

Form F. R. 567

END SHEET

KIND OF MATERIAL OR NUMBER

333.-b-2

NAME OR SUBJECT

**Open Market Investment Committee
Meetings
Open Market Operations**

DATES (inclusive)

1924

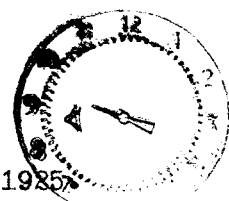
PART NUMBER

Part 2

2

FEDERAL RESERVE BANK
OF NEW YORK

333-
~~333~~
Federal Reserve Board



January 20, 1925

JAN 21 1925

Wm. W. Chubb

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

Dear Mr. Eddy:

Governor Fancher has just called my attention to one or two discrepancies in the copy of the stenographic report of the meeting of the Federal Reserve Board and the Open Market Investment Committee held in Washington, December 19, 1924, as follows:

274 filed
333-2-2
Federal Reserve Board

The last word on Page 7 reads "banks;" this should be "members."

NO
OK

On Page 23, the third line should read: "Mr. P. F. Murphy, Mark Cross Company" instead of "Mr. P. F. Murphy, Clark Cross Company."

Will you be good enough to make these changes on your copy.

Very truly yours,

W. B. Matteson

W. B. Matteson
Secretary, Open Market
Investment Committee

No. 131.

Office Correspondence

FEDERAL RESERVE BOARD

333-6 ✓

Date January 19, 1925.

To Committee on Discount & Open Market Policy Subject: _____
(Messrs. Miller, Platt and Cunningham)
From Mr. Eddy. _____

7-5496

Eddy

1-12-25 See 10/17/24 filing 333-6-2
Final minutes

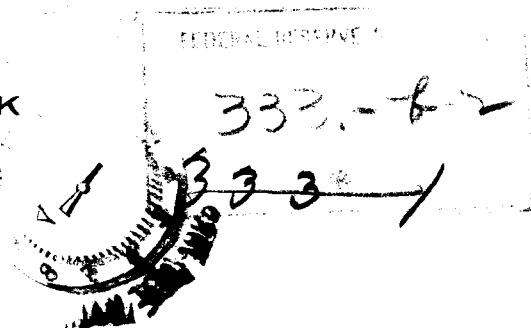
The attached letter from Governor Strong, enclosing a corrected copy of the stenographic report of the meeting of Open Market Investment Committee with the Federal Reserve Board held in Washington on December 19, 1924, is respectfully referred to your Committee for its information.

Please return to Secretary's Office for filing.

Action on Mr. Hamlin's motion amended

144

FEDERAL RESERVE BANK
OF NEW YORK



January 17, 1925.

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

Dear Mr. Eddy:

Referring to the meeting of the Open Market Investment
Committee with the Federal Reserve Board which was held in
Washington, December 19, 1924, I have prepared for our Com-
mittee's files, an extract of the minutes) of that meeting per-
taining to the activities of the Open Market Investment Committee,
a copy of which I am attaching for your files.

*12/19/24 filed 333-62 - 2 Final
minutes*

Very truly yours,

for W. B. Matteson
Secretary, Open Market
Investment Committee

Enclosure

333-6-2

FEDERAL RESERVE BANK
OF NEW YORK

RECEIVED
JAN 15 1925
OFFICE OF
THE GOVERNOR

G.S.S.
D.P.

January 12, 1925.

Dear Governor Crissinger:

12/19/24

12/19/24 filed

I am returning herewith a copy of the stenographic report of the meeting of the Open Market Investment Committee with the Federal Reserve Board held in Washington on December 19, 1924, which was sent to us from your office.

333-6-2

Final Minutes

You will note that there have been several changes made in the original report, some for better clarity, others corrections in statements. I have therefore had the report rewritten taking these revisions into account, and enclose copy for your files.

I beg to remain,

Very truly yours,
Benj. Strong
Benj. Strong
Governor

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

Encls. (2)

333-b-2

REPORT OF SECRETARY TO MEETING OF OPEN MARKET INVESTMENT COMMITTEE
FOR FEDERAL RESERVE SYSTEM DECEMBER 17, 1924

Since the last meeting of the Committee sales were made from the holdings of Government securities in the Special Investment Account for the Federal Reserve System of \$27,000,000 of the 1926 and 1927 maturities which were replaced by a like amount of 1925 maturities.

Coincident with the Treasury's recent offering of 4% Treasury Bonds of 1944 - 54, for which Third Liberty Loan 4 1/4% bonds and certificates and notes maturing March 15, 1925, may be accepted in exchange, and in view of the unsettled condition of the short-term Government security market and the local money market, transactions were effected in the System Special Account in this and other districts covering the sale of \$75,050,000 of Treasury certificates and notes maturing March 15, 1925, and the purchase of \$56,746,000 of June, September and December 1925 maturities in partial replacement. In the same period we transferred to the Treasury Department for prior redemption 2 3/4% December 15, 1924 certificates amounting to \$30,000,000 and redeemed on December 15, 1924 the balance of the certificates maturing on that date amounting to \$34,944,000. After taking into consideration purchases for future delivery aggregating \$21,970,000 the net result represents a decrease in the System Account from \$500,000,000 to \$438,722,000.

The various sales and replacements of Government securities in the Special Account have resulted in a net profit of \$252,128.30 and a reduction in the average earning rate from 3.40% to 3.33%.

The present book value of the Government securities held in the Special Account and the profit or loss thereon if sold at the dealers' bid prices of December 17 are shown in exhibit "E."

Since December 1 there were executed at the Treasury's request various Treasury orders involving sales aggregating \$41,450,000 Government

securities, of which \$16,450,000 were taken into the System Account and \$25,000,000 sold in the market, and purchases in the market aggregating \$76,045,000 securities.

The combined effect on the money market of transactions for the Treasury and in the System Special Account is shown in exhibit "G."

Exhibit "A" attached shows the changes in earning asset holdings which from December 26, 1923 to December 10, 1924, reflect increases of \$447,000,000 in Government securities and \$16,000,000 in bankers acceptances, which increases are more than offset by a reduction of \$602,000,000 in bills discounted:

INDEX OF EXHIBITS

- (A) Comparison of Earning Assets held by all Federal reserve banks from May 31, 1922 to December 10, 1924.
- (B) Statement showing System purchases of bankers acceptances from June 1, 1924 to December 10, 1924 and their allotments to participating Federal reserve banks.
- (C) Statement showing U. S. securities purchased for Special Investment account and their apportionment to all Federal reserve banks at the close of December 16, 1924.
- (D) Statement of recent transactions in Government securities in the System Special Account and the resulting profit and loss on sales and redemptions.
- (E) Profit and loss on System holdings of Government securities if sold at Dealers' bid prices on December 17, 1924.
- (F) Statement showing transactions in Government securities for U. S. Treasury.
- (G) Recapitulation of recent transactions in Government securities and effect on the money market.
- (H) Revised ratios of participation of Federal reserve banks in System open market purchases based on reports furnished the Committee as of November 30, 1924.
- (I) Changes in trade and credit conditions since January 1, 1923.
- (J) Statement showing net gain or loss to the money market by operations through the Federal Reserve Bank of New York.

EXHIBIT "A"

COMPARISON OF EARNING ASSETS HELD BY ALL FEDERAL RESERVE BANKS
MONTHLY FROM MAY 1922, DATE OF ORGANIZATION OF COMMITTEE TO DECEMBER 26, 1923;
ALSO FROM DECEMBER 26, 1923, DATE WHEN COMMITTEE BEGAN PURCHASING
GOVERNMENT SECURITIES FOR SYSTEM ACCOUNT, TO DECEMBER 10, 1924

(000 Omitted)

May 31, 1922 to December 26, 1923

-1922-	TOTAL EARNING ASSETS	*GOVERNMENT SECURITIES	*BANKERS ACCEPTANCES	BILLS DISCOUNTED
May 31	\$1,116,091	\$526,419	\$118,182	\$471,490
June 29	1,105,768	482,607	154,060	469,101
July 30	1,004,927	468,799	156,138	379,981
Aug. 31	1,011,065	434,970	171,706	404,368
Sept. 27	1,059,257	400,946	238,116	420,180
Oct. 25	1,135,753	367,636	257,691	469,399
Nov. 29	1,190,307	280,961	259,226	650,096
Dec. 27	1,322,101	445,883	246,293	629,885
-1923-				
Jan. 31	1,139,552	353,735	188,566	597,251
Feb. 28	1,166,512	363,074	207,678	595,760
Mar. 28	1,203,720	249,409	254,251	700,019
Apr. 25	1,104,489	193,810	274,041	636,597
May 29	1,178,156	189,288	257,818	730,995
June 27	1,114,219	134,976	204,225	774,963
July 25	1,033,697	96,284	176,864	760,539
Aug. 29	1,082,553	93,530	173,485	815,518
Sept. 26	1,126,334	91,885	172,124	862,008
Oct. 31	1,180,652	91,837	204,698	883,800
Nov. 28	1,167,999	84,460	289,004	794,381
Dec. 26	1,297,775	104,158	336,415	857,151
Net Change May 31/22 to Dec. 26/23	\$181,684+	\$422,261-	\$281,233+	\$385,661+

December 26, 1923 to December 10, 1924

-1923-	TOTAL EARNING ASSETS	Own Purchases	Special Investment Account	BANKERS ACCEPTANCES	BILLS DISCOUNTED
Dec. 26	1,297,775	\$ 95,148	\$ 8,990	336,415	857,151
-1924-					
Jan. 30	914,881	73,137	47,635	271,792	522,307
Feb. 27	950,801	71,911	83,890	263,310	531,690
Mar. 26	942,080	77,463	179,793	202,458	482,315
Apr. 30	873,381	77,174	224,486	124,485	447,185
May 28	850,193	75,189	258,093	86,760	429,600
June 25	826,260	66,963	362,831	45,034	350,131
July 30	824,867	49,026	456,255	24,441	293,895
Aug. 27	855,225	68,521	473,105	49,289	262,560
Sept. 24	928,355	74,596	500,000	91,901	259,863
Oct. 29	1,024,176	84,200	500,000	215,404	222,565
Nov. 26	1,087,171	87,215	495,000	281,001	221,405
Dec. 3	1,186,527	89,943	485,000	354,606	248,928
" 10	1,167,040	139,296	412,600	352,838	254,256
Net Change Dec. 26/23 to Dec. 10/24	\$130,735-	\$447,758+	\$16,423+	\$602,895-	

*Includes sales contracts

EXHIBIT "B"

STATEMENT SHOWING SYSTEM PURCHASES OF BANKERS ACCEPTANCES FROM
JUNE 1 TO JULY 18, ALSO AUGUST 28 TO DECEMBER 10, 1924
DISTRIBUTED UNDER THE NEW APPORTIONMENT PLAN
WHICH WAS PUT INTO EFFECT JUNE 1, 1924

(000 OMITTED)

	<u>Purchases</u>	<u>Allotments</u>	<u>Pending Adjustments</u>
Boston	\$ 72,546	\$ 78,558	\$ 18,097 Over
New York	448,003	179,549	2,271 "
Philadelphia	25,592	25,675	0
Cleveland	8,373	57,057	3,029 Short
Richmond	0	0	0
Atlanta	12,479	14,213	1,377 Over
Chicago	23,095	61,322	1,443 Short
St. Louis	0	27,124	5,295 Short
Minneapolis	0	5,052	0
Kansas City	48	29,838	1,206 Short
Dallas	1,952	45,606	4,083 Short
San Francisco	<u>11,396</u>	<u>79,490</u>	<u>6,689</u> Short
<u>TOTALS</u>	<u>\$ 603,484</u>	<u>\$ 603,484</u>	<u>\$ 21,745</u>

During period from July 19 to August 27, no distribution was made due to light bill offerings.

Richmond did not participate in purchases during the entire period.
 Philadelphia did not participate in purchases during months of June & December.
 Atlanta " " " " " " month of June.
 Minneapolis " " " " " " months of October, November and December.

EXHIBIT "C"

STATEMENT SHOWING UNITED STATES GOVERNMENT SECURITIES PURCHASED FOR
SPECIAL INVESTMENT ACCOUNT FOR THE FEDERAL RESERVE SYSTEM
AND THEIR APPORTIONMENT TO ALL FEDERAL RESERVE BANKS
AT CLOSE OF BUSINESS DECEMBER 16, 1924

APPORTIONMENT

	<u>Treasury Notes</u>	<u>Certificates of Indebtedness</u>	<u>Liberty Loan Bonds</u>	<u>Total</u>
Boston	\$ 21,595,500	\$ 7,288,000	\$ 500,000	\$ 29,383,500
New York	113,995,500	37,429,000	3,700,000	155,124,500
Philadelphia	6,934,500	4,406,000	200,000	11,540,500
Cleveland	30,711,500	10,038,000	1,200,000	41,949,500
Richmond	2,213,500	817,000	0	3,030,500
Atlanta	892,500	235,500	100,000	1,228,000
Chicago	42,830,500	14,495,500	1,200,000	58,526,000
St. Louis	10,728,000	2,694,000	600,000	14,022,000
Minneapolis	12,601,000	3,836,000	300,000	16,737,000
Kansas City	15,028,000	4,940,500	500,000	20,468,500
Dallas	16,287,500	5,221,500	600,000	22,109,000
San Francisco	31,250,000	10,283,000	1,100,000	42,633,000
Totals	<u>\$305,068,000</u>	<u>\$101,684,000</u>	<u>\$10,000,000</u>	<u>\$416,752,000</u>

RECAPITULATION OF PURCHASES

<u>Made by</u>	<u>Amount</u>
Boston	\$ 19,218,500
New York	309,313,700
Philadelphia	15,009,500
Cleveland	4,661,000
Richmond	600,000
Atlanta	1,944,400
Chicago	41,675,000
St. Louis	5,453,900
Minneapolis	3,128,000
Dallas	8,169,000
San Francisco	7,579,000
	<u>\$416,752,000</u>

RECAPITULATION OF PURCHASES BY MATURITIES

March 15, 1925	\$ 68,350,000
June 15, 1925	57,329,700
Sept. 15, 1925	77,974,500
Dec. 15, 1925	54,867,000
March 15, 1926	50,707,600
Sept. 15, 1926	26,351,000
March 15, 1927	38,875,900
Dec. 15, 1927	32,296,300
Third L.L. Bonds Sept. 15, 1928	10,000,000
	<u>\$416,752,000</u>

STATEMENT OF RECENT TRANSACTIONS IN GOVERNMENT SECURITIES AND STATUS OF SYSTEM SPECIAL ACCOUNT OPENING DECEMBER 17, 1924

	2 3/4% C/I Dec.15/24	4 1/4% C/I Dec.15/24	4% C/I Mar.15/25	4 3/4% T/N Mar.15/25	4 1/2% T/N June 15/25	2 3/4% C/I Sept.15/25	4 3/8% T/N Dec.15/25	4 3/4% T/N Mar.15/26	4 1/2% T/N Sept.15/26	4 3/4% T/N Mar.15/27	4 1/2% T/N Dec.15/27	3rd L/L Sept.15/28	Total
Holdings Nov. 15, 1924	\$62,982,500	\$1,961,500	\$15,109,500	\$102,390,500	\$46,677,700	\$44,710,500	\$43,917,000	\$57,707,600	\$26,351,000	\$37,375,900	\$30,796,300	\$10,000,000	\$500,000,000
Sold - Nov.17-24										18,500,000 *A	1,500,000 *B		
Purchased - Nov.17-24			3,250,000	9,250,000	2,500,000	5,000,000							
Price Basis			2.75%	2.75%	2.75%	2.78-2.82%				3.72-3.76%	3.72%		
Holdings Nov. 24, 1924	\$62,982,500	\$1,961,500	\$18,359,900	\$111,640,500	\$49,177,700	\$49,710,500	\$43,917,000	\$57,707,600	\$26,351,000	\$37,375,900	\$29,296,300	\$10,000,000	\$500,000,000
Redeemed - Nov.25-Dec. 9	30,000,000*C												
" Dec.15	32,982,500	1,961,500											
Sold Delivery Dec. 4-16													
New York Dist.			9,000,000*D	35,000,000)				7,000,000*G					
Boston "			50,000*E)									
Phila. "				14,000,000)*F									
Chicago "				20,000,000)									
Price Basis			2.20-2.50%	1 7/8-2 1/2%			3.52%						
Purchased Delivery Dec.4-16													
New York Dist.				5,000,000	5,500,000	17,500,000	10,500,000				3,000,000		
Boston "					250,000	320,000							
Phila. "						30,000	250,000						
Cleveland "					32,000	537,000							
Chicago "					2,350,000	4,825,000	200,000						
Treasury - A.P.C.			11,400,000			5,050,000							
Price Basis			2 1/2-2 5/8%	2 5/8%	2.50-2.85%	2.75-2.95%	2.90%				3.75%		
Net Holdings Dec. 16, 1924	-0-	-0-	\$20,709,500	\$47,640,500	\$57,329,700	\$77,974,500	\$54,867,000	\$52,227,600	\$26,351,000	\$38,875,900	\$32,296,300	\$10,000,000	\$416,752,000
FUTURE CONTRACTS													
New York Dist.						1,100,000		1,530,000	3,530,000			15,100,000	
Phila. "													
Chicago "						250,000	300,000						
Balance after delivery future contracts	-0-	-0-	\$20,709,500	\$47,640,500	\$57,579,700	\$79,514,500	\$54,867,000	\$52,227,600	\$29,901,000	\$38,875,900	\$32,296,300	\$25,100,000	\$438,722,000

STATEMENT OF PROFIT OR LOSS ON ABOVE SALES AND REDEMPTIONS

	Profit	Loss
*A - Sale \$18,500,000 - March 15/27 4 3/4% Treasury Notes	\$56,142.90	
B - " 1,500,000 - Dec. 15/27 4 1/2% " "	571.73	
C - P.Prior Redemption 30,000,000 - Dec. 15/24 2 3/4% Cert. of Ind.		681.40
D - Sale) 6,000,000 - March 15/25 4% " " "		2,043.17
) 3,000,000 - March 15/25 4% " " "	4,139.19	
E - Sale 50,000 - March 15/25 4% " " "	22.89	
F - Sale 69,000,000 - March 15/25 4 3/4% Treasury Notes	193,579.18	
G - Sale 7,000,000 - March 15/26 4 3/4% " "	396.92	
	<u>\$254,852.87</u>	<u>\$2,724.57</u>

Net Profit: \$252,128.30

NOTE: Change in average earning rate - Nov. 16/24 3.403%
Dec. 12/24 3.379%

EXHIBIT "E"

PROFIT OR LOSS ON SYSTEM HOLDINGS OF GOVERNMENT SECURITIES
IF SOLD AT DEALERS' BID PRICES ON DECEMBER 17, 1924

<u>Par Value</u>	<u>Issue</u>	<u>Profit</u>	<u>Loss</u>
\$ 23,709,500	4 % March 15, 1925 C/I	\$ 32,719.11	
47,640,500	4 3/4% March 15, 1925 T/N	78,130.42	
57,329,700	4 1/2% June 15, 1925 T/N	173,852.32	
77,974,500	2 3/4% Sept. 15, 1925 C/I		\$ 45,069.26
54,867,000	4 3/8% Dec. 15, 1925 T/N	303,003.01	
50,707,600	4 3/4% March 15, 1926 T/N	22,311.34	
26,351,000	4 1/4% Sept. 15, 1926 T/N		32,807.00
38,875,900	4 3/4% March 15, 1927 T/N	75,224.87	
29,296,300	4 1/2% Dec. 15, 1927 T/N		26,220.19
<u>10,000,000</u>	4 1/4% Sept. 15, 1928 3rd L.L.Bds.		<u>89,850.00</u>
\$416,752,000		\$685,241.07	\$193,946.45

Profit	\$685,241.07
Loss	<u>193,946.45</u>
Net Profit	\$491,294.62

STATEMENT SHOWING TRANSACTIONS IN GOVERNMENT SECURITIES
FOR UNITED STATES TREASURY

<u>Date</u>	<u>Account</u>	<u>Issue</u>	<u>S E L L</u>			<u>B U Y</u>					
			<u>Amount</u>	<u>Consummated Dec.1-Dec.15</u>	<u>Contracted for Future Delivery</u>	<u>Unexecuted Balance</u>	<u>Issue</u>	<u>Amount</u>	<u>Consummated Dec.1-Dec.15</u>	<u>Contracted for Future Delivery</u>	<u>Unexecuted Balance</u>
Dec. 3 5 & 10	Alien Property Custodian	Dec.15/24 C/I	\$7,367,000 Redeemed by	\$7,367,000 F.R.B. of New York	-0-	-0-	4th L.L. or 4½'s of 1952	\$13,000,000	\$13,000,000	-0-	-0-
Dec. 3	National Bank of Belgium	Mar.15/25 C/I or T/N	10,000,000	10,000,000	-0-	-0-	6/15/25 4½% T/N	10,000,000	10,000,000	-0-	-0-
" 3	Alien Property Custodian	Dec.15/24 C/I	20,000,000 Redeemed by	20,000,000 F.R.B. of Chicago	-0-	-0-	9/15/25-2½'s 3rd L/L	10,000,000 10,000,000	10,000,000 10,000,000	-0- -0-	-0- -0-
" 4	Alien Property Custodian	Mar.15/25 4% C/I	5,000,000	5,000,000	-0-	-0-	9/15/25 2½% C/I	5,000,000	5,000,000	-0-	-0-
" 5	Alien Property Custodian	Mar.15/25 4% C/I	10,000,000	10,000,000	-0-	-0-	3rd L/L 4½% Bds	10,000,000	10,000,000	-0-	-0-
" 11	Alien Property Custodian	Sept.15/25 2½% C/I	5,050,000	5,050,000	-0-	-0-	3rd L/L 4½% Bds	5,000,000	5,000,000	-0-	-0-
" 11	Civil Service Ret. & Dis. Fund						6/15/25 T/N 4½% 4th L/L 4½'s	1,000,000 1,000,000	1,000,000 1,000,000	-0- -0-	-0- -0-
			<u>\$57,417,000</u>	<u>\$57,417,000</u>	<u>-0-</u>	<u>-0-</u>		<u>\$65,000,000</u>	<u>\$65,000,000</u>	<u>-0-</u>	<u>-0-</u>

SPECIAL ORDER RECEIVED DECEMBER 11, 1924 IN PROCESS OF EXECUTION

Dec. 11	Alien Property Custodian	Mar.15/25 4% C/I	15,000,000	11,400,000	-0-	\$3,600,000	4th L/L and /or 4½'s 1952	Proceeds only \$15,000,000	\$11,045,000	-0-	Balances proceeds approximately \$3,600,000
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RECAPITULATION OF RECENT TRANSACTIONS IN GOVERNMENT SECURITIES AND EFFECT ON THE MONEY MARKET
(COG Omitted)

SYSTEM SPECIAL INVESTMENT ACCOUNT

ACCOUNT UNITED STATES TREASURY

Date	<u>NEW YORK</u>				<u>OTHERS</u>				<u>ACCOUNT UNITED STATES TREASURY</u>			
	<u>Sales</u>	<u>Purchases</u>	<u>Loss</u> (to street)	<u>Gain</u> (to street)	<u>Sales</u>	<u>Purchases</u>	<u>Loss</u> (to street)	<u>Gain</u> (to street)	<u>Sales</u>	<u>Purchases</u>	<u>Loss</u> (to street)	<u>Gain</u> (to street)
Dec. 4	\$ 5,000		\$ 5,000						\$ 5,000	\$ 7,672		\$ 2,672
" 5	25,000		25,000		7,000-Chicago	2,000-Chicago	5,000		2,500	5,161		2,661
" 8	6,000	1,000	5,000		14,000-Phila.)		22,000		7,500	8,724		1,234
" 9	10,000	5,000	5,000		8,000-Chic.)				5,000	25,000		20,000
" 10		9,600		9,600						1,305		1,305
" 11		10,900		10,900		5,000-Treasury			5,000	15,128		10,128
						1,100-Chicago)		1,671				
						250-Boston)						
						321-Cleve.)						
" 12		3,000		3,000	50-Boston)	7,850-Treasury				7,533		7,533
						320-Boston)						
						280-Phila.)		4,225				
						3,425-Chicago)						
						250-Cleve.)						
" 15	7,000	9,000		2,000		3,600-Treasury						
						850-Chicago)		850		5,512		5,512
<u>FUTURE CONTRACTS</u>												
Dec. 17		16,280		16,280		140-Phila.)						
" 18		5,000		5,000		550-Chicago)		690				
	\$53,000	\$59,780	\$40,000	\$46,780	\$29,050	*\$25,936	\$27,000	\$7,456	\$25,000	\$76,045	-0-	\$51,045 GAIN
			NET GAIN	6,780			NET LOSS	19,564				

*Includes purchases from Treasury Department of \$16,450.

Treasury sales as above.....\$25,000
 " redeemed 12/15/24 C/I
 account Alien Property Cust.
 New York \$7,367
 Chicago 20,000
 Treasury sold to System Acct 27,367
 16,450
 \$68,817

REVISED PERCENTAGE OF PARTICIPATION OF FEDERAL RESERVE BANKS IN SYSTEM PURCHASES OF
GOVERNMENT SECURITIES AND BANKERS ACCEPTANCES BASED ON THE EARNING REQUIREMENTS
AS REPORTED TO COMMITTEE AS OF THE CLOSE OF NOVEMBER 30, 1924

	Net Earnings Less Current Expenses Paid and Accrued and Dividends <u>Jan. 1 - Nov. 30/24</u>	Estimated Gross Earnings Dec. 1 - Dec. 31/24 Based on Earning Assets Held Nov. 30 Re- maining Unchanged	Total Net Earnings Jan. 1/24-Nov. 30/24 and Gross Earnings Dec. 1/24-Dec. 31/24	Estimated Expenses Dec. 1/24-Dec. 31/24 Including Dividends	Estimated Charge-offs for <u>1 9 2 4</u>	Total Estimated Expenses Includ- ing Dividends Dec. 1/24-Dec. 31/24 and Charge-offs for year 1924	Amount of Earnings Over or Short of Estimated Requirements for Year 1924	Revised Ratio of Par- ticipation
Boston	8,900	244,594	253,494	192,155	134,047	326,202	72,708-	2%
New York	391,938*	830,000	438,062	777,000	771,000	1,548,000	1,109,938-	26%
Philadelphia	109,234	226,000	335,234	242,000	38,000	280,000	55,234 +	0
Cleveland	181,000	323,000	504,000	288,000	770,000	1,058,000	554,000-	13%
Richmond	350,000	107,000	457,000	165,000	190,000	355,000	102,000 +	0
Atlanta	404,907	123,344	528,251	119,824	459,066	578,890	50,639-	1%
Chicago	221,286	420,495	641,781	406,921	657,196	1,064,117	422,336-	10%
St. Louis	30,413*	123,000	92,587	186,000	316,000	502,000	409,413-	10%
Minneapolis	224,477	109,055	333,532	163,213	91,180	254,393	79,139+	0
Kansas City	99,300	174,000	273,300	177,000	359,700	536,700	263,400-	6%
Dallas	580,307	131,000	711,307	132,661	1,042,241	1,174,902	463,595-	11%
San Francisco	100,000*	274,000	174,000	272,000	777,000	1,049,000	875,000-	21%
Totals	\$1,657,060	\$3,085,488	\$4,742,548	\$3,121,774	\$5,605,430	\$8,727,204	\$4,221,029-	100%

* Expenses exceed earnings.

CHANGES IN TRADE AND CREDIT CONDITIONS SINCE JANUARY 1, 1923.

(Dollar figures in millions)

EXHIBIT "I"

Month	F.R.B. of N.Y. Volume of Trade Index (Normal=100)	Department of Labor Price Index (1913=100)	F.R. Board Production Index (1919=100)	F.R. Board Employment Index (1919=100)	Net Gold Imports	+Net Gain or Loss to N.Y. in Gold Settlement Fund	Prevailing Market Rates on		*Earning Assets of F.R. System				*Reporting Member Banks New York City		*Reporting Member Banks Outside New York City		
							Commercial Paper	90-day Bills	Discounts and Advances	U.S. Securities Owned	Bills Held	Total	Loans and Investments	Demand and Time Deposits	Loans and Investments	Demand and Time Deposits	
1923																	
Jan.	109	156	121	99	\$ 24	\$ + 9	4 1/2	4	\$ 597	\$ 354	\$ 189	\$1,140	\$ 5,272	\$ 4,932	\$11,017	\$10,333	
Feb.	110	157	120	101	7	+ 94	4 3/4	4	596	363	208	1,167	5,263	4,978	11,067	10,322	
Mar.	113	159	125	103	6	+ 92	5	4	700	250	254	1,204	5,256	4,812	11,242	10,218	
Apr.	109	159	124	103	9	- 22	5 1/8	4 1/8	636	194	274	1,104	5,185	4,829	11,288	10,316	
May	110	156	127	103	45	+ 31	5	4 1/8	731	189	258	1,178	5,180	4,835	11,310	10,342	
June	107	153	122	103	19	+ 40	5	4 1/8	775	135	204	1,114	5,180	4,858	11,363	10,246	
July	100	151	121	101	27	- 28	5	4 1/8	761	96	177	1,034	5,087	4,767	11,257	10,275	
Aug.	102	150	120	101	31	+ 21	5 1/4	4 1/8	816	94	173	1,083	5,010	4,655	11,234	10,231	
Sept.	100	154	114	101	27	+ 67	5 1/2-5 1/2	4 1/8	862	92	172	1,126	5,075	4,725	11,347	10,186	
Oct.	106	153	118	101	28	+ 32	5 1/4	4 1/8	884	92	205	1,181	5,128	4,870	11,346	10,320	
Nov.	105	152	116	100	39	- 1	5	4 1/8	794	85	289	1,168	5,058	4,865	11,310	10,290	
Dec.	100	151	111	99	32	+ 22	4 1/2-5	4 1/8	857	104	337	1,298	5,139	4,822	11,351	10,284	
1924																	
Jan.	106	151	120	98	45	+122	4 3/4	4 1/8	522	121	272	915	5,166	4,921	11,198	10,415	
Feb.	112	152	120	99	35	+ 14	4 3/4	4-4 1/8	532	156	263	951	5,139	4,905	11,235	10,446	
Mar.	104	150	116	99	34	+ 63	4 1/2-4 1/2	4-4 1/8	482	257	203	942	5,257	4,972	11,323	10,434	
Apr.	104	148	114	97	44	+113	4 1/2	4	447	302	124	873	5,290	5,173	11,366	10,554	
May	101	147	103	93	40	- 15	4 1/4	3 1/4	430	333	87	850	5,308	5,158	11,302	10,568	
June	95	145	93	90	25	+ 17	3 1/2-3 1/2	2 1/2-2 3/8	350	432	45	826	5,641	5,533	11,328	10,718	
July	96	147	94	87	19	+ 87	3 1/2-3 1/2	2	294	506	25	825	5,756	5,716	11,496	11,009	
Aug.	97	150	94	87	16	- 19	3- 3 1/2	2-2 1/4	263	543	49	855	5,844	5,767	11,671	11,214	
Sept.	101	149	103	90	2	+ 27	3 1/4	2 1/8-2 1/2	260	576	92	928	6,049	5,911	11,959	11,383	
Oct.	103p	152	109	91	16	+ 80	3- 3 1/2	2 1/4	223	586	215	1,024	6,085	5,991	12,230	11,714	
Nov.		153			13	+ 45	3 1/2-3 1/2	2 1/4-2 1/2	221	585	281	1,087	6,218	6,161	12,269	11,760	
Dec.						+ 32	TO DEC. 15 INCL. 3 1/2-3 1/2	DEC 16 2 7/8	DEC 10 254	DEC 10 554	DEC 10 353	DEC 10 1,167x	DEC 10 6,235	DEC 10 6,179			

+ Ordinary & Treasury Transactions

p Preliminary

* Last Wednesday of each month

xIncludes \$6,000,000 foreign loans on gold

STATEMENT SHOWING NET GAIN OR LOSS TO THE MONEY MARKET BY OPERATIONS
THROUGH THE FEDERAL RESERVE BANK OF NEW YORK

EXHIBIT "J"

December		15		16		17		18	
		Gain	Loss	Gain	Loss	Gain	Loss	Gain	Loss
LOANS	Paid		9,300,000		5,900,000		1,500,000		
	New	10,200,000		2,800,000		4,500,000			
E S	Matured		12,900,000		5,800,000		5,600,000		4,500,000
	Bought	1,600,000		2,200,000		17,000,000		15,000,000	
I S	Net	1,600,000			14,900,000		6,000,000		400,000
U.S. SEC.									
Sale Contracts	Net		53,500,000		1,200,000				
U.S. SEC.									
(Open Mkt. Com.)	Sold		7,000,000						9,000,000
	Bought	9,000,000				19,000,000		17,000,000	
Purchases a/c A.P.C.		5,600,000							
TRANSFERS									
Wire	Net		13,600,000		60,000,000		32,000,000		
Cash Letters									
(Inc. direct sendings)		12,500,000		30,600,000		21,000,000			
Gov't Call			8,300,000						3,350,000
Income Taxes Paid			7,000,000		41,000,000		16,000,000		13,000,000
Gov't Maturities		164,000,000		1,400,000		500,000			
Gov't Interest Paid		22,000,000		2,000,000		1,700,000		1,000,000	
Currency & Coin	Net		6,000,000		500,000	2,000,000			3,000,000
Cash Sales (New Issue)			4,000,000						
Miscellaneous							2,500,000	2,500,000	
TOTAL		\$226,500,000	\$121,600,000	\$39,000,000	\$129,300,000	\$65,700,000	\$63,600,000	\$35,500,000	\$33,250,000
NET GAIN OR LOSS		\$104,900,000			\$90,300,000	\$2,100,000		\$2,250,000	

Note: The Treasury transferred \$50,000,000 to this district on December 15; \$37,000,000 on December 16, and \$24,000,000 on December 17, 1924.

Form No. 131.

Office Correspondence

FEDERAL RESERVE
BOARDDate **Dec. 18, 1924.**To **Federal Reserve Board**

Subject:

From **Committee on Discount & Open
Market Policy.**

The undersigned Committee on Discount & Open Market Policy, to whom were assigned the reports of the Governors and of Chairmen at their recent Conference on the topic:

"The advisability of a Federal Reserve Bank investing an amount equal to capital and surplus in Government bonds for earning purposes".

begs leave to report that the Governors after a lengthy discussion of the question were evenly divided when a vote was taken on the following motion:

"That it is the sense of the conference that there is no objection in principle to the investment by Federal reserve banks in long time Government obligations of so much of their capital and surplus as is not represented by buildings or other fixed investments."

The Chairmen in conference by unanimous vote adopted the following resolution:

"The committee believes that the System should not change its investment policy any more than it should change its policy in regard to services and other operative matters, because of temporary changes in credit conditions. The policy of the System has not been to invest in long time Government bonds to any extent, although the matter has been discussed many times. The committee moreover believes that in view of the present cheapness of credit and consequent high quotations for bonds, the present is not an opportune time to make such an investment even if, as a matter of policy, it was considered desirable."

The Committee after consideration of the matter finds itself in substantial agreement with the position stated in the resolution adopted at the Chairmen's conference and recommends it for careful consideration by the Board at any time be disposed to formulate an expression of its attitude in the matter of investment by Federal reserve banks of amounts equal to their capital and surplus in Government bonds, for earning purposes.

Respectfully submitted,

) Committee
) on Discount
) & Open Market
) Policy.

REPORT OF THE CHAIRMAN TO THE OPEN MARKET INVESTMENT COMMITTEE
MEETING IN WASHINGTON, DECEMBER 19, 1924.

333-6-2

(11) The transactions of the committee since the last meeting in Washington have been comprised mainly of two operations: (1) the sale of March 15 certificates to facilitate the distribution of the new Treasury 4 per cent. bonds, and (2) the redemption of \$65 million of December 15 maturities.

1. The offer of the Treasury to accept March 15 certificates of indebtedness and Treasury notes in exchange for the new issue of 4 per cent. bonds immediately resulted in a heavy demand for these issues and the supply available in the market was soon exhausted. In order to make available a supply of these issues it seemed desirable to sell in the market the holdings in the Special Investment Account. Between December 4 and 16 sales of this issue were made to the amount of \$85,050,000 and in partial replacement there were purchased \$66,746,000 of later maturities. The difficulty in securing any amount of short term issues of other maturities, together with a tendency towards ease in the money market, made it difficult and undesirable to make further replacements immediately. As a result of this operation alone there has been a net sale of about \$18 million or a net loss to the market of that amount.

2. Action in connection with the maturity of December 15 certificates to the amount of \$65 million followed the course laid down at the meeting of the committee on November 11. A total of \$30,000,000 of these securities was redeemed by the Treasury at intervals prior to December 15 and by this means the effect on the money market was distributed over several weeks rather than being felt at one time. On December 15 the balance, \$35,000,000, was redeemed.

The net result of these two operations was to reduce the Special Investment Account from \$500,000,000 to \$417,000,000 on December 16, or to take out of the money market \$83,000,000. The effect on the market of this loss has not yet been felt fully because of a very heavy over-redemption of securities in this

- 2 -

district as against redemptions in other districts on the 15th. There was a temporary over-supply of funds in the New York market on the 15th and the morning of the 16th of December, accompanied by a Treasury overdraft which amounted on the night of the 15th to \$144,000,000. This oversupply of funds in the New York market was wholly artificial and the operations of December 16 indicate that as taxes are collected and the funds assembled at New York by transfer from the interior the temporary gain will be completely offset and the market will show a net loss as a result of the two days' operations, as these transfers to New York are always effected by heavy drafts upon New York balances belonging to interior banks.

The Investment Committee has been in agreement that while conditions were developing which probably made it desirable to take surplus funds out of the market from time to time by the sale of small amounts of securities from the open market account, it was however not desirable to permit transactions in the account to create any sudden or radical change in money conditions which would be abnormal or temporary. It seems probable that in the next day or two the effects on the money market of the reduction of \$83,000,000 in the Special Investment Account will be felt very markedly unless some action is taken by the committee. To prevent this effect from becoming too marked, arrangements have already been made for the purchase of \$15,000,000 of securities for delivery on December 17 and \$5,000,000 for delivery on December 18. This will bring the Special Investment Account up to \$438,000,000. It may be wise to purchase further amounts to bring the account to at least \$450,000,000 to prevent an undue tightening of money at this time.

In these successive steps all of the members of the Open Market Investment Committee have been consulted by telephone, and in addition Governors Harding and Norris and Mr. Miller of the Federal Reserve Board were in New York on Thursday, December 12, as were also Mr. Wills and Mr. McKay. It has thus been possible to secure directly the opinions from all of the banks represented on the committee.

Several telegrams explaining the operations of the committee were also sent to the governors of all the banks.

As far as the future policy of purchases and sales is concerned, it is believed that the committee should be prepared for transactions in either direction in the light of future developments in the money markets.

For the immediate future it is desirable to give attention to the usual seasonal movement of funds. The figures for the past four years indicate that between the high point of December and the low point of January there is usually a decline of from 200 to 400 millions in the earning assets of all Federal Reserve Banks and of 50 to 150 millions in the earning assets of the Federal Reserve Bank of New York. Because of the general upward tendency of credit demands, we may anticipate this year the minimum, rather than the maximum easing of money conditions between December and January.

In the light of the present security and commodity market situation, it would appear undesirable for this tendency toward easier money to find the member banks largely out of debt at the Federal Reserve Banks, so that easier conditions would be reflected in too sharp an easing of money rates. It therefore seems desirable that the Federal Reserve Banks should hold, as we enter the new year, a sufficient buffer of rediscounts and sales contract bills and securities to take up automatically any slack in the money markets.

With the present outflow of gold and large demands for currency together with increasing business activity, it is probable that before the end of the year the needs for credit will lead to some further resort to Reserve Bank facilities perfectly normal at this season and will so create a buffer of rediscount and sales contract bills and securities. This would be a desirable outcome as it would make the readjustment after the first of the year automatic, without the necessity for any open market operations through the special account. This line of reasoning may make it desirable to maintain the open market account at about \$450,000,000, even in the face of slightly firmer money conditions. (1)

333.-6-v
12/19/24

MEETING OF THE OPEN MARKET INVESTMENT COMMITTEE
FOR THE FEDERAL RESERVE SYSTEM WITH THE FEDERAL
RESERVE BOARD, HELD IN WASHINGTON ON FRIDAY
DECEMBER 19, 1924.

PRESENT: Messrs. Crissinger, Platt, Hamlin, Miller, James,
Cunningham,

(Members of the Federal Reserve Board.)

Hon. G. B. Winston, Under Secretary of the Treasury

Hon. J. W. McIntosh, Comptroller of the Currency

Messrs. Strong, Harding, Sanchez, McDougal and
Kerris.

(Members of the Open Market Investment Committee.)

Mr. Matteson, Secretary of the Committee.

Governor Crissinger called the meeting to order at 10:30 a.m.

Governor Strong then presented written reports by himself as Chairman of
the Committee and by the Secretary of the Committee.

Governor Strong: - I dislike to ask the members of the meeting to read
all of these documents and figures on such short notice, but they were prepared
at the last minute. Briefly, what has happened is this - we had two matters to
deal with in connection with the Committee's account. To see that intended
subscribers for the new 4% Treasury loan who wish to pay with March certifi-
cates and notes were given an opportunity to get them. The market was bare of
them and we supplied the market freely from a 2% basis down to one transaction
on a 1% basis liquidating in round figures about \$85,000,000 of our holdings
of the March maturities, in order to enable subscribers to take the 4% bonds.
I think everything we sold for our own account and for the Treasury was immed-
iately used for subscriptions. The effect of that would have been, had we re-
garded these as final sales, to take a very large amount of money out of the
market, plus the December 15th maturities, so as soon as we sold the March
maturities they were replaced with other maturities. We were successful in
replacing all but about \$17,000,000. The market became bare of things we could
buy maturing in 1925. We had arranged with the Treasury to anticipate
\$30,000,000 of our December holdings and the other \$35,000,000 ran off

Preliminary draft

2.

on December 15th. The net result of the transactions which we have had has been to replace \$15,000,000 of the \$65,000,000 which matured on December 15th, the other \$50,000,000 being allowed to run off. The arrangement from day to day was governed by what was going on in the money market and in connection with subscriptions, and the net result has been to reduce our government holdings by \$50,000,000, without any appreciable effect on the money market. One day the rate was 4% and yesterday it was 2 1/8%, but we think there is a possibility of a little tighter money because the rate on time loans has gone up to 4% for loans maturing in the Spring and that is a pretty good indication of the feeling of the Street about money. Our program has worked out exactly as we thought, with the exception that we have not replaced as much of the December 15th maturity as we thought might be necessary. We have made a very large turn over for the Treasury in connection with these transactions. The Committee feels that from now on the account should not be increased above what it is and that we should liquidate small amounts of securities. At the Bank in New York there is a feeling that it would be a very good thing if the borrowing we anticipate should take place now ~~would be~~ in the form of discounts and when the return of funds takes place after January 1st, the discounts will be a buffer, along with bills and securities, to absorb that money. If there is any excess money after January 1st, I would advocate marketing a small part of our investment account.

Governor McDougal: - In endorsing all that Governor Strong has said, I feel very strongly that unless something unexpected should happen the trend of our holdings in the special account should be downward. I do not see any reason at the present time why there should be great activity on the part of this Committee. Personally, I would like very soon to see this activity decreased and let the money market find its own level. My impression is that after we had re-

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duced gradually our holdings of securities to \$250,000,000 or \$300,000,000, or even \$200,000,000, we would still probably have a stock in hand large enough to exercise what influence may be necessary from time to time. We have gone far enough now to determine what amount we should have on hand.

Governor Strong: - I do not think we have had enough experience yet. I hope the members of the Board realize that as a result of all transactions of the Committee, the earning assets of the System have in fact been reduced, although they temporarily look as though they have been increased because of temporary borrowings in New York by the Treasury. With those borrowings liquidated you will find a reduction.

Mr. Winston: - The Treasury has repaid all of those temporary advances.

Governor Strong: - I think that to have our investment account reduced \$50,000,000 and our actual discounts decreased, is the best evidence in the world that the influence of these transactions has been favorable to our policy in spite of the fact that there were pretty heavy borrowings in Chicago and Cleveland yesterday and the day before.

Governor McDougal: - Our borrowings were somewhat increased and I expected more yesterday but have no figures. There is not much loose money in Chicago now but I should think our banks would first go to New York because they have a large amount of money there at the present time.

Governor Strong: - I do not think you can tell until tonight what the result is because the Treasury will take \$70,000,000 out of the Federal Reserve banks and other depositories to make its payments and that may induce some further borrowing. We anticipate that may happen and we are expecting to find it necessary to advance our bill rate to 3%. That will be the last advance we can make. We will then have a flat rate of 3% on both bills and discounts.

4.

Mr. Winston: - We had more cash payments for our bonds than we expected. Taxes have come in faster this month and the Treasury will leave a little more money in the Federal reserve banks.

Mr. Platt: - Doesn't the increased revenue from activity in the stock market mean anything?

Mr. Winston: - Not enough to be felt. Our overdraft on Monday was \$148,000,000; on Tuesday, \$75,000,000; on Wednesday, \$40,000,000; and on Thursday about \$10,000,000.

Mr. McDougal: - The commercial paper rate has advanced at least one quarter. It is 3 1/2% to 4% now.

Mr. Platt: - I do not think the rediscount rate should be more than one-half percent. below the commercial paper rate.

Governor Strong: - Mr. Platt, do you think the New York banks would pay 3% on deposits today?

Mr. Platt: - No.

Governor Strong: - Then why should they pay us 3% on discounts which is the same thing?

Mr. Platt: - They are doing it now. The discounts of your large banks make a very large proportion of your present borrowings.

Governor Strong: - Our country banks have the most now but that is only \$20,000,000 or \$30,000,000. The New York City banks with the money market as it is, pay us off the minute they can do so and they do it by calling stock exchange loans. They do not want to be paying us 3%. They figure the cost of our money plus the overhead and find that this 3% money costs them about 4%, and evidence that they are not borrowing from us is that they pay off the minute they can. The total borrowings in our district are about \$53,000,000. Do you

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advocate advancing our discount rate?

Mr. Platt: - I think it is pretty low, but would not recommend just now that your directors increase it, but after the first of the year I would advocate it pretty strongly. It seems to me that if Chicago can get along with a 4% rate, New York should get along with 3½%. I am inclined to think any way that city banks should not borrow from the Federal Reserve Bank but should get accommodation through acceptances. Then the rate could be fixed with relation to country banks.

Governor Strong: - I gather from this that you would increase our rate to 4% or 5%. If we made our rates with relation to our country banks upstate, we would have a 5% rate all the time. We deal with these banks by personal contact. When we find they are abusing us we get after them. We found that the borrowings of one bank were going up in order that it could put some money out in its community at 4%. We got after them and stopped it.

Mr. Platt: - I think after January 1st I would increase the rate to 3½%.

Governor Harding: - Ordinarily money in the big centers is cheaper in January than in December, on account of the return flow after Christmas.

Governor Strong: - Would you advance the discount rate when we have \$450,000,000 of investments in the System?

Mr. Platt: - I would run some of them off and test the market out.

Governor Strong: - That is what we have in mind, and that is how we approach the discount rate question.

Mr. Platt: - The first thing to do is to get the bill rate up to 3%.

Governor Strong: - We will probably do that the first of next week. We have it in mind.

Governor Crissinger: - Governor Harding, have you any remarks that you would like to make?

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Governor Harding: - I think that the Federal reserve banks should have on hand at all times a certain amount of Government securities; just what amount I am not prepared to say. Maybe the amount we have had is too high, but we should have a certain amount of them so as to be able to ^{maintain} revert market conditions without interfering with rates. Perhaps experience later will tell us what the amount is. As regards the rate, it seems to me that as far as large banks are concerned, the bill rate is the important factor. This is made primarily in the open market, but the action of the Federal reserve banks in buying bills has had a great deal to do with the stabilizing of the bill rate. These bills are offered to the Federal reserve banks both by brokers and by banks. In Boston where our discount rate is $3\frac{1}{2}\%$, we have passed through such seasonal activity as we have had without ~~any~~ direct borrowing on the part of any large member banks. Our total loans are about \$18,000,000, mostly for country banks. The large banks as they need money are buying clearing house funds. Some concerns in Boston deal in these funds. If a bank has a debit it offers to buy clearing house funds at a rate below the discount rate and sometimes below the bill rate. If the Federal reserve banks should now hold off from the bill market, in my opinion it would only be a few days before banks would offer bills at 5% or ~~go to New York at 5%~~ . I think we have a good secondary control of the money market in the rate at which we buy bills. As far as we buy at the current rates, we tend to keep the market easy. I think Federal reserve banks should always be in the market at a rate. A very active bill market has developed in Boston in the last sixty days.

Governor Fancher: - There is probably a very substantial volume of bills in the market. I think there are several of the larger banks accepting pretty well up to the limit, indicating a substantial volume of bills.

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Governor Harding: - One large bank in Chicago recently complained of abuse in the acceptance of domestic bills and said that they were obliged to make ^{it or was} ~~acceptances~~ ^{buy} ~~when ordinarily it would be offered the business in the form of loans -~~ ^{however} ~~acceptances~~. The other day among some bills we had bought I noticed some were accepted by this very bank.

Governor McDougal: - I think I could pick out that bank. It was suggested to me that we should be very careful, but I told that man that the responsibility was his and that we depended upon him to see that the underlying transactions were in accord with the spirit and letter of the law.

Governor Fancher: - We have had certain correspondence with the Federal Reserve Bank of Chicago about certain bills of that bank.

Governor Harding: - The Federal Reserve Act didn't originally provide for domestic acceptances. Some years ^{ago} afterwards a clause was put in that acceptances might be made against goods in transit and the Board's regulations indicated that the normal time in transit should be taken into account. Later regulations have opened the door a little so that now commodities are put in warehouses, receipts issued and acceptances run as long as ninety days.

Governor Strong: - This committee has a job on its hands. We spent two days in New York going over the situation and our operations together. I think the committee knows all about it that I do and the net result is a very simple thing. We have reduced our account \$50,000,000 and the earning assets of the System have not increased. The question is the policy to be pursued from now on.

Governor Crissinger: - Does any member of the Board wish to speak?

Mr. Miller: - I have my individual views but I suppose Governor Strong wants to know what the Board as a whole thinks.

Governor Crissinger: I believe Governor Strong would like to have the comments of the different members.

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Governor Strong: - That is right.

Mr. Miller: - I look at it all as a question of the adjustment of Federal reserve rates to the trend of the market. At the present time the commercial paper rate is $3\frac{1}{2}\%$ or 4% and the acceptance rate, according to this report sent to the Board, is 3% to $3\frac{1}{8}\%$, except on long maturities.

Governor Strong: - That is what dealers bid for unendorsed bills. The bills we buy are endorsed and the rate is at least one-eighth less.

Mr. Miller: - That would make the acceptance rate $2\frac{7}{8}\%$ to 3% . The maximum Federal reserve rate thus far has been $2\frac{3}{4}\%$, so that we are under the market even with the advances that have taken place in the last two or three weeks. There arises in my mind a question as to how far it is desirable to go into the new year without a rate that is equal to the market or a little ahead. The Federal reserve banks' assets have gone up \$550,000,000 from the low of the year. The great bulk of the increase has been in acceptances. Since August 1, we have purchased over \$200,000,000 of acceptances. As far as our rates go, the only important rate is the buying rate on acceptances. With that rate below the market rate, even though no more than one-eighth or one-fourth, I feel there is a real question as to how long we ought to go along without an increase.

Governor Strong: - We are proposing to advance the rate to 3% .

Mr. Miller: - The market may go one-eighth ahead of it then. My thought is that until we have a clearer basis on which to prognosticate a clear policy in the year 1926, until we have warrant for believing we are not going to have a considerable advance in industry, it is taking some risk to maintain a rate that virtually makes the acceptance rate. I would feel more comfortable if we increased the rate to a point where acceptances would not come to the reserve bank. Our responsibility is still greater if we are holding down the accept-

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ance rate to an artificial level in order to avoid the necessity of raising our rediscount rate. We are really proclaiming an artificial market.

Governor Strong: - Would you tell me what you would do if you were in New York?

Mr. Miller: - I would advance the buying rate for acceptances to a point that would keep acceptances from coming into the reserve bank. I would advance it until it was demonstrated, by actual application for rediscounts, that the market was dependent for accommodation upon the Federal reserve banks, and that the member banks felt this dependence so strongly that they would actually come in and rediscount.

Governor Strong: - They are demonstrating that dependence in what they are doing - selling bills with their endorsement at a rate of 2 3/4 per cent.

Mr. Miller: - The acceptance rate, for practical purposes, is a rediscount rate but it is not an effective rate. In the situation we are in now, which is subject to different construction - it may be we are going to have a very temperate movement of business, maybe a very active one - I think it is not desirable to predicate our policy on either extreme view but it is very desirable to feel out the market, and I regard the acceptance purchases and sales as a method of finding the range. As long as the Reserve System maintains a buying rate that attracts acceptances, it makes the acceptance rate. How far the rate would have to be advanced to force the absorption of acceptances by the market, I do not know; nobody can tell at this time. I do think it would be a good policy, moderately conservative, just to take advantage of the general back-swing in January to edge in by advancing our rate on acceptances. I think we could tell by the middle of the month whether or not we are going to have a situation that

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would warrant an advance in the discount rate for any other reason than purely for appearance. If we went into February with easy conditions, I think the proper policy then might be to move the acceptance rate downward. But if not, and we moved into pretty ^{heavy} pressure in February, I think we should then be prepared to move the discount rate up, in proper relation to the trend of the market and the acceptance rate. At the present time I would move the buying rate up to 3 per cent; if I got acceptances at 3 per cent, I would put it up to 3 and 1/8 per cent. If that resulted in a growth of discounts I think we would have to take reckoning of what lay behind the demand for rediscounts. If it was just seasonal pressure I would not be greatly disturbed.

Governor Strong: - We feel that is what is taking place. We always have liquidation after the first of the year. We figure we will have it this year, although perhaps not as great as usual.

Governor Fancher: - With the buying rate on bills advanced, your rate will probably go to 2 3/4 and 3 per cent.

Governor Strong: - 3 per cent for everything except 30 days, leaving that at 2 3/4 for a few days and then advancing it to 3.

Mr. Miller: - When you are going to have a return flow, I think that is just when the rate can be made effective.

Governor Fancher: - I think that from the 10th on through January we will be able to test this bill rate.

Mr. Miller: - I think we have got to watch them very closely with regard to the discount rate. At the present time we are generally trying to operate without discount rate changes. That seems to make it more important that we should operate on some policy clearly related to the trend of the market. I am not

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afraid to face the possibility, that may at any moment turn into a probability, that the discount rate should be advanced. We have built up a technique under which we have a new implement and I think the buying rate on acceptances is the instrument with which we should work first. I would like to see that more closely adjusted to the movement of the money market. I am skeptical of any too loose artificial rate and can't get away from the impression that, however innocuous it may be in the present circumstances, we are taking a serious chance in maintaining our rate where it tends to keep the market rate down by a flow of Federal reserve credit into the pool. I anticipate that if we get an active movement of industry next year we will see a jump in rates that will give us all the shivers; and a pressure for reserve bank funds that we will wonder where it is coming from. We have an enormous volume of credit poured into the market, and member banks are going to be put to it to meet demands. They will go to the reserve banks to get it. We will be on the whole in a better position if we advance the rate now, instead of having the Federal reserve banks over a pretty long period of time, five to seven months, with very low rates, and then begin to move very rapidly forward, for if you do not move forward you would be taking the responsibility of making in credit to the market of the country with the possibility of serious indigestion. I would not take a chance of making a mistake, when the alternative is the rather slight one of making the acceptance rate really effective by keeping acceptances out of the reserve banks and letting the market take care of its own, with the possibility that after January 1st we will discover borrowing taking place that indicates real pressure on the reserve banks and advance the discount rate. I am not so much concerned with what would

-12-

happen then, as with what will happen if we ride along without a change.

Mr. Cunningham: - You really feel that the rate should go to 3 per cent? They have agreed to do that, but you can't go over the rediscount rate. They are going to watch the situation. Let the committee go ahead with this thing. As near as I can learn, they are going to do the very thing you are trying to have them do, and I would let them alone. We can meet again in a short time. The situation I think will change after January 1st. I don't want at this time to raise the discount rate but I am ready to raise it when there is any necessity for it. The Committee is giving this serious consideration. I think from what they have reported here now, I am pretty clear as to what they are attempting to do and I want this committee to go on and perform their duties in accordance with their judgment. If their tendency is contrary to what we believe is proper, we have access to the committee at any time. We have got to give somebody our confidence and we should let the committee deal with the market from day to day. I don't want to enter any confusing element into the practices they are trying to carry out. I think the acceptance rate should go to 3 per cent, but I can't see where you could properly go above 3 per cent. I think you have got to let the situation reach its normal level some day.

Mr. Miller: - On the supposition that a 3 per cent rate is maintained and acceptances still come into the reserve banks, would you let them come in any volume, say \$100,000,000 in the course of three or four weeks?

Mr. Cunningham: - I didn't say that definitely but I would trust the judgment of the committee in one adventure any way.

Governor Strong: - The whole discussion seems to be based on the theory, with which I disagree, that we have an artificial money market. Banks would borrow from us now at any rate and if you wish to see all rates go up, all we have got

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to do is to keep advancing ours, because the market will keep ahead of us so long as the seasonal demand is on. We can charge any rate for this accommodation - 4 per cent or 5 per cent - they will still borrow from us.

Mr. Miller: - How would you ascertain whether any rate at a reserve bank is artificial?

Governor Strong: - The most artificial rate at the Federal reserve banks is so much above the market level that they don't use us at all. What we want is a rate at which banks are not too heavily penalized and which will not effect a contraction of business. If we put the rates up in the face of seasonal demand, we will do very much more than simply regulate borrowings. We will give the country a warning of a character that is going to do damage. I haven't found any business man in New York who has given me the slightest indication that there is anything in the business situation that indicates unsound speculation or stocking up of goods.

Mr. Miller: - That was the most definite impression that I got when I was in New York last week.

Mr. Platt: - What do you expect to see the dealers do when you raise the rate to 3 per cent.

Governor Strong: - First they will develop a feeling of uneasiness, last we should put the discount rate up. They will try to sell their bills as soon as they can and we hope at that level of rates they will succeed in distributing the bills. We expect that after January 1st rates will suddenly take a drop, the bills won't come in to us and the whole situation will be over.

Mr. Platt: - Supposing the rate was raised above the discount rate?

Governor Strong: - The banks would borrow from us at 3 per cent. Dealers are now carrying about \$60,000,000 or \$70,000,000 of bills. We were carrying their

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portfolios almost entirely and now they have practically paid us off. A very interesting thing to watch is the fact that the minute Federal reserve funds are quoted below the bill rate our bills go right out. We have had Federal reserve funds quoted below our rate in the street for the last two or three days and the result is our earning assets have not gone up. I have reports made up every hour which Mr. Case and I keep on our desks. On the 17th reserve funds were quoted at 2 - 2 1/4 per cent. The minute this condition appears, we know that banks which have credit with us sell those funds for the day and the bidding for those funds is by banks or ^{bill dealers} brokers who owe us money. That is the instrument by which they distribute surplus reserves. By watching the relation of ^{that} what rate and the other rates we can tell what is going to happen to the surplus money.

(At this point Dr. Stewart entered the meeting.)

Mr. Miller: - I would like to have Dr. Stewart's explanation as to the economic significance of the growth of \$66,000,000 in member banks' reserve deposits in the course of the year. What do you think that is due to and what does it indicate as regards the member banks' credit potentialities?

Dr. Stewart: - From the middle of the year on there was a growth in acceptances and from July on an increase of \$100,000,000 in securities purchased. Most of the increase occurred during the middle of the year.

Mr. Miller: - All this is very largely accounted for by the purchase of acceptances in the past four or five months. We put money into the market and the market has put it into the member banks.

Dr. Stewart: - I think it has been pretty well absorbed already in the growth of deposits of member banks. They have purchased investments and made loans on stocks and bonds.

Mr. Miller: The banks have been investing ordinary current ^{and} deposit money, not in liquid commercial loans but in long term investments. They have

- 1b -

been lending commercial money to the investment market and when the demand comes, there is going to be pressure somewhere.

Governor Norris: - Has not that growth in investments been very largely the result of the great growth in time deposits as compared with the small growth in demand deposits?

Dr. Stewart: - Time deposits have not increased during the last six months. Now, as I understand the Committee's report, the Committee regards it as undesirable to let surplus funds accumulate in New York, intends to raise the bill rate to 3 per cent, and that the period under consideration is between December 19th and January 10th.

Governor Strong: - At this time banks are borrowing from us anyway. I expect that after January 1st there will develop a return flow of funds and some liquidation, and that then we must not let rates for money in the open market get too low. I would like to see the bills run off to some extent, reducing the earning assets. If that goes on indefinitely and we have easy money and there seems to be evidence of anything unsound, I would begin to liquidate some of our security holdings too. My feeling is that the bills will not mature fast enough to take up the return flow and that we will have to sell some securities too. I think after we put the bill rate up whatever demand is made upon us will be in the form of rediscounts and these borrowings will furnish the buffer for the first return. If that does not take place fast enough we will have to sell some securities.

Governor Norris: - Governor McDougal, you think, aside from any necessity, that it is desirable that we should sell some securities?

Governor McDougal: - Yes. When the question came up ten days ago as to the desirability of letting some March maturities run off, my view was in favor of it.

16.

\$25,000,000 were mentioned and I said I would like to see them go just as far as the market would take them. I believe that we have gone far enough to know that \$200,000,000 in that special fund would answer the purpose for which it was created; that is, putting us in position to exercise a stabilizing influence on the money market.

Mr. Miller: Not a stabilizing influence; I would call it a restraining influence on a market that is running ahead too rapidly, and I would, therefore, differ with you and say it was not desirable to liquidate if the evidence does not indicate that the situation calls for that. You want to sell them when the market does not want them but is obliged to take them because the reserve banks decide the market needs restraining. If we ever get in a position where we need these \$500,000,000, in addition to the acceptances, I think it proves that they are really needed. The question in my mind concerns itself largely with what we may have to face in the late winter. I take it that Governor Strong is inclined to the view, which I think is a very rational view, that we should not run up the cost of credit until we have to, until we think some harm will result from cheap money, and in the interim pursue a stabilizing policy. I am rather disposed to hedge in this matter, probably because I am not concerned with the so-called chill that will come from an advance in our rate, nor am I disturbed over the Federal reserve banks appearing ridiculous by having their open market rate above the discount rate. As far as the Committee's immediate program is concerned, there is nothing that I have to take exception to. I think we have got now one of the most complicated situations that we have ever had. We do not know whether we are going into an easy winter next year, or whether business will show real momentum at that time.

17.

Governor Harding: If the object of having Government securities in the Federal reserve banks' portfolio is to exercise a restraining influence, we should not sell entirely out. I think we should always have some stock on hand; otherwise we can only exercise a restraining influence in one direction - we can only buy, ^{and we would} ~~we~~ have nothing to sell. ^{could}

Mr. Miller: You sell only as you need to sell in order to restrain. I would not sell for any other reason.

Governor Harding: We sold entirely out in March of 1923 and commenced buying again in December. Professor Sprague of the Harvard School of Business recently asked me to come before one of his classes. There are some pretty bright young men there, and Professor Sprague said some questions would be asked. I told him I would either answer the questions or evade them. One man asked if the Federal Reserve banks did not have \$500,000,000 or \$600,000,000 of Government securities in the spring of 1923 and said that when the Federal reserve banks sold out in 1923 the good times we had were just killed, and asked me how about it. I asked him if he remembered that the Federal reserve banks bought some securities in December, 1923 and in the spring of 1924, about \$500,000,000, and why, if the action of the Federal reserve banks in selling out in 1923 killed business, did not the reverse action in 1924 create a boom.

Governor Norris: I would like to ask Governor Harding whether he considers that answering or evading the question.

Governor Crissinger: Now we would like to have Dr. Stewart make such comments as he desires with regard to the present situation.

Dr. Stewart: I think on the basis of facts for November there is a disposition to underrate the extent of the improvement in the business situation. The move-

ment in the business situation has been so mild in comparison with the advance on the stock exchange that business men are inclined to minimize the increased business activity. The production index shows some further increase and there has been an advance in industry and a rise in prices, which has not been confined to agricultural products but has been shared in by most of the raw materials. There is a very considerable spread in the price rise among non-agricultural products. Increased activity in iron and steel has brought present production up to about 80 per cent. of capacity and there is some disposition to order in advance of current needs. It seems to me that a very considerable thing has happened and that you have got to consider the question from the standpoint of what has happened and not what is expected.

Governor Strong: - Do you believe the time has arrived to take any action which business interests could construe as a restraint on activity?

Dr. Stewart: - It seems to me that there is a question of policy which remains unanswered, which is the desirability of disposing of government securities in January in order to give a different composition to our earning assets. I think there are certain general principles involved. The discounts are at such a low level and can be wiped out so easily, I cannot see how you can escape consideration of some further sales of government securities.

Governor Strong: - Next January will present an opportunity for dealing with that question better than today. We can then sell some securities and put the market under a little pressure. I think we have a situation that requires watching and nobody can watch it closer than we are. What I want to draw out is whether anybody believes, with seasonal borrowing as it is, there is at present any need for selling our securities and forcing an advance in the discount rate. Personally, I do not think that is a desirable thing.

Dr. Stewart: - It seems that a policy which does not contemplate a change in the discount rate, when the Federal reserve bank is the largest factor in the market, gives you no standing to operate on.

Governor Strong: - I know very well that we are going to advance our discount rate next year. I am not convinced yet, the way things are going, that it would be best to advance our discount rate. I think the turn of the year will disclose that but you must remember that we can kill business in this country very easily.

Dr. Stewart: - Do you think an increase to 3 1/2 per cent, would kill business?

Governor Strong: - I think at the moment it would have a very chilling effect.

Mr. Platt: - Wouldn't genuine business take an advance in the very low rates we have been having as a mere indication of good business?

Governor Strong: - I would not say that. I think it is going to be very much easier to advance the rate from 3 to 3 1/2 per cent, than it was to advance it last year from 4 to 4 1/2 per cent. The way to get the rate advanced is just as Dr. Stewart has described - to liquidate the securities and establish a higher market rate and prepare the minds of the people for an increase in the discount rate. When we advanced the rate before, commercial paper was at 6 per cent.

Governor Norris: - I think all our discussion has been interesting but I think it might be separated a little. This Committee which was appointed by the Board, at the last conference submitted certain recommendations having to do largely with the December 15th transactions. It has now submitted a report to the Board in which the story is told of what has been done to take care of the December 15th maturities and while the Chairman of the Committee has consulted constantly with the Committee, the initiative in everything has come from him and all the execution has been in New York, and I think it has been extremely well done and that large and difficult transactions have been handled without any trouble what-

20.

ever. We hope that the report of what has been done has your approval. This report makes no recommendations. There is no request that the Board should adopt any resolution or give us any authority. The report has been supplemented by the statement of the Chairman that it is proposed to raise the bill rate to 3 per cent and that the return flow of funds in January could be taken care of by a further reduction in our security holdings and that the effects of this rate change on the money market and the effect of any sales should be noted before anything further is done. That is the general attitude of the Committee and the way it proposes to operate unless you object. I think we might understand that as far as we go we have your approval and that around the 10th or 15th of January we will review the situation with you and see what further steps should be taken within the few weeks or month after that. The question of the discount rate in New York is not a question for this Committee, except insofar as its operations might hasten or retard the time when that rate should be raised.

(Mr. Hamlin then moved that the Board note with approval the report of the Committee, including its proposed future action as contained in the statement of the Chairman. This motion was unanimously carried.)

Governor Strong: There is just one more possibility in the situation that has not been discussed and cannot be except from day to day. There are two things taking place in New York which possibly are a little unexpected. There has been a marking up of the time money rate to 4 per cent, which to my mind is an indication of two things; first, that brokers are getting a little nervous about the stock market and the possibility of further advances. After a broker sees customers coming in to buy day after day, he starts to get a little time money. Second, there is no tightening of the money market which we would normally expect immediately after the transactions of the Treasury. We loaned the Treasury

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\$140,000,000 which was dumped into the market and we have liquidated \$50,000,000 of our investments, but still there has been no increase in our earning assets and money yesterday was at 2 1/2 per cent. If that situation continues I may wish to recommend to the Committee to sell some securities before January 1st. If Monday I find a good big surplus in the New York banks and we go over the Saturday statement with a surplus reserve, I am going to get in touch with some of the banks over the telephone. There may be borrowing in other districts that puts funds in New York.

Governor Fancher: - Have you any estimate of how large an increase there has been in brokers loans in the last two or three weeks?

Governor Strong: - Immediately after the election there was a small increase, then they went off again and they went off because the country came to New York to buy stocks largely for cash. In six houses which I consulted, there was only one which had not experienced a reduction in its loan account since the election and that was because of purchases by ^{or three} two wealthy men who bought securities but did not have cash enough to pay for them at the time.

Mr. Miller: - I have noticed that there is a spirit of caution among business men, manufacturers and distributors. I noticed that Dun in his last weekly review emphasizes that point and it raises a question in my mind as to why it is. What is the cause of this caution against making commitments? I think it is a thing that is well worth considering, whatever the explanation may be. May it be due to the activity of the stock market or is it that business men are watching the growth in the volume of credit? Possibly the Federal Reserve System may be a factor in it. At any rate there are two things - one; we have this spirit of caution despite indications that we are going into a real forward move-

-22-

ment of business, and two; how long can we count on that as an ally in restraining any undue expansion in credit.

Mr. James: - It seems to me that the business men of the country watch rather carefully the trend of public opinion and public activity, and as I see it, the propaganda that has been going on, due largely to the wise leadership of the President, toward economy, is having a very desired effect upon the expenditures of individuals. There is a spirit of economy gradually growing throughout the country and the public is not rushing in to buy to the extent that was anticipated. That is reflected to my mind by the fact that retail stores are now putting on sales that ordinarily are not put on until the middle of January. The retailers are finding themselves embarrassed by the fact that the public is not buying. Sales of gasoline indicate that the people are not joy-riding to the extent they were some time back. It seems to me that the program outlined by the President for Congress is having its effect on the general public, and to my mind that answers Mr. Miller's question. I think the American public is awakening to its folly. Another factor is that the business men throughout the South are scrutinizing their credits very much more carefully than they did under ordinary conditions, and are not extending long time sales of merchandise. The farmer is not rushing forward and signing on the dotted line as freely as was anticipated. He is conserving what he has and paying off his debts. That is reflected in increased deposits. There has been a good cotton crop and many debts have been liquidated out of that crop. They are not making commitments for 1925 very freely just now. My own industry is probably 33 1/3 per cent below what it was a year ago.

Dr. Stewart: - What increased buying power there has been is very largely due to the continued foreign loans.

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Governor Strong: - I would like to give you some information I have gotten from men I have talked with, like Mr. Grace, of the Bethlehem Steel Corporation, Mr. *P. J. Murphy* ^{of *Delta Cross Co.*}, John Ryan, Young, Woolley, Whitmarsh and others. When I asked Mr. Murphy about the Christmas trade he said - "It is just about an average trade, pretty good, but we are bothered ~~like the devil~~ because nobody would order in advance and now we are getting telegrams for immediate shipments. They would not take the risk of buying ahead because they got stung so ^{*badly*} in 1920." Mr. Grace said the increase in the business of the Bethlehem Steel Corporation was distributed over every department of their business, with jobbers buying just a little ahead to take care of demands in the immediate future. They all say that the margin of profit is still very low. The thing that controls in this country is the mood of the people and it can be changed like a flash. The reason I don't want to see the discount rate changed now is because I think an advance in the rate will do harm. An advance in interest rates would do good and an advance in the discount rate in due course might do good. Let's be careful and pick the time. Mr. Alexander said that the only danger in the situation was that the Federal Reserve System would do something foolish about discount rates. He said ~~every~~ ^{*of the existence of*} evidence in his bank was this very caution with which business is proceeding. If you change this caution into fright, it will do harm rather than good. That is my best judgment.

Mr. James: - One of the most disturbing factors in the minds of business men is the condition of the overhead expense, due to gradual increases in salaries, etc., to a point where the possible margin of profit is reduced to a minimum. There are very few concerns now that are not very seriously studying and wondering about conditions which exist at the present time. If they attempt to reduce salaries, they are in the position of losing the services of desirable men and reducing

24.

the morale of their institutions. I don't think there are any manufacturers or large merchants that are considering at the present time a reduction of what you would call mechanics' salaries. There is a feeling that the wage scale should be maintained but the question of overhead in the conduct of business is one which is receiving most careful consideration.

Governor Morris: - If a man anticipates a profit of 20 per cent. on his production, he is much more disposed to enlarge his business than on a 2 or 3 per cent. margin.

Mr. James: - Gradually advancing salaries and overhead has about brought you to a point where the margin of profit has been wiped out.

Mr. Miller: - This margin is the difference between the buying and selling prices. Your margin of profit increases as the prices for which you sell rise.

Mr. James: - Yes, but you must consider the cost of operating. Formerly, a 10 per cent. margin gave a fair rate of return on your capital investment, but today a 12 per cent. margin doesn't. The merchants of the country are gradually appreciating more and more the desirability of operating their businesses in a scientific rather than a speculative way. In my own business we used to think that a turnover twice a year was good. We would sell on a rising market and stock up on a falling market. Now we have a turnover six times a year.

Mr. Miller: - The unfortunate thing is that on a fluctuating price level the average man has got to take speculative action.

Governor Strong: - I have just gotten a report from New York. We have credited^a the clearing house this morning ^{of} \$93,000,000 on top of \$100,000,000 yesterday. Call money is at 2 1/2 per cent. with \$20,000,000 offered. The stock market is having a rise and Government securities are weak. The Treasury has made repayment to us.

Thereupon the Governor adjourned the meeting at 12:40 p.m.

Form No. 131

Office Correspondence

FEDERAL RESERVE
BOARD

333.-6-2

Date December 16, 1924.

To All Members

Subject: _____

From Mr. Eddy

• • •

2--8495

This is to remind you that the Open Market Investment Committee for the Federal Reserve System will hold its next meeting in Washington on Friday, December 19th.

*Suspense
Dec 15th
MS*

FEDERAL RESERVE BOARD
OF NEW YORK

FEDERAL RESERVE BOARD
DEC 10 1924
333 e-6-2

December 9, 1924.

Federal Reserve Board,
Washington, D. C.

Attention - Honorable D. R. Crissinger.

My dear Governor:

12/8/24

My second letter doubtless corrected the impression caused by the first letter ^{*12/5/24*} calling the Committee meeting for New York.

You will recall that the arrangement was to have us make a survey of the situation in New York before going to Washington. We expect to go over Thursday afternoon and meet with the Board Friday morning, if that is entirely convenient.

If Dr. Stewart feels disposed to join us in New York, we will, of course, be very glad to have him.

Very truly yours,

Benj. Strong

BENJ. STRONG
Governor.

Noted

DEC 10

MS

333-6-2

FEDERAL RESERVE BANK
OF NEW YORK

RECEIVED
Dec 9 1924
OFFICE OF
THE GOVERNOR

Docket

December 8, 1924.

Federal Reserve Board,
Washington, D. C.

Attention - Honorable D. R. Crissinger

Dear Governor Crissinger:

12/5/24 12/5/24

In writing you on Friday I overlooked the fact that

the meeting of the Open Market Investment Committee is to be held in Washington, the meeting in New York being simply preliminary to the formal meeting of the committee. This was arranged at our last conference. I have, therefore, written to the members of the committee as per the enclosed copy.

Is this entirely agreeable to you?

Very truly yours,

Benj. Strong

BENJ. STRONG,
Chairman, Open Market Investment Committee.

Enc.

12-9-24

Gov. Crissinger advised he talked with Gov. Strong over telephone + that Committee will be here Friday morning 12-19-24

FEDERAL RESERVE BANK
COPY
OF NEW YORK

December 6, 1924.

Dear Governor:

In my letter of yesterday in regard to the committee meeting, I overlooked the fact that it is proposed to spend one day in New York and then proceed to Washington for the regular meeting of the committee. If that is satisfactory to you, we can arrange to spend Wednesday the seventeenth and Thursday morning the eighteenth in New York, going to Washington Thursday afternoon on the Congressional.

If you will let me know promptly whether this is convenient, I will attend to the reservations for the trip to Washington and look after reservations in Washington as well if you care to have me do so.

Very truly yours,

BENJ. STRONG
Chairman, Open Market Investment Committee.

Form No. 131.

Office Correspondence

FEDERAL RESERVE
BOARD

333-6.2

Date: December 8, 1924.

To Governor Crissinger

Subject: _____

From Mr. Eddy

2-8405

At the meeting on Saturday, following a reading of Governor Strong's letter of December 5th regarding the meeting of the Open Market Investment Committee in New York on December 17th and 18th, there was referred to you with power the matter of arranging for a meeting of the Committee with the Board in Washington, following the New York session, at which the Committee is to submit its proposed program.

333.-6-2

December 8, 1924.

My dear Governor:

The Board has asked me to request the Open Market Investment Committee to come to Washington after they have had their session with you in New York.

I note what you say ^{letter 12/5/24} about my being present with Dr. Stewart. If it is thought advisable I shall be very glad to do so, or at least have Dr. Stewart come if you care to have him.

Very truly yours,

(Signed) D. R. Crissinger.

D. R. Crissinger,
Governor.

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

see letter 12/5/24

333-6-2
DTC

FEDERAL RESERVE BANK
OF NEW YORK

RECEIVED
1924
OFFICE OF
THE GOVERNOR

December 5, 1924.

My dear Governor:

I am sending out notices calling the meeting of the Open Market Committee on Investments for Wednesday, the 17th instant, with a warning to the members of the Committee that it will be highly desirable for them to make plans to stay over the 18th also.

It is impossible as yet, and probably will not be possible any time to forecast exactly when the money market effect of all the transactions of the 15th of December will be felt in New York. Mr. Case and I agree, however, that probably the 17th and 18th will be the best time for observation.

I hope that you can arrange to attend the meeting. I also understand informally that it was your expectation to have Dr. Stewart come over the same time and hope that he will do so.

In connection with the policy of the bank in its relation to the money market, it is necessary to bear in mind that what we do must be matched in with a very large volume of transactions which we are now conducting for the Treasury. They are making some very large sales and counter purchases. Mr. Winston understands quite fully what our attitude is toward the market, and is so arranging his operations that they will coordinate with ours, and I regard the whole affair as being in excellent shape.

The market is being swept bare of short maturities of Government obligations in connection with the refunding loan. This is leaving a vacuum, which we expect will result in a good distribution of bills through the hands of the dealers. On the other hand, we must be careful that money rates do not stiffen to such a point that this market is lost, as bills will not distribute satisfactorily if rates on the Stock Ex-

see memo 12/8/24
see letter 12/8/24 & 12/9/24 see ans 12/8/24

FEDERAL RESERVE BANK OF NEW YORK

2

Honorable D. R. Crissinger

3

12/5/24.

change are too high in relation to the rates at which bills are selling.

The situation is one that requires management and, as I explained to you over the telephone yesterday, we must be prepared to sell some of our March maturities at any time there is to be an over supply of funds in the market, but later on it may be necessary for us to be buyers of some of the short maturities in case the amount of money taken out of the market has the effect of running up the rate for bills too rapidly. It is, in fact, a situation which requires watching from day to day very carefully.

Very truly yours,

Benj. Strong
BENJ. STRONG
Governor.

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

Gov. to arrange Washington session
AT BOARD MEETING
DEC 6 - 1924
(711)

333-6-2

Incomplete
Mr. Callahan
Complete

FEDERAL RESERVE BANK
OF NEW YORK

November 12, 1924

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

Dear Mr. Eddy:

In accordance with telephone request from your office, I am sending herewith copies of reports submitted to all meetings of the Open Market Investment Committee, together with copies of minutes of these meetings held as follows:

April	13, 1923	Federal Reserve Bank	Philadelphia
May	23, 1923	Federal Reserve Board	Washington
*June	25, 1923	" " "	"
November	10, 1923	" " "	"
December	2, 1923	" " "	"
January	14, 1924	Federal Reserve Bank	New York
February	8, 1924	Federal Reserve Board	Washington
April	22, 1924	" " "	"
* May	29, 1924	" " "	"
July	16, 1924	Federal Reserve Bank	Boston
October	24, 1924	" " "	Chicago
* February	25, 1924	Federal Reserve Board	Washington

I am also enclosing a report of the Open Market Investment

* Committee to the joint conference now being held in Washington. See 11/12/24

Very truly yours,
W. B. Matteson

filed 333-6-2
Final Report

W. B. Matteson
Secretary, Open Market
Investment Committee

Enclosures

*Advisory Committee of Governors.

REPORT OF THE OPEN MARKET INVESTMENT COMMITTEETO THE JOINT CONFERENCE - NOVEMBER 1924

333. -6-2

11-12-24

A little less than a year ago, in December 1923, the reserve banks undertook to acquire a portfolio of investment securities in order that they might be prepared to meet any price inflation or undue speculative activity based upon the huge imports of gold from abroad, which at that time were amounting to about \$1,000,000 a day. The System was then threatened by a situation in which it would be powerless to exert any influence by advance of discount rates were its loans to members largely repaid, as seemed likely.

THE FIRST \$250,000,000

When your committee made its report to the Governors' Conference in May of this year, there had been purchased Government securities to the amount of nearly \$250,000,000. While these purchases had been made on a progressively easier money market, the evidence seems clear that the purchases had little influence on the money markets outside of the market for Government securities. The operation did not result in any net increase in the earning assets of the reserve banks, which in fact declined approximately \$300,000,000 during the period. Increases in holdings of U. S. securities were more than offset by decreases in bill holdings and discounts and advances. The operation really resulted in an exchange of one type of earning asset for another type which would be under the control of the reserve banks in the event of a credit emergency, rather than subject to repayment at the will of the borrowing members.

THE SECOND \$250,000,000

Since the Governors' Conference in May, there has been purchased a further \$250,000,000 of Government securities bringing the portfolio to a round \$500,000,000. This amount was reached early in September. The changes in the money markets accompanying the purchase of this second \$250,000,000 were more marked than during the period of the first purchase.

- 2 -

Since early in May, money rates have moved to substantially lower levels. Call money has been currently quoted at 2% to 2 1/2% as compared with a 3 1/2% to 4% in the spring, commercial paper has gone to 3 1/4% as compared with 4 1/2%, and bankers acceptances have been commonly quoted at 2% to 2 1/4% as compared with 4%.

Aside from changes ⁱⁿ money rates, evidence of the changes within the financial structure are found in changes in bank loans and deposits. Between December 1923 and the end of April 1924, there was only a moderate increase in bank deposits, but from the end of April to the end of September deposits of New York City reporting member banks increased \$738,000,000 and those of reporting banks outside of New York City increased \$829,000,000. These increases appear to correspond with similar increases in the middle of 1922 when the reserve banks were carrying on a somewhat similar buying program.

The precise responsibility of the open market program for these money conditions is very difficult to determine. Until the end of July, when \$450,000,000 of the special accounts had been acquired, purchases of securities were more than offset in the total earning assets of the reserve banks by declines in discounts and advances and bills held. It was only during the purchase of the last \$50,000,000, between August 1 and September 24, that there was a net increase in total earning assets, and this increase, amounting to \$100,000,000 may be ascribed largely to an increase of \$67,000,000 in holdings of acceptances brought to the reserve banks partly because of conditions within the bill market, and partly because of firmer call money from time to time.

It is important to note that our purchases did not, except perhaps at the very end of the buying program, as stated, add directly to the volume of credit as many have supposed. But they rather changed the form of reserve bank credit in the market from discounts to investments. The indirect result of relieving member banks from their indebtedness was to allow incoming gold and returning currency to affect the market directly. We simply removed for a time the buffer of rediscounts which

- 3 -

the reserve banks have held between gold imports and the money market. The time was coming when the buffer of rediscounts would have been eaten away in natural course by the incoming gold and by a longer period of loan liquidation. We have simply hastened the natural effect of gold imports. The results have, we believe, justified the program. First, we have secured an adequate weapon against any gold inflation. Second, this has been done without business disturbance or price inflation but rather with considerable benefit to business. Third, the program has aided the readjustment of world finance. The effects of the easier money conditions of the summer and fall on American business and on world finance may well be reviewed with some care.

EFFECTS OF EASY MONEY

1. On Business - It is generally agreed by economists that the swings of the business cycle may be lessened by making credit readily available when business has begun its downward swing or is in a state of depression and conversely by making credit less easily available when business is booming and speculation is becoming rife. The program of the Open Market Committee in contributing toward easier money during the past nine months is directly in keeping with this economic principle. We have had in these nine months, and particularly in the summer of 1924, a considerable business recession. The decline in factory employment for example, amounted to more than 15%, production in basic industries declined 26% and our index of the volume of trade 15% from the high points of the spring of 1923. A genuine recovery appears, however, to have begun and the bottom of the depression appears to have been passed without serious unemployment, business failures or the like. It is entirely logical to believe that easy money has been a factor in shortening the duration of depression and loan liquidation and lightening its effects. Further, the easy money has made possible a large amount of domestic financing of which business was much in need. There has been no other period since some time before

the outbreak of the World War, when refunding issues could be sold in large volume on advantageous terms. The financing of the last few months has straightened out the financial position of many concerns, furnished capital for improvement and construction, and in many ways facilitated needed capital financing.

2. On the International Balance of Payments - Early in the summer, interest rates for short term money in New York fell to levels below the current rates in London and this difference has been maintained. We have knowledge that there has been concurrently a considerable movement of American funds to London and gold imports have gradually diminished until in September, the excess of imports over exports was negligible. While this change in the movement of funds between New York and London may in part be ascribed to gradual financial recovery abroad, and increased demand from India for gold it is certainly due in some part, to the easy money conditions here. To the extent that this is true, easy money conditions have acted as a kind of inoculation against gold imports. Easy money, caused in part by artificial means, has been operating to prevent further gold imports and the dangerously easy money which they might well induce. Thus, to a certain extent, the the open market program which was designed as a weapon against the inflation which might result from gold imports has already proved itself an effective instrument. Likewise conditions have been made more favorable to the attempts of European countries to stabilize their exchanges.

3. On the flotation of foreign loans - Easy money during the past summer has undoubtedly been an aid to the flotation of large issues of foreign securities in this market. In the ten months through October foreign issues in New York have totaled a billion dollars (including refunding issues) and have far exceeded those of any previous year.

We need no argument to recognize that these issues have been an important instrument in world recovery. The German loan is the keystone of the operation of the Dawes Plan. Many of the other loans have given foreign nations that outside

aid which enabled them to start on the process of financial recovery and others are now pending of important amounts. Easy money here during the past summer has been a world benefit. Moreover, these loans always result eventually in an increase in our export trade.]

4. On Member Bank Earnings - The money conditions of the past six months have reduced for a time the rates of return to banks on some of their loans and short term security holdings. This should not necessarily result in any considerable reduction in bank earnings. The credit and business situation has been such that there are comparatively small losses to be written off. If there is a reduction in earnings it is largely due to inability of the banks to adjust the interest they pay on deposits to the going rate for money. This inelastic feature of American banking is clearly not a factor which should receive consideration in determining Federal reserve credit policy. Our credit policy should be determined in the interest of the whole of the country's business. It is entirely fitting and proper that at times our policy should run counter to the immediate interest of some banks. This would seldom be true if the banks were geared up to modify their interest rates and their lending and investment policy to meet changing credit conditions. It is interesting that the Chicago banks have just taken action in this direction and the Philadelphia banks propose to do so.

FUTURE PROGRAM

[The first results at which the open market program of purchases aimed have been achieved in that we now possess a considerable portfolio of Government securities available against any emergency. Moreover the danger of inflation now appears to be more remote than it did a year ago, because of the diminution in gold imports. It does, however, appear to be desirable that relatively easy money should maintain for a further period. While business has begun its recovery it is still below normal and requires fostering. It continues to be desirable that our rates should be under the London market in order to check the flow of gold and to

- 6 -

assist in the recovery of the exchanges. It still appears to be desirable to encourage conservative foreign borrowing in this market. In order to achieve these ends, however, it is not necessary that money should be any easier than it is now or, in fact, that the present exceedingly low level of rates should maintain. It is sufficient that we should avoid any marked tightness of money.

There are a number of tendencies towards firmer money which must be taken account of. As business increases in volume it will require more funds. It is also probable that certain of the foreign loans being made in this market will result in the earmarking of gold or other removal of reserve money, i. e., gold, from the market. The suggested retirement of some amount of national bank notes would have a similar tightening influence.

In the light of this probable development it would seem wise for the committee to have leeway to meet any emergency situation. A number of the possible causes of tight money are such as would produce abrupt changes in the money markets. The committee would be in the most favorable position if it were free to expand or diminish the System's portfolio of securities by approximately \$100,000,000 as occasion might arise. This would enable the committee to meet any changes in the situation, while at the same time the Federal Reserve Board and the boards of directors of the various Federal reserve banks could be consulted in case any program of purchases or sales beyond \$100,000,000 appeared to be desirable.

PUBLIC CRITICISM

At the meeting of the American Bankers Association, in Chicago, the following resolution was adopted:

"The Federal reserve banks have been driven, in order to earn their expenses and dividend charges in these more normal times, to compete for business with their own member banks in such fashion that there is danger that in the future the operations of the reserve banks may tend to accentuate the swings of the financial pendulum, rather than to keep the swings from going too far in either direction.

"We earnestly recommend that a careful investigation be made by those who are properly qualified to investigate whether it might not be wise to limit the Federal reserve banks to their primary functions as banks of issue and rediscount."

- 7 -

This resolution gives evidence of misunderstanding on the part of many bankers of the nature and purpose of the open market program. While the resolution of the Bankers Association is restrained in its terms and in its form, it seems clear that the open market procedure of the system may be criticised in the future. It would appear to be the course of wisdom to meet this criticism before rather than after it has become acute and widespread. The conference might well consider whether a careful article in the Federal Reserve Bulletin might not be wise, in the same general form as the treatment in last year's annual report, but giving somewhat more definitely the facts and results of the program, and such as could be reprinted in the Monthly Review of the reserve banks.

DETAILED PROCEDURE OF COMMITTEE

In the work of the committee during the past six months a number of experiments have been tried and precedents established. At the June 15 tax period the Federal reserve banks of Chicago and New York made temporary sales of securities from the Special Investment Account to offset the ease in the market resulting from a temporary excess of government disbursements over receipts. The experience at the March 15 tax date, when money had been abnormally easy for some days, had given evidence that at periods when member banks are out of debt at the reserve banks government operations are likely to unsettle the money markets unless some special offsetting operations are carried through. The temporary sale of certificates at the June 15 period appeared to meet the situation successfully. At the September 15 tax period the same type of operation was carried through in Chicago, but not at New York. This transaction is similar to what frequently takes place at the Bank of England at tax periods, and is clearly an operation which will be found useful in the future. At the Chicago meeting of the open market committee on October 24 it was recommended that appropriate action of this character be taken on the December 15 tax date.

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On June 1 the committee began apportioning purchases of government securities and bankers acceptances among the various reserve banks on the basis of the estimated deficiencies in their earnings. This seemed to the committee the best equitable method of distribution, rather than based upon capital or other relative proportions and it appears to have met with the favor of the reserve banks.

The committee has discussed, but has not yet taken definite action, on a number of important problems which must be settled in the near future. On December 15 \$65,000,000 certificates held in the special investment account mature, and a decision should be reached as to whether they should be replaced or the account automatically diminished by their maturity. The decision in this regard should be influenced by the probable credit developments of the next few weeks. At the present time there do not appear to be any evidences of inflation or undue speculation which would make it particularly desirable to withdraw \$65,000,000 from the money market. On the contrary there appear to be a number of influences making for firmer money, and thus indicating the desirability of replacing these certificates with other securities of the new issue or some issue now outstanding.

Another problem which the committee has discussed but upon which no final decision has been reached concerns the maturity of issues now held in the Special Account. While more than \$300,000,000 of the account matures within the coming fourteen months the balance is of considerable later maturity and hence would be affected as to price by any tightening of money. The banks have a considerable profit on these longer maturities and it would be wise to consider whether this profit should not be taken now and the risk of loss avoided by purchasing shorter term issues in their place. Such a program would make the portfolio somewhat easier to use. In case it was desired to withdraw funds from the market it would only be necessary to let approaching maturities run off.

BUYING STERLING BILLS

The Open Market Committee has discussed the proposal of the Advisory

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Council that the reserve banks should purchase some quantity of sterling bills. The committee is not, however, prepared to make any recommendation on this point. The subject is one which, because of its complexity and importance, deserves consideration in a separate report rather than attempting to deal with it at this time.

RECOMMENDATIONS

In conclusion, the committee makes the following recommendations:

1. That the committee be given authority to buy or sell up to \$100,000,000 of government securities in order to meet any situation which may develop in the money market.
2. That an article be prepared for the Federal Reserve Bulletin and the Reviews of the Reserve Banks, giving the facts and results of open market operation.
3. That the committee continue to make such temporary sales and purchases from the special account as are necessary to stabilize money conditions at tax periods.
4. That any purchases of government securities or acceptances be distributed as recently on the basis of estimates of deficiencies of earnings of the twelve reserve banks.

Matters on which the committee does not yet make a recommendation, but which should be discussed by the conference:

1. Replacing December, 1924, certificates in the open market portfolio when they mature.
2. Replacing longer with shorter maturities in order to be in a position to affect the market simply by letting maturities run off and to avoid risk of loss and take present profits.
3. Buying Sterling Bills.

INDEX OF EXHIBITS

(A) Comparison of Earning Assets Held by all Federal Reserve Banks from May 31, 1922 to October 29, 1924.

(B) Statement Showing United States Government Securities Purchased for the Special Investment Account for the Federal Reserve System and Their Apportionment to all Federal Reserve Banks.

(C) Statement Showing System Purchases of Bankers Acceptances from June 1 to July 18, also from August 28 to October 29, 1924, and Their Apportionment to all Federal Reserve Banks.

Need quote

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(D) Statement Showing Revised Ratio of Apportionment of System Open Market Purchases Based on Earning Requirements as Reported to the Committee as of September 30, 1924.

(E) Changes in Trade and Credit Conditions Since January 1, 1923.

**COMPARISON OF EARNING ASSETS HELD BY ALL FEDERAL RESERVE BANKS MONTHLY FROM
MAY 1922, DATE OF ORGANIZATION OF COMMITTEE, TO DECEMBER 26, 1923; ALSO
FROM DECEMBER 26, 1923, DATE WHEN COMMITTEE BEGAN PURCHASING GOV-
ERNMENT SECURITIES FOR SYSTEM ACCOUNT, TO OCTOBER 29, 1924**

EXHIBIT "A"

(000 Omitted)

May 31, 1922, to December 26, 1923

-1922-	TOTAL EARNING ASSETS	*Government Securities	*Bankers Acceptances	Bills Discounted
May 31	\$1,116,091	\$526,419	\$118,182	\$471,490
June 29	1,105,768	482,607	154,060	469,101
July 30	1,004,927	468,799	156,138	379,981
Aug. 31	1,011,065	434,970	171,706	404,368
Sept. 17	1,059,257	400,946	238,116	420,180
Oct. 25	1,135,753	367,636	257,691	469,399
Nov. 29	1,190,307	280,961	259,226	650,096
Dec. 27	1,322,101	445,883	246,293	629,885
-1923-				
Jan. 31	1,139,552	353,735	188,566	597,251
Feb. 28	1,166,512	363,074	207,678	595,760
Mar. 28	1,203,720	249,409	254,251	700,019
Apr. 25	1,104,489	193,810	274,041	636,597
May 29	1,178,156	189,288	257,818	730,995
June 27	1,114,219	134,976	204,225	774,963
July 25	1,033,697	96,284	176,864	760,539
Aug. 29	1,062,553	93,530	173,485	815,518
Sept. 26	1,126,334	91,885	172,124	862,008
Oct. 31	1,180,652	91,837	204,698	883,800
Nov. 28	1,167,999	84,460	289,004	794,381
Dec. 26	1,297,775	104,158	336,415	857,151
Net Change May 31/22 to Dec. 26/23	181,684+	422,261-	281,233+	385,661+

December 26, 1923, to October 29, 1924

-1923-	TOTAL EARNING ASSETS	Own Purchases	Special Investment Account	Bills Discounted
Dec. 26	1,297,775	\$95,148	\$ 8,990	336,415
-1924-				
Jan. 30	914,881	73,137	47,635	271,792
Feb. 27	950,801	71,911	63,890	263,310
Mar. 26	942,000	77,463	179,793	202,456
Apr. 30	873,381	77,174	224,406	124,485
May 28	850,193	75,189	258,093	86,760
June 25	826,260	66,963	362,831	45,034
July 30	824,867	49,026	456,255	24,441
Aug. 27	855,225	68,521	473,105	49,289
Sept. 24	928,355	74,596	500,000	91,901
Oct. 1	982,969	75,957	500,000	138,261
" 8	1,024,751	81,221	500,000	175,392
" 15	1,060,868	98,522	500,000	197,261
" 22	977,733	82,827	500,000	169,659
" 29	1,024,176	84,200	500,000	215,404
Net Change Dec. 26/23 to Oct. 29/24	273,599-	480,062+	121,011-	634,586-

* Includes Sales Contracts

EXHIBIT "B"

STATEMENT SHOWING APPORTIONMENT, PURCHASES AND BOOK VALUE OF GOVERNMENT SECURITY HOLDINGS - SYSTEM SPECIAL INVESTMENT ACCOUNT

	<u>Treasury Notes</u>	<u>Certificates of Indebtedness</u>	<u>Liberty Loan Bonds</u>	<u>Total</u>
Boston	\$ 25,867,200	\$ 8,927,000	\$ 500,000	\$ 35,294,200
New York	136,394,400	46,019,500	3,700,000	186,113,900
Philadelphia	8,608,100	5,054,500	200,000	13,862,600
Cleveland	36,740,500	12,350,000	1,200,000	50,290,500
Richmond	2,661,200	990,500	0	3,651,700
Atlanta	1,059,300	300,000	100,000	1,459,300
Chicago	51,310,500	17,748,000	1,200,000	70,258,500
St. Louis	12,715,000	3,454,000	600,000	16,769,000
Minneapolis	15,032,600	4,768,000	300,000	20,100,600
Kansas City	17,982,600	6,072,000	500,000	24,554,600
Dallas	19,469,200	6,442,500	600,000	26,511,700
San Francisco	37,395,400	12,638,000	1,100,000	51,133,400
Totals	\$365,236,000	\$124,764,000	\$10,000,000	\$500,000,000

RECAPITULATION OF PURCHASES

<u>Made By</u>	<u>Amount</u>
Boston	\$ 18,648,500
New York	401,107,700
Philadelphia	14,979,500
Cleveland	4,090,000
Richmond	600,000
Atlanta	1,944,400
Chicago	34,300,000
St. Louis	5,453,900
Minneapolis	3,128,000
Dallas	8,169,000
San Francisco	7,579,000
Totals	\$500,000,000

RECAPITULATION OF PURCHASES BY MATURITIES

Dec. 15, 1924	\$ 64,944,000
March 15, 1925	117,500,000
June 15, 1925	46,697,700
Sept. 15, 1925	44,710,500
Dec. 15, 1925	43,917,000
Sept. 15, 1926	26,351,000
March 15, 1926	57,707,600
March 15, 1927	57,375,900
Dec. 15, 1927	30,796,300
Third Liberty Loan Bonds Sept. 15, 1928	10,000,000
Totals	\$500,000,000

COMPARISON OF BOOK VALUE OF SYSTEM HOLDINGS AND MARKET OFFERING PRICES AS OF OCTOBER 29, 1924

	<u>Book Value (Yield)</u>	<u>Market Offering Price (Yield)</u>
2 3/4% Dec. 15, 1924 Cert. of Indebtedness	2.68%	2.10%
4 1/4% Dec. 15, 1924 " " "	2.18%	2.10%
4% March 15, 1925 " " "	2.53%	2.47%
4 3/4% March 15, 1925 Treasury Notes	3.51%	2.46%
4 1/2% June 15, 1925 " "	3.41%	2.62%
2 3/4% Sept. 15, 1925 Cert. of Indebtedness	2.75%	2.71%
4 3/8% Dec. 15, 1925 Treasury Notes	3.66%	2.87%
4 3/4% March 15, 1926 " "	3.59%	3.14%
4 1/4% Sept. 15, 1926 " "	3.57%	3.33%
4 3/4% March 15, 1927 " "	3.92%	3.44%
4 1/2% Dec. 15, 1927 " "	3.78%	3.50%
4 1/4% Sept. 15, 1928 Third Liberty Loan Bonds	3.66%	3.62%

EXHIBIT "C"

STATEMENT SHOWING SYSTEM PURCHASES OF BANKERS ACCEPTANCES FROM
 JUNE 1 TO JULY 18, ALSO AUGUST 28 TO OCTOBER 29, 1924
 DISTRIBUTED UNDER THE NEW APPORTIONMENT PLAN
 WHICH WAS PUT INTO EFFECT JUNE 1, 1924

	<u>Purchases</u>	<u>Allotments</u>
Boston	\$ 23,709,000	\$ 27,787,000
New York	231,768,000	94,960,000
Philadelphia	12,018,000	12,101,000
Cleveland	5,131,000	28,532,000
Richmond	0	0
Atlanta	5,262,000	6,145,000
Chicago	12,985,000	34,943,000
St. Louis	0	12,392,000
Minneapolis	0	5,052,000
Kansas City	48,000	15,420,000
Dallas	1,672,000	24,289,000
San Francisco	<u>5,816,000</u>	<u>36,788,000</u>
Total	<u>\$298,409,000</u>	<u>\$298,409,000</u>

Richmond not participating.

During period from July 19 to August 27 no distribution was made due to light bill offerings.

REVISED PERCENTAGE OF PARTICIPATION OF FEDERAL RESERVE BANKS IN SYSTEM PURCHASES OF
GOVERNMENT SECURITIES AND BANKERS ACCEPTANCES BASED ON THE EARNING REQUIREMENTS
AS REPORTED TO COMMITTEE AS OF THE CLOSE OF SEPTEMBER 30, 1924

EXHIBIT "D"

	Net Earnings Less Current Expenses Paid and Accrued and Dividends Jan. 1-Sept. 30/24	Estimated Gross Earnings Oct. 1 - Dec. 31/24 Based on Earning Assets Held Sept. 30 Re- maining Unchanged	Total Net Earnings Jan. 1/24-Sept. 30/24 and Gross Earnings Oct. 1/24-Dec. 31/24	Estimated Expenses Oct. 1/24-Dec. 31/24 Including Dividends	Estimated Charge-offs for 1924	Total Estimated Expenses Includ- ing Dividends Oct. 1/24-Dec. 31/24 and Charge-offs for Year 1924	Amount of Earnings Over or Short of Estimated Requirements for Year 1924	Revised Ratio of Par- ticipati
Boston	x \$ 8,592	\$ 520,054	\$ 511,462	\$ 629,994	\$ 137,047	\$ 767,041	\$ 255,579-	4%
New York	x 615,635	2,440,000	1,824,365	2,175,000	1,760,000	3,935,000	2,110,635-	34%
Philadelphia	153,000	462,000	615,000	732,000	35,000	767,000	152,000-	2%
Cleveland	137,500	740,500	878,000	861,000	770,000	1,631,000	753,000-	12%
Richmond	394,000	401,000	795,000	493,000	190,000	683,000	112,000+	0
Atlanta	433,626	325,126	758,752	384,459	408,527	792,986	34,234-	1%
Chicago	156,128	1,074,248	1,230,376	1,236,118	657,196	1,893,314	662,938-	11%
St. Louis	x 2,815	413,000	410,185	450,000	315,000	765,000	354,815-	6%
Minneapolis	208,779	403,729	612,508	398,080	91,180	489,260	123,248+	0
Kansas City	100,100	483,900	584,000	523,200	459,700	982,900	398,900-	7%
Dallas	547,018	389,665	936,683	395,203	1,042,242	1,437,445	500,762-	8%
San Francisco	x 56,000	771,000	715,000	835,000	786,000	1,621,000	906,000-	15%
T O T A L S	\$1,447,109	\$8,424,222	\$9,871,331	\$9,113,054	\$6,651,892	\$15,764,946	\$6,128,863-	100%

xExpenses exceed earnings.

CHANGES IN TRADE AND CREDIT CONDITIONS SINCE JANUARY 1, 1923.

(Dollar figures in millions)

EXHIBIT "E"

Month	F.R.B. of N.Y. Volume of Trade Index (Normal=100)	Department of Labor Price Index (1913=100)	F.R. Board Production Index (1919=100)	F.R. Board Employment Index (1919=100)	Net Gold Imports	+Net Gain or Loss to N.Y. in Gold Settlement Fund	Prevailing Market Rates on		*Earning Assets of F.R. System				*Reporting Member Banks New York City		*Reporting Member Banks Outside New York City		
							Commercial Paper	90-day Bills	Discounts and Advances	U.S. Securities Owned	Bills Held	Total	Loans and Investments	Demand and Time Deposits	Loans and Investments	Demand and Time Deposits	
1923																	
Jan.	109	156	121	99	\$ 24	\$ + 9	4 1/2	4	\$ 597	\$ 354	\$ 189	\$1,140	\$ 5,272	\$ 4,932	\$11,017	\$10,333	
Feb.	110	157	120	101	7	+ 94	4 3/4	4	596	363	208	1,167	5,263	4,978	11,067	10,322	
Mar.	113	159	125	103	6	+ 92	5	4	700	250	254	1,204	5,256	4,812	11,242	10,218	
Apr.	109	159	124	103	9	- 22	5 1/8	4 1/8	636	194	274	1,104	5,185	4,829	11,288	10,316	
May	110	156	127	103	45	+ 31	5	4 1/8	731	189	258	1,178	5,180	4,835	11,310	10,342	
June	107	153	122	103	19	+ 40	5	4 1/8	775	135	204	1,114	5,180	4,858	11,363	10,246	
July	100	151	121	101	27	- 28	5	4 1/8	761	96	177	1,034	5,087	4,767	11,257	10,275	
Aug.	102	150	120	101	31	+ 21	5 1/4	4 1/8	816	94	173	1,083	5,010	4,655	11,234	10,231	
Sept.	100	154	114	101	27	+ 67	5 1/4	4 1/8	862	92	172	1,126	5,075	4,725	11,347	10,186	
Oct.	106	153	118	101	28	+ 32	5 1/4	4 1/8	884	92	205	1,181	5,128	4,870	11,346	10,320	
Nov.	105	152	116	100	39	- 1	5	4 1/8	794	85	289	1,168	5,058	4,865	11,310	10,290	
Dec.	100	151	111	99	32	+ 22	4 1/2	4 1/8	857	104	337	1,298	5,139	4,822	11,351	10,284	
1924																	
Jan.	106	151	120	98	45	+122	4 3/4	4 1/8	522	121	272	915	5,166	4,921	11,198	10,415	
Feb.	112	152	120	99	35	+ 14	4 3/4	4-4 1/8	532	156	263	951	5,139	4,905	11,235	10,446	
Mar.	104	150	116	99	34	+ 63	4 1/2	4-4 1/8	482	257	203	942	5,257	4,972	11,323	10,434	
Apr.	104	148	114	97	44	+113	4 1/2	4	447	302	124	873	5,290	5,173	11,366	10,554	
May	101	147	103	93	40	- 15	4 1/4	3 1/4	430	333	87	850	5,308	5,158	11,302	10,568	
June	95	145	93	90	25	+ 17	3 1/2	2 1/2-2 3/8	350	431	45	826	5,641	5,533	11,328	10,718	
July	96	147	94	87	19	+ 87	3 1/2	2	294	506	25	825	5,756	5,716	11,496	11,009	
Aug.	96p	150	94	87	16	- 19	3- 3/4	2-2 1/4	263	543	49	855	5,844	5,767	11,671	11,214	
Sept.	101p	149	102	90	2	+ 27	3 1/4	2 1/8-2 1/4	260	576	92	928	6,049	5,911	11,959	11,383	
Oct.						TO OCT 29 INCL ⁺	74	3- 3/4	2 1/4	223	586	1,024	OCT 22 6,140	OCT 22 6,082	OCT 22 12,180	OCT 22 11,674	
Nov.																	
Dec.																	

+ Ordinary & Treasury Transactions

p Preliminary

* Last Wednesday of each month

*Meetings
1924
E.F.*

[Signature]
FEDERAL RESERVE BANK
OF NEW YORK

RECEIVED
1924
OFFICE OF
THE GOVERNOR

333-6-2
333-1

November 7, 1924.

S i r :

This is to advise you that all members of the
Committee have approved, without change, the minutes of
the meeting of the Open Market Investment Committee held
at the Federal Reserve Bank of Chicago on October 24, 1924,
draft of which was sent you in my letter of October 30.

*10/24/24 filed 333-6-2
Final Minutes*

Very truly yours,

[Signature]

W. B. Matteson
Secretary, Open Market
Investment Committee

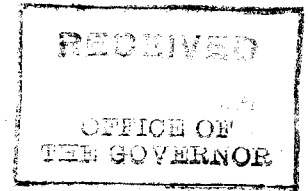
Honorable D. R. Crissinger,
Governor, Federal Reserve Board,
Washington, D. C.

[Large handwritten flourish]

Dr. Miller
Mr. Frisco

Done

FEDERAL RESERVE BANK
OF NEW YORK



333-b-2

Executive Folder

Date *10-31-24*

October 30, 1924

Dear Governor Crissinger:

I am sending you herewith a draft of the minutes of the meeting of the Open Market Investment Committee held at the Federal Reserve Bank of Chicago on October 24, 1924 which, however, have not been approved by all members of the Committee. If any material changes or corrections should be made in the minutes a new copy will be sent you in final form.

Very truly yours,
W. B. Matteson

W. B. Matteson
Secretary, Open Market
Investment Committee

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

Enclosure

see letter 11/7/24

DRAFT

333.62

MINUTES OF THE MEETING OF THE OPEN MARKET INVESTMENT COMMITTEE
FOR THE FEDERAL RESERVE SYSTEM, HELD AT THE FEDERAL
RESERVE BANK OF CHICAGO, OCTOBER 24, 1924

PRESENT:

Governors Strong, McDougal, Fancher and Harding
Mr. William H. Hutt, Deputy Governor, Federal Reserve Bank of
Philadelphia, representing Governor Norris
Mr. W. B. Matteson, Secretary of the Committee

There were also present:

Honorable D. R. Crissinger, Governor of the Federal Reserve Board
Mr. William A. Heath, Chairman, Federal Reserve Bank of Chicago
Mr. C. R. McKay, Deputy Governor, Federal Reserve Bank of Chicago
Mr. Walter W. Stewart, Director, Division of Research and Statistics,
Federal Reserve Board
Mr. W. R. Burgess, Assistant Federal Reserve Agent, Federal Reserve
Bank of New York

The meeting was called to order at 10:45 a. m. by Governor Strong,
Chairman.

On motion, duly seconded, the minutes of the last meeting of the Com-
mittee held on July 16, 1924, were formally approved without reading.

A report was submitted by the Secretary reviewing the work of the
Open Market Investment Committee, with accompanying statements and data.

There was also submitted a report on foreign accounts which the
Federal Reserve Bank of New York had just transmitted to the banks participating
in these accounts.

The Chairman commented briefly on the work of the Committee since
the last meeting and the changes in the credit situation. He also discussed
the recommendation of the Advisory Council for the purchase of sterling bills.
The chairman expressed the opinion that any program of extensive buying of
these bills was not wise at this time because it would put additional funds
into the money market, was difficult because of the limited market in futures,
and would be futile unless undertaken in connection with a larger program for
bringing sterling to par.

see letter 10/30/24 and 11/7/24

- 2 -

A resolution was passed authorizing the Chairman to continue the usual arrangements, if necessary and desirable, for the temporary sales of Government securities from the Special Account during the December 1924 tax period in the same manner as sales were made during the two previous tax periods.

[A discussion followed with regard to further purchases and sales of Government securities for the Special Account, and a resolution was passed recommending that the Chairman should be given authority to buy or sell, after conferring with the other members of the Committee, up to \$100,000,000 of Government securities in order to meet any situation in the money market which might develop.]

There followed a discussion with regard to the replacement of the \$65,000,000 of Government securities maturing December 15, 1924, held in the Special Account. It was the consensus of opinion that this was a matter that could well be postponed until a later meeting of the Committee.

The Chairman brought to the attention of the members of the Committee a statement showing that purchases of acceptances by various reserve banks had resulted in some of the banks securing bill holdings in excess of their respective quotas based on earning requirements. He explained that the Secretary of the Committee in prorating future purchases would take into consideration these overages.

The Chairman brought before the meeting a request from the Dallas bank for special consideration in securing additional investments to enable them to somewhat increase their earnings. It was the consensus of opinion that no special allotments could be made in fairness to other reserve banks whose earnings are also deficient.

At 12:30 p. m. the Committee adjourned to meet with the Directors of the Federal Reserve Bank of Chicago. All nine members of that Board were present and, at their request, the Chairman of the Committee reviewed at some length the objects of the Committee, what it had accomplished, and the policy which is being pursued.

- 3 -

There followed a general discussion which was continued at luncheon at which Mr. John J. Mitchell, President of the Illinois Merchants Trust Company, Chicago, Illinois, was also present.

Adjournment was at 3:00 p. m.

(Signed) W. B. MATTESON,
Secretary.

333-8-2

REPORT OF OPEN MARKET INVESTMENT COMMITTEE FOR THE FEDERAL RESERVE SYSTEM
SUBMITTED AT MEETING AT THE FEDERAL RESERVE BANK OF CHICAGO
OCTOBER 24, 1924

Formation of
"Committee on
Centralized
Execution of
Purchases and
Sales of Govern-
ment Securities"

At the joint Governors' Conference held in May 1922, a committee was appointed on Centralized Execution of Purchases and Sales of Government Securities, consisting of the governors of the Boston, Philadelphia, Chicago and New York reserve banks, to work out a program for the orderly buying and selling of Government securities by reserve banks and to prevent reserve banks from working at cross purposes with the Treasury and with one another in the execution of their open market programs or in their open market policy. The procedure instituted was as follows:

Procedure
of Committee

(1) That orders to buy and sell Government securities for account of any Federal reserve bank should be placed with and executed by this Committee; (2) That purchases should be distributed among the different markets as circumstances warranted, each reserve bank keeping the committee informed as to conditions in its local market; (3) That purchases of a particular security executed by the Committee should be prorated among all banks having orders for that security outstanding with the Committee.

It was also understood that in order to secure harmony of action between reserve banks the Committee would be expected from time to time to make recommendations and suggestions to the several reserve banks concerning their Government security investment policy,

Meetings and
Results Ac-
complished -
May 16, 1922 to
March 26, 1923

Five meetings of the Committee were held in New York, Cleveland and Boston between May 1922 and February 1923. The Committee was successful in securing general uniformity in method of open market operations by reserve banks; in largely eliminating conflicts of orders between the Treasury and the banks, and between the

- 2 -

banks themselves; and in distributing purchases and sales between reserve districts so as to permit an active market in several cities, rather than concentrating the market in New York.

Appointment
of Open Market
Investment
Committee

Subsequently, at a conference of the Board and Governors March 26, 1923, following a full discussion of the subject, the Committee of Governors on Centralized Execution of Purchases and Sales of Government Securities was discontinued and superseded by a new committee, known as the "Open Market Investment Committee for the Federal Reserve System," consisting of the governors of the Federal reserve banks of Boston, New York, Philadelphia, Cleveland and Chicago, and under the general supervision of the Federal Reserve Board.

The duties of this committee were to devise and recommend plans for the execution of Treasury orders and for the purchase, sale and distribution of the open market purchases of the Federal reserve banks, in accordance with the following principles:

(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."

This second committee was thus charged with duties somewhat broader in scope than those of the first committee and was more largely concerned with open market policy.

- 3 -

Meetings

Eleven meetings of this Committee have been held in Washington, Philadelphia, New York and Boston. For the major part of the year 1923 the Committee continued the work of the old Committee in serving as a clearing house for purchases and sales of securities by the reserve bank, but at a meeting held at Washington on December 3, 1923, a decision was reached to undertake a greater unification of Federal reserve open market policy by inaugurating a program for acquiring a portfolio of United States Government securities which might be available for sale at the discretion of the Open Market Committee or the Federal Reserve Board at such time as it might appear necessary to exercise a restraining influence on the money markets. In accordance with this policy the following resolution was adopted by the Federal Reserve Board on 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."

The twelve Federal reserve banks all signified their general concurrence with this proposal and the Committee went forward with the purchasing of \$100,000,000 under the arrangement. This amount was later extended by various steps until it reached \$500,000,000, the present

- 4 -

amount, the extension in each case being authorized by the Federal Reserve Board and by the Boards of Directors of all the Federal reserve banks. The result was to provide the System with a portfolio of securities and to give them a position in the market of sufficient strength so that a restraining influence might be exercised in the event of any undue speculative or inflationary tendency.

The purchase of \$500,000,000 was completed early in September and since that time the operations of the Committee have involved only temporary purchases and sales with no net change in the amount of Government securities held.

In addition to the gradual acquiring of this portfolio of securities, the principle of allotment of purchases has been extended to bankers' acceptances, as well as to Government securities, and an agreement was reached that as a matter of equity allotments for both types of purchases should be based on the estimated deficiencies in earnings of the various reserve banks for the current year.

A still further extension of the Committee's activities has been the temporary sale of securities from the Special Investment Account at quarterly tax days, in order to prevent the usual temporary excess of Government disbursements over receipts from disorganizing the money markets. This procedure was followed successfully during the June 15 and September 15 periods.

The following exhibits give in statistical form the results of the operations of the Open Market Investment Committee:

(A) Comparison of earning assets of all Federal reserve banks from May 31, 1922, to October 8, 1924.

(B) Statement showing United States Government securities purchased for Special Investment Account for the Federal Reserve System and their apportionment to all Federal reserve banks.

(C) Statement showing System purchases of bankers' acceptances from June 1 to July 18, also August 28 to October 8, 1924, and their distribution to all Federal reserve banks.

- 5 -

(D) Statement showing revised ratio of apportionment of System open market purchases based on earning requirements as reported to the Committee as of September 30, 1924.

(E) Memorandum on open market and credit conditions.

EXHIBIT "A"

COMPARISON OF EARNING ASSETS HELD BY ALL FEDERAL RESERVE BANKS
MONTHLY FROM DATE OF ORGANIZATION OF COMMITTEE
MAY, 1922 TO OCTOBER 8, 1924
(000 Omitted)

** -1922-	TOTAL EARNING ASSETS	*Government Securities	*Bankers Acceptances	Bills Discounted
May 31	\$1,116,091	\$526,419	\$118,182	\$471,490
June 29	1,105,768	482,607	154,060	469,101
July 30	1,004,927	468,799	156,138	379,981
Aug. 31	1,011,065	434,970	171,706	404,368
Sept. 27	1,059,257	400,946	238,116	420,180
Oct. 25	1,135,753	367,636	257,691	469,399
Nov. 29	1,190,307	280,961	259,226	650,096
Dec. 27	1,322,101	445,883	246,293	629,885
-1923-				
Jan. 31	1,139,552	353,735	188,566	597,251
Feb. 28	1,166,512	363,074	207,678	595,760
Mar. 28	1,203,720	249,409	254,251	700,019
Apr. 25	1,104,489	193,810	274,041	636,597
May 29	1,178,156	189,288	257,818	730,995
June 27	1,114,219	134,976	204,225	774,963
July 25	1,033,697	96,284	176,864	760,539
Aug. 29	1,082,553	93,530	173,485	815,518
Sept. 26	1,126,334	91,885	172,124	862,008
Oct. 31	1,180,652	91,837	204,698	883,800
Nov. 28	1,167,999	84,460	289,004	794,381
Dec. 26	1,297,775	104,158	336,415	857,151
-1924-				
		Own Purchases	Special Investment Account	
Jan. 30	914,881	\$73,137	\$ 47,635	271,792
Feb. 27	950,801	71,911	83,890	263,310
Mar. 26	942,080	77,463	179,793	202,458
Apr. 30	873,381	77,174	224,486	124,485
May 28	850,193	75,189	258,093	86,760
June 25	826,260	66,963	362,831	45,034
July 30	824,867	49,026	456,255	24,441
Aug. 27	855,225	68,521	473,105	49,289
Sept. 24	928,355	74,596	500,000	91,901
Oct. 1	982,969	75,957	500,000	138,261
Oct. 8	1,024,751	81,221	500,000	175,392
Net Change				
May 31, 1922				
to Oct. 8, 1924				
	91,340--	54,802+	57,210+	205,102--

* Includes sales contracts

** Excluding Pittman Act Certificates all of which were redeemed by Dec. 31, 1922.

EXHIBIT "B"

STATEMENT SHOWING APPORTIONMENT, PURCHASES AND BOOK VALUE OF GOVERNMENT SECURITY HOLDINGS - SYSTEM SPECIAL INVESTMENT ACCOUNT

	<u>Treasury Notes</u>	<u>Certificates of Indebtedness</u>	<u>Liberty Loan Bonds</u>	<u>Total</u>
Boston	\$ 25,867,200	\$ 8,927,000	\$ 500,000	\$ 35,294,200
New York	136,394,400	46,019,500	3,700,000	186,113,900
Philadelphia	8,608,100	5,054,500	200,000	13,862,600
Cleveland	36,740,500	12,350,000	1,200,000	50,290,500
Richmond	2,661,200	990,500	0	3,651,700
Atlanta	1,059,300	300,000	100,000	1,459,300
Chicago	51,310,500	17,748,000	1,200,000	70,258,500
St. Louis	12,715,000	3,454,000	600,000	16,769,000
Minneapolis	15,032,600	4,768,000	300,000	20,100,600
Kansas City	17,982,600	6,072,000	500,000	24,554,600
Dallas	19,469,200	6,442,500	600,000	26,511,700
San Francisco	37,395,400	12,638,000	1,100,000	51,133,400
Totals	\$365,236,000	\$124,764,000	\$10,000,000	\$500,000,000

RECAPITULATION OF PURCHASES

<u>Made By</u>	<u>Amount</u>
Boston	\$ 18,648,500
New York	401,107,700
Philadelphia	14,979,500
Cleveland	4,090,000
Richmond	600,000
Atlanta	1,944,400
Chicago	34,300,000
St. Louis	5,453,900
Minneapolis	3,128,000
Dallas	8,169,000
San Francisco	7,579,000
Totals	\$500,000,000

RECAPITULATION OF PURCHASES BY MATURITIES

Dec. 15, 1924	\$ 64,944,000
March 15, 1925	117,500,000
June 15, 1925	46,697,700
Sept. 15, 1925	44,710,500
Dec. 15, 1925	43,917,000
Sept. 15, 1926	26,351,000
March 15, 1926	57,707,600
March 15, 1927	57,375,900
Dec. 15, 1927	30,796,300
Third Liberty Loan Bonds	10,000,000
Sept. 15, 1928	
Totals	\$500,000,000

COMPARISON OF BOOK VALUE OF SYSTEM HOLDINGS AND MARKET OFFERING PRICES AS OF OCTOBER 21, 1924

	<u>Book Value (Yield)</u>	<u>Market Offering Price (Yield)</u>
2 3/4% Dec. 15, 1924 Cert. of Indebtedness	2.68%	2.10%
4 1/4% Dec. 15, 1924 " " "	2.18%	2.10%
4% March 15, 1925 " " "	2.33%	2.55%
4 3/4% March 15, 1925 Treasury Notes	3.51%	2.51%
4 1/2% June 15, 1925 " "	3.41%	2.67%
2 3/4% Sept. 15, 1925 Cert. of Indebtedness	2.75%	2.71%
4 3/8% Dec. 15, 1925 Treasury Notes	3.66%	2.86%
4 3/4% March 15, 1926 " "	3.59%	3.15%
4 1/4% Sept. 15, 1926 " "	3.57%	3.40%
4 3/4% March 15, 1927 " "	3.92%	3.58%
4 1/2% Dec. 15, 1927 " "	3.78%	3.60%
4 1/4% Sept. 15, 1928 Third Liberty Loan Bonds	3.66%	3.63%

EXHIBIT "C"

STATEMENT SHOWING SYSTEM PURCHASES OF BANKERS ACCEPTANCES FROM
 JUNE 1 TO JULY 18, ALSO AUGUST 28 TO OCTOBER 8, 1924
 DISTRIBUTED UNDER THE NEW APPORTIONMENT PLAN
 WHICH WAS PUT INTO EFFECT JUNE 1, 1924

 (000 Omitted)

	<u>Purchases</u>	<u>Allotments</u>	<u>Pending Adjustments</u>
Boston	\$ 13,757	\$ 17,533	\$1,187 Over
New York	161,000	67,367	1,477 Short
Philadelphia	4,021	4,104	1,298 Over
Cleveland	3,952	18,182	401 Short
Richmond	0	0	0
Atlanta	1,654	2,313	17 Short
Chicago	6,235	22,229	158 Over
St. Louis	0	7,547	192 Short
Minneapolis	0	5,052	0
Kansas City	48	9,835	342 Short
Dallas	695	16,958	284 Short
San Francisco	<u>3,039</u>	<u>23,331</u>	<u>70 Over</u>
Total	<u>\$194,451</u>	<u>\$194,451</u>	<u>\$2,713</u>

Richmond not participating.

During period from July 19 to August 27 no distribution was made due to light bill offerings.

REVISED PERCENTAGE OF PARTICIPATION OF FEDERAL RESERVE BANKS IN SYSTEM PURCHASES OF
GOVERNMENT SECURITIES AND BANKERS ACCEPTANCES BASED ON THE EARNING REQUIREMENTS
AS REPORTED TO COMMITTEE AS OF THE CLOSE OF SEPTEMBER 30, 1924

EXHIBIT "D"

	Net Earnings Less Current Expenses Paid and Accrued and Dividends <u>Jan. 1-Sept. 30/24</u>	Estimated Gross Earnings Oct. 1 - Dec. 31/24 Based on Earning Assets Held Sept. 30 Re- maining Unchanged	Total Net Earnings Jan. 1/24-Sept. 30/24 and Gross Earnings Oct. 1/24-Dec. 31/24	Estimated Expenses Oct. 1/24-Dec. 31/24 Including Dividends	Estimated Charge-offs for 1924	Total Estimated Expenses Includ- ing Dividends Oct. 1/24-Dec. 31/24 and Charge-offs for Year 1924	Amount of Earnings Over or Short of Estimated Requirements for Year 1924	Revised Ratio of Par- ticipati
Boston	\$ x 8,592	\$ 520,054	\$ 511,462	\$ 629,994	\$ 137,047	\$ 767,041	\$ 255,579-	4%
New York	x615,635	2,440,000	1,824,365	2,175,000	1,760,000	3,935,000	2,110,635-	34%
Philadelphia	153,000	462,000	615,000	732,000	35,000	767,000	152,000-	2%
Cleveland	137,500	740,500	878,000	861,000	770,000	1,631,000	753,000-	12%
Richmond	394,000	401,000	795,000	493,000	190,000	683,000	112,000	0
Atlanta	433,626	325,126	758,752	384,459	408,527	792,986	34,234-	1%
Chicago	156,128	1,074,248	1,230,376	1,236,118	657,196	1,893,314	662,938-	11%
St. Louis	x2,815	413,000	410,185	450,000	315,000	765,000	354,815-	6%
Minneapolis	208,779	403,729	612,508	398,080	91,180	489,260	123,248	0
Kansas City	100,100	483,900	584,000	523,200	459,700	982,900	398,900-	7%
Dallas	547,018	389,665	936,683	395,203	1,042,242	1,437,445	500,762-	8%
San Francisco	x56,000	771,000	715,000	835,000	786,000	1,621,000	906,000-	15%
T O T A L S	\$1,447,109	\$8,424,222	\$9,871,331	\$9,113,054	\$6,651,892	\$15,764,946	\$6,128,863-	100%

xExpenses exceed earnings.

EXHIBIT "E"

MEMORANDUM ON CREDIT AND OPEN MARKET CONDITIONS

When the Open Market Committee began its purchases of government securities in December 1923, the holdings of such securities by the System had been reduced to a point where the reserve banks were practically out of the market. At the present time the banks hold a portfolio of such securities sufficient in size to constitute a weapon of considerable power in dealing with the money market.

Last December there appeared to be a real possibility of price inflation and undue speculative activity based upon the continued flow of gold. At the present time this threat, while it has not been removed, appears to be much less dangerous because of the fact that the volume of gold imports has been greatly reduced, and other influences such as growing business activity and prospective foreign loans appear likely to give employment to surplus funds. There is clearly no such occasion for open market purchases of government securities as there was a year ago.

In the absence of any such major considerations as were present a year ago other factors must be considered in determining the open market program for the future.

The easy money of the past five or six months has been a favorable influence in a number of particulars. It has occurred at a time when business depression was becoming pronounced, and was a factor in lessening the extent of the depression and terminating it early. It also seems clear that easy money during these months has been an influence in checking the gold movement to this country, stimulating the movement of funds from this country to London and aiding a recovery in sterling. Easy money has also created a favorable market for the flotation of important foreign loans. These are all advantages to be conserved if possible during the coming few months and it may

- 2 -

be that they can only be conserved by some further purchases of securities by the reserve banks.

There are a number of factors making for firmer money for the balance of the calendar year. The volume of gold imports appears to be definitely reduced and there is even some prospect of gold exports. A number of foreign loans are in contemplation which may lead to direct gold exports, or the equivalent in the locking up of funds in New York. It seems probable, for example, that the proceeds of the recent \$90,000,000 Canadian Government loan will be locked up in gold as a basis for currency issues in Canada. The proceeds of the \$100,000,000 loan to Germany may be similarly locked up, or may be exported. We have then the possibility of the loss of \$190,000,000 of gold, equivalent in its effect on the market to the export of that much gold. More active business is likely to absorb more funds.

As against these tendencies toward firmer money we have still the prospect of some continuing gold imports, although in reduced volume, but, more important, a prospect of some flow of funds from the interior as a result of the gradual spread throughout the country of the effects of the gold import of the past months, and the liquidation of frozen loans as a result of higher prices for farm products.

We are dealing at present with a nicely balanced money market. This is the natural result when member banks are largely out of debt at the reserve banks and every change in the money supply is directly reflected in rates. In this situation it would appear unwise to carry through any continuous program of buying. It would rather seem wise for the committee to have leeway to meet situations as they may arise. The changes which may result from foreign issues, gold imports or transfers of funds to or from the west, may be so abrupt in character as to require rapid action. The committee would be in the most favorable position if it were free to expand or diminish the

- 3 -

System's portfolio of securities by approximately \$100,000,000 as occasion might require. This would enable the committee to meet any emergency situation as it might arise while at the same time the boards of directors of the various Federal reserve banks and the Federal Reserve Board could be consulted in case any program of purchases or sales beyond \$100,000,000 appeared to be desirable

24
11 gmm

Public Criticism

At the meeting of the American Bankers Association, in Chicago, the following resolution was adopted:

"The Federal reserve banks have been driven, in order to earn their expenses and dividend charges in these more normal times, to compete for business with their own member banks in such fashion that there is danger that in the future the operations of the reserve banks may tend to accentuate the swings of the financial pendulum, rather than to keep the swings from going too far in either direction.

"We earnestly recommend that a careful investigation be made by those who are properly qualified to investigate whether it might not be wise to limit the Federal reserve banks to their primary functions as banks of issue and rediscount."

This resolution gives evidence of misunderstanding on the part of many bankers of the nature and purpose of the open market program. While the resolution of the Bankers Association is restrained in its terms and in its form, it seems clear that the open market procedure of the System may be under more vigorous fire in the future. It would appear to be the course of wisdom to meet this criticism before rather than after it has become virulent. The committee might well consider whether a careful article in the Federal Reserve Bulletin might not be wise, in the same general form as the treatment in last year's annual report, but giving somewhat more definitely the facts and purposes of the program.

10/24/24

*Meeting Chicago
Oct 24*

TELEGRAM

FEDERAL RESERVE SYSTEM

(LEASED WIRE SERVICE)

333-62

~~330~~

208foq

RECEIVED AT WASHINGTON, D. C.,

Chicago 407pm sept 16, 1924

Eddy

washn

9/16/24

Your wire. October 24 is date of regular meeting of our

directors and the plan arranged with Governor Strong is that they will meet with the members of the open market committee and Dr Miller and such of the other members of the F R Board as may be able to attend. Your telegram will be referred to Mr McDougal upon his return to the office tomorrow morning

McKay

429p

Form 148

333-62

TELEGRAM
FEDERAL RESERVE BOARD
LEASED WIRE SERVICE
WASHINGTON

2-9454 G P O

Sept. 16, 1924

McDougal - Chicago

Is October 24 regular meeting day your directors and is it contemplated they will sit in Open Market Committee?

EDDY

see memo 9/16/24

TELEGRAM

333.-6-2

FEDERAL RESERVE SYSTEM

(LEASED WIRE SERVICE)

9/13/24

RECEIVED AT WASHINGTON, D. C.,

50f rv

San Fran Sept 12 605pm Sept 13 1924

Eddy,

Washington.

not in file

Thanks for your letter. October 24 will suit me for the meeting of the open market committee at Chicago. I assume that, that day is also the regular meeting day of the directors of the bank, whom it is desirable to have sit in with the committee.

Miller.

1052am

333-4 ✓

RECEIVED
SEP 11 1924
OFFICE OF
THE GOVERNOR

FEDERAL RESERVE BANK
OF NEW YORK

September 11, 1924

Dear Governor Crissinger:

Referring to my letter of August 27, 1924
relative to holding the next meeting of the Open
Market Investment Committee in Chicago on October 24,
1924, I have now received replies from all members of
the committee indicating that so far as they are able
to ascertain at present it will be convenient for
them to attend this meeting. I am, therefore, arrang-
ing to hold the meeting on that date and am notifying
all members of the committee to that effect.

Very truly yours,

Benj. Strong
Chairman, Open Market
Investment Committee

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

see letter 9/5/24

Meeting Oct 24 1924

21

333-6-2

333-1

September 5, 1924.

Dear Governor Strong:

Receipt is acknowledged of your letter of August 27th, advising that it is proposed to hold the next meeting of the Open Market Investment Committee in Chicago on October 24th. This date is agreeable to the members of the Board now in Washington, and a copy of your letter has today been sent to Mr. Miller for his information.

Very truly yours,

(Signed) Walter L. Eddy

Walter L. Eddy,
Secretary.

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

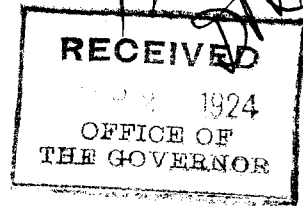
(12)

see letter 9/11/24

Index

333-62
Board

FEDERAL RESERVE BANK
OF NEW YORK



August 27, 1924.

Dear Governor Crissinger:

Referring to our conversation of yesterday, I am advising the members of the open market investment committee that subject to circumstances necessitating a change in program, we are hoping to have a meeting of the committee in Chicago on October 24. This was the plan discussed with Dr. Miller, and I believe he mentioned it to you. He was hoping to be able to attend the meeting if arranged for that date, and I am now advised by Deputy Governor McKay that Governor McDougal has written him that the date will be convenient for them.

Have you any further suggestions. [^]

Yours very truly,

Benj. Strong

Benj. Strong
Governor.

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

BS.MM

Noted
W

see letter 9/11/24
see ans 9/5/24

333.-6-2

FEDERAL RESERVE BANK
OF NEW YORK

July 24, 1924

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

My dear Mr. Eddy:

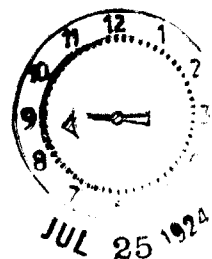
This is to advise you that all members of the
Committee have approved, without change, the minutes of ^{7/16/24 filed 333.-6-2} _{Final Minutes}
the meeting of the Open Market Investment Committee held
in Boston on July 16, 1924, a draft of which was sent to
Governor Crissinger in Chairman Strong's letter of
July 18.

Very truly yours,



W. B. Matteson
Secretary, Open Market
Investment Committee

Federal Reserve Board



Copy filed 333.3

333-6-2

FEDERAL RESERVE BANK
OF NEW YORK

CSJg
Do not approve
purchase only

July 18, 1924.

My dear Governor Crissinger:

7/16/24 filed 333-6-2
Final minutes

With this I am enclosing to you a draft of the minutes of the meeting of the open market investment committee which was held in the Federal Reserve Bank of Boston on July 16. Of course, the minutes have not yet been approved by the members of the committee, and if there are any material changes a revised copy will be sent to you.

Accompanying this is a copy of a letter which is being addressed to all the Federal Reserve Banks in order to give effect to the action taken by the committee, and from which I believe the Board will be fully advised of all action taken at the meeting.

I would appreciate an expression of the views of the Board as to paragraph 6 of the letter addressed to the Federal Reserve Banks. Of course, the proposal is a purely tentative one based upon conditions as they are now, and the views of the members of the committee may change before the time comes to take definite action.

I beg to remain,

Yours very truly,

Benj. Strong,
Governor.

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

BS.MM
eno.

see letter 7/24/24
copy filed 333-6-1

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333.6-v

MINUTES OF THE MEETING OF THE OPEN MARKET INVESTMENT COMMITTEE
FOR THE FEDERAL RESERVE SYSTEM, HELD AT THE FEDERAL RESERVE
BANK OF BOSTON, JULY 16, 1924

PRESENT:

Governors Strong, McDougal and Harding,
Mr. Wills, Chairman, Federal Reserve Bank of Cleveland,
representing Governor Fancher.
Mr. Matteson, Secretary of the Committee.

There were also present:

Dr. A. C. Miller of the Federal Reserve Board.
Mr. F. H. Curtiss, Chairman, Federal Reserve Bank of
Boston.

The meeting was called to order at 2:15 p. m. by Governor
Strong, Chairman.

The minutes of the meeting held on May 29, 1924, which had
been previously submitted to the members of the Committee, were
formally approved.

The ratios of participation of Federal Reserve Banks in
System purchases, computed upon the basis of the regular monthly re-
ports of earnings and expenses, previously submitted to the members
of the Committee, were formally approved.

The Chairman's memorandum pertaining to the work of the
Committee with especial reference to a program for the future, to-
gether with the report of the Secretary of the Committee, with ac-
companying statements and data, were submitted.

On motion, duly made and seconded, it was

VOTED to authorize the Chairman to take the necessary
steps to effect the exchange of Treasury notes maturing September
15, 1924, for any short-term Government securities that might be
issued at that time, if such exchange is possible, with the usual

- 2 -

advices to the different banks.

On motion, duly made and seconded, it was

VOTED to authorize the Chairman to sell and repurchase securities held in the Special Investment Account on the next quarterly tax period, in September 1924, in the same manner as such sales and repurchases were made through the New York and Chicago banks during the June 1924 tax period.

The question of a temporary change in the policy of the Committee with respect to the distribution of bankers acceptances purchased by the reserve banks was discussed at some length and it was the opinion of all present that the very limited volume of such purchases at the present time did not justify the clerical work and expense of apportioning the purchases among the participating banks. It was, therefore, on motion, duly made and seconded,

VOTED that the apportionment of bills be temporarily discontinued until such time as the volume is sufficient to warrant a resumption of such distribution.

The purchasing of bills by the New York bank for other reserve banks was brought up in connection with the temporary discontinuance of the distribution of bankers acceptances. Governor Strong, on behalf of the New York bank, explained that the Federal Reserve Bank of New York would do the best it could, as heretofore, to execute orders for other Reserve Banks, when possible, but just now the rates and volume of bills made purchases difficult, if not impossible.

There followed a discussion of the future policy of the Committee with respect to increasing the volume of short-term Government securities in the Special Investment Account and their

- 3 -

apportionment. The chairman's view, which was concurred in by those present, was that the situation in the New York money market was now such that it would be more advantageous to have purchases made as largely as possible in Federal reserve cities other than New York for the reason that the New York banks are discounting practically nothing and purchases at this time in New York would have a tendency to increase the volume of loanable funds in New York, whereas purchases made in other districts would have a tendency to increase the volume of loanable funds in other sections of the country. It was, therefore, on motion, duly made and seconded,

VOTED to raise the limit on the holdings of Government securities for the Special Account from \$400,000,000 to a maximum of \$500,000,000, such purchases to be made at the discretion of the Chairman, as to prices, and to be so conducted as to avoid or minimize changes in the credit situation or the market quotations for the securities. The Chairman was likewise authorized to carry out the suggested plan of having purchases in so far as possible made in other districts than New York; and it was directed that the apportionment of such purchases be on the basis of estimated deficiencies of earnings as shown by the monthly figures to be furnished to the Secretary; such apportionment to be approved by the members of the Committee, and the participating banks.

After a further discussion with respect to the Committee's attitude toward possible purchases of Government securities beyond the \$500,000,000 limit, it was, on motion, duly made and seconded,

VOTED that the Committee now expresses the view that it would be in favor of increasing still further the limit of \$500,000,000. If conditions remain substantially as they now are, and that the Federal

- 4 -

Reserve Board be asked to give this proposal its consideration and furnish the Committee with an expression of its views.

Dr. Miller presented a memorandum from Mr. Smead, of the Federal Reserve Board, comparing the Board's estimate of earning assets required to cover 1924 expenses and dividends, taken from reports made to the Board by reserve banks, with a similar schedule prepared by the Committee which was based on estimated requirements for the year as reported by the various banks to the Committee. The comparison disclosed that the Board's figures covered operating expenses and dividends only, whereas the Committee's statement included these items plus estimated reserves and charge-offs at the end of the year; also the Committee's statement of earnings was based on assets held as of June 30, while the Board's figures of earnings were on the basis of average daily holdings during June. It was understood that before preparing new participation ratios for August the Secretary would confer with Mr. Smead and that these ratios would then be submitted to the Committee before new apportionments were decided upon. In this connection it was agreed to by those present that investments in Government securities made under the new authorization between now and August 1, 1924, should be adjusted on the basis of the new ratios.

The exchange of nearby maturities of Government securities held in the Special Account for those having a longer time to run, by selling the former and buying the latter in the market, was brought up for discussion. No action was taken, the general view being that such transactions might interfere with the program of obtaining the amount of securities authorized by the Committee, and that such a change be considered when the Committee has completed all authorized purchases.

- 5 -

The Chairman reported that the suggestion had been made that the Committee buy some circulation bonds and that a large block of 4s of 1925 had been offered on a 1% basis. It was the consensus of opinion that there would be no object in the Committee's buying them. In this same connection Dr. Miller stated that the Board had been advised by the Reserve Bank of Dallas of their desire to sell in the neighborhood of \$550,000 - 2% Consols of 1930 owned by them and it was suggested that the New York bank might undertake to sell them in the market. Governor Strong, on behalf of the New York bank, agreed to take the matter up with Governor McKinney.

The question of the time and place for the next meeting of the Committee was discussed. While no definite date was fixed it was the general opinion that it would be desirable to hold it in Chicago as early in September as possible, unless conditions should arise in the meantime making an earlier meeting necessary.

On motion the meeting adjourned at 4:30 p. m.

W. B. MATTESON
Secretary.

COPY

333.-62

FEDERAL RESERVE BANK
of NEW YORK

July 9, 1924.

Dear Governor Crissinger:

Thank you for your note of July 3. As suggested in your letter, I have sent notice to the members of the Open Market Investment Committee suggesting a meeting for the 25th of July to be held in Chicago, and as soon as replies are received will advise you whether it will be possible to have a quorum.

Yours very truly,

Benj. Strong,
Governor.

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

BS.MM

orig filed 333.3

333-b-2

FEDERAL RESERVE BANK
OF NEW YORK

June 27, 1924.

Dear Governor Crissinger:

I am sending herewith a copy of the minutes of the meeting held in Washington, May 29, 1924, together with the new apportionment schedule, which papers, I was extremely sorry to learn, upon my return to the bank, had not been previously sent you.

*See 5/29/24 filed 333-b-2
Final Minutes*

See 6-30-24 filed 333-b-2 Open Mkt.

*Inv. Com. for the
FR System*

The secretary of the committee understands that all data and reports pertaining to the committee's activities are to be sent to you and advises me that he has checked up carefully to see that this has been done in every other instance. This oversight is greatly to be regretted, and I feel certain that there will not be a recurrence.

Very truly yours,

Benj. Strong

BENJ. STRONG,
Chairman, Open Market
Investment Committee.

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

MINUTES OF THE MEETING OF THE OPEN MARKET INVESTMENT COMMITTEE
FOR THE FEDERAL RESERVE SYSTEM, HELD AT THE FEDERAL RESERVE
BOARD IN WASHINGTON, MAY 29, 1924

PRESENT:

Governors Strong, Fancher, McDougal, Harding and Norris.
Mr. Matteson, Secretary of the Committee.

There were also present:

Honorable D. R. Crissinger, Governor of the Federal Reserve Board.
Mr. Edmund Platt, Vice Governor of the Federal Reserve Board.
Dr. A. C. Miller of the Federal Reserve Board.
Mr. Charles S. Hamlin of the Federal Reserve Board.
Dr. Walter W. Stewart, Director, Bureau of Research and Statistics, Federal Reserve Board.
Mr. Walter L. Eddy, Secretary, Federal Reserve Board.

The meeting was called to order at 10:45 a. m. by Governor Strong, Chairman.

The report of the Secretary of the Committee, with accompanying statements and data, was submitted.

There was also submitted to the representatives of the participating banks a report from the Federal Reserve Bank of New York on foreign accounts together with a statement of transactions since the last meeting of the Committee on April 22, 1924.

The Chairman reviewed briefly the activities of the Committee and the changes in the credit situation since the last meeting. He stated that in view of present and prospective credit conditions in New York, the directors of the Federal Reserve Bank of New York felt strongly the necessity for being in a position, either by the acquisition of a portfolio consisting of assets under their sole control or by the use through the Committee of the securities in the Special Investment Account, to ex-

- 2 -

ercise a stabilizing influence on the money market during periods of heavy Treasury transactions and to counteract by the sale of securities, if and when such action should be warranted, any undesirable effects caused by abnormal ease of money, growing out of Treasury operations, when the market was already under the influence of heavy gold imports.

An extended discussion followed dealing with (a) increasing the amount of securities in the Special Investment Account; (b) a change in the method of apportionment of bills and Government securities based more nearly upon the earning requirements of the respective reserve banks; (c) the use of the investments held in the System Special Investment Account to neutralize abnormal money conditions in New York on quarterly tax periods and (d) the creation of separate portfolios by individual reserve banks for use in credit emergencies.

Whereupon, on motion, duly made and seconded, it was

VOTED (1) that the Committee approve and recommend to the participating banks an increase in holdings of Government securities for the Special Investment Account by another \$150,000,000, such purchases to be made at the discretion of the Committee at current market prices;

(2) that the Secretary be instructed to prepare a new plan of apportionment of Government securities based on earning requirements of the respective banks as shown by figures furnished to the Committee on May 21, 1924, with adjustments from time to time as conditions warrant and new estimates are made; such plan to be submitted to the members of the Committee and the participating banks for their approval;

(3) that bills purchased by the System be apportioned in the same manner as Government securities;

- 3 -

(4) that the Chairman be authorized to make temporary sales of Government securities from the Special Account during quarterly tax periods in such amounts as may be deemed desirable, under a suitable plan for their repurchase for the Special Account.

In connection with the discussion of purchases by reserve banks for their own account, Governor McDougal asked to go on record as in favor of such purchases in order to provide holdings of Government securities for the reserve banks, preferably long-term, in sufficient amount to enable the banks to meet expenses.

The Chairman withdrew his suggestion with regard to a separate portfolio for the Federal Reserve Bank of New York in view of the action taken in respect to money conditions on the quarter days.

The meeting adjourned at 1:30 p. m.

(Signed) W. B. Matteson

Secretary

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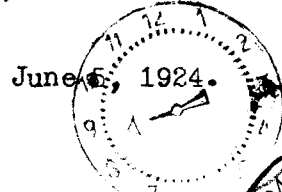
322-62

373-1

FEDERAL RESERVE BANK
OF NEW YORK

Meeting
5/29/24

Federal Reserve Board



Dear Mr. Eddy:

I received the short-hand notes which I
carelessly left on the table after the meeting. I
am very much obliged to you for your thoughtfulness.

Very truly yours,

W. B. Matteson

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

see letter 5/29/24

OK

FED. RESERVE BOARD FILE
333-62
333 /

May 29, 1924.

Dear Mr. Matteson:

I am sending you some shorthand notes which I found on our Board-room table. I believe they are your notes and perhaps you intend them to serve as a basis for your minutes. At any rate, here they are.

Very truly yours,

(Signed) Walter L. Eddy

Walter L. Eddy,
Secretary.

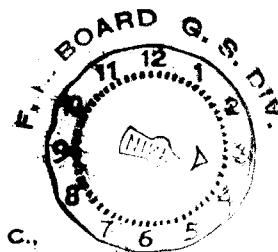
Mr. W. B. Matteson, Secretary,
Open Market Investment Committee,
c/o Federal Reserve Bank,
New York, N.Y.

see ans 6/5/24

TELEGRAM

FEDERAL RESERVE SYSTEM

(LEASED WIRE SERVICE)



RECEIVED AT WASHINGTON, D. C.,

MAY 22 1924

RECEIVED

333-6-2

5/22/24

123cd a

Cleveland May 22 311pm 1924

Crissinger

WDC

Unless something unforeseen prevents will attend meeting of open market investment committee in Washington next Thursday morning twenty ninth

Fancher

313pm

see telegram 5/22/24

333-f-2

FEDERAL RESERVE BANK OF CHICAGO

230 SOUTH LA SALLE STREET

DRB

RECEIVED
MAY 22 1924
FEDERAL RESERVE BANK OF CHICAGO

OFFICE OF THE GOVERNOR

May 22, 1924.

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

My dear Governor Crissinger:

Your telegram of this date, call-
ing a meeting of the Open Market Investment Committee,
to be held in Washington on the morning of May 29th,
is received, and I shall endeavor to be on hand.

Very truly yours,

J. M. ...
Governor.

HS.

Form 148

*Meeting
5/29/24
Keaton*

TELEGRAM

FEDERAL RESERVE BOARD

LEASED WIRE SERVICE
WASHINGTON

FEDERAL RESERVE BOARD FILE
333. - 6-2
333-1

May 22, 1924

Harding - Boston — *no ass in file*
 Norris - Philadelphia — *no ass in file*
 Fancher - Cleveland — *See ans date*
 McDougal - Chicago — *See ans date*

Federal Reserve Board has called meeting of the Open Market Investment Committee, of which you are a member, to be held in Washington, Thursday morning, May 29.

CRISSINGER

CRB

333. - 6 - 2

REPORT OF SECRETARY TO MEETING OF OPEN MARKET INVESTMENT COMMITTEE
FOR THE FEDERAL RESERVE SYSTEM AT WASHINGTON, D. C., MAY 29, 1924

At the meeting of the Committee held at Washington, D. C., April 22, 1924, the Committee was authorized to make additional purchases of Government securities for the Special Investment Account of the Federal Reserve System up to \$250,000,000 at current market prices at its discretion.

Since that time purchases have been made from time to time as conditions permitted at slightly better than current market prices. While money available for investment has been very plentiful, and prices of Government securities and other investments have therefore gradually increased, the purchases of Government securities by the System have been made without affecting the market adversely. Furthermore, such investments have been more than offset by a reduction in other earning assets consisting of a reduction of \$121,000,000 in bankers acceptances and \$55,000,000 in bills discounted. With call money at 3%, rates on prime bills declined to 3% and offerings to the System were negligible, so that it has not been possible to replace maturities.

As noted in the attached exhibits, the Special Investment Account of the Federal Reserve System has been increased to somewhat over \$250,000,000 since the last meeting and engagements made for further future deliveries, (the purchases for future delivery equaling the amount of June 1924 maturities held in the account) in anticipation of possible action by the Committee at its next meeting. These forward purchases are as follows:

<u>Delivery Date</u>	<u>Maturity</u>	<u>Par Value</u>
May 29	June 15, 1924	\$20,000,000
June 2	March 15, 1925	3,000,000
" 2	June 15, 1925	1,500,000
" 2	March 15, 1926	9,000,000
" 2	March 15, 1927	1,500,000
" 5	March 15, 1927	<u>15,000,000</u>
		<u>\$50,000,000</u>

- 2 -

The average earning assets held by the System from January 1, 1924 to May 21, 1924, have been about \$168,000,000 short of the amount which it is estimated will be required at 4% to provide sufficient earnings to cover the expenses of the banks during the calendar year 1924. The details of the changes in earning assets and the estimated earnings and expenses of the banks for 1924 are shown in attached exhibits.

A forecast of the effect on the money market in New York of the Treasury's operations on June 16, 1924 indicates that the Treasury will be obliged to temporarily borrow upwards of \$125,000,000 to clear its transactions in New York on that date. The Treasurer's overdraft in the Federal Reserve Bank of New York during the March 15, 1924 period reached the high point of \$137,000,000. As the member banks were practically out of debt to the New York bank at that time the large amount of money which was paid out and which represented a gain to the market until the tax checks were collected, put a large sum of money in the market with a corresponding sharp drop in rates. A repetition of this could be avoided:

(1) by the Treasury borrowing from member banks instead of from Federal reserve banks, or

(2) by a temporary sale of Government securities by the reserve banks to the member banks.

The Government paper held in the Special Investment Account of the System could be used for this purpose, such sales being made with the understanding that they were of a temporary nature to be later resold to the System. The latter program could probably be arranged with less difficulty than the former.

Index of Statements and Data Submitted Herewith

- (A) Statement Showing United States Government Securities Purchased for Special Investment Account for the Federal Reserve System and Their Apportionment to all Federal Reserve Banks.
- (B) Statement Showing Purchases of Bankers Acceptances and Their Allotment Under the Distribution Plan.

- 3 -

- (C) Statement Showing Estimated Expenses as Reported by all Federal Reserve Banks and Amount of Earning Assets Required to Cover Such Expenses for the Year 1924.
- (D) Comparison of Earning Assets of all Federal Reserve Banks from December 27, 1922 to May 21, 1924.
- (E) Memorandum Showing Price Yields on Government Securities Close of Business May 27, 1924.
- (F) Memorandum on Credit Conditions and Open Market Program.
- (G) Memorandum Re Treasury Financing, June 15.

EXHIBIT "A"

STATEMENT SHOWING UNITED STATES GOVERNMENT SECURITIES PURCHASED FOR
SPECIAL INVESTMENT ACCOUNT FOR THE FEDERAL RESERVE SYSTEM
AND THEIR APPORTIONMENT TO ALL FEDERAL RESERVE BANKS
AT THE CLOSE OF BUSINESS MAY 27, 1924

APPORTIONMENT

	<u>Certificates of Indebtedness</u>	<u>Treasury Notes</u>	<u>Total</u>
Boston	\$ 5,868,500	\$ 17,336,100	\$ 23,204,600
New York	18,905,000	55,822,500	74,727,500
Philadelphia	3,025,500	9,068,300	12,093,800
Cleveland	6,802,000	20,092,000	26,894,000
Richmond	972,500	2,811,700	3,784,200
Atlanta	0	0	0
Chicago	11,357,500	33,559,300	44,916,800
St. Louis	1,830,000	5,135,800	6,965,800
Minneapolis	4,433,500	8,809,200	13,242,700
Kansas City	3,111,500	8,871,400	11,982,900
Dallas	2,845,500	12,257,100	15,102,600
San Francisco	<u>6,368,000</u>	<u>18,810,400</u>	<u>25,178,400</u>
	\$65,519,500	\$192,573,800	\$258,093,300

Purchases for future delivery and apportionment 50,000,000
\$308,093,300

RECAPITULATION OF PURCHASES

<u>Made By</u>	<u>Amount</u>
Boston	\$ 8,748,500
New York	281,957,000
Philadelphia	2,029,500
Cleveland	340,000
Richmond	600,000
Atlanta	1,241,400
Chicago	7,150,000
St. Louis	936,900
Minneapolis	113,000
Dallas	548,000
San Francisco	<u>4,429,000</u>
	\$308,093,300

RECAPITULATION OF PURCHASES BY MATURITIES

June 15-16, 1924	\$ 50,462,700
Sept. 15, 1924	34,510,500
Dec. 15, 1924	23,755,500
March 15, 1925	87,130,000
June 15, 1925	24,852,700
Dec. 15, 1925	25,188,000
March 15, 1926	21,290,600
Sept. 15, 1926	6,810,000
March 15, 1927	25,512,000
Dec. 15, 1927	<u>8,581,300</u>
	\$308,093,300

EXHIBIT "B"

STATEMENT SHOWING PURCHASES AND ALLOTMENTS OF BANKERS ACCEPTANCES
SINCE THE INAUGURATION OF THE DISTRIBUTION PLAN
DECEMBER 12, 1923 TO MAY 21, 1924 INCLUSIVE
(000 Omitted)

	<u>Purchases</u>	<u>Allotments</u>	<u>Amount Over or Short of Pro Rata Share</u>
Boston	\$ 27,938	\$ 39,408	\$1,050 Over
New York	328,673	92,129	6,478 Short
Philadelphia	66,703	44,960	8,743 Over
Cleveland	4,272	52,144	508 Short
Richmond		(given to Dallas)	
Atlanta	10,078	10,647	0
Chicago	13,814	70,578	1,854 Short
St. Louis	830	9,342	169 Short
Minneapolis	232	11,024	115 "
Kansas City	0	15,661	172 "
Dallas	2,066	76,155	246 "
San Francisco	<u>7,162</u>	<u>39,720</u>	<u>251 "</u>
T o t a l	<u>\$461,768</u>	<u>\$461,768</u>	<u>\$9,793</u>

Richmond began participating Feb. 20 but their allotments given to Dallas
Atlanta " " " 20 and discontinued taking allotments Apr. 9
St. Louis " " Jan. 24
Kan. City " " Feb. 6

Above figures include special orders during the period of:

\$10,000,000 for Cleveland
3,006,000 " Minneapolis
7,000,000 " Kansas City
55,042,000 " Dallas

\$75,048,000

which were completed as follows:

\$ 2,500,000 Atlanta portfolio
9,001,000 Philadelphia "
3,006,000 Dallas "
16,445,000 New York "
44,096,000 Special purchases in New York market
\$75,048,000

EXHIBIT "C"

STATEMENT SHOWING ESTIMATED EXPENSES AS REPORTED BY ALL FEDERAL RESERVE BANKS AND AMOUNT OF EARNING ASSETS REQUIRED TO COVER SUCH EXPENSES FOR THE YEAR 1924

Expenses	Boston	New York	Philadelphia	Cleveland	Richmond	Atlanta	Chicago	St. Louis	Minneapolis	Kansas City	Dallas	San Francisco	Total
Estimated Current Expenses	\$ 2,132,000	\$ 6,725,000	\$ 2,632,000	\$ 2,720,000	\$ 1,650,000	\$ 1,344,160	\$ 4,405,000	\$ 1,500,000	\$ 1,230,170	\$ 2,016,248	\$ 1,380,000	\$ 3,049,000	\$ 30,793,570
Estimated Dividends	480,000	1,800,000	618,000	760,000	350,000	273,950	925,000	300,000	210,000	272,952	251,429	475,000	6,716,361
Estimated Reserve for Depreciation, etc.	150,000	1,760,000	100,000	850,000	200,000	258,527	657,197	100,000	391,180	509,720	655,000	1,000,000	6,631,624
Total Estimated Expenses	\$2,762,000	\$10,295,000	\$3,350,000	\$4,330,000	\$2,200,000	\$1,876,637	\$5,987,197	\$1,900,000	\$1,831,350	\$2,798,950	\$2,286,429	\$4,524,000	\$44,141,563
Earnings													
Earning Assets at 4% Required to Cover Estimated Expenses	69,050,000	257,375,000	83,750,000	108,250,000	55,000,000	46,915,925	149,679,925	47,500,000	45,783,750	69,973,750	57,160,725	113,100,000	1,103,539,075
Average Earning Assets Held Weekly Jan. 2 to May 21/24	<u>63,053,000</u>	<u>187,398,000</u>	<u>80,992,000</u>	<u>96,820,000</u>	<u>59,571,000</u>	<u>56,850,000</u>	<u>120,902,000</u>	<u>43,402,000</u>	<u>34,046,000</u>	<u>48,441,000</u>	<u>54,739,000</u>	<u>88,989,000</u>	<u>935,203,000</u>
Average Holdings of Earning Assets Jan. 2 to May 21/24 in Excess of Estimated Requirements					<u>\$4,571,000</u>	<u>\$9,934,075</u>							<u>\$14,505,075</u>
Average Holdings of Earning Assets Jan. 2 to May 21/24 Short of Estimated Requirements	<u>\$5,997,000</u>	<u>\$69,977,000</u>	<u>\$2,758,000</u>	<u>\$11,430,000</u>			<u>\$28,777,925</u>	<u>\$4,098,000</u>	<u>\$11,737,750</u>	<u>\$21,532,750</u>	<u>\$2,421,725</u>	<u>\$24,111,000</u>	<u>\$182,841,150</u>
Average Earning Assets Short of Requirements													<u>\$168,336,075</u>
Actual Holdings of Earning Assets May 21, 1924	\$46,929,000	\$134,640,000	\$65,252,000	\$87,074,000	\$60,859,000	\$50,504,000	\$110,714,000	\$34,795,000	\$41,777,000	\$45,302,000	\$39,155,000	\$78,498,000	\$795,499,000

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EXHIBIT "D"

COMPARISON OF EARNING ASSETS HELD BY ALL FEDERAL RESERVE BANKS
FROM DECEMBER 27, 1922 TO MAY 21, 1924

(000 Omitted)

Monthly -1922-	TOTAL EARNING ASSETS	*Government Securities		*Bankers Acceptances	Bills Discounted
		Own Purchases	Special Investment Account		
Dec. 27	**\$1,322,061			\$246,293	\$629,885
-1923-					
Jan. 31	1,139,552			188,566	597,251
Feb. 28	1,166,512			207,678	595,760
Mar. 28	1,203,720			254,251	700,060
Apr. 25	1,104,489			274,041	636,638
May 29	1,178,156			257,818	731,050
June 27	1,114,219			204,225	774,963
July 25	1,033,697			176,864	760,539
Aug. 29	1,082,553			173,485	815,518
Sept. 26	1,126,334			172,124	862,008
Oct. 31	1,180,652			204,698	883,800
Nov. 28	1,167,999			289,004	794,381
Dec. 26	1,297,775			336,415	857,151
-1924-					
Jan. 30	914,881	73,137	\$ 47,635	271,792	522,307
Feb. 27	950,801	71,911	83,890	263,310	531,690
Mar. 26	942,080	77,463	179,793	202,458	482,315
Apr. 30	873,381	77,174	224,486	124,485	447,185
May 7	838,505	75,182	235,700	87,287	440,285
" 14	810,257	75,721	247,443	75,361	411,181
" 21	795,499	77,048	247,593	55,692	414,615
Net Change: Dec. 27, 1922 to May 21/24	\$526,562-		\$121,242-	\$190,601-	\$215,270-

*Includes sales contracts

**Excluding \$12,000,000 Pittman Act Certificates redeemed December 31, 1922

FEDERAL RESERVE BANK
OF NEW YORK

EXHIBIT "E"

OFFICE CORRESPONDENCE

DATE May 28, 1924

To Governor Strong

SUBJECT: Government Security Yields May 27, 1924

FROM J. H. Case

I am listing below the interest yields of Government securities
based on offered prices at the close of business May 27:

SHORT GOVERNMENTS

May 27

4%	G/I	due June 15, 1924	2.75
5%	T/N	" " 15, 1924	2.75
5%	" "	" Sept. 15, 1924	3.00
4%	G/I	" Dec. 15, 1924	2.91
4%	" "	" March 15, 1925	3.46
4%	T/N	" " 15, 1925	3.46
4%	" "	" June 15, 1925	3.64
4 3/8%	" "	" Dec. 15, 1925	3.76
4%	" "	" Mar. 15, 1926	3.81
4%	" "	" Sept. 15, 1926	3.90
4%	" "	" Mar. 15, 1927	3.94
4%	" "	" Dec. 15, 1927	3.93

LONG GOVERNMENTS

3 1/2%	First Liberty Loan bonds	3.51
4%	First " Conv. "	4.17
4%	Second " Loan "	4.14
4%	Third " " "	3.97
4%	Fourth " " "	4.14
4%	Treasury Bonds of 1952	4.09

EXHIBIT "F"

May 27, 1924.

To Governor Strong
From W. R. Burgess

Credit Conditions and the
Open Market Program

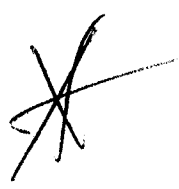
The tendencies in business and credit conditions are in the same general direction as at the time of the last meeting of the Open Market Committee in April, but more definitely marked than at that time. There is a decline in production and in wholesale trade, although distribution to the consumer continues in fairly heavy volume. Commodity prices and stock prices are weak. Reflecting these movements, member bank commercial loans have begun to decline somewhat and their investments to increase. Gold imports have continued heavy, amounting to 45 million in April, and money has grown progressively easier.

[As far as the business and credit situation goes there appears to be no immediate danger of inflation or uncontrolled speculative activity. Easier money is likely to be a benefit rather than a detriment to sound business activity. In so far as slightly easier money is likely to result from further purchases of securities by the Reserve Banks, a program of further purchases would be desirable. Moreover the continued inflow of gold at a higher rate than last year emphasizes the importance of the buying program.

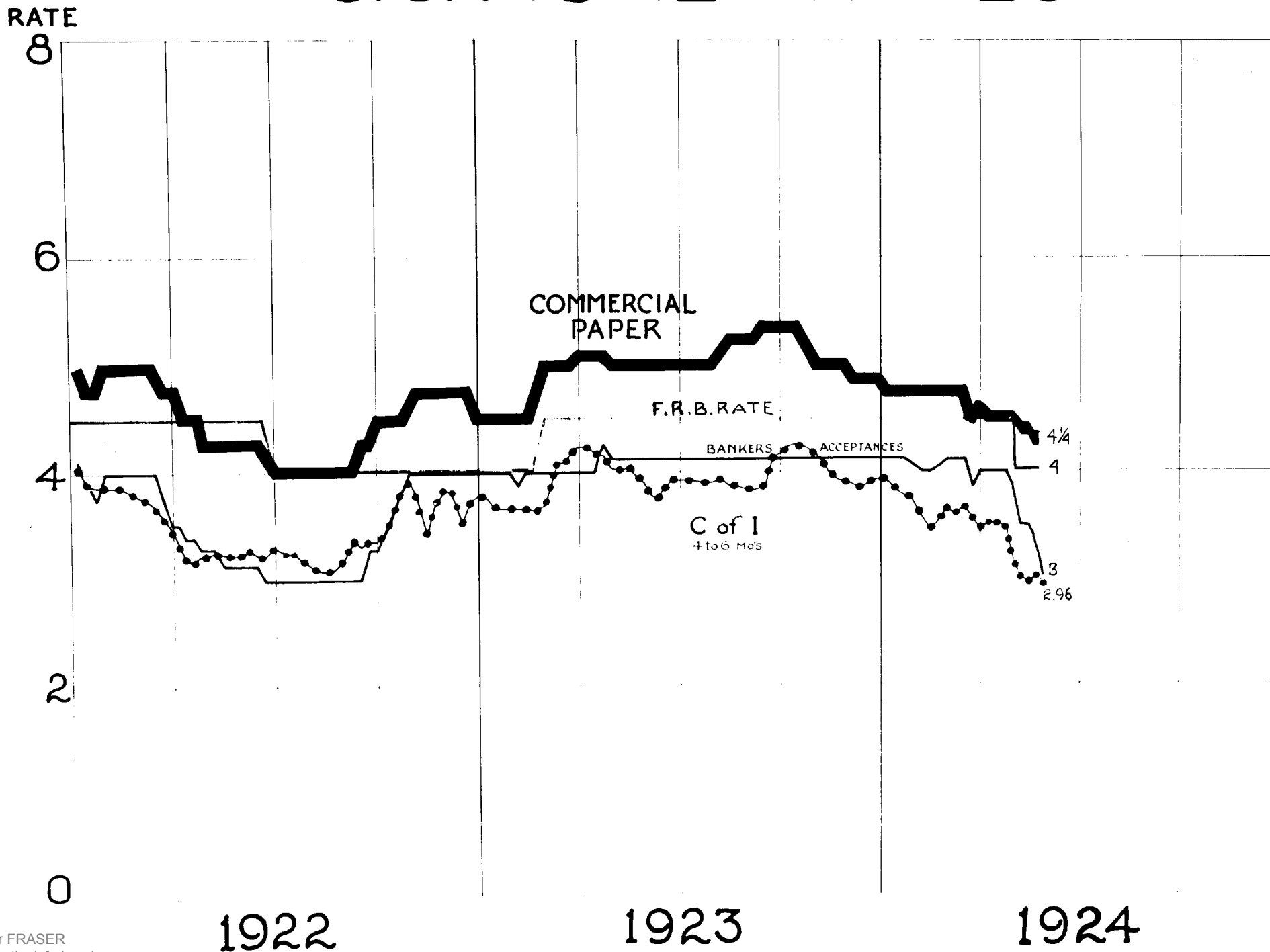
In view of the usual seasonal influences it would seem probable that purchases can be made more easily in a few weeks, in late June and early July, when business begins to prepare for the autumn trade, than at the present. But the experience of the past few months would appear to indicate that some purchases might be made before that time in a moderate amount without unwholesome effect on the market for government securities and the money market generally.

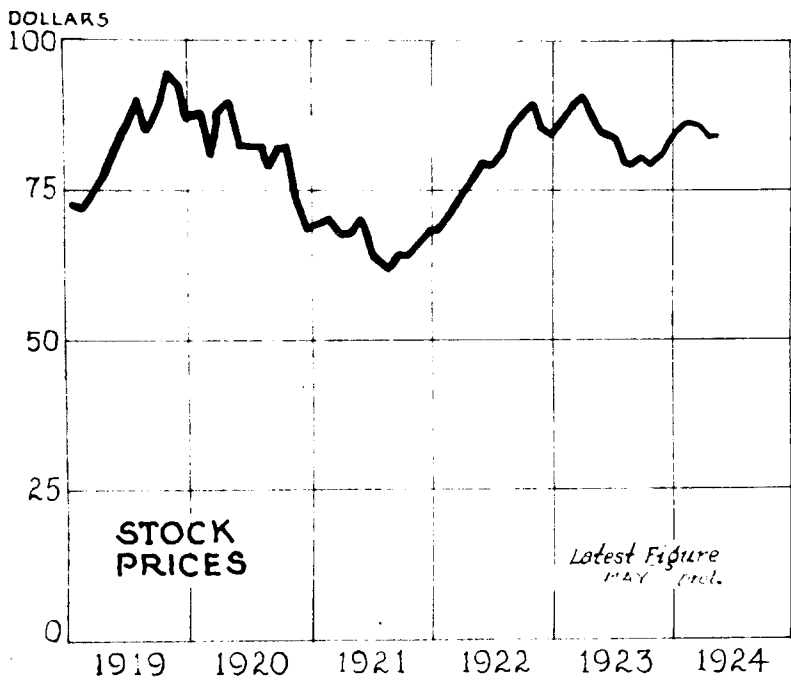
EXHIBIT "F" (Continued)

It is perhaps worthy of note that the purchase of securities by the Federal Reserve Banks has not evoked any adverse criticism, although the amounts have now become large enough so that the purchases have been commented upon from time to time in the newspapers.

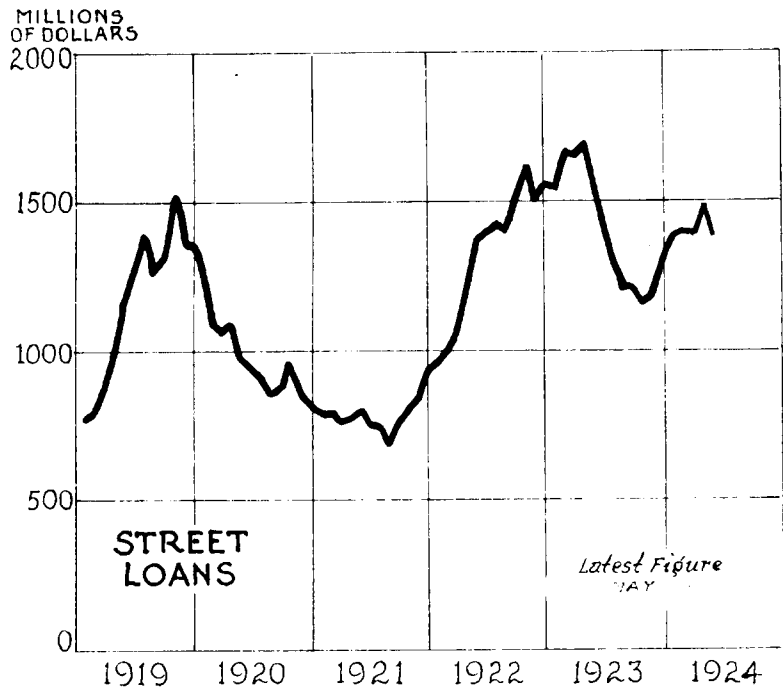


U.S. MONEY RATES

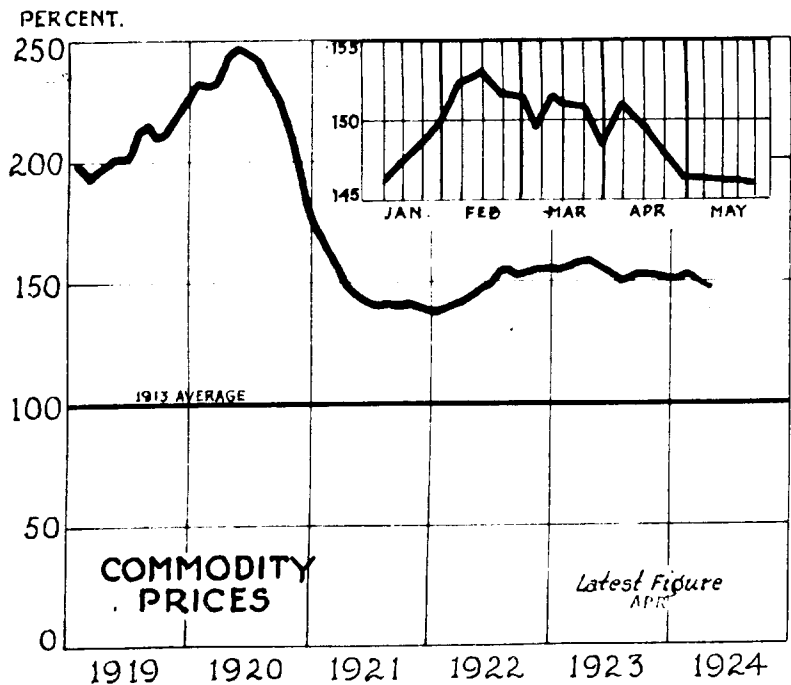




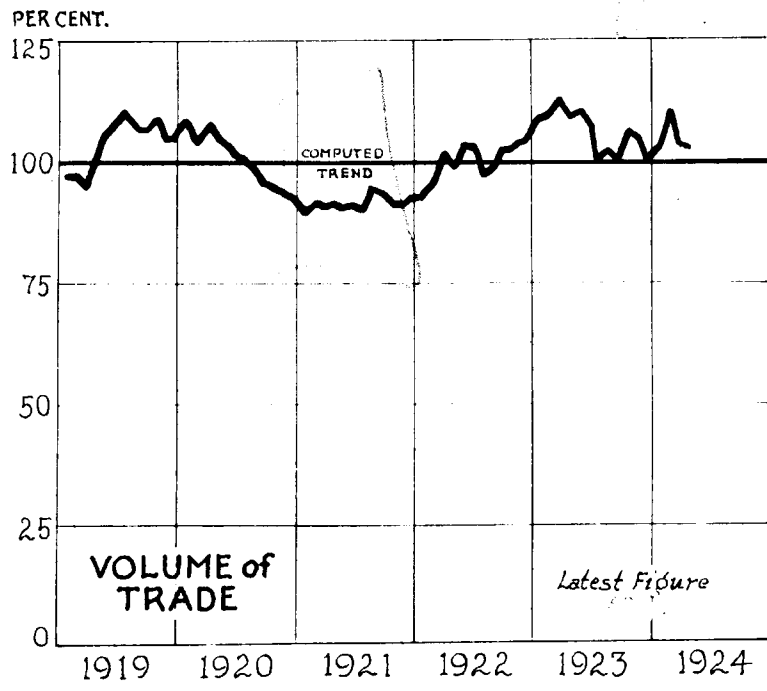
Monthly Average Price of 50 Stocks on the N. Y. Stock Exchange



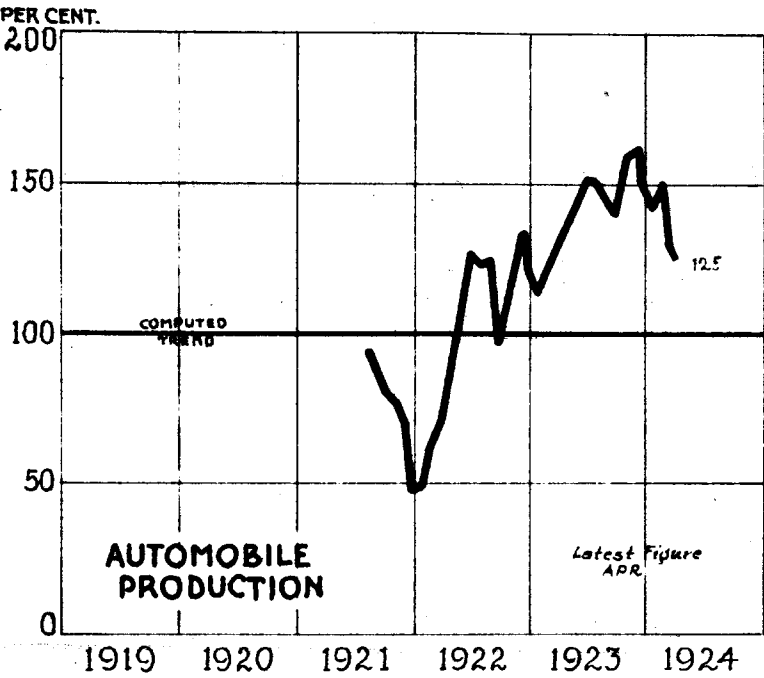
Total Street Loans of 44 New York City Banks on the last day of each month



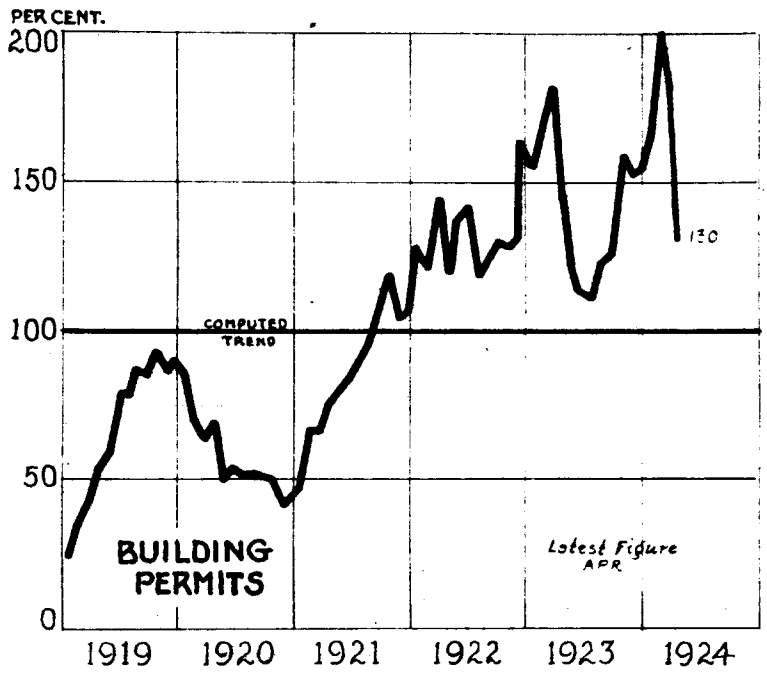
U. S. Bureau of Labor Statistics Index of Wholesale Prices



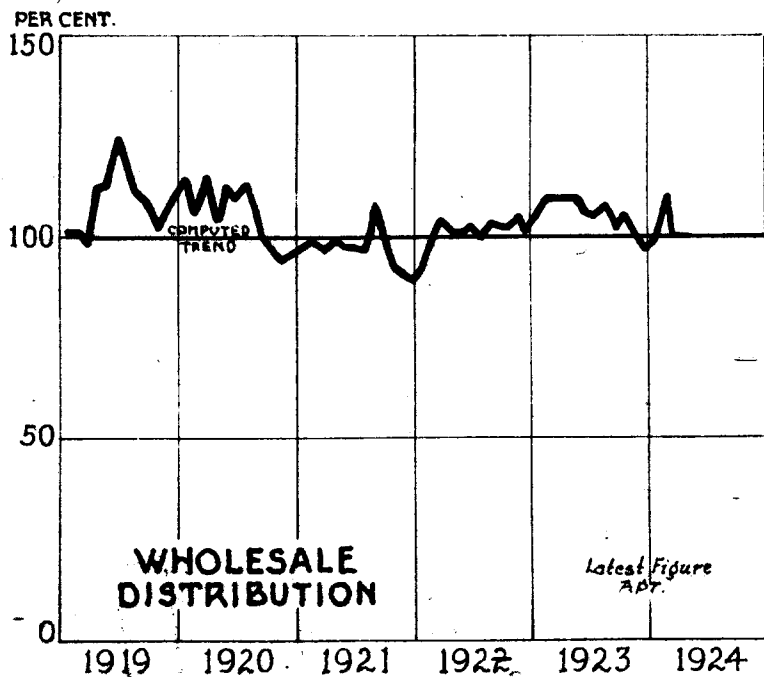
This Bank's Index of The Volume of Trade



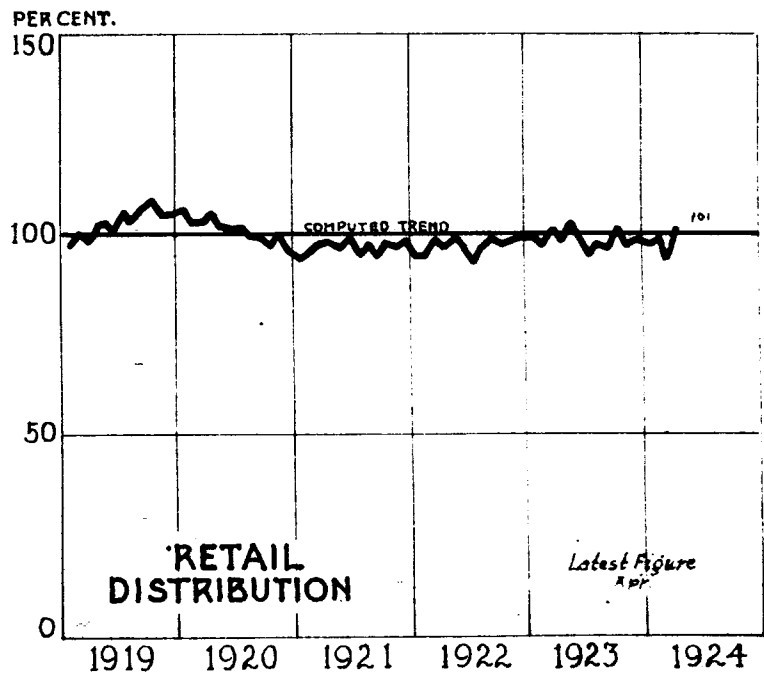
Production of Passenger Automobiles and Trucks in the U. S. each month



Value of Building Permits granted each Month in 158 Cities



Wholesale Distribution Index, includes Wholesale Trade, Car Loadings, Exports and Imports, etc.



Retail Distribution Index includes the Sales of Department and Chain Stores and Mail Order Houses, Amusement Receipts, etc.

EXHIBIT "G"

To: Governor Strong

May 20, 1924

From: J. H. Case

Re Treasury Financing, June 15

Answering your inquiry with regard to the June 15 operations of the Treasury, the Treasury at present is in an easy position with a substantial surplus, (the estimated amount with depositary banks and on deposit with Federal reserve banks being upwards of \$150,000,000). This balance may be applied to a reduction of the public debt either by the purchase of Libertys or by the retirement of some of the June 15, 1924 certificates and notes, the latter maturities being \$135,000,000 and \$311,000,000 respectively, a total of \$446,000,000. The estimated tax receipts for June are \$425,000,000.

It is, of course, a bit early to definitely determine what it is best to do in the way of new financing in June but my present thought would be something along the following line:

A low rate, short term certificate of indebtedness, say an issue of \$150,000,000 to \$200,000,000 six months maturity at 3%. This would:

- (a) indicate the Treasury's comfortable financial position.
- (b) emphasize also the present easy money conditions.
- (c) be constructively helpful as to the present outstanding issues and
- (d) pave the way for a long term, low rate bond issue a little later on.

There is now but a small amount of obligations maturing in December 1924 and, to my mind, this maturity and rate would be preferable to a one year certificate carrying a 3 1/2% rate. It should be remembered that there will mature on September 15, 1928, a little more than \$3,000,000,000 of Third Liberty Loan bonds and with the continued ease in money conditions I believe it may be possible a little later (perhaps in July) to issue a long term bond non-callable, maturing in thirty to forty years at 4%. There would not appear to be any point in issuing a small amount of such bonds now for cash unless it were also possible to put out from \$500,000,000 to \$1,000,000,000 additional in exchange for Third Libertys.

- 2 -

EXHIBIT "G" (Continued)

Another issue that would undoubtedly have a popular appeal and that would accelerate the exchange feature would be a long term bond carrying a 4 1/4% coupon up to September 15, 1928, (the maturity of the Thirds) and a 4% coupon thereafter. An offer to exchange on an even basis would make its appeal to many of the present holders of Thirds and would, of course, help the Treasury in its program of reducing prior to their maturity the outstanding amount of Thirds falling due in 1928.

With money rates generally as low as they are now it would also be possible to float a two year Treasury note on a 3 3/4 basis and a five year note at 4%.

Personally I would favor the short term low rate certificates of indebtedness for the reasons here mentioned.

CONFIDENTIAL

I understand that the City of New York is expecting to bring out several lots of serial bonds, and some long term bonds aggregating about \$70,000,000 early in June. Coupon rate is expected to be 4 1/4%.

They should sell at a good premium!

*Meeting Wash DC
Apr 22-19 24
Final Minutes
\$250,000,000*

FEDERAL RESERVE BANK
333-62
~~333~~
Executive Folder
Date 4/28/24

BANK

April 28, 1924.

Dear Mr. Matteson:

Receipt is acknowledged of your letter of April 25th, addressed to Governor Crissinger, enclosing copy of minutes of the meeting of the Open Market Investment Committee held in Washington on April 22, 1924, together with Committee report and other data submitted at the meeting.

*4/22/24 filed
333.-6-2
Final Minutes*

Very truly yours,

(Signed) Walter L. Eddy
Walter L. Eddy,
Secretary.

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

Prepared by
(Signature)

333-b-2

FEDERAL RESERVE BANK
OF NEW YORK

RECEIVED
APR 28 1924
OFFICE OF
THE GOVERNOR

*File
506*

CONFIDENTIAL

April 25, 1924.

My dear Governor Crissinger:

*4/25/24 filed 333-b-2
Final Minutes*

Enclosed you will find copy of minutes of the
meeting of the Open Market Investment Committee held in
Washington on April 22, 1924, together with Committee re-
port and other data submitted at the meeting.

Very truly yours,
W. B. Matteson

W. B. Matteson
Secretary, Open Market
Investment Committee

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

Enclosure

see ans 4/28/24

333.-f-2

REPORT OF SECRETARY TO MEETING OF OPEN MARKET INVESTMENT COMMITTEE FOR THE
FEDERAL RESERVE SYSTEM AT WASHINGTON, D. C., APRIL 22, 1924.

4/22/24

At the meeting of the Committee held at Washington, D. C., February 8 it was suggested that, in order to assist those reserve banks in need of earning assets in excess of the amounts obtained through the regular allotments, bills and securities be redistributed so far as possible from the allotments of banks whose earning assets are more ample and which will consent to such redistribution.

As a result of such action, redistributions of open market investments have been made by the Committee, consisting of sales from portfolio, temporary foregoing on the part of some banks in taking daily allotments of bills and Government securities, and sale of participation of Government securities previously apportioned. The amounts thus redistributed aggregate \$44,984,300 as follows:

<u>Date</u>	<u>Selling Bank</u>	<u>Amount</u>		<u>Receiving Bank</u>
Feb. 18	New York	\$4,000,000	Bills (portfolio)	Kansas City
" 20	Richmond	7,135,000	" (aggregate daily allotment of bills given up (Feb. 20 to date))	Dallas
" 21	Philadelphia	5,000,000	" (portfolio)	Dallas
" 21	New York	5,000,000	" "	Dallas
" 21	Philadelphia	7,484,100	Gov. Sec. (aggregate daily allotment of securities given up (Feb. 21 to March 17))	Dallas
March 1	Richmond	4,042,600	" " (" " (March 1 to date))	other participating banks
" 6	Atlanta	4,155,900	" " (" " (March 6 to date))	other participating banks
" 17	Philadelphia	2,884,800	" " (" " (March 17 to April 2))	Minneapolis
April 7	Atlanta	5,203,900	" " (participation previously apportioned)	50% Minneapolis 50% Kansas City
" 9	St. Louis	78,000	" " (aggregate daily allotment securities given up (April 9 to date))	other participating banks

\$44,984,300

#19

-2-

Among the exhibits submitted is one reflecting changes in the Committee's authorized prices covering the purchase of Government securities for the Special Investment Account, which have been gradually reduced from time to time to meet changes in market conditions and in order to stimulate buying through keeping such prices consistent with the dealers' quotations, so that all available blocks offered by dealers might be obtained without adversely affecting the market for such securities. Purchases for this account, which started about December 12, 1923, approximated \$34,000,000 on January 9, \$56,000,000 on February 14, and by February 29 the first \$100,000,000 limit had been reached. Therefore, at a meeting of the Committee held in Washington on February 25, it was decided that the Committee should purchase an additional \$100,000,000. As a result of new price limits established at that time, and revised on March 7, purchases were increased to approximately \$181,000,000 by March 15. [At that time the Committee deemed it advisable, subject to the approval of the Federal Reserve Board, to increase the aggregate amount of this account to \$250,000,000 in order to be able at the proper time to really exert any influence in the open market. Since that time, however, owing to existing market conditions, the matter of increasing this account has not been brought to the attention of the Board.]

Since December 12, 1923, the Government Security holdings of the System have increased \$170,000,000, bill holdings have shown a reduction of about \$153,000,000, of which \$9,000,000 represents a reduction in bills held under sales contract agreements, while bills discounted during the same period have decreased \$292,000,000. The total earning assets which on December 12 amounted to \$1,187,000,000 and which dropped to \$922,000,000 on March 19, went up over the billion dollar mark on April 2 for the first time since January 9, 1924 and at the present time amount to \$913,000,000.

The following statements and data are submitted herewith:

- (A) Exhibit and Chart Showing Comparison Between Dealers' Quotations and Price Yields at Which Committee is Authorized to Purchase Government Securities for Special Investment Account.
- (B) Statement Showing Estimated Expenses as Reported by All Federal Reserve Banks and Amount of Earning Assets Required to Cover Such Expenses for the Year 1924.
- (C) Statement Showing United States Government Securities Purchased for Special Investment Account for the Federal Reserve System and their Apportionment to all Federal Reserve Banks.
- (D) Statement Showing Purchases of Bankers Acceptances and Their Allotment under the Distribution Plan.
- (E) Comparison of Earning Assets Held by all Federal Reserve Banks from December 27, 1922 to April 16, 1924.
- (F) Memorandum on Credit Conditions and Open Market Program.
- (G) Weekly Report of Open Market Investment Committee Covering Period from April 10 to April 16, 1924.

COMPARISON OF COMMITTEE'S PURCHASING PRICES OF UNITED STATES SECURITIES
FOR THE SPECIAL INVESTMENT ACCOUNT AND DEALERS' QUOTATIONS
DURING PERIOD DECEMBER 12, 1923 TO DATE

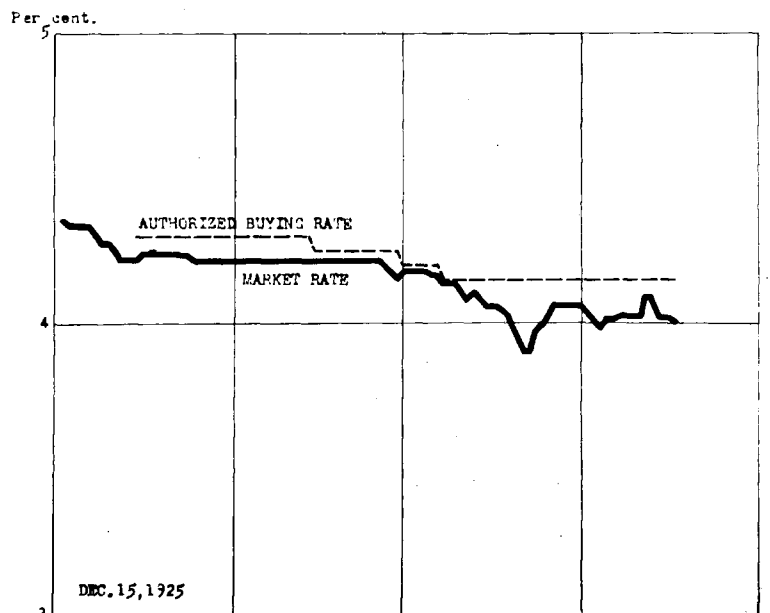
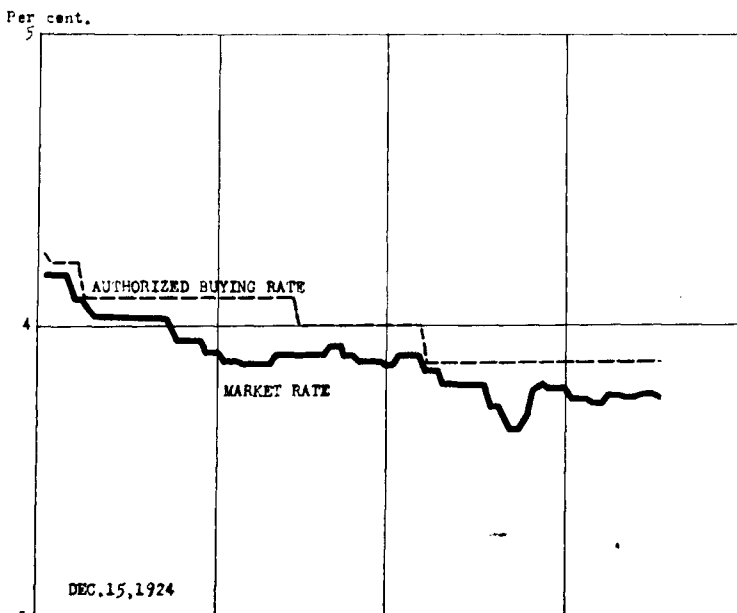
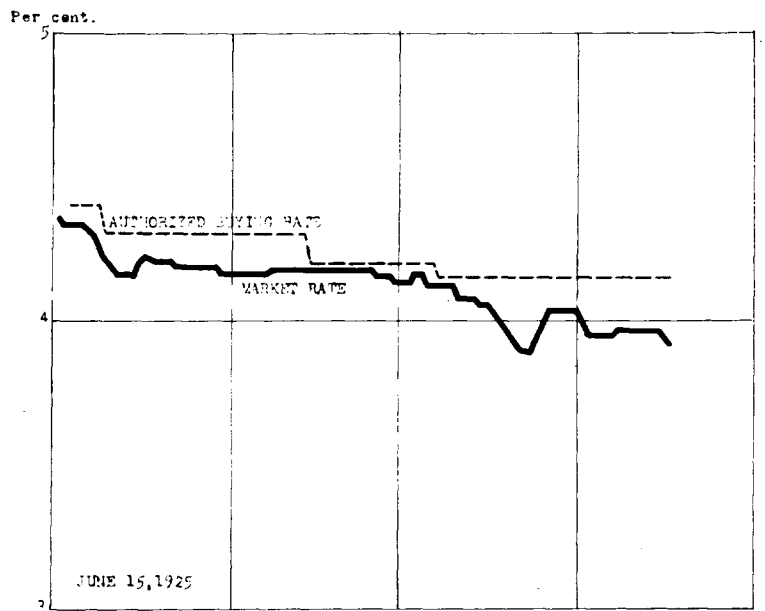
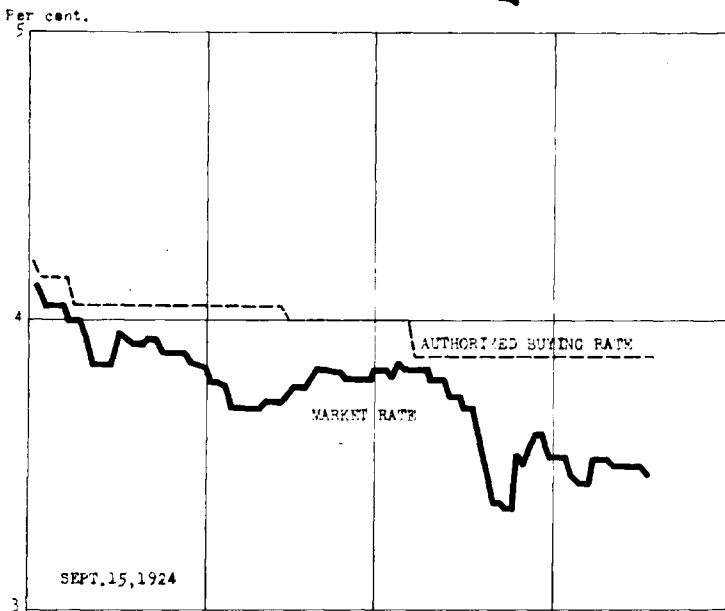
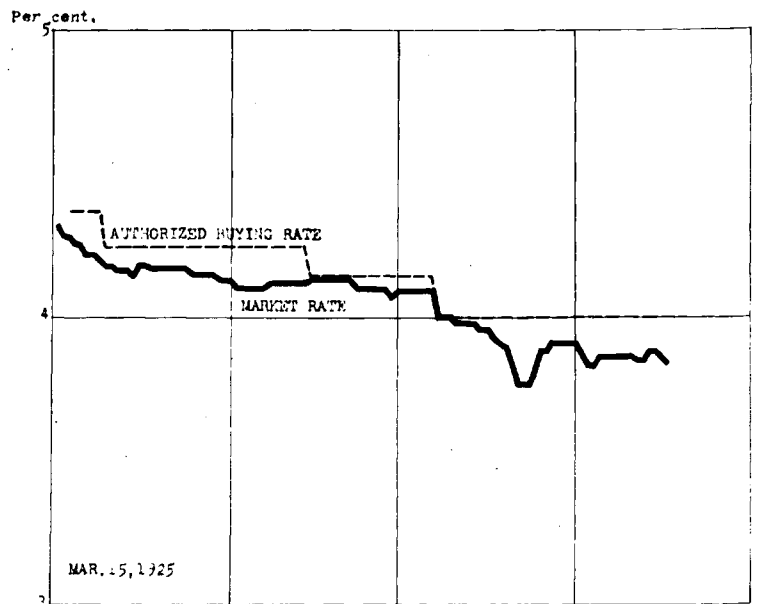
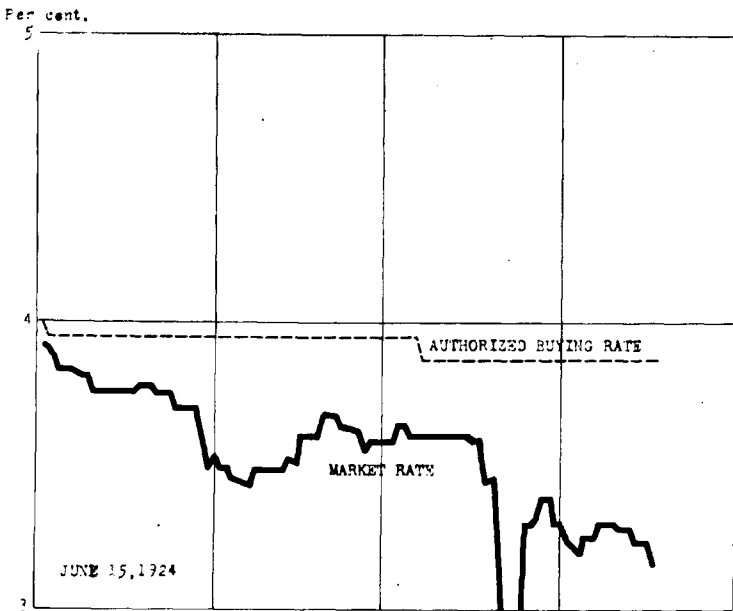
Prices Authorized By Committee

	<u>Dec. 24/23</u>	<u>Jan. 3/24</u>	<u>Jan. 9/24</u>	<u>Jan. 14/24</u>	<u>Feb. 14/24</u>	<u>Feb. 26/24</u>	<u>Feb. 29/24</u>	<u>Mar. 7/24</u>
Mar 1924	4.00%	3.85%	3.85%	3.85%	-	-	-	3 7/8%
June 1924	4.00	3.95	3.95	3.95	3.95	3.95	3.95	3 7/8
Sept. 1924	4.20	4.15	4.05	4.05	4.00	4.00	4.00	3 7/8
De 1924	4.25	4.22	4.10	4.10	4.00	4.00	4.00	3 7/8
March 1925	-	4.37 1/2	4.25	4.25	4.15	4.15	4.15	4.00
June 1925	-	4.40	4.30	4.30	4.20	4.20	4.20	4.15
Dec. 1925	-	-	-	4.30	4.25	4.25	4.20	4.15
March 1926	-	-	-	-	-	4.25	4.25	4.25
Sept. 1926	-	-	-	-	-	4.25	4.25	4.25
March 1927	-	-	-	-	-	4.35	4.30	4.25
Dec. 1927	-	-	-	-	-	4.35	4.30	4.25

Dealers' Yield Quotations

	<u>Dec. 24/23</u>	<u>Jan. 3/24</u>	<u>Jan. 9/24</u>	<u>Jan. 14/24</u>	<u>Feb. 14/ 24</u>	<u>Feb. 26/24</u>	<u>Feb. 29/24</u>	<u>Mar. 7/24</u>	<u>Apr. 17/24</u>
Mar 1924	3.82%	3.75%	3.70%	3.50%	3.50%	3.50%	3.50%	3.50%	-
June 1924	3.93	3.90	3.82	3.75	3.52	3.65	3.58	3.60	3.15
Sept 1924	4.15	4.10	4.00	3.85	3.72	3.80	3.80	3.83	3.46
De 1924	4.18	4.18	4.10	4.03	3.90	3.88	3.88	3.90	3.75
March 1925	4.34	4.28	4.20	4.16	4.12	4.10	4.07	4.09	3.85
June 1925	4.38	4.34	4.23	4.16	4.18	4.16	4.14	4.13	3.91
Dec. 1925	4.37	4.34	4.28	4.22	4.22	4.22	4.16	4.17	4.00
March 1926	4.44	4.42	4.34	4.26	4.28	4.26	4.20	4.22	4.08
Sept. 1926	4.39	4.38	4.33	4.22	4.22	4.22	4.21	4.22	4.09
March 1927	4.47	4.45	4.41	4.30	4.31	4.32	4.28	4.28	4.14
Dec. 1927	4.46	4.45	4.40	4.30	4.28	4.30	4.28	4.28	4.13

CHART "A"



STATEMENT SHOWING ESTIMATED EXPENSES AS REPORTED BY ALL FEDERAL RESERVE BANKS AND AMOUNT OF EARNING ASSETS
REQUIRED TO COVER SUCH EXPENSES FOR THE YEAR 1924

Expenses	Boston	New York	Philadelphia	Cleveland	Richmond	Atlanta	Chicago	St. Louis	Minneapolis	Kansas City	Dallas	San Francisco	Total
Estimated Current Expenses	\$ 2,132,000	\$ 6,735,000	\$ 2,632,000	\$ 2,720,000	\$ 1,650,000	\$ 1,344,160	\$ 4,405,000	\$ 1,500,000	\$ 1,230,170	\$ 2,016,248	\$ 1,380,000	\$ 3,049,000	\$ 30,793,578
Estimated Dividends	480,000	1,800,000	618,000	760,000	350,000	273,950	925,000	300,000	210,000	272,982	251,429	475,000	6,716,361
Estimated Reserve for De- preciation, etc.	<u>150,000</u>	<u>1,760,000</u>	<u>100,000</u>	<u>850,000</u>	<u>200,000</u>	<u>258,527</u>	<u>657,197</u>	<u>100,000</u>	<u>391,180</u>	<u>509,720</u>	<u>655,000</u>	<u>1,000,000</u>	<u>6,631,624</u>
Total Estimated Expenses	<u>\$2,762,000</u>	<u>\$10,295,000</u>	<u>\$3,350,000</u>	<u>\$4,330,000</u>	<u>\$2,200,000</u>	<u>\$1,876,637</u>	<u>\$5,987,197</u>	<u>\$1,900,000</u>	<u>\$1,831,350</u>	<u>\$2,798,950</u>	<u>\$2,286,429</u>	<u>\$ 4,524,000</u>	<u>\$ 44,141,563</u>
<u>Earnings</u>													
Earning Assets at 4% Required to Cover Estimated Expenses	69,050,000	257,375,000	83,750,000	108,250,000	55,000,000	46,915,925	149,679,925	47,500,000	45,783,750	69,973,750	57,160,725	113,100,000	1,103,539,075
Average Earning Assets Held Weekly Jan.2 to Apr.15/24	<u>66,682,000</u>	<u>201,982,000</u>	<u>85,273,000</u>	<u>98,040,000</u>	<u>57,836,000</u>	<u>59,444,000</u>	<u>121,301,000</u>	<u>44,784,000</u>	<u>32,049,000</u>	<u>48,540,000</u>	<u>58,773,000</u>	<u>89,322,000</u>	<u>964,626,000</u>
Average Holdings of Earning Assets Jan.2 to Apr.16/24 in Excess of Estimated Requirements			<u>\$1,523,000</u>		<u>\$2,836,000</u>	<u>\$12,528,075</u>					<u>\$1,612,275</u>		<u>\$18,499,350</u>
Average Holdings of Earning Assets Jan.2 to Apr.16/24 Short of Estimated Requirements	<u>\$2,368,000</u>	<u>\$55,393,000</u>		<u>\$10,210,000</u>			<u>\$28,378,925</u>	<u>\$2,716,000</u>	<u>\$13,734,750</u>	<u>\$21,433,750</u>		<u>\$23,178,000</u>	<u>\$157,412,425</u>
													<u>Average Earning Assets Short of Requirements</u>
													<u>\$138,913,075</u>
Actual Holdings of Earning Assets April 16, 1924	\$57,424,000	\$183,289,000	\$74,284,000	\$106,375,000	\$65,488,000	\$46,240,000	\$122,224,000	\$44,493,000	\$38,061,000	\$49,442,000	\$48,062,000	\$77,586,000	\$912,968,000

EXHIBIT "B"

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STATEMENT SHOWING UNITED STATES GOVERNMENT SECURITIES PURCHASED FOR SPECIAL
INVESTMENT ACCOUNT FOR THE FEDERAL RESERVE SYSTEM AND THEIR
APPORTIONMENT TO ALL FEDERAL RESERVE BANKS AT
THE CLOSE OF BUSINESS APRIL 19, 1924

APPORTIONMENT

<u>Federal Reserve Bank</u>	<u>Certificates of Indebtedness</u>	<u>Treasury Notes</u>	<u>Total</u>
Boston	\$ 4,351,000	\$ 12,402,100	\$ 16,753,100
New York	14,020,000	39,941,500	53,961,500
Philadelphia	1,556,000	4,288,500	5,844,500
Cleveland	5,046,500	14,387,000	19,433,500
Richmond	972,500	2,811,700	3,784,200
Atlanta	0	0	0
Chicago	8,432,500	24,051,200	32,483,700
St. Louis	1,830,000	5,135,800	6,965,800
Minneapolis	3,911,500	7,112,900	11,024,400
Kansas City	2,494,500	6,866,800	9,361,300
Dallas	2,370,000	10,715,300	13,085,300
San Francisco	<u>4,723,500</u>	<u>13,465,300</u>	<u>18,188,800</u>
T o t a l s	<u>\$49,708,000</u>	<u>\$141,178,100</u>	<u>\$190,886,100</u>

RECAPITULATION OF PURCHASES

<u>Made By</u>	<u>Amount</u>
Boston	\$ 8,748,500
New York	174,917,000
Philadelphia	1,834,500
Cleveland	340,000
Richmond	600,000
Atlanta	1,133,500
Chicago	7,150,000
St. Louis	761,600
Minneapolis	113,000
Dallas	125,000
San Francisco	<u>1,163,000</u>
	\$196,886,100
Sold from System Acct. to Treasury	<u>6,000,000</u>
	<u>\$190,886,100</u>

RECAPITULATION OF PURCHASES BY MATURITIES

June 15-16, 1924	\$ 14,245,200
Sept. 15, 1924	28,040,500
Dec. 15, 1924	21,787,500
March 15, 1925	64,599,000
June 15, 1925	20,700,000
Dec. 15, 1925	12,088,000
March 15, 1926	8,789,900
Sept. 15, 1926	360,000
March 15, 1927	16,559,500
Dec. 15, 1927	3,716,500
	<u>\$190,886,100</u>

EXHIBIT "D"

STATEMENT SHOWING PURCHASES AND ALLOTMENTS OF BANKERS ACCEPTANCES
SINCE THE INAUGURATION OF THE DISTRIBUTION PLAN
DECEMBER 12, 1923 TO APRIL 16, 1924 INCLUSIVE
(000 Omitted)

	<u>Purchases</u>	<u>Allotments</u>	<u>Amount Over or Short of Pro Rata Share</u>
Boston	\$ 24,947	\$ 35,184	\$ 341 Short
New York	306,036	85,412	3,533 "
Philadelphia	61,300	39,557	6,005 Over
Cleveland	3,626	49,384	229 "
Richmond		(given to Dallas)	
Atlanta	10,078	10,647	0
Chicago	13,259	65,699	1,069 Short
St. Louis	830	8,076	268 "
Minneapolis	232	9,812	160 "
Kansas City	0	14,268	231 "
Dallas	1,685	73,247	821 "
San Francisco	<u>6,455</u>	<u>37,162</u>	<u>189 Over</u>
T o t a l	<u>\$428,448</u>	<u>\$428,448</u>	<u>\$6,423</u>

Richmond began participating Feb. 20 but their allotments given to Dallas
 Atlanta " " " 20 and discontinued taking allotments Apr. 9
 St. Louis " " Jan. 24
 Kan. City " " Feb. 6

Above figures include special orders during the period of:

\$10,000,000	for Cleveland
3,006,000	" Minneapolis
7,000,000	" Kansas City
<u>55,042,000</u>	" Dallas
 \$75,048,000	

which were completed as follows:

\$ 2,500,000	Atlanta portfolio
9,001,000	Philadelphia "
3,006,000	Dallas "
16,445,000	New York "
<u>44,096,000</u>	Special purchases in New York market
 <u>\$75,048,000</u>	

COMPARISON OF EARNING ASSETS HELD BY ALL FEDERAL RESERVE BANKS
FROM DECEMBER 27, 1922 TO APRIL 16, 1924.

(000 Omitted)

	TOTAL EARNING ASSETS	*Government Securities	*Bankers Acceptances	Bills Discounted
Monthly - 1922 -				
Dec. 27	**\$1,322,061	\$445,883	\$246,293	\$629,885
- 1923 -				
Jan. 31	1,139,552	353,735	188,566	597,251
Feb. 28	1,166,512	363,074	207,678	595,760
March 28	1,203,720	249,409	254,251	700,060
April 25	1,104,489	193,810	274,041	636,638
May 29	1,178,156	189,288	257,818	731,050
June 27	1,114,219	134,976	204,225	774,963
July 25	1,033,697	96,284	176,864	760,539
Aug. 29	1,082,553	93,530	173,485	815,518
Sept. 26	1,126,334	91,885	172,124	862,008
Oct. 31	1,180,652	91,837	204,698	883,800
Nov. 28	1,167,999	84,460	289,004	794,381
Dec. 26	1,297,775	104,158	336,415	857,151
- 1924 -				
Jan. 30	914,881	120,772	271,792	522,307
Feb. 27	950,801	155,801	263,310	531,690
March 26	942,080	257,256	202,458	482,315
April 2	1,008,388	264,855	213,772	529,660
April 9	996,119	268,903	197,606	529,559
April 16	912,968	266,667	176,680	469,570
Net Change Dec. 27, 1922 to Apr. 16, 1924	409,093-	179,216-	69,615-	160,315-

*Including sales contracts

**Excluding \$12,000,000 Pittman Act Certificates redeemed December 31, 1922

CREDIT CONDITIONS AND THE OPEN MARKET PROGRAMThe Credit Situation

Since the meeting of the Open Market Investment Committee in February price and credit inflation has become much less probable for the immediate future. Practically all of the available indexes for March indicated a considerable decrease in the volume of production and business transactions. There is evidence that production has been running somewhat ahead of consumption and that there are considerable stocks of manufactured goods on hand. Commodity prices have been working slightly lower. The prospect for the future, therefore, appears to be for somewhat less active industry and great caution in business enterprise. The stock market has weakened and become inactive. While there has been no marked reduction in bank loans, money rates have become slightly easier, with commercial paper quoted at 4 1/2 instead of 4 3/4, bill rates at 4 instead of 4 1/8, and other rates correspondingly reduced.

We have a situation where easier money is likely to help rather than hinder a normal rate of business activity. There therefore appears to be in the business situation no impediment to carrying through a program of building up a portfolio by the Federal Reserve Banks.

Future Money Rates

The usual seasonal tendency of money rates would lead us to anticipate moderately stable rates until about the middle of May, followed by some easing until early in July, when the fall seasonal demand will begin. In addition to the seasonal tendency a continuation of gold imports at the rate of about one million dollars a day, and quiet business are factors making for easier rates in May and June.

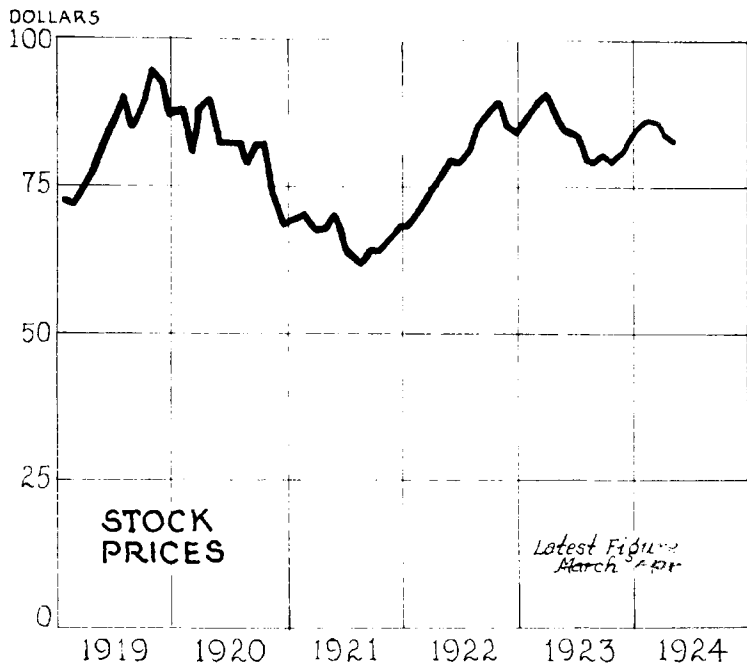
The Buying Program

In view of these conditions it seems probable that buying can be carried on safely during the next two or three months, but at progressively lower rates. In order not to drive the market down rapidly it will be necessary to buy slowly and cautiously. The yields on Government securities for the coming three weeks are apt to be more favorable than in the latter half of May and in June.

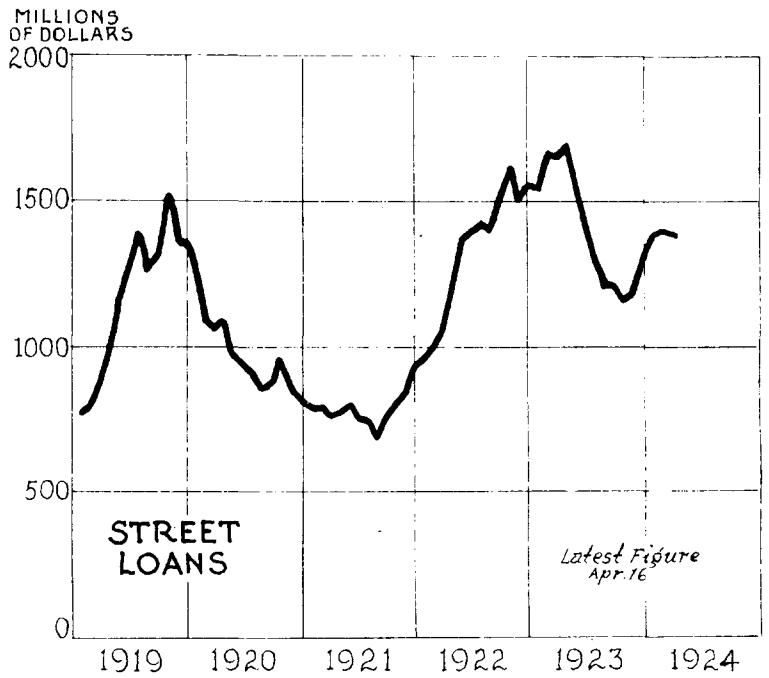
Probable Results of Buying Program

It is well to note that even a gradual program of purchases will tend to ease rates somewhat further. It also seems probable that with or without a buying program the credit situation may lead to lower discount rates at some of the Federal Reserve Banks. This in turn would result in lower market rates and a necessarily lower schedule of purchasing rates. It seems probable also that, as buying is carried further, holdings of United States securities will become large enough to make it apparent in the published statements that such buying has been taking place. This means that public discussion of the program and its effect on money rates, etc., will have to be reckoned with. These do not appear to us as reasons which should stand in the way of carrying on the buying program, but they are results which should be taken account of.

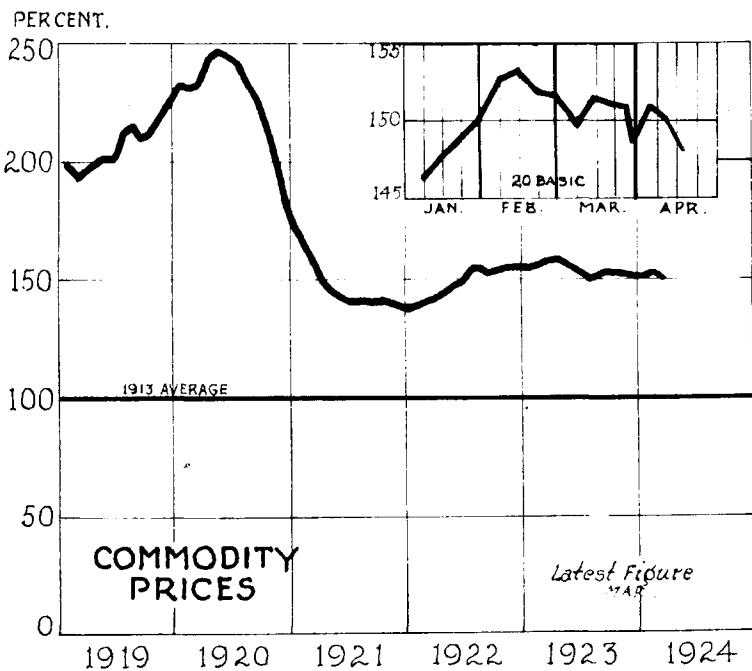
CHART F-1



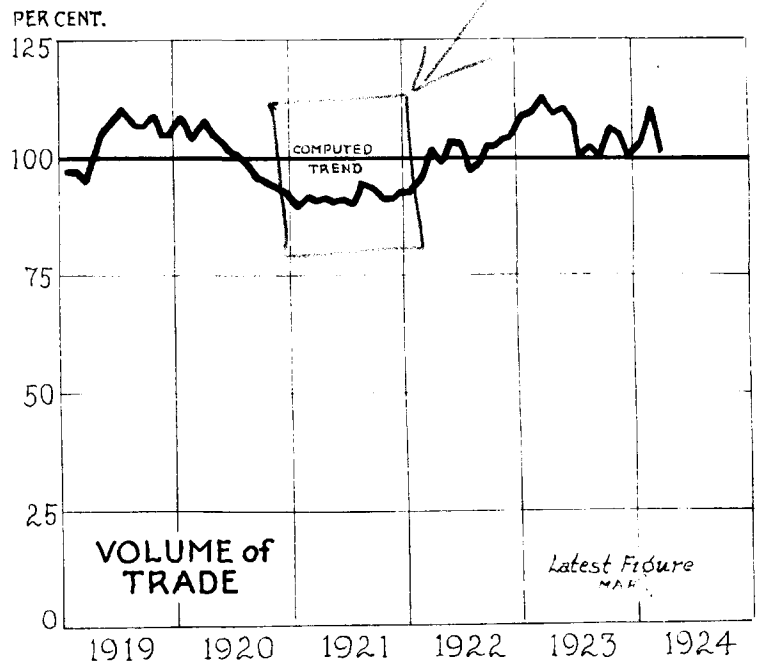
Monthly Average Price of 50 Stocks on the N. Y. Stock Exchange



Total Street Loans of 44 New York City Banks on the last day of each month

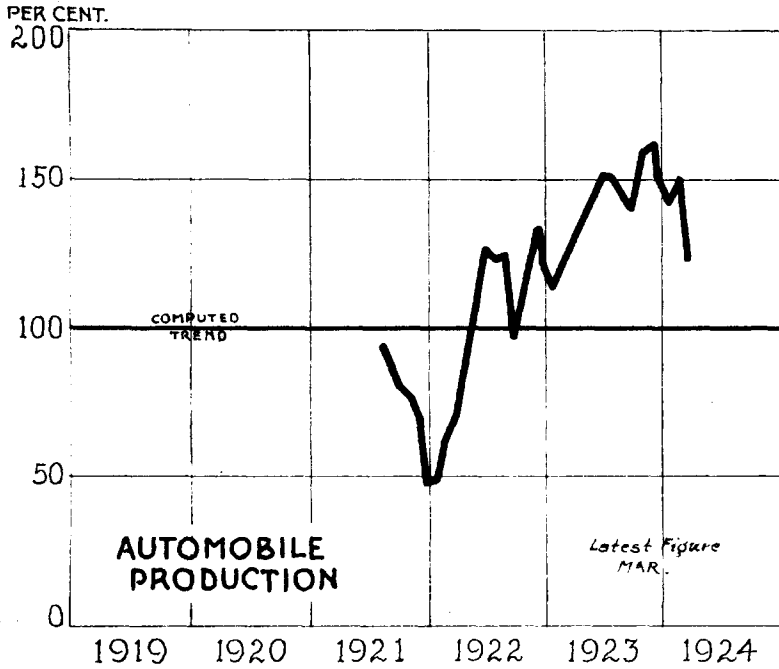


U. S. Bureau of Labor Statistics Index of Wholesale Prices

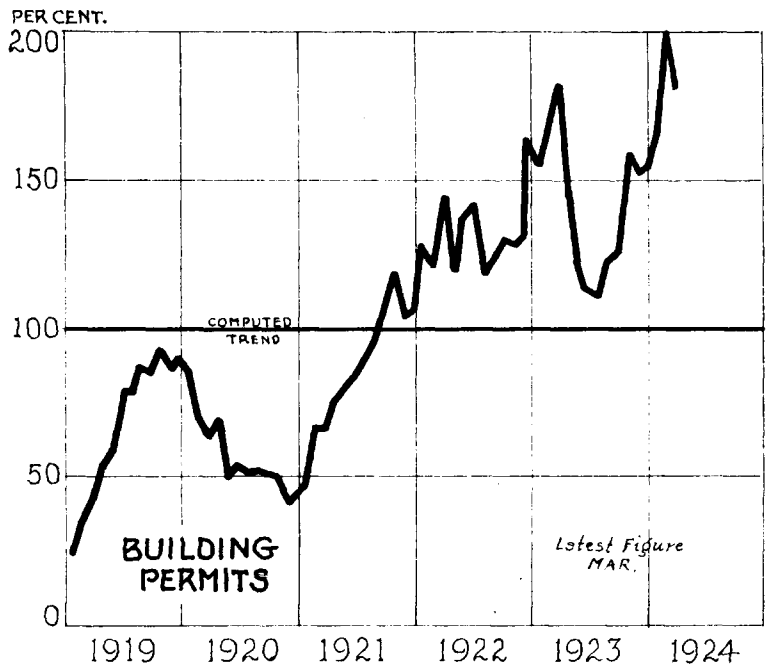


This Bank's Index of The Volume of Trade

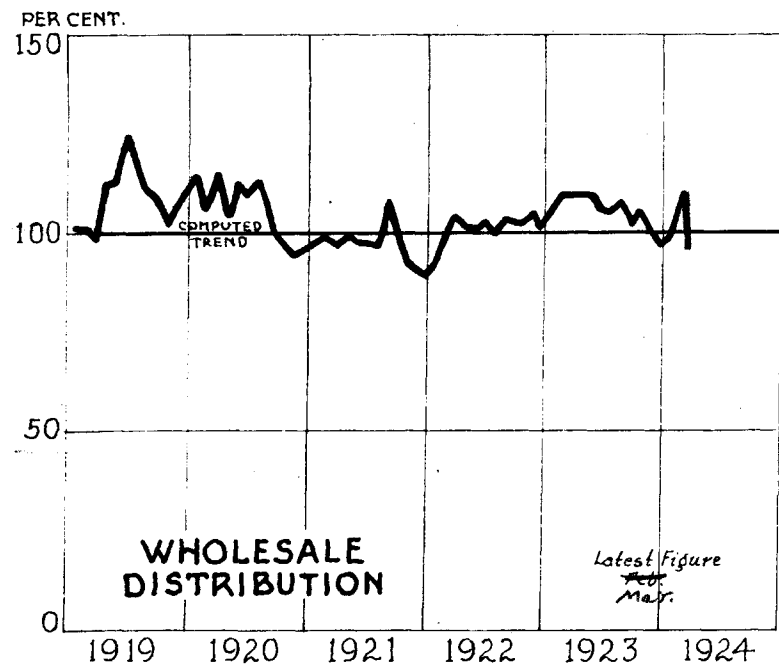
CHART F-2



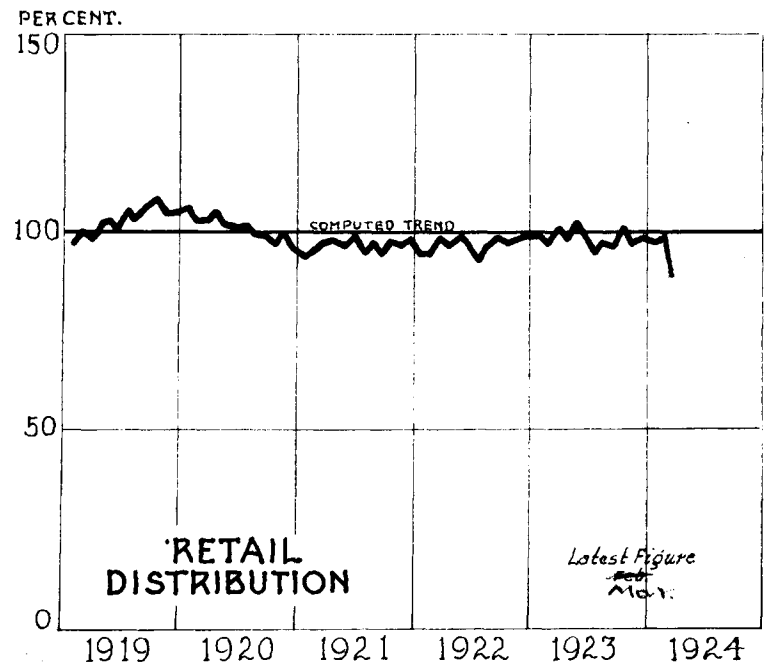
Production of Passenger Automobiles and Trucks in the U. S. each month



Value of Building Permits granted each Month in 158 Cities



Wholesale Distribution Index, includes Wholesale Trade, Car Loadings, Exports and Imports, etc.

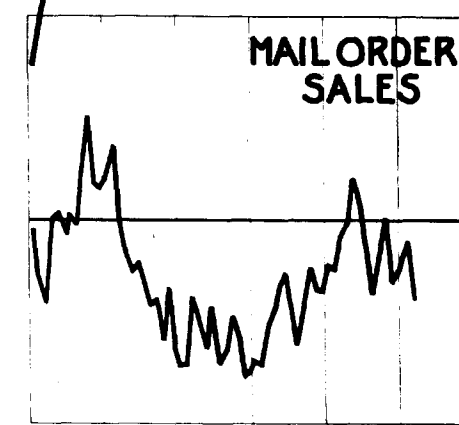
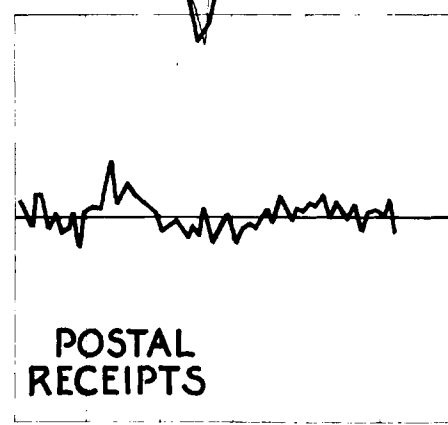
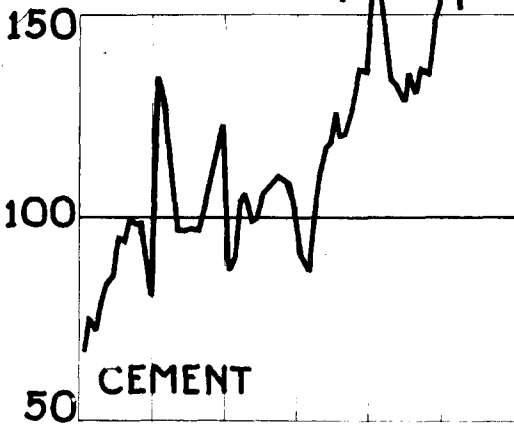
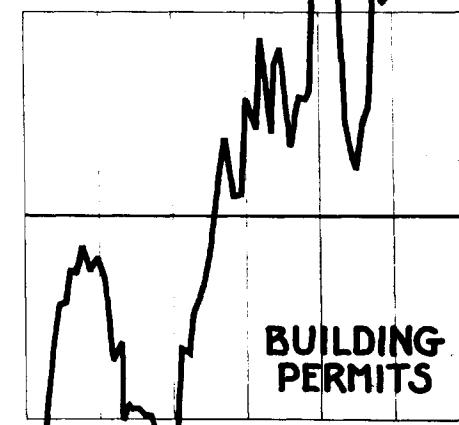
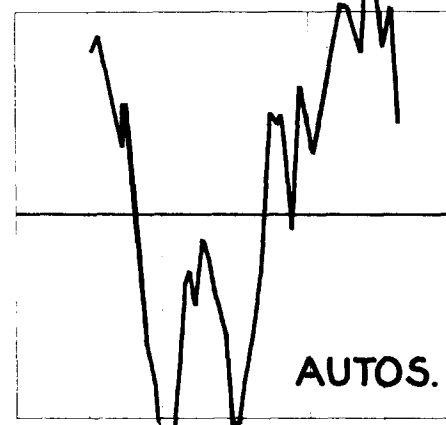
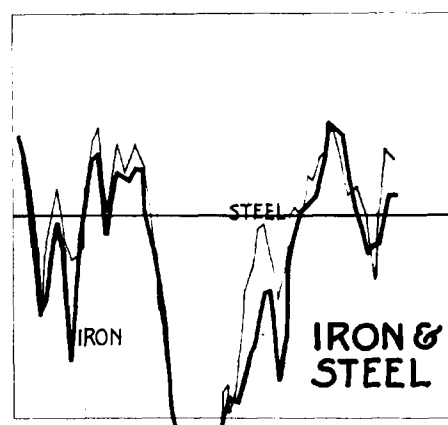
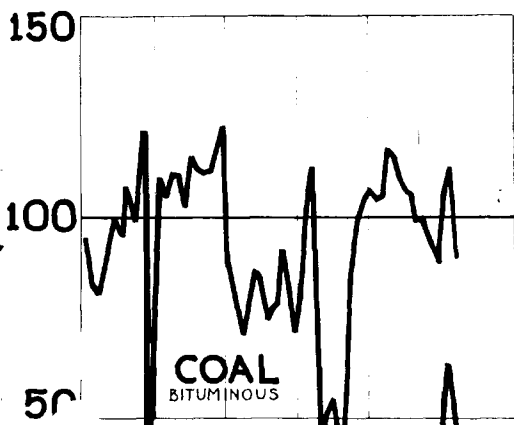
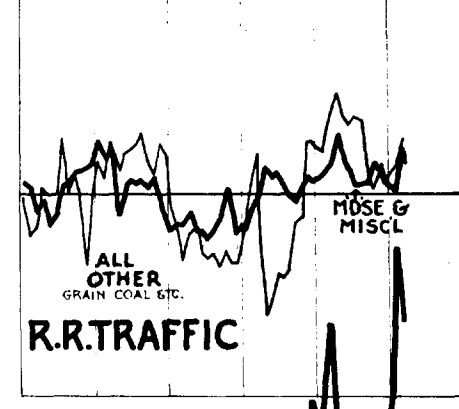
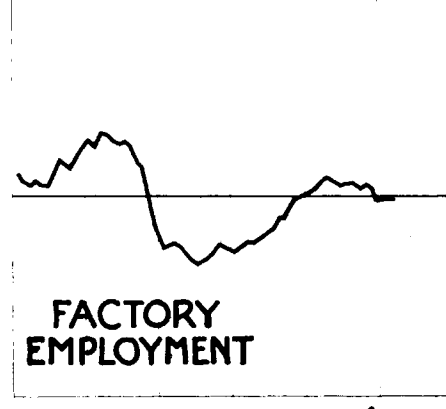
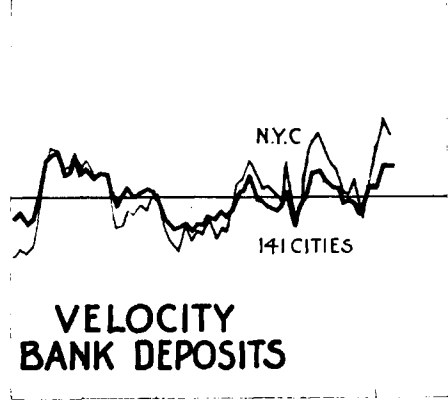
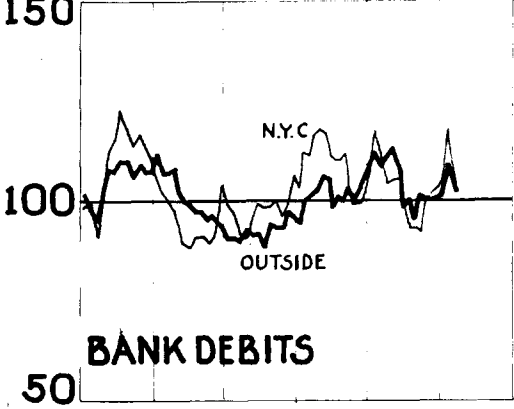


Retail Distribution Index includes the Sales of Department and Chain Stores and Mail Order Houses, Amusement Receipts, etc.

INDEXES of PRODUCTION & BUSINESS ACTIVITY

CHART F 3

PER CENT.



1919 1921 1923

1919 1921 1923

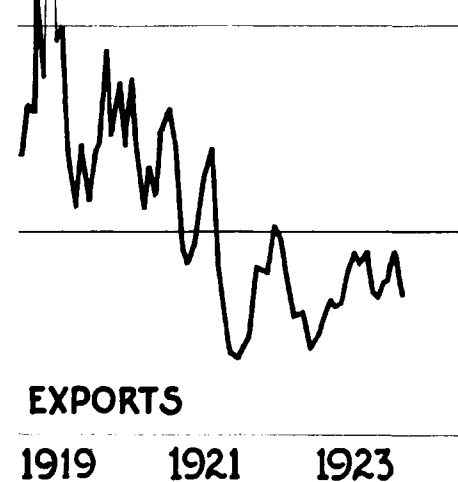
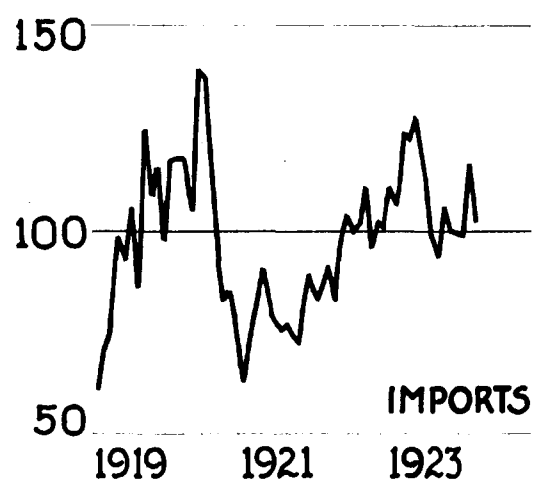
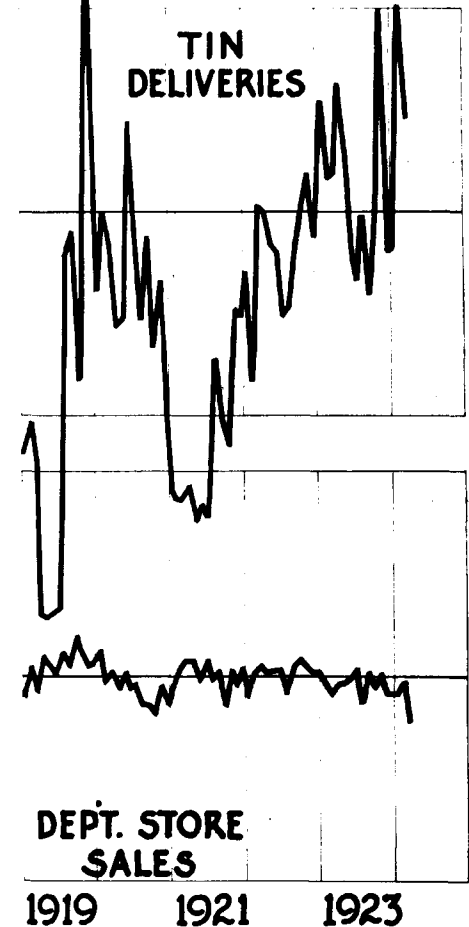
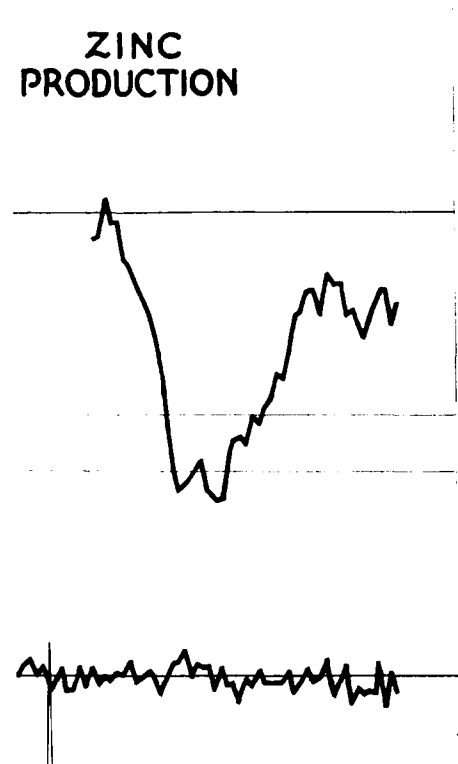
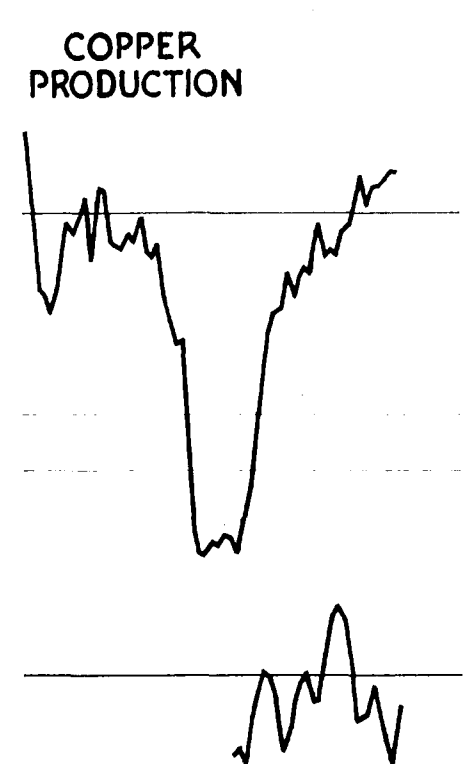
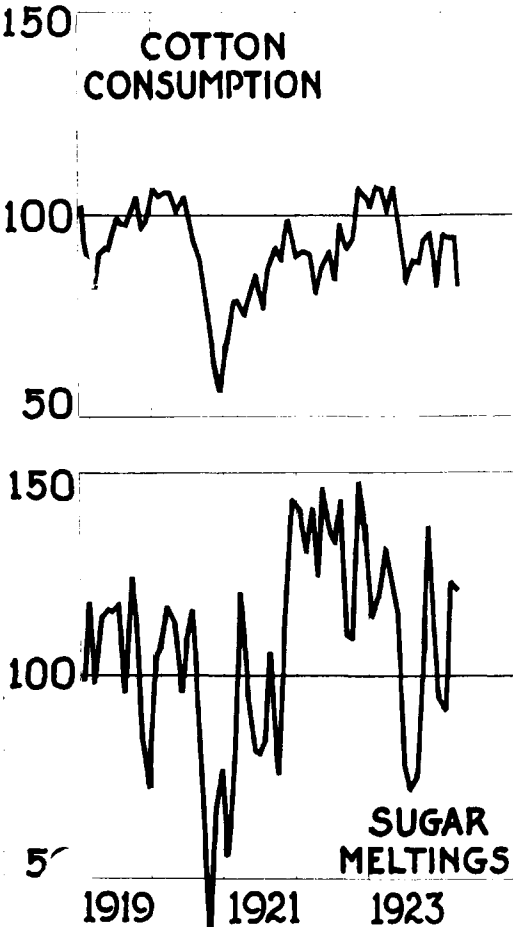
1919 1921 1923

1919 1921 1923

CHART
F-4

INDEXES of PRODUCTION & BUSINESS ACTIVITY

PER CENT.



C O N F I D E N T I A L

WEEKLY REPORT OF OPEN MARKET INVESTMENT COMMITTEE COVERING PERIOD
APRIL 10 TO APRIL 16, 1924 (INCLUSIVE)

Comparison of Holdings of Earning Assets by Federal Reserve Banks
from March 28, 1923 to April 16, 1924
(000 Omitted)

	TOTAL EARNING ASSETS	*GOVERNMENT SECURITIES	BANKERS ACCEPTANCES		BILLS DISCOUNTED
			Purchases	Sales Contracts	
-1923-					
March 28	\$1,203,720	\$249,409	\$234,636	\$19,615	\$700,060
April 25	1,104,489	193,810	265,193	8,848	636,638
May 29	1,178,156	189,288	231,015	26,803	731,050
June 27	1,114,219	134,976	173,694	30,531	774,963
July 25	1,033,697	96,284	155,817	21,047	760,539
Aug. 29	1,082,553	93,530	152,095	21,390	815,518
Sept. 26	1,126,334	91,885	151,728	20,396	862,008
Oct. 31	1,180,652	91,837	165,064	39,634	883,800
Nov. 28	1,167,999	84,460	244,136	44,868	794,381
Dec. 26	1,297,775	104,158	288,028	48,387	857,151
-1924-					
Jan. 30	914,881	120,772	235,930	35,862	522,307
Feb. 27	950,801	155,801	205,022	58,288	531,690
Mar. 26	942,080	257,256	164,947	37,511	482,315
April 2	1,008,388	264,855	163,001	50,771	529,660
" 9	996,119	268,903	151,893	45,713	529,559
" 16	912,968	266,667	130,104	46,576	469,570

*Includes sales contracts

NOTE: Earning assets of the System decreased \$83,151,000 during the week to a total of \$912,968,000. Net changes in the different classes are shown below.

Changes in Holdings of Government Securities and Bankers Acceptances
by Federal Reserve Banks (Exclusive of Sales Contracts)
During Week Ending April 16, 1924
(000 Omitted)

	GOVERNMENT SECURITIES			BANKERS ACCEPTANCES		
	Balance Apr. 16	Balance Apr. 9	Net Change	Balance Apr. 16	Balance Apr. 9	Net Change
Boston	\$ 20,313	\$ 20,029	\$ 284+	\$ 10,784	\$ 13,616	\$ 2,832-
New York	55,164	54,249	915+	14,600	15,629	1,029-
Philadelphia	23,257	22,982	275+	10,986	12,852	1,866-
Cleveland	31,370	31,034	336+	17,601	19,314	1,713-
Richmond	5,125	5,125	0	2,011	2,287	276-
Atlanta	101	114	13-	5,759	6,105	346-
Chicago	38,742	38,194	548+	24,942	28,997	4,055-
St. Louis	6,966	6,927	39+	5,183	5,634	451-
Minneapolis	19,095	18,349	746+	4,053	5,008	955-
Kansas City	17,377	17,257	120+	5,856	7,135	1,279-
Dallas	20,446	20,277	169+	15,437	20,992	5,555-
San Francisco	27,377	27,069	308+	12,892	14,324	1,432-
T o t a l s	<u>\$265,333</u>	<u>\$261,606</u>	<u>\$3,727+</u>	<u>\$130,104</u>	<u>\$151,893</u>	<u>\$21,789-</u>

SECURITY MARKET

General
Bond
Market

The bond market continued moderately active during the period covered by this report, trading on the New York Stock Exchange averaging about \$10,000,000 per day. High grade domestic corporation bonds held firm at about the levels of recent weeks while speculative issues were for the most part irregular with more losses than gains. Offerings of new bonds during the week were comparatively small aggregating approximately \$40,000,000.

Stimulated by the apparent improvement in the reparation outlook, there was a steady demand during the week for European obligations, especially the French Government and municipal bonds which sold at new high levels for the year at prices to yield approximately 8%. In contrast, there was a reactionary tendency in Japanese loans accompanying the decline in the yen to a new low record. Under comparatively heavy selling the new Japanese 6 1/2s were about two points below the 92 1/2 offering price of last February.

Liberty
Bond
Market

United States Government obligations were relatively more active than other classes dealt in during the period. The Fourth Libertys continued in best demand and sold within 1/16th of a point of par. The Treasury 4 1/4s reached a record high of 101 4/32, as compared with a previous high of 100 22/32nds.

The following table shows the prices of 4 1/4% Government bonds at the close of the last two periods and the net change:

		Close of <u>Apr. 9/24</u>	Close of <u>Apr. 16/24</u>	Net <u>Change</u>
First	4 1/4s	99 23/32	99 28/32	+ 5/32
Second	4 1/4s	99 23/32	99 27/32	+ 4/32
Third	4 1/4s	100 5/32	100 5/32	-0-
Fourth	4 1/4s	99 28/32	99 30/32	+ 2/32
Treasury	4 1/4s	100 20/32	101 4/32	+16/32

New York
Market for
Short-term
Governments

The short-term Government security market continued moderately active throughout the week. While dealers' offering prices increased slightly the volume of funds for this class of investment

- 3 -

was not sufficient to affect prices materially. With dealers' portfolios small, moderate sized buying orders resulted in an immediate though slight rise in price as dealers in order to fill such orders were compelled to bid for the securities required.

Synopsis
of Reports
from Banks

Conditions in the Government security markets in other districts were reported as being somewhat inactive during the early part of the period, with prices generally firm. For the latter half, however, the market became quite active with all issues showing an advance in price. The Liberty bond market was reported as being very active, large sales having been made of all the 4 1/4% bonds. Large institutions in some of the districts transferred their investment holdings from short to long maturities, having disposed of Treasury certificates which they replaced with Fourth 4 1/4% Liberty Loan bonds. The major portion of transactions represented buying rather than selling orders.

BANKERS ACCEPTANCES

Abstract
of Reports
from Banks

In Boston the supply of bills was less than the previous week. The demand, while somewhat improved and although exceeding the supply of new bills, was still quite poor. There was some evidence of interest in the market by country banks for all maturities. No offerings of bills were made to the reserve bank during the entire week, except under repurchase agreements. The bill market in New York was exceptionally quiet during the period. The supply of bills continued moderate and there was a substantial decrease in the demand, particularly from local banks. Dealers' portfolios increased moderately but offerings to the Federal Reserve Bank were practically nil. Conditions in the Philadelphia district

- 4 -

remained practically unchanged. The demand showed a slight improvement toward the closing of the period with moderate sales to out-of-town banks. Reports from other districts indicate a fair supply with trading in moderate volume.

Rates

Dealers' offering rates continued unchanged at 3 7/8% for the 30s and 4% for 31 to 120-day maturities.

MONEY MARKETRuling Rates

Call money ranged from 4 1/4% to 4 1/2% until Wednesday when the rate was lowered at midday to 4%. The average rate at which new loans were made on the Exchange for the entire period was 4.24% as compared with 4.50% for the previous week.

Quoted rates for time money continued at 4 1/2% to 4 3/4%, depending on the maturity. Commercial paper ruled unchanged at 4 1/2% for prime names.

OPERATIONS FOR ACCOUNT OF UNITED STATES TREASURYCumulative Sinking Fund

No purchases have been made during the period on Treasury order dated February 27 authorizing the purchase of \$20,000,000 Third Liberty Loan 4 1/4% bonds for account of the Cumulative Sinking Fund. The total purchases against this order remained as previously reported at \$15,407,000.

Alien Property Custodian

At the request of the Treasury the Federal Reserve Bank of New York effected a private sale of \$12,719,650 Fourth Liberty Loan 4 1/4% bonds from the investments of the Alien Property Custodian, and a purchase in replacement of \$12,500,000 4% certificates of indebtedness due March 15, 1925.

Miscellaneous:

The Federal Reserve Bank of New York, at the request of the Treasury, purchased \$1,134,900 par amount Treasury bonds of 1952

for account of the Government Life Insurance Fund, \$108,500 TM-1925 certificates of indebtedness for account of the Interstate Commerce Commission - General Railroad Contingent Fund, and \$19,650 Fourth Liberty Loan 4 1/4% bonds for account of the District of Columbia Teachers' Retirement Fund.

SPECIAL INVESTMENT ACCOUNT FOR FEDERAL RESERVE SYSTEM

Apportionment of United States Government securities held in the Special Investment Account for the Federal Reserve System at the close of business April 16 was as follows:

	<u>Certificates of Indebtedness</u>	<u>Treasury Notes</u>	<u>Total</u>
Boston	\$ 4,351,000	\$ 12,402,100	\$ 16,753,100
New York	14,020,000	39,941,500	53,961,500
Philadelphia	1,556,000	4,288,500	5,844,500
Cleveland	5,046,500	14,387,000	19,433,500
Richmond	972,500	2,811,700	3,784,200
Atlanta	- 0 -	- 0 -	- 0 -
Chicago	8,432,500	24,051,200	32,483,700
St. Louis	1,830,000	5,135,800	6,965,800
Minneapolis	3,911,500	7,112,900	11,024,400
Kansas City	2,494,500	6,866,800	9,361,300
Dallas	2,370,000	10,715,300	13,085,300
San Francisco	<u>4,723,500</u>	<u>13,465,300</u>	<u>18,188,800</u>
Totals	<u>\$49,708,000</u>	<u>\$141,178,100</u>	<u>\$190,886,100</u>

RECAPITULATION OF PURCHASES

<u>Made By</u>	<u>Amount</u>
Boston	\$ 8,748,500
New York	174,917,000
Philadelphia	1,834,500
Cleveland	340,000
Richmond	600,000
Atlanta	1,133,500
Chicago	7,150,000
St. Louis	761,600
Minneapolis	113,000
Dallas	125,000
San Francisco	<u>1,163,000</u>
	\$196,886,100
Sold from System	
Acct. to Treasury	<u>6,000,000</u>
	<u>\$190,886,100</u>

RECAPITULATION OF PURCHASES BY MATURITIES

June 15-16, 1924	\$ 14,245,200
Sept. 15, 1924	28,040,500
Dec. 15, 1924	21,787,500
March 15, 1925	64,599,000
June 15, 1925	20,700,000
Dec. 15, 1925	12,088,000
March 15, 1926	8,789,900
Sept. 15, 1926	360,000
March 15, 1927	16,559,500
Dec. 15, 1927	<u>3,716,500</u>
	<u>\$190,886,100</u>

ITEMIZED STATEMENT OF TRANSACTIONS AFFECTING THE INVESTMENT ACCOUNT OF ALL
FEDERAL RESERVE BANKS FROM APRIL 10 TO APRIL 16, 1924

GOVERNMENT SECURITIES

	<u>Purchases</u>	<u>Issue</u>	<u>Sales</u>	<u>Issue</u>	<u>Held Under Sales Contracts</u>
Boston	\$ 813,500	Part.System Inv.T/N	\$ 529,500	Part.System Inv.C/I	\$ 13,000
New York	2,616,500	" " " " "	1,701,500	" " " " "	0
Phila.	785,500	" " " " "	510,500	" " " " "	0
Cleveland	940,500	" " " " "	611,500	" " " " "	0
	<u>10,500</u>	TJ-1924 Ctfs.	<u>4,000</u>	TM-1925 Ctfs.	
	<u>\$ 951,000</u>		<u>\$ 615,500</u>		
Richmond	258,500	Part.System Inv.T/N	258,500	Part.System Inv.C/I	0
Atlanta	79,500	Misc. Gov't Sec.	91,900	Misc. Gov't Sec.	0
Chicago	1,575,500	Part.System Inv.T/N	1,027,500	Part.System Inv.C/I	821,300
St. Louis	259,500	" " " " "	220,500	" " " " "	0
Minn.	268,000	Part.System Inv.T/N	170,000	Part.System Inv. C/I	0
	<u>2,943,750</u>	Misc. Gov't Sec.	<u>2,295,800</u>	Misc. Gov't Sec.	
	<u>\$3,211,750</u>		<u>\$2,465,800</u>		
Kan. City	329,500	Part.System Inv.T/N	214,500	Part.System Inv.C/I	500,000
	<u>4,100</u>	Misc. Gov't Sec.			
	<u>\$ 333,600</u>				
Dallas	271,500	Part.System Inv.T/N	182,500	Part.System Inv.C/I	0
	<u>80,000</u>	Misc. Gov't Sec.			
	<u>\$ 351,500</u>				
San Fran.	881,500	Part.System Inv.T/N	573,500	Part.System Inv.C/I	0
	<u>\$12,117,850</u>		<u>\$8,391,700</u>		<u>\$1,334,300</u>

BANKERS ACCEPTANCES PURCHASED

	<u>Maturity</u>	<u>PURCHASES</u> <u>Amount</u>	<u>Rate</u>	<u>MATURITIES</u> <u>Amount</u>	<u>Held Under</u> <u>Sales Contracts</u>
Boston	In other districts	\$ 241,000	-	\$3,073,000	\$3,880,000
New York	1-30 days	2,829,000	4% - 4 3/8%	4,367,000	32,911,000
	31-60 "	325,000	4 1/8% - 4 3/8%		(4,247,000 one day hold-over for distribution to F. R. Banks)
	61-90 "	178,000	4 1/8% - 4 3/8%		(792,000 foreign trade bills)
	Over 90 "	<u>6,000</u>	4 3/4%		
		<u>\$3,338,000</u>			
Philadelphia	1-30 days	662,000	4%	2,950,000	0
	31-60 "	163,000	4 1/8%		
	61-90 "	<u>259,000</u>	4 1/8%		
		<u>\$1,084,000</u>			
Cleveland	1-30 days	320,000	4%	2,980,000	0
	61-90 "	402,000	4 1/8%		
	In other districts	<u>545,000</u>			
		<u>\$1,267,000</u>			
Richmond	1-30 days	245,000	4 1/4% - 4 1/8%	595,000	0
	31-60 "	<u>75,000</u>			
		<u>\$320,000</u>			
Atlanta	-	300,000	-	646,000	(1,333,000 Unindorsed bills purchased from accepting banks)
Chicago	In other districts	540,000	-	4,595,000	1,834,000
St. Louis	In other districts	317,000	-	768,000	0
Minneapolis	In other districts	225,000	-	1,180,000	0
Kansas City	In other districts	231,000	-	1,510,000	0
Dallas	1-30 days	97,000	4%	5,788,000	0
	In other districts	<u>492,000</u>		<u>356,000</u>	Sold to Mem. Bks.
		<u>\$589,000</u>		<u>\$6,144,000</u>	

BANKERS ACCEPTANCES PURCHASED - (Continued)

	<u>Maturity</u>	<u>PURCHASES</u> <u>Amount</u>	<u>Rate</u>	<u>MATURITIES</u> <u>Amount</u>	<u>Held Under</u> <u>Sales Contracts</u>
San Francisco	1-30 days	\$126,000	4% - 4 3/8%	\$ 2,252,000	\$ 1,579,000
	31-60 "	112,000	4% - 4 3/8%		
	61-90 "	265,000	4% - 4 3/8%		
	In other districts	<u>317,000</u>			
		<u>\$820,000</u>			
T O T A L S		<u>\$9,272,000</u>		<u>\$31,061,000</u>	<u>\$46,576,000</u>

333-6-2

FEDERAL RESERVE BANK
OF NEW YORK

April 21, 1924.

Report on Foreign Accounts.

To the members of the
OPEN MARKET INVESTMENT COMMITTEE.

Since the last report to the Committee at the end of March, an increase of \$6,300,000 in the amounts invested in bills has occurred bringing the total so invested up to \$17,200,000. This increase is due primarily to purchases made for the Netherlands Bank which shipped us recently two consignments of gold coin worth \$10,000,000 of which about \$6,000,000 has been left with us for investment in bills. We expect to receive further shipments of a like amount and probably part of the proceeds will again be placed in bills. Furthermore, the Swiss National Bank has inquired on what terms we could employ part of the proceeds of the \$30,000,000 Swiss Government Loan recently sold in this market and a portion of that may be invested in bills or certificates through us within the next two weeks.

The amount of United States gold coin earmarked for the Swiss National Bank has increased to \$4,751,000.

The usual comparative statement is attached for the information of the Committee.

Very truly yours,

J. H. CASE,
Deputy Governor.

(Enc.)

REPORT TO OPEN MARKET INVESTMENT COMMITTEE.

Meeting on April 22, 1924..

	<u>BANKERS ACCEPTANCES.</u>						<u>Totals</u>
	<u>Bank of Japan</u>	<u>De Nederlandsche Bank</u>	<u>De Javasche Bank</u>	<u>Swiss Natl. Bank</u>	<u>Bank of England</u>	<u>Bank of France</u>	
Close of Business							
On Hand 3/31/24	\$ 2,518,178.18	\$ - 0 -	\$ 5,822,101.97	\$ 2,054,089.81	\$ 246,683.72	\$ 246,143.59	\$ 10,887,197.27
Purchased	1,048,595.64	5,796,310.31	1,116,921.10	- 0 -	375,351.92	452,894.37	8,790,073.34
Matured or dis- counted	1,048,131.43	- 0 -	1,005,669.96	73,076.48	129,326.49	150,627.27	2,406,831.63
On Hand 4/19/24	2,518,642.39	5,796,310.31	5,933,353.11	1,981,013.33	492,709.15	548,410.69	17,270,438.98

EARMARKED GOLD

Swiss National Bank

Close of Business	
On Hand 3/31/24	\$3,858,505.00
On Hand 4/19/24	4,751,122.50

FREE BALANCES

	<u>Bk. of Japan</u>	<u>Nederlandsche Bk.</u>	<u>Javasche Bk.</u>	<u>Swiss N.B.</u>	<u>Bankovni</u>	<u>Bk. of England</u>	<u>Bk. of France</u>	<u>Natl. Bk. of Belgium</u>	<u>Totals</u>
Close 3/31/24	\$ 501,840.66	\$ 255,686.28	\$ 249,948.61	\$ 66,209.64	\$101,171.12	\$ 631.69	\$56,057.52	\$ 3,666.64	\$ 1,235,212.26
Close 4/19/24	499,680.99	229,966.42	251,113.35	139,288.12	101,171.12	300.52	433.44	3,666.64	1,225,620.60

TOTAL COMMISSIONS EARNED

From 4/1/24 to 4/19/24 inclusive.

	<u>De Nederlandsche Bank</u>	<u>Bank of Japan</u>	<u>Javasche Bank</u>	<u>Bank of England</u>	<u>Bank of France</u>	<u>Totals</u>
Bankers Acceptances	\$ 2,979.51	\$ 452.42	\$ 571.25	\$145.24	\$175.85	\$ 4,324.27

2

BOARD
333
Edg

FEDERAL RESERVE BANK
OF NEW YORK

April 10, 1924.

My dear Governor Crissinger:

4/4/29 & 4/9/29

Referring to telegrams which have been exchanged,
arrangements have been made to have a meeting of the Open
Market Investment Committee at the Federal Reserve Board at
Washington on Tuesday, April 22, 1924.

Very truly yours,

W. B. Matteson
Secretary of the Committee

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

W
Mr. Matteson
Apr 22 1924

2

333-6-2
333-1

April 9, 1924

Dear Mr. Matteson:

I acknowledge receipt of your telegram of today addressed to Governor Crissinger, advising that the next meeting of the Open Market Committee will be held here in Washington on Tuesday, April 22nd. This is satisfactory to the Board.

Very truly yours,

(Signed) Walter L. Eddy

Walter L. Eddy,
Secretary

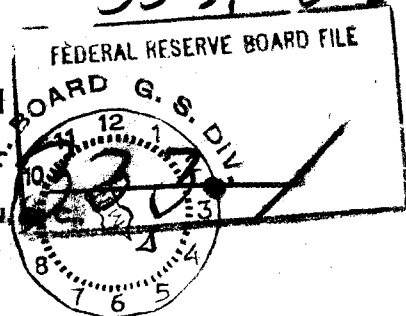
Mr. W. B. Matteson, Secretary,
Open Market Committee,
c/o Federal Reserve Bank,
New York, N. Y.

TELEGRAM

FEDERAL RESERVE SYSTEM

(LEASED WIRE SERVICE)

RECEIVED AT WASHINGTON



APR 4 1924
RECEIVED

RECEIVED
APR 4 1924
OFFICE OF
THE GOVERNOR

126hrs

Newyork 4P April 4 1924

Crissinger

Washington

Meeting open market committee called at Chicago April 18 to meet with executive committee Chicago Bank. Trust you or some other member board can arrange to attend

Case

Acting Chairman

402P

*Notes
DML*

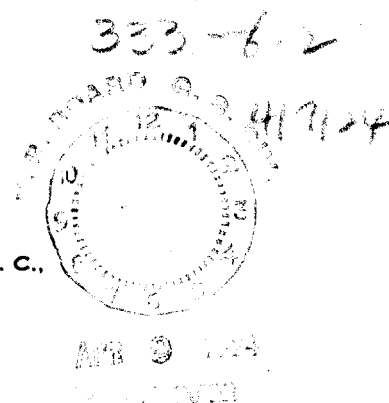
see letter 4/10/24

TELEGRAM

FEDERAL RESERVE SYSTEM

(LEASED WIRE SERVICE)

RECEIVED AT WASHINGTON, D. C.,



82nrs

New York 415P April 9

Crissinger

Wash

Have arranged to have meeting open market committee Tuesday April 22 in Washington

Matteson

421P

see letter 4/10/24
see ans 4/9/24

333-6-2 ✓

4-7-24

April 7, 1924

Mr. Jay advised the Board that the meeting of the Open Market Committee which was to have been held in Chicago on Friday, April 18th, had been postponed until Friday, April 25th.

April 8, 1924

Mr. Miller then advised the Board that he had communicated with Deputy Governor Case of the Federal Reserve Bank of New York, and that the meeting of the Open Market Investment Committee, which was scheduled to be held in Chicago on April 25th, would be held in Washington on April 22nd.

333-6-2

C O P Y

February 27, 1924

Dear Governor:

It happened that on Monday of this week when the meeting of the committee of Governors which is investigating the subject of non-cash collection items was held in Washington, four members of the committee on open market investments were present, and the position of the special investment account was reviewed.
See minutes 2/25/24 filed 333-6-2 Final minutes

It was felt that in order to carry out the purpose of the account, it would be necessary to increase purchases at a somewhat more rapid rate than was possible under the existing limitations, and the committee, therefore, took the action which is expressed in the enclosed copy of the minutes of that meeting. All of this was submitted to the Federal Reserve Board, and we understand was informally approved.

By direction of the committee, I am, therefore, submitting for your consideration, the following three proposals:

1. That the securities to be purchased for this account be enlarged by including Treasury notes maturing in the years 1926 and 1927. This will add issues aggregating something over two billion dollars to those available for purchase.

2. That the schedule of prices for purchases from now on and until changed by action of the committee, with your approval, shall be as follows:

Present Schedule

New Schedule

June 1924	maturities	3.95	basis	June	1924	maturities	3.95	basis
Sept 1924	"	4.00	"	Sept.	1924	"	4.00	"
Dec. 1924	"	4.00	"	Dec.	1924	"	4.00	"
March 1925	"	4.15	"	March	1925	"	4.15	"
June 1925	"	4.20	"	June	1925	"	4.20	"
Dec. 1925	"	4.25	"	Dec.	1925	"	4.20	" ✓
March 1926	"	4.25	"	March	1926	"	4.25	"
Sept 1926	"	4.25	"	Sept.	1926	"	4.25	"
Mar. 1927	"	4.35	"	March	1927	"	4.30	" ✓
Dec. 1927	"	4.35	"	Dec.	1927	"	4.30	" ✓

3. That the amount to be purchased shall be increased by \$100,000,000 making a total of \$200,000,000 altogether. We have so far purchased a total of about \$84,000,000 and doubtless by the time replies are received from all the Reserve banks the original authorization of \$100,000,000 will have been about completed. *

We would appreciate early telegraphic advice of your approval or disapproval and whether you will participate or not in accordance with the recommendation of the committee.

I beg to remain

Yours very truly,

Chairman
 Open Market Investment Committee.

Encl.

EF 2/19/24
Walter L. Eddy
2/18/24

2
2

FEDERAL RESERVE BOARD FILE
333.-6-2
~~333-1~~

February 19, 1924.

Dear Mr. Matteson:

Receipt is acknowledged of your letter of February 18th, addressed to Governor Grissinger, enclosing copy of the minutes of the meeting of the Open Market Investment Committee for the Federal Reserve System held in Washington, February 8, 1924.

2/8/24 filed
333.-6-2
Final minutes

Very truly yours,

(Signed) Walter L. Eddy
Walter L. Eddy,
Secretary.

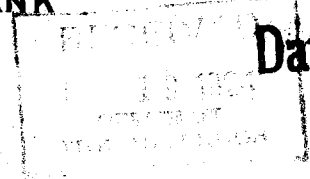
Mr. W. B. Matteson, Secretary,
Open Market Investment Committee,
c/o Federal Reserve Bank,
New York, N. Y.

Prepared by
WLE

copy - copy 333.-6-2

FEDERAL RESERVE BANK
OF NEW YORK

Executive Folder
Date 2/19/24



CONFIDENTIAL

February 18, 1924.

My dear Governor Crissinger:

*2/8/24 filed 333.-6-2
Final minutes*

Enclosed I am sending you copy of the minutes of
the meeting of the Open Market Investment Committee for the
Federal Reserve System held in Washington, February 8, 1924.

Very truly yours,

W. B. Matteson
Secretary, Open Market
Investment Committee

Encl.

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

see ans 2/19/24

333.-6-2

REPORT OF SECRETARY TO MEETING OF OPEN MARKET INVESTMENT COMMITTEE
FOR THE FEDERAL RESERVE SYSTEM, FEBRUARY 8, 1924

Due to existing conditions, both as regards credit and a rising market for bills and Government securities, the activities of the Committee have been somewhat reduced since the last meeting on January 14, 1924.

As shown by the exhibits attached, purchases of Government securities for the Special Investment Account of the System have aggregated \$16,552,000 since the last meeting of the Committee on January 14, increasing the holdings of the System in this account from \$34,994,500 to \$51,546,500. The bill holdings of the System during the same period have, however, shown a reduction of about \$47,000,000 (which is represented in greater part by a reduction of bills held under sales contract agreements). Bills discounted during the same period have fallen off \$84,614,000.

Following a reduction of \$245,000,000 in the earning assets for the week ending January 9, 1924, there was a further reduction of about \$112,000,000 during the balance of the month of January, or a total reduction for the first month of this year of \$357,000,000 in the earning assets of the System. This brought the total earning assets to \$914,881,000 on January 30, 1924, or to the lowest point since November 1917.

Since the last meeting of the Committee the Federal Reserve Banks of St. Louis and Kansas City have decided to participate in bills purchased by the System, which now leaves only Richmond and Atlanta as non-participating banks, but present indications are that they may shortly join with the others in participating.

The prices fixed for the purchase of short-term Governments maturing in 1924 and 1925 at the last meeting are at present considerably below the market. The following are the limits referred to compared with the dealers'

- 2 -

quotations:

<u>Maturities</u>	<u>Prices Authorized</u>	<u>Dealers' Quotations</u>
	<u>by Committee</u>	<u>Feb. 6, 1924</u>
	<u>(Yield)</u>	<u>(Yield)</u>
June 15, 1924	3.95%	3.45%
June 16, 1924	3.95%	3.40%
Sept. 15, 1924	4.05%	3.70%
Dec. 15, 1924	4.10%	3.87%
March 15, 1925	4.25%	4.10%
June 15, 1925	4.30%	4.17%
Dec. 15, 1925	4.30%	4.22%

Special purchases of bills are frequently being made for Dallas in addition to their regular allotment. While these additional purchases seem to be warranted by the exceptional conditions existing in the Dallas district, it might be well to consider whether the present policy of making special purchases should be continued. These additional purchases for Dallas have amounted to about \$29,000,000 during the past two months. The Dallas bank now has a bill portfolio of about \$42,000,000 with a reserve percentage of 47 1/2.

The following statements and data are submitted herewith:

Memorandum from Mr. Case and Dr. Burgess on money and credit conditions.

Chart showing trade and bankers acceptances outstanding and bill holdings of all Federal reserve banks from 1917 to 1923 inclusive.

Statement showing United States Government securities purchased for Special Investment Account for Federal Reserve System and their apportionment to all Federal reserve banks.

Statement showing purchases of bankers acceptances and their allotment under the distribution plan.

Changes in holdings of Government securities, bankers acceptances and bills discounted of each Federal reserve bank from Dec. 12, 1923 to Jan. 30, 1924.

Comparison of earning assets held by all Federal reserve banks from Dec. 27, 1922 to Jan. 30, 1924.

MEMORANDUM

February 7, 1924

To Governor Strong

From J. H. Case and W. H. Burgess

BUSINESS SITUATION

The principal changes in the situation since the last meeting of the committee early in January have been a continued rise in the prices of stocks and the amount of stock market loans, an increase of about 4% in the prices of basic commodities, and reported heavier buying in iron and steel and certain other industries. Partly as a reflection of these tendencies there appears to be a somewhat more optimistic sentiment as to future business. There does not appear to have been any marked change in the volume of production or distribution of goods, which are maintained at approximately the same level as in the late months of 1923, and considerably under the spring months of that year.

Money conditions have continued to grow easier. The offering rate on prime 90-day bills has been lowered to 4% and the commercial paper rate to 4½, with more sales at 4½. Market rates for certificates are from 10 to 50 points below the authorized buying rates.

BUYING PROGRAM

These changes in the business situation appear to make it less desirable to press the purchase of securities than it was a month ago. In general it would seem to be dangerous to be making further advances to the market at a time when stock speculation is rising, commodity prices are rising, and the fundamental conditions are toward easier money. Advances to the market at this time would be apt to stimulate exactly that dangerous speculative tendency, against which the possession of a portfolio is designed as a weapon.

3 2 -

A further argument for caution may be found in the disturbed banking situation in the northwest.

In view of these conditions it would be our judgment that the authorized buying rates should not be lowered at this time. It is usual for the money market to grow firmer during February and the early part of March. As indicated in the accompanying diagram, there is no large spread between the authorized buying rates and the market rates for certain of the issues purchased purchase of which has been authorized. It would therefore seem entirely probable that purchases may be made within the next few weeks under the present program. With the condition of firmer rates such purchases could probably be made without stimulating speculation.

MUNICIPALS

There are available in the market considerable quantities of municipal bills (of not more than six months' maturity) issued in anticipation of the receipt of taxes. For example, there have been recently available over \$10,000,000. New York City revenue bills maturing in May, or a 4% basis. There are similarly available short-time securities of a number of the New England cities, so that if it were desired to extend Open Market purchases in this direction a considerable amount of such securities could be picked up at about 4%, or 1/2 or 1/4 per cent better than the current yield on Government certificates of like maturity. These securities are traded in actively in the market and are bought largely by such concerns as Morgan's, Kuhn, Loeb, American Telephone and Telegraphs and other large corporations. Before the purchase of such securities is decided upon careful consideration should be given to their selection with

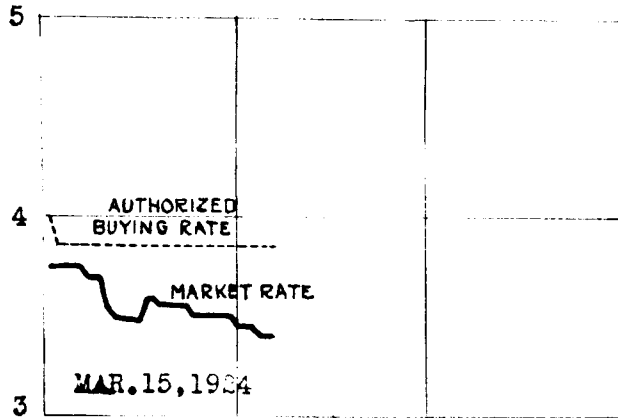
- 5 -

a view to any implications involved in rejecting the issues of certain cities. Consideration should also be given to the appearance in the published statement of the Reserve Banks of holdings of municipal securities. The purchase of such securities would be immediately known and widely commented upon. As far as money conditions are concerned, the effect of the purchase of these securities would be the same as the effect of purchasing Governments.

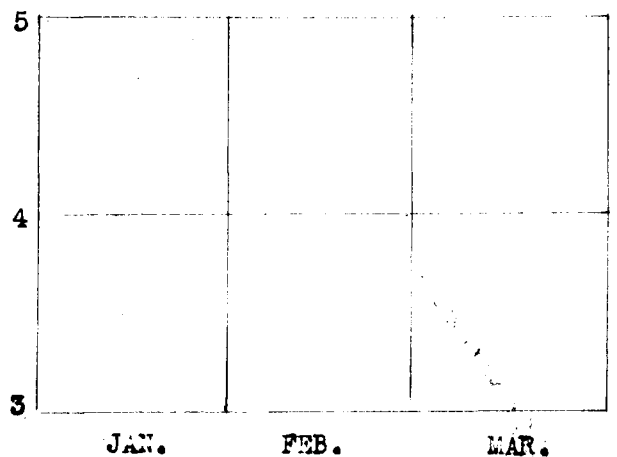
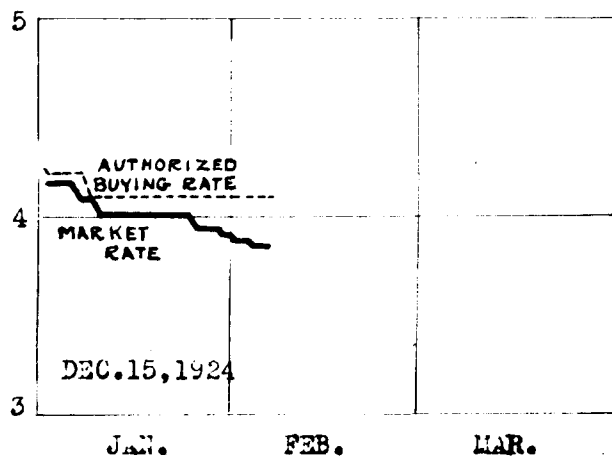
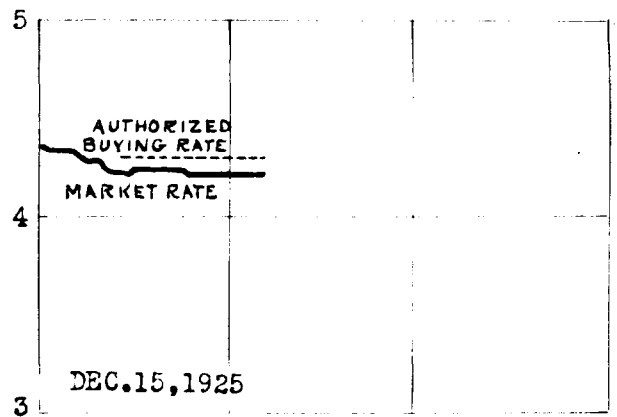
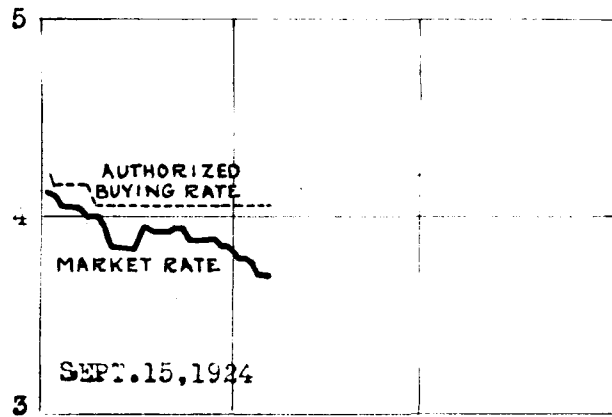
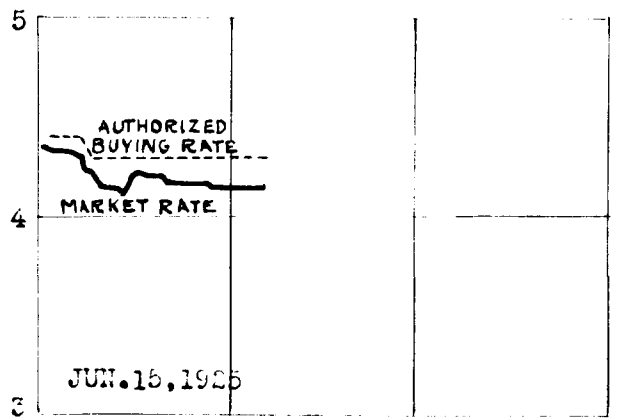
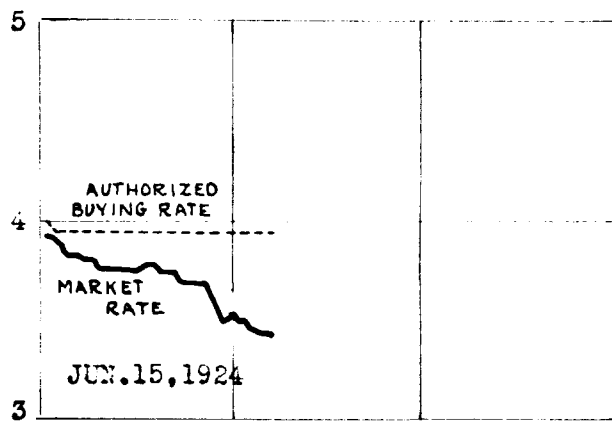
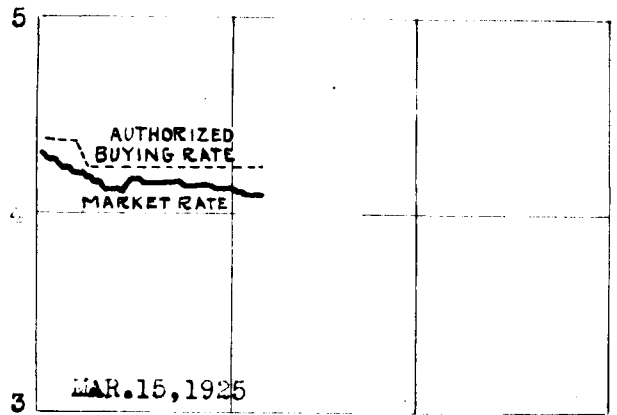
PROBLEM OF EARNING DIVIDENDS The recent decline in earning assets has given much concern to many of the Reserve Banks less they should not be able to earn their expenses and dividends. This is a matter which the Committee might well consider. It appears to the writers that at this time particularly investment policy should be determined solely with regard to the credit situation, and without regard to earnings.

It seems likely, however, that the problem of maintaining sufficient earning assets to pay expenses and dividends will tend to settle itself as the year goes forward. If we have gradually receding or stationary business activity and declining or stationary commodity prices and a quiet stock market, it will not only be possible but desirable for the Reserve Banks to build up their portfolios. If the recent upturn in prices and speculation continues along with active business, member banks will almost surely increase their borrowings. Whichever way the situation turns then earning assets are likely to be built up somewhat.

Per cent.



Per cent.



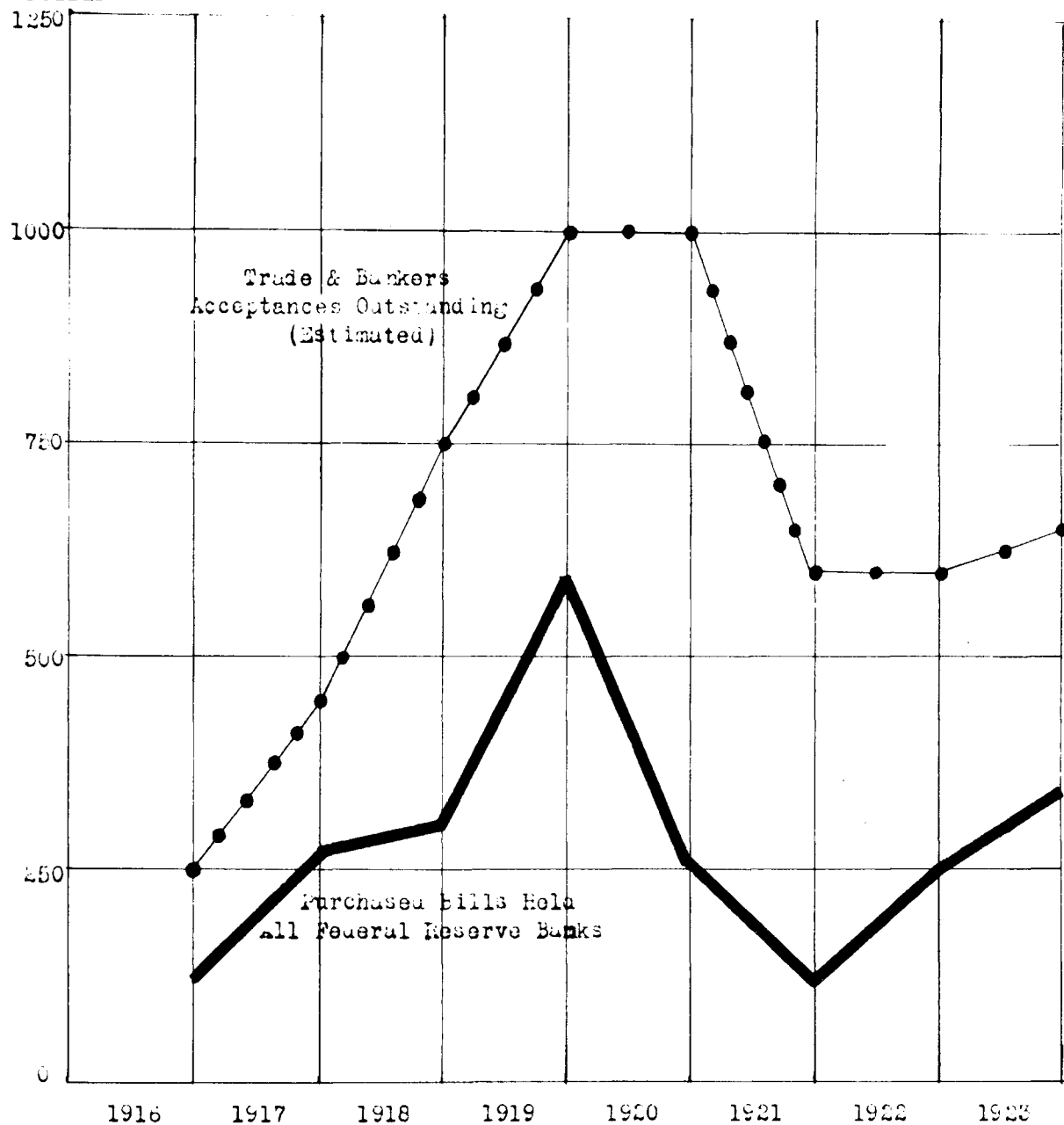
Changes in Money Rates, Bank Loans, Prices and Gold Imports since January 1, 1922.

(Dollar figures in millions)

Month of	Prevailing Market Rates on		Net Gold Imports (Accumulative)	Department of Labor Price Index	Date	Earning Assets of F. R. System				All Member Banks		All Commercial Banks		
	Commercial Paper	90-Day Bills				Discount and Advances	U. S. Securities Owned	Bills Held	Total	Loans and Investments	Demand and Time Deposits	Loans and Investments	Individual Deposits	
Jan. 1922	4 3/4	3 7/8	\$ 26	138	Jan. 1, 1922	\$1,113	\$231	\$127	\$1,471	(December 31, 1921)	\$22,347	\$19,627		
Feb.	5	4	53	141	Feb. 1	838	305	90	1,233					
Mar.	4 3/4	3 3/4	85	142	Mar. 1	707	413	96	1,216					
Apr.	4 1/2	3 3/8	96	143	Apr. 5	625	463	98	1,186					
May	4 1/4	3 1/8	101	148	May 3	520	609	107	1,226					
June	4 1/4	3	113	150	June 7	420	613	136	1,174	(June 30, 1922)	24,353	21,427	(June 30, 1922)	\$34,215 \$31,216
July	4	3	155	155	July 5	499	550	155	1,204					
Aug.	4	3	173	155	Aug. 2	400	497	151	1,048					
Sep.	4 1/4	3 1/8	196	153	Sep. 6	405	508	189	1,102					
Oct.	4 1/2	3 3/4	200	154	Oct. 4	434	433	236	1,153					
Nov.	4 3/4	4	215	156	Nov. 1	538	360	261	1,209					
Dec.	4 3/4	4	238	156	Dec. 6	705	312	267	1,284	(December 29, 1922)	25,769	22,460		
Jan. 1923	4 1/2	4	263	156	Jan. 3, 1923	623	456	255	1,339					
Feb.	4 3/4	4	270	157	Feb. 7, 1923	569	353	185	1,107					
Mar.	5	4	275	159	Mar. 7	571	345	219	1,135	(April 3, 1923)	26,332	22,668	(April 3, 1923)	36,633 33,402
Apr.	5 1/8	4 1/8	284	159	Apr. 4	695	239	260	1,194					
May	5	4 1/8	329	156	May 2	730	135	276	1,191					
June	5	4 1/8	348	153	June 6	735	103	248	1,166	(June 30, 1923)	26,675	23,071	(June 30, 1923)	37,369 33,593
July	5	4 1/8	375	151	July 3	930	94	199	1,223					
Aug.	5 1/4	4 1/8	406	150	Aug. 1	806	94	193	1,083					
Sep.	5 1/4	4 1/8	433	154	Sep. 5	850	99	174	1,123	(Sept. 14, 1923)	26,497	23,932		
Oct.	5 1/4	4 1/8	461	153	Oct. 3	882	95	173	1,150					
Nov.	5	4 1/8	501	152	Nov. 7	817	91	243	1,156					
Dec.	4 1/2	4 1/8	532	151	Dec. 5	746	91	238	1,136					
Jan. 1924	4 3/4	4 1/8			Jan. 2, 1924	798	127	347	1,272					
Jan. 1924	4 3/4	4 1/8			Jan. 30, 1924	522	121	272	915					

CHART SHOWING TRADE AND BANKERS ACCEPTANCES OUTSTANDING AND
BILL HOLDINGS OF ALL FEDERAL RESERVE BANKS
FROM 1917 TO 1923 INCLUSIVE

Millions
of Dollars



1

STATEMENT SHOWING UNITED STATES GOVERNMENT SECURITIES PURCHASED FOR SPECIAL INVESTMENT ACCOUNT FOR THE FEDERAL RESERVE SYSTEM AND THEIR APPORTIONMENT TO ALL FEDERAL RESERVE BANKS AT THE CLOSE OF BUSINESS FEBRUARY 6, 1924

APPORTIONMENT

<u>Federal Reserve Bank</u>	<u>Certificates of Indebtedness</u>	<u>Treasury Notes</u>	<u>Total</u>
Boston	\$ 2,117,500	\$2,212,300	\$ 4,329,800
New York	6,806,500	7,110,900	13,917,400
Philadelphia	2,042,000	2,133,300	4,175,300
Cleveland	2,445,500	2,554,600	5,000,100
Richmond	1,033,500	1,079,800	2,113,300
Atlanta	1,210,000	1,264,100	2,474,100
Chicago	4,109,000	4,292,800	8,401,800
St. Louis	882,500	921,800	1,804,300
Minneapolis	681,000	711,100	1,392,100
Kansas City	857,000	895,400	1,752,400
Dallas	731,000	763,800	1,494,800
San Francisco	<u>2,294,500</u>	<u>2,396,600</u>	<u>4,691,100</u>
T O T A L S	<u>\$25,210,000</u>	<u>\$26,336,500</u>	<u>\$51,546,500</u>

RECAPITULATION OF PURCHASES

<u>Made By</u>	<u>Amount</u>
Boston	\$ 5,055,500
New York	41,374,500
Philadelphia	1,774,500
Cleveland	340,000
Richmond	580,000
Atlanta	677,000
Chicago	300,000
St. Louis	477,000
Minneapolis	113,000
Dallas	25,000
San Francisco	<u>830,000</u>
	<u>\$51,546,500</u>

RECAPITULATION OF PURCHASES BY MATURITIES

March 15, 1924	\$10,303,000
June 15-16, 1924	3,688,500
Sept. 15, 1924	8,375,000
Dec. 15, 1924	13,245,000
March 15, 1925	12,935,000
June 15, 1925	3,000,000
	<u>\$51,546,500</u>

STATEMENT SHOWING PURCHASES OF BANKERS ACCEPTANCES DURING THE PERIOD FROM
DECEMBER 12, 1923 TO JANUARY 30, 1924 AND THEIR ALLOTMENT UNDER THE
DISTRIBUTION PLAN ADOPTED BY THE OPEN MARKET INVESTMENT COMMITTEE
(000 Omitted)

PARTICIPATING BANKS

<u>Federal Reserve Bank</u>	<u>Total Amount Purchased</u>	<u>Total Allotments</u>	<u>Amount Over or Short of Pro Rata Share</u>
Boston	\$ 11,734	\$ 20,076	\$ 1,799 Over
New York	134,252	29,538	7,044 Short
Philadelphia	32,145	31,365	11,332 Over
Cleveland	771	26,490	1,501 Short
Chicago	6,772	28,032	2,187 "
St. Louis	676	767	497 "
Minneapolis	232	2,890	618 "
Dallas	811	34,846	118 "
San Francisco	2,507	15,896	1,166 "
	<u>\$189,900</u>	<u>\$189,900*</u>	<u>\$13,131</u>

NON-PARTICIPATING BANKS

<u>Federal Reserve Bank</u>	<u>Amount Purchased</u>	<u>Amount Retained</u>	<u>Amount of Allot- ment if all Banks Participated</u>
Richmond	\$ 3,291	\$ 3,291	\$ 7,138
Atlanta	14,220	14,220	8,920
Kansas City	75	75	6,344
	<u>\$17,586</u>	<u>\$17,586</u>	<u>\$22,402</u>

*Includes special orders of Dallas and Cleveland amounting to \$39,658,000, which were completed through special purchases in the New York market of \$29,052,000, and sales from portfolio of \$7,606,000 by New York and \$3,000,000 by Philadelphia.

**CHANGES IN HOLDINGS OF TOTAL EARNING ASSETS OF ALL FEDERAL RESERVE BANKS
DURING PERIOD FROM DECEMBER 12, 1923 TO JANUARY 30, 1924**
(000 Omitted)

	<u>*GOVERNMENT SECURITIES</u>			<u>*BANKERS ACCEPTANCES</u>		
	Balance	Balance	Net	Balance	Balance	Net
	<u>Jan. 30</u>	<u>Dec. 12</u>	<u>Change</u>	<u>Jan. 30</u>	<u>Dec. 12</u>	<u>Change</u>
Boston	\$ 7,561	\$ 3,560	\$ 4,001+	\$ 22,452	\$ 26,606	\$ 4,154-
New York	14,063	7,850	6,213+	22,794	57,140	34,346-
Philadelphia	21,423	12,603	8,820+	30,082	24,808	5,274+
Cleveland	15,955	10,755	5,200+	41,415	37,965	3,450+
Richmond	3,294	1,341	1,953+	2,313	2,195	118+
Atlanta	2,541	207	2,334+	11,740	11,870	130-
Chicago	14,023	6,258	7,765+	33,600	37,356	3,756-
St. Louis	1,667	0	1,667+	746	22	724+
Minneapolis	8,750	7,627	1,123+	2,891	41	2,850+
Kansas City	8,609	6,880	1,729+	75	740	665-
Dallas	7,924	6,279	1,645+	42,427	43,869	1,442-
San Francisco	13,520	9,185	4,335+	25,395	31,331	5,936-
TOTALS	<u>\$119,330</u>	<u>\$72,545</u>	<u>\$46,785+</u>	<u>\$235,930</u>	<u>\$273,943</u>	<u>\$38,013-</u>

*Excludes sales contracts

	<u>BILLS DISCOUNTED</u>			<u>TOTAL EARNING ASSETS</u>		
	Balance	Balance	Net	Balance	Balance	Net
	<u>Jan. 30</u>	<u>Dec. 12</u>	<u>Change</u>	<u>Jan. 30</u>	<u>Dec. 12</u>	<u>Change</u>
Boston	\$ 36,927	\$ 70,588	\$ 33,661-	\$ 72,461	\$107,859	\$ 35,398-
New York	105,246	143,594	38,348-	169,912	270,119	100,207-
Philadelphia	43,333	56,361	13,028-	94,838	93,772	1,066+
Cleveland	31,432	71,379	39,947-	88,802	120,099	31,297-
Richmond	45,525	53,752	8,227-	51,132	57,288	6,156-
Atlanta	45,787	76,137	30,350-	60,078	88,264	28,186-
Chicago	59,449	93,579	34,130-	108,493	143,417	34,924-
St. Louis	39,179	54,604	15,425-	41,592	54,676	13,084-
Minneapolis	16,213	19,597	3,384-	27,854	28,016	162-
Kansas City	36,197	57,230	21,033-	44,881	66,200	21,319-
Dallas	9,343	13,544	4,201-	59,694	63,692	3,998-
San Francisco	53,676	51,563	2,113+	95,144	94,254	890+
TOTALS	<u>\$522,307</u>	<u>\$761,928</u>	<u>\$239,621-</u>	<u>\$914,881</u>	<u>\$1,187,656</u>	<u>\$272,775-</u>

COMPARISON OF EARNING ASSETS HELD BY ALL FEDERAL RESERVE BANKS
FROM DECEMBER 27, 1922 TO JANUARY 30, 1924
(OOO Omitted)

	<u>TOTAL EARNING ASSETS</u>	<u>*Government Securities</u>	<u>*Bankers Acceptances</u>	<u>Bills Discounted</u>
<u>Monthly</u>				
<u>-1922-</u>				
Dec. 27	**\$1,322,061	\$445,883	\$246,293	\$629,885
<u>-1923-</u>				
Jan. 31	1,139,552	353,735	188,566	597,251
Feb. 28	1,166,512	363,074	207,678	595,760
March 28	1,203,720	249,409	254,251	700,060
April 25	1,104,489	193,810	274,041	636,638
May 29	1,178,156	189,288	257,818	731,050
June 27	1,114,219	134,976	204,225	774,963
July 25	1,033,697	96,284	176,864	760,539
Aug. 29	1,082,553	93,530	173,485	815,518
Sept. 26	1,126,334	91,885	172,124	862,008
Oct. 31	1,180,652	91,837	204,698	883,800
Nov. 28	1,167,999	84,460	289,004	794,381
Dec. 26	1,297,775	104,158	336,415	857,151
<u>Weekly</u>				
<u>-1924-</u>				
Jan. 2	1,271,762	126,643	347,185	797,883
" 9	1,026,496	100,358	319,166	606,921
" 16	943,561	116,612	292,744	534,185
" 23	937,711	120,926	275,997	540,778
" 30	914,881	120,772	271,792	522,307
Net Change				
Dec. 27, 1922 to				
Jan. 30, 1924	\$407,180-	\$325,111-	\$ 25,499+	\$107,578-

*Including sales contracts

** Excluding \$12,000,000 Pittman Act Certificates redeemed December 31, 1922.

333.-b-2

2/5/24

February 5, 1924

The Governor announced that the next meeting of the Open Market Investment Committee for the Federal Reserve System would be held in Washington on Friday, February 8th.

*E. F. [unclear]
Meeting [unclear]
Jan 14, 24*

*# W
2*

*333-b-2
333-1*

January 22, 1924.

Dear Governor Case:

1/14/24 filed 333.-b-2 Final minutes

On behalf of Governor Crissinger, I acknowledge receipt of your letter of the 17th instant, enclosing a copy of the minutes of the meeting of the Open Market Investment Committee of the Federal Reserve System, held in New York on January 14th. These minutes will be brought to the attention of all members of the Board.

Very truly yours,

(signed) Walter L. Eddy

Walter L. Eddy,
Secretary.

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

333.-6-2

*Noted
DRC*

FEDERAL RESERVE BANK
OF NEW YORK

JAN 18 1924
OFFICE OF
THE GOVERNOR

January 17, 1924.

Dear Governor Crissinger:

For your information I am handing you a copy of the minutes of the meeting of the Open Market Investment Committee of the Federal Reserve System, which was held at this bank on Monday, January 14, 1924.
1/14/24 filed 333.-6-2 Final Minutes

It was a great pleasure to all of us to have you present and participate in our deliberations; and it was a source of satisfaction to find that the operations of the committee were being carried on with complete unanimity. We are always glad to have you spend an occasional day with us here at the bank, and I hope that you may make your visits more frequent.

Cordially yours,

J. H. CASE,
Deputy Governor.

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

Executive Folder

Date 1/22/24

Enc.

see ans 1/22/24

Handwritten initials or scribbles in the top left corner.

FEDERAL RESERVE BOARD
333-1
INDEX 333-1

Noted
ORC.

DATA SUBMITTED TO THE OPEN MARKET INVESTMENT COMMITTEE

FOR THE FEDERAL RESERVE SYSTEM AT ITS MEETING

AT THE FEDERAL RESERVE BANK OF NEW YORK, JANUARY 14, 1924.

Statement showing United States Government securities purchased for Special Investment Account for Federal Reserve System and their apportionment to all Federal reserve banks.

Statement showing purchases of bankers acceptances and their allotment under the Distribution Plan.

Changes in holdings of Total Earning Assets of all Federal reserve banks.

Weekly comparison of earning assets of Federal reserve banks, and comparison of dealers' quotations and Committee's purchasing price of securities purchased for System Investment Account.

Statement showing prices at which Government securities have been purchased and comparison of dealers' price quotations.

Memorandum from W. R. Burgess - Basic conditions of money markets and suggestions for Open Market Program.

Memorandum from Secretary of the Committee with regard to the method of executing Treasury orders, accompanied by statement showing distribution amongst brokers and copy of letter from Under Secretary of the Treasury Winston.

STATEMENT SHOWING UNITED STATES GOVERNMENT SECURITIES PURCHASED FOR SPECIAL INVESTMENT ACCOUNT FOR THE FEDERAL RESERVE SYSTEM AND THEIR APPORTIONMENT TO ALL FEDERAL RESERVE BANKS AT THE CLOSE OF BUSINESS JANUARY 12, 1924.

APPORTIONMENT

<u>Federal Reserve Bank of</u>	<u>Certificates of Indebtedness</u>	<u>Treasury Notes</u>	<u>Total</u>
Boston	\$ 1,746,000	\$ 1,193,200	\$ 2,939,200
New York	5,613,000	3,835,400	9,448,400
Philadelphia	1,684,000	1,150,600	2,834,600
Cleveland	2,016,500	1,377,900	3,394,400
Richmond	852,500	582,400	1,434,900
Atlanta	998,000	681,800	1,679,800
Chicago	3,388,500	2,315,400	5,703,900
St. Louis	727,500	497,200	1,224,700
Minneapolis	561,500	383,500	945,000
Kansas City	707,000	483,000	1,190,000
Dallas	603,000	411,900	1,014,900
San Francisco	<u>1,892,000</u>	<u>1,292,700</u>	<u>3,184,700</u>
	\$20,789,500	\$14,205,000	\$34,994,500 *

RECAPITULATION OF PURCHASES

<u>Made by</u>	<u>Amount</u>
Boston	\$3,030,500
New York	28,405,000
Philadelphia	1,648,000
Richmond	20,000
Atlanta	419,500
Chicago	300,000
St. Louis	428,500
Minneapolis	113,000
San Francisco	<u>630,000</u>
	<u>\$34,994,500</u>

RECAPITULATION OF PURCHASES BY MATURITIES

March 15, 1924	\$9,276,500
June 15 & 16, 1924	3,234,000
Sept. 15, 1924	4,780,000
Dec. 15, 1924	9,904,000
March 15, 1925	4,800,000
June 15, 1925	<u>3,000,000</u>
	<u>\$34,994,500</u>

* This statement includes \$2,756,000 certificates of indebtedness and \$850,000 Treasury notes which have been purchased for future delivery.

STATEMENT SHOWING PURCHASES OF BANKERS ACCEPTANCES DURING THE PERIOD
FROM DECEMBER 12, 1923 TO JANUARY 9, 1924 and THEIR ALLOTMENT UNDER
THE DISTRIBUTION PLAN ADOPTED BY THE OPEN MARKET INVESTMENT COMMITTEE

(000 Omitted)
PARTICIPATING BANKS

<u>Federal Reserve Bank of</u>	<u>Total Am't Purchased</u>	<u>Total Allotments</u>
Boston	\$ 6,398	\$ 11,977
New York	85,009	16,064
Philadelphia	19,709	18,929
Cleveland	171	21,846
Chicago	4,601	19,055
Minneapolis	182	1,916
Dallas	720	17,143
San Francisco	<u>1,500</u>	<u>11,360</u>
	118,290	118,290*

NON-PARTICIPATING BANKS

<u>Federal Reserve Bank of</u>	<u>Amount Purchased</u>	<u>Amount Retained</u>	<u>Amount of Allotment if all banks participated</u>
Richmond	1,838	1,838	4,640
Atlanta	8,792	8,792	5,800
St. Louis	21	21	4,060
Kansas City	<u>0</u>	<u>0</u>	<u>4,060</u>
	10,651	10,651	18,560

*Includes special orders of Dallas and Cleveland amounting to \$23,541,000 which were completed through special purchases in the New York market of \$12,935,000 and sales from portfolios of \$7,606,000 by New York and \$3,000,000 by Philadelphia.

**CHANGES IN HOLDINGS OF TOTAL EARNING ASSETS OF ALL FEDERAL
RESERVE BANKS DURING PERIOD FROM
December 12, 1923 to January 9, 1924**
(000 Omitted)

	<u>Government Securities*</u>			<u>Bankers Acceptances*</u>		
	<u>Balance Jan. 9</u>	<u>Balance Dec. 12</u>	<u>Net Change</u>	<u>Balance Jan. 9</u>	<u>Balance Dec. 12</u>	<u>Net Change</u>
Boston	\$ 5,634	\$ 3,560	\$ 2,074+	\$ 29,461	\$ 26,606	\$ 2,855+
New York	7,870	7,850	20+	30,381	57,140	26,759-
Philadelphia	14,692	12,603	2,089+	32,001	24,808	7,193+
Cleveland	13,728	10,755	2,973+	49,391	37,965	11,426+
Richmond	2,354	1,341	1,013+	2,609	2,195	414+
Atlanta	1,351	207	1,144+	12,746	11,870	876+
Chicago	10,283	6,258	4,025+	38,649	37,356	1,293+
St. Louis	864	0	864+	43	22	21+
Minneapolis	8,891	7,627	1,264+	1,916	41	1,875+
Kansas City	7,998	6,880	1,118+	10	740	730-
Dallas	7,270	6,279	991+	48,054	43,869	4,185+
San Francisco	<u>11,433</u>	<u>9,185</u>	<u>2,248+</u>	<u>34,327</u>	<u>31,331</u>	<u>2,996+</u>
<u>TOTAL</u>	\$92,368	\$72,545	\$19,823+	\$279,588	\$273,943	\$5,645+

* Excludes sales contracts

	<u>Bills Discounted</u>			<u>Total Earning Assets</u>		
	<u>Balance Jan. 9</u>	<u>Balance Dec. 12</u>	<u>Net Change</u>	<u>Balance Jan. 9</u>	<u>Balance Dec. 12</u>	<u>Net Change</u>
Boston	\$ 32,594	\$ 70,588	\$ 37,994-	\$ 70,991	\$ 107,859	\$ 36,868-
New York	127,560	143,594	16,034-	196,077	270,119	74,042-
Philadelphia	46,077	56,361	10,284-	92,770	93,772	1,002-
Cleveland	55,100	71,379	16,279-	118,219	120,099	1,880-
Richmond	50,304	53,752	3,448-	55,267	57,288	2,021-
Atlanta	53,800	76,137	22,337-	67,949	88,264	20,315-
Chicago	68,309	93,579	25,270-	121,652	143,417	21,765-
St. Louis	45,474	54,604	9,130-	46,381	54,676	8,295-
Minneapolis	19,685	19,597	88+	33,143	28,016	5,127+
Kansas City	48,619	57,230	8,611-	59,627	66,200	6,573-
Dallas	8,993	13,544	4,551-	64,317	63,692	625+
San Francisco	<u>50,406</u>	<u>51,563</u>	<u>1,157-</u>	<u>100,103</u>	<u>94,254</u>	<u>5,849+</u>
<u>TOTAL</u>	\$606,921	\$761,928	\$155,007-	\$1,026,496	\$1,187,656	\$161,160-

COMPARISON OF EARNING ASSETS HELD BY ALL FEDERAL RESERVE BANKS WEEKLY
from December 12, 1923 to January 9, 1924
(OOO Omitted)

	<u>TOTAL</u> <u>EARNING ASSETS</u>	<u>*Government</u> <u>Securities</u>	<u>*Bankers</u> <u>Acceptances</u>	<u>Bills</u> <u>Discounted</u>
December 12	\$ 1,187,656	\$ 96,294	\$ 329,383	\$ 761,928
" 19	1,153,875	81,249	322,379	750,196
" 26	1,297,775	104,158	336,415	857,151
January 2	1,271,762	126,643	347,185	797,883
" 9	1,026,496	100,358	319,166	606,921

* Including sales contracts

NOTE: In comparing assets held during this period, the following changes occurred:

During Period December 12, 1923 to January 9, 1924
(OOO Omitted)

	<u>Total</u> <u>Earning Assets</u>	<u>Government</u> <u>Securities</u>	<u>Bankers</u> <u>Acceptances</u>	<u>Bills</u> <u>Discounted</u>
Total Holdings	\$ 161,160-	\$ 4,064+	\$ 10,217-	\$ 155,007-
Sales Contracts	0	15,759-	13,636-	0
Outright Holdings	161,160-	19,823+	3,419-	155,007-

During Week January 2, 1924 to January 9, 1924

Total Holdings	\$ 245,266-	\$ 26,285-	\$ 28,019-	\$ 190,962-
Sales Contracts	0	38,837-	13,131-	0
Outright Holdings	245,266-	12,552+	14,888-	190,962-

COMPARISON OF DEALERS' QUOTATIONS AND COMMITTEE'S PURCHASING PRICES OF
U.S. SECURITIES PURCHASED FOR SYSTEM INVESTMENT ACCOUNT DURING PERIOD
December 12, 1923 to January 9, 1924

Dealers' Yield Quotations

<u>Issue</u>	<u>Dec. 24/23</u>	<u>Jan. 3/24</u>	<u>Jan. 9/24</u>	<u>Jan. 14/24</u>
4 1/4% March 15, 1924 C/I	3.82%	3.75%	3.65%	3.50%
4 1/2% March 15, 1924 C/I	3.82%	3.75%	3.72%	3.50%
4% June 16, 1924 C/I	3.93%	3.93%	3.82%	3.75%
4 1/4% Dec. 15, 1924 C/I	4.18%	4.18%	4.06%	4.03%
5 3/4% June 15, 1924 T/N	3.93%	3.84%	3.80%	3.75%
5 1/2% Sept. 15, 1924 T/N	4.15%	4.05%	4.00%	3.85%
4 3/4% March 15, 1925 T/N	4.34%	4.28%	4.18%	4.16%
4 1/2% June 15, 1925 T/N	4.38%	4.34%	4.21%	4.16%

Prices Authorized by Committee

<u>Issue</u>	<u>Dec. 24/23</u>	<u>Jan. 3/24</u>	<u>Jan. 9/24</u>
4 1/4% March 15, 1924 C/I	4.00%	3.85%	3.85%
4 1/2% March 15, 1924 C/I	4.00%	3.85%	3.85%
4% June 16, 1924 C/I	4.00%	3.95%	3.95%
4 1/4% Dec. 15, 1924 C/I	4.25%	4.22%	4.10%
5 3/4% June 15, 1924 T/N	4.00%	3.95%	3.95%
5 1/2% Sept. 15, 1924 T/N	4.20%	4.15%	4.05%
4 3/4% March 15, 1925 T/N	0	4.37 1/2%	4.25%
4 1/2% June 15, 1925 T/N	0	4.40%	4.30%

CERTIFICATES OF INDEBTEDNESS AND TREASURY NOTES PURCHASED FOR SPECIAL INVESTMENT ACCOUNT FOR FEDERAL RESERVE SYSTEM FROM JANUARY 2, 1924 TO JANUARY 11, 1924 INCLUSIVE, ARE AS FOLLOWS

Issue	Amount Purchased	Total each issue	Purchased at Dealer's Price Authorized		
			Price to Yield	quotations by Committee Jan. 11/24	Jan. 9, 1924
4 1/2% March 15, 1924 C/I	\$ 320,000		4.00%	3.50%	3.85%
	2,000,000		3.95%		
	1,895,000		3.87 1/2%		
	<u>606,000</u>	\$ 4,821,000	3.85%		
4 1/4% March 15, 1924 C/I	\$ 400,000		4.00%	3.50%	3.85%
	125,000		4.10%		
	100,000		3.87 1/2%		
	<u>80,500</u>	\$ 705,500	3.85%		
4% June 16, 1924 C/I	\$ 492,000		4.00%	3.75%	3.95%
	22,000		3.90%		
	<u>28,500</u>	\$ 542,500	3.95%		
5 3/4% June 15, 1924 T/N	\$ 158,000		4.00%	3.75%	3.95%
	<u>260,000</u>	\$ 418,000	3.95%		
5 1/2% Sept. 15, 1924 T/N	\$ 290,000		4.20%	3.85%	4.05%
	<u>2,250,000</u>	\$ 2,540,000	4.05%		
4 1/4% Dec. 15, 1924 C/I	391,500		4.25%	4.03%	4.10%
	1,329,000		4.22%		
	<u>4,898,500</u>	\$ 6,619,000	4.10%		
4 3/4% March 15, 1925 T/N	\$2,500,000		4.37 1/2%	4.16%	4.25%
	<u>2,300,000</u>	\$ 4,800,000	4.25%		
4 1/2% June 15, 1925 T/N	\$3,000,000	\$ 3,000,000	4.40%	4.16%	4.30%
		\$23,446,000			
Purchases made last month	- - - - -	\$11,548,500			
Total to date	- - - - -	\$34,994,500			

MISC. 1 7M-9-23

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE January 12, 1924TO Mr. J. H. CaseSUBJECT: Basic Conditions in Money MarketsFROM W. R. Burgessand Suggestions for Open Market Program.

1. Basic Conditions. While money is now extraordinarily easy and many of the conditions are present for a period of inflation and speculation, it does not seem to me that such a period is yet upon us. In the field of business and commodity prices there is ^{no} evidence whatever of inflation or speculation. Commodity prices are hovering at the low points reached in the past month or two. Business is continuing to recede in volume rather than increase. The employment figures for December showed a decrease, as did also the production of steel, carloadings and a number of other indexes. The flood of return of currency and the decrease in bank loans since the first of the year seems to me clearly to reflect reduced business activity and continued caution in operations. In the stock market alone is there evidence of an expansion and there we have very far from a runaway market, in spite of the pronounced efforts of many speculators to create a bull market. While stock prices are comparatively high, the street loan accounts are only moderately so, particularly if allowance is made for a seasonal increase at the beginning of the year. It is my belief, therefore, that while the situation clearly contains a threat of serious inflation, the time has not yet come to sell securities, particularly in view of the limited amounts now held, but that we should rather continue to acquire more as far as we can do so without making easier a market already very easy.

MISC. 7-75M-9-23

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE _____ 192__

To _____ SUBJECT: _____

FROM _____

-2-

2. The Program. It seems to me wise to continue buying certificates and notes carefully as they are offered and as far as it can be done without affecting the market. The best opportunity for purchasing would appear to be in the later part of February and early March, when spring needs of business begin to be felt and when there is ordinarily some tightening in money rates, but some small quantities might be purchased before that time.

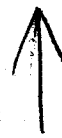
3. Purchased Bills. It seems clear that some arrangements should be made by which the \$300,000,000 of bills held by the system should be subject to somewhat the same control as our holdings of certificates and notes, and that in general the policy should be followed of maintaining the bill portfolios at present, but letting them diminish as they mature at times when certificates were being sold. In order to accomplish this end it is clearly necessary to secure some understanding between the Reserve banks.

4. Earning Assets. If the present movement toward reduction of the earning assets of the system continues, it is clear that many of the banks will be flat and unable to earn expense. This makes more difficult an agreement as to purchased bills and raises the question as to a common policy in the whole matter of earnings. Of course, if a business boom should begin this difficulty would hardly arise.

Changes in Money Rates, Bank Loans, Prices and Gold Imports since January 1, 1922.

(Dollar figures in millions)

Month of	Prevailing Market Rates on		Net Gold Imports (Accumulative)	Department of Labor Price Index	Date	Earning Assets of F. R. System				All Member Banks		All Commercial Banks	
	Commercial Paper	90-Day Bills				Discount and Advances	U. S. Securities Owned	Bills Held	Total	Loans and Investments	Demand and Time Deposits	Loans and Investments	Individual Deposits
Jan. 1922	4 3/4	3 7/8	\$ 26	138	Jan. 4, 1922	\$1,113	\$231	\$127	\$1,471	(December 31, 1921)	\$22,847	\$19,627	
Feb.	5	4	53	141	Feb. 1	838	305	90	1,233				
Mar.	4 3/4	3 3/4	85	142	Mar. 1	707	413	96	1,216				
Apr.	4 1/2	3 3/8	96	143	Apr. 5	625	463	98	1,186				
May	4 1/4	3 1/8	101	148	May 3	510	609	107	1,226				
June	4 1/4	3	113	150	June 7	420	618	136	1,174	(June 30, 1922)	24,358	21,427	(June 30, 1922)
July	4	3	155	155	July 5	499	550	155	1,204			\$34,215	\$31,216
Aug.	4	3	173	155	Aug. 2	400	497	151	1,048				
Sep.	4 1/4	3 1/8	196	153	Sep. 6	405	508	189	1,102				
Oct.	4 1/2	3 3/4	200	154	Oct. 4	434	483	236	1,153				
Nov.	4 3/4	4	215	156	Nov. 1	588	360	261	1,209				
Dec.	4 3/4	4	238	156	Dec. 6	705	312	267	1,284	(December 29, 1922)			
Jan. 1923	4 1/2	4	263	156	Jan. 3, 1923	628	456	255	1,339	25,769	22,460		
Feb.	4 3/4	4	270	157	Feb. 7	569	353	185	1,107				
Mar.	5	4	275	159	Mar. 7	571	345	219	1,135	(April 3, 1923)			(April 3, 1923)
Apr.	5 1/8	4 1/8	284	159	Apr. 4	695	239	260	1,194	26,332	22,668	36,633	33,402
May	5	4 1/8	329	156	May 2	730	185	276	1,191				
June	5	4 1/8	348	153	June 6	735	183	248	1,166	(June 30, 1923)			(June 30, 1923)
July	5	4 1/8	375	151	July 3	930	94	199	1,223	26,675	23,071	37,369	33,593
Aug.	5 1/4	4 1/8	406	150	Aug. 1	806	94	183	1,083				
Sep.	5 1/4	4 1/8	433	154	Sep. 5	850	99	174	1,123	(Sept. 14, 1923)			
Oct.	5 1/4	4 1/8	461	153	Oct. 3	882	95	173	1,150	26,497	23,032		
Nov.	5	4 1/8	501	152	Nov. 7	817	91	248	1,156				
Dec.	4 1/2	4 1/8			Dec. 5	746	91	298	1,136				
					Jan. 2, 1924	798	127	347	1,272				



MISC. P. 1-50M-3-23

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE January 11, 1924TO Mr. CaseSUBJECT: Method of Executing Orders for theFROM W. B. MattesonUnited States Treasury

Attached is copy of statement which I have prepared for the meeting showing distribution amongst brokers of Treasury orders given to member banks for execution on the stock exchange for the calendar year 1923, also showing distribution of orders given direct to brokers by the New York bank last year. A copy of this statement was sent to Under Secretary of the Treasury Winsten, who replied as per attached copy.

A study of this statement will show that a good distribution of the orders is effected by having orders executed by member banks in addition to the other advantages under this method. The experience in New York has proven these to be principally:

1. We are able to keep the identity of the Treasury hidden to a great extent.
2. Neither the Treasury nor this bank can be charged with discrimination in the choice of brokers for the reason that such choice is left to the banks to whom the orders are given.
3. The banks are glad to get this business not only on account of the prestige but because they get the use of Federal reserve funds for one day up to the amount of purchases made by them. ✓

Orders are being placed at present in this manner by Boston as well as New York. Philadelphia started the practice and we assumed that they were continuing it but we learned lately that for some time they had been giving the orders direct to brokers. The Chicago bank, which recently started buying, gives all of its orders direct.

Encls. (2)

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THE UNDERSECRETARY OF THE TREASURY

WASHINGTON

January 4, 1934.

Dear Mr. Case:

I have your letter of January 3rd in connection with the brokers who handle purchases of securities for Government account through the member banks. This is a most excellent exhibit of the smooth working and fair distribution of your system of handling Government purchases. We shall bear it in mind when we come to a reconsideration of this subject some time this month.

Very truly yours,

(Signed)

Gerrard B. Winston
Under Secretary of the Treasury.

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

STATEMENT SHOWING DISTRIBUTION AMONGST BROKERS OF TREASURY ORDERS GIVEN TO MEMBER BANKS FOR EXECUTION ON STOCK EXCHANGE FOR CALENDAR YEAR 1923

	<u>J. R. Schmelzler & Co.</u>	<u>Strong, Sturgis & Co.</u>	<u>C. E. Quincey & Co.</u>	<u>Rhoades & Co.</u>	<u>Hemphill, Noyes & Co.</u>	<u>Mabon & Company</u>	<u>J. P. Cahill & Co.</u>	<u>Hartshorne and Batelle</u>	<u>M. J. Neenan & Co.</u>	<u>Leew & Company</u>	<u>Logan and Bryan</u>	<u>Salomon Bros. & Hutzler</u>	<u>t o t a l</u>
Chase Nat'l Bank	\$6,296,000.	\$5,095,000.	\$1,031,000.	\$3,823,000.									\$16,245,000.
Bank of America	15,452,000.			1,092,000.	123,000.								16,667,000.
Hanover Nat'l Bank						16,272,000.							16,272,000.
First Nat'l Bank		16,262,000.											16,262,000.
Bankers Trust Co.	2,050,000.		2,366,000.	2,889,000.		2,781,000.	4,136,000.	1,802,000.					16,024,000.
Central Union Trust Company	7,229,000.		7,551,000.						1,164,000.				15,944,000.
Mechanics & Metals National Bank			13,826,000.							1,682,000.	306,000.		15,814,000.
American Exchange National Bank												15,806,000.	15,806,000.
National Bank of Commerce		16,121,000.											16,121,000.
Bank of New York and Trust Company			3,638,000.			9,034,000.	3,264,000.						16,036,000.
TOTAL	\$31,027,000.	\$37,478,000.	\$28,412,000.	\$7,804,000.	\$123,000.	\$28,087,000.	\$7,500,000.	\$1,802,000.	\$1,164,000.	\$1,682,000.	\$306,000.	\$15,806,000.	\$161,191,000.

STATEMENT SHOWING DISTRIBUTION OF ORDERS GIVEN DIRECT TO BROKERS COVERING TRANSACTIONS FOR MEMBER BANKS FOR CALENDAR YEAR 1923

Member Banks						10,604,500.						10,701,650.	21,306,150.
AGGREGATE	\$31,027,000.	\$37,478,000.	\$28,412,000.	\$7,804,000.	\$123,000.	\$38,691,500.	\$7,500,000.	\$1,802,000.	\$1,164,000.	\$1,682,000.	\$306,000.	\$26,507,650.	\$182,497,150.