be very scarce. I have discussed with Governors Harding, Norris and Fancher, of the Open Market Investment Committee for the Federal Reserve System, and also with Messrs. Jay and Heath, representing respectively Mr. Case and Governor McDougal, who constitute the other two members of the committee, the possibility of our purchasing in the open market a sufficient amount of short time Government securities to enable us to maintain our earning assets at a proper figure. Each of these gentlemen authorized me to say to the board that their committee would favor making an exception in the case of the Federal Reserve Bank of Dallas, and would acquiesce in our taking on these Government obligations. I pointed out to them, and they agreed with me, that our purchase of the necessary amount of these securities would be negligible and in no material manner interfere with the treasury's general program. *

As I have explained to several members of the board, the general situation in the Eleventh Federal Reserve District is quite favorable from the standpoint of general liquidation and many of our previously extended banks are now finding themselves in a happier condition. Nevertheless, we feel it necessary to accumulate a fairly substantial amount of earnings in excess of expenses and dividends in order to be able to absorb losses which we are inclined to believe will yet materialize in connection with the restoration of our district to

see memo 10/4/23

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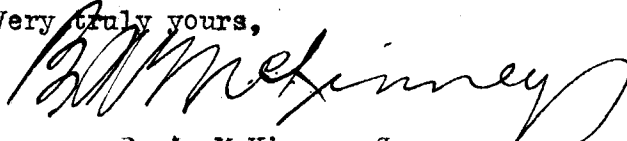
-2-

a normal status. We have yet some twenty-five or thirty banks whose condition is very acute, and we are of the opinion that some of these banks will not be able to make it through. While pursuing a policy of helpfulness and endeavoring to save every bank where it is possible, the process of elimination must necessarily go on, with the result indicated above. Not alone is this true, but we believe that it is important that we do not permit our reserve position to reach a very high figure for the psychological effect it may have upon the district, encouraging a too free resort to the rediscount facilities of the Federal reserve bank. We are encouraging those member banks who have retired their rediscounts with us and whose funds are piling up very rapidly to invest their surplus funds in bankers' acceptances and other outside investments to the end that they may be able to conserve their resources and be able to meet the inevitable decline in their deposits, as well as the seasonal demands in their respective communities when the next crop making period begins. We, therefore, furnish many of these banks acceptances out of our own portfolios, which calls for further purchases for our own account.

The attention of the Board is called to the further fact that the Dallas Federal Reserve Bank is the only one of the twelve banks whose surplus has not yet reached an amount equal to its subscribed capital stock and, therefore, if for any reason our accumulated earnings in excess of expenses and dividends should not be needed for possible losses, it would be available at the end of the year for transfer to the surplus account, which is approximately \$1,000,000.00 less than our subscribed capital.

In view of the fact that our liquidation in the early days of October will no doubt bring us to the point where our earning assets will not afford us sufficient earnings to cover our expenses and dividends, I shall greatly appreciate it if the Board will give consideration at as early a date as possible to the facts detailed in this letter, and if consistent, permit us to purchase in the open market, say ten or fifteen million dollars of Government obligations with short maturities, advising me by wire at Dallas of its action. ✓

Very truly yours,



B. A. McKinney, Governor,
Federal Reserve Bank of Dallas.

Hon. Edmund Platt, Vice Governor,
Federal Reserve Board,
Washington, D. C.

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Form No. 131.

Office Correspondence

FEDERAL RESERVE
BOARD

Date September 19, 1923.To Mr. CunninghamSubject: 333-6-1From Mr. Eddy

2-8405

At the meeting of the Board this morning, it was voted to refer to the Committee on Discount and Open Market Policies, of which you are a member, for consideration and report thereon to the Board, the following recommendation of the Federal Advisory Council:

"Recommendation No. 1: The Federal Advisory Council has considered carefully the letter from the Under Secretary of the Treasury to the Governor of the Federal Reserve Board dated August 3, 1923, suggesting a certain differential between the rediscount rate for commercial paper and the open market rate for bankers' acceptances and approves of the principle, but is of the opinion that the time is not opportune to increase the existing differential rate to the extent suggested."

Filed 332.03

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FEDERAL RESERVE BANK OF CHICAGO
230 SOUTH LA SALLE STREET

RECEIVED
AUG 18 1923
OFFICE OF
MR. A. C. MILLER

OFFICE OF THE GOVERNOR

August 18, 1923.

Mr. A. C. Miller,
c/o Federal Reserve Board,
Washington, D. C.

My dear Mr. Miller:

I have received and carefully read the copy of Mr. Gilbert's letter addressed to the Governor of the Federal Reserve Board, enclosed in your letter of the 14th instant.

The views expressed with respect to the subjects of open market rates, rediscount rates and their relationship toward each other, it seems to me, have a great deal to commend them.

We shall give the same very careful consideration in anticipation of the subjects being presented at the next meeting of the Open Market Investment Committee.

Very truly yours,

J. M. ...
Governor.

M

RECEIVED
FEDERAL
AUG 20 1923

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Authority EO 12958

FEDERAL RESERVE BANK OF CLEVELAND

22-6-1
RECEIVED
AUG 18 1923
OFFICE OF
MR. A. C. MILLER

OFFICE OF THE GOVERNOR

August 17, 1923.

Dr. A. C. Miller,
c/o Federal Reserve Board,
Washington, D. C.

Dear Sir:

Your letter of August 14, with enclosure, addressed to Governor Fancher, is received during the Governor's absence from the bank. He is away on his vacation, and will return about the first of the month, at which time your letter will receive his prompt attention.

Very truly yours,

Jane M. Bagley
Secretary to Governor Fancher

B

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Authority EO 12958

FEDERAL RESERVE BANK
OF NEW YORK

RECEIVED
AUG 17 1949
OFFICE OF
MR. A. O. MILLER
REC'D IN FILES SECTION
AUG 29 1949
333

Attention of Mr. Miller.

August 16, 1949.

S i r s :

In the absence of Mr. Case I acknowledge receipt of your letter of August 14 addressed to him, with which you enclosed copy of a communication from the Under Secretary of the Treasury on the subject of open market rates and rediscount rates at Federal Reserve banks and their relationships.

I shall be pleased to see that this matter is brought to the attention of the officers of the bank who are interested, as well as to Mr. Case's attention upon his return.

Respectfully,

L. F. SAILER,
Deputy Governor.

Federal Reserve Board,
Washington, D. C.

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Authority EO 12958

REC'D IN FILES SECTION
AUG 29 1949
333.-6-1

August 14, 1948.

Dear Mr. Case:

I am enclosing for your information and
for the consideration of the Open Market Investment
Policy Committee at its next meeting copy of a com-
munication ^{8-3-23 filed 332.03} addressed to the Governor of the Federal
Reserve Board by the Under Secretary of the Treasury
on the subject of open market rates and rediscount
rates at Federal Reserve Banks and their relationship.

Believe me,

Very truly yours,

Enclosure.

Mr. J. H. Case,
Acting Governor,
Federal Reserve Bank,
New York City.

DECLASSIFIED
Authority EO 12958

333-61

August 14, 1923.

Dear Mr. McDougal:

I am enclosing for your information and for the consideration of the Open Market Investment Policy Committee at its next meeting copy of a communication ^{8-3-23 filed 332 03} addressed to the Governor of the Federal Reserve Board by the Under Secretary of the Treasury on the subject of open market rates and rediscount rates at Federal Reserve Banks and their relationship.

Believe me,

Very truly yours,

Enclosure.

Mr. J. B. McDougal,
Governor, Federal Reserve Bank,
Chicago, Ill.

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Authority EO 12958

333.-6-1

August 14, 1923.

Dear Mr. Fancher:

I am enclosing for your information and for the consideration of the Open Market Investment Policy Committee at its next meeting copy of a communication ^{8/3/23 filed 332.03} addressed to the Governor of the Federal Reserve Board by the Under Secretary of the Treasury on the subject of open market rates and rediscount rates at Federal Reserve Banks and their relationship.

Believe me,

Very truly yours,

Enclosure.

Mr. E. H. Fancher,
Governor, Federal Reserve Bank,
Cleveland, Ohio.

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Authority EO 12958

333-6-1
8-14-23

August 14, 1923

Letter, dated August 4, 1923, from the Under Secretary of the Treasury, enclosing copy of communication addressed by him to Deputy Governor Case, of the Federal Reserve Bank of New York, with respect to the investment holdings of the Federal Reserve Banks.

Referred to the Committee on Discount and Open Market Policies.

August 21, 1923

Report of the Committee on Discount and Open Market Policy, with reference to the matter referred to it on August 14th, namely, letter of August 4, 1923 from the Under Secretary of the Treasury, enclosing copy of communication addressed by him to Deputy Governor Case, of the Federal Reserve Bank of New York, regarding the investment holdings of the Federal Reserve Banks; the Committee reporting that no further action by the Board is necessary at this time.

Noted.

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Authority EO 12958

Form No. 181.

Office Correspondence

FEDERAL RESERVE BOARD

323

Date August 14, 1923.

To Mr. Miller, Chairman, Committee on Discount and Open Market Policy Subject:

From Mr. Hoxton

~~333-1~~
333-6-1

Direct

At the meeting of the Federal Reserve Board this morning, the attached letter from the Undersecretary of the Treasury, dated August 4, 1923, enclosing copy of a communication addressed by him to Deputy Governor Case, of the Federal Reserve Bank of New York, with respect to the investment holdings of the Federal Reserve banks, was referred to the Committee on Discount and Open Market Policy.

Hoxton

AT BOARD MEETING

AUG 21 1923

WJH

*Noted by Com on the
purpose action by Board necessary
with this time Admin*

see letter 8/6/23

Report noted

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Authority EO 12958

333.6-1

August 6, 1923.

My dear Mr. Gilbert:

I have noted with keen interest your letter of August 4 discussing the possibility of the Open Market operations being entered upon again by the Federal Reserve Banks if the earning capacity of the banks should be threatened to an extent which should prevent the banks from earning their expenses. I quite agree with you in your views in this respect.

I beg to advise you that your letter will be brought to the attention of the Board with a copy of your letter to Governor Case.

Very truly yours,

(Signed) D. R. Crissinger.

Governor.

Hon. S. P. Gilbert,
Under Secretary of the Treasury,
Washington, D. C.

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Authority EO 12958



THE UNDERSECRETARY OF THE TREASURY
WASHINGTON

333-b-1
REC'D IN RECORDS SECTION
FEB 6 1958
333-b-1
August 4, 1923. *HW*

Dear Dr. Miller:

I am enclosing herewith for your information a copy of my letter of this date to the Governor of the Federal Reserve Board, together with a copy of my letter of August 3rd to Deputy Governor Case of the Federal Reserve Bank of New York, all with reference to the investments of the Federal Reserve Banks.

Very truly yours,

S. P. GILBERT, Jr.,
Under Secretary.

Hon. A. C. Miller,
Federal Reserve Board,
Washington, D. C.

2 enclosures

DECLASSIFIED
Authority EO 12958

August 4, 1923.

My dear Governor:

I am enclosing herewith for your information a copy of my letter of August 3, 1923, to Deputy Governor Case of the Federal Reserve Bank of New York, as Acting Chairman of the Committee of Governors on Open Market Operations, with respect to the investment holdings of the Federal Reserve Banks. It will, in my judgment, require constant vigilance on the part of both the Federal Reserve Board and the Committee of Governors to save the Federal Reserve System from a repetition of the unfortunate experiences of the first half of 1922. At present the position is well liquidated, and the matter is under control, but as soon as earning assets fall low enough to threaten expenses and dividends there will be renewed efforts on the part of at least some of the Federal Reserve Banks to save themselves by investing in Government securities and acceptances without regard to the effect on the general credit situation. X

Very truly yours,

(Signed) S. P. Gilbert, Jr.

S. P. GILBERT, Jr.,
Under Secretary.

Hon. D. R. Crissinger,
Governor, Federal Reserve Board,
Washington, D. C.

DECLASSIFIED
Authority EO 12958

COPY

August 3, 1923.

Dear Mr. Case:

I received your letter of July 12, 1923, and have examined with interest the enclosed statement showing comparative figures as to holdings of Government securities by the Federal Reserve Banks on July 3, 1923, and various other days during the past year. It is a remarkable showing, particularly when one remembers that out of the present holdings only about \$50,000,000 represent investment holdings, - the others being held under sales contracts or representing old purchases of Government bonds. The position has been well liquidated and is now under control. That of itself will help to make the discount rate more effective when the time comes.

I hope that it will never again be possible for any Federal Reserve Bank or Banks to run up a situation like that which developed in the first half of 1922, and that if anything of the sort ever threatens again the Committee of Governors, and if necessary the Federal Reserve Board, will step in and stop it before it gets started. I am afraid that if the Federal Reserve Banks were left to themselves many of the Governors would be off again on a frolic of their own whenever their earning assets began to fall. All of them have gone along well with the Committee, but I suspect that many of them are still quite unredeemed.

Very truly yours,

(Signed) S. P. Gilbert, Jr.
Under Secretary.

J. H. Case, Esq.,
Acting Governor, Federal Reserve Bank,
New York, N. Y.

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Authority EO 12958



THE UNDERSECRETARY OF THE TREASURY
WASHINGTON

333-6-1

August 4, 1923.

My dear Governor:

I am enclosing herewith for your information a copy of my letter of August 3, 1923, to Deputy Governor Case of the Federal Reserve Bank of New York, as Acting Chairman of the Committee of Governors on Open Market Operations, with respect to the investment holdings of the Federal Reserve Banks. It will, in my judgment, require constant vigilance on the part of both the Federal Reserve Board and the Committee of Governors to save the Federal Reserve System from a repetition of the unfortunate experiences of the first half of 1922. At present the position is well liquidated, and the matter is under control, but as soon as earning assets fall low enough to threaten expenses and dividends there will be renewed efforts on the part of at least some of the Federal Reserve Banks to save themselves by investing in Government securities and acceptances without regard to the effect on the general credit situation.

Very truly yours,

S. P. GILBERT, Jr.,
Under Secretary.

*Referred to
Com. on Disc. & Open Market
Policies*

ATBOARD MEETING
AUG 14 1923
W. A. Houston

Hon. D. R. Crissinger,
Governor, Federal Reserve Board,
Washington, D. C.

1 enclosure

see ans 8/6/23

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 Authority EO 12958

COPY

August 3, 1923.

Dear Mr. Case:

I received your letter of July 12, 1923, and have examined with interest the enclosed statement showing comparative figures as to holdings of Government securities by the Federal Reserve Banks on July 3, 1923, and various other days during the past year. It is a remarkable showing, particularly when one remembers that out of the present holdings only about \$50,000,000 represent investment holdings, - the others being held under sales contracts or representing old purchases of Government bonds. The position has been well liquidated and is now under control. That of itself will help to make the discount rate more effective when the time comes.

I hope that it will never again be possible for any Federal Reserve Bank or Banks to run up a situation like that which developed in the first half of 1922, and that if anything of the sort ever threatens again the Committee of Governors, and if necessary the Federal Reserve Board, will step in and stop it before it gets started. I am afraid that if the Federal Reserve Banks were left to themselves many of the Governors would be off again on a frolic of their own whenever their earning assets began to fall. All of them have gone along well with the Committee, but I suspect that many of them are still quite unredeemed.

Very truly yours,

(Signed) S. P. Gilbert, Jr.
Under Secretary.

J. H. Case, Esq.,
Acting Governor, Federal Reserve Bank,
New York, N. Y.

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Authority EO 12958

Gilbert - letter to Strong re F.R. investments in Govt securities.
THE UNDERSECRETARY OF THE TREASURY

September 16, 1922.

TO DR. MILLER:

In accordance with our conversation, I am attaching a copy of a confidential letter dated September 13, 1922, which I have sent Governor Strong, in order to raise again the question as to Federal Reserve Bank investments in Government securities. I have not yet had any reply from Governor Strong.

S. J. Gilbert

SPG SMG

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REC'D in RECORDS SECTION

FEB 6 1958

September 15, 1922.

PERSONAL AND CONFIDENTIAL

My dear Governor:

I am writing to you as Chairman of the Committee of Governors to suggest that according to the Treasury's view of the situation it would be helpful to let the September 15th certificates of indebtedness which are held by the Federal Reserve Banks in their investment accounts run off without reinvestment. I do not have before me any figures as to how many September 15th certificates are held by the Federal Reserve Banks, but as I understand it, the aggregate amount, while fairly substantial, is not sufficiently large to make the failure to reinvest the proceeds likely to cause any disturbance in the money market. There are a good many evidences that the market at present is an inflation market, and on this account, it seems to me even more necessary now than it has seemed on earlier maturities to let the Federal Reserve Banks' investments run off without reinvestment.

This leads me to suggest again what I suggested in the Spring to the Federal Reserve Board and, I think, to you, namely, that it would be helpful to the general situation if the Federal Reserve Banks would undertake a more thoroughgoing program of liquidation of their Government security holdings and, at the same time, reduce their discount rates. This would tend to create lower rates

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- 2 -

for money without resulting in easy money, and while the withdrawal of funds from the market through the resale of the Government securities might be expected to result in some borrowings from the Federal Reserve Banks by member banks, this borrowing, even though at a lower rate of discount, would probably not amount to as much as the total of securities sold and would have more relation to the actual necessities of the market. Even under the centralized control which has been established, purchases of Government securities by the Federal Reserve Banks are still, it seems to me, governed by what the banks believe to be their needs for purposes of earnings, with the result that the amount of money forced into the market through the purchase of Government securities is more or less arbitrary and without relation to the actual demand for funds.

Very truly yours,

(Signed) S. P. Gilbert, Jr.,

S. P. GILBERT, Jr.,
Under Secretary.

Benjamin Strong, Esq.,
c/o Federal Reserve Bank,
15 Nassau Street,
New York, N. Y.

SPG/ADM

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 Authority EO 12958

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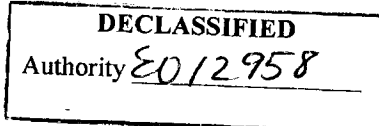
THE UNDERSECRETARY OF THE TREASURY
 WASHINGTON

REC'D IN RECORDS SECTION
FEB 6 1958
333. - b - 1
 August 5, 1927.

My dear Governor:

I take it that there is no immediate occasion at this time to consider possible advances in the discount rates of the Federal Reserve Banks, but it is conceivable that some such occasion may arise in the not distant future, and I am therefore writing to suggest a method of approach to the problem which it seems to me has not been sufficiently considered in the past. I refer particularly to the possibility of establishing a different rate for discounts at the Federal Reserve Banks representing the ordinary line of credit loans to commercial banks, as distinguished from paper of prime liquidity which has at the same time a recognized open market, as, for example, bankers acceptances and short-time Treasury certificates of indebtedness. The Federal Reserve Banks now are proceeding generally on the basis of a uniform discount rate for all classes of paper, with a special buying rate for bankers acceptances. I take it that there is nothing sacred, however, in a uniform rate, and it is manifest that any uniform rate necessarily fails to take into account the differences existing between different classes of paper. The most fundamental difference, which is much better recognized in England and is coming to be recognized in this country, is that between paper which has a recognized status in the open market, like bankers acceptances and Treasury certificates, and paper like customers' loans at a bank

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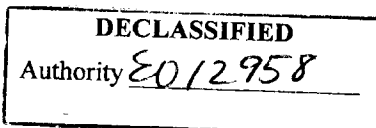


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which has no market status and cannot be readily tested by the open market.

There is a growing realization in the Federal Reserve System of the importance of the open market powers of the Federal Reserve Banks, and with that, it seems to me, there must come a better recognition of the fact that the way for the Federal Reserve Banks to bring their operations into relation with the general credit situation is through an open market policy divorced entirely from any question of making enough earnings to meet expenses and dividends, and based instead on the market's need for credit. There has already been much progress along this line. For some years past the Treasury has been engaged in developing an open market for Treasury certificates of indebtedness, and there is now, and for some time back has been, an active open market, reflecting accurately the investment values of Treasury certificates as liquid short-time securities and at the same time enabling the Treasury to adjust the terms of its successive offerings to meet actual market conditions. The Federal Reserve Banks at the same time have been engaged in an effort to establish a market for bankers acceptances and have achieved some success, though frequently the buying rate at the Federal Reserve Banks has been so low as to undersell the open market, leaving the Federal Reserve Banks practically the only market for acceptances. More could be accomplished if the buying rate for acceptances were kept up to the market, and I understand the Central Committee of Governors on open market operations has been giving some study to this side of the problem. At any rate, both the Treasury and the Federal Reserve Banks have had sufficient experience with Treasury certificates and bankers acceptances to know

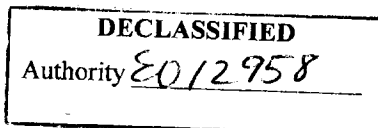


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that an open market can be successfully developed for both classes of securities, and that if free of artificial influences this market will constantly reflect the true position of the securities and afford free play, through purchases and sales of certificates and acceptances, to changes in the credit situation.

The further development of the open market for certificates and acceptances offers, it seems to me, the best opportunity in the world for placing the Federal Reserve Banks in something of the same relation to the market here that the Bank of England holds to the bill market over there, leaving the Federal Reserve Banks to deal, like the Bank of England, with only the marginal demand for credit. The open market, in other words, would act as a kind of balance-wheel between the banks and the Federal Reserve Banks. Banks in the financial centers would hold in their portfolios reasonable amounts of liquid short-time securities, like Treasury certificates and bankers acceptances, and when in need of funds would sell certificates or acceptances to the market before having recourse to the Federal Reserve Banks. The market would normally absorb the certificates or acceptances thus sold, probably through sale to an investor or to another bank having an excess supply of funds, but in the event of a real lack of credit the market itself could apply to the Federal Reserve Bank, through a sale of certificates or acceptances to the Federal Reserve Bank under its open market powers. To some extent this is already what happens in the principal financial centers under the present system, but it breaks down in a situation where member banks, without having recourse to the market, can get funds from the Federal Reserve Banks on the same terms by discounting with the Federal



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Reserve Banks customers' notes and line of credit loans which have no standing in the open market. Under this system discounts of customers' notes are almost always made at a rate lower than the going rate for such paper, while sales of certificates or bills to the Federal Reserve Banks, which must be regarded for practical purposes as only another form of discount, will probably be made at about the open market rate, unless the Federal Reserve Banks themselves cut in under the open market by establishing artificially low buying rates for bills. There is no real recognition given to paper enjoying an open market, and what has been done in the name of encouraging the market for acceptances has frequently tended to destroy it.

The remedy, it seems to me, would be to establish the rate of discount on customers' notes and line of credit loans at a sufficient figure, say, 1 per cent higher than the rate on Treasury certificates and bankers acceptances, to match the going rate on commercial paper and give a differential in favor of paper which has independent standing in the open market. This would encourage the development of the open market and bring the banks more and more to resort to the open market for certificates and acceptances as a means of securing necessary funds or of employing funds temporarily idle. At the same time it would tend to give an outside check on the credit policies of the Federal Reserve Banks and through the inevitable relations that would arise between the banks and the market would keep the Federal Reserve Banks more on their mettle in the development of these policies.

The suggestion offers particularly interesting possibilities

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in case there should be a situation calling for an increase in discount rates, for it would make it possible to recognize, as the official Federal Reserve rate, the rate on acceptances and certificates of indebtedness, with the proviso that the rate of discount on customers' notes and line of credit loans would be, say, 1 per cent higher than the established rate. This would recognize the essential differences between the two classes of paper, would be a perfectly safe distinction in view of the liquidity of the paper and the independent open market which it would enjoy, and would make the Federal Reserve rate more nearly comparable than it has ever been before to the discount rate of the Bank of England. Incidentally, it would have the psychological advantage of leaving one official rate at the relatively lower figure, with a higher rate applicable to discounts of line of credit loans, which are handled ordinarily by banks in practically all sections of the country at a rate considerably higher than the open market rate on certificates and acceptances. The differential would thus accord with the facts. Even now, for example, with a $4\frac{1}{2}$ per cent discount rate, it is the general practice of banks to charge around $5\frac{1}{2}$ per cent to their customers, and in many cases much more than this, whether in the form of direct interest charges or through incidental charges in the form of commissions, fixed deposits, and the like.

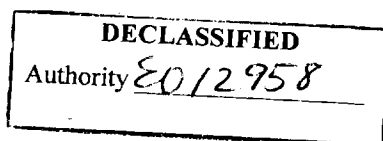
A recognition of the differences between paper enjoying an

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independent open market, like certificates and bankers acceptances, and customers' paper or line of credit loans by banks, on the other hand, would give the Federal Reserve Banks much more effective control over the general credit situation, would put their rates into better relation with the going rates on the different classes of paper, and would enable them to exercise such control as might be necessary through increasing their rates without at the same time prejudicing the open market which has been built up for both certificates and acceptances. To put it another way, it gives the Federal Reserve Banks the opportunity to establish their rate at or above the market without discriminating against certificates and acceptances. The facts are that there are different rates for different kinds of paper, lower rates for acceptances and certificates and higher rates for commercial paper, and unless the Federal Reserve Banks are willing to recognize these facts it will always be impossible for them to get on top of the market without operating unfairly against certificates and acceptances. At the present time the Federal Reserve rate on line of credit loans is undoubtedly below the market and just as clearly above the market on certificates and acceptances. An increase to 5½ per cent, for example, would unfairly penalize certificates and acceptances and still not much more than meet the market on customers' notes and line of credit loans. Any increase in rates large enough to put the Federal Reserve rate on top of the market rate on customers' notes and line of credit loans would thus operate most unfairly against certificates



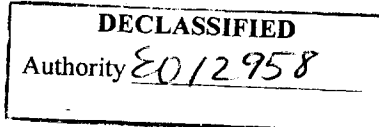
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and acceptances and seriously upset the market for these securities without giving Federal Reserve Banks much better control over the general situation. If, on the other hand, the differential is recognized and different rates established for the different classes of paper, it would be possible, by putting a higher discount rate on customers' notes and line of credit loans, to put Federal Reserve rates all around into effective relation with outside rates and thus accomplish what the Federal Reserve Banks have been hoping to accomplish ever since their original organization.

The differential between the two classes of paper would also have a direct bearing on our position in world trade and commerce, for it recognizes the popular character of short-time paper like acceptances and would make it possible to finance such paper at an appropriate rate, unprejudiced by the higher rate that might be applicable to ordinary commercial paper. This would enable our bankers and business men to compete on more nearly an equality with the other money markets of the world, and facilitate the development of our own market for bills.

Another thing to be said for the suggested differential in rates is that it would keep the Federal Reserve Banks on their mettle, and require them in all their operations to keep in the closest touch with the market. Both the Federal Reserve System and the Treasury would have to exercise the utmost care to watch any artificial influences operating in the market for certificates or



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acceptances, and to avoid at all costs any action on their own part that would tend to put either certificates or acceptances on a false basis of value. The market itself will give a constant check on these things if not subjected to artificial influences, and would be the best test of whether the rates were being intelligently administered by the Federal Reserve Banks.

All of these suggestions are, of course, more or less tentative and would have to be further developed, but I am offering them now in the light of the Treasury's experience in these matters with the thought that there may soon be a real opportunity to consider their application to the development of Federal Reserve policy. I hope the Federal Reserve Board will receive them on that basis, and give some consideration to their possibilities in advance of the time when action will have to be taken. The term "Treasury certificates of indebtedness", I should add, ought to be regarded throughout this letter as meaning strictly what it says, and not as including other Government securities like Liberty bonds or short-time Treasury notes. Generally speaking, it seems to me that Liberty bonds and Treasury notes, not being at all in the class of short-time Treasury certificates or bankers acceptances, and not having the same kind of a market, would have to fall into the general classification and not enjoy any different rate of discount than customers' notes and line of credit loans.

Sincerely yours,

(Signed) S. P. GILBERT, Jr.,
Under Secretary.

Hon. D. R. Crissinger,
Governor, Federal Reserve Board,
Washington, D.C.

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THE UNDERSECRETARY OF THE TREASURY

August 3, 1923.

TO DR. MILLER:

Federal Reserve Board.

I am attaching for your information and consideration a copy of a letter which I have sent to-day to the Governor of the Federal Reserve Board making some rather tentative suggestions about the relation between the open market operations of the Federal Reserve Banks and their discount policy. The Federal Reserve Banks now have a uniform rate for all classes of paper, and some of them make a great point of keeping the rate uniform, but as indicated in the letter to Governor Crissinger, I believe that it would be possible to get much better control over the credit situation by recognizing some differential between the different classes of paper.

S. J. Mitchell 2

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REC'D IN RECORDS SECTION
FEB 6 1958

COPY

August 3, 1923.

My dear Governor:

I take it that there is no immediate occasion at this time to consider possible advances in the discount rates of the Federal Reserve Banks, but it is conceivable that some such occasion may arise in the not distant future, and I am therefore writing to suggest a method of approach to the problem which it seems to me has not been sufficiently considered in the past. I refer particularly to the possibility of establishing a different rate for discounts at the Federal Reserve Banks representing the ordinary line of credit loans to commercial banks, as distinguished from paper of prime liquidity which has at the same time a recognized open market, as, for example, bankers acceptances and short-time Treasury certificates of indebtedness. The Federal Reserve Banks now are proceeding generally on the basis of a uniform discount rate for all classes of paper, with a special buying rate for bankers acceptances. I take it that there is nothing sacred, however, in a uniform rate, and it is manifest that any uniform rate necessarily fails to take into account the differences existing between different classes of paper. The most fundamental difference, which is much better recognized in England and is coming to be recognized in this country, is that between paper which has a recognized status in the open market, like bankers acceptances and Treasury certificates, and paper like customers' loans at a bank

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which has no open market status and cannot be readily tested by the open market.

There is a growing realization in the Federal Reserve System of the importance of the open market powers of the Federal Reserve Banks, and with that, it seems to me, there must come a better recognition of the fact that the way for the Federal Reserve Banks to bring their operations into relation with the general credit situation is through an open market policy divorced entirely from any question of making enough earnings to meet expenses and dividends, and based instead on the market's need for credit. There has already been much progress along this line. For some years past the Treasury has been engaged in developing an open market for Treasury certificates of indebtedness, and there is now, and for some time back has been, an active open market, reflecting accurately the investment values of Treasury certificates as liquid short-time securities and at the same time enabling the Treasury to adjust the terms of its successive offerings to meet actual market conditions. The Federal Reserve Banks at the same time have been engaged in an effort to establish a market for bankers acceptances and have achieved some success, though frequently the buying rate at the Federal Reserve Banks has been so low as to undersell the open market, leaving the Federal Reserve Banks practically the only market for acceptances. More could be accomplished if the buying rate for acceptances were kept up to the market, and I understand the Central Committee of Governors on open market operations has been giving some study to this side of the problem. At any rate, both the Treasury and the Federal Reserve Banks have had sufficient experience with Treasury certificates and bankers acceptances to know

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that an open market can be successfully developed for both classes of securities, and that if free of artificial influences this market will constantly reflect the true position of the securities and afford free play, through purchases and sales of certificates and acceptances, to changes in the credit situation.

The further development of the open market for certificates and acceptances offers, it seems to me, the best opportunity in the world for placing the Federal Reserve Banks in something of the same relation to the market here that the Bank of England holds to the bill market over there, leaving the Federal Reserve Banks to deal, like the Bank of England, with only the marginal demand for credit. The open market, in other words, would act as a kind of balance-wheel between the banks and the Federal Reserve Banks. Banks in the financial centers would hold in their portfolios reasonable amounts of liquid short-time securities, like Treasury certificates and bankers acceptances, and when in need of funds would sell certificates or acceptances to the market before having recourse to the Federal Reserve Banks. The market would normally absorb the certificates or acceptances thus sold, probably through sale to an investor or to another bank having an excess supply of funds, but in the event of a real lack of credit the market itself could apply to the Federal Reserve Bank, through a sale of certificates or acceptances to the Federal Reserve Bank under its open market powers. To some extent this is already what happens in the principal financial centers under the present system, but it breaks down in a situation where member banks, without having recourse to the market, can get funds from the Federal Reserve Banks on the same terms by discounting with the Federal

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The remedy, it seems to me, would be to establish the rate of discount on customers' notes and line of credit loans at a sufficient figure, say, 1 per cent higher than the rate on Treasury certificates and bankers acceptances, to match the going rate on commercial paper and give a differential in favor of paper which has independent standing in the open market. This would encourage the development of the open market and bring the banks more and more to resort to the open market for certificates and acceptances as a means of securing necessary funds or of employing funds temporarily idle. At the same time it would tend to give an outside check on the credit policies of the Federal Reserve Banks and through the inevitable relations that would arise between the banks and the market would keep the Federal Reserve Banks more on their mettle in the development of these policies.

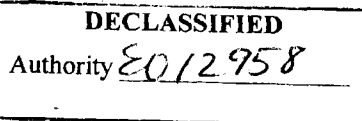
The suggestion offers particularly interesting possibilities.

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A recognition of the differences between paper enjoying an



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Sincerely yours,

(Signed) S. P. Gilbert, Jr.

Hon. D. R. Crissinger,
Governor, Federal Reserve Board,
Washington, D. C.

S. P. GILBERT, Jr.,
Under Secretary.

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August 2, 1923

Letter, dated July 30th, from the Federal Reserve Agent at Dallas, with reference to conditions in the Eleventh District, and requesting approval of the Board to completing an arrangement with the Federal Reserve Bank of New York to sell \$1,232,000.00 of U. S. 3% Conversion bonds to the Federal Reserve Bank of New York on a 4% basis, with a repurchase agreement, before actually rediscounting with other Federal Reserve Banks. Mr. Talley also inquired whether the Board has in mind any minimum ratio to which the Federal Reserve Bank of Dallas should permit its reserve to drop before rediscounting paper with other Federal Reserve Banks.

The Secretary was instructed to advise Mr. Talley by wire that the Board will interpose no objection to the completion of the arrangement with the Federal Reserve Bank of New York in the matter of the sale of the U. S. 3% Conversion bonds above referred to, and further to advise Mr. Talley that the Board is of the opinion that the Federal Reserve Bank of Dallas should not permit its combined reserve ratio to drop below 40 per cent, but should at that point apply to the Board for permission to rediscount with other Federal Reserve Banks.

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*Notes
D.M.G.
E.F.*

2
**FEDERAL RESERVE BANK
OF NEW YORK**

~~333.1~~
333.1-1

July 12, 1923.

Dear Governor Crissinger:

It occurs to me that you may be interested in looking over a comparison of the Government security holdings of the Federal Reserve banks as at the close of business July 3, 1923, with various other periods during the past year.

You will note that the free investments in Government securities are down to \$53,000,000., Miscellaneous holdings, covering various funds, are \$24,000,000., and Sales Contracts \$16,000,000., the aggregate of the three amounting to but \$94,000,000.

The last sheet makes a comparison of the items comprising the earning assets of the System, July 3, 1923 and April 4, 1923. The interesting comparison to be made there is that there has been a reduction of \$204,000,000. in holdings of acceptances and Government securities, and an increase in direct borrowings of \$234,000,000., so that while the total earning assets in the System are up to \$1,223,000,000., 75 per cent or more is in the form of direct loans to member banks. This, I think, places us in a much better position if it should seem desirable this autumn to recommend an increase in our discount rate.

Very truly yours,

J. H. Case,
Deputy Governor.

Honorable D. R. Crissinger,
Governor, Federal Reserve Board,
Washington, D. C.

COMPARISON OF THE GOVERNMENT SECURITY HOLDINGS
BY MATURITIES OF ALL RESERVE BANKS COMBINED AS OF
JUNE 14, 1922, APRIL 4, MAY 16, JUNE 27 AND JULY 3, 1923

	* Holdings on <u>June 14, 1922</u>	** Holdings on <u>April 4, 1923</u>	*** Holdings on <u>May 16, 1923</u>	Holdings on <u>June 27, 1923</u>	Holdings on <u>July 3, 1923</u>
Certificates and Victory Notes matured 1922	\$323,513,000	-0-	-0-	-0-	-0-
Victory Notes, 5/20/23	-0-	17,350	17,350	-0-	-0-
March 15, 1923	46,385,500	-0-	-0-	-0-	-0-
June 15, 1923	-0-	-0-	1,535,000	-0-	-0-
Sept. 15, 1923	-0-	35,953,500	230,000	26,000	127,000
Dec. 15, 1923	-0-	34,011,000	31,909,500	-0-	-0-
March 15, 1924	-0-	2,062,500	1,967,000	321,500	346,500
Treasury Notes	<u>120,599,600</u>	<u>117,550,500</u>	<u>110,624,600</u>	<u>65,884,100</u>	<u>52,823,100</u>
T O T A L	\$490,498,100	\$189,594,850	\$146,283,450	\$66,230,600	\$53,296,600
Misc. Gov't Bonds	45,792,000	39,082,910	31,979,060	24,859,580	24,391,630
Pittman Act Certificates	75,500,000	-0-	-0-	-0-	-0-
Sales Contracts	<u>17,984,750</u>	<u>10,471,350</u>	<u>10,626,800</u>	<u>42,949,950</u>	<u>16,976,630</u>
AGGREGATE	<u>\$629,774,850</u>	<u>\$239,149,110</u>	<u>\$188,889,310</u>	<u>\$134,040,130</u>	<u>\$94,664,860</u>

* Peak of Government security holdings
** Date when new Committee was organized
*** Figures used at meeting held at Washington, May 23, 1923

DECLASSIFIED
Authority E.O. 12958

GOVERNMENT SECURITY HOLDINGS OF FEDERAL RESERVE BANKS (EXCLUSIVE OF SALES CONTRACTS)
AS REPORTED TO THE OPEN MARKET INVESTMENT COMMITTEE
AT THE CLOSE OF BUSINESS JULY 3, 1928

	<u>Boston</u>	<u>New York</u>	<u>Philadelphia</u>	<u>Cleveland</u>	<u>Richmond</u>	<u>Atlanta</u>	<u>Chicago</u>	<u>St. Louis</u>	<u>Minneapolis</u>	<u>Kansas City</u>	<u>Dallas</u>	<u>San Francisco</u>	<u>Total</u>
Sept. 15, 1923 - 4½%	-0-	-0-	-0-	\$ 127,000	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	\$ 127,000
Dec. 15, 1923 - 4%	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
March 15, 1924 - 4½%	-0-	-0-	-0-	321,500	-0-	-0-	-0-	-0-	-0-	25,000	-0-	-0-	346,500
<u>Treasury Notes</u>													
June 15, 1924 - 5½%	1,100,000	-0-	-0-	6,354,500	-0-	-0-	-0-	-0-	6,000	7,000	-0-	4,525,000	11,992,500
Sept. 15, 1924 - 5½%	1,002,000	-0-	-0-	2,337,000	-0-	-0-	-0-	-0-	10,000	2,000	-0-	4,660,400	8,011,400
March 15, 1925 - 4½%	920,600	-0-	3,685,200	-0-	-0-	-0-	-0-	82,300	506,000	5,792,300	-0-	-0-	10,986,400
Dec. 15, 1925 - 4 3/8%	8,100	-0-	10,607,500	-0-	-0-	-0-	693,100	-0-	-0-	-0-	-0-	-0-	11,308,700
June 15, 1925 - 4½%	-0-	-0-	-0-	-0-	-0-	-0-	16,800	-0-	-0-	3,017,000	-0-	-0-	3,033,800
March 15, 1926 - 4½%	-0-	-0-	2,525,000	-0-	-0-	-0-	1,063,400	1,018,300	238,900	218,500	-0-	-0-	5,064,100
Sept. 15, 1926 - 4½%	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
March 15, 1927 - 4½%	-0-	-0-	-0-	343,200	-0-	-0-	-0-	-0-	-0-	1,809,200	-0-	-0-	2,152,400
Dec. 15, 1927 - 4½%	-0-	-0-	-0-	-0-	-0-	-0-	59,000	-0-	-0-	214,800	-0-	-0-	273,800
T O T A L	\$3,030,700	-0-	\$16,817,700	\$9,483,200	-0-	-0-	\$1,832,300	\$1,100,600	\$760,900	\$11,085,800	-0-	\$9,185,400	\$53,296,600
Miscellaneous	529,000	1,148,750	549,200	918,400	1,340,900	218,430	4,425,600	6,150,000	6,549,900	781,850	1,779,500	-0-	24,391,630
GRAND TOTAL	\$3,559,700	\$1,148,750	\$17,367,000	\$10,401,600	\$1,340,900	\$218,430	\$6,257,900	\$7,250,600	\$7,310,800	\$11,867,650	\$1,779,500	\$9,185,400	\$77,688,230

EARNING ASSETS OF FEDERAL RESERVE BANKS AT CLOSE OF BUSINESS JULY 3, 1922
AS COMPARED WITH HOLDINGS AT THE CLOSE OF BUSINESS APRIL 4, 1922

		<u>Boston</u>	<u>New York</u>	<u>Philadelphia</u>	<u>Cleveland</u>	<u>Richmond</u>	<u>Atlanta</u>	<u>Chicago</u>	<u>St. Louis</u>	<u>Minneapolis</u>	<u>Kansas City</u>	<u>Dallas</u>	<u>San Francisco</u>	<u>Total</u>
Bills discounted	- April 4	\$47,354	\$210,608	\$60,551	\$38,731	\$52,063	\$20,665	\$112,202	\$28,028	\$20,466	\$28,157	\$19,533	\$56,918	\$ 695,271
"	July 3	55,207	259,723	77,983	86,585	65,676	44,125	91,023	55,777	29,545	53,405	33,735	76,928	929,864
Net change		7,853+	49,120+	17,432+	47,804+	13,613+	23,460+	21,179-	27,751+	9,079+	25,248+	14,402+	20,010+	234,593+
Acceptances purchased	- April 4	17,065	27,462	28,169	51,506	1,026	26,117	32,696	12,455	2,275	225	20,130	40,753	259,879
"	July 3	19,166	40,101	19,310	25,103	2,253	8,144	44,144	5,979	-0-	26	12,091	22,615	198,912
Net changes		2,101+	12,639+	8,859-	26,403-	1,227+	17,973-	11,448+	6,476-	2,275-	199-	8,059-	18,138-	60,967-
Government securities	- April 4	10,137	13,826	25,417	21,346	1,341	2,542	43,508	23,870	15,135	37,906	11,504	37,617	239,149
"	July 3	3,832	4,827	17,381	10,402	1,341	220	11,217	7,251	13,377	13,888	1,779	9,186	94,901
Net change		6,305-	13,999-	8,036-	10,944-	-0-	2,322-	32,291-	16,619-	1,758-	24,018-	9,725-	18,431-	144,448-
Total earning assets	- April 4	74,556	256,891	114,137	111,583	54,430	49,324	188,406	64,353	37,896	66,288	51,167	125,288	1,194,299
"	July 3	78,205	304,651	114,674	122,040	69,270	52,489	146,384	69,009	42,922	67,319	47,785	108,729	1,228,477
Net change		3,649+	47,760+	537+	10,457+	14,840+	3,165+	42,022-	4,656+	5,046+	1,031+	3,382-	16,559-	29,178+

gem

333-b-1

EXCERPT FROM THE MINUTES OF MEETING OF THE FEDERAL RESERVE BOARD

held June 21, 1923.

"Letter dated June 20th, from Mr. J. H. Case, Deputy Governor of the Federal Reserve Bank of New York, suggesting a program for the joint meeting of the Executive Committee and the Open Market Committee to be held next Monday and Tuesday.

Noted."

FEDERAL RESERVE BOARD

WASHINGTON

333- /

X-3749

June 16, 1923

SUBJECT: Foreign Bank Transactions. Discontinu-
ance of Participation by F.R. Bank, Boston.

Dear Sir:-

Carded

You are being handed herewith copy of a letter directed to Deputy Governor J. H. Case, of the Federal Reserve Bank of New York, which grows out of Boston's discontinuing its participation in the transactions with foreign banks carried on with the Federal Reserve Bank of New York.

I am also handing you a copy of Governor Harding's letter advising of discontinuance of their participation.

Kindly let the Board have the views of your Bank promptly so that they will be available before the Open Market Investment Committee meets on June 26.

Very truly yours,

Governor

(Enclosure)

FEDERAL RESERVE BOARD.

COPY

X-3749a
June 16, 1923.

My dear Sir:

This will acknowledge your letter of June 15th advising of the action of the Federal Reserve Bank of Boston discontinuing its participation in the transactions with foreign banks. The letter of Governor Harding and your letter to him were presented to the Board for consideration. The Board is of the opinion that Governor Harding's letter raises very important questions which challenge the transactions as matters of doubtful public interest. *S

The Board is of the opinion that the questions raised by Governor Harding's letter and your letter are of such importance as to require thorough consideration. You are therefore advised that the Board is of the opinion that the question should be given consideration at the next meeting of the Open Market Investment Committee which will be held on June 26th.

A copy of this letter is being sent to the Governor's of all the Federal Reserve Banks for consideration.

The Board would like to be advised, and is requesting each of the Federal Reserve Banks to give their views pertaining to the subject matter raised by Governor Harding's letter.

For the information of the Board it is desired that you prepare a statement showing the total amount of free balances growing out of these operations for foreign banks; also the total amount of investments; the kind of investments, and the yield upon such investments, and such other information as will put the Board in possession of all the facts incident to and necessary for a thorough consideration and understanding of the questions involved.

It would be interesting also to have the view of your Bank of the importance of carrying on these transactions for foreign banks, and whether it should be continued or discontinued.

Yours truly,

(Signed) D. R. Crissinger

Governor.

Mr. J. H. Case,
Deputy Governor,
Federal Reserve Bank,
New York, N. Y.

COPY

FEDERAL RESERVE BANK OF NEW YORK.

X-3749b

June 15, 1923.

W. P. G. Harding, Esq.,
Governor, Federal Reserve Bank of Boston,
Boston, Mass.

Dear Governor Harding:

I have your letter of June 14 in reply to mine of the 6th and 12th regarding your participation in the accounts of the Bank of Japan and the Bankovni Urad Ministerstva Financi, and note that it is the sense of your board that there is no occasion in the present circumstances for your further participation in our transactions with foreign banks. As you point out, your participation in our foreign accounts is entirely voluntary; and we have never had the remotest desire to force upon any of the Federal reserve banks a participation which they did not wish. Our sole reason for offering participations has been to follow out a general policy outlined by the governors several years ago to have the Federal reserve banks act as a single unit in their foreign relations so far as practicable. As I have in the past written both Governor Morss and yourself quite fully on this subject, I am sure that you and your directors are aware of our views and that it is unnecessary for me to say anything further at this time. *

In view of the fact that your bank desires to withdraw from your participation in our foreign bank arrangements, I believe it would be more satisfactory to terminate your entire participation at one time, rather than continue it as to transactions in process, and we will be glad to take over your participations to-day for our own account. We have accordingly arranged with your office to credit us to-day \$103,241.06, being your share of the free balances, and also to wipe out your contingent liability on bills purchased for foreign correspondents amounting to \$2,195,894.90. We have simultaneously charged your account for the free balance and increased our contingent liability in the appropriate amount.

As to your share of the commissions earned on the foreign accounts in which you have participated since January 1, we will calculate the amount due you and transfer it to your bank in a day or two with appropriate advice.

Very truly yours,

(Signed) J. H. Case

Deputy Governor.

COPY

FEDERAL RESERVE BANK OF BOSTON

X-3749c

June 14, 1923.

Mr. J. H. Case, Deputy Governor,
Federal Reserve Bank of New York,
New York.

Dear Mr. Case:

Your letter of June 6 regarding the participation of this bank in your account with the Bank of Japan, and of June 12 relating to the account you have opened for the provisional bank of issue in Czechoslovakia, were duly considered by the board of directors of this bank at the regular session held this morning.

It is the sense of our board that there is no occasion in the present circumstances for further participation by this bank in your transactions with foreign banks. There is nothing in the Federal Reserve Act which requires such participation, although it is provided that with the consent and approval of the Federal Reserve Board, any Federal Reserve Bank may carry on or conduct through the Federal Reserve Bank opening an account with a foreign bank, any transactions authorized by Section 14 of the Federal Reserve Act. X

The records of this bank show that its participation in transactions of the Federal Reserve Bank of New York for the account of foreign banks began on June 16, 1920, with the purchase of bills for account of the Bank of Japan, in which this bank's contingent liability was \$1,168,000. and its share of the free balance was \$292,000. There was no change in these figures during the remainder of the year 1920 but during the years 1921 and 1922, your operations were extended to include other foreign banks, and the transactions embraced the ear-marking of gold and the purchase of Treasury certificates as well as bills. This bank's ratio of participation was 7.3% of the total amount from June 16, 1920, to December 31, 1922, but since January 1 of this year, it has been 7.5%. The following summary shows this bank's annual averages of the free balance deposits, contingent liabilities, and total commissions paid: ✓

	Average <u>Free Balance</u>	Average <u>Cont. Liab'ty</u>	<u>Income</u>
1920	\$292,000.	\$1,168,000.	0
1921	529,589.	2,330,721.	\$3,742.40 (inc.1920)
1922	326,038.	2,314,406.	3,755.74
1923	92,215.	2,343,496.	_____

Income to date. . . \$7,498.14

It is conceded, of course, that the possibility of any substantial loss in these transactions is very remote, but it seems that the income accruing ✓

- 2 -

X-3747c

to this bank as a result of its participations is small and not in proportion to the amounts involved. A participation in a purchase or loan returns a proportionate share of the discount or interest paid, but our participations in your foreign accounts, while carrying all the risk involved in a purchase, give us only a share in a small commission.

The directors of this bank feel, that looking at the matter purely from the standpoint of income, it is not good business to permit it to have these contingent liabilities. Their approval of these participations in the past has been actuated by a desire to cooperate with the other Federal Reserve Banks in transactions which were represented as being in the public interest, and which in the circumstances then existing seemed likely to involve contingent liabilities which had better be distributed among all Federal Reserve Banks rather than assumed by one bank alone. There do not at the present time, however, appear to be any considerations of a public character requiring this bank to continue to participate in accounts opened by the Federal Reserve Bank of New York in its own name and upon its own initiative with various foreign banks. The conduct of these accounts is necessarily under the sole management and control of the officers of the Federal Reserve Bank of New York. Your institution is the sole beneficiary of any collateral advantages which may accrue from these banking connections abroad and bears the overhead expense of transacting the business. There is at present no strain upon the Federal Reserve System and the directors of this bank see no reason until conditions change why it should share in the profits or bear any part of the losses which may grow out of your transactions with your foreign correspondents.

In any large transactions impressed with a distinct public interest such as the ear-marking of gold with the Bank of England in June, 1917; the deposits you held for the account of the Bank of the Nation of Buenos Aires, which involved their payment in gold within a certain time after the end of the war; the ear-marking of German gold with the Bank of England in June, 1919; and the ear-marking of gold with the Bank of France in September, 1920, the directors of this bank have cheerfully agreed to a participation, and it is their intention to participate in any similar transactions which may be engaged in hereafter.

In view of the foregoing, the directors have instructed me to advise you that this bank does not care to participate in your arrangement with the Czechoslovakian bank, and with respect to your accounts with the Bank of Japan, Bank of England, Bank of France, de Nederlandsche Bank, Swiss National Bank, and de Javasche Bank, in which this bank has been a participant, to give notice of cancellation of participation agreements hitherto made by this bank except as to transactions in process.

With assurances of our appreciation of the courtesy you have accorded us in all these matters, I am,

Very truly yours,

(Signed) W. P. G. Harding,

Governor.

*Case, Norris
Gilbert*

E.F.

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333-6-7
w

June 16, 1933.

My dear Mr. Case:

I am pleased to acknowledge receipt of your letter of June 11 enclosing a copy of a letter written by Governor George W. Norris in the matter of the Open Market transactions as controlled by the Open Market Investment Committee. Your letter and Mr. Norris' letter are very interesting.

If in your judgment the matters which you have written at length about concerning the Open Market transactions require further consideration you are at liberty to bring them up at the next meeting of the Open Market Investment Committee to be held on June 26, with the Board.

Assuring you of my great esteem, I am,

Very truly yours,

(Signed) D. R. Crissinger,

Governor.

Mr. J. H. Case,
Deputy Governor,
New York, N. Y.

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333-6-1

EXCERPT FROM THE MINUTES OF MEETING OF THE FEDERAL RESERVE BOARD
held June 16, 1923.

"Telegram dated June 15th, from Mr. Case, Chairman of the Open Market Investment Committee, advising that a meeting of that Committee will be held in Washington on June 26.

Noted with approval."



THE UNDERSECRETARY OF THE TREASURY
WASHINGTON

333-b-1

June 11, 1923.

My dear Governor:

In view of our previous correspondence about purchases of acceptances by the Federal Reserve Banks, I am sending you herewith a copy of my letter of June 9, 1923, to Mr. Case of the Federal Reserve Bank of New York, together with a copy of the tabular statement accompanying that letter.

Very truly yours,

S. P. GILBERT, Jr.,
Under Secretary.

Hon. D. R. Crissinger,
Governor, Federal Reserve Board,
Washington, D. C.

2 enclosures.

C. in your file

See letters 5/25/23 - 5/29/23 - 5/30/23

June 9, 1923.

Dear Mr. Case:

In view of our previous correspondence about purchases of acceptances by the Federal Reserve Banks, I am sending you herewith a copy of a tabular statement prepared by the Section of Statistics, showing the amounts of acceptances held by the Federal Reserve Banks as compared with the total amounts outstanding on various dates. This shows that the ratio of bills held by the Federal Reserve Banks has increased from 7 per cent in the middle of 1921 to about 50 per cent at the present time. For the most part this has taken place during a period when commercial banks were in an unusually stragg position and were in fact seeking investments for surplus funds.

I cannot escape some feeling, after looking at these figures and the record of the buying rate for acceptances, that the whole matter of acceptance purchases ought to be studied further at this time, and that in the past, at least, there has been quite a pronounced tendency on the part of the Federal Reserve Banks to "nurse" the acceptance market, even at the expense of the general credit policy of the Federal Reserve System. It is open to question whether this has, in fact, been good for the development of the acceptance market, which after all should stand on its own feet, and in any event it should not be forgotten, as you have

X

-2-

recently pointed out, that the sale of acceptances to the Federal Reserve Banks operates for practical purposes exactly like the discounting of paper at the Federal Reserve Banks. It is another means of access to the Federal Reserve System, and it should be treated accordingly. X

Very truly yours,

(Signed) S. P. Gilbert, Jr.

S. P. GILBERT, Jr.,
Under Secretary.

J. H. Case, Esq.,
Acting Governor,
Federal Reserve Bank,
New York, N. Y.

1 enclosure.

SPG EEM

Estimated amount of bankers' acceptances outstanding on various dates from December 31, 1919, to April 1, 1923, compared with the amounts held by the Federal Reserve Banks.

Date	Estimated amount outstanding(a)	Amount held by Federal Reserve Banks(b)	Estimated amount outside of Federal Reserve Banks	Ratio of amount held by Federal Reserve Banks to total outstanding
Dec. 31, 1919	\$775,000,000	\$575,000,000	\$198,000,000	74.4%
Apr. 1, 1920	799,000,000	424,000,000	375,000,000	53.1%
May 4, 1920	812,000,000	410,000,000	402,000,000	50.5%
June 30, 1920	812,000,000	390,000,000	422,000,000	48.0%
Nov. 15, 1920	789,000,000	288,000,000	481,000,000	37.5%
Dec. 29, 1920	709,000,000	256,000,000	453,000,000	36.1%
Apr. 1, 1921	644,000,000	122,000,000	522,000,000	18.9%
June 30, 1921	543,000,000	32,000,000	511,000,000	5.9%
Dec. 31, 1921	474,000,000	114,000,000	360,000,000	24.1%
Apr. 1, 1922	416,000,000	105,000,000	313,000,000	24.8%
June 30, 1922	420,000,000	154,000,000	266,000,000	36.7%
Dec. 29, 1922	502,000,000	246,000,000	256,000,000	49.0%
Apr. 1, 1923	524,000,000	260,000,000	264,000,000	49.6%

- (a) Figures for April 1st of each year are estimated of the American Acceptance Council and for intermediate dates the estimates are derived by interpolation based on the changes in the acceptance liabilities of all member banks.
- (b) Total holdings of bills purchased in the open market on the nearest date. Includes a few trade acceptances purchased, but does not include bankers' acceptances discounted.

Compiled by W. H. [unclear]
 Checked by [unclear]
 Typed by [unclear]

FEDERAL RESERVE BANK
OF NEW YORK

333. - *Noted*
to file

June 1, 1923.

My dear Governor Crissinger:

On behalf of the Open Market Investment Committee for the Federal Reserve System, I acknowledge receipt of your communication of May 31, 1923.

I am forwarding to my associates on the Committee a copy of your letter, and will communicate with you further in due course of time.

Very truly yours,



J. H. CASE,
Deputy Governor.

Honorable D. R. Crissinger,
Governor, Federal Reserve Board,
Washington, D. C.

see letter 6/11/23

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333-4-1

copy

FEDERAL RESERVE BANK
OF NEW YORK

May 31, 1923.

Open Market Investment Committee
for the Federal Reserve System

CONFIDENTIAL

S i r :

Carded

I am sending you herewith a copy of the minutes of the meeting of the Open Market Investment Committee for the Federal Reserve System held in Washington, D. C., on May 23, 1923, as approved by the members of the Committee.

I am also enclosing a copy of the letter sent May 28 to the Governors of all Federal reserve banks with respect to the basis on which to effect the sale of \$50,000,000. of Government securities by the System.

Respectfully,

(Signed) W. B. Matteson

W. B. Matteson
Secretary of the Committee

Honorable D. R. Crissinger,
Governor, Federal Reserve Board,
Washington, D. C.

Enclosure (2)

*orig filed 333.4-2
333.31*

Open Market Investment Committee
For the Federal Reserve System

May 28, 1923.

CONFIDENTIAL

My dear Governor

Referring to the letter written you by the Secretary of the Open Market Investment Committee on May 26, 1923 accompanied by a copy of a resolution adopted at the last meeting of the Committee dealing with a suggested sale by the System of \$50,000,000 of Government securities, I believe that a practical and equitable basis on which to effect this liquidation in Government securities is as follows:

As some of the reserve banks have no holdings in Governments and certain others have expressed a desire to retain their investment holdings of short-term Treasury certificates of indebtedness, the sales made will for the most part consist of Treasury notes (preferably those selling at a premium) except in those cases where banks are not carrying any of the latter in their portfolios. With this in mind, I am enclosing a statement showing in detail how an equitable distribution of \$50,000,000 of the Government securities held by the System could be effected. The face amount of securities to be disposed of by the various banks is in proportion to their total earning assets and in cases where banks do not hold all or any part of such proportionate share in Government securities, the deficiency is necessarily made up from the holdings of other banks. However, in order to assist in carrying out the program the New York bank, which does not hold any Government securities, is willing to give up from its portfolio of bills such amount of bills as is necessary

Page 2

5/28/12

to replace the sales made by other banks in excess of their quota, to wit:
\$15,519,700.

In view of the Committee's recommendations will you be good enough to wire me upon receipt of this letter stating the particular issue or issues of Government securities that you prefer to sell at this time, and, if you so desire, the Committee will be glad to assist in the sale of such securities as you may designate.

Very truly yours,

J. H. CASE
Chairman, Open Market Investment Committee

STATEMENT SHOWING BASIS UPON WHICH \$50,000,000 GOVERNMENT SECURITIES
HELD BY ALL FEDERAL RESERVE BANKS ARE TO BE SOLD

	<u>Proportionate Amount To Be Sold Based on Earning Assets</u>	<u>Actual Amount of Government Securities To Be Sold Based On Holdings of Government Securities</u>	<u>Excess Amount Required To Cover Deficit (to be replaced with Bankers Acceptances)</u>
Boston	\$ 2,750,000	\$ 3,060,400	\$ 310,400
New York	10,600,000	-0-	x
Philadelphia	4,800,000	7,422,800	2,622,800
Cleveland	5,050,000	6,990,000	1,940,000
Richmond	2,850,000	150,000	x
Atlanta	2,500,000	280,300	x
Chicago	6,200,000	8,124,400	1,924,400
St. Louis	2,450,000	3,381,200	931,200
Minneapolis	1,750,000	1,905,200	155,200
Kansas City	3,350,000	7,292,000	3,942,000
Dallas	2,450,000	2,962,150	512,150
San Francisco	<u>5,250,000</u>	<u>8,431,550</u>	<u>3,181,550</u>
TOTALS	\$50,000,000	\$50,000,000	\$15,519,700

* New York holds no Government securities; Richmond is short \$2,700,000 and Atlanta is short \$2,219,700, making total \$15,519,700 sales to be spread among other banks which sales, may if desired, be replaced by bankers acceptances from portfolio of Federal Reserve Bank of New York.

333-6-1

FEDERAL RESERVE BANK
OF NEW YORK

June 11, 1923.

My dear Governor:

Since June 1, when I acknowledged your letter of May 31 and advised you that copies were being sent to members of the Open Market Investment Committee, I have heard from each of them and find that each received the letter with the same surprise as that which I had expressed to you in our telephone conversation on June 6. ✓

The facts are as follows: Early in May it was suggested that the Open Market Investment Committee should have its next meeting in Cleveland on or about June 25. The Board was advised of the proposed meeting and on May 9 requested that the meeting be held in Washington as there were some other matters which the Board might like to discuss with the committee. At about the same time the committee decided that an earlier meeting would be advisable, and this meeting the Board arranged should be held in Washington on Wednesday, May 23. At this meeting the first act of the committee, all the members being present, was to advise the Board that the committee was in session and to inquire if the Board had anything to communicate to it. The Board replied that it had nothing to communicate to the committee. Toward the end of the morning I was called into a meeting of the Board to discuss a currency matter, and while there I stated to the Board that the committee was proposing to recommend to the Federal reserve banks the sale of about \$50,000,000. of Government securities. This statement was received by the members of the Board without comment. A resolution to this effect was finally adopted by the committee. Late in the day and towards the end of our session, Vice Governor Platt attended our meeting but expressed no dissent from the program we had adopted.

The surprise of the members of the committee arises out of the fact that a few days after our meeting, the Board having been fully advised of our action which we felt was in entire accord with the letter and spirit of the Board's letter No. X-3689, the Board should not only express disapproval of our action but without opportunity for discussion should in substance direct the committee to take action to dispose immediately of all the remaining Government securities held by the banks. ✓

The Open Market Investment Committee succeeded the "Committee of Governors on Centralized Execution of Purchases and Sales of Government Securities." This committee functioned for about a year and had several meetings in New York, Cleveland and Boston. At nearly all of these a member of the Board was present throughout, Messrs. Platt, Miller and Mitchell having from time to time represented the Board on these occasions. The presence of the Board member permitted, through discussions of policy and of market and credit conditions, the development of a program for recommendation by the committee on which the Board and the committee were in full and harmonious agreement. The new Open Market Investment Committee had assumed that the same relationship would prevail in connection with their meetings and work. The members of the committee hope that at its next meeting the Board will be represented throughout as in the past, that they ✓

FEDERAL RESERVE BANK OF NEW

Hon. D. R. Crissinger
Washington, D. C.

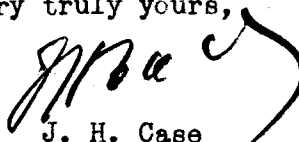
5/11/23

may then have the opportunity of discussing with the Board its views concerning the disposal of the remaining Government securities, and that the Board will give the committee its opinion as to the manner in which such a course would accommodate commerce and business, and affect the general credit situation, these being the principles by which, under the Board's resolution, open market operations should be governed.

Your letter of May 31 requests me to "advise promptly of the sales of the Government holdings of the various banks, and to what extent each of the banks contributed." I am sending you herewith a statement showing in detail the holdings of Government securities of the various Federal reserve banks as at May 23, 1923, amounting in the aggregate to \$140,788,000. exclusive of about \$31,000,000. held as miscellaneous investments for self-insurance funds, etc., and about \$15,000,000. held under sales contract. Appended to this statement are the quotas for sales which the committee has suggested to the respective banks, and the amounts sold up to June 8, 1923. As a result of the sales already consummated you will note that four of the Federal reserve banks, namely, New York, Richmond, Atlanta and Dallas, hold no Governments except fluctuating amounts of securities held under sales contracts, and nominal amounts of miscellaneous long-term securities held as investment for certain special funds.

Governor Norris of Philadelphia, a member of the committee, has just sent me as its chairman, a communication upon this subject, copy of which, with his permission, I am transmitting herewith.

Very truly yours,



J. H. Case
Chairman, Open Market Investment
Committee for the Federal Reserve
System

Encls. (2)

Honorable D. R. Crissinger,
Governor, Federal Reserve Board,
Washington, D. C.

1923 No. 2
SECRET MEMORANDUM

C O P Y

FEDERAL RESERVE BANK OF PHILADELPHIA

925 Chestnut Street

June 8th, 1923.

Mr. J. H. Case, Chairman,
Open Market Investment Committee
of the Federal Reserve System,
Federal Reserve Bank,
New York City.

My dear Mr. Case:-

Governor Crissinger's letter to you under date of May 31st, which, in accordance with his expressed desire, you have brought to the attention of the Federal Reserve Bank of Philadelphia, was carefully considered at the semi-monthly meeting of our Board of Directors on Wednesday, the 6th instant, and I am directed to reply as follows:

Governor Crissinger's letter may properly be considered in two aspects - first, as it affects the Federal Reserve Bank of Philadelphia directly and exclusively, and secondly, in its broader or national aspect.

To take up the former aspect first. About a year ago the discounts of this Bank had fallen to a point which left us with very considerable funds temporarily unemployed. The volume of discounts was constantly shrinking. It was the judgment of the Board that this shrinkage was likely to continue for some time, and that the 65% of our deposits which we are at liberty to use would enable us, from that source alone, to meet any demands which our member banks might make upon us within a period of two or three years. This judgment, I may add, has thus far been verified. The low point in discounts was not reached until August, 1922, and there has never since been a time when our discounts amounted to 65% of our deposits.

This judgment having been reached, the next question for decision was whether all the rest of our resources should remain idle and unproductive, or whether we were charged with a duty to employ them. It would unduly prolong this letter to recite the considerations which led us to the latter conclusion. Suffice it to say that we did reach it, and that we have never regretted it, nor seen any reason to think that we made any mistake.

FEDERAL RESERVE BANK OF PHILADELPHIA

Page No. 2 To Mr. J. H. Case

June 8, 1923

The third question was the amount of funds which should be employed. We decided that we might properly purchase government securities to an amount not exceeding our free capital and surplus. At the present time this investment represents only about 80% of our capital and surplus not already invested in building.

The last question was the manner of employment. Bankers' acceptances were then selling at 3%, and believing that this rate was unjustifiably low we were more disposed to curtail our purchases than to increase them. This left us only government securities. We deemed it better Reserve Banking policy to buy short-term notes than long-term bonds. As between short-term Treasury Certificates and longer term Treasury Notes, we chose the latter for three reasons - (1) because they paid a better rate, (2) because their purchase did not involve competition with member banks, and (3) because we thus avoided the necessity of re-investing the proceeds of frequently maturing Certificates. Our purchases were made slowly, without advancing the price of the Notes. We only bought part of what was offered to us by member banks or dealers. At no time did we make any bid, or place any open-market order.

Having exercised our best judgment in making these purchases; having seen our judgment thus far verified; and observing no injury that has resulted either to the Treasury Department or to the business and commerce of the Nation, we are reluctant to dispose of these securities, or any of them, particularly at a heavy loss, which loss can be avoided by simply holding them to maturity. I may add that our Board consented to the sale of our proportion of \$50,000,000 only out of a desire to meet, as far as possible, the desires of the Treasury Department, and respect for the unanimous recommendation of the Committee. I was directed to advise you that the Board reserves full liberty and discretion to dissent from any future recommendation which the Committee may make.

As to the broader aspect of the question. The Board noted with some surprise the references in Governor Crissinger's letter to "the policy of the (Reserve) Board," "the Board's determination," and the desire that you should call the matter to the attention of the Banks "in order that the policy of the Board may be carried out in its entirety." While the Federal Reserve Act does provide that purchases of government securities made by the Banks shall be subject to such rules or regulations as the Reserve Board may prescribe, we are not aware of any rules or regulations which the Board has ever prescribed on this subject, nor do we find in the Act any power given to the Board to prescribe any rules as to the sales of such securities, or any power to impose upon the Directors of the several Banks a policy on this subject which is at variance with their own judgment. Such a power, on the contrary, would seem to us to be utterly inconsistent with all the

Page No. 5
RECEIVED FEBRUARY 1934

FEDERAL RESERVE BANK OF ST. LOUIS

Page No. 5 To Mr. J. H. Case

other provisions of the Act, and would create an impossible situation, inasmuch as it would vest responsibility in one group and power in another group. There can be no doubt that the Federal Reserve System is a Regional and not a Central banking system, and the Act expressly provides that each Bank shall be conducted under the "control" of a Board of Directors, which shall "perform the duties usually appertaining to the office of directors of banking associations".

It has been and is the wish and policy of the Board of this Bank to do everything possible to meet the views of the Treasury Department and of the Federal Reserve Board on all matters, but it is felt that attention should be called to the fact that this willingness must not be construed as a willingness to surrender the powers expressly conferred by the Act, and naturally attaching to the degree of responsibility which Directors of Reserve Banks accept for the management of their several institutions.

I am,

Very truly yours,

(Signed) Geo. W. Norris

Governor.

gan

333-6-1

copy

May 31, 1923

filed 333-6-2

My dear Mr. Case:

Ex'ded

This will acknowledge receipt of your letter of May 25 in re the report of the Open Market Investment Committee for the Federal Reserve System.

You are advised that the report has been presented to and considered by the Board. The Board notes with some surprise that in the resolution of May 23, 1923, the committee limits the sale of government security holdings of the various Federal Reserve banks to \$50,000,000, which is pro-rates among them. The limitation of the sale of these securities to the above amount is not in accordance with the policy of the Board. The Board sees no reason why there should be any limitation.

Your attention is being directed to the Board's determination that these government securities should be disposed of as rapidly as possible until all are out of the banks. At the earliest opportunity it is desired that you bring this to the attention of the Open Market Investment Committee and the various banks in order that this policy of the Board may be carried out in its entirety.

You will also advise promptly of the sales of the government holdings of the various banks and to what extent each of the banks contributed. It appears to the Board that the time is propitious for the disposition of all these securities, and the Board trusts that you will immediately take action to dispose of the governments, having due regard, of course, to market conditions.

Kindly let the Board be advised at your earliest convenience.

Very truly yours,

(Signed) D. R. Crissinger,

Governor.

J. H. Case, Esq.,
Deputy Governor,
Federal Reserve Bank,
New York, N. Y.

[See ans 6/11/23
See ans 6/1/23]

*File copy filed
333.-6-2*



THE UNDERSECRETARY OF THE TREASURY

No action
 WASHINGTON
 AT BOARD MEETING
 MAY 31 1923
W.H.H.

May 30, 1923.

333-6-1

My dear Governor:

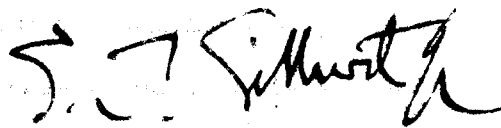
I received your letter of May 29, 1923 with further reference to the open market operations of the Federal Reserve Banks. I have already seen a copy of the Open Market Committee's report and agree with you that it is not wholly satisfactory. On the other hand it commits the banks to the immediate sale of \$50,000,000 of their holdings of Government securities, and that means substantial further progress in the liquidation of their position. I understand from the Acting Chairman of the Committee that it is the intention to make the \$50,000,000 of sales out of the Treasury notes held by the banks, and I am inclined to believe that when this has been accomplished further sales can be arranged in connection with the June 15th operations of the Treasury. The Treasury is prepared, for example, to take over on June 15th substantially all of the December 15th Treasury certificates held by the Federal Reserve Banks, and if \$50,000,000 of Treasury notes are sold between now and June 15th the Treasury would be quite prepared also to take over for retirement between June 15th and June 30th the remaining Treasury notes held by the Federal Reserve Banks. I should be inclined, therefore, to accept the report of the Open Market Committee for what it is worth and then to work

see letter 6/11/23

- 2 -

out the liquidation of the remaining securities around the middle of June, arranging this, if possible, through the Committee, or if the Committee does not act in the matter, through direct action by the Federal Reserve Board.

Very truly yours,

A handwritten signature in dark ink, appearing to read "S. P. Gilbert, Jr.", written in a cursive style.

S. P. GILBERT, Jr.,
Under Secretary.

Hon. D. R. Crissinger,
Governor, Federal Reserve Board,
Washington, D. C.

Handwritten scribble

333-6-1
5-29-23

May 29, 1927 1923

"Letter dated May 25th, from the Deputy Governor of the Federal Reserve Bank of New York, Mr. Case, enclosing a copy of the last report of the Open Market Investment Committee for the Federal Reserve System,, and a copy of a resolution adopted by the Committee covering the sale of Government securities.

Ordered circulated. The Governor was requested to secure from Mr. Case information as to the date upon which it is contemplated that the sale of \$50,000,000 in Government securities by the Federal Reserve banks will be completed, and also a report of the sales as they are made from time to time, together with information as to which Federal Reserve banks respond to the quota assigned to them for sale by the Committee."

333-b-1

May 29, 1923.

My dear Mr. Gilbert:

I have your letter of May 25 enclosing a copy of your letter to Governor Case, and I am glad that you have so written Mr. Case.

I think you have just been handed today a copy of the Open Market Committee's report. I am not at all satisfied myself with the report. A limitation of the sales to \$50,000⁰⁰ seems to me to be wrong in principle. I should like to have your views about it.

Very truly yours,

(Signed) D. R. Crissinger.

Governor.

Hon. S. P. Gilbert, Jr.,
Undersecretary of the Treasury,
Washington, D. C.

see memo 5/30/23

gen

333-f-1

EXCERPT FROM THE MINUTES OF MEETING OF THE FEDERAL RESERVE BOARD
held May 15, 1923.

"The Governor was further requested to advise the Committees of the Federal Reserve Bank Governors on Open Market Purchases and Voluntary Services that the Board desires them to meet in Washington on May 23, 1923, at 10:00 a. m."

EXCERPT FROM THE MINUTES OF MEETING OF THE FEDERAL RESERVE BOARD
held May 8, 1925.

gen

333-f-1

"Letter dated May 4th, from Mr. Case, Deputy Governor of the Federal Reserve Bank of New York, suggesting that the Committee on Open Market Operations and the Committee on Voluntary Services of the Federal Reserve banks, hold a meeting at Cleveland, Ohio, on June 25th.

Upon motion, the Secretary was instructed to advise Mr. Case that the Board wishes the meeting referred to, to be held in Washington on June 25th, Mr. Platt voting 'no'."

gem

copy

FEDERAL RESERVE BANK

333.6.1

OF NEW YORK

May 4, 1923.

S i r s : Attention: Mr. Platt.

Receipt is acknowledged of your letter of April 25 in regard to a meeting of the Committee on Open Market Operations and the Committee on Voluntary Services of the Federal Reserve Banks. I had thought that we should have another meeting of the Committee on Open Market Operations by about the end of June, say the 25th, and Governor Fancher has suggested that it might be held in Cleveland. Assuming that you or one of the other members of the Board would like to attend the next meeting of this Committee, would it be agreeable if we set the date tentatively for June 25th. If so, I will communicate with the other members of the Committee to see if it will be convenient for them to meet in Cleveland on that date.

I understand that the Board thinks well of the idea of having a meeting of the Committee on Voluntary Services of the Federal Reserve Banks held at the same time owing to the similarity in membership of the two Committees, and, if the Board approves of the proposed date, I will, as you suggest, invite the other member of the Committee on Voluntary Services to go to Cleveland at the same time.

Respectfully,

(Signed) J. H. Case,

J. H. CASE,
Deputy Governor.

Federal Reserve Board,
Washington, D. C.

orig filed 333.31
333.6-2

Hon. S. P. Gilbert, Jr. 2

are gradually but steadily getting back on the books of the Federal Reserve Bank, and I believe that a study of the number of banks rediscounting would show that there has been a similar increase in other districts due to the spread between Federal reserve rates and market rates.

Mr. Warburg, at a recent conference with the Board, took the ground that we should not to push the liquidation of open market paper much further unless we were doing it for the express purpose of creating a situation which would make necessary the raising of discount rates, and it has been stated in Board discussions, I think, generally by Mr. Hamlin, that the traditional central bank policy with regard to open market operation is to sell paper after the rates have been raised rather than before in order to make the increase of rates effective. We are reversing that process and it is obvious that if you push it to the extreme of getting rid of all or nearly all your open market paper you have lost that weapon entirely. There is the further point that you cannot operate the Federal Reserve System with its twelve distinct regional banks exactly as if it were a central banking system. It never was intended to be so operated and if we should push the matter to the extreme very likely we would have a good deal of trouble with the boards of directors and bank managers in my opinion, and generally speaking they are a pretty high type of men.

According to Mr. Case and others who are in a pretty good position to know the purchasing rates of the Federal reserve banks for bankers' bills cannot be raised much more without driving bills out of the market unless the Reserve bank discount rate itself is raised. A possible result of pushing this matter too far will be, I think, to drive the Federal reserve banks into investing in municipal warrants which were one of their main sources of revenue for a time before the war. This it seems to me would be undesirable and I can see no reason whatever why municipal warrants should be preferred to United States securities, though they are undoubtedly reasonably liquid and have a fairly high yield.

I do not mean to say that we have actually reached the limit of liquidation of bills bought in the open market. There were \$374,000,000 of such bills on April 25th and only \$82,000,000 on April 26, 1933, but the difference I think is largely to be accounted for on the greater volume of bills outstanding due to increased business. Some of it is due to the activities of the co-operative marketing associations which have been financing themselves to a considerable extent with acceptances. So far as holdings of government securities are concerned I do not see whether from a Treasury or a Federal reserve standpoint the liquidation should go much further at present unless the Treasury has surplus funds which it desires to invest with as little disturbance to the market as possible. It seems to me it simply puts up the rates on itself unnecessarily by pushing Federal reserve liquidation to the extreme, and my idea has been that some limit, perhaps related to the capital and surplus of the Federal reserve banks, might be recognized as normal and as a part of the demand of the general market.

Yours very truly,

S

Acting Governor.

~~Hon. S. P. Gilbert, Jr.,~~

Under Secretary of the Treasury.

*Holdings of
Trust Co of NY
FR*

*333-1
333-6-1*

April 28, 1933.

Dear Mr. Gilbert:

At some time when we both have opportunity to discuss matters a little I want to talk over with you the questions raised in my letter of April 24th with relation to the present holdings of Treasury notes and certificates in the Federal Reserve System, and your answer of the 27th. It seems to me that so far as the capital and surplus of the Federal reserve banks are concerned they constitute a fund which has been drawn from the loanable funds of the member banks and if not invested represent that much contraction. This fund does not represent all the contraction by any means caused by the Federal Reserve System with its present membership but of that I shall say something later. In putting back into the market whether through rediscounts or through direct investments ~~the sum~~ equal to their capital and surplus the Federal reserve banks do not add anything not previously subtracted but simply put the market in statu quo. Therefore, it seems to me that up to their capital and surplus - from which you might perhaps subtract the investments in buildings - the Federal reserve banks operate just exactly as any other banks and may be considered a part of the general market. My own view has always been that a considerable part of this fund might well be invested in long term bonds, and I think it was clearly the original intention of the founders of the Federal Reserve System that the banks should carry a considerable amount of 3 per cent bonds, based on the expectation of absorbing the bonds bearing the circulation privilege and converting them into 3 per cents. Mr. Mitchell has always agreed with me on this point as well as some of the Governors of Federal reserve banks with whom I have talked over the matter from time to time.

Now as to the general credit policy of the Federal reserve banks it is true, as you have said: "In the absence of any increase in the discount rate further liquidation of open market purchases offers the only opportunity of exercising control through the Federal reserve banks." There is no doubt I think that the liquidation of Government securities, now amounting to \$300,000,000, has exercised a degree of control by forcing higher rates to the customers of the member banks. Presuming a continuance of demand for credit, however, this can have only one effect and that is to force higher discount rates upon the Federal reserve banks in the long run because its tendency is to increase steadily the spread between Federal reserve rates and rates that customers pay the member banks. This in turn tempts the member banks and, indeed, forces some of them to increase their rediscounts. Right along this line I note that the Federal Reserve Bank of New York increased its bills discounted, on the 27th, \$49,000,000, and the total of bills discounted, \$208,000,000, is now almost as high as at the peak of the spring trade just before Easter. Mr. Case tells me there is evidence that the country banks



THE UNDERSECRETARY OF THE TREASURY
WASHINGTON

333-6-1

May 25, 1923.

Guarded

My dear Governor:

I am enclosing for your information a copy of a letter of this date which I have sent to Deputy Governor Case of the Federal Reserve Bank of New York on the general subject of dealings of the Federal Reserve Banks in bankers acceptances. I understand this subject was discussed at the recent meeting of the Committee of Governors on Open Market Operations and I have written Mr. Case in accordance with his request for an indication of the Treasury's views as to what policy should be followed in these operations.

Very truly yours,

S. P. GILBERT, Jr.,
Under Secretary.

Hon. D. R. Crissinger,
Governor, Federal Reserve Board,
Washington, D. C.

1 enclosure.

see ans 5/29/23

May 23, 1923.


Dear Mr. Case:

Approved

Following our conversation of the other day I have been giving some further thought to the question of open market dealings in bankers acceptances. With their holdings of Government securities practically liquidated, and perhaps completely liquidated by the end of the next month, the Federal Reserve Banks will have practically no investments except their holdings of discounted paper and the bankers acceptances bought in the open market. Under present conditions, and with a discount rate that is generally below the market rate, the Federal Reserve Banks are not in a position to exercise much control over the market through the discount rate, and in the absence of some increase in the discount rate it is therefore particularly important, it seems to me, that dealings in bankers acceptances be governed by money and credit conditions. This it is difficult to do if the Federal Reserve Banks still adhere to the one-sided policy which has heretofore been followed with respect to bankers acceptances. Up to date the policy has clearly been quite consistently to buy but never to sell acceptances, and at all times to nurse the market for acceptances rather than to let it stand on its own feet. For this there may have been some excuse in the beginning when bankers acceptances were new and had not been developed, but even before now there have been occasions, it seems

-2-

to me, when purchases of bankers acceptances have gone to uncalled for lengths and have led to dangerous inflation of credit. As you have said, the buying of acceptances by Federal Reserve Banks, particularly from the larger city banks, is but another form of discounting by commercial banks, and since the buying rate for acceptances is normally lower than the discount rate these purchases of acceptances need to be brought very definitely into harmony with the general credit policy of the Federal Reserve System if the system is to maintain any effective relation to the credit structure. Even from the point of view of the development of the acceptance market itself I believe there is everything to be said for letting acceptances stand more and more on their own merits, without artificial support from the Federal Reserve Banks, and that this is particularly necessary if the Federal Reserve Banks, as it seems to me they must do, are to use their dealings in acceptances to give themselves more effective relation to the credit situation. To be more specific, this will mean, I should say, that the Federal Reserve Banks will have to recognize more and more that bankers acceptances, like short-term Government securities, must yield a rate that will be attractive to the market and should not be bought, and cannot be sold, at an artificially low rate. It must also involve a willingness on the part of the Federal Reserve Banks to sell bankers acceptances to the market as well as to buy them. Created an independent outside market for acceptances, it seems to me that the Federal Reserve Banks ought to be able, through their purchases and sales to the



-3-

market, to establish an effective relation with the money market that under present conditions it is difficult to secure through the discount rate.

Very truly yours,

(Signed) S. P. Gilbert, Jr.

S. P. GILBERT, Jr.,
Under Secretary.

J. H. Case, Esq.,
c/o Federal Reserve Bank,
15 Nassau Street,
New York, N. Y.



THE UNDERSECRETARY OF THE TREASURY
WASHINGTON

333-1-1

April 27, 1923.

PERSONAL.

Dear Mr. Comptroller:

In accordance with our conversation I am sending you herewith a copy of my letter of this date to Acting Governor Platt of the Federal Reserve Board, with reference to the liquidation of Government securities held by the Federal Reserve Banks, particularly as related to the capital and surplus of the banks. I am also enclosing in this same connection a copy of a letter I have sent Mr. Case as to the liquidation of Treasury notes, together with copies of the two enclosures which accompanied that letter.

See 4-27-23

Very truly yours,

S. P. GILBERT, Jr.,
Under Secretary.

Hon. D. R. Crissinger,
Comptroller of the Currency,
Washington, D. C.

4 enclosures.

PERSONAL AND CONFIDENTIAL

April 27, 1933.

Dear Mr. Case:

I am enclosing for your information a copy of an interesting letter which I have just received from the Acting Governor of the Federal Reserve Board showing the holdings of various series of Treasury notes by the several Federal Reserve Banks. I am enclosing also a tabulation of these holdings by issues. It would seem to me under these conditions that it should be a relatively simple matter for the Federal Reserve Banks to dispose of a large part of their present holdings of Treasury notes and to do this at a profit. I have in mind that it should be particularly easy to sell in the market the June and September, 1934, and the March, 1935, series of notes, leaving the other holdings to be dealt with later as opportunity offers. Yesterday's statement of the condition of the Federal Reserve Banks as at the close of business April 25, 1933, indicates, it seems to me, that the program which has been followed is working even better than might have been expected and it is really encouraging to see discounts and bill holdings going down at the same time that holdings of Government securities are being substantially reduced. If this process can be carried a little further the Federal Reserve Banks will be able to catch up on the market and actually get the control that it was hoped to get through increases in the discount rate. I should think that the best way

- 2 -

to get ahead, as you suggested yesterday, would be to arrange through the Central Committee on Open Market Operations to replace Treasury notes for Federal Reserve Banks which sell them with bills now carried by other Federal Reserve Banks, thus keeping the operation within the system and accomplishing a net gain through the sale of the notes to the market. ✓

Very truly yours,

(Signed) S. P. Gilbert, Jr.

S. P. GILBERT, Jr.,
Under Secretary.

J. H. Case, Esq.,
c/o Federal Reserve Bank,
15 Nassau Street,
New York, N. Y.

2 enclosures.

April 22, 1963

SPG KEM

COPY

FEDERAL RESERVE BOARD
Washington.

Office of Vice Governor

April 27, 1923.

Dear Mr. Gilbert:

As requested in your letter of April 23rd I give you below table showing by series and maturity dates the holdings of Treasury notes by Federal reserve banks as of the latest available date.

<u>Bank</u>	<u>Series</u>	<u>Maturity date</u>	<u>Amount</u>
Boston	A-1924	June 15, 1924	\$1,100,000
	B-1924	Sept. 15, 1924	1,002,000
	A-1925	March 15, 1925	920,600
	B-1925	Dec. 15, 1925	1,008,100
	B-1926	Sept. 15, 1926	800,000
New York	B-1926	Sept. 15, 1926	10,000,000
Philadelphia	A-1924	June 15, 1924	46,000
	B-1924	Sept. 15, 1924	166,500
	A-1925	March 15, 1925	8,775,200
	B-1925	Dec. 15, 1925	10,607,500
	C-1925	June 15, 1925	194,700
	A-1926	March 15, 1926	2,525,000
	B-1926	Sept. 15, 1926	68,400
	A-1927	Dec. 15, 1927	253,100
Cleveland	A-1924	June 15, 1924	6,194,500
	B-1924	Sept. 15, 1924	2,337,000
	A-1925	March 15, 1925	300
	B-1925	Dec. 15, 1925	567,000
	C-1925	June 15, 1925	498,100
	A-1926	March 15, 1926	32,500
	B-1926	Sept. 15, 1926	1,775,800
	A-1927	Dec. 15, 1927	29,500
Richmond	B-1926	Sept. 15, 1926	100,000
	A-1927	Dec. 15, 1927	50,000
Atlanta	C-1925	June 15, 1925	215,000
	B-1926	Sept. 15, 1926	10,000
	A-1927	Dec. 15, 1927	58,300

-2-

Hon. S. P. Gilbert -

<u>Bank</u>	<u>Series</u>	<u>Maturity Date</u>	<u>Amount</u>
Chicago	B-1925	Dec. 15, 1925	\$ 693,100
	C-1925	June 15, 1926	16,800
	A-1926	March 15, 1926	1,063,400
	A-1927	Dec. 15, 1927	59,000
St. Louis	A-1924	June 15, 1924	1,368,100
	B-1924	Sept. 15, 1924	1,154,000
	A-1925	March 15, 1925	1,285,900
	B-1925	Dec. 15, 1925	1,245,900
	C-1925	June 15, 1925	850,600
	A-1926	March 15, 1926	1,320,300
	B-1926	Sept. 15, 1926	1,555,900
A-1927	Dec. 15, 1927	274,300	
Minneapolis	B-1924	Sept. 15, 1924	10,000
	A-1925	March 15, 1925	237,800
	B-1925	Dec. 15, 1925	1,542,800
	A-1926	March 15, 1926	238,900
	B-1926	Sept. 15, 1926	1,069,300
Kansas City	A-1925	March 15, 1925	11,307,300
	A-1926	March 15, 1926	1,723,800
	B-1926	Sept. 15, 1926	2,412,300
	A-1924	June 15, 1924	7,000
	B-1924	Sept. 15, 1924	2,000
	B-1925	Dec. 15, 1925	11,909,100
	C-1925	June 15, 1925	3,017,000
	A-1927	Dec. 15, 1927	204,800
Dallas	B-1924	Sept. 15, 1924	1,600,000
San Francisco	A-1924	June 15, 1924	4,525,000
	B-1924	Sept. 15, 1924	17,425,000
	A-1925	March 15, 1925	12,400
	A-1926	March 15, 1926	1,880,000
	B-1926	Sept. 15, 1926	3,712,000

Yours very truly,

(Sgd.) Edmund Platt

Acting Governor.

Hon. S. P. Gilbert, Jr.,
Under Secretary of the Treasury.

333-6-1

April 27, 1923.

Dear Mr. Platt:

I received your letter of April 24, 1923, with further reference to the holdings of Government securities by the Federal Reserve Banks and am separately acknowledging the receipt of the detailed information about the holdings of Treasury notes. Great progress has been made in the past six or eight months in the liquidation of Government securities held by the Federal Reserve Banks but I should hardly say that the liquidation had reached its limit. Incidentally I do not quite see the relation of the capital and surplus of the reserve banks to these investments. It is true, of course, that the banks now have a combined capital and surplus of about \$327,000,000, but of this amount \$50,000,000 is already carried as investment in bank premises. As for the balance it seems to me that it should be kept liquid, like other Federal Reserve investments, and that its investment cannot be considered separately from the general question of the relation of Federal Reserve credit to the market. From this point of view there can certainly be no doubt that the establishment of the Federal Reserve System has released an enormous volume of funds to the market and that in no proper sense can it be said that the capital and surplus of the Federal Reserve Banks, over and above their investment in

- 2 -

bank premises, is withdrawn from the market unless invested in slow capital assets. The earning assets of the System, it seems to me, must be considered as a whole and open market operations brought into harmony with the discount policy of the Federal Reserve Banks are to maintain successfully any general credit policy. In the absence of any increase in the discount rate further liquidation of open market purchases offers the only opportunity of exercising control through the Federal Reserve Banks and from this point of view particularly I think that further sales both of Government securities and of bills in the open market ought to have the most careful consideration of the Federal Reserve Board.

Very truly yours,

(Signed) S. P. Gilbert, Jr.

S. P. GILBERT, Jr.,
Under Secretary.

Hon. Edgar Platt,
Acting Governor,
Federal Reserve Board,
Washington, D. C.

[Handwritten signature and scribbles]

THE UNDERSECRETARY OF THE TREASURY
WASHINGTON

RECEIVED
APR 27 1923
OFFICE OF
MR. PLATT.

333-61

April 27, 1923.

Dear Mr. Platt:

I have your letter of April 27, 1923, and thank you for the information about the holdings of Treasury notes by the Federal Reserve Banks.

Very truly yours,

[Handwritten signature of S. P. Gilbert, Jr.]

S. P. GILBERT, Jr.,
Under Secretary.

Hon. Edmund Platt,
Acting Governor,
Federal Reserve Board,
Washington, D. C.

800

333-1-1

April 27, 1923.

Dear Mr. Gilbert:

As requested in your letter of April 23rd I give you below table showing by series and maturity dates the holdings of Treasury notes by Federal reserve banks as of the latest available date.

<u>Bank</u>	<u>Series</u>	<u>Maturity Date</u>	<u>Amount</u>
Boston	A-1924	June 15, 1924	\$1,100,000
	B-1924	Sept 15, 1924	1,002,000
	A-1925	March 15, 1925	920,600
	B-1925	Dec. 15, 1925	1,008,100
	B-1926	Sept 15, 1926	800,000
New York	B-1926	Sept 15, 1926	10,000,000
Philadelphia	A-1924	June 15, 1924	46,000
	B-1924	Sept 15, 1924	168,500
	A-1925	March 15, 1925	8,775,300
	B-1925	Dec. 15, 1925	10,607,500
	C-1925	June 15, 1925	198,700
	A-1926	March 15, 1926	3,525,000
	B-1926	Sept 15, 1926	68,400
A-1927	Dec. 15, 1927	253,100	
Cleveland	A-1924	June 15, 1924	6,194,500
	B-1924	Sept. 15, 1924	2,337,000
	A-1925	March 15, 1925	300
	B-1925	Dec. 15, 1925	557,000
	C-1925	June 15, 1925	498,000
	A-1926	March 15, 1926	32,500
	B-1926	Sept 15, 1926	1,775,800
	A-1927	Dec. 15, 1927	29,500
Richmond	B-1926	Sept 15, 1926	100,000
	A-1927	Dec. 15, 1927	50,000
Atlanta	C-1925	June 15, 1925	215,000
	B-1926	Sept 15, 1926	10,000
	A-1927	Dec. 15, 1927	58,300

see memo 4/27/23

Hon. S. P. Gilbert - 2

<u>Bank</u>	<u>Series</u>	<u>Maturity Date</u>	<u>Amount</u>
Chicago	B-1925	Dec. 15, 1925	\$ 693,100
	C-1925	June 15, 1925	16,800
	A-1926	March 15, 1926	1,063,400
	A-1927	Dec. 15, 1927	89,000
St. Louis	A-1924	June 15, 1924	1,368,100
	B-1924	Sept 15, 1924	1,154,000
	A-1925	March 15, 1925	1,285,900
	B-1925	Dec. 15, 1925	1,245,900
	C-1925	June 15, 1925	850,600
	A-1926	March 15, 1926	1,330,300
	B-1926	Sept 15, 1926	1,555,900
	A-1927	Dec. 15, 1927	274,300
Minneapolis	B-1924	Sept. 15, 1924	10,000
	A-1925	March 15, 1925	237,900
	B-1925	Dec. 15, 1925	1,642,500
	A-1926	March 15, 1926	238,900
	B-1926	Sept 15, 1926	1,069,300
Kansas City	A-1925	March 15, 1925	11,307,300
	A-1926	March 15, 1926	1,723,500
	B-1926	Sept 15, 1926	2,412,300
	A-1924	June 15, 1924	7,000
	B-1924	Sept 15, 1924	2,000
	B-1925	Dec. 15, 1925	11,909,100
	C-1925	June 15, 1925	3,017,000
	A-1927	Dec. 15, 1927	204,800
Dallas	B-1924	Sept 15, 1924	1,600,000
San Francisco	A-1924	June 15, 1924	4,525,000
	B-1924	Sept 15, 1924	17,425,000
	A-1925	March 15, 1925	12,400
	A-1926	March 15, 1926	1,850,000
	B-1926	Sept 15, 1926	3,712,000

Yours very truly,

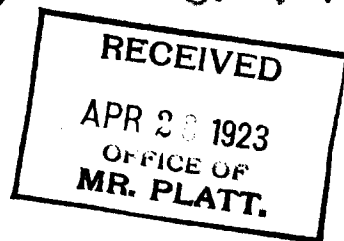
Acting Governor.

Hon. S. P. Gilbert, Jr.,
Under Secretary of the Treasury.



THE UNDERSECRETARY OF THE TREASURY
WASHINGTON

April 27, 1923.



Dear Mr. Platt:


Carded

I received your letter of April 24, 1923 with further reference to the holdings of Government securities by the Federal Reserve Banks and am separately acknowledging the receipt of the detailed information about the holdings of Treasury notes. Great progress has been made in the past six or eight months in the liquidation of Government securities held by the Federal Reserve Banks but I should hardly say that the liquidation had reached its limit. Incidentally I do not quite see the relation of the capital and surplus of the reserve banks to these investments. It is true, of course, that the banks now have a combined capital and surplus of about \$327,000,000, but of this amount \$50,000,000 is already carried as investment in bank premises. As for the balance it seems to me that it should be kept liquid, like other Federal Reserve investments, and that its investment cannot be considered separately from the general question of the relation of Federal Reserve credit to the market. From this point of view there can certainly be no doubt that the establishment of the Federal Reserve System has released an enormous volume of funds to the market and that in no proper sense can it be said that the capital and surplus of the Federal Reserve Banks, over and above their investment in

- 2 -

bank premises, is withdrawn from the market unless invested in slow capital assets. The earning assets of the System, it seems to me, must be considered as a whole and open market operations brought into harmony with the discount policy if the Federal Reserve Banks are to maintain successfully any general credit policy. In the absence of any increase in the discount rate further liquidation of open market purchases offers the only opportunity of exercising control through the Federal Reserve Banks and from this point of view particularly I think that further sales both of Government securities and of bills in the open market ought to have the most careful consideration of the Federal Reserve Board.

Very truly yours,



S. P. GILBERT, Jr.,
Under Secretary.

Hon. Edmund Platt,
Acting Governor,
Federal Reserve Board,
Washington, D. C.

~~Handwritten scribble~~

333 /

R

April 25, 1923.

Dear Mr. Case:

The Comptroller of the Currency brought into the meeting of the Federal Reserve Board this morning a letter from Mr. Gilbert in which he stated that in redeeming the Treasury certificates held by the Federal reserve banks maturing September 15th next he had found that \$17,000,000 of these certificates that came from the Federal Reserve Bank of Chicago were of the series issued on March 15th last. Mr. Gilbert declared that he was unable to see how this investment could have been made in view of the policy adopted of allowing all certificates to run off without reinvestment.

If this was a reinvestment it was made prior to the last meeting of the Governors conference and prior to the appointment of the new Open Market Investment Committee, but it was nevertheless in opposition to the agreement made last June by the old committee on Government securities.

My recollection is that Governor McDougal told me at the meeting in Philadelphia on April 13th that his bank had purchased no securities outside of the System since the first of January and I think he stated that the increase of the securities held by the Federal Reserve Bank of Chicago was due entirely to allotments or assignments within the System. I should be interested, therefore, in knowing just how the Chicago bank came in possession of the certificates issued last March. I stated to the Board that this might have been done as a matter of adjustment by exchanging some other maturities or by sale to the market of some other maturities and taking these instead. Is this the correct explanation or was there a direct reinvestment made in that case?

Yours very truly,

Acting Governor.

Mr. J. H. Case, Acting Governor,
Federal Reserve Bank,
New York, N. Y.

answer to this letter filed in meeting of 6/25/23

STATEMENT SHOWING HOLDINGS OF TREASURY NOTES, BY SERIES,
IN INVESTMENT ACCOUNTS OF FEDERAL RESERVE BANKS, AS OF APRIL 25,
1928.

Federal Reserve Banks	Series A-1924 maturing June 15, 1924 5-3/4%	Series B-1924 maturing Sept. 15, 1924 5-1/2%	Series A-1925 maturing March 15, 1925 4-3/4%	Series B-1925 maturing Dec. 15, 1925 4-3/8%	Series C-1925 maturing June 15, 1925 4-1/2%	Series A-1926 maturing March 15, 1926 4-3/4%	Series B-1926 maturing Sept. 15, 1926 4-1/4%	Series A-1927 maturing Dec. 15, 1927 4-1/2%	Totals.
Boston	1,100,000	1,002,000	920,600	1,008,100	-	-	800,000	-	4,830,700
New York	-	-	-	-	-	-	10,000,000	-	10,000,000
Philadelphia	46,000	168,500	8,775,200	10,607,500	194,700	2,525,000	68,400	253,100	22,638,400
Cleveland	6,194,500	2,337,000	300	557,000	498,100	32,500	1,775,800	29,500	11,424,700
Richmond	-	-	-	-	-	-	100,000	50,000	150,000
Atlanta	-	-	-	-	215,000	-	10,000	58,300	283,300
Chicago	-	-	-	693,100	16,800	1,063,400	-	59,000	1,832,300
St. Louis	1,368,100	1,154,000	1,285,900	1,245,900	850,600	1,320,300	1,555,900	274,300	9,055,000
Minneapolis	-	10,000	237,900	1,642,500	-	238,900	1,059,300	-	3,198,600
Kansas City	7,000	2,000	11,307,300	11,909,100	3,017,000	1,723,500	2,412,200	204,800	30,582,900
Dallas	-	1,600,000	-	-	-	-	-	-	1,600,000
San Francisco	4,525,000	17,425,000	12,400	-	-	1,850,000	3,712,000	-	27,524,400
Totals:	\$13,240,600	23,698,500	22,539,500	27,663,200	4,792,200	8,753,600	21,505,600	929,000	123,129,300

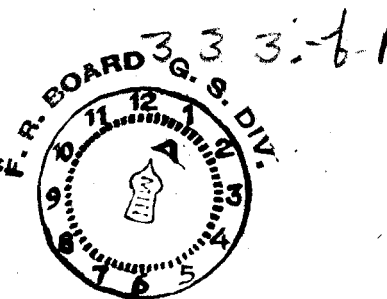
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TELEGRAM

FEDERAL RESERVE SYSTEM

(LEASED WIRE SERVICE)

RECEIVED AT WASHINGTON, D. C.



APR 26 1923
RECEIVED

119fot

Minneapolis 1137a April 26

Edmund Platt , Vice Governor

Washington.

Your wire April twenty fourth. We hold Treasury notes for our own investment as follows:

B-1924 Sept 10,000 ✓

A-1925 March 237,900 ✓

B-1925 December 1,642,500 ✓

A-1926 March 238,900 ✓

B-1926 Sept 1,069,300 ✓

Total \$3,198,600

Other Treasury notes are held on repurchase agreements for temporary accommodation of others

Rich 1247p

(9)

Mr. Board

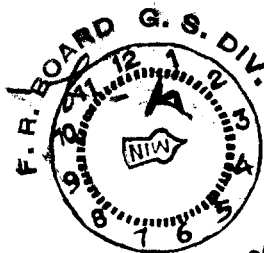
TELEGRAM

FEDERAL RESERVE SYSTEM

(LEASED WIRE SERVICE)

333

RECEIVED AT WASHINGTON, D. C.,



53nr mt

Boston 1245p apl 25

Board

Washn

Answering your wire apl 24 holdings of treasury notes our investment account as follows:

Series A 1924 \$1,100,000 ✓ series B 1924 \$1,002,000 ✓ A 1925 \$920,600 ✓
B 1925 \$1,008,100 ✓ B 1926 \$800,000 ✓ total \$4,830,700

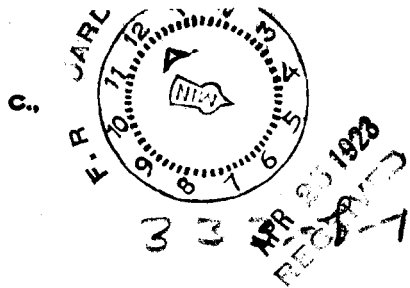
Gettemy

107p

(1)

(LEASED WIRE SERVICE)

RECEIVED AT WASHINGTON



38nrs

New York 1159A April 25 1923

Platt

Washington

Replying to your telegram dated April 24, We are holding in our investment account
 close of business April 24, the following securities. US 4 1-4% Treasury notes
 (series B-1926) dated 8-1-22 due 9-15-26 \$10,000,000

Jay

12N

(7)

TELEGRAM

FEDERAL RESERVE SYSTEM

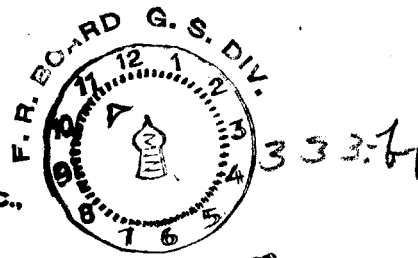
(LEASED WIRE SERVICE)

6rbhf

Phila April 25, 1030a

1923

RECEIVED AT WASHINGTON, D. C.,



Board,

Platt, Washington.

APR 25 1923
RECEIVED

Treasury note holdings close of business April 24 are: Series A 1924-46,000;

B 1924 \$168,500; A 1925-8,775,200; B 1925-10,607,500; C 1925-194,700;

A 1926-2,525,000; B 1926-68,400; A 1927 \$253,100. Total 22,638,400.

Post

1054am

(3)

see telegram 4/24/23

333-1

FEDERAL RESERVE BANK
OF RICHMOND

CALDWELL HARDY,
CHAIRMAN OF THE BOARD
AND
FEDERAL RESERVE AGENT
~~ATTENTION:~~
~~ASST. FEDERAL RESERVE AGENT~~
J. G. FRY,
ASST. FEDERAL RESERVE AGENT
R. H. LICE,
ASST. FEDERAL RESERVE AGENT

April 25, 1923.

SUBJECT: Holdings of Treasury Notes

Federal Reserve Board,
Washington, D. C.

Attention: Mr. Platt

Dear Sirs:

Acknowledging your wire of late yesterday beg
to advise that at the close of business April 24th, we
hold the following Treasury Notes:

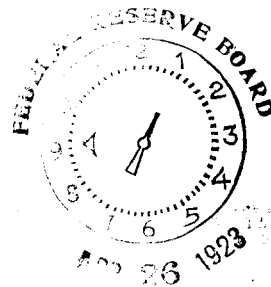
Series B-1926	due Sept. 15, 1926	\$100,000. ✓
Series A-1927	" Dec. 15, 1927	<u>50,000.</u> ✓
Total	\$150,000.

Yours very truly,

Chairman of the Board.

CH:F

RECEIVED



(5)

TELEGRAM

FEDERAL RESERVE SYSTEM

(LEASED WIRE SERVICE)

RECEIVED AT WASHINGTON, D. C.

128anr

Atlanta 116p Apr 25 1923

Board

Washn

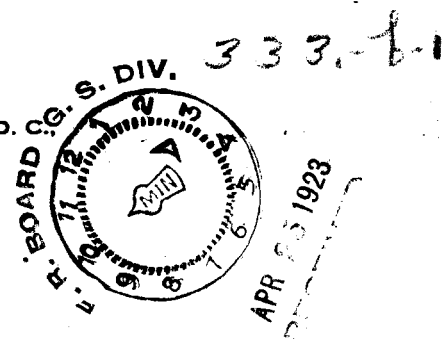
Answering Blatt's wire 24th at close business April 24, 1923 we held for permanent investment following treasury notes.

SERIES	RATE	AMOUNT	MATURITY
C-1925 ✓	4 1-2	215,000 ✓	6-15-25
B-1926 ✓	4 1-4	10,000 ✓	9-15-26 ✓
A-1927 ✓	4 1-2	58,300 ✓	12-15-27 ✓
Total amount		283,300	

McGord

235p.

(6)



333-1-1

FEDERAL RESERVE BANK
OF
ST. LOUIS

April 25, 1923.

Federal Reserve Board,
Washington.

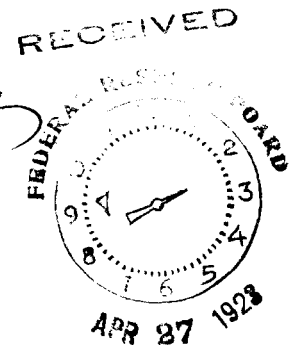
Gentlemen:- Attention Hon. Edmund Platt.

Complying with your telegram of the 24th inst., I am pleased to advise that at the close of business last night this bank held in its investment account, United States Treasury Notes as follows:

\$1,368,100 ✓	Series A, 1924 ✓	Due June 15, 1924 ✓
1,154,000 ✓	" B, 1924 ✓	" Sept. 15, 1924 ✓
1,285,900 ✓	" A, 1925 ✓	" Mar. 15, 1925 ✓
1,245,900 ✓	" B, 1925 ✓	" Dec. 15, 1925 ✓
850,600 ✓	" C, 1925 ✓	" June 15, 1925 ✓
1,320,300 ✓	" A, 1926 ✓	" Mar. 15, 1926 ✓
1,555,900 ✓	" B, 1926 ✓	" Sept. 15, 1926 ✓
274,300 ✓	" A, 1927 ✓	" Dec. 15, 1927 ✓

Yours very truly,

Edmund Platt
Asst. Federal Reserve Agent.



TELEGRAM

FEDERAL RESERVE SYSTEM

(LEASED WIRE SERVICE)

333-61

RECEIVED AT WASHINGTON, D. C.,

170fb

Kansas City April 25 1055am

1923

Platt

Washington.

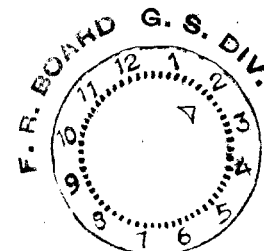
Replying your wire yesterday/holdings of Treasury notes in our investment account as at close of business April 24 as follows:

Issue	Maturity	Amount.
A-1925 ✓	3-15-25 ✓	\$11,307,300 ✓
A-1926 ✓	3-15-26 ✓	1,723,500 ✓
B-1926 ✓	9-15-26 ✓	2,412,200 ✓
A-1924 ✓	6-15-24 ✓	7,000 ✓
B-1924 ✓	9-15-24 ✓	2,000 ✓
B-1925 ✓	12-15-25 ✓	11,909,100 ✓
C-1925 ✓	6-15-25 ✓	3,017,000 ✓
A-1927 ✓	12-15-27 ✓	204,800 ✓
Total		\$30,582,900.

Ramsay.

146p

(10)



APR 25 1923

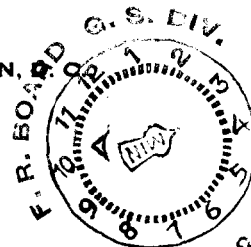
TELEGRAM

FEDERAL RESERVE SYSTEM

(LEASED WIRE SERVICE)

RECEIVED AT WASHINGTON,

333-6-1



APR 25 1923
FEDERAL RESERVE BOARD

led a

Cleveland Apr 24 608pm 25

1923

Platt

WDC

Your wire 24th, we own \$11,424,700 Treasury notes as follows:

Series A-1924	due 6-15-24	amount \$6,194,500 ✓
Series B-1924	9-15-24	2,337,000 ✓
A-1925	3-15-25 ✓	300 ✓
B-1925	12-15-25 ✓	557,000 ✓
C-1925 ✓	6-15-25 ✓	498,100 ✓
A-1926 ✓	3-15-26 ✓	32,500 ✓
B-1926 ✓	9-15-26 ✓	1,775,800 ✓
A-1927 ✓	12-15-27 ✓	29,500 ✓

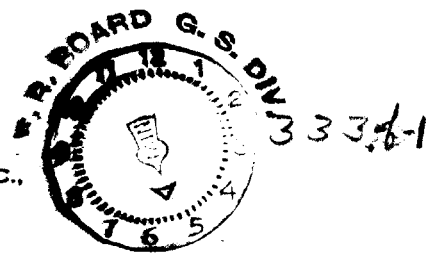
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1003am

(4)

TELEGRAM

FEDERAL RESERVE SYSTEM
(LEASED WIRE SERVICE)



RECEIVED AT WASHINGTON, D. C.,

239f ra

Chicago 412p April 24 1923

APR 24 1923
RECEIVED

Flatt

Washn

Our holdings of Treasury notes at close of business to-day are as follows:

	Series	Maturity
B 1925 ✓	December 15 1925 ✓	\$693,100. ✓
C 1925 ✓	June 15, 1925 ✓	16,800. ✓
A 1926 ✓	March 15, 1926 ✓	1,063,400 ✓
A 1927 ✓	December 15, 1927 ✓	59,000. ✓
		1,832,300

Heath

523pm

(7)

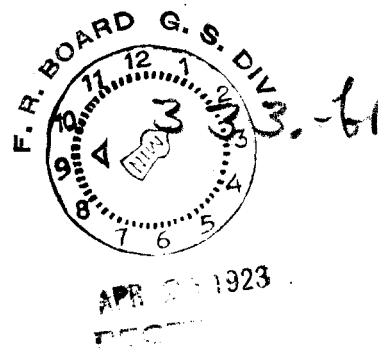
see telegram 4/24/23

TELEGRAM

FEDERAL RESERVE SYSTEM

(LEASED WIRE SERVICE)

RECEIVED AT WASHINGTON, D. C.,



255f fa

Dallas April 24 438p

Elatt

Washn

Your wire date. The only Treasury notes held by this bank in its investment account are \$1,600,000 Series B 4 1-4 maturing September 15. These are held under repurchase agreement

Talley

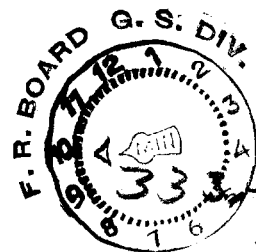
601p

(11)

TELEGRAM

FEDERAL RESERVE SYSTEM

(LEASED WIRE SERVICE)



APR 24 1923

20fhf

RECEIVED AT WASHINGTON, D. C.,

Sanfran April 24, 5pm 25th

Board,

Washn

Treasury note holdings of this bank April 23 1923 as follows:

Series ~~A~~ 1924 maturing June 15, 1924 \$4,525,000 A 1925 March 15,
 1925 \$12,400 A 1926 March 15, 1926 \$1,850,000 B ~~1924~~ September
 15, 1924 \$17,425,000 B 1926 September 15, 1926 \$3,712,000
 total \$27,524,400.

Perrin

935am

(12)

see Telegram 4/24/23

① - Date: 4/24/23

333-b-1

FOR ANSWERS SEE:

4-24-23

1. 4/25/23
2. 4/25/23
3. 4/25/23
4. 4/24/23
5. 4/25/23
6. 4/25/23
7. 4/24/23
8. 4/25/23
9. 4/26/23
10. 4/25/23
11. 4/24/23
12. 4/24/23

Answers to wire 4-24-23



*Sumner
& Return to Mr. Platt*

THE UNDERSECRETARY OF THE TREASURY

WASHINGTON

333-61

Return to Mr. Platt

April 24, 1923.

AT BOARD MEETING

APR 25 1923

*W. W. Boynton
Secy*

Dear Mr. Comptroller:

In view of our talks about the investments of the Federal Reserve Banks in Government securities I think it will interest you to know that out of the \$36,000,000, or thereabouts, of September 15th certificates redeemed to-day by the Treasury for Federal Reserve Banks, \$17,749,000 represent certificates of Series TS2-1923 held by the Federal Reserve Bank of Chicago. These certificates were issued under date of March 15, 1923, and I have some difficulty in understanding how the Federal Reserve Bank of Chicago ever came to invest in them at all, in view of the understanding between the Federal Reserve Banks, the Federal Reserve Board, and the Treasury that Federal Reserve Banks' holdings of Treasury certificates maturing March 15th would be allowed to run off without reinvestment and the subsequent understanding that the June 15th certificates redeemed by the Treasury at the time of the Governors' Conference would likewise be allowed to run off without reinvestment.

*This was
a message
the certifi-
cates TS-1923
issued Sept 15,
1922.*

Very truly yours,

S. P. GILBERT, Jr.,
Under Secretary.

Hon. D. R. Crissinger,
Comptroller of the Currency,
Washington, D. C.

Form 148

TELEGRAM
FEDERAL RESERVE BOARD
LEASED WIRE SERVICE
WASHINGTON

333-6-1

2-244

April 24, 1935.

Curtiss - Boston

Jay - New York

Austin - Philadelphia

Wills - Cleveland

Harty - Richmond

McGord - Atlanta

Heath - Chicago

Martin - St. Louis

Rich - Minneapolis

Rossy - Kansas City

Talley - Dallas

Perrin - San Francisco

For information of Treasury kindly advise Board holdings of Treasury notes in your investment account by series and maturity dates as of the latest available date.

PLATT

EP



TREASURY DEPARTMENT

WASHINGTON

433-8-1
RECEIVED
APR 24 1923
OFFICE OF
MR. PLATT.

April 23, 1923.

My dear Mr. Platt:

I should appreciate it if you would furnish me with a statement showing, by series and maturity dates, the holdings of Treasury notes by each Federal Reserve Bank in its investment account, as of the latest available date.

Very truly yours,

S. P. GILBERT, Jr.,
Under Secretary.

Honorable Edmund Platt,
Acting Governor,
Federal Reserve Board.

see ans 4/27/23

333 /

April 24, 1923.

Dear Mr. Gilbert:

I find that our records of the holdings of Treasury notes held by Federal reserve banks do not show the holdings by series and maturity dates. There were on April 4th in the whole System \$117,560,500 of Treasury notes and, apart from the September 15th maturities of certificates to be redeemed as of today, and the December 15th maturities of Treasury certificates, amounting to \$34,000,000, and \$2,000,000 of certificates maturing March 15th next, this comprises practically all of the holdings of the Federal reserve banks in Government securities, not counting \$39,000,000 of bonds bought mostly before the war. These bonds in my opinion should not be sold under any circumstances and I am sorry that in their efforts to reduce Government securities the banks have actually disposed of \$14,600,000 of them since May 17, 1922. There were in addition on April 4th \$10,471,000 of certificates held on sales contracts and this item will vary from ten million to thirty million dollars. It stood at \$27,331,000 on October 31, 1922.

I wrote rather fully on this subject to the Secretary of the Treasury after my return from the meeting of the Open Market Investment Committee in Philadelphia and expressed the opinion that the deflation of the holdings of Government securities in the Federal reserve banks has gone almost to the limit. It must be remembered, I think, that the banks have a capital and surplus of \$327,000,000 and that this is a fund which stands apart from their reserve deposits and may properly be kept fully invested in Government securities from a strict Reserve bank standpoint. The investments of the Federal reserve banks in Treasury notes and certificates are now down to \$153,000,000, certainly a low figure.

See 4-20-23

X

I am sending out wires to the Federal reserve banks asking them for the information requested.

Yours very truly,

Acting Governor.

Hon. S. P. Gilbert, Jr.,
Under Secretary of the Treasury.

see ans 4/27/23

see letter 4/28/23

Handwritten mark

7

FEDERAL RESERVE BANK OF CHICAGO

230 SOUTH LA SALLE STREET

223 /

333-6-1

April 23, 1923.

Mr. Edmund Platt, Acting Governor,
Federal Reserve Board,
Washington, D. C.

RECEIVED
APR 25 1923
FEDERAL RESERVE BOARD
WASHINGTON, D. C.

My dear Mr. Platt:

I am in receipt of your letter of the 20th instant,
enclosing copy of the report and recommendations of the Committee
on unemployment and business cycles.

The personnel of the committee appointed by the
President is such as to command highest respect, and I feel that
the report ensuing is one which should be widely distributed and
read by bankers and business men generally.

I appreciate very much your prompt response to my
request for a copy of the report.

Very truly yours,

Handwritten signature
Governor.

M

Large handwritten checkmark

FEDERAL RESERVE BANK OF NEW YORK

2

-

Honorable Edmund La' -
Washington, D. C.

4/21/23.

this is an immediate easing of the money market, which lasts until tax checks are cleared and the receipts and disbursements again come into balance. On March 15 exactly the reverse situation developed; tax receipts were in excess of the redemptions and interest payments and piled up a comfortable balance in the Federal Reserve Banks. This balance was not available to the money market save through the usual process of borrowing from the Federal Reserve Bank. If such borrowing occurred it carried a rate of interest, and if it did not occur funds to the extent that Government receipts exceeded Government disbursements were not available to the market. The redemption of certificates out of these unexpectedly large tax receipts, to which you refer, occurred entirely within the Federal Reserve Banks; that is the Treasury bought certificates previously owned by the Federal Reserve Banks. This transaction had no effect whatever on the money market, serving simply to reduce the Treasury's balance at the Reserve Banks and to reduce also the Reserve Banks' holdings of Government obligations. No new money reached the market through the transaction. Purchases of bonds for the account of the sinking fund may or may not affect the money market, depending upon whether (first) the purchases are made from the Federal Reserve Banks or in the open market, or whether (second) such purchases along with other Government disbursements tend to offset withdrawals from banks.

A reduction in the gross amount of Government debt is undoubtedly, as you say, a deflationary step, looked at in the gross. But it is entirely conceivable that payment of debt by the Government, if such debt for example were held outright by individual investors,

*Reports of
John Ross
Market Committee
4/13/23
A13
3/23*

FEDERAL RESERVE BANK
OF NEW YORK

2

RECEIVED
APR 21 1923
OFFICE OF
MR. PLATT

April 21, 1923.

Dear Mr. Platt:

I have your letter of April 20 (in which you raise some interesting questions about the effect upon the money market of various Government transactions, such as purchases for the sinking fund, the redemption of certificates, etc.

The general principle is that there is no effect upon the money market whatsoever if disbursements by the Government for any purpose coincide fairly closely in time and amount with withdrawals from the banks, either by way of tax receipts or the withdrawal of Government deposits. This principle does not take into account such incidental transactions between banks and their customers as loans for the purpose of providing funds with which to pay taxes, or the cancellation of debt owing by a customer to its bank effected with the proceeds of a redemption. Such operations are really extraneous to the main principle.

The effects on the money market which we notice from time to time arise principally from the failure of Government withdrawals and Government receipts to coincide in time and amount. For example, after the March 15 quarterly tax day the tax receipts were larger than the Treasury anticipated, and for fully a month the Treasury had funds in the Federal Reserve Banks with which to meet its current requirements. Usually the Government disbursements on a quarterly tax day have been larger and more prompt than the receipts from taxes. The result of

FEDERAL RESERVE BANK OF NEW YORK

Honorable Edmund Platt,
Washington, D. C.

4/21/23.

would not affect the money market adversely in the long run but would tend to stimulate it. The immediate effects of such operations, however, depend upon the conditions which I have outlined above.

At the close of your letter you ask whether I understand that the payment of the 5 per cent. Farm Loan bonds takes bonds out of the Treasury which are now held there. I do not understand that to be the case, but that this is rather in the nature of a refunding operation. Some 55 millions of 5 per cent. Farm Loan bonds are called for redemption on May 1. The new issue, which amounted to about 75 millions, I understand to have provided the means whereby this redemption takes place and at the same time supplies additional funds for the further uses of the Farm Loan Board.

If I do not seem to have made a case in the foregoing please let me know.

Very truly yours,



J. H. Case
Deputy Governor

Honorable Edmund Platt,
Vice Governor, Federal Reserve Board,
Washington, D. C.

Reproduced from the Declassified Holdings of the National Archives

COPY

376-2/2

April 21, 1923.

TO GOVERNORS FEDERAL RESERVE BANKS,

Boston	Chicago
Case New York	St. Louis
Philadelphia	Minneapolis
Cleveland	Kansas City
Richmond	Dallas
Atlanta	San Francisco.

In furtherance of the policy of liquidation by Federal Reserve Banks of their holdings of Government securities, the Treasury would like to retire the certificates of indebtedness maturing September 15, 1923, held in the investment accounts of the Federal Reserve Banks. The Treasury is accordingly offering to all Federal Reserve Banks to redeem at par and accrued interest to date of redemption all September 15 certificates so held, the redemptions to be made on Tuesday, April 24th. The certificates so redeemed should be charged in Treasurer's account as in ordinary cases of redemption, first canceling the certificates and forwarding them to Treasurer scheduled under date of charge in the usual manner. The Treasury hopes that all Federal Reserve Banks will accept this offer, and, having in mind the general policy of effecting gradual liquidation of Federal Reserve Bank holdings of Government securities, that these certificates will be redeemed without reinvestment of the proceeds in other Government securities. Please advise me by telegram of your decision.

GILBERT. (Initialed S. P. G.)
Exp. of loans & c.

RGH:MEC

g...

333-F-1

copy

April 20, 1923.

333-F-2
333.31

Dear Mr. Case:

This will acknowledge receipt of yours of April 19th, enclosing copy of the minutes of the first meeting of the Open Market Investment Committee for which I wish to thank you. I have made an informal report of the meeting of the Committee to the Board and think I shall write out and put on the minutes a more formal one.

I notice from your daily reports that bill rates have gone up at least an eighth although the general tone of the money market seems easier.

By the way, there is one Treasury force the effect of which I am not quite clear about. In the first place, the sinking fund takes a good many Government securities out of the market and puts money in. In the second place, the Treasury I think is undoubtedly using the surplus revenue due to the unexpectedly large customs receipts and income tax payments in redeeming certificates. It seems to me that this puts money into the market, although from another point of view it may be called "deflation", and is in fact one of the items of deflation mentioned by the Right Honorable Reginald McKenna in his speech of some months ago to his stockholders in London.

Do you understand that the payment of the 5 per cent Farm Loan bonds takes bonds out of the Treasury which are now held there? If so, that offsets to some extent the items of redemption from surplus revenue.

Yours very truly,

Acting Governor.

Mr. J. H. Case, Deputy Governor,
Federal Reserve Bank,
New York, N. Y.

orig. filed 333.31

3331

April 30, 1923.

Dear Mr. Secretary:

Carded

On Friday of last week I attended a meeting of the new Open Market Investment Committee of the Federal Reserve banks held at Philadelphia. The committee is made up of the Federal Reserve Banks of Boston, New York, Philadelphia, Cleveland and Chicago, and there were present Governor Harding, Acting Governor Case, Governor Norris, Governor Fancher and Governor McDougal.

After preliminary discussion the committee organized by electing Mr. Case as Chairman and then ensued a full discussion of the whole open market policy of the Federal Reserve System. I will state briefly the results of the meeting and then take up some of the facts brought out by the Governors present and some matters of the discussion. The Governors voted to recommend to their own boards and to the other Federal Reserve banks that the Treasury certificates maturing on September 15th, amounting to \$35,953,500, be tendered to the Treasury at par and interest if and when the Treasury is willing to take them. The committee also voted to raise the open market purchasing rate on acceptances 1/8 which will make the rate at New York for purchasing short bills 4 per cent, for sixty-day bills 4-1/8, ninety-day bills 4-1/4 and longer bills 4-3/8. This action has already had its effect upon the brokers offerings in New York City. Furthermore it was understood that the banks buying bills would buy each day a little less in value than the amounts maturing.

Mr. Case presented a schedule of the holdings of all Federal Reserve banks in United States securities and other earning assets. ~~from May 17, 1922~~, 1922, to April 4, 1923, inclusive. The holdings of Government securities were at their peak as you know in May 1922, being at \$694,975,000 on May 17th, and \$603,419,000 on May 31st. From that time they began rapidly to decline and on April 4th had been reduced to \$239,149,000 while other earning assets had increased to \$955,109,000. Government securities therefore have been reduced no less than \$355,826,000.

When you consider that of the \$239,149,000 held on April 4th last \$10,471,000 were held on repurchase agreement there remain only \$228,678,000 of investment securities in the Federal Reserve System, and of these \$39,083,000 are Government bonds, nearly all of them bonds bought before the war in conformity with Section 18 of the Federal Reserve Act. Some of them are bonds still bearing the circulation privilege and others are conversions of such bonds into 3 per cents. When these are subtracted it will be found that there remain in the Federal Reserve System only \$189,595,000 of bonds and notes and certificates of which \$34,011,000 are December 1923 maturities, \$2,062,500 March 15, 1924 maturities and the balance \$117,550,000 are Treasury notes.

Hon. A. W. Mellon 2.

This represents a pretty drastic deflation of Government securities and it seemed to the committee that the banks have gone about as far in this matter as they should be expected to go. I ought to say that the \$10,471,000 of Treasury certificates held April 4th on sales contracts represent a low stage of that item. On October 26, 1932 the amount held was \$27,231,000 and on January 31, 1933, \$25,301,000. Mr. Case told me that this item would fluctuate from about \$10,000,000 to \$30,000,000. It may be considered practically negligible but an increase or decrease of five or ten millions in any weekly statement might be shown without any actual increase in the investment accounts of the banks. I might add that in their efforts to reduce their holdings of Government securities Federal Reserve banks since May 17, 1932 have actually sold nearly \$14,000,000 of bonds bearing the circulation privilege which I believe was a very bad policy and it simply puts that amount of national bank notes back into circulation. I have protested vigorously against this and hope I have succeeded in producing some impression. ✓

When you consider that the Federal Reserve banks have a capital and surplus of \$327,000,000 which was really taken out of the working funds of the banks which joined the System and represents that much deflation unless it is invested I think you must admit that the holdings of Government securities at the present time are very low. Counting out the bonds which represent subtraction from the national bank circulation and counting out the \$10,000,000 held on sales contracts the Reserve banks have \$137,400,000 less invested in Government securities than their capital and surplus. Every time a new bank joins the System and every time the capital and surplus of any present member bank are increased something is added to the capital of the Federal Reserve banks which is taken out of the working funds of the country and locked up unless reinvested. During the past year, that is between April 5, 1932 and April 4, 1933, the capital of the Federal Reserve banks increased \$4,064,000 while the surplus increased \$3,000,000. The capital increases a few thousand dollars almost every week. ✓

It would seem to me, therefore, that the capital and surplus of the Federal Reserve banks should be continuously invested regardless of the demand for discounts, not only as one of the chief means of supporting the Federal Reserve banks but as investments which can not possibly effect the money market in the sense of adding new funds to the market because such investments simply return to the market what have previously been subtracted from it and leave the conditions as before. This was substantially the view of the committee and is also the opinion of Mr. Warburg with whom we talked over the open market investment policy of the Federal Reserve banks when he was last here something more than a week ago. My own feeling has always been that a considerably larger proportion of this fund might be invested in long time bonds. ✱

Since the Federal Reserve banks now have \$137,400,000 less than their capital and surplus invested in Treasury certificates and notes it seems to me that we may fairly be said to have deflated to that extent. I believe that when the investments of the Reserve banks in Treasury certificates and notes or in bonds other than bonds bearing the circulation privilege reach \$350,000,000 they may be said to be excessive and to be influencing the market in the direction of easy money, but when they fall below \$200,000,000 it seems to me the influence is distinctly in the direction of deflation. I understand from Mr. Case that arrangements are to be made to take up the September 15th maturities which will

Hon. A. W. Mellon 3.

actually leave the Federal Reserve banks only a little more than \$153,000,000 of Treasury certificates and notes.

Why should not the Treasury consider that about the minimum with \$350,000,000 as a maximum.

Perhaps it may be said that the holdings of acceptances or "bills bought in the open market" ought to be considered in the same category with Treasury certificates and notes, but there is this difference - the acceptances represent actual business transactions and are self-liquidating. Furthermore unless the Federal Reserve banks make some investments in acceptances the acceptance business will be entirely destroyed or driven to London as it will be just as cheap to sell open market one name paper as to arrange for the accepting of drafts in banks or acceptance houses paying the 1/4 of 1 per cent commission. Mr. Case seemed to think it doubtful whether the market could stand a further raise of 1/8 unless the rediscount rate was raised.

Yours very truly,

Acting Governor.

Hon. A. W. Mellon,
Secretary of the Treasury.

W

#7

333-1
333-1

April 30, 1923.

Dear Governor McLaughlin:

I have found an extra copy of the pamphlet from which the article you read at the meeting of the Open Market Investment Committee is taken, and am enclosing it herewith. The pamphlet is entitled "Business Cycles and Unemployment" and is well worth reading and keeping for reference.

I have just received from Mr. Case a copy of the minutes of the first meeting of the Open Market Investment Committee but have not yet had a chance to read them.

Yours very truly,

Acting Governor.

Mr. J. B. McLaughlin, Governor,
Federal Reserve Bank,
Chicago, Ill.

see letter 4/18/23
see ans 4/23/23

FEDERAL RESERVE BANK OF CHICAGO

230 SOUTH LASALLE STREET

333-8-1

RECEIVED
MR. PLATT

April 18, 1923.

Mr. Edmund Platt, Acting Governor,
Federal Reserve Board,
Washington, D. C.

My dear Mr. Platt:

Dated

As you probably will remember, at the Philadelphia meeting I read some excerpts from the report of a committee appointed by the President to investigate the causes of business depressions.

The article which I presented and which was taken from the April 9th issue of the American Banker was not a complete report of the committee referred to, but I understood you to say that the report had been published in printed form. While I believe you indicated the source through which we may receive the same, I failed to make the necessary memorandum. If you have an extra copy of the report referred to or can obtain a copy of the same in my behalf, I shall greatly appreciate the attention.

Very truly yours,

J. B. Morgan
Governor.

M

see ans 4/20/23

333.6-1

4-18-23

April 18, 1923

"Mr. Miller distributed to the members of the Board copies of the first draft of the forthcoming Review of the Month. Thereupon there ensued a discussion of this document and also a discussion of discount rates and credit policies in view of Mr. Platt's report upon the recent meeting at Philadelphia of the Open Market Investment Committee for the Federal Reserve System."

Gilbert - Direct notes

THE UNDERSECRETARY OF THE TREASURY

Ashville, N. C.,
April 17, 1923.

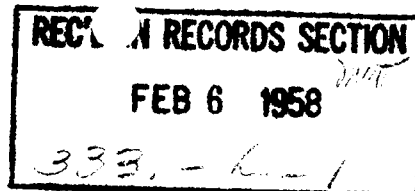
CONFIDENTIAL

TO DR. MILLER,

Federal Reserve Board:

I attach for your confidential information a copy of a memorandum of this date which I have sent to the Secretary as to discount rates and open market operations.

J. P. Gilbert Jr



Ashville, N. C.,
April 17, 1923.

TO THE SECRETARY:

It is possible, I presume, that the Federal Reserve Bank of New York will on Wednesday recommend an increase in its discount rate from $4\frac{1}{2}$ to 5 per cent. From the Treasury point of view, I think it would be a mistake to oppose this increase and that if actually recommended by the New York bank it would be best for the Federal Reserve Board to approve it. If it is to be approved, it ought to be approved promptly, for otherwise there will be danger of conflicting with the Treasury's May financing, which will have to be announced about May 7th, at the latest. If made now, I do not believe that an increase in the New York discount rate will really embarrass the Treasury, and in the long run it would ^{be} helpful if it put some curb on speculation. To a large extent, furthermore, the possibility of an increased rate has been discounted, and money rates in the market have for some time been ruling at 5 per cent or above,--call money, for example, has been running at about 5 per cent, with occasional jumps to 6 per cent, while time money and commercial paper have for some weeks been quoted at from $5\frac{1}{2}$ to $5\frac{1}{2}$, or even higher. These money rates have already had their effect on the bond market, and practically all of our securities are selling at prices that would not be out of line with a 5 per cent discount rate.

On the other hand, I am not at all sure that an increase in the discount rate is necessary, even though it would do no particular harm.

-2-

Last week's Federal Reserve statement showed a much improved position, with some liquidation of loans and increased reserves, and I personally think that there is much ^{more} to be gained at this time by further sales of Treasury notes and certificates by the Federal Reserve Banks than by increases in the discount rate. Liquidation of the Government securities held by the Federal Reserve Banks actually pulls in Federal Reserve funds from the market, and this cuts very heavily into the supply of funds available for speculation and expansion, since reserve deposits with the Federal Reserve Banks account for about seven or eight times as much credit at the member banks. *

Last week's statement showed not liquidation of notes and certificates by the Federal Reserve Banks of only 1 million dollars for the week, and at the same time indicated a considerable increase in bills purchased in the open market. This is a poor showing, and I think the Federal Reserve Board could properly make the Federal Reserve Banks do much better in the next week or so. It is an old story for the Federal Reserve Banks to be worrying about their discount rate at the same time that they are themselves making the situation worse through following a misguided open market policy, and I for one do not see the justification for carrying in the portfolios of the Federal Reserve Banks Government securities and bills bought in the open market to an aggregate of over 400 million dollars, all purchased at rates below the present discount rate, at the very time when the Federal Reserve Banks profess to be worried about the general situation and are expecting to raise their

-3-

discount rates in order to control the expansion of credit and prevent inflation. If the banks really want to control expansion they will gradually draw in their funds from the open market and liquidate their present holdings of bills and securities,--which at their present figures would support an expansion of credits at member banks running as high as 3 billion dollars.

From another point of view, these open market holdings of the Federal Reserve Banks operate exactly like gold imports, and their liquidation operates exactly like gold exports. The Federal Reserve Banks are worried about their present large gold holdings, which really do create a situation which encourages inflation and may prove dangerous when gold begins to move from us. Their open market policy, however, which has been guided almost entirely by selfish considerations of earning enough to pay salaries, expenses and dividends, has exaggerated the situation by over 400 million dollars, and produced practically the same effect as if additional gold imports in this amount had come into the country. The gold situation is difficult to control, for to a large extent it depends on outside factors, but the open market policy of the Federal Reserve Banks is entirely within the power of the System to control, and I think the time has come to control it.

After more than a year's discussion, and notwithstanding repeated resolutions of the Federal Advisory Council and more recently of the Federal Reserve Board, the open market policy of many of the Federal Reserve Banks, particularly Cleveland, Chicago, Kansas City and Dallas, and to some extent of all the banks, is still actually determined by

-4-

the question of earning enough to meet expenses and dividends. Open market operations are handled as if they had no relation to credit policy, and in consequence the discount rate has for long periods been absolutely meaningless. Cleveland, for example, has recently been buying entirely unjustified quantities of bills in the open market, for the sole purpose of replacing Government securities redeemed by the Treasury and restoring its earning assets to a figure deemed sufficient to assure meeting expenses and dividends. Kansas City is frankly guided by the same policy.

In the face of a credit situation which admittedly does cause some concern, this is the most selfish and narrow-minded attitude imaginable, and I know of no way to control it except for the Federal Reserve Board to take the leadership. The banks themselves ought to do it, and have as a matter of fact made some real progress during the year, but always as the result of direct pressure from the Treasury and practically never on their own initiative. The Federal Reserve Board clearly has power, under Section 14 of the Federal Reserve Act, to regulate these open market purchases, and whether or not increases in the discount rate are recommended and approved I think further action will have to be taken to bring open market operations into harmony with the general credit policy.

(Signed) S. P. Gilbert, Jr.

gm

333-f-1

EXCERPT FROM THE MINUTES OF MEETING OF THE FEDERAL RESERVE BOARD
held April 10, 1923.

"Mr. Miller moved that the resolution adopted by the Board on April 7th, with reference to the liquidation of open market investments by the Federal Reserve banks as a precedent to an increase in rates, be submitted by the Vice Governor to the Open Market Investment Committee for the Federal Reserve System, at its meeting to be held in Philadelphia on Friday, April 13th.

Carried."

FEDERAL RESERVE BOARD

WASHINGTON

X-3689

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

April 7, 1923.

SUBJECT: Policy Governing Open Market Purchases by Federal Reserve Banks and the Administration thereof.

Dear Sir:

Dated

This is to advise you formally of the action of the Federal Reserve Board taken at its meeting of March 22nd, with respect to open market purchases by Federal Reserve Banks, and which was discussed at the recent conference between the Federal Reserve Board and the Governors of the Federal Reserve Banks.

The Board has adopted the following principles with respect to open market investment operations of the Federal Reserve Banks:

(1) That the time, manner, character and volume of open market investments purchased by Federal Reserve Banks be governed with primary regard to the accommodation of commerce and business, and to the effect of such purchases or sales on the general credit situation.

(2) That in making the selection of open market purchases, careful regard be always given to the bearing of purchases of United States Government securities, especially the short-dated issues, upon the market for such securities, and that open market purchases be primarily commercial investments, except that Treasury certificates be dealt in, as at present, under so-called "Repurchase" agreement.

In order to provide for the proper administration of the policy defined above, the Board rules that on and after April 1, 1923, the present Committee of Governors on Centralized Execution of Purchases and Sales of Government securities be discontinued, and be superseded by a new committee known as the Open Market Investment Committee for the Federal Reserve System, said committee to consist of five representatives from the Federal Reserve Banks and to be under the general supervision of the Federal Reserve Board; and that it be the duty of this committee to devise and recommend plans for the purchase, sale and distribution of the open market purchases of the Federal Reserve Banks in accordance with the above principles and such regulations as may from time to time be laid down by the Federal Reserve Board.

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333, - L

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X-3689

In accordance with the informal agreement made at the time of the last Governors' Conference, the membership of the Open Market Investment Committee for the Federal Reserve System, will be identical with the membership of the old Committee, as follows:

Federal Reserve Bank of Boston
Federal Reserve Bank of New York
Federal Reserve Bank of Philadelphia
Federal Reserve Bank of Cleveland
Federal Reserve Bank of Chicago

By order of the Federal Reserve Board.

Wm. W. Hoxton,
Secretary.

To Governors of Federal Reserve Banks.
Copies to Agents.

DECLASSIFIED
Authority EO 12958

Miller



THE UNDERSECRETARY OF THE TREASURY
WASHINGTON

RECEIVED
APR 7 1923
OFFICE OF
MR. A. C. MILLER

REC'D IN RECORDS SECTION
FEB 6 1958
393-6-1

Dear Dr. Miller:

In view of our conversation of this afternoon, I am transmitting herewith for your confidential information copies of (1) my letter of March 30, 1923, to Mr. Case, Deputy Governor of the Federal Reserve Bank of New York, offering to buy \$10,000, 000 of Treasury notes at the market, (2) Mr. Case's letter of April 4, 1923, stating that the Board of Directors of the Federal Reserve Bank of New York had decided not to accept this offer, and (3) my letter of April 5, 1923, to Mr. Case commenting on the hesitancy of some of the Federal Reserve Banks to take a loss on their holdings of Government securities. This is a matter on which it may be necessary, it seems to me, for the Federal Reserve Board to indicate some general policy to the Federal Reserve Banks.

4/6/23

X

I am also enclosing as of possible interest in this connection a copy of a letter dated April 5, 1923, which I received from Mr. Case advising that the Federal Reserve Bank of New York has increased from 4 to $4\frac{1}{2}$ per cent its rate on repurchase agreements covering United States Government securities, and a copy of my letter in reply suggesting that it might be advisable for the Federal Reserve Banks at this time to mark up their buying rate on acceptances.

Very truly yours,

Hon. A. C. Miller,
Federal Reserve Board,
Washington, D. C.
5 enclosures.

S. P. Gilbert, Jr.
S. P. GILBERT, Jr.,
Under Secretary.

DECLASSIFIED
Authority EO 12958

(COPY)

FEDERAL RESERVE BANK
OF NEW YORK.

CONFIDENTIAL.

April 5, 1923.

Dear Mr. Gilbert:

As stated in my telephone conversation with you yesterday, we are changing our rate from 4% to 4½%, effective April 10, 1923, on all advances to dealers against United States Government securities purchased under fifteen day sales contract agreements.

Government securities generally are now selling at prices which represent considerably higher yields, (the Treasury notes yielding approximately 4½%,) and in view of this it is felt that the rate charged to dealers should be brought up to a point equal to our present rediscount rate.

Very truly yours,

(Signed) J. H. Case,

Deputy Governor.

Honorable S. P. Gilbert, Jr.,
Under Secretary of the Treasury,
Washington, D. C.

DECLASSIFIED
 Authority EO 12958

CONFIDENTIAL.

April 6, 1923.

Dear Mr. Case:

I received your letter of April 5, 1923, and note that effective April 10, 1923, you are changing your rate from 4 to $4\frac{1}{2}$ per cent on all advances to dealers against United States Government securities purchased under fifteen-day sales contract agreements.

It occurs to me in this connection that, in view of the upward tendency of money rates and the concern which the Federal Reserve Banks are feeling about their discount rates, it would not be inappropriate to mark up the buying rate on acceptances to a higher figure, perhaps as high as $4\frac{1}{2}$ per cent. There seems lately to have been a considerable increase in the purchases of acceptances in the open market, particularly by Federal Reserve Banks like Cleveland, which have liquidated considerable holdings of Government securities. I believe it would broaden the market for acceptances and at the same time give the Federal Reserve Banks a better hold on the general situation if their buying rates were advanced to correspond more closely to the prevailing market rates for money.

Very truly yours,

J. H. Case, Esq.,
 Acting Governor,
 Federal Reserve Bank,
 New York, N. Y.

S. P. GILBERT, Jr.,
 Under Secretary.

JPG/AMM

DECLASSIFIED
Authority EO 12958

COPY.


April 5, 1923.

CONFIDENTIAL

Dear Mr. Case:

I received your letter of April 4, 1923, and note that after careful consideration the Federal Reserve Bank of New York has decided not to take advantage at this time of the Treasury's offer to take up \$10,000,000 face amount of 4 $\frac{1}{2}$ per cent Treasury notes of Series B-1926 at the market price, plus accrued interest. I note that the Federal Reserve Bank would be willing to sell the notes at the book value, but the Treasury would not be able, of course, to purchase them on this basis in view of the prevailing market prices.

I hope that the Federal Reserve Bank of New York, and the other Federal Reserve Banks, will feel willing to sell from time to time in the market, at the prevailing market prices, all or substantially all of their present holdings of Treasury notes. These notes, like Treasury certificates and Victory notes purchased by the Federal Reserve Banks for their investment accounts, were bought primarily for the sake of earnings and incidentally, in some cases, for the purpose of exercising credit control when circumstances should arise to make it necessary. The Federal Reserve Banks during 1922 must have taken many profits in connection with their dealings in Government securities and now that the market has to some extent turned I feel that the Federal Reserve Banks should not be too hesitant about selling their notes and certificates simply because that may involve taking some losses. These transactions



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must be regarded as a whole and unless the Federal Reserve Banks are to go back to their old theory of running an investment account in Government securities simply for the purpose of making earnings, it seems to me they should be willing to take losses, if necessary, whenever circumstances indicate the sale of securities still carried in their portfolios. Any other view will absolutely freeze up the holdings of Treasury notes still in the hands of the Federal Reserve Banks until either their maturity or such time as a rising market makes it possible to sell the notes without realizing a loss.

I hope that you will review the matter on this basis, and if you think it necessary put it up to the Central Committee on Open Market Operations for further consideration.

Very truly yours,

(Signed) S. P. Gilbert, Jr.

Under Secretary.

J. H. Case, Esq.,
c/o Federal Reserve Bank,
15 Nassau Street,
New York, N. Y.

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(COPY)

FEDERAL RESERVE BANK
OF NEW YORK

April 4, 1923.

CONFIDENTIAL.

Dear Mr. Gilbert:

With further reference to your letter of March 30, 1923, in which you state that the Treasury will be willing to take up \$10,000,000. par value of ~~4%~~ Treasury notes due September 15, 1926, held by this bank in its investment account, at the market plus accrued interest, while, as stated in our telephone conversation Saturday, we will be glad to sell these to you at the book value, we do not feel that we are in a position at present to sell them at the market price.

These notes, you will recall, were acquired by us in connection with the exchange of Victory notes last August. The latter were purchased in July 1922 at somewhat above par and if we were to dispose of them at the market price, which is at present 98½, (representing approximately a 4.75% yield) the transaction would entail a money loss to us of \$191,532.75. ✓

The matter has been taken up with our Board of Directors at its meeting to-day, and after careful consideration it was decided not to take advantage of the Treasury's offer at this time.

Very truly yours,

(Signed) J. H. Case,
Deputy Governor.

Honorable S. P. Gilbert, Jr.,
Under Secretary of the Treasury,
Washington, D. C.

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March 30, 1923.

Dear Mr. Case:

I understand that the Federal Reserve Bank of New York holds about \$10,000,000 face amount of 4½ per cent Treasury notes which it would be willing to sell, and I am writing to advise you that the Treasury would be willing to take up these notes at the market, plus accrued interest, for retirement out of "proceeds of Treasury notes", provided that the transaction can be put through within the next two or three days, preferably on March 31st. I assume you will advise me promptly whether or not you wish to accept this offer.

Very truly yours,

(Signed) S. P. Gilbert, Jr.,

Under Secretary.

J.H. Case, Esq.,
Acting Governor,
Federal Reserve Bank,
New York, N. Y.

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EXCERPT FROM THE MINUTES OF MEETING OF THE FEDERAL RESERVE BOARD
held April 5, 1923.

"The Vice Governor stated that he had received a letter from Mr. Case, Deputy Governor of the Federal Reserve Bank of New York, suggesting that the Board call a meeting at Philadelphia on the 13th of April of the Open Market Investment Committee for the Federal Reserve System, provided for in the resolutions of the Federal Reserve Board adopted March 22nd, and which it is understood will be composed of the same members as was the former Committee of Governors on Centralized Execution of Purchases and Sales of Government Securities.

Upon motion, the Secretary was instructed to wire Governor McDougal, the Chairman of the late Governors' Conference, with a view to ascertaining who is the present Chairman of the Committee aforesaid.

The Vice Governor was authorized, after receipt of this information, to call a meeting of the Committee at Philadelphia on the 13th of April."

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*Adopted by
Board
3/22/23*

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RESOLUTION RECENTLY ADOPTED BY THE FEDERAL RESERVE BOARD.

"Whereas the Federal Reserve Board, under the powers given it in Sections 13 and 14 of the Federal Reserve Act, has authority to limit and otherwise determine the securities and investments purchased by Federal reserve banks:

Whereas the Federal Reserve Board has never prescribed any limitation upon open market purchases by Federal reserve banks;

Whereas the amount, time, character, and manner of such purchases may exercise an important influence upon the money market;

Whereas an open market investment policy for the twelve banks composing the Federal reserve system is necessary in the interest of the maintenance of a good relationship between the discount and purchase operations of the Federal reserve banks and the general money market;

Whereas heavy investments in United States securities, particularly short-dated certificate issues, have occasioned embarrassment to the Treasury in ascertaining the true condition of the money and investment markets from time to time,

THEREFORE, Be It Resolved, That the Federal Reserve Board, in the exercise of its powers under the Federal Reserve Act, lay down and adopt the following principles with respect to open market investment operations of the Federal reserve banks, to-wit:

- (1) That the time, manner, character, and volume of open market investments purchased by Federal reserve banks be governed

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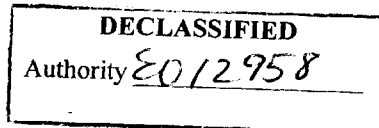
with primary regard to the accommodation of commerce and business and to the effect of such purchases or sales on the general credit situation.

(2) That in making the selection of open market purchases, careful regard be always given to the bearing of purchases of United States Government securities, especially the short-dated issues, upon the market for such securities, and that open market purchases be primarily commercial investments, except that Treasury certificates be dealt in, as at present, under so-called "repurchase" agreement.

Be It Further Resolved, That on and after April 1, 1923, the present Committee of Governors on Centralized Execution of Purchases and Sales of Government Securities be discontinued, and be superseded by a new committee known as the Open Market Investment Committee for the Federal Reserve System, said Committee to consist of five representatives from the reserve banks and to be under the general supervision of the Federal Reserve Board; and that it be the duty of this Committee to devise and recommend plans for the purchase, sale and distribution of the open market purchases of the Federal reserve banks in accordance with the above principles and such regulations as may from time to time be laid down by the Federal Reserve Board."

Note: The Board has determined that Government securities of short maturities should be liquidated first, and wishes the opinion of the Conference of Governors as to how this may best be done without disturbance to the market.

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RESOLUTIONS APPROVED BY FEDERAL RESERVE BOARD AT
MEETING ON MARCH 22, 1923.

"Whereas the Federal Reserve Board, under the powers given it in Sections 13 and 14 of the Federal Reserve Act, has authority to limit and otherwise determine the securities and investments purchased by Federal reserve banks;

Whereas the Federal Reserve Board has never prescribed any limitation upon open market purchases by Federal reserve banks;

Whereas the amount, time, character, and manner of such purchases may exercise an important influence upon the money market;

Whereas an open market investment policy for the twelve banks composing the Federal reserve system is necessary in the interest of the maintenance of a good relationship between the discount and purchase operations of the Federal reserve banks and the general money market;

Whereas heavy investments in United States securities, particularly short-dated certificate issues, have occasioned embarrassment to the Treasury in ascertaining the true condition of the money and investment markets from time to time,

THEREFORE, Be It Resolved, That the Federal Reserve Board, in the exercise of its powers under the Federal Reserve Act, lay down and adopt the following principles with respect to open market investment operations of the Federal reserve banks, to-wit;

(1) That the time, manner, character, and volume of open market investments purchased by Federal reserve banks be governed with primary regard to the accommodation of commerce and business and to the effect of such purchases or sales on the general credit situation.

(2) That in making the selection of open market purchases, careful regard be always given to the bearing of purchases of United States Government securities, especially the short-dated issues, upon the market for such securities, and that open market purchases be primarily commercial investments, except that Treasury certificates be dealt in, as at present, under so-called "Repurchase" agreement.

Be It Further Resolved, That on and after April 1, 1923, the present Committee of Governors on Centralized Execution of Purchases and Sales of Government Securities be discontinued, and be superseded by a new committee known as the Open Market Investment Committee for the Federal Reserve System, said Committee to consist of five representatives from the reserve banks and to be under the general supervision of the Federal Reserve Board; and that it be the duty of this Committee to devise and recommend plans for the purchase, sale and distribution of the open market purchases of the Federal reserve banks in accordance with the above principles and such regulations as may from time to time be laid down by the Federal Reserve Board."

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TO DIRECTOR ST. LOUIS
AND FEDERAL RESERVE BANK OF ST. LOUIS

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As the matter of the investment policy of the Federal reserve banks presents itself to my mind, more particularly the current phase of their policy, I should state the question at issue as follows:

REC'D IN RECORDS SECTION
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Federal reserve banks, in selling Government securities, are undertaking to control the market by "borrowing" from the market. They seek to justify this procedure on the ground that such borrowing is necessary, or at least very advisable, under circumstances like the present in order to exercise appropriate control over the market.

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Accepting as a matter of principle that it is a proper procedure for a Federal reserve bank, in certain circumstances, to undertake to influence the course of the market by borrowing from it, and granting that present conditions are such as to warrant the application of this principle, it is yet to be noted, if not emphasized, that the market which is the proper province of the Federal reserve banks and the one market which they are warranted in undertaking to exercise a control over is not the investment market, or even the general money market, but the bill and commercial paper markets.

The sale of Government securities, even those of short date, has no direct effect upon the bill market. It is at best an indirect method of reaching the bill market. The general money market is affected by the sale of Governments, and then by a process of repercussion an effect is felt in the bill market. This comes about through the diversion of funds from the bill market to the market for Governments by Federal reserve bank sales of the latter. To bring about the diversion of funds from the bill market to

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the market for Governments - in other words, to raise the rate for bills and to stiffen the bill market - the price of Governments must be depressed and their yield raised to a point sufficient to make the shift of funds from the bill market attractive; otherwise stated, to force the bill market to bid against the market for Governments. Stating the proposition a little differently, and perhaps more pointedly for purposes of the present discussion, it appears that the market for Governments must in some degree be "spoiled" in order to accomplish the professed object of Federal reserve banks.

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Gilbert - Enclosing letter from Strong



THE UNDERSECRETARY OF THE TREASURY
 WASHINGTON

REC'D IN RECORDS SECTION
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 September 19, 1922.

PERSONAL AND CONFIDENTIAL

Dear Dr. Miller:

I am attaching for your information and consideration a copy of a letter dated September 15, 1922, which I have received from Governor Strong in response to the suggestions made in my letter of September 13th as to Federal Reserve Bank investments and discount rates. It is a little early to tell what is going on, but I am fairly well satisfied that as a result of the September 15th operations there will be a considerable decrease in Federal Reserve Bank holdings of Government securities. Whether this gain will be held will depend on whether the banks continue to refrain from reinvestment. I think it may be advisable in any event to have Governor Strong come down to Washington some time within the next week or so to discuss the policy which should be followed, and I should be interested therefore in any suggestions which you may be willing to offer, and particularly in knowing what day next week would be a convenient time for some such conference with Governor Strong.

Very truly yours,

S. P. Gilbert, Jr.

S. P. GILBERT, Jr.,
 Under Secretary.

Hon. A. C. Miller,
 Federal Reserve Board,
 Washington, D. C.

1 enclosure

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FEDERAL RESERVE BANK OF NEW YORK.

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CONFIDENTIAL

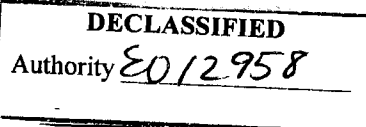
September 15, 1922.

My dear Mr. Gilbert:

Your favor of the 13th instant is before me. We intend to let our maturing certificates run off to-day, and the result of a variety of transactions will be to reduce our own holdings somewhere in the neighborhood of \$32,000,000. This morning we have \$139,000,000 of Treasury notes and certificates of indebtedness (some six or seven millions of which are those carried for dealers) and the above reduction will bring us down to less than \$98,500,000 of our own ownership; this compared with \$155,000,000 to \$156,000,000 on July 1st. Our present estimate of earnings would indicate that with ~~our~~ allowance for the regular charges at the end of the year we will no more than earn our dividend. As to all the reserve banks, since the committee was formed and not including to-day's transactions, the reduction in their investment account has totalled \$101,000,000. The reduction effective to-day has not been reported to us, but will probably be not less than \$50,000,000 more, including our own.

In view of these facts you will realize that we have witnessed a reduction since June when the committee began actual operations, that is in three and one-half months, exceeding \$150,000,000 or about one-third of the whole account. I do not think that anything more than that could have been done without disturbing the money market, although we too have suffered impatience at times that we did not progress faster.

Please do not consider, as might be implied from your letter, that I personally, as chairman of the Committee, or even the committee as a whole attempts or desires to attempt to exercise any control over investments or investment policy of the respective reserve banks. We had an understanding, as you know, that

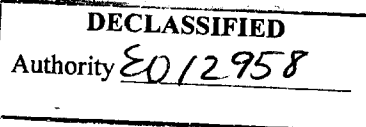


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investments in excess of what is needed for earning purposes should be allowed to run off, and that operations should be conducted through the central committee. Our influence has been directed towards reducing the account right along, but we have no power, nor would we desire to exercise the power, to be more than the agents of the Federal Reserve Banks to carry out their wishes in line with the policy established at the April conference.

Your suggestion that we liquidate investments faster than we are doing and at the same time reduce discount rates, I fear is not feasible, and certainly I would want to discuss it with you and with the Federal Reserve Board as well as our directors very thoroughly before attempting such a program. My impression is that our next move must be to slightly increase the rate at which we buy bankers acceptances, which will have a tendency, of course, to distribute these bills throughout the market, instead of having them accumulate in our hands, and this, it seems to me, is more in line with the policy which you advocate than would be a reduction of our discount rate to a point which would invite borrowing by member banks and which indeed might prove to be inflationary rather than the reverse. Certainly that tendency might be more likely to develop were we to establish, say, a 3 1/2 per cent rate and at the same time to call in a considerable volume of funds from the market, which would put the general market rates above what they now are.

Permit me to say personally that I think Mr. Case has accomplished a wonderful result in what has been above reported, and we expect to continue quietly along this line, using every effort to avoid any temporary or even more extended disturbance of money rates, and I have felt that we were fully meeting the views of the Treasury, especially as these matters have been put forth in such detail almost daily.



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You may be interested in learning of the intention of certain of the officers of reserve banks to bring out a thorough-going discussion of this whole policy at the conference of governors which is to be held in Washington on the 10th of October.

As to the market generally for the Government issues, while there has been a slight improvement for the last few days, for at least three or four weeks past there has been a constant decline and a really soft market. To illustrate: the Fourth $4\frac{1}{4}$ per cent Liberty Loan Bonds have declined from high price $1\frac{1}{4}$ per cent; that is from 101.86 to 100.60. This we attribute to a variety of causes. One is the adverse exchanges, that is the movement of funds to the West for crop purposes; another, somewhat more active commercial demands for funds; and undoubtedly the third is the apprehension that the bonus bill will become law and impose considerable borrowings by the Treasury.

We have constant evidence of a tendency on the part of institutions to liquidate securities which are paying the lowest rate of return, which have in the main been Treasury notes and Treasury certificates.

We are unable to lay out a definite program, in fact have no authority to decide how rapidly the Reserve Banks should liquidate their holdings of certificates and notes, but if you feel willing to take the responsibility of indicating at what rate you yourself would advise liquidating, upon telephone suggestion with the figures stated coming from you I could arrange with some of the Reserve Banks to join us in carrying out such a program. It would hardly be possible to do that, however, before the Governors' conference, at which time we hope to have a statement of earning assets and of respective earnings from all of the

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Reserve Banks as an aid to consideration of this very matter.

Very truly yours,

(Signed) Benj. Strong,
J. H. Case.

P. S. This letter was dictated by Mr. Strong, but in his absence,
signed by Mr. Case.

Honorable S. P. Gilbert,
The Under Secretary of the Treasury,
Washington, D. C.

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