333-62
Final minutes
3/24/30

CONFIDENTIAL

MINUTES OF THE MEETING OF THE OPEN MARKET INVESTMENT COMMITTEE
HELD AT THE OFFICES OF THE FEDERAL RESERVE BOARD
WASHINGTON, D. C., March 24 and 25, 1930

The meeting was called to order at 10:40 a. m., there being present -

From the Federal Reserve Board,
Governor Young and Messrs. Cunningham, Hamlin, James, Miller and Platt;
From the Board's staff,
Dr. Goldenweiser and Messrs. Smead, McClelland, Noell and Carter;
From the Federal Reserve Banks,
Governors Norris, Seay, Black, Fancher, McDougal, Gerry, Martin, Talley, and Calkins, Mr. Case, Chairman of the Board, and Deputy Governors Paddock and Worthington, and Mr. Burgess, acting secretary.

The preliminary memorandum on the credit situation and the Secretary's report were presented to the meeting. Dr. Goldenweiser then discussed the credit situation in connection with a series of charts.

Governor Young and Mr. Case then reviewed the occasion for the purchase of $50,000,000 of Government securities originally acquired for the account of the Federal Reserve Bank of New York, between March 6 and 14, and subsequently participated among eight of the Reserve banks thus becoming a part of the Open Market Investment Account.

There ensued a general discussion of this transaction and of the general business and credit situation, including a discussion of the relationship between this transaction and the findings of the meeting of January 28th and 29th. In the course of this discussion it was brought out that the primary purpose of the transaction was to attempt to aid business which had developed a more serious depression than had been anticipated at the time of the previous meeting. A number of the governors indicated that they had not been in sympathy with this purchase of Governments and felt that money rates had been eased more rapidly than was desirable. A number of the other governors indicated that they were in accord with the procedure which had been followed.

Trans letter 3/27/30 filed 333.-6-2

The meeting adjourned at 1:30 to reconvene at 2:45 with only the representatives of the Reserve banks present. After some further discussion the following minute was adopted as representing the views of the meeting:

> The Open Market Committee, including informally representatives of all the reserve banks, has considered the information submitted in the Chairman's preliminary memorandum, by the Federal Reserve Board, and by representatives of the several banks.
>
> While Treasury tax period operations have distorted the near-time view of the money situation, it is clear that since the meeting of the Committee on January 28 and 29 money conditions have eased substantially and money has become more freely available and the ease has been extended from the short time to the long time money market.
>
> The Committee believes the steps already taken by the Federal Reserve System in easing the money market through open market operations have gone as far in providing the stimulus of easy money for business use as seems desirable at this time. The Committee believes that at present there is no occasion for further purchases of Government securities.
>
> In the interest of flexibility and preparedness for the unexpected, the Committee favors a reduction in the minimum buying rate on bills, fixed by the Reserve Board, to 2 1/2%. It is the sense of the meeting, however, that in the absence of some developments that cannot now be anticipated, bills should not be bought below 3%.

At 3:50 the following members of the Federal Reserve Board joined the meeting:

> Governor Young and Messrs. Cunningham, Hamlin, James, Miller, and Platt.

The minute adopted by the representatives of the banks was read and discussed informally without any action being taken.

Governor Young raised the question as to the extent it was desirable to call full meetings of representatives of the Reserve banks to consider questions of this sort as compared with the policy of handling these questions by correspondence. Messrs Calkins, Talley, and Seay indicated that they favored conferences as the most satisfactory method of accomplishing the purpose.

The question was then raised as to the procedure to be followed in the future by Open Market meetings in view of the fact that the procedure suggested by the Federal Reserve Board in its letter of January 23 had never been put into effect, but that each Reserve bank had made comments upon that letter, including various suggestions for modification.

Mr. Hamlin presented a digest of the replies made by the several Reserve banks to the Board's letter. After some further discussion Mr. James moved that the Governor of the Federal Reserve Board and the representatives of the Federal reserve banks there present should constitute a committee to consider amendments to the open market procedure outlined in the Board's letter of January 23. This motion was carried.

The meeting adjourned at 6:05.

At 8:30 p. m. Governor Young and the representatives of the twelve Federal reserve banks, with the exception of Mr. Case, who had found it necessary to return to New York, reconvened at the Hotel Carlton to consider the open market procedure suggested in the Federal Reserve Board's letter of January 23, Governor Young acting as chairman of the meeting. The several provisions of the letter were taken up in order, and a series of proposals modifying to some extent the Board's suggestions was adopted. These proposals are included in the minutes of the meeting of the following morning, with a few minor changes made at that time.

At the conclusion of this meeting the representatives of the Reserve banks present elected Governor Calkins chairman pro tempore and discussed the question of the chairmanship of the conference and the composition of the executive committee. Thereupon it was

Voted to be the sense of the representatives of the Federal reserve banks present at the meeting that the representative of the Federal Reserve Bank of New York be elected Chairman of the Conference for one year; that the Executive Committee provided for in the proposed procedure should consist of the Chairman and the representatives of the Federal Reserve Banks of Boston, Cleveland, Philadelphia, and Chicago for one year; also, that the Conference adopt the principle of reasonable rotation in the membership of the Executive Committee after the first year.

The meeting adjourned at 11:45 p. m.

The meeting reconvened with the Federal Reserve Board at 10:30 on March 25 in the Federal Reserve Board rooms, there being present

From the Federal Reserve Board,
Vice Governor Platt, presiding, and
Messrs. Cunningham, Hamlin, James, and Miller;
From the Board's staff,
Messrs. Goldenweiser, Smead, and McClelland,
Representing the Federal reserve banks,
Governors Norris, Seay, Fancher, McDougal, Martin, Geery, Talley, and Calkins, and Deputy Governors Paddock and Worthington. Mr. Burgess, acting secretary.

The conclusions reached by the committee the preceding evening were presented to the meeting and discussed in order. One or two minor changes were agreed to by the representatives of the Reserve banks present. The proposals unanimously adopted by the representatives of the Reserve banks present at the evening and morning meetings were as follows:

(1) The Open Market Investment Committee, as at present constituted, to be discontinued and a new committee, voluntary in character, to be known as the Open Market Policy Conference, to be set up in its place.

(2) The Open Market Policy Conference to consist of a representative from each Federal Reserve Bank, designated by the Board of Directors of the bank.

(3) The Conference to meet with the Federal Reserve Board upon the call of the Governor of the Federal Reserve Board or the Chairman of the Executive Committee after consultation with the Governor of the Federal Reserve Board.

(4) The function of the Open Market Policy Conference to be to consider, develop, and recommend policies and plans with regard to open market operations.

(5) The time, character, and volume of purchases and sales to be governed with the view of accommodating commerce and business and with regard to their bearing upon the credit situation.

(6) The conclusions and/or recommendations of the Open Market Policy Conference, when approved by the Federal Reserve Board, to be submitted to each Federal reserve bank for determination as to whether it will participate in any purchases or sales recommended; any Federal reserve bank dissenting from the proposed policy to be expected to acquaint the Federal Reserve Board and the Chairman of the Executive Committee with the reasons for its dissent.

(7) An executive committee of five to be selected from and by the members of the Conference for a term of one year, with full power to act in the execution of the policies adopted by the Open Market Policy Conference and approved by the Federal Reserve Board, and to hold meetings with the Board as frequently as may be desirable.

(8) Each Federal Reserve Bank participating in the Open Market Policy Conference to be considered as waiving none of its rights under the Federal Reserve Act; each Federal Reserve Bank to have the right at its option to retire as a member of the Open Market Policy Conference, but each bank while a member of the Conference to respect its Conference obligations.

It was understood that in agreeing to these proposals the representatives of the Reserve banks there present were in no sense committing their institutions, and it was understood that the proposals would be submitted by the Federal Reserve Board to the Boards of the several Reserve banks after the Federal Reserve Board has itself discussed them.

The meeting adjourned at 11:50 a. m.

W. Randolph Burgess,
Acting Secretary.

Copy

333.-6-2
7 incl minutes
1/28/30

CONFIDENTIAL

Minutes of Meeting of Governors of Federal Reserve Banks
Called by Federal Reserve Board as a Meeting of the Open
Market Investment Committee, Washington, D. C.
January 28 and 29, 1930

A meeting of Governors of Federal reserve banks called by the Federal Reserve Board as a meeting of the Open Market Committee convened at 10:45 a. m. on Tuesday, January 28, with the Federal Reserve Board.

There were present from the Federal Reserve Board

Governor Young and

Messrs. Cunningham, Hamlin, James,
Miller, and Pole,
Messrs. Goldenweiser, McClelland,
Smead, and Carpenter, of the
Federal Reserve Board staff.

Representing the banks there were present

Deputy Governor Paddock
Governors Harrison, Norris, Fancher, Seay,
Black, McDougal, Martin, Geery,
Talley, and Calkins.

Mr. Burgess, acting secretary.

The meeting proceeded at once to a discussion of the credit situation and Federal reserve policy, Governor Young stating that the committee was operating under the old procedure and not under the procedure suggested in the Federal Reserve Board's letter X-6484 of ~~November~~ Jan 23, which has been sent to each Board of Directors for their comments.

Dr. Goldenweiser reviewed various aspects of the credit situation, making reference to a number of charts.

Governor Young then called on the governors in turn to express their opinion on a proposal which the Board had before it for a reduction in bill rates and on the general question as to whether the Reserve System should adopt a program for easing the credit situation further or not.

Governor McDougal indicated that an easing policy would be worth considering if it would benefit business but he felt the present rates were not restrictive and that there should be a further liquidation of

Trans letter 2/18/30 filed 333.-6-2

collateral loans.

Governor Norris believed that open market purchases had been carried far enough, that the objects of the November policy had been achieved, and he would rather see lower money rates come of their own accord than as a result of Federal reserve interference. He saw no harm in the lower bill rate if for the purpose of preventing bill holdings in the System from decreasing.

Mr. Paddock said he believed there was more clearing up to be done, that they favored a policy of marking time and would not favor carrying the easing process any further now.

At this point Secretary Mellon joined the meeting.

At Governor Harrison's suggestion the report of the Secretary of the Open Market Committee was distributed and the preliminary memorandum to the committee was distributed and read aloud. Governor Harrison stated that the proposal for a reduction in the buying rate for bills was made by the Federal Reserve Bank of New York in order to prevent a decrease in the bill portfolio and an increase in rediscounts such as might lead to a firming of money rates or at least an interruption to the natural downward trend of interest rates. It was not suggested as a program which would artificially force a more rapid easing of credit conditions although it seemed likely that the directors of the New York bank might also wish soon to reduce the discount rate.

Governor Fancher believed the November program had been pretty well carried out, that further easing might be desirable in due course with perhaps a reduction in their discount rate in February. He believed the present discount rate was encouraging needed liquidation. He saw no objection to a slight reduction in the bill rate.

Governor Talley stated that he was very well satisfied with the program as it had been carried out and with the present discount rate in his district, that he was opposed to further specific steps toward ease at present, that he could see the possible desirability of an adjustment of bill rates to take care of a temporary congestion in the market.

Governor Martin said he would like to continue his discount rate at the present level as several groups of banks were tied up with loans after droughts and also other groups with security loans, and high rates would assist in liquidating this situation. He believed the results of the program had been attained and would not now favor changes in discount rates or in bill rates.

The meeting adjourned at 1:05 to meet again at 2:30.

The meeting reconvened at 2:30 p. m.

Present: Governor Young

Secretary Mellon

Messrs. Cunningham, Hamlin, James, Miller, and Pole,
Messrs. Goldenweiser, McClelland, Smead, and Carpenter of the Federal Reserve Board staff.

Deputy Governor Paddock
Governors Harrison, Norris, Fancher, Seay, Black, McDougal, Martin, Geery, Talley, and Calkins,
Dr. Burgess, acting secretary.

Governor Black stated that his bank still desired a continuation of credit ease. He would prefer easing through bills but, if possible, would reduce the rediscount rate also. Business was not good in the Atlanta District, especially with the smaller businesses, nor was the mental attitude in business good and he believed that business and this mental attitude would be improved by easier money.

Governor Geery said that his rate was still well below the commercial rate for money, that the banks still have loans they want to liquidate and for that reason wish high rates continued. He favored a reduction in the bill rate if not to the point of interfering with the distribution of bills.

Governor Seay said that his directors were in sympathy with the open market program but the majority had favored a continuation of their rate at 5 per cent. He believed System policy should be directed to continuing the present trend of ease rather than positive action in either direction. He thought pressure on security loans would continue regardless of the rate. He should like to see to it that no hardening of rates took place toward the spring season and thought this could be done best through bills though it was possible that it might be desirable to buy further securities, although he would be very reluctant to see it.

Governor Calkins stated there had been a more than usual liquidation in his district. He saw no occasion in the district for further rate change. The open market policy appeared to have been accomplished. If more ease was necessary it could best be done through the bill rate. There was, however, no occasion for any acute move.

There ensued an extended discussion on general policy in the course of which Governor McDougal stated that he wished to amplify his previous statement to indicate that he believed the banks should have flexibility in their bill rates and he had not previously understood that the suggestion for a reduction in the bill rate was simply for a change in the minimum fixed by the Federal Reserve Board. He believed that the Board should give the banks an operating latitude in the bill rate.

This meeting adjourned at 4 p. m. and was shortly resumed with only the representatives of the reserve banks present. The committee was requested by Governor Young, among other things, to report to the Board

(a) The advantages of the change in the regulations relative to reserve calculations suggested by the governors at the last conference.

(b) What should be the complexion of the committees recommended on reserves and chain banking?

The meeting first discussed the Board's letter of January 23 relating to open market procedure, the telegram which had been sent calling the meeting, and what should be the understanding as to the character of the meeting. At 5 o'clock Governor Young attended the meeting by request to discuss with it the status of the committee and his understanding of the Board's letter. As a consequence of this discussion it was agreed to go forward with the discussion of credit conditions and policy with the understanding that those present were not operating in any way under the procedure suggested by the Board's letter of January 23, but that the meeting was informal and under the old procedure of the Open Market Committee with the addition of the other Governors as members. The meeting adjourned at 6 p. m.

In the evening representatives of seven of the banks met at the Hotel Carlton and drafted a provisional memorandum of conclusions.

The meeting was again called to order at 10 a. m. January 29.

Present: Deputy Governor Paddock
Governors Norris, Fancher, Seay, Black, McDougal, Martin, Talley, and Calkins

Mr. Burgess, acting secretary.

In the absence of Governor Harrison, Governor Norris was elected chairman of the meeting and the meeting proceeded to discuss the tentative resolutions which had been drafted the night before.

At 10:20 Governor Geery entered the meeting and at 10:35, Governor Harrison.

The following findings were then adopted, all those present voting Yes except Governor Martin.

"The Open Market Committee, including informally the Governors or Deputy Governors from eleven of the Federal reserve banks, has considered the report of the secretary of the Open Market Committee, the preliminary memorandum, and the data submitted by the Federal Reserve Board and by representatives of the several reserve banks, and has reached the following conclusions upon the matters therein referred to and upon the specific questions asked by the Federal Reserve Board.

"The facts appear to be:

1. The panicky feeling has subsided.

2. A business recession has taken place, the extent or duration of which is not yet possible to determine.

3. Money has been made available to commerce and industry at more reasonable rates.

4. Liquidation is progressing in an orderly fashion.

5. Rediscounts have been reduced to under $450,000,000.

6. However, there is a large volume of security loans in member banks which they are anxious to get reduced.

7. Liquidation has been slower in country banks than in the city banks.

"Under these circumstances it is the judgment of the Committee that no open market operations in Government securities are necessary at this time either to halt or to expedite the present trend of credit.

"The Committee believes, however, that it would have an unfortunate effect upon business if the demand for additional spring business, concurrently with the running off of the present bill portfolio of the System should result in a hardening of rates.

"It therefore recommends that the minimum buying rate for bills, fixed by the Federal Reserve Board, be reduced so that the Federal reserve banks may have such flexibility in their bill operations that the present portfolio may be not only maintained but may if necessary be increased to such extent as to avoid the hardening of rates which might result from a seasonal demand for additional reserve credit."

On the question asked by Governor Young, concerning the benefits from a change in procedure in computing reserves, it was agreed that the several governors would write to Governor Young on their return to their banks. The meeting adjourned at 12 o'clock and reconvened at 12;10 o'clock with the Federal Reserve Board, there being present in addition to those named above Governor Young and Messrs. Cunningham, Hamlin, James, and Miller of the Federal Reserve Board, and Messrs. Goldenweiser, McClelland, Smead, and Carpenter.

The secretary read the findings adopted by the governors and the meeting proceeded to an informal discussion of the interpretation of this report. The meeting adjourned at 1 p. m. to reconvene in the afternoon.

The meeting reconvened at 3 p. m. with the same persons present except that Governor Norris and Governor Harrison were absent and Messrs. Wyatt and Noell attended. There ensued an extended informal discussion, first, as to the extent of leeway which the Federal Reserve Board should give the Federal reserve banks in adjusting bill rates without the necessity for Federal Reserve Board approval and, second, as to the probable practical effects of a reduction in the Federal Reserve Board's minimum buying rate for bills.

A further discussion related to the complexion of the special committee to study bank reserves. It was agreed that Mr. Smead should be asked to participate in the study and it was also suggested that Dr. Goldenweiser participate and that two or three others be added from individual reserve banks. It was agreed that the study should be treated as a study undertaken by the Federal reserve banks and that the expenses of the study should be prorated among the banks. It was agreed that Governor Calkins should take charge of arrangements necessary to carry forward the study.

The meeting adjourned at 4:45 p. m.

W. Randolph Burgess,

Acting Secretary.

CONFIDENTIAL Re 333.-b-2 Final Minutes 11/12/29

Minutes of Meeting of Open Market Investment Committee

Washington, D. C., November 12, 1929

The meeting was called to order at 10:50 a. m. there being present Governor Harrison, chairman, and Governors Harding, Norris, Fancher and McDougal, and Mr. Burgess, acting secretary.

The preliminary memorandum and the secretary's report, copies of which are attached, were presented and considered.

Governor Harrison then reviewed the events of recent weeks in the New York market, with special reference to the various steps which had been taken in that time to prevent any shortage of money or advance in money rates in face of the tremendous shift in loans to New York City banks from out-of-town banks and other lenders.

In this connection Governor Harrison discussed particularly the purchase of large amounts of government securities by the Federal reserve banks during this period. He reported that as short term issues had been difficult to obtain in large blocks, it was necessary to acquire some of the longer term issues and indicated that this was a factor which would have to be kept in mind in any extensive program of purchases.

After further extended discussion the following resolution was unanimously adopted:

"Since the meeting of the Committee on September 24, the credit situation has changed abruptly. There has been a severe liquidation of credit against securities under circumstances which constitute a serious threat to business stability at a time when there were already indications of a business recession. This seems clearly to indicate the need of having the Federal Reserve System do all within its power toward assuring the ready availability of money for business, at reasonable rates.

"In view of these circumstances and for the purpose of avoiding any increase, and if possible facilitating some reduction, in the total volume of member bank discounts, the Committee believes that the System should be prepared to increase the open market holdings of the Federal reserve banks through the purchase of bills if they can be acquired in sufficient amounts without interfering with their present desirable distribution, and if not, through the purchase of Government securities.

From letter 11/19/29 filed 333.-b-2

"It is believed by the Committee that this may be done with safety in the interest of business without the risk that funds so put out by the Federal reserve banks would be used to stimulate any abnormal or unnecessary expansion of member bank credit.

"The Committee also has in mind the fact that present conditions may possibly develop to the point where, as an emergency measure, in the interest of maintaining banking and business stability, it may be necessary quickly to purchase large amounts of Government securities in order to avoid any undue stringency in credit.

"The Committee therefore recommends that the present limit of $25,000,000 per week on the purchase of government securities be removed and that the Committee be authorized in lieu thereof to purchase not to exceed $200,000,000 of government securities for account of such banks as care to participate, in order that it might be empowered and prepared to make purchases of government securities as and when it may seem to be necessary for the purposes, or in the contingencies outlined above, but only with the understanding that there be a careful current review by the Federal Reserve Board and the Committee of the consequences of any such purchases that may be made, and that another meeting with the Board be held at any time it may seem desirable to the Board or the Committee, and that in any event there be another such meeting not later than the first week in January."

At 1:00 p. m. Governor Harding left the meeting and the meeting adjourned at 2:05 p. m.

At 2:40 the members of the Open Market Investment Committee met with the Federal Reserve Board. In addition to those mentioned above there were present Governor Young and Messrs. Hamlin, Miller, James, Cunningham, Goldenweiser, McClelland, Smead and Noell.

The Secretary of the Board read to the meeting the resolution adopted by the Open Market Investment Committee. There ensued discussion of the general policy of purchasing securities for the purpose of reducing rediscounts, with a view of facilitating or paving the way for easier money conditions; the possibility of emergencies arising which would have to be met rapidly; and also the extent to which the committee should be authorized to administer any policy adopted.

The meeting adjourned at 4:50 p. m.

W. Randolph Burgess,
Acting Secretary.

CONFIDENTIAL

333.-6-2
Final Minute
9/24/29

Minutes of Meeting of Open Market Investment Committee

Washington, D. C., September 24, 1929

The meeting was called to order at 10;30 o'clock, there being present Governors Harrison, Harding, McDougal, and Norris, and Mr. Burgess, acting secretary. Governor Fancher was not able to attend on account of illness.

A preliminary memorandum reviewing the credit situation was presented by the chairman and fully discussed. A brief report by the secretary reviewing transactions since the last meeting was also presented.

A full discussion of the credit situation ensued, as a result of which a tentative minute containing recommendations of the Committee was drafted.

At 12:00 o'clock Governor Young joined the meeting and discussed with the Committee proposals made in the tentative draft.

At 12:30 o'clock Dr. Goldenweiser joined the meeting.

Various amendments to the draft recommendation were considered.

At 1:15 the Committee adjourned for lunch and later, prior to meeting with the Federal Reserve Board, the following report of the Committee was unanimously adopted by all members of the Committee present.

> "The Committee has reviewed a preliminary memorandum and current credit conditions.
>
> "During the past eighteen months interest rates in this country have gradually risen and money, especially for new undertakings, has become more difficult to obtain. While business continues at a high level, there are some indications of a possible impending recession.
>
> "Rates in many foreign centers have risen even more markedly and the loss of reserves of central banks threatens further increases in rates and probable curtailment of Europe's capacity to buy this country's products.
>
> "In accordance with the System policy adopted on August 8th seasonal requirements for Federal reserve credit have been met by bill purchases, and in fact such purchases have been sufficient to reduce rediscounts to some extent.

Trans letter 9/26/29 filed 333.-6-2

"For the purpose of avoiding any increase and, if possible, facilitating some further reduction in the total volume of member bank discounts during the fall season, if this can be done without stimulating unnecessary or abnormal expansion of member bank credit, the Committee favors a further increase of the open market holdings of the Federal reserve banks. It favors an increase of these holdings by the continued purchase of bills if they can be obtained in sufficient amounts to accomplish this purpose. If bills cannot be obtained in sufficient amounts without interfering with the present desirable distribution, it favors the purchase of Government certificates of the short maturities.

"The Committee therefore recommends that it be authorized to purchase not to exceed $25,000,000 a week of such certificates for account of such banks as ~~can~~ care to participate, with the understanding that such purchases be made only under the conditions above stated, and with the further understanding that there be careful current review of the consequences of such purchases, in order that there may be another meeting with the Board at any time that that may seem advisable either to the Board or to the Committee. In any event, the Committee feels that there should be another such meeting not later than November 1st."

The meeting re-convened at 2:30 o'clock with the Federal Reserve Board, there being present in addition to the members of the Committee, Secretary Mellon, Governor Young, and Messrs. Pole, James, Cunningham, Goldenweiser, Snead, McClelland, and Noell. Secretary Mellon presided.

The preliminary memorandum was first read to the meeting and was followed by discussion of various aspects of the credit situation.

Governor Harrison then presented the report of the Committee and its recommendations to the Board. In presenting these recommendations Governor Harrison indicated that the proposal for a possible purchase of Government securities was made only to provide for the contingency of not being able to secure a sufficient amount of bankers acceptances to meet the seasonal expansion in Federal reserve credit and make some additional provision for reduction in the total of member bank borrowings. The proposal to bring about some reduction in these borrowings was not made with the thought that it would be possible to bring about any substantial ease in the money market under present conditions, but rather with the thought that some reduction in this indebtedness would be a necessary pre-requisite to any future easing of interest rates generally, as soon as that became possible without the risk of unnecessary or abnormal expansion of member bank credit. He emphasized the fact that money rates both in this and in other countries appeared to have risen continuously toward higher levels, and that the proposed purchase of Government securities, if necessary as a supplement to purchases of bills, might be a helpful influence toward preventing further stringency of money and paving the way in the future for a restoration of more normal monetary conditions throughout the world.

There ensued a discussion of the proposals made. In particular, Mr. Cunningham raised a question whether a further reduction of bill rates might be possible. Upon this point it was the general feeling of the members of the Open Market Committee that a further reduction of these rates at this time would be undesirable, as an artificially low rate and would tend to impede or even undo the distribution of bills.

After further discussion the meeting was adjourned at 3:35. P.M.

W. Randolph Burgess,

Acting Secretary.

333.-b-2

CONFIDENTIAL Final Minute

4/1/29

A meeting of the Open Market Investment Committee was held in the Federal Reserve Board room in Washington, D. C., at 5 p. m. on Monday, April 1, 1929.

Present: Governors Harding, Norris,
Fancher and McDougal,
Governor Harrison, Chairman.

The chairman distributed to each member of the committee a copy of the formal report of the secretary to the committee dated April 1, reviewing the transactions in the Open Market Investment Account since the last Conference of Governors. He also distributed a copy of a memorandum dated April 1, reviewing gold movements, money rates, credit, and business conditions. "After consideration of this memorandum and the development of credit conditions generally, the committee informally agreed that, as there appears to be no need just now to consider the purchase of government securities and as the committee already has authority to sell government securities, there is no occasion for any further recommendation at this time." It was understood by the committee that the chairman would make a report of this conclusion to the Conference of Governors and to the Federal Reserve Board." (1)

The meeting adjourned at 6 o'clock.

George L. Harrison,
Chairman.

Trans. letter 4/13/29 filed 333.-b-2

333.-6-2

(3)

CONFIDENTIAL
Final Minutes

MINUTES OF THE MEETING OF THE OPEN MARKET INVESTMENT COMMITTEE
HELD AT THE OFFICES OF THE FEDERAL RESERVE BOARD
WASHINGTON, D. C., JANUARY 7, 1929

1/7/29

The meeting was called to order at 10:45 A. M. The following were present:

Governors Harrison (Chairman), Fancher, Harding,
McDougal, Norris and Seay
Mr. Burgess, Acting Secretary.

It was voted to invite Governor Seay and Governor Calkins, who were in Washington on other matters, to attend the meeting of the committee and to invite Governor Young to attend after a preliminary discussion.

The preliminary memorandum on credit conditions and the report of the secretary were read, and on motion, accepted.

Governor Harrison made a statement concerning the position of the accounts of foreign correspondents and the effects upon these accounts and upon business generally of a continued period of high money rates in the United States. He indicated that the principal important banks of issue abroad, with the exception of Germany, have used large amounts of their foreign balances in sustaining their exchanges, and that the Bank of England had lost large amounts of gold also. Moreover, in most of the countries of Europe the return of production and trade to more normal volume has created a demand for additional credit and bank reserves. Under these conditions there has already been some stiffening in money rates abroad and some increases in the discount rates of banks of issue. This movement is likely to go further if money rates continue high in this country. It seems likely, moreover, that Europe may require further amounts of gold.

At this point Governor Calkins entered the meeting (11:07 A. M.)

Governor McDougal raised the question whether it was desirable for the Federal reserve banks to make the present charge of one eighth for their guaranty on bills bought for the account of foreign correspondent banks. Governor Harrison indicated that this was a customary charge by banks in this country for this service

Trans. letter 1/15/29 filed 333.-6-2 approved minutes and that if for no other reason it was desirable for the Federal reserve banks to conform to the practice in this country so as not to compete unfairly with member banks.

There ensued an informal discussion of the general credit situation and the methods which might be employed by the reserve banks to prevent further excessive increases in the volume of credit, including a discussion of the year-end situation and the probable return flow of funds to principal centers during January and February. The discussion included also a review of the methods employed by the reserve banks represented in dealing with member banks who were large or continuous borrowers. It appeared to be the general view of those present that interviews with member bankers, to secure their cooperation in preventing excessive use of Federal reserve funds, were of great value, particularly at this time, as a means of making sure that the seasonal return flow of funds is employed in the reduction of bills and securities of the Federal Reserve System.

The committee also discussed the possible desirability of a sale of securities as a means of preventing the stimulation of further increases in the volume of credit in the first two months of the year.

The committee then discussed the position of the present Open Market Committee in view, (1) of the fact that at the joint conference the representatives of all the banks indicated a desire for the reorganization of the committee, and (2) of the form of the Federal Reserve Board's disapproval of the recommendation adopted by the meeting of the committee in November.

At 12:35 Governor Young was invited to join the meeting. Governor Harrison summarized for Governor Young the discussion which had taken place. Thereupon the members of the Committee discussed with Governor Young the status of the committee indicating some possible embarrassment in acting when not constituted in accordance with the wishes expressed by the joint conference.

Governor Young indicated that the Board was still considering the recommendations of the conference and that he hoped for action in the near future.

Concerning the question of the relation of the committee to the Federal Reserve Board, the question was raised whether as a matter of procedure the Board was prepared as in the past to approve in advance a policy recommended by the committee, which would then be executed by the committee, or whether, as implied in the Board's letter of November 27, 1928, the Board would only approve any purchase or sale of Government securities at the time it was to be made. Governor Young considered various aspects of this question with the committee.

There ensued a discussion of policy as to the discount rates, direct action, or the purchase or sale of Government securities.

The meeting adjourned at 2 P. M.

The committee re-convened at 3 P. M., there being present

Governors Harrison, Fancher, Harding, McDougal,
Norris, Calkins and Seay
Mr. Burgess, Acting Secretary.

The discussion of general credit policy and possible open market operations was resumed. In view of the recent continued tendency toward an increase in the volume of credit, the committee was of the opinion that the System should be prepared to sell up to $50,000,000 of Government securities during January or February, if the amount of member bank indebtedness in principal cities should diminish to an amount where money rates become so easy as to stimulate further increases in the total volume of credit beyond that required for business purposes. It was the sense of the committee, however, that there is no occasion now to make a recommendation, either as to the purchase or sale of Government securities for System account.

After further consideration of the matters discussed at the morning session the committee expressed the view that it would be helpful and desirable to have some more definite understanding or definition of its functions. In the past the Committee has felt, and has understood that the Board concurred in the view that it was a reasonable and proper division of authority and responsibility that the committee should recommend policies, that these policies should then be approved or disapproved by the Federal Reserve Board and the participating Federal reserve banks, and that if approved by the Board the committee should than have authority, within specified limits, to take such action as may be appropriate to carry out the policies so approved for account of all banks desiring to participate.

It was the opinion of the committee that a continuance of this procedure would be desirable and would facilitate the committee's serving its most useful purpose, especially if the membership of the committee is enlarged to twelve as recommended by the joint conference last November.

At 4:05 the committee met with the Federal Reserve Board, there being present in addition to those noted above -

Governor Young,
Messrs. Platt, Hamlin, James, Cunningham, and Pole,
Messrs. Goldenweiser, Eddy and McClelland.

Copies of the preliminary memorandum on credit conditions were distributed to those present.

Governor Harrison then made a statement reviewing the general credit situation and the position of foreign banks of issue, and summarizing the committee's discussion at the morning session. He read to the meeting the preliminary draft of the minute which had been prepared to cover the committee's views with regard to the possible sale of securities and the scope of the functions of the committee.

There ensued a discussion concerning the general credit situation, and particularly the prospective movement of funds during January and February.

There was also an informal discussion concerning the possibilities of broadening the bill market. Some members of the Board raised the question whether the sale of bills from reserve bank portfolios would aid in the distribution of bills. Representatives of the reserve banks present reported that in their opinion there is an ample supply of bills available at all times for investors without the necessity of selling bills from reserve bank portfolios."

The meeting adjourned at 5:15 P. M.

W. Randolph Burgess,
Acting Secretary.

333.-6-2

Final Minutes

CONFIDENTIAL

11/13/28

A meeting of the Open Market Investment Committee was held at the Hotel Carlton, Washington, at 8:30 p. m. on Tuesday, November 13, 1928:

PRESENT: Mr. McGarrah, Acting Chairman,
Governors Harding, Norris and Fancher.
Mr. Harrison, Acting Secretary.

"The secretary distributed to each member of the committee present a copy of the formal report of the secretary to the committee dated November 12, together with a copy of the preliminary memorandum dated November 14. After reading and discussing these documents and reviewing credit conditions generally, the committee decided informally that it would be advisable to renew the recommendation contained in the last report of the committee on August 13, 1928, that it should be authorized to purchase government securities if and when that might become necessary in order to avoid an acute credit stringency. It was understood by the committee, however, that it would defer preparation of a formal report and recommendation until after another opportunity for a meeting at which Governor McDougal could be present.

(a)

Before adjournment, the committee discussed the matter of a possible adjustment of buying rates for bankers acceptances. While it was realized by the committee that it has no formal jurisdiction over the matter of bill rates, which are subject to adjustment by individual reserve banks as provided in the law, nevertheless each governor present expressed the opinion that it might be advisable for the Federal Reserve Bank of New York to increase its buying rates for bills of all maturities by 1/8 of 1% in the near future."

The meeting adjourned at 11 a. m. to meet on call of the acting chairman.

Trans letter 11/26/28 filed 333.-6-2

The Open Market Investment Committee reconvened at the Metropolitan Club, Washington, at 1:15 p.m. on Thursday, November 15, 1928.

PRESENT: Mr. McGarrah, Acting Chairman.
Governors Harding, Norris, Fancher and McDougal.
Mr. Harrison, Acting Secretary.

After further consideration of the memoranda submitted to the committee at its meeting on November 13, and after discussion of the development of credit conditions during the past year, especially since the last meeting of the committee, the committee unanimously

VOTED to adopt the following report, which it was understood would be submitted to the Conference of Governors before formal presentation to the Federal Reserve Board for its action:

"The committee has reviewed the preliminary memorandum submitted by the chairman in relation to credit and money market conditions of the past year. It has given special consideration to the development of conditions since the last report of the committee on August 13th and to the effect of Federal Reserve policies on the volume of credit and the rates for money during the period of crop movement whose peak has probably now passed. The committee feels that the policy of the System has been substantially effective in providing credit for seasonal agricultural and commercial purposes at relatively low rates and without any abnormal increase in the total volume of member bank loans and investments for this period of the year.

"The committee is of the opinion, however, that it should still be the policy of the System, if possible, to prevent any unduly rapid or unnecessary further increase in the total volume of bank credit, although in fact the total loans and investments of all reporting member banks are now slightly below the high point of May in spite of the usual Fall increase in the demand for credit for crop movement purposes. But we are approaching the usual seasonal demand for currency for holiday purposes. This will result in increased borrowings from the Federal Reserve Banks except to the extent that further gold imports offset the demand for Federal Reserve accommodation. It is not possible to estimate the extent of the present gold movement or its ultimate effect upon credit conditions and money rates. Already there is some evidence of easier money rates contributed to partly by the inflow of gold and partly by the large increase in the bill portfolio of the Federal Reserve banks, each of which has caused a reduction of member bank discounts in the New York district. Some of this increase in the bill portfolio is due to the sale of bills by foreign banks to support their exchanges, which have felt the pressure of high rates in this country.

"But while these conditions appear to have an easier tendency at the moment, nevertheless the uncertainty of the gold movemnet, the approaching demand for currency, and the usual demand for Federal Reserve credit during December suggest to the committee that the System should still be prepared in the event of an emergency to prevent any undue stringency of credit during this period.

"With all these facts in mind, the committee renews the recommendation contained in its report of August 13th that it should be the policy of the System to purchase government securities if and when it might become necessary to avoid an acute stringency.

"The committee would expect to take such steps as may be needed to carry out this policy, if approved, with the understanding, however, that it would be advisable to have another meeting of the committee in the event that any substantial change in conditions makes that necessary."

The meeting adjourned at 2:25 p. m.

George L. Harrison,
Acting Secretary.

CONFIDENTIAL

A meeting of the Open Market Investment Committee with the Conference of Governors was held in Washington at 4 p. m. on Thursday, November 15, 1928.

PRESENT: Mr. McGarrah, Acting Chairman.
Governors Harding, Norris, Fancher,
Seay, Black, McDougal, Biggs,
Geery, Talley and Calkins.
Mr. Harrison, Acting Secretary.

At the request of the acting chairman, the secretary read to the conference the report of the Open Market Investment Committee, as approved at its meeting today. After discussion of the report and the memoranda, previously submitted to each member of the conference, on which the report was based, it was duly

VOTED to approve and accept the report as the recommendation of the conference to the Federal Reserve Board.

"In connection with the consideration of the report, there was an informal discussion of the matter of buying rates for bankers' acceptances, and while no formal action was taken, it appeared to be the general sentiment of the conference that it might be advantageous soon to increase the buying rates for bills, especially in view of the expansion of the bill portfolio since September in relation to the net increase in the total volume of Federal reserve credit outstanding."

The meeting adjourned to reconvene in joint session with the Federal Reserve Board.

George L. Harrison,
Acting Secretary.

CONFIDENTIAL

A meeting of the Open Market Investment Committee and the Governors Conference with the Federal Reserve Board was held in Washington at 9:30 a. m. on Friday, November 16, 1928.

PRESENT: Governor Young, Messrs. Hamlin, Miller
McIntosh, James, Cunningham, Platt and
Eddy
Governors Harding, Norris, Fancher,
Seay, Black, McDougal, Biggs, Geery,
Talley and Calkins
Mr. McGarrah, Acting Chairman
Mr. Harrison, Acting Secretary.

The secretary distributed to each member of the Federal Reserve Board, a copy of the report of the Open Market Investment Committee as approved by the Conference of Governors together with copies of the preliminary memorandum dated November 14 and the formal report of the secretary of the committee dated November 12. Upon the request of the acting chairman, the secretary read the report of the committee. In the ensuing discussion it was pointed out that in substance the report involved a continuance of the present policy of the System, except that in the event of a possible emergency the System should be prepared to purchase government securities in order to avoid an acute credit stringency. This proposal involved no more than a renewal of the recommendation contained in the last report of the committee dated August 13 and approved by the Federal Reserve Board. It was the opinion of the committee that while there had been no occasion to exercise the emergency authority granted in August, and while at the moment there appeared to be a temporary period of ease in money rates, nevertheless in view of the approaching demands for currency for holiday purposes, which normally result in an equivalent expansion of Federal Reserve credit, and the uncertainty of the present credit situation, the committee should have the same emergency authority that was granted to it in August when we were approaching the usual seasonal demand for crop moving purposes.

The meeting adjourned at 10:30 a. m.

George L. Harrison,
Acting Secretary.

(2)
333.-f-2
Final Minutes
8/13/28

CONFIDENTIAL

A meeting of the Open Market Investment Committee was held in Washington, D. C., at 10 a. m., Monday, August 13, 1928.

PRESENT: Governors Fancher, Harding and Norris.
Deputy Governors Harrison and McKay.
Mr. Burgess, Acting Secretary.

A memorandum on credit conditions together with the report of the secretary covering the operations in the System Account since the last meeting of the committee were submitted and made the basis of an extended discussion of credit conditions and market rates generally.

Reference was made to the report of the committee submitted at its last meeting, in which the committee expressed the opinion that the present amount of member bank borrowings at the Reserve banks and present money rates would not be wholesome if continued over an extended period and that the committee should, therefore, be prepared, when conditions warrant, to exercise its influence to modify these conditions. It was pointed out that we are now approaching a period of seasonal demand for crop movement and other purposes that make it important, that the committee should be prepared with authority, to act, if necessary, in order to avoid any undue credit stringency. There was a long discussion of various means which might be employed in case of need. It was generally agreed that while it might become necessary to put funds in the market through the purchase of Government securities nevertheless it would be preferable not to use that means any sooner than might be required or until it became evident that other means were not adequate to avoid an undue or unwholesome stringency.

In discussing these various factors it was pointed out that the present level of rates in this country has depressed some of the principal foreign exchanges to very near our gold import point, and that there are three possible courses which might be followed by the banks of issue of those countries in meeting the situation: (a) to permit gold to move out, (b) to increase the

Transletter 8/15/28 file 333.-l-2

discount rate, (c) to use some of their American balances in order to support their exchange, thus possibly avoiding the loss of gold or the need for an increase in rates. It was stated that some of these foreign banks, with this in view, have already liquidated commercial bills which the Reserve banks have held for their account, and that it has been necessary to take over those bills into the Reserve banks' portfolios, thus putting funds into the market. It was also indicated that if the pressure on these exchanges continues, we might be requested by some of the foreign banks of issue to liquidate government securities from their accounts, and that in view of the existing state of the government security market it might be necessary for the Reserve banks, at least temporarily, to take these securities into their own portfolios.

The committee also reviewed the condition of the bill market, calling attention to the fact that we are now approaching a season when there is a normal increase in the total volume of bankers' acceptances outstanding and in the amount of offerings of those bills to the Reserve banks. Purchase of such bills by the Reserve System would also put funds in the market. The committee felt, however, that in spite of all these influences it might still be necessary for the Reserve banks to purchase government securities in order to prevent any unwholesome restriction of credit, and with this in view, in order that the committee might be prepared to act immediately in the event of a necessity, the following report was prepared and adopted as the recommendation of the committee in regard to the System's open market policy:

"The policy recommended by the committee in most of its meetings since January, has been to check or prevent unduly rapid or unnecessary increase in the volume of bank credit. While the total volume of loans and investments of reporting member banks is now considerably above what it was at the low point in February, nevertheless, it is approximately $300,000,000 below the high point of May, and there is evidence that member banks are making continued efforts to reduce their borrowings at Federal Reserve Banks.

"The committee does not believe that conditions necessitate an immediate purchase of securities by the System. It is of the opinion, however, that as pointed out at its last meeting, an extended period of high money rates and heavy pressure resulting from large borrowings by member banks would not be wholesome and that there are some indications that with the approaching fall demands for credit it may soon be possible or necessary to take steps looking toward the reduction, or at least the avoidance of the necessity of any substantial increase, in the volume of member bank discounts. With these facts in view and realizing that if and when the time arrives undue delay may be hurtful to the situation, the committee recommends that it should be the policy of the System to purchase securities whenever that should become necessary to avoid undue credit stringency.

"The Committee would expect to take such steps as may be needed to carry out this policy, if approved, believing, however, that it might be advisable to have another meeting of the Committee to review the effect of any steps that may be taken in pursuance of this policy."

Before adjournment, Governor Young joined the meeting and presented to the committee for its consideration and recommendation the following two proposals:

(A) That the Federal Reserve Board should write a letter to each Federal Reserve bank indicating its willingness to approve a special preferential discount rate for agricultural paper drawn for the purpose of crop marketing; and

(B) That it would be desirable for the Federal Reserve System to make a preferential buying rate for bankers' acceptances to be applicable to new acceptances drawn for the purpose of seasonal crop movement.

After Governor Young left the meeting, each of these proposals was considered by the committee and while no formal action was taken in the short time available for discussion, it was the opinion of the majority of the committee with regard to suggestion (A) that the preferential rate on agricultural paper drawn for season crop marketing would be undesirable because it was unlikely such a preferential rate would in fact reduce the cost of credit to the farmer, who would pay to his member bank the same rate no matter at what rate his bank might be able to rediscount his particular note, and because it was felt that the whole problem of crop movement can be dealt with only as a part of the whole credit problem involving all rates in their application to the total volume of credit. In the opinion of the committee this was emphasized by the fact that much of the borrowing for seasonal requirements takes the form of borrowings from city correspondents on notes collateraled by securities, and that it is practically impossible to earmark credit once it has left the Federal Reserve banks. Funds loaned by the Federal Reserve banks, even at preferential rates, find their way into the general credit pool in the same way as other funds put into the market.

With regard to suggestion (B), that is, that the System should make a preferential rate for new bankers' acceptances drawn for the purpose of seasonal crop movement, it was the opinion of the majority of the committee that any drastic change in the general practice of buying bills, such as a preferential rate on a particular class of agricultural acceptances, might have unfortunate results in disorganizing the bill market as a whole without at the same time accomplishing the purposes desired. It is also felt that buying rates for bankers' bills are necessarily related to the entire rate structure and that very deliberate consideration should be given to the question before adopting a preferential rate out of line with general market rates. It was felt by a majority of the committee that advantages that might result from such an action might be more than offset by the disadvantages.

The meeting adjourned at 1:15 p. m. to reconvene at 2:30 p. m.

- - - - - - - -

The meeting reconvened at 2:30 p. m. in joint session with the Federal Reserve Board.

PRESENT: Governor Young, Messrs. James, McIntosh, Miller and Platt.
Messrs. Goldenweiser, Eddy and McClelland.
Governors Fancher, Harding and Norris.
Deputy Governors Harrison and McKay.
Mr. Burgess, Acting Secretary.

The memorandum on credit conditions and the report to the Open Market Investment Committee were submitted to and read by the Federal Reserve Board. Before discussion of the report, Governor Young asked the committee for its views on the two questions submitted by him at the morning meeting. Mr. Harrison reported orally the conclusions of the committee as given above. After this there ensued a full discussion of the two proposals, especially that respecting the preferential rate on bankers' bills. The committee reviewed to the Board much of the discussion which took place at its morning meeting, emphasizing especially the fact that while the committee believes it might be necessary to purchase Government securities in order to avoid any undue stringency during the seasonal fall demand, nevertheless it was felt by the committee that this action should not be taken unless the various other means of influencing the situation, which were discussed and reviewed, should be inadequate.

In response to an inquiry from Governor Young, the members of the committee expressed the informal opinion that as they see the situation at the present time there is not now any occasion for a change in the discount rates of the banks which they represented.

Before adjournment of the meeting, it was pointed out, as discussed at the morning meeting, that the effort of certain foreign banks of issue to stabilize their exchanges through the sale of dollars might possibly result in their sale of Government securities now held for their account and that it might be necessary, because of the state of the Government securities market, for the Reserve banks to take over those securities, at least temporarily, pending an opportunity to sell them to the market.

The meeting adjourned at 5:00 p. m., with the understanding that the Federal Reserve Board would act upon the recommendation contained in the report of the committee at the Board meeting the following morning. //

W. Randolph Burgess,
Acting Secretary.

C O P Y

FEDERAL RESERVE BOARD

WASHINGTON

August 16, 1928.

Dear Mr. Harrison:

The Board has reviewed carefully the report of the Open Market Investment Committee and its recommendations of August 13, and has also considered the verbal discussion which took place during the meeting, and it is in agreement with the Committee that the seasonal requirements of credit will probably develop a strain upon the future credit situation which may react unfavorably upon commerce and industry, and that if such a situation should develop, the System should take some action to relieve the strain.

The Board would not care to agree to the purchase of Government securities, except as a last resort. We understand from the discussion had with your committee that you favor easing through the bill market, if possible, and through the Government security market only if unavoidable. With this understanding, the Board approves the purchase of Government securities by the committee but limits the amount to $100,000,000. If a situation should develop which will require reconsideration, the Board will be glad to meet the committee at any time for that purpose.

Very truly yours,

(Signed) R. A. Young,

Governor.

Mr. George L. Harrison, Acting Chairman,
Open Market Investment Committee,
c/o Federal Reserve Bank,
New York, N. Y.

333.-6-2

Confidential ~~July 19, 1928.~~

Final Minutes

7/18/28

Minutes of the Meeting of the

Open Market Investment Committee

Held in Washington, Wednesday, July 18, 1928.

The meeting was called to order in the offices of the Federal Reserve Board at 10:10. There were present -

Deputy Governor Case, Acting Chairman
Governor McDougal
Governor Fancher
Deputy Governor Hutt
and Mr. Burgess, Acting Secretary

The meeting considered the memorandum presented by the chairman concerning the method of distributing purchases of bills and securities during the second half year. In view of the fact that the estimates indicated that all of the banks would have sufficient earnings to take care of expenses, dividends, and charge-offs, the question was raised in the memorandum whether it was desirable to make allowance for earnings from other sources before determining the ratios of distribution of assets purchased by the Open Market Committee. It was moved and carried that earnings should be distributed to each bank, in accordance with the ratio of its estimated expenses, dividends and charge-offs, without regard to its probable earnings from other sources.

The meeting then considered the preliminary memorandum on the credit situation, submitted by the chairman. After a discussion of this memorandum and related matters the following resolution was adopted:

Trans letter 7/20/28 filed 333.-6-2

The committee has considered the preliminary memorandum submitted by the chairman and other features of the current credit situation.

The committee recommends that no open market action be taken at present, or until the moderately high level of money rates has continued long enough to provide a testing of the credit situation, which may have the effect of checking unsound uses of credit.

The committee believes, however, that the present amount of member bank borrowing at the Reserve Banks and present money rates would not be wholesome if continued over an extended period and believes the Reserve System should be prepared, if and when conditions warrant, to exercise its influence to modify these conditions. The committee believes this situation should have careful, continuous study, and would expect to meet again for its consideration within a few weeks.

At 11:30 the committee met with the Federal Reserve Board and there were present, in addition to the committee, -

Vice Governor Platt
Mr. Miller
Mr. Hamlin
Mr. James

and Messrs. Goldenweiser, Eddy, and Carpenter

The members of the board present were given copies of the chairman's memorandum on the credit situation, which was then read aloud. There ensued an extended discussion based upon the questions raised by the memorandum. Since the committee's resolution did not call for any action, no vote was taken as to the matter of policy, but as suggested by members of the Federal Reserve Board it was agreed by those present that it would be desirable to have another meeting on August 13, or thereabouts.

The meeting adjourned at 1:30 p. m.

W. Randolph Burgess,
Acting Secretary.

CONFIDENTIAL

333.-6-2
Final Minutes
5/25/28

Minutes of Meeting of the Open Market Investment Committee

Friday, May 25, 1928, Washington, D. C.

The meeting was called to order at 10:20 a. m. by Acting Chairman Case. There were present -

Governors Fancher and Harding

Deputy Governors Case and McKay

Mr. Burgess, acting secretary.

The report of the secretary was submitted and reviewed. The chairman's preliminary memorandum, dealing with the credit situation, was then reviewed.

Mr. Case reported an offer which he had received from a private banker to buy 25 to 27 million dollars of securities, and he proposed that this offer should be accepted and the securities delivered from the open market account during the coming week.

Governor Norris joined the meeting at this point.

After a full review of the credit situation the following tentative draft of a resolution was approved, but with Governor Harding dissenting.

"The Committee has considered the memorandum by the Chairman reviewing the credit situation.

"While there has been some pause in the expansion of credit, it is not yet clear that the expansion is definitely checked.

"The Committee believes that it is difficult to estimate the exact effect of the sales of securities that have been made to date, and feels that it is possible that a cumulative effect, not yet apparent, may make itself manifest in the near future.

"The Committee believes that sales of securities should be continued at least during the next week.

Trans letter 5/29/28 file 333.-6-2

"To take care of any acute situation which may develop suddenly, the Committee believes furthermore that it should have authority to make purchases of securities to an amount not exceeding $100,000,000, as may be necessary, to take care of such a situation if it should arise."

At 11:30 a. m. the committee met with the Federal Reserve Board and there joined the meeting -

Governor Young

Messrs. Platt, Hamlin, Miller, James

Dr. Goldenweiser

Messrs. Eddy and McClelland

The preliminary memorandum on the credit situation was read aloud by Mr. McClelland, and there ensued a discussion of the general credit situation and of the tentative draft of the resolution prepared by the committee. The opinion was expressed by a number of those present that it was undesirable, in the resolution to be adopted by the committee and the Federal Reserve Board, to deal with possible emergencies but that the committee's resolution should deal with the major features of the open market program without attempting to anticipate emergencies, each of which would have to be dealt with as it occurred.

On the proposal of Acting Chairman Case it was agreed that the committee would reconvene after lunch for further consideration of its resolution.

The meeting adjourned at 1:10 p. m.

The open market committee reconvened at 2:15 p. m., with the following present -

Governors Fancher and Norris

Deputy Governors Case and McKay

Mr. Burgess, acting secretary

After further consideration the following resolution was adopted to replace that considered at the morning meeting -

"At the time of the last meeting of the Open Market Committee on April 30, it appeared that the expansion in the total volume of bank credit was continuing at what appeared to be an unduly rapid rate. Since then, sales of securities by the reserve banks have continued, several of the reserve banks have increased their rediscount rates, and there have been further exports and earmarking of gold.

"While there has been some pause in the expansion of bank credit, it is not yet clear that the expansion is definitely checked. This meeting of the committee was, therefore, called to review and consider the present credit situation with the aim of determining whether any different policy than that adopted at the last meeting should be recommended.

"After considering the memorandum submitted by the Chairman and reviewing the various factors in the credit situation, the committee sees no reason to change the policy adopted at the last meeting and concurred in by the Federal Reserve Board. The committee believes that it may still be necessary to exert further pressure on the credit situation and, to this end, that it may be advisable to make further sales of securities.

"The committee would expect to meet again within the next month."

At 3 o'clock the committee met again with the Federal Reserve Board and discussed the resolution in its new form. The following were present, in addition to the committee:

Governor Young

Messrs. Platt, Hamlin, Miller, James

Dr. Goldenweiser

Messrs. Eddy and McClelland

The meeting adjourned at 3:30 p. m.

W. Randolph Burgess,
Acting Secretary.

May 28, 1928.

333.-6-2

CONFIDENTIAL Final minutes
4/30/28

A joint meeting of the Open Market Investment Committee with the Federal Reserve Board and the Governors Conference was held in Washington at 3:15 p. m. on Monday, April 30, 1928.

PRESENT: Governor Young, Messrs. Hamlin, Miller, McIntosh, Eddy and Parry. Governors Harding, Norris, Fancher, Seay, Black, McDougal, Biggs, Geery, Bailey, Talley and Calkins, and Deputy Governor Case.
Mr. Harrison, Acting Secretary.

"A copy of the report of the Open Market Investment Committee dated April 29 was presented to each member of the Federal Reserve Board, together with a copy of the formal report of the secretary of the committee and a preliminary memorandum prepared for the committee on money market and credit conditions generally. Mr. Case reviewed the conditions referred to in the preliminary memorandum and the reasons which prompted the committee's report, which he explained had been submitted to and accepted by the Governors Conference this morning. In discussing the report the question was raised as to whether the recommendation of the committee was intended to pave the way for further rate increases. It was explained that while the action taken by the committee was not designed to cause a uniform discount rate of 4 1/2 per cent throughout the Federal Reserve System, nevertheless it might be necessary in any event for some of the other reserve banks to raise their rates to that figure later on."

Before the meeting adjourned Governor Young referred to the hearings before the Senate Committee on Banking and Currency relative to the resolution concerning brokers' loans and asked whether there is any evidence in any of the districts that any member banks which are continuous borrowers from the Federal reserve bank are lending money simultaneously on call in New York. Each governor reported on conditions in his district and it was the consensus of opinion that there is no such evidence at the present time

Transmitted letter 5/7/28 filed 333.-6-2 although there have been cases, of course, where a bank which had surplus funds out on call had to resort to the Federal reserve bank for temporary loans or discounts to make good temporary or unexpected deficits in reserves. It also seemed to be the sense of the conference that if at any time it should appear that a member bank is borrowing continuously from the Federal reserve bank in order to lend on call, the reserve bank might properly take the matter up with the member bank with a view to correcting the practice.

After further discussion of the purposes and effects of the open market policies of the past year and their relation to the general credit situation, the meeting adjourned at 5:45 p. m. with the understanding that the Federal Reserve Board would later act in executive session upon the policy recommended by the committee.

George L. Harrison,
Acting Secretary.

333.-6-2
7 formal Minutes

CONFIDENTIAL

4/29/28

A meeting of the Open Market Investment Committee was held at the Hotel Mayflower, Washington, at 3:30 p. m. on Sunday, April 29, 1928.

PRESENT: Deputy Governor Case, Acting Chairman.
Governors Harding, Norris, Fancher and McDougal.
Mr. Harrison, Acting Secretary.

Mr. Case distributed copies of the formal report of the secretary to the committee dated April 30. The committee thereupon discussed the principal transactions in the open market account since last November, as reviewed in the report of the secretary, and after discussion, it was duly

VOTED to approve and accept the report.

Mr. Case then distributed to the committee a preliminary memorandum dated April 27 reviewing the operations in the account since the last meeting of the committee in their relation to the money market and credit conditions generally. After a discussion of the memorandum, together with past and prospective gold movements, the memorandum and its conclusions were agreed to by the committee, with a few minor amendments which were incorporated in the memorandum.

After further consideration the following report was adopted as the report of the committee:

"The committee has considered the memorandum submitted by the chairman, and has carefully reviewed the open market operations of the system since the last meeting of the committee, in the light of the general credit situation referred to in the memorandum.

Trans letter 5/7/28 filed 333.-6-2

"In view of the fact that it now appears that the expansion in the total volume of bank credit, referred to in its last report, has continued at what seems to be an unduly rapid rate since that time, notwithstanding the sales of securities made by the committee and the recent increase in the discount rates of some of the reserve banks, the committee now recommends that the general policy adopted at its last meeting be continued until its next meeting, which it would expect to hold shortly after the middle of June, unless conditions make an earlier meeting advisable.

"The committee would expect to make such changes in the open market account as might be necessary to carry out the policy recommended."

The meeting adjourned at 6 p. m.

George L. Harrison,
Acting Secretary.

333-b-✓
Final Minutes
1/12/28

MINUTES OF THE MEETING OF THE OPEN MARKET INVESTMENT COMMITTEE
HELD IN WASHINGTON, D. C., JANUARY 12, 1928

The meeting of the Open Market Investment Committee was called to order at 10 a. m., with Deputy Governor Case of the Federal Reserve Bank of New York presiding. There were present Governors Harding, Fancher and McDougal, Deputy Governors Case and Hutt, and Mr. Burgess, who acted as secretary. The chairman presented a memorandum reviewing the credit situation, and also the secretary's report. After discussion the following motion was adopted:

The Committee has considered the memorandum submitted by the chairman and has reviewed the program adopted by the Committee on November 1, 1927 and approved by the Federal Reserve Board. Thereupon, the following conclusions were adopted:

1. The object of the policy adopted on November 1 has been accomplished.

2. The Committee program should now work towards somewhat firmer money conditions as far as necessary to check unduly rapid further increases in the volume of credit.

3. In order to accomplish this program the Committee would expect to sell further amounts of Government securities and if necessary, to deal with gold movements in such manner as necessary to carry out the program.

As outlined in the program of November 1, the Committee would expect to be charged with the execution of this program for the account of those Reserve Banks which approve and participate and would hope this program might guide the Committee for the present, unless a change of conditions makes further review desirable.

Trans letter 1/16/28 filed 333.-b-2

At 11 a. m. the Committee met with members of the Federal Reserve Board and there were present, in addition to the foregoing, Governor Young and Messrs. Miller, Hamlin, Platt, Cunningham, Goldenweiser, Eddy, Smead and McClelland. Secretary Mellon joined the meeting at 11:20 and Mr. McIntosh at 11:55 a. m.

Mr. Case reviewed the action of the Committee and presented the foregoing motion adopted by the Committee. There followed an extended discussion of open market and discount policy in relation to current credit conditions.

The meeting adjourned at 1 p. m.

The meeting reconvened at 2:15 p. m., and there were present Governors McDougal and Fancher, Deputy Governors Case and Hutt, and Mr. Burgess. Mr. Case brought up for discussion and subsequently requested authority to exchange $100,000,000 of Third 4 1/4 per cent Liberty Bonds, now in the open market account, into the new 3-5 year notes offered by the Treasury Department. It was moved and carried that this authority be granted.

The chairman referred to a letter from Governor Calkins of the San Francisco bank saying that that bank had been asked by the Hongkong & Shanghai Banking Corporation to earmark gold in San Francisco for that institution, and requesting the views of the Open Market Committee. The members of the Committee present indicated that they saw no objection to this transaction being undertaken by the San Francisco bank.

The meeting adjourned at 2:35 p. m.

W. Randolph Burgess,

Secretary pro tem

333.-6-2
Final Minutes

A meeting of the Open Market Investment Committee was held in Room 171, Treasury Building, Washington, D. C., at 10:45 a.m. on Tuesday, November 1, 1927. 11/1/27

PRESENT: Governor Strong, Chairman
Governors Harding, Norris, Fancher,
McDougal, and Messrs. Harrison and
Burgess.

The Chairman distributed to the members of the committee a brief supplementary report dated October 28, 1927, entitled "Supplementary Note on Gold Earmarking," in addition to three reports which had previously been mailed to the members of the committee as follows:

(a) Preliminary Memorandum for Open Market Investment Committee dated October 18, 1927.

(b) Dr. Burgess' Memorandum on the Stock Market dated October 18, 1927.

(c) Report of Secretary of Open Market Investment Committee dated November 2, 1927.

Upon motion duly seconded, it was

VOTED to send copies of the above mentioned memoranda to the Federal Reserve Board.

Accordingly, the secretary immediately delivered to the Federal Reserve Board seven complete sets of the memoranda in question.

The Chairman reported that since the preparation of the supplementary note on gold earmarking, there had been an indication of further movements of gold. It was thought probable that approximately $36,000,000 of gold would be exported to Brazil utilizing the proceeds of a loan to that country; that something between $17,000,000 and $25,000,000 of gold would be exported to Poland in connection with that country's program for stabilization; and that in addition to these shipments there would probably be some gold movement to Canada in accordance with the usual seasonal tendency.

Trans letter 11/9/27 filed 333.-6-2

After a discussion of the memorandum and the supplementary reports made by the Chairman, upon motion it was

VOTED that the preliminary memorandum for the Open Market Investment Committee dated October 18, 1927, together with the supplementary note or gold earmarking be adopted as a basis for the committee's program for the next few months.

There ensued a discussion of the various questions raised by the memorandum and the other reports.

At one o'clock p.m. the committee adjourned for lunch and reconvened at two o'clock p.m.

After a further discussion the following report was adopted:

"The committee has considered the confidential preliminary memoranda submitted by the Chairman, and upon the basis of the memoranda proposes that the open market policy of the System until March 1st next, unless developments not now anticipated require a further review, shall be: to maintain stable rates for money at about present levels and prevent further imports of gold.

In order to carry out the above policy, the committee would adopt the following program and procedure:

(1) The plan of offsetting gold movements by purchases and sales of securities would be continued as heretofore.

(2) Any considerable advance in rates for money towards the end of the year would be dealt with only if necessary by temporary purchases of securities.

(3) During the return flow of currency which usually occurs in January, sales of securities would be made in amounts sufficient to insure retirement of the seasonal issue and prevent its being added to member bank reserves.

(4) In event of the renewal of a gold movement to the United States, gold may be purchased abroad in London, and possibly in Holland and Switzerland, if necessary, at approximately their gold export points, or exchange on those countries may be purchased, so as to arrest, if possible, a further importation of gold. The limit upon such purchases to be $100,000,000. Such purchases would also be offset the same as the gold movement. Gold or exchange purchased may be invested in bills or employed at interest, as in the case of the

bank of England account.

(5) The considerations which will guide the committee as to when and for what amounts such transactions shall be made, are:

(a) The amount of borrowings by member banks from the Reserve banks;

(b) The general level of interest rates;

(c) The movement of foreign exchange rates as an indication of possible gold imports.

The committee would expect to be charged with the execution of the program for account of those Reserve banks which approve and participate."

The meeting adjourned at 5 p.m.

George L. Harrison,
Acting Secretary.

333-b-2
Final minutes
11/2/27

A joint meeting of the Open Market Investment Committee with the Federal Reserve Board was held in Washington at 11:10 a.m. on Wednesday, November 2, 1927.

PRESENT: Secretary Mellon
Governor Young, Messrs. Platt, Miller, James, Hamlin, Cunningham, Eddy and Goldenweiser.
Governors Strong, Harding, Norris, Fancher and McDougal, and Messrs. Harrison and Burgess.

The report of the committee as formulated on the previous day was presented and followed by an explanatory comment by Governor Strong, particularly with regard to the gold movement since 1924 and its relation to the volume of Federal Reserve credit and credit conditions.

There ensued an extended discussion of the various points covered in the report of the committee and the preliminary memoranda on which it was based.

The meeting adjourned at 12:50 p.m. in order that the Federal Reserve Board might act in executive session upon the policy recommended by the Committee.

George L. Harrison,
Acting Secretary.

Trans letter 11/9/27 filed 333.-b-2

333.-6-2

CONFIDENTIAL

Minutes of meeting of the Open Market Investment Committee for the Federal Reserve System in Washington on July 27, 1927 at 11:00 a.m.

PRESENT: Messrs. Crissinger, Platt, Hamlin, James and McIntosh, Members of the Federal Reserve Board.

Governors Strong, Harding, Morris, Fancher and McDougal, Members of the Open Market Investment Committee.

Governor Young, Federal Reserve Bank of Minneapolis.
Governor Biggs and Chairman Martin, Federal Reserve Bank of St. Louis
Mr. Harrison, Deputy Governor, Federal Reserve Bank of New York.
Mr. Mills, Undersecretary of the Treasury.
Mr. Burgess, Acting Secretary, Open Market Investment Committee.
Messrs. Noell and McClelland, Assistant Secretaries, Federal Reserve Board.

The meeting was called as a meeting of the Open Market Investment Committee with the Federal Reserve Board and representatives of two of the mid-western banks were present. The Chairman presented his report reviewing open market operations and credit conditions. The credit policy of the System was thereupon fully discussed.

"Consideration was given to the continued fall in commodity prices, to the fact that there was a diminution of borrowing from the reserve banks due apparently to some slackening in business, and especially to the relation of money rates in the United States to money rates in Europe. It was reported that because of heavy foreign payments which are likely to increase with the fall movement of commodities to Europe, there was a continued drain on European central bank gold reserves, which made it more than likely that central bank rates in Europe would need to be further advanced this fall. The German and Austrian rates have already been once advanced and there is some probability of a one per cent advance in the rate of the Bank of England.

All present at the meeting recognized that these developments would necessarily have a depressing effect upon business abroad and might tend to restrict

Hamlin letter 7/28/27 filed 333.-6-2

the freedom of purchases of goods in this country at the usual season. It was also brought out that it is the duty of the central banks to keep money rates at as low a level as may be attained with safety, and that at this time rates could be reduced not only without harm but with reasonable expectations of beneficial results. It was felt that the only possible adverse development resulting from a general lowering of discount rates would be in the speculative security markets, but that this possibility should not stand in the way of the execution of an otherwise desirable policy.

There was no exception to the view that the time had arrived, or was approaching, when the discount rate in New York should be reduced, and with one or two exceptions there was no ~~discount~~ dissent from the view that a System policy of lower discount rates should in general prevail. It was pointed out, however, that local conditions in some of the interior reserve districts did not indicate any demand for rate reductions in those districts and that the small borrowings from the reserve banks indicate an adequate supply of credit for all needs at the present rates. Officers of some of the larger member banks were quoted as opposed to rate reductions. On the other hand, it was pointed out that reductions now, which would result in no harm and considerable possible benefit, would place the reserve banks in position to make increases later which might serve as warnings without penalizing business with high rates.

It was also suggested that in order to make a three and one-half per cent discount rate effective some further purchases of securities might be desirable up to say $50,000,000."

The most important consideration at the meeting was undoubtedly the fact that the differential between the rates in New York and the rates in London was not today sufficient to enable London, and therefore the rest of Eruope, to avoid general advances in rates this autumn unless rates here were lowered, and that the consequence of such high rates as would result in Europe would be unfavorable to the marketing of our export produce abroad and would have an adverse effect generally on world trade.

Before adjournment of the meeting, the foregoing portion of these minutes was read to the meeting and adopted without objection. Thereupon, upon motion the members of the Federal Reserve Board present voted that the authority of the Open Market Investment Committee be extended for the purchase, as and when conditions warrant, of not to exceed an additional $50,000,000. of investments.

(Signed) W. R. Burgess, Acting Secretary
Open Market Investment Committee.

Minutes

~~Memorandum~~ of meeting of the Open Market Investment Committee for the Federal Reserve System in Washington on July 27, 1927 at 11 AM.

Present

The meeting was called as a meeting of the Open Market Investment Committee with the Federal Reserve Board and representatives of two of the mid-western banks were ~~asked to attend the meeting~~ present. The Chairman presented his report reviewing open market operations and credit conditions. The credit policy of the System was thereupon fully discussed.

Consideration was given to the continued fall in commodity prices, to the fact that there was a diminution of borrowing from the reserve banks ~~at a time when there appeared~~ due apparently to some slackening in business, and especially to the relation of money rates in the United States to money rates in Europe. It was reported that because of heavy foreign payments which are likely to increase with the fall movement of crops there was a continued drain on European central bank gold reserves, which made it more than likely that central bank rates in Europe would need to be further advanced this fall. The German and Austrian rates have already been once advanced and there is some probability of a one per cent advance in the rate of the Bank of England.

All present at the meeting recognized that these developments

Adopted as O.M. Com. minutes

would necessarily have a depressing effect upon business abroad and might tend to restrict the freedom of purchases of ~~raw materials~~ goods in this country at the usual season. It was also brought out that it is the duty of the central banks to keep money rates at as low a level as may be attained with safety, and that at this time rates could be reduced not only without harm but with reasonable expectations of beneficial results. It was felt that the only possible adverse development resulting from a general lowering of discount rates would be in the speculative security markets, but that this possibility should not stand in the way of the execution of an otherwise desirable policy.

There was no exception to the view that the time had arrived, or was approaching, when the discount rate in New York should be reduced, and with one or two exceptions there was no dissent from the view that a System policy of lower discount rates should in general prevail. It was pointed out, however, that local conditions in some of the interior reserve districts did not indicate any ~~need~~ demand for rate reductions in those districts and that ~~there was~~ the small borrowings from the Reserve Banks indicate an ~~ample~~ adequate supply of credit for all needs at the present rates. Officers of some of the larger member banks were quoted as opposed to rate reductions. On the other hand, it was pointed out that reductions now, which would result in no harm and considerable possible benefit, would place the reserve banks in position to make increases later which might serve as warnings without penalizing business with high rates.

It was also suggested that in ~~case~~ order to make a three and one-half per cent discount rate ~~was not~~ effective ~~in bringing about some reduction in the general level of interest rates~~, some further purchases of securities might be desirable up to say $50,000,000.

The most important consideration at the meeting was undoubtedly the fact that the differential between the rates in New York and the rates in London ~~were~~ was not today sufficient to enable London, and therefore the rest of Europe, to ~~escape~~ avoid general advances in rates unless rates here were lowered, and that the consequence of such high rates as would result in Europe would be unfavorable to the marketing of our export produce abroad and would have an adverse effect generally on world trade.

Item 9

CONFIDENTIAL

July 27, 1927.

"PRELIMINARY MEMORANDUM RELATIVE TO OPEN MARKET POLICY

"The gold movements of the past two months have illustrated the need for preparedness on the part of the Federal Reserve System to deal with either gold exports or imports, which was emphasized in the Chairman's memorandum discussed at the last Governors' Conference. This year's gold movements have included the import of 130 million dollars of gold from abroad, the purchase of 62 million dollars abroad, the sale of 100 million dollars for earmarking here, and the resale of 60 million abroad. There has thus been an import movement, or its equivalent, of 190 million dollars and an export movement, or its equivalent, of 160 million dollars. Fortunately these two movements have largely offset each other in their influence on the domestic credit situation. Otherwise they might have occasioned embarrassment. These movements were largely unforeseen and unforeseeable, although at any time possible under present conditions.

Recent transactions in the special investment account have been largely for the purpose of dealing with these changes in gold. At one time, in May, the account was as low as 136 million dollars, and it has now been restored to 265 million dollars. The increase represents largely purchases to offset the earmarking of 100 million dollars of gold here, but includes in addition the purchase of about 30 million dollars of securities under the authority arranged at the time of the Governors' Conference. The following figures show the changes from week to week in the special investment account. It would appear that this portfolio should be increased from time to time when favorable opportunity offers, if the System is to be in a position to meet future extraordinary gold movements.

April	[illegible] - - - - -	$201	million
May	4 - - - - - -	200	"
"	11 - - - - - -	136	"
"	18 - - - - - -	152	"
"	25 - - - - - -	188	"
June	1 - - - - - -	222	"
"	8 - - - - - -	316	"
"	15 - - - - - -	246	"
"	22 - - - - - -	250	"
"	29 - - - - - -	250	"
July	6 - - - - - -	250	"
"	13 - - - - - -	250	"
"	20 - - - - - -	265	"

A temporary increase in the account in ordinary course may be involved in replacing 56 million of maturities in September which includes 30 million taken over from a foreign account in exchange for March certificates. It may be necessary to take over further amounts of securities from foreign correspondents.

The Credit Situation

A number of important changes have taken place in the domestic and foreign credit situation since the Governors' Conference. These may be summarized as follows:

1. Money rates abroad have risen vigorously; open market money rates in London, Berlin, Zurich, and a number of other centers are markedly higher than they were three months ago. The Reichsbank and the Bank of Austria have raised their discount rates. Open market money rates are close to or above the bank rate in London, Berlin, Zurich, Amsterdam, and Milan, as shown in an attached table. These firmer money conditions are undoubtedly exerting continuing pressure upon world trade and world prices, which is liable to react unfavorably upon our own trade and prices.

2. There has been some reduction in business activity in this country, not serious, but indicating a spirit of great caution in business.

3. There has been some congestion of the bond market, due largely to undigested new issues. This situation has been partially corrected.

4. Due largely to reduced industrial payrolls there has been

a slight reduction in the past few weeks in the credit and currency demand, and total bills and securities of the Reserve System have dipped below one billion dollars. The New York Reserve Bank gained 50 million last week in transfers from the interior and New York City member bank borrowing was correspondingly reduced.

5. There is growing ease in money conditions, although some rates are still slightly higher than a year ago, due probably to a higher discount rate at the New York Reserve Bank. Current quotations for money are as follows compared with last year.

	A Year Ago	July 23, 1927
Call money	4	3 3/4
90-day time money	4 1/2	4 3/8
Commercial paper	4	4 1/4
90-day bills	3 3/8	3 1/2
Treasury Issues		
Dec.maturity (notes)	3.03	2.87
Mar. " (C of I)	3.31	3.19
Discount Rate N.Y. F.R.B.	3 1/2	4

The Prospect for Autumn

Normally the approaching seasonal demand for funds might be expected to tighten money conditions somewhat. If this takes place it would have the result (1) of increasing the pressure on world money markets and perhaps forcing up the Bank of England discount rate, and certain of the Continental discount rates, with consequent unfavorable reaction upon world trade and prices; (2) of accentuating the existing tendency towards some reduction in business activity.

If on the other hand steps should be taken which would prevent any seasonal increase in money rates, and tend rather towards somewhat easier money conditions, the following results might be anticipated.

1. An easing of the pressure upon world money marketd, which would react favorably upon world trade. The results would be felt partly through the tendency for balances to move in the direction of the highest rate, and partly as lower bill rates here would attract financing to our bill market which might otherwise go to

London and require funds there.

2. Coming at the crop moving season easier money conditions would tend to facilitate the marketing of the crops at favorable prices.

3. It would tend to remove any credit pressure which may now be exerted upon business, and would encourage business enterprise.

4. There would on the other hand be danger that easier money might encourage speculation. The spirit of business is so cautious that it seems doubtful whether speculative tendencies in business would easily arise, but it is probable that easier money would stimulate speculation in securities.

If under these circumstances it should seem wise to follow a policy favoring easier money conditions, the immediate problems would be (1) to localize the effects of easier money conditions, where they would be most beneficial; and (2) to prevent excessive speculation or excessive growth in the volume of credit.

In this connection the attached table shows the total bills discounted at Federal Reserve Banks in the 12 districts. The total is nearly 100 million smaller than it was a year ago and the decreases in bills discounted exceed 25 per cent in the New York, Richmond, Minneapolis, Kansas City, and Dallas districts. "

Total Bills Discounted by Federal Reserve Banks
(in millions of dollars)

	Week Ended July 21, 1926	Week Ended July 20, 1927
Boston	24	32
New York	126	87
Philadelphia	44	42
Cleveland	35	28
Richmond	43	19
Atlanta	44	37
Chicago	56	55
St. Louis	35	33
Minneapolis	8	6
Kansas City	17	11
Dallas	18	8
San Francisco	45	45
Total	495	403

Money Rates in World Markets

		July 1926	May 1927	July 1927
London	- Market Rate	4.25	3.69	4.31
	Discount Rate	5	4.5	4.5
Berlin	- Market Rate	4.5	4.88	5.88
	Discount Rate	6	5	6
Paris	- Market Rate	6	2.25	2.13
	Discount Rate	6	5	5
Amsterdam	- Market Rate	2.76	3.5	3.5
	Discount Rate	3.5	3.5	3.5
Brussels	- Market Rate	6.70	4.25	3.75
	Discount Rate	7	5.5	5
Zurich	- Market Rate	2.31	3.13	3.81
	Discount Rate	3.5	3.5	3.5
Milan	- Market Rate	8.5	9.25	8
	Discount Rate	7	7	7
Vienna	- Market Rate	6	5.38	5.75
	Discount Rate	7.5	6	7
New York	- Bill Rate	3 3/8	3 5/8	3 1/2
	Discount Rate	3 1/2	4	4

CONFIDENTIAL

MINUTES OF MEETINGS OF OPEN MARKET INVESTMENT COMMITTEE HELD IN WASHINGTON, D. C., DURING WEEK OF GOVERNORS' CONFERENCE, COMMENCING MAY 9, 1927

333.-6-2
Final Minutes
5/9/27

The Open Market Investment Committee held a meeting in Washington, D. C., at the office of the Federal Reserve Board, Monday, May 9, 1927, at 9 o'clock.

Present:

Governor Strong, Chairman
Governors Harding, Norris, McDougal
and Fancher
Mr. Harrison, Acting Secretary

The secretary read the preliminary draft of the memorandum of matters to be considered by the Open Market Investment Committee prior to the preparation and submission of a report and recommendations. After discussing the preliminary memorandum it was the opinion of the committee that copies of it with suggested amendments should be submitted by the chairman of the committee to the Federal Reserve Board for its consideration in order to familiarize the Board with the factors which would be in the minds of the committee later in preparing its report.

The Open Market Investment Committee adjourned at 10 o'clock.

* * * * * * *

The Open Market Investment Committee reconvened on Monday, May 9, 1927, at 12:30 o'clock.

Present:

Governor Strong, Chairman
Governors Harding, Norris, McDougal
and Fancher
Mr. Harrison, Acting Secretary

The committee considered a redraft of the preliminary memorandum containing the amendments agreed to at the earlier meeting. With these amendments, the chairman was requested to transmit seven copies of the memorandum to Governor Crissinger for the members of the Board, with the advice of the committee that the committee would be glad to meet with the Board to discuss the memorandum at any time suitable to its convenience. These copies of the report were

Trans letter 5/24/27 files 333.-6-2

transmitted to Governor Crissinger at 1:15 o'clock, when the Open Market Investment Committee adjourned.

* * * * * * *

The Open Market Investment Committee met with the Federal Reserve Board on Monday, May 9, 1927, at 4:10 o'clock.

Present:

Governor Crissinger
Messrs. Platt, Miller, James, Hamlin,
    Cunningham of the Federal Reserve Board
Governors Strong, Harding, Norris, McDougal
    and Fancher
Dr. Goldenweiser
Mr. Harrison, Acting Secretary

There was a long discussion by various members of the committee and the Federal Reserve Board of the preliminary memorandum previously distributed among the members of the committee and the Federal Reserve Board. Governor Strong explained that this preliminary memorandum did not embody any recommendations but merely raised points for discussion with the Reserve Board which would enable the committee later to file a report with definite recommendations. In connection with the consideration of the memorandum and problems before the committee, Dr. Goldenweiser gave his statement of the present business situation with particular reference to the price level.

The meeting adjourned at 5:45 o'clock, with the understanding that the Open Market Investment Committee would submit its final report to the Federal Reserve Board later on in the week.

* * * * * * *

The Open Market Investment Committee reconvened on Wednesday afternoon, May 11, 1927, at 12:30 o'clock.

Present:

Governor Strong, Chairman
Governors Harding, Norris, McDougal
and Fancher
Mr. Harrison, Acting Secretary

The committee considered a draft of report prepared by the committee at lunch on Tuesday, May 10, as modified by the chairman on Wednesday morning before the meeting. Upon consideration, it was

VOTED to approve the report as amended, and the secretary was requested to have it retyped, with the understanding that the preliminary memorandum as finally revised should be mimeographed to be substituted for the first draft distributed among the committee and the members of the Federal Reserve Board on May 9. The preliminary memorandum as revised May 11 is attached hereto. The report of the committee as finally approved by the committee and the Governors' Conference is as follows:

"The Open Market Committee, after considering the attached memorandum, and after discussion with the Federal Reserve Board, submits the following recommendations of policy for the period ending August 1 next:

"(1) That no further sales of System securities be made in order to offset arrivals of gold from abroad now known or anticipated.

"(2) That it shall be the policy of the committee between now and August 1 next, gradually to acquire, if possible to do so without undue effect upon the money market, sufficient additional short-time government obligations to bring the total of the committee's investment account up to $250,000,000. In interpreting the expression 'undue effect upon the money market,' the committee would expect to keep in mind any changes which might occur in the general level of money rates, as well as the extent to which these purchases might effect a reduction in the amount of borrowings by member banks.

"While this policy is not directed towards bringing about a reduction in discount rates by any Federal reserve bank, nor is that immediately anticipated, it is recognized that some lowering of market rates for money might nevertheless justify such a reduction later in the year, especially at the principal financial centers. The recommendation in paragraph two is also made after consideration of the fact that somewhat lower interest rates ordinarily operate to check gold imports; in fact, that was one of the effects of purchases of securities made in 1924.

"The committee further expects to continue studies of those methods set out in the preliminary memorandum by which increases in the System's portfolio might be brought about without increasing the amount of Federal reserve credit in the market. It expects to discuss with the Treasury Department those methods with which the Treasury is concerned, and requests that the Federal Reserve Board give consideration to those particular items, such as reserves on time deposits, which relate to the regulations of the Federal Reserve Board."

Meeting of the Open Market Investment Committee
with the Federal Reserve Board
10:30 Thursday morning, May 12

Present:

Honorable A. W. Mellon, Chairman
Governor Crissinger, and Messrs. Platt, Hamlin, Miller, James, Cunningham, McIntosh of the Federal Reserve Board
Governors Strong, Harding, Norris, McDougal, Fancher
Mr. Harrison, Acting Secretary
Dr. Goldenweiser and Mr. Eddy

The Acting Secretary distributed copies of the report of the Open Market Investment Committee dated May 11, together with mimeograph copy of the preliminary memorandum relative to open market policies dated May 9, 1927, and revised May 11.

After each member of the Board had had opportunity to read the report, Governor Strong explained that the report had been prepared by the committee, after thorough consideration of all the factors referred to in the preliminary memorandum, with a view to outlining a policy for the next few months for approval by the Board and the committee, with the understanding that the responsibility for the execution of the recommendations would rest with the committee. He also explained that the report had been studied by the Governors' Conference and that it was unanimously approved by that conference. After a thorough discussion of the report concerning which various views were expressed by the different members of the Board, Mr. Hamlin made a motion that the report be approved. Before action was taken on this motion, Dr. Miller moved as a substitute that the report be received and made a special order for some later time to be fixed by Secretary Mellon and Governor Crissinger. After discussion this substitute motion was passed and the meeting adjourned at 12:10 o'clock p. m.

George L. Harrison,
Acting Secretary.

333.-6-2
Final Minutes
3/21/27

Minutes of the Meeting of the
Open Market Investment Committee, Washington, D. C.
Monday, March 21, 1927.

The meeting was called to order at 10:30, Acting Chairman Case of the Federal Reserve Bank of New York presiding. There were also present Governors Norris, Harding, McDougal and Fancher, Mr. Goldenweiser, and Mr. Burgess. The chairman presented his own and the secretary's report. After consideration and discussion, these reports were adopted.

After extended discussion of the policy to be pursued as to the replacement of the 25 million dollars of United States Government securities which had matured from the special investment account, and the 50 million dollars which had matured from foreign accounts on March 15, the committee agreed that it would be desirable to replace the 25 million immediately. It was further agreed that, in view of the reduction of system holdings of bankers acceptances, due to their sale to a foreign correspondent in replacement of securities matured March 15, the committee should be prepared to make additional purchases of government securities up to an amount of about 50 million dollars, if necessary, to avoid a drastic tightening of the money market.

At 11:40 the committee met with the Federal Reserve Board, with Governor Crissinger in the chair. The members of the board present, in addition to Governor Crissinger, were: Mr. Miller, Mr. Platt, Mr. Hamlin, Mr. James, and Mr. McIntosh. Mr. Case presented to the board the report of the Acting Chairman, and the action of the committee, upon which there was general discussion until 1 o'clock, when the meeting adjourned to reconvene at 2 p. m. At 2 p. m. the meeting reconvened and discussion of the action proposed by the committee was resumed.

Trans letter 3/24/27 filed 333.-6-2

At 2:45 the committee left the meeting of the Federal Reserve Board and reconvened as a committee, those present being Deputy Governor Case, and Governors Norris, Harding, McDougal and Fancher, and Mr. Burgess.

Mr. Case read a letter from Governor Biggs of St. Louis, calling attention to the fact that the seasonal movement of trade in the St. Louis district was such that the earning assets of the St. Louis bank in the spring of the year were less than sufficient to earn expenses and dividends, whereas in the autumn of the year the local demands for rediscounts were so large that the bank could not accept its pro rata share of open market purchases without unduly depleting its reserves. In considering the question raised by this letter, there was extended discussion of the principles and practice governing the distribution of system purchases of bills and securities. As a result of this discussion it was agreed that the general method which had been followed, of making allotments with regard to requirements for expenses, dividends and chargeoffs, was the most satisfactory plan which had been suggested and came the nearest to providing each bank with the necessary earning assets which the individual banks would have themselves found it necessary to acquire if they had been operating as separate units. With regard to Governor Bigg's request, it was agreed that, in view of the seasonal movement of earning assets in St. Louis, the St. Louis bank should be allotted a somewhat larger proportion of system purchases in the spring of the year, and that this should be compensated for by a corresponding reduction in its proportion in the autumn.

At this point Governor Crissinger joined the meeting and presented the following letter conveying the action of the Federal Reserve Board on the recommendations of the committee:

"FEDERAL RESERVE BOARD
WASHINGTON

Office of Governor March 21, 1927.

Mr. J. H. Case, Acting Chairman,
Open Market Investment Committee,
C/o Federal Reserve Bank,
New York, N. Y.

Dear Mr. Case:

Following the meeting today with the Open Market Investment Committee, the Federal Reserve Board considered the Committee's recommendations, which you made verbally, to the effect that the Open Market Investment Committee be authorized to replace the amount ($25,000,000) of government securities which were held in the Special Investment Account and matured on March 15th, and that the Committee be authorized to purchase an additional $50,000,000 of short-term government securities should a situation develop that would seem to justify such action.

The Board voted to authorize the Committee to replace the $25,000,000 of government securities which matured from the Special Investment Account on March 15th, and will hold itself ready, upon advice from the Open Market Investment Committee, as a committee, or from the Federal Reserve Bank of New York, if the Committee prefers to leave the matter in the hands of the Federal Reserve Bank, to act upona recommendation for the purchase of an additional $50,000,000 of short-term government securities, at any time such a course should appear to be desirable.

Very truly yours,

(Signed) D. R. Crissinger,
Governor."

With reference to the procedure in dealing with the possible additional purchase of 50 million dollars of securities, it was agreed that Mr. Case would follow the money situation closely in the New York market, and would communicate with the other members of the committee if and when such a purchase appeared to be necessary.

The meeting adjourned at 3:45.

MEETING OF THE OPEN MARKET INVESTMENT COMMITTEE

HOTEL MAYFLOWER, WASHINGTON, 4 p.m. o'clock

NOVEMBER 7, 1926.

333.-6-2
Final Minutes
11/7/26

PRESENT:

Mr. Norris
Mr. McDougal
Mr. Paddock
Mr. Case
Mr. Harrison

The committee met for the purpose of reviewing in advance of the Governors Conference the proposed report, prepared by the acting chairman, to be submitted to the conference. After the report was read and discussed it was

VOTED that as amended it should be approved and submitted to the conference as the report of the Open Market Investment Committee.

Mr. Harrison then reviewed in some detail the procedure now followed by the Federal Reserve Bank of New York relative to its foreign business, with particular reference to the opening of accounts, the negotiation of credits and the subsequent offering of participation in those accounts and credits when arranged to all Federal reserve banks. The committee expressed its approval of the present procedure in handling all these matters.

Mr. Harrison then referred to the number and detail of the schedules and reports now submitted by the Federal Reserve Bank of New York to all Federal reserve banks participating in foreign transactions. After consideration of these schedules and reports it was

VOTED as recommended by Mr. Harrison that the present procedure of sending to each Federal reserve bank complete schedules of all bills purchased, and duplicate tickets of all security transactions, for foreign accounts in which other Federal reserve banks participate, should be abolished and that in lieu thereof the Federal Reserve Bank of New York should submit

Trans letter 11/17/26 files 333.-6-2

(a) A monthly acceptance liability schedule showing acceptors and endorsers liabilities on account all bills purchased for foreign account for which other Federal reserve banks are jointly liable as guarantors.

(b) A confidential monthly statement to each governor (as at present) showing free balances, investments in bills and in Treasury securities, and the amounts of gold held under earmark for each foreign account in which Federal reserve banks participate.

(c) A statement similar to (b) whenever participations are made during the course of the month.

It was also understood that Mr. Harrison would furnish to each governor a form of the summary of foreign accounts which the Federal Reserve Bank of New York now submits weekly to its directors, it being suggested that this form of statement might be suitable as a guide to other Federal reserve banks in furnishing necessary information to their directors without the detailed information as to individual accounts, which it was understood should be regarded as strictly confidential by each governor.

Mr. Harrison reported that the Bank of France has recently opened an active account with the Federal Reserve Bank of New York, maintaining a working balance and requiring the investment of funds in Government securities under the usual terms and conditions. Mr. Harrison indicated that in line with its previous policy, the Federal Reserve Bank of New York would like to offer a participation in this account to each other Federal reserve bank. After some discussion, in which it was pointed out that the Federal Reserve Bank of New York does not wish now to offer any participation in the balance which it carries with the Bank of France, in which there is a loss due to the depreciation in the franc, it was

VOTED that the committee approve of the suggestion to offer to other

Federal reserve banks a participation in the account which the Bank of France maintains with the Federal Reserve Bank of New York.

On motion, the meeting adjourned.

(Signed) J. H. CASE,
Acting Chairman.

333-6-2
Final Minutes

MINUTES OF JOINT MEETING OF THE OPEN MARKET INVESTMENT COMMITTEE AND THE FEDERAL RESERVE BOARD HELD IN WASHINGTON, FRIDAY, SEPTEMBER 10, 1926

9/10/26

Present:

Governor Crissinger
Vice Governor Platt
Mr. Hamlin
Mr. James
Dr. Miller
Mr. Cunningham
Mr. McIntosh
Members of the Board
Acting Chairman Case
Governor Harding
Governor McDougal
Governor Norris
Mr. F. J. Zurlinden, Deputy Governor of the Federal Reserve Bank of Cleveland, representing Governor Fancher
Members of the Committee
Under Secretary of the Treasury Winston
Mr. Matteson, Secretary
Mr. Noel
Mr. Goldenweiser
Mr. McClelland

The meeting was called to order at 11:00 o'clock a. m. by Governor Crissinger.

On motion, it was

VOTED to dispense with the reading of the minutes of the last meeting of the Committee held on August 17, 1926.

The report of the Secretary with accompanying exhibits was presented.

The report of the Chairman of the Committee was presented and read and there followed a full discussion of the contents of the report and of the credit situation generally. It was the sense of the meeting that the recent sale to the Treasury from the System Account of about $40,000,000 Third Liberty Loan bonds had served a useful purpose in making effective the recent change in the New York discount rate. Mr. Goldenweiser pointed out that a sale of this character with its attendant calls by the Treasury on all depositary banks tended to spread more evenly the discounts throughout the Federal Reserve System.

Trans letter 9/14/26 filed 333.-6-2
- Revised Minutes -

It was the sense of the meeting that the open market account should be maintained, for the present, at about the present level, and upon motion, duly seconded, the Committee

> VOTED that the open market account should be maintained for the present at $200,000,000 or thereabouts, with the understanding that the Committee could, in its discretion, increase or decrease the account by not more than $50,000,000.

It was also understood that in the event of further gold imports for the account of foreign correspondents, we should continue to furnish them with securities from the Special Account as heretofore, thus offsetting the effect of the gold imports.

Mr. Winston referred briefly to the Treasury financing and stated that there probably would be a temporary overdraft of approximately $200,000,000 on September 15 to be carried by the reserve banks, which would run four or five days only. In the same connection Mr. Case stated, that owing to the fairly heavy discounts at the New York bank it would probably be unnecessary to sell any considerable amount of Government securities to New York member banks over the tax period.

Mr. Case reported on the condition of the foreign accounts stating the changes which had occurred since the last meeting of the Committee.

On motion, the meeting adjourned at 1 p. m.

(Signed) W. B. Matteson

Secretary

MINUTES OF THE MEETING OF THE OPEN MARKET INVESTMENT COMMITTEE
HELD AT THE FEDERAL RESERVE BANK OF NEW YORK
TUESDAY, AUGUST 17, 1926

333.-b-2
Final Minutes
8/17/26

Present:
Messrs. Crissinger, James and McIntosh of the Federal Reserve Board
Governors Harding of Boston and Fancher of Cleveland
Mr. Hutt, Deputy Governor, Federal Reserve Bank of Philadelphia
Mr. McKay, Deputy Governor, Federal Reserve Bank of Chicago
Messrs. Sailer, Harrison and Kenzel, Deputy Governors, Federal Reserve Bank of New York
Dr. Burgess, Assistant Federal Reserve Agent, Federal Reserve Bank of New York
Mr. Goldenweiser, Acting Director, Division of Research and Statistics, Federal Reserve Board
Mr. Matteson, Secretary

The meeting was called to order at 11:00 o'clock a. m.

In the absence of the Chairman Mr. Sailer was, on motion, chosen to act as Chairman of the meeting.

On motion, it was

VOTED to dispense with the reading of the minutes of the last meeting of the Committee held on June 21, 1926.

The report of the Secretary was presented and read and, on motion, duly accepted.

The report of the Chairman of the Committee was presented and there followed a full discussion of the contents, with special reference to a request by the Treasury to purchase $40,000,000 Third Liberty Loan 4 1/4% bonds, of which about $25,000,000 are held in the Special Investment Account and about $15,000,000 by the Federal Reserve Banks of Philadelphia, Cleveland and St. Louis. It was the sense of the meeting that the Treasury's request be complied with and that these securities should not be replaced for the present. It was understood that the Third Liberty Loan bonds held in the investment accounts of Reserve Banks be exchanged for other Government securities in the Special Investment Account.

On motion of Governor Harding, duly seconded, it was

VOTED that the sale of approximately $40,000,000 Third Liberty Loan bonds be made to the Treasury, without replacement, and that a meeting be called the early part of September to consider conditions at that time.

Treas. letter 8/20/26 filed 333.-b-2

On motion, it was also

VOTED to approve the sale, without replacement, to a foreign correspondent made on August 16, 1926 of $2,337,000 United States 4 1/4% Treasury Notes due September 15, 1926, and the sale of $5,000,000 additional notes of the same issue from the Special Investment Account to a foreign correspondent some time this week; also the sale to a foreign correspondent during the next few weeks of approximately $15,000,000 Treasury Notes due September 15, 1926 and/or Treasury certificates of indebtedness due December 15, 1926.

Mr. Harrison reported on the condition of the foreign accounts, calling particular attention to the changes which had occurred since the last meeting of the Committee and referring briefly to general conditions abroad.

Mr. Kenzel joined the meeting at this point and made a brief report on the present condition of the bill market.

On motion, the meeting adjourned at 1:00 o'clock p. m.

W. B. Matteson

Secretary

COPY

333-6-2
Final Minutes
6/21/26

MINUTES OF JOINT MEETING OF THE OPEN MARKET INVESTMENT COMMITTEE AND THE FEDERAL RESERVE BOARD HELD IN WASHINGTON, MONDAY, JUNE 21, 1926

Present:
Vice Governor Platt
Mr. Hamlin
Mr. James
Members of the Board
Acting Chairman Case
Governor Harding
Governor Fancher
Governor McDougal
Governor Norris
Members of the Committee
Under Secretary of the Treasury Winston
Mr. Matteson, Secretary
Mr. Eddy
Mr. Goldenweiser

The meeting was called to order at 11 a. m. by Vice Governor Platt.

Messrs. Norris and Case entered at 11:15 a. m.

Mr. Case reviewed briefly the operations of the Committee since the last meeting on March 20, 1926, the changes in the holdings of Government securities in the Special Account and the activities over the June 15 tax period. He stated that the principal occasion for calling the meeting was the problem of dealing with the money market situation over the end of June, when holiday currency requirements would coincide with the accumulation of a Treasury balance in the Reserve Banks and "window dressing" by member banks for their June 30 reports. It was also desired to discuss open market policy generally in the light of recent changes in the credit situation.

The Secretary submitted and read his report, also the report of the Chairman and the report on foreign accounts, with accompanying statements and data, all of which were duly accepted and ordered placed on file.

Under Secretary Winston joined the meeting at this point.

Mr. Winston stated that the Treasury would have surplus funds in the Federal Reserve Banks this month amounting to about $75,000,000, a substantial part of which it was proposed to use in the purchase and redemption of Third

Trans letter 6/24/26 filed 333.-6-2

Liberty Loan Bonds and that he anticipated buying additional bonds for delivery the first of July when the Treasury would receive $40,000,000 from the proceeds of the recent sale of $60,000,000 Farm Loan Bonds.

There followed an extended discussion of the various reports, with particular reference to the desirability of a temporary purchase of Government securities by the Committee to prevent any serious disturbance to the money market over the end of the month, whereupon:

On motion of Mr. Hamlin, duly seconded and carried, it was.

VOTED that it is expedient that the System holdings of Government securities should be maintained for the present at the existing amount - approximately $275,000,000 - but with authority to make temporary purchases or sales, within a range of $50,000,000, as may be deemed advisable by the Committee; any such purchases to be liquidated within a reasonable time as market conditions warrant.

In connection with the report on foreign accounts, a recommendation was made by the Federal Reserve Bank of New York that the reports to the Committee be made as heretofore at each meeting but that the brief reports to the Committee at the end of each month be discontinued for the reason that all of the information contained in these latter reports is included in the regular monthly statements of free balances, investments and ear-marked gold made to the governor of each bank. It was voted that this change be approved.

On motion the meeting adjourned at 1 p. m.

(Signed) W. B. Matteson,
Secretary.

Subsequent to the adjournment of the meeting the members of the Open Market Investment Committee conferred with regard to a suggestion made by Governor McDougal of the Federal Reserve Bank of Chicago that Federal Reserve Banks be permitted to extend the re-purchase agreement practice with recognized dealers in Government securities so as to include Third Liberty Loan Bonds, which bonds are now in the short-term area.

This recommendation was unanimously agreed to by the members of the Committee with the understanding that it was to be submitted by Mr. Case to the Federal Reserve Board for the latter's approval.

333.-6.2
Final Minutes
3/20/26

MINUTES OF JOINT MEETING OF OPEN MARKET INVESTMENT COMMITTEE
AND FEDERAL RESERVE BOARD HELD IN WASHINGTON,
SATURDAY, MARCH 20, 1926.

Present: Governor Strong, Chairman
Governors Harding, Norris,
Fancher and McDougal.
Governor Crissinger and Messrs.
Platt, Hamlin, Miller, James,
Cunningham, Wyatt, Eddy,
McClelland and Goldenweiser.
Mr. Harrison, Secretary pro tem.

The meeting was called to order by Governor Strong at 12:00 o'clock noon.

Governor Strong reported to the Federal Reserve Board the action of the Open Market Investment Committee with respect to the Board's letter of March 9, 1926, advising the Chairman of the committee that in future its regular meeting place would be in Washington, except when the committee is authorized by the Board to meet elsewhere. Individual members of the Board expressed their opinion regarding the procedure outlined in the letter, and Governor Strong then stated to the Board that no meeting of the Open Market Investment Committee had ever been held without previous advice to and conference with the Federal Reserve Board about the meeting, that the Open Market Investment Committee would always be glad to meet in Washington when asked to do so, but that they did not want to be denied the right to meet elsewhere when conditions make it advisable.

At this point Mr. James and Mr. Miller left the meeting, and after further informal discussion the meeting adjourned at 1:00 o'clock p. m. to reconvene at 2:30 o'clock p. m.

The joint meeting of the Open Market Investment Committee with the Federal Reserve Board reconvened at 2:30 o'clock p. m. on Saturday, March 20, 1926.

The secretary of the Open Market Investment Committee read to the conference the report which the Open Market Investment Committee had adopted for submission to the Governors Conference on Monday, March 22, 1926.

Trans. letter 4/15/26 filed 333.-6-2

After a discussion of business conditions, particularly in their relation to the committee's statement about reports of business hesitation and the possible need for further purchases of securities in the event that the very near future might show further evidence of a business recession, Governor Strong asked for a discussion of the question of future procedure, pointing out that the situation would be much clearer in a short time - possibly a matter of days only. Individual members of the Federal Reserve Board expressed their agreement with the recommendation of the committee relative to the replacement of March 15 maturities, but no formal action was taken with respect either to that or to the suggestion as to possible future purchases.

The committee adjourned at 4:00 o'clock p. m. in order to permit Professor Sprague to address the Federal Reserve Board and those members of the Governors Conference who were present at that time.

George L. Harrison
Secretary pro tem

MINUTES OF THE MEETING OF THE OPEN MARKET INVESTMENT COMMITTEE
HELD IN WASHINGTON, SATURDAY, MARCH 20, 1926

333.-6-2
Final Minutes
3/20/26

Present: Governor Strong, Chairman.
Governors Harding, Norris,
Fancher and McDougal.
Mr. Harrison, Secretary pro tem.

The meeting was called to order by Governor Strong at 11:00 o'clock a. m.

APPOINTMENT OF A SECRETARY PRO TEM.

Upon request of Governor Strong, Mr. Harrison was appointed secretary pro tem.

REPORT OF CHAIRMAN.

The Chairman submitted his report dated March 19 to the committee for their consideration. Before acting upon the report, business conditions throughout the several districts were discussed in some detail. The opinion was expressed that while production seems still active, nevertheless there are some evidences of a recession in sales to the ultimate consumer, certainly evidences of caution and hesitation, which might result in accumulating inventories, lowering of prices, and some unemployment, unless sentiment is changed before the process continues too long. It was the unanimous opinion of the committee that other than to replace March 15 maturities, no action should be taken, at least until after March 23, when the Treasury pays off $121,000,000 of Third Liberty bonds, and when readjustments after the usual quarter day movement will have been completed. It was felt that until that time it will be difficult to judge the normal trend of the money market.

With a slight verbal amendment, the report of the Chairman was approved by the committee and adopted as their report to the Governors Conference.

PLACE OF FUTURE MEETINGS OF COMMITTEE.

The Chairman reported to the committee the Federal Reserve Board's

In letter 4/15/26 filed 333.-6-2

letter of March 9, 1926, a copy of which had previously been mailed to each member, advising of the action taken by the Federal Reserve Board on March 9, to the effect "that Washington be designated as the future regular meeting place of the Open Market Investment Committee, except when the committee is authorized by the Board to meet elsewhere."

After full discussion, it was

VOTED to be the sense of the committee, who were serving at the request of the Federal Reserve Board in order to cooperate voluntarily in an orderly System policy respecting the purchase and sale of bills and securities, that they are anxious now, as in the past, to arrange meetings of the committee to suit the convenience of all concerned and at such places as might be most consistent with the purposes to be accomplished by each meeting, and that, therefore, a resolution of the Board fixing Washington as the regular meeting place of the committee, except when the committee is authorized by the Board to meet elsewhere, is in the opinion of the committee unnecessary in all the circumstances and an inadvisable restriction upon the freedom of the committee, after consultation with the Federal Reserve Board, to hold meetings at such places as might best suit conditions.

The meeting adjourned at 12:00 o'clock noon to meet with the Federal Reserve Board.

George L. Harrison
Secretary pro tem.

333.-6-2
Final Minutes
1/18/26

C O P Y

MINUTES OF THE MEETING OF THE OPEN MARKET INVESTMENT COMMITTEE FOR THE FEDERAL RESERVE SYSTEM HELD AT THE FEDERAL RESERVE BANK OF NEW YORK, JANUARY 18, 1926

The following were present:

Governors Strong, Harding, Norris, Fancher and McDougal
Deputy Governor Case
Mr. W. B. Matteson, Secretary of the Committee

Honorable D. R. Crissinger, Governor of the Federal Reserve Board, was also present.

The meeting was called to order by Governor Strong, Chairman, at 10:30 a. m.

Copies of the minutes of the last meeting of the Committee held on December 1, 1925 were distributed whereupon it was duly

VOTED that they be approved.

Mr. Case submitted a report on foreign accounts which are participated in by all Federal reserve banks and after discussion it was duly

VOTED that the report be received, placed on file, and distributed to the Governors of all Federal reserve banks for their confidential use.

Reports were submitted by the Chairman concerning credit conditions and future program, and by the Secretary of the Committee giving data with respect to details of operation; all of which were ordered filed and copies sent to the other Federal reserve banks not represented at the meeting.

Full discussion was had with respect to the disposition of the $50,000,000 short-term Government securities which were acquired the latter part of December 1925, for resale possibly in January 1926. In view of the existing conditions in the market and the fact that there are $65,000,000 of March maturities in the account it was agreed (Governor Crissinger concurring) that while it is not advisable to sell the $50,000,000 Governments

Trans. letter 1/19/26 filed 333.-6-2

immediately the situation should be carefully watched in order that action might be taken at any time that developments disclose the desirability of selling.

The exhibits accompanying the Secretary's report, showing in detail the present distribution of System purchases under the plan agreed upon by the Committee, were studied carefully and there followed an extended discussion with respect thereto. It was the sense of the meeting that all purchases of bills made by Federal Reserve Banks in cities outside of New York in excess of the prorata share of such purchasing bank should in future be allotted proportionately to all participating banks. Governor Harding stated that he would acquaint his directors with the views of the Committee and advise Mr. Case at an early date of the Boston bank's decision.

The question of the practice of purchasing bills in the several bill markets was discussed at some length and in order to clarify the situation the Chairman was requested to ask Mr. Kenzel to prepare a memorandum to be sent to the members of the Committee outlining the practice of the New York bank in this regard.

The meeting duly adjourned at 1:00 p. m.

(Signed) W. B. MATTESON

Secretary.

Docket

333-6-2

Final Minutes

12/1/25

The meeting of the Open Market Investment Committee with the Federal Reserve Board, called by the Board for December 1, 1925, was held in the Office of the Governor at 11:00 a. m.

PRESENT: Governor Crissinger,
Mr. Platt,
Mr. Hamlin,
Mr. Miller,
Mr. James,
Members of the Board.
Governor Strong,
Governor Harding,
Governor Fancher,
Mr. Hutt,
Mr. McKay,
Members of the Committee.
Dr. Stewart,
Mr. Noell.

(1) The subject submitted to the meeting for discussion was the following resolutions of the Federal Reserve Board:

"That the Federal Reserve Board approves in general the report of the Open Market Committee dated November 2nd, but desires an immediate meeting of the committee to consider whether changed conditions do not make a change in the open market policy of the Federal Reserve System desirable."

"That one of the matters to be referred to the Open Market Committee be the question of allowing December 15th maturities of Government securities to run off without replacement."

After thorough canvass of the System's open market policy, as well as the subject of rates of discount and bill rates, it was the consensus of opinion that the Treasury certificates held in the System account, amounting to about $38,000,000, maturing on December 15th, should be replaced by other maturities to be purchased by the Committee.

The meeting adjourned at 1:00 o'clock to reconvene at 2:30. There were present at that time in the Board room the same members present at the morning session.

See trans letter 12/2/25 filed 333.-6-2

Revised

The meeting formally approved the action taken informally at the morning conference.

The balance of the session was devoted to a discussion of conditions bearing upon the discount rates of the System and especially of the Federal Reserve Bank of New York. It was the consensus of opinion that it would be better to await the turn of the year before the Federal Reserve Bank of New York made any rate advance, as at that time there was likely to be considerable liquidation and a large return flow of currency, with some easing of the money market, which might prove to be the appropriate time for selling some of the System's holdings of Government securities and for an increase in the New York discount rate.

Dr. Miller expressed the view that the rate should be advanced to 4 per cent at once and Mr. Platt expressed the view that he would prefer to see it advanced to 4 1/2 per cent.

The meeting adjourned at 4:30 p. m. (11)

See Minutes
AT BOARD MEETING
DEC 2 - 1925

333.-6-2

~~333.~~ Final Minutes

12/1/25

The meeting of the Open Market Investment Committee with the Federal Reserve Board, called by the Board for December 1, 1925, was held in the office of the Governor at 11:00 a.m.

PRESENT: Governor Crissinger,
Mr. Platt,
Mr. Hamlin,
Mr. Miller,
Mr. James,
Members of the Board.
Governor Strong,
Governor Harding,
Governor Fancher,
Mr. Hutt,
Mr. McKay
Members of the Committee
Dr. Stewart,
Mr. Noell.

The subject submitted to the meeting for discussion was the following resolutions of the Federal Reserve Board:

"That the Federal Reserve Board approves in general the report of the Open Market Committee dated November 2nd, but desires an immediate meeting of the committee to consider whether changed conditions do not make a change in the open market policy of the Federal Reserve System desirable."

"That one of the matters to be referred to the Open Market Committee be the question of allowing December 15th maturities of Government securities to run off without replacement."

After thorough canvass of the System's open market policy, as well as the subject of rates of discount and bill rates, it was the consensus of opinion that the Treasury certificates held in the System account, amounting to about $38,000,000, maturing on December 15th, should be replaced by other maturities to be purchased by the Committee.

The meeting adjourned at 1:00 o'clock to reconvene at 2:30. There were present at that time in the Board room the same members present at the morning session.

The meeting formally approved the action taken informally at the morning conference.

See Board letter 12/2/25 filed 333.-6-2

The balance of the session was devoted to a discussion of conditions bearing upon the discount rates of the System and especially of the Federal Reserve Bank of New York. It was the consensus of opinion that it would be better to await the turn of the year before the Federal Reserve Bank of New York made any rate advance, as at that time there was likely to be considerable liquidation and a large return flow of currency, with some easing of the money market, which might prove to be the appropriate time for selling some of the System's holdings of Government securities and for an increase in the New York discount rate.

Dr. Miller expressed the view that the rate should be advanced to 4 per cent at once and Mr. Platt expressed the view that he would prefer to see it advanced to 4 1/2 per cent.

The meeting adjourned at 4:30 p.m.

Not quite correct E.P.

(Signed) Benj. Strong,
Chairman.

382.31

333-B-2
Final Minutes
9/22/25

MINUTES OF THE MEETING OF THE OPEN MARKET INVESTMENT COMMITTEE FOR THE FEDERAL RESERVE SYSTEM HELD IN THE OFFICES OF THE FEDERAL RESERVE BOARD, SEPTEMBER 22, 1925

The following were present:

Governors Strong, Harding, Fancher and McDougal
Mr. Hutt, representing Governor Norris, and
W. R. Burgess, Secretary pro tem

The meeting was called to order by Governor Strong at 11 a. m.

Reports were submitted by the chairman concerning credit conditions and future program, by the secretary of the committee giving the data as to the detail of operations, and by Mr. Case concerning operations with foreign banks of issue. After discussion it was

VOTED that these reports be adopted as submitted, including the recommendation in the secretary's report that during the balance of the year additional purchases of bills or securities be distributed among the banks in such manner as, first, to provide for the expenses and dividends of each bank; and, second, to provide thereafter for estimated chargeoffs as completely as possible.

There following a general discussion concerning credit conditions.

At 11:45 the committee met with the Federal Reserve Board.

The chairman presented the Committee reports to the Board and the action which had been taken, calling attention to that part of the report which suggested that the present situation appeared to call not for open market operations but careful consideration of the position of the discount rate, which was outside of the province of the committee.

[There then ensued a discussion of credit conditions and discount policy. No action was taken and the only definite recommendation was made by Dr. Miller to the effect that it would be desirable to make sales from the special

Trans letter 9/25/25 filed 333-B-2

investment account and to follow these sales shortly by an increase in the New York discount rate. Most of those present at the meeting were not in agreement with this view.]

The meeting adjourned at 1:15.

W. R. Burgess

Secretary pro tem

333.-6-2

MINUTES OF THE MEETING OF THE OPEN MARKET INVESTMENT COMMITTEE FOR THE FEDERAL RESERVE SYSTEM HELD AT THE FEDERAL RESERVE BANK OF NEW YORK, JUNE 24, 1925

Final Minutes 6/24/25

The following members of the Committee were present:

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

There were also present:

Honorable D. R. Crissinger, Governor of the Federal Reserve Board
Mr. John R. Mitchell, Chairman of the Board, Federal Reserve Bank of Minneapolis
Mr. Pierre Jay, Chairman of the Board, Federal Reserve Bank of New York
Mr. J. H. Case, Deputy Governor, Federal Reserve Bank of New York
Mr. E. R. Kenzel, Deputy Governor, Federal Reserve Bank of New York
Mr. W. R. Burgess, Assistant Federal Reserve Agent, Federal Reserve Bank of New York.

The meeting was called to order by Governor Strong, Chairman, at 10:30 a. m.

In view of the probable absence of Governor Strong for some weeks during the summer it was

VOTED that Mr. Case be appointed to serve on the Committee and be acting chairman of the Committee pro tem during the absence of Governor Strong.

The report of the Chairman was presented and after full discussion it was

VOTED to accept the report with minor revisions (revised report with accompanying exhibits herewith).

The Chairman reported that the Bank of England had recently acquired a small balance here by purchase from a foreign bank of earmarked gold, and desired to employ it by the purchase of $2,000,000 short term certificates of indebtedness; and that a further balance might be built up for which similar employment would be desired. In order that additional Federal reserve funds might not be put in the market at this time it was

VOTED that $2,000,000 Treasury certificates, due September 15, 1925,

Treas. letter 6/25/25 files 333.-6-2

be sold to the Bank of England from the holdings in the Special Investment Account, and that the Committee authorizes further such sales up to the total holdings of this maturity amounting to $5,000,000.

Mr. Case reported that the Treasury in order to employ a part of its unusually large balance in the Federal reserve banks, had requested the purchase of $10,000,000 Third Liberty Loan 4 1/4 per cent bonds and $10,000,000 3 per cent Treasury certificates, due June 15, 1926. In order that these purchases might likewise be made without introducing further Federal reserve funds into the market at this time it was

VOTED that a sale of $10,000,000 Third Liberty Loan bonds be made to the Treasury from the Special Investment Account, and that as far as possible the $10,000,000 3 per cent Treasury certificates, due June 15, 1926, (since the Committee holds none of this issue) be purchased in other districts than New York.

There followed a discussion with regard to further sales from the Special Investment Account and the Committee was in agreement that further sales might be necessary, under existing authority, for an amount which might bring the account down to $200,000,000, if there appeared to be a large flow of out-of-town funds to New York during the summer dull period. No vote was taken, however, and it was agreed that the members of the Committee would be consulted before any sales were made.

Consideration was also given to the suggestions in the Chairman's report with regard to the purchase or sale of securities at the September tax period, purchases during the autumn, and the seasonal movement at the end of the year and after the first of next year. The tentative proposals contained in the report were approved and it was agreed that definite action should be determined later as occasion arose.

With regard to making allotments of purchases of bills after July 1, the Secretary explained that figures had been requested from all the banks as of June 30, 1925, showing earnings, expenses, dividends, etc. for the first half year. It was, thereupon,

VOTED that future allotments of bills be based upon earnings required to meet expenses and dividends, (exclusive of charge-offs) as shown by the new figures. And, if necessary, that such allotments be made to the Federal reserve banks of Minneapolis, Kansas City, Dallas, and Atlanta, (which are either short of earning assets or unable to take their full share of securities because of shortage of collateral for note issues) so as to enable them to maintain continuously their needed proportion of open market investments.

The usual report on foreign accounts was submitted.

On action the meeting adjourned.

(Signed) W. B. Matteson,
Secretary.

333.-6-2
Final Minutes
4/30/25

COPY

MINUTES OF THE MEETING OF THE OPEN MARKET INVESTMENT COMMITTEE FOR THE FEDERAL RESERVE SYSTEM, HELD AT THE FEDERAL RESERVE BANK OF NEW YORK, APRIL 30, 1925

PRESENT:

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

There were also present by invitation:

Honorable D. R. Crissinger, Governor of the Federal Reserve Board
Mr. Walter W. Stewart, Director, Division of Research and Statistics, Federal Reserve Board
Mr. J. H. Case, Deputy Governor, Federal Reserve Bank of New York

The meeting was called to order at 10:30 a. m. by Governor Strong, Chairman.

On motion, duly seconded, the minutes of the last meeting of the Committee held in Washington on April 6, 1925, were formally approved.

The Secretary presented for consideration a report with accompanying data supporting several different plans for the redistribution of existing holdings of Government securities as recommended by the Committee at its meeting on April 6.

The Committee carefully considered and discussed at length various proposed methods of redistribution of the present holdings of securities and/or bills in order to carry out the directions of the Conference of Governors. It was, on motion, duly seconded

VOTED that Plan "A" be adopted and that pursuant thereto the five banks showing an estimated excess of earnings sell from their holdings approximately $83,000,000 of Government securities to the six banks (other than Minneapolis) which showed an estimated deficiency in earnings. The Federal Reserve Bank of Minneapolis is to be furnished with additional bills instead of Government securities for the reasons explained at the last Governors' Conference.

Fr. letter 5/6/25 filed 333.-6-2

General discussion ensued in respect of the apportionment to be followed in the event that the Committee should exercise its authority to purchase an additional $50,000,000 of Government securities, in accordance with the action taken at the last Governors' Conference; and on motion of Governor Fancher, it was

VOTED that such purchases as may be made from time to time on this $50,000,000 authorization be allotted on a pro rata basis to those five banks that are now giving up the $83,000,000 of Government securities from their participation in the System open market account.

There followed a discussion with respect to the method of allotting System purchases of bills. Under the present method the gross earnings for the balance of the year are determined from the actual earning asset holdings of each bank at the close of business the last day of the previous month. In order to provide a more accurate estimate as to the future earnings of the banks, it was decided to estimate such earnings on the basis of the average earning asset holdings of each bank from the first of the year. It was also understood that allotments of System purchases of bills will be made on the basis of estimated expenses including dividends but excluding charge-offs.

The Chairman announced that he now had an opportunity to sell a single block of $20,000,000 of 4 3/8% Treasury notes maturing December 15, 1925 at 100 27/32 (about a 3% basis) and to replace them by the purchase of $15,000,000 of Treasury notes maturing March 15, 1926, on a 3 1/4% basis, and $5,000,000 of Treasury notes maturing March 15, 1927, on a 3.54% basis. It was, thereupon,

VOTED that the Chairman be authorized to effect such sale and purchase.

On motion the meeting adjourned.

(SIGNED) W. B. MATTESON,

Secretary.

SCHEDULE "A"

STATEMENT SHOWING REDISTRIBUTION OF $83,149,500 OF GOVERNMENT SECURITIES IN SYSTEM ACCOUNT IN ORDER THAT ESTIMATED EARNINGS WILL BE ON SAME BASIS AS ESTIMATED EXPENSES (EXCLUDING CHARGE-OFFS)

	Total Estimated Earnings 1925	Total Estimated Expenses & Dividends 1925 (Excluding Charge-offs)	Estimated Overage or Shortage of Earnings	Total Estimated Earnings After Adjustment 1925	Estimated Excess of Earnings After Adjustment	Present Participation Government Securities Special Account	AMOUNT SOLD OR PURCHASED by each Bank	Participation After Adjustment
ton	$ 2,908,694	$ 1,912,300	$ 996,394	$ 2,449,040	$ 536,740	$ 17,579,500	$17,241,000	$ 338,500
New York	7,490,192	6,519,000	971,192	6,641,157	122,157	92,363,500	31,846,000	60,517,500
Philadelphia	2,482,309	2,077,000	405,309	2,301,738	224,738	7,208,000	6,773,000	435,000
Cleveland	3,071,300	2,647,000	424,300	2,743,652	96,652	25,209,500	12,289,500	12,920,000
Richmond	1,399,000	1,422,000	23,000	1,474,713	52,713	2,044,500	2,840,000	4,884,500
Atlanta	860,906	1,161,976	301,070	1,204,920	42,944	1,022,500	12,903,500	13,926,000
Chicago	4,223,498	3,567,134	656,364	3,823,588	256,454	35,064,000	15,000,000	20,064,000
Louis	831,610	1,465,000	633,390	1,518,154	53,154	8,626,500	25,751,500	34,378,000
neapolis	818,631	1,074,100	255,469	818,631	255,469 x	9,788,000	0	9,788,000
Kansas City	1,299,401	1,632,577	333,176	1,694,205	61,628	12,343,500	14,808,500	27,152,000
Dallas	848,633	1,138,400	289,767	1,182,057	43,657	13,265,000	12,506,000	25,771,000
San Francisco	2,199,000	2,489,000	290,000	2,581,319	92,319	25,527,000	14,340,000	39,867,000
	$28,433,174	$27,105,487	$3,453,559	$28,433,174	$1,327,687	$250,041,500	$83,149,500	$250,041,500
			2,125,872					
			$1,327,687 Net					

x Federal Reserve Bank of Minneapolis has received additional allotment of bills.

333.-6-2
Final Minutes

MINUTES OF THE MEETING OF THE OPEN MARKET INVESTMENT COMMITTEE FOR THE FEDERAL RESERVE SYSTEM, HELD IN THE FEDERAL RESERVE BOARD ROOM, WASHINGTON, MONDAY, APRIL 6, 1925.

4/6/25

Present:

Governors Strong, Fancher, McDougal, Harding and Norris

There were also present:

Governors Bailey and McKinney
Mr. George L. Harrison, Deputy Governor, Federal Reserve Bank of New York, who acted as secretary of the meeting.

The Chairman called the meeting to order at 2:00 p. m.

1. The proposed report of the Chairman of the Open Market Investment Committee to the Conference of Governors, which had been distributed informally among the Governors in advance of the conference, was considered by the Committee, and, upon motion of Governor McDougal, it was

VOTED to approve the report as drafted, with the understanding, however, that the paragraph entitled "Future Program" on page 2 be eliminated.

2. Upon motion of Governor Harding, it was then

VOTED to be the sense of the Committee that under authority now vested in it, the Committee should increase its holdings up to approximately $300,000,000 as and when market conditions warrant, it being the belief of the Committee that present and prospective gold movements make this increase advisable.

3. The Chairman referred to the fact that some of the Federal reserve banks at the present time are not earning

Trans letter 4/22/25 filed 333.-6-2

enough to cover their expenses, and it was accordingly

VOTED that the Chairman be authorized to submit to the individual members of the Committee a plan for the immediate reapportionment of the present holdings of the Committee, together with a plan for apportioning new purchases by the Committee.

4. The Chairman made a brief report to the Committee concerning certain foreign accounts of the Federal Reserve Bank of New York, and stated that he would later submit proposals for the reapportionment of some of these accounts among the several Federal reserve banks.

5. The Chairman reported the proposed action of the directors of the Federal Reserve Bank of Boston to request participation in the foreign accounts now apportioned among the other Federal reserve banks. Upon motion of Governor McDougal, it was

VOTED that the participation of the Federal Reserve Bank of Boston should be approved and the accounts reapportioned accordingly.

(Signed) George L. Harrison

Acting Secretary

333.-k-2
Final Minutes
2/25/25

EXTRACT OF MINUTES OF THE MEETING OF THE OPEN MARKET INVESTMENT COMMITTEE WITH THE FEDERAL RESERVE BOARD, HELD IN WASHINGTON WEDNESDAY, FEBRUARY 25, 1925, PERTAINING TO THE ACTIVITIES OF THE OPEN MARKET INVESTMENT COMMITTEE

PRESENT:

Messrs. Crissinger, Platt, Hamlin, James, Cunningham, Members of the Federal Reserve Board
Mr. Walter W. Stewart, Director, Division of Research and Statistics, Federal Reserve Board
Mr. Walter L. Eddy, Secretary, Federal Reserve Board
Honorable J. W. McIntosh, Comptroller of the Currency
Honorable Charles S. Dewey, Assistant Secretary of the Treasury
Governors Strong, Harding, Fancher, Norris and McDougal, Members of the Open Market Investment Committee
Mr. W. B. Matteson, Secretary of the Committee

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

Governor Strong presented his written report as Chairman of the Committee which reviewed credit conditions and the changes in the money market since the last meeting January 9, 1925, accompanied by exhibits prepared by the Secretary reflecting in detail recent Committee activities and data relating to System operations. Governor Strong stated that this report had been submitted to the members of the Committee and approved by them and was now being presented for suggestions or comments from the Board.

He also stated that the members of the Committee had approved the suggestions contained in the report with reference to the further possible sale of securities from time to time as conditions warranted, such sales, however, to be limited to an amount that would not reduce the Special Account below $200,000,000. This recommendation was approved.

Isaac letter 2/28/25 files 333.-k-2

Governor Strong reported that it had been decided to postpone the setting up of new ratios of distribution of purchases for the System Account under the plan which was put in effect last year until about April 1, 1925 in order that we may have a real basis for reviewing the estimated earnings as well as estimated expenses, including charge-offs, for the entire calendar year.

(Signed) W. B. MATTESON
Secretary, Open Market
Investment Committee

333.-6-2
Final Minutes
1/9/25

MINUTES OF THE MEETING OF THE OPEN MARKET INVESTMENT COMMITTEE
FOR THE FEDERAL RESERVE SYSTEM, HELD AT THE FEDERAL
RESERVE BANK OF NEW YORK, JANUARY 9, 1925

PRESENT:

Governors Strong, McDougal, Fancher, Norris and Harding
Mr. J. H. Case, Deputy Governor, Federal Reserve Bank of New York
Mr. W. B. Matteson, Secretary of the Committee

There were also present:

Honorable D. R. Crissinger, Governor of the Federal Reserve Board
Honorable Edmund Platt, Vice Governor of the Federal Reserve Board
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.

A report was submitted by the Secretary of the Committee reviewing the operations of the Open Market Investment Committee since the last meeting, 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 discussed briefly the activities of the Committee since the last meeting, as set forth in the Secretary's report, and the movements of money coincident with the first of the year transactions.

A discussion followed which was participated in by all present with respect to further changes in the Special Account. It was on motion, duly made and seconded,

VOTED that the Committee stand ready to make such further sales of

Isaacs letter 1/13/25 filed 333.-6-2

securities as seemed necessary from time to time in view of changing money conditions to prevent undue ease in the money market.

This was also concurred in by all the members of the Federal Reserve Board present.

Mr. Case referred to the acquirement by the Treasury, in connection with the recent financing, of $35,000,000 new 4% bonds of 1944-54 for account of the Alien Property Custodian and which the Treasury was desirous of replacing by March 15, 1925 or September 15, 1925 certificates of indebtedness. Sales of these new 4s to the market have resulted in the Treasury being in the market for short-term certificates of indebtedness and the Committee has consequently sold it direct $17,709,500 - 4% certificates due next March, being all that were held in the Special Account. It was agreed that transactions of this nature had practically the same effect as sales made direct to the market, and the Committee thereupon unanimously voted in favor of Treasury transactions of this character, with respect to our September 15 certificates.

Mr. Case brought to the attention of the Committee an opportunity which had been offered through one of the dealers for the sale of some Government securities maturing in 1925, the amount involved being $40,000,000, $25,000,000 in Junes and $15,000,000 in Septembers. He stated that recent sales amounting to $27,000,000 of September 1925 certificates had been made with the understanding that all or any part could be repurchased if desired; therefore, if $15,000,000 of the latter amount were made a permanent sale, the further sale of $25,000,000 June 1925 notes at 2.60% basis less 1/32 commission (a very good market price and one which would represent a fair profit), would only result in a net reduction in the account of $13,000,000.

On motion, duly made and seconded, it was

VOTED that the sale be made with the understanding that delivery would be made at our option between now and January 22, in lots of $5,000,000 or $10,000,000, such deliveries to be made with due regard to the effect on the market, and that similarly the $12,000,000 now in dealers' hands might be returned to us at our option.

It was the consensus of opinion that the operations of the Committee having to do with the sale of Government securities could be handled more advantageously and with less disorganization to the market if sales were centralized in New York, except in unusual cases where there might be an opportunity to dispose of securities to advantage in other markets.

There followed a short discussion with regard to the effect on the market of the recent change in rate on bills purchased which had resulted in a resale to the market of all bills held under repurchase agreement and a considerable reduction in the portfolio of the New York bank.

On motion the meeting adjourned at 1 p. m.

(Signed) W. B. MATTESON
Secretary

EXTRACT OF MINUTES OF THE MEETING OF THE OPEN MARKET INVESTMENT COMMITTEE WITH THE FEDERAL RESERVE BOARD HELD IN WASHINGTON, FRIDAY, DECEMBER 19, 1924 PERTAINING TO THE ACTIVITIES OF THE OPEN MARKET INVESTMENT COMMITTEE

333.-b-2
Final Minutes
12/19/24

PRESENT: Messrs. Crissinger, Platt, Hamlin, Miller, James, Cunningham
(Members of the Federal Reserve Board)
Honorable G . B. Winston, Under Secretary of the Treasury
Honorable J. W. McIntosh, Comptroller of the Currency
Messrs. Strong, Harding, Fancher, McDougal and Norris
(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 and reviewed recent activities with relation to the Committee's account as follows:

(1) Selling March 15, 1925 certificates of indebtedness and Treasury Notes in order to provide an opportunity for subscribers to the new Treasury 4% loan to obtain securities to be used in exchange for the new bonds. As the market was bare of these securities the Committee supplied freely, from a 2 per cent. basis down to one transaction on a 1 per cent. basis, certificates to the extent that about $85,000,000 of the System holdings of March maturities were liquidated.

(2) Purchase of other United States Government securities for the Committee account in order to turn back into the market the funds taken out through the sale of the $85,000,000 March maturities referred to, thereby avoiding the market losing this entire amount of funds. The result was to replace all of these sales, except about $17,000,000.

Reference was also made to the $65,000,000 of December 15, 1924 maturities which were partially replaced by the purchase of $15,000,000 of other issues of short-term securities, thus reducing the System's account by $50,000,000 without any appreciable effect on the money market.

See trans letter 1/17/25 filed 333.-b-2

If was the feeling of the Committee that from now on the account should probably not be increased above the present amount and that from time to time we should liquidate some of our holdings. It was also felt that if member bank borrowing should be necessary, it would best be in the form of discounts and when the seasonal return of funds takes place after January 1 the discounts would act as a buffer along with maturing bills and sales of securities to absorb the return flow of holiday currency. If then there is any excess of funds it might be advisable to market some of the investment account.

It was considered that the withdrawing of some $70,000,000 by the Treasury from depositing banks to make its payments during the December 15 tax period might induce some further borrowing and in anticipation the Reserve Bank of New York expects it will be necessary to advance the bill rate to 3 per cent. That would likely be the last advance to make at present and would result in having the same rate, 3 per cent., on both bills and discounts. After considerable discussion as to what the reserve banks' buying rate for acceptances should be and as to the probable effect of a change to 3 per cent., it was the opinion that the rate on bills maturing over 30 days should be 3 per cent. and that for the present the 2 3/4 per cent. rate on short bills should continue, with a gradual change later on to 3 per cent. as and when conditions warranted. It was, however, considered that in view of the possibility of a change in the situation after January 1 the Committee should arrange to meet shortly thereafter to review the effects of this rate change on the money market and the effect of any sales before any further action is taken.

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

The meeting adjourned at 12:40 p. m.

(Signed) W. B. Matteson

Secretary

out - See Board's minutes 1/21/25

333.1
-b-2

Mr. Harrison 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.

Final minutes
12/19/24

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, Fancher, McDougal and
Norris.
(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 certificates 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 immediately used for subscriptions. The effect of that would have been, had we regarded 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 run off

See Strong letter 1/17/25 filed 333.-b-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 3½%, 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 reduced 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 notthink 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 these temporary advances.

Governor Strong: - I think that to have our investment account reduced $60,000,000 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 depositaries 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.

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 $143,000,000; 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 3¾% 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 $63,000,000. Do you 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 accomodation 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?

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 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 3½%, 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 3% or go to New York at 3%. 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.

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 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 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.

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 3¾% or 4% and the acceptance rate, according to this report sent to the Board, is 3% to 3 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 7/8 to 3%. The maximum Federal reserve rate thus far has been 2 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 $350,000,000 from the low of the year. The great bulk of the increase has been in acceptances. Since August 1, we have purchased over $300,000,000 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 1925, 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 acceptance 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 applications 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 $\frac{3}{4}$ 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 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 7/8 and 3 per cent.

Governor Strong: 3 per cent for everything except 30 days, leaving that at 2 7/8 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 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 reservebank 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 adding 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 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 basedon 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 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 affect 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, lest 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 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 ½ 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 brokers who owe us money. That is the instrument by which they distribute surplus reserves. By watching the relation of that 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 $365,000,000 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 demand deposit money, not in liquid commercial loans but in long term investments. They have 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 those 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.

$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 $500,000,000 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.

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, we have nothing to sell.

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 thereis a disposition to underrate the extent of the improvement in the business situation. The movement 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?

Mr. 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 ½ 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 ½ per cent than it was to advance it last year from 4 to 4 ½ 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-over. 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 afterthe transactions of the Treasury. We loaned the Treasury

$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 ½ 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 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 movement 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 ~~not~~ 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 agood cotton crop and many debts have been liquidated out of that crop. They are not making commitments for 1923 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.

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. Murphy, 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 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 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. Jones: One of the most disturbing factors in the minds of business men is the condition of the overhead expense, due to gradual increasesin 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 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 Norris: 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. Jones: 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 10 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 usedto 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 the clearing house this morning $93,000,000, on top of $100,000,000 yesterday. Call money is at 2 ½ per cent, with $20,000,000 offered. The stock market is having arise and Government securities are weak. The Treasury has made repayment to us.

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

333-b-2
Final Minutes
11/12/24

A meeting of the Federal Reserve Board was held in the Office of the Governor at 11:00 a.m. on Wednesday, November 12, 1924.

PRESENT: Governor Crissinger
Mr. Platt
Mr. Hamlin
Mr. Miller
Mr. James
Mr. Cunningham
Mr. Eddy, Secretary.

PRESENT ALSO: Mr. Harding)
Mr. Strong)Members of Open Market Investment
Mr. Norris)Committee for the Federal Reserve
Mr. Fancher)System.
Mr. McDougal)

The Governor stated that the purpose of the meeting was to consider the following recommendations made by the Open Market Investment Committee for the Federal Reserve System:

// "1. 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. ✓

2. 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.

3. That the committee be authorized by the Governors Conference to commence as soon as practicable to exchange certificates maturing after December 31, 1925 for shorter term certificates.

4. That action on the recommendation of the Advisory Council relative to the purchase of foreign bills be deferred until such time as we may be in a position to know more about the development of conditions relating to foreign exchanges; and that the System make no purchases of such bills until that time.

5. That the committee be given authority
(a) to replace the $65,000,000 of December maturities to such extent as may be advisable in consideration of market conditions at that time; and

Trans letter 11/12/24 filed 333-b-2

"(b) to offset the export or earmarking of gold for foreign account to such extent as may be advisable in consideration of market conditions, but not to exceed $100,000,000.

6. That the committee be authorized to sell investments in the special account in order to reduce that account to the amount of $500,000,000, as rapidly as money conditions make it practicable."

The foregoing recommendations of the Open Market Committee were considered separately and all of them unanimously approved by the members of the Federal Reserve Board present. Mr. Cunningham stated that he voted in the affirmative on the recommendations, with the understanding that he would not stand committed to approving of the continuance of the authorities granted the committee after January 1, 1925.

An understanding was reached between the Board and the members of the committee that a meeting of the committee will be held some time during December, 1924, on a date to be fixed by the Governor and the Chairman of the Committee.

The meeting adjourned at 1:05 p. m.

(S) Walter L. Eddy,
Secretary.

Approved:

(S) D. R. Crissinger
Governor.

333.-6-2
333.31

Final Minutes
10/24/24

DRAFT

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 Committee 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.

Transmitted 10/30/24 + 11/7/24 filed 333.-6-2

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.

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.

D R A F T

333.-b-2

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

7/16/24.

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 reports 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, together with the report of the Secretary of the Committee, with accompanying 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

From letter 7/18/24 file 333.-b-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 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

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.

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.

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

	Net Earning Less Current Expenses Paid and Accrued and Dividends Jan.1/24-June 30/24	Estimated Gross Earnings July 1/24-Dec.31/24 Based on Earning Assets Held June 30 Remaining Unchanged	Total Net Earnings Jan.1/24-June 30/24 and Gross Earnings July 1/24-Dec. 31/24	Estimated Expenses July 1/24-Dec.31/24 Including Dividends Estimated Charge-offs, Etc.	Amount of Earnings Over or Short of Estimated Requirements for Year 1924	Revised Ratio of Participation MONTH OF JULY
Boston	$ 71,312	$ 944,672	$1,015,984	$1,441,621	$ 425,637-	5%
New York	x500,891	3,518,000	3,017,109	6,125,000	3,107,891-	37%
Philadelphia	266,022	1,026,000	1,292,022	1,495,000	202,978-	2%
Cleveland	261,400	1,258,500	1,519,900	2,507,000	987,100-	12%
Richmond	368,530	1,152,500	1,521,030	1,180,000	341,030+	0
Atlanta	463,200	692,960	1,156,160	1,185,807	29,647-	1%
Chicago	195,115	1,956,087	2,151,202	3,175,215	1,024,013-	12%
St. Louis	73,072	636,179	709,251	1,188,000	478,749-	6%
Minneapolis	108,000	828,000	936,000	1,153,000	217,000-	3%
Kansas City	84,300	1,067,000	1,151,300	1,538,000	386,700-	5%
Dallas	430,178	875,148	1,305,326	1,817,220	511,894-	6%
San Francisco	85,000	1,504,000	1,589,000	2,544,000	955,000-	11%
	$1,905,238	$15,459,046	$17,364,284	$25,349,863	$8,326,609-	100%

xExpenses Exceed Earnings

333.-b-2
Final Minutes
5/29/24

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-

Trans letter 6/27/24 filed 333.-b-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;

(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

NEW PERCENTAGE OF PARTICIPATION OF FEDERAL RESERVE BANKS IN THE SYSTEM PURCHASES OF GOVERNMENT SECURITIES AND BANKERS ACCEPTANCES BASED ON THE EARNING REQUIREMENTS AS REPORTED TO COMMITTEE ON JUNE 6, 1924

	Net Earnings Less Current Expenses Paid and Accrued and Dividends Jan. 1/24-May 31/24	Estimated Gross Earnings June 1/24-Dec.31/24 Based on Earning Assets Held May 31 Remaining Unchanged	Total Net Earnings Jan.1/24-May 31/24 and Gross Earnings June 1/24-Dec. 31/24	Estimated Expenses June 1/24-Dec.31/24 Including Dividends Estimated Charge-offs, Etc.	Amount of Earnings Over or Short of Estimated Requirements for Year 1924	New Ratio of Participation
Boston	$ 87,500	$1,188,900	$1,276,400	$1,672,000	$ 395,600-	6%
New York	x380,150	3,896,000	3,516,000	7,004,000	3,488,000-	51%
Philadelphia	270,245	1,624,000	1,894,245	1,697,000	197,245+	0
Cleveland	255,500	2,090,000	2,345,500	2,820,150	474,650-	7%
Richmond	315,790	1,455,000	1,770,790	1,360,000	410,790+	0
Atlanta	444,370	1,267,600	1,711,970	1,315,410	396,560+	0
Chicago	153,130	2,776,650	2,929,780	3,624,580	694,800-	10%
St. Louis	96,100	1,065,000	1,161,100	1,241,600	80,500-	1%
Minneapolis	64,390	1,020,000	1,084,390	1,268,260	183,870-	3%
Kansas City	53,080	1,355,150	1,408,230	1,755,400	347,170-	5%
Dallas	341,000	1,044,000	1,385,000	1,970,000	585,000-	8%
San Francisco	93,000	2,077,000	2,170,000	2,777,000	607,000-	9%
					$6,856,590-	100%

xExpenses in Excess of Earnings Jan. 1/24-May 31/24

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

MINUTES OF THE MEETING OF THE OPEN MARKET INVESTMENT COMMITTEE FOR THE FEDERAL RESERVE SYSTEM, HELD AT THE FEDERAL RESERVE BOARD IN WASHINGTON, APRIL 22, 1924.

PRESENT:

Governors Norris and McDougal
Deputy Governor Bullen, representing Governor Harding
Deputy Governor Case, representing Governor Strong
Mr. D. C. Wills, Chairman, Federal Reserve Bank of Cleveland, representing Governor Fancher
Mr. Matteson, Secretary of the Committee

There were also present:
Honorable D. R. Crissinger, Governor of the Federal Reserve Board
Dr. A. C. Miller of the Federal Reserve Board
Honorable G. B. Winston, Under Secretary of the Treasury
Mr. Walter W. Stewart, Director, Bureau 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 11 a. m. and in the absence of Governor Strong, Chairman, Mr. Case was, on motion, made Chairman of the meeting.

The report of the Secretary reviewing the activities of the Committee since the last meeting, with accompanying statements, was thereupon submitted, (copy herewith).

Limit of Purchases for Special Investment Account

The Chairman stated that in accordance with authorization at the meeting on February 25 purchases for the special investment account had almost reached the $200,000,000 mark and asked the views of the Committee and others present with regard to further purchases. A general discussion followed. Whereupon on motion duly made and seconded, it was

VOTED that additional purchases for the special investment account of the Federal Reserve system be authorized up to an amount not exceeding in the aggregate $250,000,000.

Frame letter 4/25/24 filed 333.-6-2

Mr. Winston stated that the Treasury Department, while interposing no objection to the above plan, felt that it would assist the Treasury in its program of financing if the Committee should place a definite limit on the amount to be acquired for the System Special Account. After some discussion it was agreed that this question should be placed on the calendar for the next meeting.

Policy Regarding Price Limits

The question of the price limits on purchases of Government securities was discussed and it was the consensus of opinion that, due to the rapid changes in the Government security market, purchases could be made to better advantage if the Committee was allowed more discretion as to prices. Whereupon, on motion duly made and seconded, it was

VOTED that up to the $250,000,000 limit the Committee be authorized to make purchases at its discretion at current market prices.

Change in Bill Rates

The Chairman read a memorandum (copy attached) from Mr. E. R. Kenzel of the New York bank, pointing out that authorized buying rates for bills were out of line with current market quotations and suggesting a modification in buying rates. After discussion, it was, on motion

VOTED that the Committee authorize a reduction in the minimum buying rates of the Federal Reserve Banks from 4 1/8 per cent. to 4 per cent. for long bills, and from 4 per cent. to 3 7/8 per cent. and 3 3/4 per cent. on short bills, the short rates not to be put into effect immediately but in the discretion of the Federal Reserve Banks.

Policy Regarding Requests for Special Investments

The Chairman read a telegram from the Federal Reserve Bank of Dallas stating that in view of large maturities they were in need of additional earning assets. This was carefully considered and it was the sense of the meeting that under existing conditions there was no special action which the Committee could take at this time, as the situation in the Dallas district was no different than that existing in many of the other districts.

A report on Foreign Accounts, with accompanying statement submitted by the New York bank, was presented to the Committee.

Effect of Treasury Operations On Money Market

Mr. Winston brought up for discussion the problems raised by Treasury operations on March 15, 1924, and their effect on the money market. Various means were discussed for avoiding disturbance to the money market as a result of Treasury operations at times when discounts at reserve banks are small and the suggestion was advanced that Federal reserve banks might at such times temporarily sell short Governments to member banks to an amount that would equalize their excess reserves during the few days pending the collection of tax checks. No definite decision, however, was reached. In connection with temporary accommodations to the Treasury Mr. Winston stated that, in line with a suggestion made by the New York bank, the Treasury favored placing the rate on special certificates issued to cover the Treasury overdrafts at one point under the rate on Treasury certificates or notes concurrently issued.

On motion the meeting adjourned at 4:00 p. m.

(Signed) W. B. MATTESON

Secretary

MEMORANDUM BY E. R. KENZEL,
DEPUTY GOVERNOR, FEDERAL RESERVE BANK OF NEW YORK
RE OPEN MARKET RATES FOR BILLS PURCHASED

The minimum rate of 4 1/8% established for purchase by Federal reserve banks of 90-day bills has been in effect for about one year. It was advanced from 4% in April, 1923. At that time and since, until within about one month, it was also the prevailing rate for prime unindorsed bills available to investors in the market.

While these rates seem high as compared with a 4 1/2% rediscount rate for promissory notes, the rate was sustained in the market by reason of the substantial volume of short Treasury paper available at or slightly under 4 1/8%. Figuring the tax exemption on short Treasury paper, the yield on them was equal to or higher than the market rate for bills. Under these circumstances the Federal reserve banks naturally acquired a substantial proportion of the total volume of bills current from time to time.

With the changed money conditions since March 15, 1924, the floating supply of Treasury paper has been materially reduced, with the result that the demand by banks and other investors for bills caused the rate for 90-day unindorsed bills to recede to 3 7/8%. The rate has since recovered to 4% and it seems improbable that it will advance further in the near future; the contrary may be the fact.

Since January 1, 1924, the bill holdings of Federal reserve banks have declined from $347,000,000 to $176,000,000 on April 16. Of the latter amount $33,000,000 was held by New York under sales contract. During the past month the market has been entirely out of the Federal Reserve Bank of New York as to sales contracts on two occasions.

The volume of bills outstanding at the present time is probably a little less than it was at the first of the year, when cotton shipping was heavy, but is not importantly reduced. The discount market now holds about $67,000,000 of unsold bills, an increase of $6,000,000 over a week ago; their sales during last week were $25,000,000 as compared with $40,000,000 the week previous.

The distribution during the past several weeks has been principally through out-of-town banks, savings banks and foreign banks, the latter have been the most important buyers in the past few days, and there are inquiries for substantially additional amounts for account of foreign clients to be filled during the balance of this month. While this represents a fairly satisfactory condition in the market, there nevertheless is a lack of temporary employment of idle funds by the large city banks in the bill market because of the certain loss that would result from their resale to Federal reserve banks of bills bought at 3 7/8 and 4% at the present minimum rates maintained by Federal reserve banks. A spread of 1/8 to 1/4% has always had the effect of deterring the local employment of idle funds in the bill market.

In view of this condition and the prospective further ease in money, I would recommend a reduction in the minimum rates of Federal reserve banks at this time to 4% for three months' bills and a corresponding reduction of from 1/8 to 1/4% for short bills, the short rates, however, not to be put into effect immediately but in the discretion of the Federal reserve banks as conditions might arise in which the lower short rate would best serve their operations in the market, either as a stimulant to distribution or for the purpose of acquiring reasonable volume of short paper.

The sales contract rate, I believe, might well be left at 4% at the present time but with liberty, without formal action, to reduce it to rates current for the purchase of short paper in the discretion of the banks.

April 18, 1924.

333.-6-2
Final Minutes
2/25/24

MINUTES OF THE MEETING OF THE OPEN MARKET INVESTMENT COMMITTEE FOR THE FEDERAL RESERVE SYSTEM, HELD AT THE FEDERAL RESERVE BOARD IN WASHINGTON, FEBRUARY 25, 1924

PRESENT:

Governor Strong, Chairman
Governors Harding, Fancher and McDougal
Mr. J. F. Herson, Secretary pro tem

The following motions were made and carried:

(1) That the Committee recommends the extension of the purchases of Treasury notes and certificates to include all maturities up to and including the issues maturing in the year 1927.

(2) That a new schedule of prices be submitted to the Committee by the Chairman for approval by the Committee.

(3) That the Chairman be authorized to submit to all participating banks the Committee's recommendation that further purchases, not exceeding $100,000,000 be made at the schedule submitted, after the first $100,000,000 purchase has been completed.

(Signed) J. F. Herson,

Secretary pro tem.

See memo filed 2/27/24 - 333.-6-2

333.-6-2
Final minutes

COPY

MINUTES OF THE MEETING OF THE OPEN MARKET INVESTMENT COMMITTEE FOR THE FEDERAL RESERVE SYSTEM, HELD AT THE FEDERAL RESERVE BOARD IN WASHINGTON, FEBRUARY 8, 1924

2/8/24

Present:

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

There were also present by invitation:

Honorable D. R. Crissinger, Governor of the Federal Reserve Board
Dr. Adolph C. Miller of the Federal Reserve Board
Dr. 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.

The minutes of the meeting of the Committee held January 14, 1924 were presented and on motion approved.

The Secretary also presented reports covering the activities of the Committee since the last meeting accompanied by exhibits showing loans and investment holdings of the Federal reserve banks, and a memorandum on the business and credit situation.

The question was raised as to what action should be taken by the Committee with reference to special orders for the purchase of bills and Government securities in addition to regular allotments. It was agreed by those present that such purchases interfered with a unified program of purchases for the System and the opinion was expressed that the practice should be discontinued or some method adopted which would preserve the percentage plan of allotment. In order, therefore, to meet the needs of certain of the banks, which at times desire larger holdings of Government securities and bills than they would normally obtain through the regular allotments,

Trans letter 2/18/24 filed 333.-6-2

#8

it was suggested that bills and securities be redistributed, so far as possible, from the allotments of banks whose earning assets are more ample and who will consent to such redistribution. With this exception it was the opinion of the Committee that the principle of allotting all purchases in accordance with the approved formula should be strictly adhered to.

In the statement showing purchases and allotments of bankers acceptances during the period from December 12, 1923 to January 30, 1924, it was noted that certain of the banks had received larger amounts of bills than their pro rata share, due to direct purchases by those banks. It was understood that the Secretary would endeavor to arrange adjustments which would result in the redistribution of these excess amounts.

In view of higher current prices for bankers acceptances and Government securities, it was suggested that a possible avenue for investment might be found in short-term municipal securities. It was agreed by those present, however, that it was not desirable to make such purchases.

At this point Governor Crissinger and Dr. Miller joined the meeting and after a general discussion of present credit and banking conditions throughout the country, the Committee discussed proposals for extending its purchases of Government securities and raising somewhat the authorized buying prices.

After considering the probable effect, it was the sense of the meeting that some further purchases could be made at slightly higher prices without any large immediate effect on the credit situation, the probable result being simply a decrease in the loan account of the Federal Reserve Bank of New York corresponding to the amount of securities purchased.

The question was raised as to whether the program of the Committee should be determined solely with regard to credit policy or whether it should be influenced by the desire of some of the banks to increase their investments in order that their earnings might at all times be large enough to pay their expenses and dividends without going into surplus. The Committee recognized that there was a division of opinion among the banks on this question and it was suggested that it would be desirable for members of the Committee together with representatives of the Federal Reserve Board to meet periodically with the Boards of Directors of the different Federal reserve banks represented on the Committee in order to create a better understanding by discussing with the different Boards of Directors the various transactions of the Committee.

The following motions were thereupon made and carried:

(1) That the Secretary be instructed to estimate from the reports of earnings and expenses made to the Committee on Economy and Efficiency the amounts of earning assets required by the various Federal reserve banks to earn their expenses and dividends, in order that the Committee may be informed as to banks which request special reallotments, and banks which might be in a position to transfer a portion of their allotments of bills and Government securities.

(2) That special orders for purchases of bills or Government securities be not executed in the market without Committee action but that the Committee endeavor to arrange when necessary for transfers from those banks which are willing to surrender them.

(3) That the authorized prices for purchase of Government securities be revised to an extent that will permit of increased purchases in moderate volume, say up to the amount of $100,000,000 as previously agreed upon, and that a new schedule of prices be sent to the members of the Committee for their approval.

(4) That the Committee recommend to the Federal Reserve Board that one or more members of the Board join the Committee in

meetings to be held by the Committee with the Board of Directors of the Federal Reserve Banks of Boston, New York, Philadelphia, Cleveland and Chicago, those being the banks whose Governors at present constitute the Committee.

On motion the meeting adjourned.

(Signed) W. B. MATTESON

Secretary.

333.-b-2
Final Minutes

MINUTES OF THE MEETING OF THE OPEN MARKET INVESTMENT COMMITTEE FOR THE FEDERAL RESERVE SYSTEM, HELD AT THE FEDERAL RESERVE BANK OF NEW YORK (GOV. STRONG'S ROOM) JANUARY 14, 1924

1/14/24

Present:

Governors Fancher, Harding, Norris
and Deputy Governor Case representing Governor Strong
Mr. Matteson, Secretary of the Committee

There were also present by invitation:
Honorable D. R. Crissinger, Governor of the Federal Reserve Board
Dr. Adolph C. Miller of the Federal Reserve Board
Mr. Pierre Jay, Chairman, Federal Reserve Bank of New York
Mr. F. H. Curtiss, Chairman, Federal Reserve Bank of Boston
Mr. D. C. Wills, Chairman, Federal Reserve Bank of Cleveland
Dr. 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 Mr. Case, who expressed for Governor Strong his regret at being unable to be present.

Bank Situation Minneapolis Chicago Districts

On motion Mr. Case was nominated and elected Chairman of the meeting. Mr. Case thereupon reported a telephone message from Governor McDougal of the Federal Reserve Bank of Chicago, stating that at the last minute he found that he could not attend the meeting because at the request of Comptroller Dawes he was going to Minneapolis with his examiner to confer with Governor Young with regard to difficulties in some of the South Dakota banks which seemed likely to involve a small number of banks in his Iowa territory. This statement was followed by an informal discussion of the active efforts being made to sell 4½% Treasury Savings Certificates in districts where public confidence was shaken in the banks by reason of the loss of deposits and the large number of failures that have occurred. While it was not considered within the sphere of this Committee to take any formal action in this matter, Governor Crissinger volunteered to bring the situation to the attention of Secretary Mellon with the idea of suggesting that it might

Trans letter 1/17/24 filed 333.-b-2

be advisable to slow up the present efforts to push the sale of the Savings Certificates in the sections referred to. It was also understood that Mr. Case would mention the matter to Under Secretary of the Treasury Winston.

Committee Activities

Complete data and statements were presented by the Chairman showing the present investment holdings of the System, the status of the special investment account for the System, and information as to the present state of the short-term Government security market.

The data and statements were then read by the Secretary, including a memorandum from Dr. W. R. Burgess of the New York bank with regard to basic conditions in the money market. This was followed by a general discussion as to the existing temporary ease in money and as to the importance of gradually moving forward in acquiring a moderate portfolio of short-term Government securities. In this connection the Chairman read a telegram from Governor McDougal in which he stated that in his opinion the Committee should not at present make purchases, except of very short maturities.

Policy Respecting Purchase of Government Securities

All present were in agreement that in view of existing conditions in the money market this was a time for extreme caution and that for the moment we should adopt a waiting policy rather than to change our buying prices (thereby affecting yields) and follow the market downward. On motion of Governor Harding it was thereupon voted:

> "That for the purchase of short Governments we do not advance buying prices above those already authorized, and that the Committee be authorized to purchase between now and the next meeting for the Special Investment Account not exceeding $15,000,000 of Treasury Notes due December 15, 1925, at a price to yield not less than 4.30%.

The maturities and price limits, as authorized, now stand as follows:

Maturity	Price Limit
March 1924	3.85%
June 1924	3.95%
Sept. 1924	4.05%
Dec. 1924	4.10%
March 1925	4.25%
June 1925	4.30%

The Committee adjourned for luncheon at 1:00 o'clock and reconvened at 2:30 p. m.

Bankers Acceptances

Dr. Burgess' memorandum with reference to the possibility of the Committee exercising the same jurisdiction over the purchase and sale of bankers acceptances as it does over Government securities was discussed, but no action taken.

In connection with a telegraphic order for bills from the Dallas bank for resale to a member bank referred to the Committee for consideration, there was a discussion of the policy which should be followed in purchasing bills for member banks. It was agreed that when the open market rate is lower than the Federal Reserve System's buying rate the desirable procedure was to buy bills at the market for member banks (or in cases where the reserve bank concerned indicated specifically that the bills were purchased for resale to member banks), but that no bills should be purchased under the bank buying rate for the portfolios of reserve banks.

Execution of Treasury Orders

A memorandum from the Secretary of the Committee showing the manner in which United States Treasury orders for Government bonds had been executed during the year 1923 by the New York bank was submitted for the information of the Committee.

Policy of Paying Gold

A discussion followed regarding our present policy of paying out gold and the representatives of all the banks, as well as the members of the Federal Reserve Board, were in complete agreement that it was desirable to continue paying out gold to an amount sufficient to maintain the gold reserves at substantially the 1923 level.

Governor Harding at this point left the meeting.

Participation In Foreign Accounts

The Chairman reported that, pursuant to action taken at the last Governors' Conference, he was now reporting monthly to those members of the Open Market Investment Committee whose banks participated in the foreign business undertaken by the New York bank for account of the System, the important developments and changes of each month. He further stated that when the Boston Federal reserve bank withdrew last year from participating in the foreign bank account the New York bank assumed the Boston bank's share. A discussion followed on this point. Whereupon, on motion, it was voted

> "That, whereas, these foreign transactions were undertaken as a matter of System policy, Boston's share should be divided among the other Federal reserve banks provided, of course, that the other banks desired to increase their participation by the small amount involved."

Japanese Situation

The Chairman presented a brief summary of our relations with the Bank of Japan and for the information of the Committee and the members of the Federal Reserve Board present, reviewed the change that had occurred in the Japanese position owing to the fall of the Yen, which was reported to have been due to the heavy exports of American foods to Japan following the earthquake and the present abolition of Japanese import duties expiring March 31, 1924.

The meeting adjourned at 4:45 p. m.

W. B. MATTESON

Secretary

333.-6-2
Final Minutes
12/3/23

MINUTES OF MEETING OF OPEN MARKET INVESTMENT COMMITTEE FOR THE FEDERAL RESERVE SYSTEM, HELD AT THE FEDERAL RESERVE BOARD, WASHINGTON, D. C., DECEMBER 3, 1923

PRESENT:

Governor Strong, Chairman
Governors Harding, Fancher, McDougal and Norris
Mr. W. B. Matteson, Secretary of the Committee

ALSO PRESENT:

Governor Crissinger, Vice Governor Platt
Dr. Miller, Messrs. Hamlin, James and Cunningham
Honorable Garrard B. Winston, Under Secretary of the Treasury
Mr. W. L. Eddy, Secretary of the Federal Reserve Board
Mr. Walter W. Stewart, Director of Research and Statistics

At the request of Governor Crissinger, Governor Strong as Chairman of the Open Market Investment Committee reviewed briefly the situation which existed prior to the organization on May 16, 1922 of the Committee of Governors on Centralized Execution of Purchases and Sales of Government Securities, and the manner in which purchases and sales of Government securities were conducted; also, the manner in which such transactions had been handled since the formation of the original committee and its successor.

Governor Strong also stated briefly the present status of open market transactions of the System and the position of the banks at this time, with reference to their investment holdings of various classes. He further stated that the Committee felt it to be expedient at the present time that the Federal reserve banks should consider a change in policy, leading possibly to the purchase (through the Open Market Investment Committee) of a suitable volume of Government securities of short maturities, such purchases to be made with due regard to money market conditions, to the position of the Treasury, and to the market for Government securities, so as to be in a position to exert an influence from time to time by the purchase and sale of such securities in the open market. It was understood that for the present such purchases should not be of such volume as to cause a net increase

Trans letter 12/12/23 filed 333.-6-2

in the System's earning assets.

An extended discussion followed, which was participated in by Governor Crissinger and other members of the Federal Reserve Board, Under Secretary of the Treasury Winston and the members of the Open Market Investment Committee.

The meeting adjourned at 1:00 p. m. for luncheon.

The members of the Open Market Investment Committee reconvened at 2:30 p. m., all the members of the Committee being present except Governor Norris. Governor Strong presented the following communication which he received from the Federal Reserve Board:

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

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

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

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

"By direction of the Federal Reserve Board.

Respectfully,

(Signed) Walter L. Eddy
Secretary"

The Chairman was directed to acknowledge the Board's letter, which was done at once. The Committee also directed the Chairman to send a letter to each reserve bank, reporting the results of the Conference and outlining the procedure to be followed, after first informing Under Secretary of the Treasury Winston of the proposed action.

It was understood that the Chairman would ask for the views of the Federal Reserve Board and participating reserve banks, as to further purchases after a total of $100,000,000 had been acquired. The Committee agreed that only early maturing obligations of the Treasury should be purchased and that the procedure heretofore followed in executing orders would continue.

It, was thereupon voted that the Committee should proceed with the purchases of Government securities along the lines set forth in the Federal Reserve Board resolution, such purchases to be made as and when conditions should permit.

The meeting thereupon adjourned.

(Signed) W. B. MATTESON

Secretary

MINUTES OF MEETING OF OPEN MARKET INVESTMENT COMMITTEE
FOR THE FEDERAL RESERVE SYSTEM, HELD AT THE FEDERAL
RESERVE BOARD, WASHINGTON, D. C., DECEMBER 3, 1923

PRESENT:

Governor Strong, Chairman
Governors Harding, Fancher, McDougal and Norris
Mr. W. B. Matteson, Secretary of the Committee

ALSO PRESENT:

Governor Crissinger, Vice Governor Platt
Dr. Miller, Messrs. Hamlin, James and Cunningham
Honorable Garrard B. Winston, Under Secretary of the Treasury
Mr. W. L. Eddy, Secretary of the Federal Reserve Board
Mr. Walter W. Stewart, Director of Research and Statistics

At the request of Governor Crissinger, Governor Strong as Chairman of the Open Market Investment Committee reviewed briefly the situation which existed prior to the organization on May 16, 1922 of the Committee of Governors on Centralized Execution of Purchases and Sales of Government Securities, and the manner in which purchases and sales of Government securities were conducted; also, the manner in which such transactions had been handled since the formation of the original committee and its successor.

Governor Strong also stated briefly the present status of open market transactions of the System and the position of the banks at this time, with reference to their investment holdings of various classes. He further stated that the Committee felt it to be expedient at the present time that the Federal reserve banks should consider a change in policy, leading possibly to the purchase (through the Open Market Investment Committee) of a suitable volume of Government securities of short maturities, such purchases to be made with due regard to money market conditions, to the position of the Treasury, and to the market for Government securities, so as to be in a position to exert an influence from time to time by the purchase and sale of such securities in the open market. It was understood that for the present such purchases should not be of such volume as to cause a net increase in the System's earning assets.

An extended discussion followed, which was participated in by Governor Crissinger and other members of the Federal Reserve Board, Under Secretary of the Treasury Winston and the members of the Open Market Investment Committee.

The meeting adjourned at 1:00 p. m. for luncheon.

The members of the Open Market Investment Committee reconvened at 2:30 p. m., all the members of the Committee being present except Governor Norris. Governor Strong presented the following communication which he received from the Federal Reserve Board:

> ""You are advised that the Federal Reserve Board at its meeting to-day considered the report of your Committee and adopted the following resolution:
>
> > 'WHEREAS, The Open Market Investment Committee of the Federal Reserve System (Governors Strong, Harding, McDougal, Fancher and Norris) has reported to the Board that it is expedient at the present time that the Federal reserve banks be given permission to assume a position toward the money market by the purchase of a suitable volume of Government securities of short-time maturities, provided such purchases can be made without disturbing the conditions of the money market or of the market for Government securities.
> >
> > 'NOW, THEREFORE, BE IT RESOLVED, That the Federal Reserve Board declares itself in favor of the purchase of a limited volume of short-term Government securities at this time, it being understood that the Board reserves the right to discontinue purchases and to require the sale of any of the securities purchased in pursuance of this resolution at any time it may deem expedient, and
> >
> > 'BE IT FURTHER RESOLVED, That copies of these resolutions be transmitted to the Chairman of the Open Market Investment Committee of the Federal Reserve System and to the Governors of all Federal reserve banks.'
>
> "By direction of the Federal Reserve Board.
>
> Respectfully,
>
> (Signed) Walter L. Eddy,
> Secretary"

The Chairman was directed to acknowledge the Board's letter, which was done at once. The Committee also directed the Chairman to send a letter to each reserve bank, reporting the results of the Conference and outling the procedure to be followed, after first informing Under Secretary of the Treasury Winston of the proposed action.

It was understood that the Chairman would ask for the views of the Federal Reserve Board and participating reserve banks, as to further purchases after a total of $100,000,000 had been acquired. The Committee agreed that only early maturing obligations of the Treasury should be purchased and that the procedure heretofore followed in executing orders would continue.

It was thereupon voted that the Committee should proceed with the purchase of Government securities along the lines set forth in the Federal Reserve Board resolution, such purchases to be made as and when conditions should permit.

The meeting thereupon adjourned.

(Signed) W. B. MATTESON

Secretary

333.-b-2
Final Minutes
11/10/23

MINUTES OF THE MEETING OF THE OPEN MARKET INVESTMENT COMMITTEE FOR THE FEDERAL RESERVE SYSTEM, HELD AT THE FEDERAL RESERVE BOARD, WASHINGTON, D. C., NOVEMBER 10, 1923.

Present:

Governor Strong, Chairman
Governors Fancher, McDougal and Norris
Mr. W. B. Matteson, Secretary of the Committee

Also present:

Dr. Adolph C. Miller of the Federal Reserve Board
Mr. George L. Harrison, Deputy Governor of the Federal Reserve Bank of New York

Governor Strong presented his report as Chairman of the committee to the joint conference - November 1923 (copy attached). See 11-12-23 The report which contained a review of the performances of the present committee and its predecessor covering the period from January 1, 1922, to the present time, was discussed at length by the members of the committee and Dr. Miller, and its contents met with the approval of all present; WHEREUPON, on motion, duly made and carried, it was voted that the report be accepted.

The report of the secretary was also presented and, on motion, was accepted.

The chairman reported that the Federal Reserve Board had advised the committee of the request of the Federal Reserve Bank of Boston to the Board for its approval of the purchase of $15,000,000 or $20,000,000 of government securities; the chairman stated that the New York bank had turned over $10,000,000 of acceptances to the Federal Reserve Bank of Boston, and no action was thought necessary with regard to the application.

The meeting thereupon adjourned until Tuesday morning, November 11 at 10 a. m. when it reconvened in Governor Crissinger's office at which all members of the committee were present, also Governor Crissinger and

Hamlin letter 11/23/23 filed 333.-b-2

Messrs. Hamlin, Platt, James and Cunningham of the Federal Reserve Board. The chairman's report was fully discussed and it was decided to report to the joint conference that the committee's report contained important suggestions regarding policy which the Board desired to study, and at the request of the latter it was decided that another meeting of the committee would be held in about a fortnight; all of which was reported to the conference by the chairman.

The meeting then adjourned.

(Signed) W. B. Matteson

Secretary.

OPEN MARKET INVESTMENT COMMITTEE
Chairman's Report
Joint Conference - November 1923

The Secretary's report of the operations of the Open Market Investment Committee has been distributed to the members of the Federal Reserve Board and of the Conference. It gives a detailed account of the proceedings of the Committee and the usual schedules of transactions, and will be submitted for comment and action by the Governors at their separate meeting.

As the Committee and its predecessor is the agency through which transactions in furtherance of the System's open market credit policy are executed, in part, a brief review of what has been done should cover the period from January 1, 1922, to the present time, as a radical change took place in the policy of nearly all of the Reserve Banks, commencing at about the first named date. It was then that, following a greatly reduced volume of discounts, many of the banks made large purchases of Government securities. These were on such a scale as to arouse objection by the Secretary of the Treasury on the grounds that an artificial market was being created - that Reserve Bank purchases and sales at times might conflict with the execution of Treasury Department orders - and with new issues being made - and that investments merely for earnings were not justified, especially if liable to cause any inflation of bank credit.

The appointment of the Committee, of which the present one is successor, promptly resulted in uniformity of operations by Reserve Banks, in all the markets; eliminated conflicts of orders between the Treasury and the banks and between the banks themselves; - and by centering the distribution of orders in the hands of the Committee, enabled it to distribute purchases and sales between Reserve Districts so as to promote an active market in many cities, rather than concentrate the market principally in New York City.

Since the summer of 1922 there has been gradual and continuous liquidation of Government securities owned by the System, the total held on October 31, 1923, being but \$92,000,000 against a maximum of \$618,000,000 on June 7, 1922.

The important results of this most significant development in the credit policy of the System, other than those already mentioned, can now possibly be summarized as follows:

At the end of the year 1921, following a period of extreme nervousness as to the solvency of many large industrial and commercial concerns, and even of large banking institutions which had made them heavy advances, there still continued to be pressure by banks to liquidate loans, and get out of debt to the Reserve System in spite of the considerable reductions in Reserve Bank discount rates which had already been made in all Districts. This pressure was widespread but especially noticeable in New York and with the type of bank loan described as "frozen". The purchases made by Reserve Banks steadily supplied new credit to the market and the surplus was at once applied to reducing discounts at the Reserve Banks, especially the larger Eastern ones. As the large member banks got out of debt, surplus funds were available for new loans, pressure upon borrowers ceased, money rates eased appreciably, nervousness shortly disappeared, and a general spirit of enterprise and hopefulness succeeded the depression of 1921.

But it must be recalled that as a general rule, the market will always borrow the minimum of credit from the bank of issue which is required to finance a given volume of business at the existing price level. No surplus of total reserve credit was, however, created by the purchases of the

Reserve Banks and no inflation of bank credit resulted because the discounts by members were reduced as the investment account increased. Banks no longer had to pay as heavy a tax, by way of discount, to the System and the desire to get out of debt was largely satisfied. As a result, whatever may have inspired the purchases by some Reserve Banks - whether for earnings (as in most cases) or otherwise - nevertheless the result was further to moderate the course of liquidation, reduce interest rates and firmly establish the foundation for economic recovery.

Throughout the latter part of 1922 and early in 1923, the impetus of the revival, spreading into all business, excepting some departments of agriculture, and affecting in marked degree building operations, wages of all the building trades, the automobile industry, and stock speculation, threatened to develop into an unhealty expansion, unwarranted price advances, and in their train bank loan inflation. The loans on the New York Stock Exchange reached the largest total ever recorded. A moderation of this movement was in part suggested to the public by the advance in discount rates by three Reserve Banks from 4% to 4½%; it was undoubtedly further assisted by the sale of Reserve Bank investments, which had been continuous throughout the period of advancing prices, and which drove our members to increase their borrowings; but probably was more than anything else due to the sensitive state of mind of the public generally, and to the frequently discussed desire among business men to avoid the events of 1919, 1920 and 1921. But little was needed to restore conservatism.

The System has still also been confronted with a problem of major importance, since January, 1922, in the large net imports of gold, the total for the period down to the latest reports available being $432,938,822. Had the earning assets of the Reserve Banks remained unchanged at the January, 1922 figure $1,471 millions this addition to our gold stock inevitably would have caused a greater expansion of bank loans and currency than has taken place - with all the disorders in prices arising therefrom. The reduction of earning assets by the Reserve Banks, partly through reduced discounts, at times, and largely by the sale of investments, has probably aided to hold in check any such development. Down to about August, 1923 this reduction in earning assets had more than offset net gold imports and net domestic production of the mines, and it is only since the usual seasonal demands of the late summer and fall have caused an increase in members' borrowings, together with additional gold imports, that this net reduction has not been maintained.

Since the new Committee was appointed about six months ago, transactions in acceptances have become one of its principal duties, and the importance of this account has increased with the gradual reduction in holdings of Government securities. Much the same comments as apply to our Government investment account, apply to this account - with the additional feature that the rates for purchases of bills have a close and important bearing upon our general discount rate. Transactions in bills conducted under the Committee's supervision are included in the Secretary's report.

The Committee is now, or shortly will be confronted with some difficulties in its bill purchases, unless there is easing of money rates, which in fact does usually arise after the first of the year. The market rate for prime bills, now about 4-1/8% - should normally be about 1% or more below the market rate for prime commercial paper. The difference in market rate represents roughly the value of the bank obligation, for which the acceptance commission is charged, plus broker's margins of profit. While that difference is maintained in the money market at the present time and usually will be, the difference between the rates at which we buy bills and our discount rate is less than 1/2%. If money rates ease, the spread between Reserve Bank discount rates and Reserve Bank buying rates will increase as the rates for bills are reduced. If, however, money rates advance, we must advance our buying rates for bills - and an increase of only 3/8% would bring the bill rate to the level of our discount rate - a wholly anomalous and rather unfortunate situation. If we did not advance our buying rate with market rates, all bills would be dumped on the Reserve Banks, causing too large an accumulation, destroying the broad market for bills which we have struggled to create and possibly defeating other purposes of policy later mentioned.

To increase discount rates, and so restore the differential, is just at this time probably not justified, and has the possibility of harm when business is hesitating and seeking an indication of the attitude of the Reserve System toward the credit situation.

On the whole the Committee's view is that we can afford to delay any considerable change in buying rates, until the New Year's developments disclose whether we shall experience some reduction im members' borrowings and lower market rates.

This will, however, leave the gold problem unsolved. If the System hopes to offset further gold imports by reducing investments, it will necessitate selling some or all of the small balance of $92 million of Government securities still held by a few of the Reserve Banks, and then reducing its holdings of bills, provided, of course, further large amounts of gold arrive. The result to the earnings of some of the banks would be such as to necessitate the transfer to them of other earning assets by those banks holding an excess over earning needs, as for example, New York. It would also make it difficult to avoid an advance in the rate for bill purchases, in case money rates do not ease. For this reason also a delay in any change of policy seems desirable.

Finally, quite another view is presented when we consider just what our policy should be in case the hesitation and uncertainty which seems to have arisen in some sections, notably New England, should threaten a real setback to business. While the country is now on the whole prosperous, labor quite fully employed, most mills busy and with a few exceptions no excess stocks of goods on hand - there are also some indications of a growth of distrust lest business is facing a slump. Steel orders are lower, production of New England cotton mills has recently been reduced, automobile tire business has slowed down, and we have had a long and rather sharp liquidation in the stock market resulting in a reduction of Stock Exchange loans, estimated at $532,000,000.

It is the view of the Committee that the Reserve System should not hesitate to resume open market purchases, thereby again reducing bank borrowings and easing money rates, rather than permit an unwarranted state of mind alone to disturb the even course of the country's production and consumption. There need be little fear of inflation from such a policy if total earning assets are not allowed to increase; nor are they likely to do so in the abs ence of speculation, increasing prices and increasing stocks of goods..

The attached schedules of figures are funished in detail so as to obviate the need of quoting them extensively in the body of this report.

Beyond the conclusions so far expressed, a study of the schedules annexed will disclose in general the growing importance to the banking system as a whole, of the policies adopted in open market transactions. The record of the past two years is convincing evidence of the need for a harmonious program. The Committee has agreed, at the request of the New York Bank, and subject to the approval of the Federal Reserve Board and of the interested Federal Reserve Banks, to supervise all foreign transactions, if such course seems to the conference as likely to promote a uniform system policy.

Respectfully submitted,

(Signed) BENJ. STRONG

Chairman.

TOTAL NET DEMAND AND TIME DEPOSITS

NEW YORK CITY CLEARING HOUSE BANKS

(In millions)

Date		Amount
1923		
January	6	4,410
	13	4,485
	20	4,391
	27	4,355
February	3	4,361
	10	4,316
	17	4,339
	24	4,351
March	3	4,361
	10	4,281
	17	4,298
	24	4,220
	31	4,266
April	7	4,218
	14	4,214
	21	4,264
	28	4,222
May	5	4,220
	12	4,231
	19	4,224
	26	4,219
June	2	4,255
	9	4,212
	16	4,248
	23	4,231
	30	4,296
July	7	4,228
	14	4,235
	21	4,190
	28	4,129
August	4,	4,138
	11	4,065
	18	4,007
	25	4,025
September	1	4,096
	8	4,073
	15	4,133
	22	4,123
	29	4,165
October	6	4,131
	13	4,119
	20	4,178
	27	4,174
November	3	4,194

TOTAL EARNING ASSETS

FEDERAL RESERVE BANK OF NEW YORK

(In millions)

Date	Discounts	Securities Owned	Acceptances Bought	Total
1922				
January 4	199	98	58	355
February 1	119	108	37	264
March 1	90	162	32	285
April 5	88	132	38	258
May 3	68	211	46	325
June 7	39	192	38	269
July 5	108	171	47	326
August 2	39	158	33	230
September 6	48	161	59	269
October 4	58	163	81	302
November 1	161	67	80	308
December 6	208	65	59	332
1923				
January 3	186	121	52	359
February 7	221	52	27	301
March 7	200	26	29	256
April 4	211	19	27	257
May 2	212	4	54	270
June 6	194	21	74	290
July 3	260	5	40	305
August 1	209	12	40	262
September 5	210	18	41	269
October 3	204	14	22	240
October 31	202	11	52	265

TOTAL EARNING ASSETS

FEDERAL RESERVE SYSTEM

(In millions)

Date		Discounts	Securities Owned*	Acceptances Bought	Total
1922					
January	4	1,113	231	127	1,471
February	1	838	305	90	1,233
March	1	708	413	96	1,216
April	5	625	463	98	1,186
May	3	509	609	107	1,226
June	7	420	618	136	1,174
July	5	499	551	155	1,204
August	2	400	497	150	1,048
September	6	405	508	188	1,102
October	4	434	483	235	1,153
November	1	588	360	261	1,209
December	6	705	312	267	1,284
1923					
January	3	628	457	255	1923 High) 1,339)
February	7	569	353	185	1,107
March	7	571	345	219	1,135
April	4	695	239	260	1,194
May	2	730	185	275	1,191
June	6	735	183	248	1,166
July	3	1923 High) 930)	95	199	1,223
August	1	806	94	183	1,083
September	5	850	99	175	1,123
October	3	882	95	173	1,150
October	31	884	92	205	1,181

* Municipal warrants included

STREET LOANS
AND
BALANCES OF OUT-OF-TOWN
CORRESPONDENTS
(000 Omitted)

	1923	Street Loans for account of Correspondents	Street Loans for own Account	Total Street Loans	Balance of Out-of-Town Correspondents	Total Street Loans for account of Correspondents and balances for account of Out-of-Town Correspondents
January	3	651,623	937,851	1,589,474	714,454	1,366,077
	10	736,791	815,280	1,552,071	760,567	1,497,358
	17	795,426	818,045	1,613,471	735,530	1,530,956
	24	792,018	763,883	1,555,901	673,109	1,465,127
	31	750,285	798,917	1,549,202	651,859	1,402,144
February	7	804,407	774,389	1,578,796	667,879	1,472,286
	14	801,228	807,873	1,609,101	662,790	1,464,018
	21	801,606	818,457	1,620,063	659,827	1,461,433
	28	792,532	864,710	1,657,242	712,477	1,505,009
March	7	811,739	813,182	1,624,921	708,966	1,520,705
	14	843,564	799,856	1,643,420	707,295	1,550,859
	21	813,445	837,699	1,651,144	682,075	1,495,520
	28	810,137	812,901	1,623,038	658,173	1,468,310
April	4	804,358	862,623	1,666,981	715,291	1,519,649
	11	841,150	776,453	1,617,603	690,167	1,531,317
	18	847,288	767,795	1,615,083	673,385	1,520,673
	25	837,487	805,785	1,643,272	640,486	1,477,973
May	2	831,029	864,538	*1,695,567	647,687	1,478,716
	9	821,490	809,624	1,631,114	611,557	1,433,047
	16	814,377	787,450	1,601,827	616,932	1,431,309
	23	767,612	784,701	1,552,313	597,726	1,365,338
	29	756,070	779,419	1,535,489	583,541	1,339,611
June	6	756,165	754,569	1,510,734	600,156	1,356,321
	13	742,084	750,120	1,492,204	595,934	1,338,018
	20	731,014	745,606	1,476,620	587,346	1,318,360
	27	681,219	758,955	1,440,174	572,858	1,254,077
July	3	615,146	768,818	1,383,964	636,682	1,251,828
	11	643,095	710,360	1,353,455	617,004	1,260,099
	18	660,136	658,830	1,318,966	606,309	1,266,445
	25	669,199	636,635	1,305,834	573,394	1,242,593
August	1	653,733	619,371	1,273,104	587,914	1,241,647
	8	684,905	557,887	1,242,792	586,174	1,271,079
	15	664,984	560,363	1,225,347	583,535	1,248,519
	22	661,937	534,020	1,195,957	563,893	1,225,830
	29	639,759	555,228	1,194,987	559,831	1,199,590
September	5	649,841	552,438	1,202,279	576,337	1,226,178
	12	654,246	563,457	1,217,703	582,419	1,236,665
	19	667,962	569,766	1,237,728	594,151	1,262,113
	26	637,821	557,856	1,195,677	575,680	1,213,501
October	3	633,671	574,667	1,208,338	621,406	1,255,077
	10	666,309	531,951	1,198,260	595,759	1,262,068
	17	653,018	535,832	1,188,850	621,507	1,274,525
	24	632,380	537,343	1,169,723	581,314	1,213,694
	31	611,156	552,506	1,163,662	594,783	1,205,939

* High for all times.

Washington, D. C., June 26, 1923.

A meeting of the Advisory Committee of the Federal Reserve Bank Governors was held at the office of the Federal Reserve Board at 10 o'clock a. m. this day.

Present:

Mr. Case, Chairman,
Messrs. Harding, Norris, Fancher, Seay and McDougal, ~~Governors~~,
Messrs. Wills and Martin, Federal Reserve Agents,
The following members of the Federal Reserve Board were present at the afternoon session:
Governor Crissinger, Honorable H. M. Dawes, Comptroller of the Currency, and the Honorables Cunningham, Miller, Hamlin and Platt.
Honorable S. P. Gilbert, Jr., Under-Secretary of the Treasury attended the meeting part of the time.
Mr. M. B. Angell also attended the meeting part of the time.

Final minutes 6/26/23

The report of the open market investment committee was received and accepted.

Governor McDougal called attention to the fact that all of the Federal reserve banks are practically out of Treasury certificates of indebtedness.

The chairman submitted a suggested letter to be sent to the governors of all Federal reserve banks concerning the distribution of bills purchased by Federal reserve banks. The letter is as follows:

> The Open Market Investment Committee for the Federal Reserve System, appointed by the last Governors' Conference, has given careful consideration to the matter of effecting an equitable distribution among all Federal reserve banks of bills purchased in the open market by the Federal Reserve System.
>
> The Committee has adopted the suggestion submitted by Mr. O'Hara of the New York bank that such distribution be made upon the basis of the reserve percentages of the several banks.
>
> Under this plan it is proposed by means of a simple method to distribute each week the aggregate of bills purchased by the Federal Reserve System among all reserve banks in such manner that the amount retained by and/or allotted to each bank will affect its reserve position to exactly the same extent as those of all other reserve banks.

no trans letter filed 333.-b-2

See Transmittal 7-20-43 filed FOMC General

As several of the banks may in the ordinary course be purchasing in their local markets an amount of bills greater than their proportion of the aggregate purchased of all banks, it is obvious that in order to make this plan effective these several banks will give off their excess to other banks whose local purchases of bills are less than their proportion of the aggregate purchases of the System.

It therefore seems necessary and desirable that the distribution be arranged through one point and it would appear logical that it should be handled by Mr. Matteson, the secretary of the committee in New York.

Once a week each bank's proportion of the aggregate purchases of the System would be figured on the basis of its reserve percentage at the close of the preceding week and distribution would be effected accordingly. Such banks as may have purchased more than their proportion would be requested to make sales from their portfolios to such other bank or banks as the secretary might indicate, subject, of course, in this respect to the convenience or any special wishes of the particular banks between which such transactions would pass.

It is recognized that at the present time most of the reserve banks are in a comfortable reserve position. If and when the time arrives that the reserve percentage of any of the banks are substantially reduced and they should consider it desirable that they cease participation for the time being, the same plan can be readily continued with the remaining banks.

The Committee proposes to put this procedure into effect commencing with the business of the week ending July 11 next.

Whereupon, after consideration and on motion of Governor Fancher, seconded by Governor McDougal, it was

VOTED to adopt for the present the plan as set out in the above stated letter.

The open market rate for purchases of bills was then discussed. Each one present made a report of the conditions in his district and it was the unanimous opinion that there should be no change in present rates for purchases of bills in the open market nor any change in discount rates.

At this point, 1 p. m., the committee adjourned for luncheon.

The committee reconvened at 2:30 o'clock p. m.

The chairman indicated to the Federal Reserve Board the view of the committee that before making the recommendation of the committee effective in the par clearance matter, the proposed amendment of Regulation J should receive the approval of the Honorable John W. Davis, counsel for the System in the par collection litigation, and that there should be sent out by the Board a uniform circular letter in the form suggested by the committee in a separate memorandum, likewise after approval by Mr. Davis. It was unanimously aggreed that the circular should be effective on August 15, 1923.

At this point Mr. M. B. Angell, associated with Mr. John W. Davis, entered the conference and the report of the committee on par clearance was submitted to him. He expressed the view that it was constructive and should be helpful and stated that he could see no objections to it from a legal standpoint but that he would submit it to Mr. Davis tomorrow and advise the Board by telephone if Mr. Davis had any other views.

Governor Crissinger called for a report from those present as to existing credit conditions in their respective districts and as to whether or not it was desirable that any change of rates be made in the open market or otherwise. Each one of the governors responded and stated that in his judgment there should be no change in either open market or discount rates at the present time.

At this point the members of the Board other than Governor Crissinger and Mr. Miller withdrew.

In response to a request for an expression of the views of the Board as to the desirability of continuing the policy of establishing relations with foreign central banks, Governor Crissinger stated that it was the view of the Board that these relations were desirable and in the public interest. Ten of the Federal reserve banks having expressed the view that these arrangements were desirable, the chairman was requested to have the Federal Reserve Bank of New York send each month to all participating banks a complete schedule of investments held for the account of foreign correspondents.

General discussion followed in regard to the desirability of the Federal reserve banks paying out more gold certificates. Mr. Case reported that New York was paying out an amount sufficient to approximate the net gold imports. Governors McDougal, Fancher and Norris stated that their respective banks were paying out but moderate amounts. Governors Harding and Seay and Mr. Martin stated that they felt the principle was wrong. No action was had thereon.

Mr. S. P. Gilbert, Jr., Under-secretary of the Treasury, then appeared before the committee and discussed the question of reimbursement of Federal reserve banks for fiscal agency expenses, stating that the Treasury was in position to deal liberally with the Federal reserve banks on sales operations but that Congress had made no provisions for assuming all fiscal agency expenses. Mr. Gilbert also stated that there were to be some changes in the Government Savings organization and that he would presently communicate with the several reserve banks asking their cooperation in effecting wider distribution of savings certificates.

The meeting adjourned at 6:15 o'clock p. m.

J. H. Case,
Chairman.

C O P Y

WASHINGTON, D. C. RECORDS & FILES SECTION
JUL 23 1943
333.-6-2

A meeting of the Advisory Committee of the Federal Reserve ~~Bank Governors~~ Bks was held at the office of the Federal Reserve Board at 11 o'clock a. m. this day.

Final Minutes 6/25/23

Present:

Messrs. Harding, Norris, Fancher, Seay and McDougal, Governors, and Mr. Case, Deputy Governor, Messrs. Wills and Martin, Federal Reserve Agents.

The following members of the Federal Reserve Board were present at the morning session: Governor Crissinger, Honorable H. M. Dawes, Comptroller of the Currency, and the Honorables Cunningham, Miller, Hamlin and James.

Mr. Case was appointed chairman and Mr. Martin acted as secretary.

The members of the Federal Reserve Board joined the meeting at this point and the situation presented by the recent decisions of the United States Supreme Court in the North Carolina and Atlanta par collection cases, was discussed at length. Governor Crissinger on behalf of the Federal Reserve Board requested the committee to formulate recommendations suggesting appropriate action to be taken in view of these decisions and to arrange for the sending out of a uniform circular letter by all the twelve Federal reserve banks.

Honorables Crissinger, Dawes, Miller, Hamlin, Cunningham and James left the meeting at this point and shortly thereafter a recess was taken for lunch.

Upon reconvening the committee carefully considered the par collection matter, and on motion duly made and seconded, the following report to the Federal Reserve Board was adopted:

> The provisions in the Federal Reserve Act which authorize the establishment of a Federal reserve collection system were designed wholly for the benefit of the banking and commercial interests of the country. The System is now in operation between banks which in number are about 92 per cent. of all banking institutions and which have more than 98 per cent. of the total banking resources of the country. It is the opinion of the Committee that the System has become a necessary instrumentality in effecting domestic exchanges of the country; that its operation, including final payments through the Gold Settlement Fund, has been of inestimable benefit and has resulted

No trans letter filed 333.-6-2
See transmittal letter 7-20-43 filed FOMC General

in enormous saving to those actively engaged in carrying on the commerce of the country; and that there are no other facilities for operating a collection system which could approximate it in economy of operation. It has eliminated a very large portion of the time formerly consumed in the collection of checks and has cut down the cost of making the country's exchanges to the minimum. The Committee therefore believes that the System even though not imposed upon the Federal reserve banks by the Act, as interpreted by the Supreme Court of the United States in its recent decision, has fully justified its operation and is of such value to the banking and commercial interests of the country that its continuance is of vital importance. Certain changes, however, in the basis of the par clearance system appear to the Committee to be advisable in view of the recent decision of the Supreme Court.

The Committee believes that participation in the par clearance system should be based upon the principle of reciprocity and that hereafter the Federal reserve banks should not receive for collection checks on any non-member bank which will not agree to remit in acceptable funds without deduction. The recent opinion of the Supreme Court makes it certain that the Federal reserve banks are not permitted by law to pay exchange. It must be clear that the more inclusive a collection system is, the more efficient it will be, and the greater will be the service it can render alike to the business and banking community. Therefore, since it is the object of the Federal reserve banks to maintain an efficient system of par collection, which must at the same time be a voluntary system as far as non-member banks are concerned, the concessions involved and the resulting benefits should be made and received by all participating banks. It is clear that those non-member banks which are unwilling to remit without deduction for checks drawn on themselves have no right to share in the advantages of the par collection system.

It is therefore recommended by the Committee (1) that the Federal Reserve Board prohibit the collection of checks drawn on non-member banks which will not voluntarily remit in acceptable funds without deduction, and (2) that the Federal Reserve Board, in the exercise of its legal authority, fix a charge that Federal reserve banks shall make for their services in collecting checks which bear the endorsement of or originate with those non-member banks which decline to remit to the Federal reserve banks without deduction, and it is suggested that such charge be made equal to that which said non-member banks make when paying or remitting for checks upon themselves.

In order to give effect to the foregoing recommendation, the Committee submits for the consideration of the Board the following amendment to Regulation J:

After Condition No. 5 of Regularion J insert two new conditions reading as follows:

(6) No Federal reserve bank shall receive on deposit or for collection any check drawn on a non-member bank which refuses to remit at par in acceptable funds.

(7) Whenever a Federal reserve bank receives on deposit or for collection a check drawn by, endorsed by or emanating from any non-member bank which refuses to remit at par, it shall charge for the service of collecting such check a collection charge equal to the exchange charged by such non-member bank for remitting for checks drawn on it.

It was the consensus of opinion that before making the recommendations of the committee effective, the proposed amendment of Regulation J should receive the approval of Honorable John W. Davis, counsel for the System in the par collection litigation, and that the Board should send out a uniform circular letter in the form suggested by the committee in a separate memorandum, likewise after approval by Mr. Davis.

The committee then took under consideration Board letter X-3750, dated June 20, 1923, on the subject of the permission granted to member banks to apply for discounts of eligible paper acquired from non-member banks. On motion duly made and seconded, it was

VOTED to recommend to the Federal Reserve Board that the permission heretofore given to member banks to act as agents or media in rediscounting for non-member banks, be immediately rescinded in toto.

A letter from Mr. Charles deB. Claibourne, dated June 20, 1923, addressed to Governor Crissinger, requesting a hearing on the par collection matter, was submitted. After consideration it was decided to recommend to the Federal Reserve Board that in the opinion of this committee it is inadvisable to comply with Mr. Claibourne's request.

The meeting adjourned at 6 o'clock p. m. to meet at 10 o'clock a. m. the next day.

J. H. Case,
Chairman.

333.-6-2
5/23/23

MINUTES OF THE MEETING OF THE OPEN MARKET INVESTMENT COMMITTEE FOR THE FEDERAL RESERVE SYSTEM, HELD AT THE FEDERAL RESERVE BOARD, WASHINGTON, D. C., MAY 23, 1923

Final Minutes
5/23/23

PRESENT:

Messrs. Harding, Case, Fancher and McDougal
Mr. W. B. Matteson, Secretary of the Committee

There were also present by invitation:
Vice Governor Platt of the Federal Reserve Board
Mr. J. F. Herson of the Federal Reserve Board
Mr. B. A. McKinney, Governor of the Federal Reserve Bank of Dallas

The Chairman stated that an informal discussion had taken place at the Federal Reserve Bank of New York on May 22, 1923, (all the members of the Committee except Governor Harding being present) at which time the Secretary's report of the activities of the Committee, since its organization on April 1, 1923, were reviewed. The Chairman also stated that at the informal meeting there had been some talk of the current credit situation, the present investment holdings of the Federal reserve banks and of open market policy.

An extended discussion on these subjects followed. In the course of the discussion it was brought out that the understanding arrived at at the last meeting of the Committee on April 13, 1923, with respect to confining bill purchases at the minimum rate (4%) to short bills only, had not been fully carried out some longer bills having since been purchased by the New York bank at the minimum rate. The Chairman stated that at present New York was not making purchases at 4% for a longer maturity than 30 days and that it was the intention of the officers to gradually cut this down until only 15 day bills are bought at the minimum rate.

As a result of the discussion, and the general feeling that an ease in money had recently occurred due partly to a lessened demand for security loans and partly to an increase in the imports of gold, it was felt that the present was an opportune time to dispose of some of the open market investments of the System. The following resolution was thereupon offered by Governor Fancher, seconded by Governor McDougal and unanimously adopted:

Transmitted letter 5/31/23 filed 333.-6-2

"WHEREAS, a review of current credit conditions clearly indicates that we are passing through a period of temporary ease in the money market;

WHEREAS, the representative of the New York bank reports that there has recently been a substantial reduction in the stock exchange loan account;

WHEREAS, it develops that there is now and has recently been a considerable amount of foreign gold imported into this country;

WHEREAS, the belief exists that there may be substantial demands for additional credit this autumn accompanied by possible gold exports;

WHEREAS, the System as a whole now has a surplus of such Open Market Investments;

THEREFORE BE IT RESOLVED, that the present offers a favorable opportunity for the Federal reserve banks to dispose of an additional amount of their Government security holdings and the Chairman is hereby authorized and directed to undertake to arrange with the twelve Federal reserve banks for the sale of $50,000,000 of such securities on a pro rata basis at as early a date as is practicable."

A further discussion followed with regard to economic conditions generally and Mr. Platt suggested that the present was in his opinion an opportune time for the Federal reserve banks to pay out gold notes in cases where such action is practicable.

The Chairman called attention to the minutes of the first meeting of the Open Market Investment Committee held in Philadelphia last month which provide that the Committee should make an equitable distribution among all twelve banks of bills purchased by the Federal Reserve System and in this connection presented a memorandum from Mr. O'Hara recommending that participation should be made upon the basis of the ratios of the reserve percentages of the different banks. It was understood without formal action that this course would be followed.

The meeting thereupon adjourned.

W. B. Matteson

SECRETARY

First meet

April 13, 1923. 333.-b-2
Final minutes
4/13/23

The first meeting of the Open Market Investment Committee for the Federal Reserve System was held at the office of the Federal Reserve Bank of Philadelphia on Friday, April 13, 1923, at 10:00 o'clock A. M.

There were present:

Mr. W. P. G. Harding, Governor of the Federal Reserve Bank of Boston,
Mr. J. H. Case, Deputy " " " " " " " New York,
Mr. George W. Norris, " " " " " " " Philadelphia,
Mr. E. R. Fancher, " " " " " " " Cleveland,
Mr. J. B. McDougal, " " " " " " " Chicago.

Mr. Edmund Platt, Acting Governor of the Federal Reserve Board, was also in attendance and called the meeting to order.

Mr. Case was chosen Chairman of the meeting.

Mr. W. A. Dyer of the Federal Reserve Bank of Philadelphia acted as Secretary.

Consideration was then given to the matter of a permanent chairman of the Committee and it was voted that the Governor of the New York Federal Reserve Bank, or, in his absence the Acting Governor, should serve in that capacity.

It was voted that Mr. W. B. Matteson of the New York bank should serve as Secretary of the Committee, it being understood that in that capacity he will continue to keep all Federal reserve banks fully advised of all the open market operations of the entire System in the same manner as has been done by him as Secretary of the Committee of Governors on Centralized Execution of Purchases and Sales of Government Securities by Federal reserve banks.

The Chairman, referring to the Federal Reserve Board's letter (X3689) dated April 7, 1923, on the subject "Policy Governing Open Market Purchases by Federal Reserve Banks and the Administration Thereof," stated that this program had also been approved at the recent joint conference of the Governors of the Federal reserve banks with the Federal Reserve Board and pointed out that, under this program, it was "the duty of this Committee to devise and recommend plans for the purchase, sale and distribution of the open market purchases of

X gu

Trans letter 4/19/23 file 333.-b-2

the Federal reserve banks in accordance with the above principles and such regulations as may from time to time be laid down by the Federal Reserve Board."

After careful consideration and a full discussion of all the different phases of open market operations by Federal reserve banks, the following program was unanimously agreed upon. It was directed that copies of the program (SEE EXHIBIT "A" ATTACHED) be sent to the Governor of the Federal Reserve Board and to all Federal reserve banks.

Following a discussion of the rates now obtaining in the open market, it was voted to suggest to all Federal reserve banks that a minimum buying rate of 4% on bills should be established at this time. It was further suggested that in order to bring about a gradual distribution of Federal reserve bank holdings of bills in the open market, without disturbance to the market, it would be helpful if all Federal reserve banks, in making future purchases, arrange that the volume of bills purchased be somewhat smaller than current maturities.

Careful consideration was given to the Treasury Department's desire to liquidate gradually the Federal reserve bank holdings of Government securities and in this regard it was unanimously agreed that the members of the Committee would recommend to the Directors of their own banks that if and when the Treasury wishes to take up the 36 million, or thereabouts, of September certificates of indebtedness now held by the Federal reserve banks that they be offered to the Treasury at par and interest. It was understood that this suggestion would also be conveyed to the other Governors.

A discussion followed as to what constitutes the "going" rate for money and it was unanimously agreed by the Committee that the average rate charged by member banks in financial centers for customers' loans together with the current rate at which commercial paper is selling in the open market is the actual "going" rate for money, and that at the present time such rate is 5 1/4% to 5 1/2%. In this connection it was observed that rates in the rural districts do not fluctuate with changes occurring in the open market, or with changes in Federal reserve bank discount rates, but that these rates are quite uniform at 6% or higher.

A memorandum prepared by Mr. Kenzel (EXHIBIT "B" ATTACHED) explaining the customs of central banks of issue was read and directed to be sent to all Federal reserve banks.

There being no further business the meeting adjourned at 4:45 p. m.

W. A. DYER

Secretary of the Meeting.

(EXHIBIT "A")

POLICY GOVERNING OPEN MARKET PURCHASES BY FEDERAL RESERVE BANKS AND THE ADMINISTRATION THEREOF AS APPROVED BY THE OPEN MARKET INVESTMENT COMMITTEE, APRIL 13, 1923

At the recent conference between the Federal Reserve Board and the Governors of the Federal reserve banks, the following principles with respect to open market investment operations of the Federal reserve banks were agreed upon:

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

The foregoing memorandum with respect to Open Market Operations of the Federal reserve banks was referred by the Conference to the Open Market Investment Committee and the Committee submits the following as a basis for the carrying out of the policies agreed upon.

1. The Committee believes it important that the twelve Federal reserve banks should be in agreement on the subject of a System policy and in this connection calls attention to the minute adopted by the Governors' Conference in October 1922, to wit:

"That for the present the credit policy of the Federal Reserve System should aim to furnish credit and currency to member banks for their seasonal and emergency requirements, but such policy, as well as open market operations, should be administered in each district in such manner as to assist the system in discharging, as far as it may be able, its national responsibility to prevent credit expansion from developing into credit inflation."

The view therein expressed is sound and, supplemented by the policy outlined at the recent Conference, presents a safe and sane program for Federal reserve banks to follow. Resolution of JR Bay

A policy as drastic as that of the Bank of England, for instance, which always aims to make the market pay a penalty rate upon recourse to the bank, is not always suited to the American bill market, and if applied might have an adverse effect upon the establishment of dollar credit and dollar bills in overseas trade and world markets, and it seems reasonably certain that the sterling credit would quickly drive the dollar credit from those markets. It is probable therefore that we must continue for some time a somewhat paternalistic attitude toward the market for dollar bills in this country.

Therefore, it may be assumed with respect to rate policy as applied in open market purchases of bankers' bills and prime trade paper, bearing suitable banking endorsement, that the rates made effective from time to time should be established with regard to the general credit situation, the state of the open market, and the rates therein obtaining, but with a <u>primary</u> regard for the accommodation of commerce and business. The secondary regard must be for the effect of reserve banks' open market rate on the development of dollar acceptance credit in domestic and foreign markets and dollar exchange in world markets.

The Open Market Investment Committee for the Federal Reserve System is charged with the duty of devising and recommending plans "for the purchase, sale and distribution of the open market purchases of the Federal reserve banks" in accordance with the principles outlined therein. The reference to <u>sales</u> is intended to relate to sales which may be made from time to time by and between

Federal reserve banks, of bankers' and trade bills, but that with respect to Government securities it is intended to refer also to resale of them to the market or elsewhere upon occasion.

The reference to purchase is understood to relate to the collective or individual purchase by reserve banks of both bills and securities and the distribution referred to is understood as intended likewise to apply to both bills and securities.

In respect to the System's attitude toward open market operations in bills, it has been recognized repeatedly at conferences of Governors that the stabilization and support of the bill market at rates closely related to the rates established by the market itself is a responsibility of the System and not of individual Federal reserve banks, and it is to be hoped that the operations carried on under the auspices of the new Committee will provide for a more uniform practice in that regard.

When occasion requires that support be rendered to the bill market, it may be impracticable for every bank under all circumstances to be a continuous participator in the purchase of bills, and therefore a way must be devised that will permit some of the banks to participate regularly in purchases when their loanable funds are not seasonably employed in serving the requirements of their member banks, but will relieve them from such participation when their local demands are heavy; at such times their proportionate participation should be assumed by the other banks and appropriate adjustments made. It is suggested that to accomplish this ratios of participation in general purchases in the principal markets be worked out so as to make an equitable distribution among all twelve banks at times when the reserves of all permit, and that appropriate ratios be worked out that would be applicable to the purchases at such times as there are a smaller number of participants. The base for these ratios is a matter for consideration and mutual agreement. Inasmuch as the development of local markets by the regional bank is incumbent upon each bank, its local purchases should not be discontinued but should operate to reduce its allotment from the general purchases made elsewhere, and it is suggested that this might be accomplished by each bank regularly advising the Committee of its local purchases, as has recently been the practice in transactions in Government securities.

With respect to the shorter Government issues which freely circulate in the discount market, the position may be somewhat different. They are in essence short-term investment securities which, in the case of tax certificates and notes, are equally self-liquidating. Their market value perhaps fluctuates more in accordance with the price of money and when their yield, plus tax exemption, is considered, it is found that their relative yield more closely approximates the price of time money than call money. Therefore the rates at which such issues should be bought for investment by Federal reserve banks should reflect (1) the general credit situation, (2) the present and prospective price for money and (3) their current status in the market. The rate at which temporary advances should be made to dealers on such securities should be more closely related to their yield and money rates than would be the case in advances on bills.

The effect of collective purchases and sales of securities by the reserve banks is of great importance in its bearing on the general credit situation. It should be remembered that the injection of reserve bank funds into the money market acts as a stimulant to it and the resale of such securities has the reverse effect.

Advances to dealers under sales contracts, of course, are not allocated but the volume of such advances held at each regional bank may well be taken into consideration in effecting the equitable distribution of all bills purchased and reported in the same way as local purchases. Adjustments in the allotment of general purchases can then be made just as if they had been locally purchased outright. It is believed that when ratios are once established the adjustments will be neither difficult nor cumbersome. End quote,

(EXHIBIT "B")

MEMORANDUM ON OPEN MARKET PURCHASES

The joint action taken by the Board and Governors recognizes and conforms to the well understood principles of central banking in England and France (as well as Germany prior to the war) and lays particular emphasis on exercising a primary regard for the accommodation of commerce and business as indicated in the Federal Reserve Act.

The ends desired of central bank operations are principally to relieve untimely stringencies, to prevent undue expansion and, within limits, to protect the gold reserves. All of these functions are delicately interrelated and the desired ends are achieved chiefly through the application of rates. Every European Central bank has two rates, one the published discount rate, which is the minimum rate applicable to the rediscount of short-time standardized commercial paper bearing at least three names, one or more of which are banking names. The corresponding paper in this country is known as bankers' and trade acceptances. Their other rate which, in most countries is not published but is quite well understood, is the loan rate applicable to advances against collateral security, including Government and miscellaneous securities. The minimum loan rate is ordinarily 1% higher than the published discount rate and the private bank rate for advances to customers corresponds ordinarily to the loan rate of the central bank, advancing and falling with that rate which changes automatically with the discount rate.

In open market operations, European Central banks ordinarily restrict their rediscounts to shorter periods than the relative maximum time for which they make loans. Thus, in the Bank of England they will loan up to 95 days but do not ordinarily rediscount bills having a maturity in excess of 63 days, but, of course, they reserve entire liberty of action. They do not now lend call money although formerly they did make call loans on miscellaneous securities, (strong objection developed to this competition with private banks and the practice was abandoned). They now require that money advanced to the market shall be taken for definite periods, not less than seven days.

In the present state of development of our bill market this would hardly work, as money conditions and practices of banks here would not permit dealers to carry extensive portfolios and to serve successfully the demand of buyers. It would be impracticable for them to have their small portfolios immobilized in seven day loans.

The analogy between the relative rates of the central banks of Europe and the rates at Federal reserve banks lies in the distinction between the open market rates at reserve banks and their rediscount rates, the former applying to the same class of paper to which the discount rates of central banks apply and the rediscount rate applying more closely to the same classes of paper to which the European loan rates apply, i.e., secured and unsecured loans made by member banks to their customers and to one name commercial paper bought by member banks and to the member bank's own note secured by such paper or by Government securities. They are all loans, the chief distinction being that the loans at the central banks of Europe are all secured by collateral of one sort or another, ranging from bills of exchange to capital investments of the borrower, including real estate, plant and miscellaneous securities.