Form F. R. 567

END SHEET

KIND OF MATERIAL OR NUMBER 333.--c-2

NAME OR SUBJECT Open Market Policy Conference Meetings
Open Market Operations

DATES (Inclusive) 1931

PART NUMBER Part 2

Circulate

For CIRCULATION:
Mr. Hamlin
Mr. James
Mr. Magee
Mr. Miller
Mr. Pole
Mr. Harrison
Mr. Morrill
Mr. McClelland
Mr. Wyatt
Mr.
Mr.

Please note - initial
and return to GOVERNOR.

FEDERAL RESERVE BANK
OF NEW YORK

January 5, 1932.

333.-C-2

Dear Governor Meyer:

No suggestions have been received for changes in the tentative minutes of the November 30 meeting of the Open Market Policy Conference mailed you with our letter of December 10. These minutes may, therefore, be considered as final. See 11/30/31 filed 333.-C-27

Very truly yours,

W. Randolph Burgess

W. Randolph Burgess,
Deputy Governor.

Honorable Eugene Meyer,
Governor, Federal Reserve Board,
Washington, D. C.

RECEIVED
JAN 6 1932
OFFICE OF
THE GOVERNOR

333.-C-2

December 18, 1931.

Mr. W. Randolph Burgess,
Federal Reserve Bank,
New York, N. Y.

Dear Doctor Burgess:

This is the first opportunity I have had to acknowledge receipt of your letter of December 10 transmitting a preliminary draft of the minutes of the meeting of the Open Market Policy Conference held in Washington on November 30.

See 11/30/31 filed 333.-C-2 Final minutes

I have read the draft and have no suggestions to make with respect thereto.

Very truly yours,

(Signed) Eugene Meyer

Governor

FILE COPY

333.-C-2

December 18, 1931.

Hon. George L. Harrison,
Federal Reserve Bank,
New York, N. Y.

Dear Governor Harrison:

I have not had an opportunity until now to thank you for your letter of December 9 with which you enclosed a copy of the minutes of the meeting of the Open Market Policy Conference held in Washington on November 30.

See 11/30/31 filed 333.-C-2 Final Minutes

Dr. Burgess also sent me a copy of the minutes, and I am advising him that I have no suggestions to make with respect to them.

Very truly yours,

(Signed) Eugene Meyer

Governor

FILE COPY

FEDERAL RESERVE BANK

OF NEW YORK

333.-C-2

December 10, 1931.

Dear Governor Meyer:

I am enclosing herewith for your information a preliminary draft 11-30-31 see 333.-C-2 Final Minutes of the minutes of the meeting of the Open Market Policy Conference held in Washington on November 30. If you have any suggestions as to desirable changes I hope you will please be good enough to let me know.

Very truly yours,

W Randolph Burgess

W. Randolph Burgess
Deputy Governor

Hon. Eugene Meyer,
Governor, Federal Reserve Board,
Washington, D. C.

WRB.H
encl.

see letter 1/5/32
see ans 12/18/31

333.-C-2

FEDERAL RESERVE BANK

OF NEW YORK

December 9, 1931.

Dear Governor Meyer:

For your information I am enclosing a copy of the minutes 11-30-31 filed 333.-C-2 Final minutes of the meeting of the open market policy conference held in Washington on November 30. These minutes are today being distributed to the members of the conference and should, I believe, be regarded as tentative pending an opportunity to the members of the conference to suggest any corrections.

Very truly yours,

George L. Harrison

George L. Harrison,
Governor.

Hon. Eugene Meyer,
Governor, Federal Reserve Board,
Washington, D. C.

Enc.

RECEIVED
DEC 10 1931
OFFICE OF
THE GOVERNOR

All ans 12/18/31

333.-C-2

FEDERAL RESERVE BANK
OF NEW YORK

December 9, 1931.

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Hon. Eugene Meyer,
Governor, Federal Reserve Board,
Washington, D. C.

Enc.

RECEIVED
DEC 10 1931
OFFICE OF
THE GOVERNOR

All ans 12/18/31

333-C-2

CONFIDENTIAL

REPORT OF OPEN MARKET OPERATIONS TO THE MEETING OF THE OPEN MARKET POLICY CONFERENCE HELD IN WASHINGTON ON NOVEMBER 30, 1931

The total of the government securities held in the System Account is the same as at the time of the meeting of the Executive Committee of the Open Market Policy Conference held in the Federal Reserve Bank of New York on October 26, 1931, full reports of which were sent to all governors. Changes in maturities since October 26 consisted partly of the replacement of $44,213,000 Treasury bills, which matured from November 2 to November 23 inclusive, for a like amount of Treasury bills maturing in January and February, and exchanges effected advantageously in the market of $18,830,000 - December 15 and $3,750,000 - March 15 maturities for a like amount of Treasury bills maturing in January and February. The following is a statement of the holdings in the Account on October 21 and November 25, 1931:

		October 21	November 25
U. S. Treasury Bills	Nov. 2, 1931	$ 9,670,000	$ 0
" " " "	" 9, 1931	7,225,000	0
" " " "	" 16, 1931	8,111,000	0
" " " "	" 23, 1931	19,207,000	0
" " " "	" 30, 1931	15,425,000	15,425,000
" " " "	Dec. 30, 1931	12,652,000	12,652,000
" " " "	Jan. 13, 1932	2,000,000	2,000,000
" " " "	" 25, 1932	0	18,000,000
" " " "	Feb. 8, 1932	0	22,725,000
" " " "	" 15, 1932	0	7,111,000
" " " "	" 24, 1932	0	18,957,000
1 7/8% Cert. of Ind.	Dec. 15, 1931	68,574,500	50,744,500
3 1/2% Treasury Notes called	" 15, 1931	1,807,250	807,250
2 % Cert. of Ind.	Mar. 15, 1932	115,481,500	111,731,500
1 1/8% " " "	Sept.15, 1932	53,500,000	53,500,000
4 1/4% 4th L/L Bds. 1933-38		115,039,750	115,039,750
3 1/2% 1st " " 1932-47		80,025,000	80,025,000
4 1/4% 1st " " 1932-47		15,750,000	15,750,000
Totals		$524,468,000	$524,468,000

Changes in Participations in Government Securities Held in System Special Investment Account

Since the October 26 meeting the following changes took place in the participations in government securities in the System Account:

Oct. 27, 1931 - Atlanta was temporarily relieved of $5,000,000 of its participation.

Nov. 4, 1931 - Minneapolis repurchased $3,000,000 participation of which it was relieved on October 16.

Nov. 13, 1931 - Dallas repurchased $2,500,000 participation of which it was temporarily relieved on July 15.

Nov. 19, 1931 - Dallas repurchased $2,500,000 of $5,000,000 participation of which it was temporarily relieved on August 26.

Nov. 27, 1931 - Dallas repurchased balance of $2,500,000 participation of which it was temporarily relieved on August 26.

At the present time the amounts of participations of which several of the banks have been temporarily relieved, and the amounts of such participations that other banks are temporarily carrying are as follows:

	Amount of participation of which banks were temporarily relieved		Amount of participation temporarily carried by banks
Dallas	$ 8,000,000	Boston	$ 3,867,000
Kansas City	20,000,000	New York	20,440,500
Richmond	3,000,000	Philadelphia	3,236,500
Atlanta	5,000,000	Cleveland	1,148,500
		Chicago	4,526,500
		St. Louis	502,500
		San Francisco	2,278,500
Totals	$36,000,000		$36,000,000

Changes in Participations in System Purchases of Bankers Acceptances

At the time of the last meeting the following banks were not participating in the System's bill purchases:

Philadelphia	Richmond
St. Louis	Kansas City
Minneapolis	Dallas

On October 29, Cleveland also temporarily discontinued its participation in System bill purchases and during the past week St. Louis, Minneapolis and Kansas City resumed their participations, leaving four banks not participating at present, namely,

Philadelphia	Richmond
Cleveland	Dallas

On November 4, the Federal Reserve Bank of Kansas City, at its request, was relieved of $2,419,000 of its bill holdings. These bills were taken over by the Federal Reserve Bank of New York.

ALLOTMENT RATIOS

In accordance with the plan that has been in effect during the past few years, System purchases during the first half of the current calendar year have been made according to percentages based on the ratio that each bank's expenses, dividends and charge-offs for the previous year bore to the total of such items for the System with adjustments in the percentages being made each month based on the actual and estimated figures available at the end of each month during the last half of the year. The following statement shows the percentage ratios that were in effect during the first six months of the current year and the subsequent adjustments that have been made in these percentages based on the figures received at the end of each month since June 30, 1931. (In allotting System purchases, however, these percentages were adjusted to provide for the distribution of the non-participating banks' share.)

	Ratios effective first 6 mos.	Ratios effective July 15	Ratios effective Aug. 15	Ratios effective Sept. 15	Ratios effective Oct. 15	Ratios effective Nov. 12
Boston	7 1/4%	7 1/4%	7 1/4%	7 1/4%	7 1/4%	7 1/4%
New York	25 1/4%	27 %	26 3/4%	26 3/4%	26 3/4%	26 1/2%
Philadelphia	7 1/2%	8 %	8 1/4%	8 %	8 %	8 %
Cleveland	9 3/4%	10 %	10 %	9 3/4%	10 %	10 %
Richmond	5 1/4%	5 1/4%	5 1/4%	5 1/4%	5 1/4%	5 1/4%
Atlanta	5 %	4 1/2%	4 1/2%	4 1/2%	4 1/4%	4 1/4%
Chicago	13 %	13 1/2%	13 1/2%	13 1/2%	13 1/2%	13 1/4%
St. Louis	5 1/4%	4 1/2%	4 1/2%	4 3/4%	4 3/4%	5 1/4%
Minneapolis	3 1/4%	3 %	3 %	3 1/4%	3 %	3 %
Kansas City	5 1/2%	5 1/2%	5 1/2%	5 1/2%	5 1/2%	5 1/2%
Dallas	4 %	3 1/4%	3 1/4%	3 1/4%	3 1/4%	3 1/4%
San Francisco	9 %	8 1/4%	8 1/4%	8 1/4%	8 1/2%	8 1/2%
Totals	100 %	100 %	100 %	100 %	100 %	100 %

NET PROFIT REALIZED ON SALES OF GOVERNMENT SECURITIES IN SYSTEM ACCOUNT AND HELD IN SUSPENSE ACCOUNT BY FEDERAL RESERVE BANK OF NEW YORK

Under the plan adopted at the Governors' Conference held in December, 1929, the net profits realized on sales of government securities sold from holdings in the System Account during the current calendar year are held in a Suspense Account by the Federal Reserve Bank of New York until the close of the year. Attached Exhibit "D" shows the amount of such profits held in Suspense Account at the close of business November 25, 1931, and the amount of paper loss on the present holdings in the Account as represented by the differnce between the book values of the securities held and the market bid prices for such securities on November 25. Under the present plan, it would seem desirable, in view of the probable loss which will be reflected in the book values of the securities held in the Account on December 31, to retain in the Suspense Account during the coming year the amount of net profit realized on sales during the current year, so as to offset as far as possible any losses that might be taken on securities sold from the Account during the coming year. When the present plan was adopted in 1929 it was suggested that the taking of profits might be postponed in any year when the security holdings might show a considerable depreciation at the year end.

It does not seem necessary to make any further provision for depreciation in view of the relatively short maturities in the Account and the provision which is made for rapid amortization of premiums.

Attached are statements showing:

Exhibit "A" - Outright holdings of government securities by individual Federal reserve banks and their participation in government security holdings in the System Special Investment Account as of Nov. 25, 1931, and ratio of each bank's total holdings to the total for the System.

Exhibit "B" - Earning asset holdings of all Federal reserve banks Nov. 18, 1931, as compared with previous week and Nov. 19, 1930; also weekly average of earning assets from Jan. 2 to Nov. 18, 1931, as compared with corresponding period 1930 and entire year 1930.

Exhibit "C" - Bills purchased outright by System by weeks from Jan. 2 to Nov. 18, 1931.

Exhibit "D" - Amount of net profit realized on sales of United States Government securities in System Account during period Jan. 2 to Nov. 25, 1931, and held in Suspense Account by the Federal Reserve Bank of New York and each bank's pro rata share, also amount of loss as represented by the difference between the book values and market bid prices on Nov. 25 of the government securities in the System Account and each bank's pro rata share.

Exhibit "E" - Amount of each Federal reserve bank's earnings, expenses and dividends for the year 1931, the first ten months' figures actual and last two months estimated (including estimated charge-offs).

Exhibit "A"

OUTRIGHT HOLDINGS OF GOVERNMENT SECURITIES BY INDIVIDUAL FEDERAL RESERVE BANKS AND THEIR PARTICIPATION IN GOVERNMENT SECURITY HOLDINGS IN THE SYSTEM SPECIAL INVESTMENT ACCOUNT AS OF CLOSE OF BUSINESS NOVEMBER 25, 1931
(000 Omitted)

	Outright Holdings	Participation in System Account	Total	Ratio of each bank's total holdings to System total
Boston	$ 689	$ 56,387	$ 57,076	7 3/4%
New York	124,797	113,891	238,688	33 %
Philadelphia	10,005	47,799	57,804	8 %
Cleveland	10,000	62,951	72,951	10 %
Richmond	0	27,406	27,406	3 3/4%
Atlanta	2,560	14,646	17,206	2 3/4%
Chicago	21,598	78,382	99,980	13 3/4%
St. Louis	4,000	26,967	30,967	4 1/4%
Minneapolis	7,532	20,273	27,805	3 3/4%
Kansas City	84	18,875	18,959	2 1/2%
Dallas	9,999	12,132	22,131	3 %
San Francisco	9,625	44,759	54,384	7 1/2%
Totals	$200,889	$524,468	$725,357	100 %

Exhibit "B"

STATEMENT SHOWING EARNING ASSET HOLDINGS OF ALL FEDERAL RESERVE BANKS NOVEMBER 18, 1931 COMPARED WITH PREVIOUS WEEK AND NOVEMBER 19, 1930; ALSO WEEKLY AVERAGE OF EARNING ASSETS JANUARY 2, 1931 TO NOVEMBER 18, 1931, INCLUSIVE, COMPARED WITH CORRESPONDING PERIOD 1930 AND ENTIRE YEAR 1930

(000 Omitted)

		Boston	New York	Phila.	Cleveland	Richmond	Atlanta	Chicago	St. Louis	Minn.	Kan. City	Dallas	San Fran.	Totals
Bills Discounted	- Nov. 11	$ 21,209	$116,201	$106,662	$102,230	$ 39,078	$ 50,671	$ 69,385	$ 24,587	$ 6,145	$ 35,012	$24,335	$ 88,249	$ 683,764
" "	- " 18	25,762	109,523	107,896	94,824	39,632	51,328	60,641	25,471	8,169	32,096	21,582	85,117	662,041
Net Change		4,553+	6,678-	1,234+	7,406-	554+	657+	8,744-	884+	2,024+	2,916-	2,753-	3,132-	21,723-
Bills Purchased	- Nov. 11	63,740	163,767	8,290	42,363	16,149	35,484	96,317	26,387	22,127	36,077	18,410	67,641	596,752
" "	- " 18	58,470	144,595	6,914	36,647	16,150	29,797	90,044	24,304	17,244	34,376	17,521	57,955	534,017
Net Change		5,270-	19,172-	1,376-	5,716-	1+	5,687-	6,273-	2,083-	4,883-	1,701-	889-	9,686-	62,735-
Government Securities	- Nov. 11	57,565	241,989	58,337	73,233	27,406	17,306	100,864	31,211	27,983	19,515	17,130	54,924	727,463
" "	- " 18	57,347	241,226	58,111	72,951	27,406	17,187	100,483	31,084	27,984	18,959	19,630	54,691	727,059
Net Change		218-	763-	226-	282-	-0-	119-	381-	127-	1+	556-	2,500+	233-	404-
Total Earning Assets	- Nov. 11	144,484	537,137	181,089	217,826	83,333	104,061	268,651	82,815	56,909	90,604	59,875	212,794	2,039,578
" " "	- " 18	143,489	511,034	180,746	204,422	83,888	98,912	254,253	81,489	54,076	85,431	58,733	199,673	1,956,146
Net Change		995-	26,103-	343-	13,404-	555+	5,149-	14,398-	1,326-	2,833-	5,173-	1,142-	13,121-	83,432-
Comparison of Weekly Average of Earning Assets														
Jan. 2 to Nov. 18, 1931		82,466	321,203	91,613	118,306	52,671	49,370	146,621	48,154	38,326	58,295	45,694	101,631	1,154,350
Same period 1930		72,686	313,984	82,360	95,970	43,351	50,004	126,241	47,182	34,251	39,634	45,186	69,271	1,020,120
Entire year 1930		74,002	323,075	82,371	98,736	44,795	49,995	127,693	46,611	34,591	41,405	45,066	72,522	1,040,862
Net Change from same period 1930		9,780+	7,219+	9,253+	22,336+	9,320+	634-	20,380+	972+	4,075+	18,661+	508+	32,360+	134,230+
" " " entire year 1930		8,464+	1,872-	9,242+	19,570+	7,876+	625-	18,928+	1,543+	3,735+	16,890+	628+	29,109+	113,488+
Comparison of Earning Assets														
November 18, 1931		143,489	511,034	180,746	204,422	83,858	98,912	254,253	81,489	54,076	85,431	58,733	199,673	1,956,146
" 19, 1930		77,718	267,137	75,849	105,930	49,673	45,583	120,487	37,304	35,173	51,386	44,297	74,843	985,380
Net Change		65,771+	243,897+	104,897+	98,492+	34,215+	53,329+	133,766+	44,185+	18,903+	34,045+	14,436+	124,830+	970,766+

SUMMARY FOR SYSTEM

Bills Discounted for week	$ 21,723-
Bills Purchased for week	62,735-
Government Securities for week	404-
Total Earning Assets for week	83,432-
Comparison of Weekly Average of Earning Assets Jan. 2 to Nov. 18, 1931 with same period 1930	134,230+
Comparison of Weekly Average of Earning Assets Jan. 2 to Nov. 18, 1931 with entire year 1930	113,488+
Comparison of Earning Assets Nov. 18, 1931 with Nov. 19, 1930	970,766+

EXHIBIT "C"

BILLS PURCHASED OUTRIGHT BY SYSTEM BY WEEKS
FROM JANUARY 2 TO NOVEMBER 18, 1931, INCLUSIVE
(000 Omitted)

Weeks Ending -1931-		Boston	New York Banks	New York Dealers	New York Total	Phila.	Cleveland	Richmond	Atlanta	Chicago	Minn.	Dallas	San Fran.	Totals	Increase or Decrease in Holdings Including Sales Contracts: New York Operations	Increase or Decrease in Holdings Including Sales Contracts: System Operations	Dealers Operations With Other Districts: Received	Dealers Operations With Other Districts: Sent
Jan.	7	$ 362	$ 35,498	$ 6,280	$ 41,778	-0-	-0-	$ 248	$ 22	$ 24	-0-	-0-	$ 438	$ 42,872	$ 84,707-	$ 98,388-	$ 4,588	$ 1,724
	14	407	406	322	728	-0-	-0-	21	580	126	-0-	93	280	2,235	64,071-	69,276-	5,128	999
	21	-0-	2,351	718	3,069	-0-	-0-	-0-	83	-0-	-0-	1	79	3,232	40,316-	44,555-	3,675	3,767
	28	157	593	-0-	593	-0-	-0-	-0-	75	-0-	-0-	31	36	892	24,763-	31,384-	7,419	6,679
Feb.	4	-0-	2,994	264	3,258	-0-	-0-	290	37	120	-0-	16	-0-	3,721	11,303-	15,966-	2,096	4,272
	11	-0-	2,894	-0-	2,894	-0-	-0-	60	80	28	-0-	7	12	3,081	6,568-	16,536-	2,501	1,323
	18	-0-	20,904	-0-	20,904	-0-	-0-	-0-	357	-0-	-0-	1	-0-	21,262	8,352+	6,256+	1,676	6,360
	25	90	14,499	-0-	14,499	-0-	-0-	-0-	-0-	50	-0-	40	2,578	17,257	13,984+	12,322+	3,631	2,803
March	4	50	16,966	105	17,071	-0-	-0-	-0-	-0-	-0-	460	141	1,775	19,497	6,865-	5,762-	825	2,215
	11	-0-	47,222	3,218	50,440	-0-	-0-	-0-	-0-	2,434	-0-	7	2,448	55,329	46,867+	50,847+	4,201	5,371
	18	-0-	12,105	1,188	13,293	-0-	-0-	-0-	-0-	-0-	-0-	-0-	1,653	14,946	28,647-	28,852-	2,056	7,537
	25	-0-	14,353	-0-	14,353	-0-	-0-	-0-	-0-	50	-0-	-0-	3,204	17,607	38,681-	39,278-	2,518	7,052
April	1	4,040	57,800	6,794	64,594	-0-	-0-	-0-	-0-	1,210	-0-	-0-	3,653	73,497	77,535+	83,350+	1,902	6,700
	8	-0-	45,476	16,503	61,979	-0-	-0-	-0-	-0-	874	450	18	2,476	65,797	7,762+	5,107+	1,134	6,351
	15	-0-	12,442	8,207	20,649	-0-	-0-	-0-	384	55	-0-	13	607	21,708	38,984-	40,250-	4,259	7,912
	22	457	17,061	1,212	18,273	-0-	-0-	-0-	-0-	390	-0-	25	2,648	21,793	8,729+	20,132+	2,227	4,867
	29	3,339	27,723	5,081	32,804	-0-	-0-	-0-	-0-	403	-0-	-0-	1,523	38,369*	19,508+	18,154+	10,625	1,499
May	6	123	40,193	4,595	44,788	-0-	-0-	-0-	-0-	-0-	135	10	3,066	48,122	26,736+	24,104+	8,878	2,634
	13	-0-	5,407	8,423	13,830	-0-	-0-	-0-	-0-	368	-0-	-0-	279	14,477	36,142-	40,761-	8,549	639
	20	1,201	16,355	2,121	18,476	-0-	-0-	-0-	-0-	499	-0-	35	600	20,811	19,001-	22,101-	3,972	1,065
	27	252	17,060	1,101	18,161	-0-	-0-	-0-	-0-	267	-0-	-0-	218	18,898	4,065-	6,506-	4,617	1,000
June	3	-0-	11,387	2,910	14,297	-0-	-0-	-0-	278	-0-	-0-	-0-	-0-	14,575	6,529+	9,654+	5,118	1,230
	10	115	22,509	3,209	25,718	-0-	-0-	-0-	-0-	-0-	-0-	-0-	751	26,584	4,247-	6,938-	5,442	1,249
	17	135	2,771	720	3,491	-0-	-0-	-0-	-0-	1,747	-0-	3	1,248	6,624	18,008-	20,403-	5,909	3,015
	24	-0-	698	10,911	11,609	-0-	-0-	-0-	101	-0-	-0-	-0-	1,466	13,176	1,288+	424-	8,501	963
July	1	-0-	2,996	1,227	4,223	-0-	-0-	-0-	-0-	-0-	-0-	-0-	1,691	5,997**	4,064-	3,049-	13,277	3,386
	8	-0-	2,714	41	2,755	-0-	-0-	-0-	-0-	-0-	-0-	15	242	3,012	5,595-	11,553-	5,869	5,906
	15	-0-	206	600	806	-0-	-0-	-0-	46	-0-	-0-	-0-	-0-	852	19,897-	21,380-	3,516	1,557
	22	-0-	1,013	-0-	1,013	-0-	-0-	-0-	1,501	-0-	-0-	-0-	1,557	4,071	7,035-	3,375-	5,550	12,192
	29	-0-	592	-0-	592	-0-	-0-	-0-	-0-	200	-0-	-0-	-0-	792	1,374+	497-	3,812	4,435
	5	-0-	9,946	-0-	9,946	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	9,946	59+	462-	8,002	2,701
	12	-0-	36,333	2,445	38,778	-0-	-0-	-0-	-0-	-0-	-0-	-0-	1,477	40,255	68,307+	69,664+	3,667	10,646
	19	-0-	4,782	2,698	7,480	-0-	-0-	-0-	-0-	-0-	702	-0-	-0-	8,182	19,840+	18,890+	4,411	2,256
	26	-0-	12,932	42	12,974	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	12,974	26,294+	25,890+	2,618	1,560
Sept.	2	-0-	23	110	133	-0-	1,582	-0-	151	-0-	-0-	-0-	250	2,116	16,925+	17,350+	3,892	1,938
	9	-0-	7,299	102	7,401	-0-	-0-	-0-	45	-0-	-0-	-0-	-0-	7,446	83+	80-	2,294	2,878
	16	-0-	5,905	4,097	10,002	-0-	-0-	-0-	290	50	-0-	-0-	500	10,842	14,099+	19,982+	2,121	2,787
	23	5,011	86,363	23,148	109,511	-0-	-0-	-0-	220	33,526	-0-	-0-	4,774	153,042	15,699-	25,419+	2,880	1,114
	30	3,670	217,545	13,395	230,940	20	1,843	-0-	1,419	9,660	-0-	-0-	2,907	250,459	209,587+	225,338+	7,662	2,746
Oct.	7	1,573	131,494	13,270	144,764	-0-	43	-0-	567	750	-0-	125	2,349	150,171	108,014+	112,829+	5,023	3,174
	14	3,435	132,491	66,551	199,042	443	263	-0-	1,505	781	-0-	2,761	2,053	210,283	150,785+	149,051+	3,505	1,320
	21	989	53,351	34,072	87,423	497	-0-	-0-	763	1,391	350	-0-	595	92,008	42,319+	38,659+	2,899	1,300
	28	203	6,969	1,741	8,710	-0-	59	351	907	842	50	-0-	792	11,905	37,100-	44,386-	1,590	2,896
Nov.	4	521	8,090	6	8,096	453	80	-0-	147	1,146	375	-0-	256	11,074	77,799-	82,647-	1,080	4,098
	11	304	477	205	682	-0-	432	238	952	300	75	-0-	3	2,986	43,614-	45,281-	1,311	1,344
	18	-0-	53	-0-	53	-0-	353	-0-	744	-0-	-0-	262	-0-	1,412	59,629-	62,735-	1,126	1,548
TOTALS		$26,434	$1,169,241	$247,632	$1,416,873	$1,413	$4,646	$1,208	$11,254	$57,291	$2,597	$3,604	$50,484	$1,576,187	$178,176+	$170,173+	$197,552	$161,008

* Includes $500,000 purchased by St. Louis
** Includes 85,000 purchased by Kansas City

Exhibit "C" (a)

CLASSIFICATION BY MATURITIES OF BILLS PURCHASED
BY FEDERAL RESERVE BANKS IN THEIR RESPECTIVE DISTRICTS
DURING THE PERIOD FROM JANUARY 2 TO NOVEMBER 18, 1931
(EXCLUDING SALES CONTRACTS)
(000 Omitted)

	1-30 days	31-60 days	61-90 days	Over 90-days	Total
Boston	$ 9,072	$ 4,587	$ 11,833	$ 942	$ 26,434
New York	734,572	332,342	341,567	8,392	1,416,873
Philadelphia	347	16	1,050	0	1,413
Cleveland	762	2,274	1,610	0	4,646
Richmond	178	234	796	0	1,208
Atlanta	3,104	3,110	4,688	352	11,254
Chicago	25,902	17,594	13,795	0	57,291
St. Louis	300	0	0	0	300
Minneapolis	1,246	500	851	0	2,597
Kansas City	6	74	3	0	83
Dallas	325	265	2,434	580	3,604
San Francisco	24,404	17,138	6,711	2,231	50,484
Totals	$800,218	$378,134	$385,338	$12,497	$1,576,187

Exhibit "D"

AMOUNT OF NET PROFIT REALIZED ON SALES OF UNITED STATES GOVERNMENT SECURITIES IN THE SYSTEM ACCOUNT DURING THE PERIOD JANUARY 2 TO NOVEMBER 25, 1931, WHICH IS HELD IN SUSPENSE ACCOUNT BY THE FEDERAL RESERVE BANK OF NEW YORK AND EACH BANK'S PRO RATA SHARE BASED ON AVERAGE DAILY HOLDINGS; ALSO AMOUNT OF NET LOSS AS REPRESENTED BY THE DIFFERENCE BETWEEN THE BOOK VALUES AND THE MARKET BID PRICES ON NOVEMBER 25, 1931, OF THE GOVERNMENT SECURITIES HELD IN THE SYSTEM ACCOUNT, AND EACH BANK'S PRO RATA SHARE BASED ON AVERAGE DAILY HOLDINGS

	Net Profit Held in Suspense Account	Loss as Represented by the Difference Between Book Values and Market Bid Prices
Boston	$ 163,683.02	$ 581,073.51
New York	281,124.65	997,990.42
Philadelphia	136,698.36	485,278.18
Cleveland	183,218.17	650,423.14
Richmond	79,511.14	282,263.94
Atlanta	46,992.03	166,821.37
Chicago	224,992.62	798,722.16
St. Louis	70,961.82	251,913.92
Minneapolis	63,064.69	223,879.19
Kansas City	106,312.75	377,409.46
Dallas	57,962.48	205,766.38
San Francisco	123,679.03	439,059.65
Totals	$1,538,200.76	$5,460,601.32

EXHIBIT "E"

AMOUNT OF EACH FEDERAL RESERVE BANK'S EARNINGS, EXPENSES AND DIVIDENDS AND ESTIMATED CHARGE-OFFS FOR YEAR 1931, FIGURES FOR FIRST TEN MONTHS ACTUAL, LAST TWO MONTHS ESTIMATED

(000 Omitted)

YEAR 1931		Gross Earnings	Expenses Dividends & Deductions from and Additions to Net Earnings	Estimated Year-end Charge-offs	Net Earnings
BOSTON					
Actual	for 10 months	$1,242	$2,209		$ 967
Estimated	" 2 "	491	441	132	82
	Total	$1,733	$2,650		$1,049
NEW YORK					
Actual	for 10 months	5,172	7,970		2,798
Estimated	" 2 "	1,920	1,754	478	312
	Total	$7,092	$9,724		$3,110
PHILADELPHIA					
Actual	for 10 months	1,789	2,419		630
Estimated	" 2 "	649	632	59	42
	Total	$2,438	$3,051		$ 672
CLEVELAND					
Actual	for 10 months	2,123	2,929		806
Estimated	" 2 "	895	618	275	2
	Total	$3,018	$3,547		$ 804
RICHMOND					
Actual	for 10 months	994	1,539		545
Estimated	" 2 "	395	315	155	75
	Total	$1,389	$1,854		$ 620
ATLANTA					
Actual	for 10 months	969	1,319		350
Estimated	" 2 "	396	263	96	37
	Total	$1,365	$1,582		$ 313
CHICAGO					
Actual	for 10 months	2,965	3,928		963
Estimated	" 2 "	819	751	450	382
	Total	$3,784	$4,679		$1,345
ST. LOUIS					
Actual	for 10 months	881	1,327		446
Estimated	" 2 "	308	274	390	356
	Total	$1,189	$1,601		$ 802
MINNEAPOLIS					
Actual	for 10 months	739	864		125
Estimated	" 2 "	206	182	92	68
	Total	$ 945	$1,046		$ 193
KANSAS CITY					
Actual	for 10 months	1,196	1,606		410
Estimated	" 2 "	381	315	168	102
	Total	$1,577	$1,921		$ 512
DALLAS					
Actual	for 10 months	944	947		3
Estimated	" 2 "	307	278	47	18
	Total	$1,251	$1,225		$ 21
SAN FRANCISCO					
Actual	for 10 months	1,827	2,552		725
Estimated	" 2 "	1,030	510	191	329
	Total	$2,857	$3,062		$ 396
Actual	Totals	$20,841	$29,609		$8,768
Estimated	"	7,797	6,333	$2,533	1,069
SYSTEM TOTALS		$28,638	$35,942		$9,837

Memo prepared New York
for open market Policy
Conference 11/30/31

(November 27, 1931)

333.6-2

PRELIMINARY MEMORANDUM FOR THE OPEN MARKET
POLICY CONFERENCE, NOVEMBER 30, 1931.

In the past three months the United States has gone through an extraordinary financial crisis in which were combined the largest gold export movement in the history of the country and a heavy domestic withdrawal of currency continuing a movement of almost a year's duration. These foreign and domestic drains upon bank reserves were met in the classic way by increases in discount rates combined with a policy of free lending. This is the method of meeting such an emergency described by Walter Bagehot in his Lombard Street in the following terms:

> "Whatever persons - one bank or many banks - in any country hold the banking reserve of that country, ought at the very beginning of an unfavorable foreign exchange at once to raise the rate of interest, so as to prevent their reserve from being diminished farther, and so as to replenish it by imports of bullion.
>
> \- - - - - -
>
> "A domestic drain is very different. Such a drain arises from a disturbance of credit within the country, and the difficulty of dealing with it is the greater, because it is often caused, or at least often enhanced, by a foreign drain. Times without number the public have been alarmed mainly because they saw that the banking reserve was already low, and that it was daily getting lower. The two maladies - an external drain and an internal - often attack the money market at once. What then ought to be done?
>
> "In opposition to what might be at first sight supposed, the best way for the bank or banks who have the custody of the bank reserve to deal with a drain arising from internal discredit, is to lend freely. The first instinct of everyone is the contrary. There being a large demand on a fund which you want to preserve, the most obvious way to preserve it is to hoard it - to get in as much as you can, and to let nothing go out which you can help. But every banker knows that this is not the way to diminish discredit. This discredit means, 'an opinion that you have not got any money,' and to dissipate that opinion, you must, if possible, show that you have money: you must employ it for the public benefit in order that the public may know that you have it. The time for economy and for accumulation is before. A good banker will have accumulated in ordinary times the reserve he is to make use of in extraordinary times."

In recent weeks these methods of dealing with the acute situation proved effective: the gold drain came to an end and was in fact reversed early in November and domestic currency withdrawals slackened. The drain itself and the remedies which it became necessary to apply, wrought, however, a profound change in the banking and credit situation. The results of these events on the country's financial position may be summarized as follows:

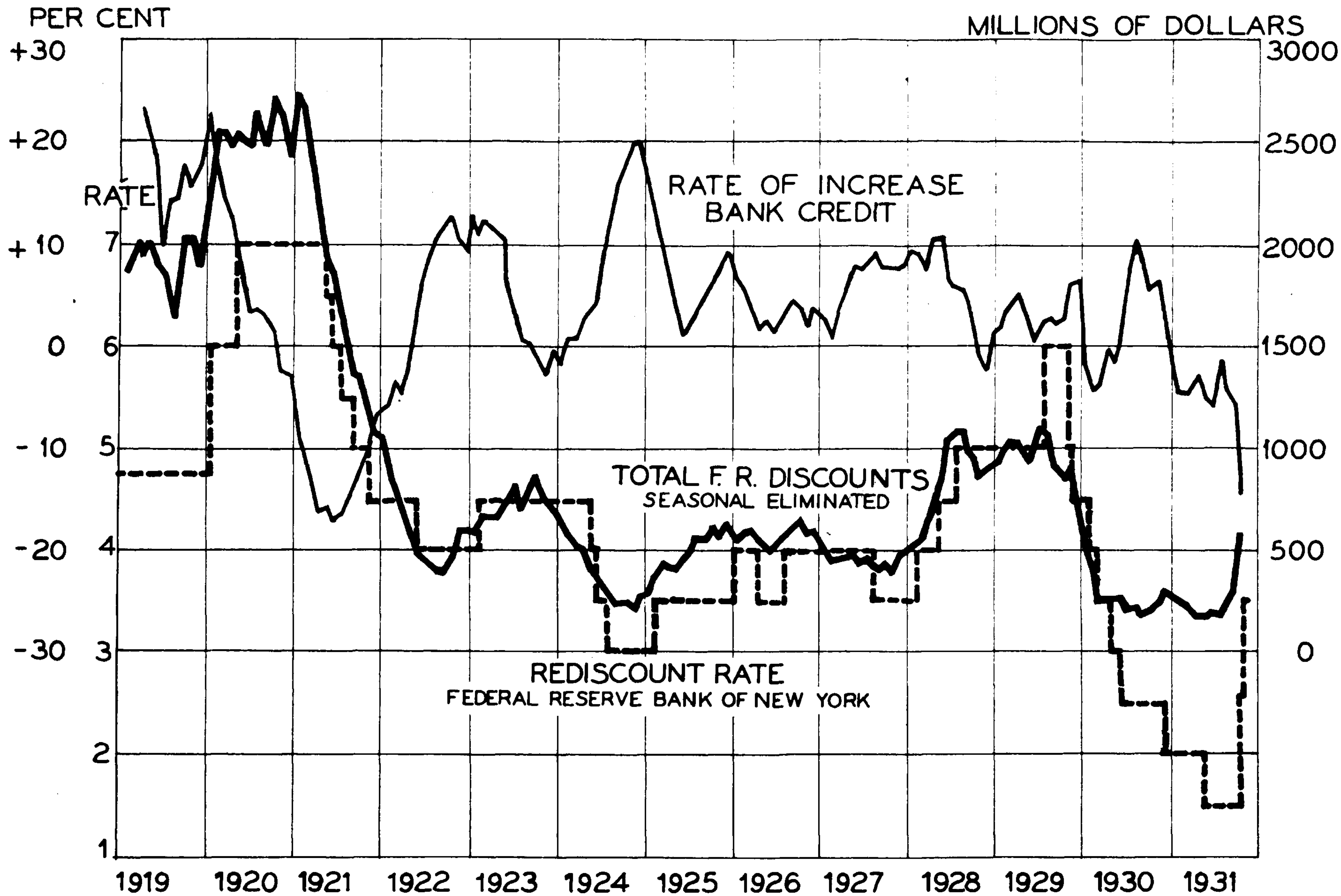
1. Gold. The country's gold stock is reduced by $600,000,000, and now stands at about $4,400,000,000. This loss of gold is not serious: it had long been expected that at some time large gold exports would occur. There is plenty of gold left, since we still have about $1,500,000,000 in gold in excess of minimum requirements. Moreover, foreign short term funds in this market have now been reduced to a point where they are now covered by our excess gold quite apart from our credit balances abroad.

2. Federal Reserve Credit. As a result of gold exports and currency withdrawals the total amount of Federal reserve credit in use has been expanded from about $1,000,000,000 to about $2,000,000,000. This change in itself is not disturbing. It was normal that when gold left the country the Reserve System should be called upon to replace in the market the funds withdrawn. Moreover, it seems reasonable to anticipate a return of the volume of Federal reserve credit to figures comparable with the averages of recent previous years. For money in circulation is now $1,000,000,000 larger than appears to be required by the active business of the country, and when habits of hoarding are broken a considerable part of the extra money outstanding may be expected to return to the Reserve banks and in the process repay Federal reserve credit.

Meanwhile the elements requiring scrutiny are the large volume of discounts and the large holdings of bankers bills. Member banks are now borrowing about $675,000,000. Such a volume of discounts has always in the past been accompanied by relatively firm money conditions and some pressure upon credit, as illustrated in the accompanying chart. Member banks which are in debt are constantly seeking some means by which they may get out of debt and are reluctant to make loans or investments liberally. The existence of this volume of discounts is today more than usually an important element in the credit situation. This is especially true because of the nature of distribution of discounts: the New York City banks are carrying less than their usual share of the load, and banks in the interior are carrying more than their usual share. The credit pressure in certain interior districts is, therefore, severe.

In addition to relatively large discounts the Reserve banks now hold about half of the total volume of bills outstanding. It was fortunate that the crisis found the member banks supplied with large holdings of bills by the use of which they were able to secure Federal reserve credit, and thus to that extent avoid the necessity of borrowing with its accompanying pressure. Under these circumstances the proportion of bills in the Reserve System does not appear excessive, but on the contrary helpful to the general situations.

3. Money Rates. An increase of 2% in the discount rate of the New York reserve bank and sharp increases in member bank discounts was accompanied by substantial increases in the general



PER CENT
MILLIONS OF DOLLARS
+30
+20
+10
0
-10
-20
-30
RATE
7
6
5
4
3
2
1
3000
2500
2000
1500
1000
500
0
RATE OF INCREASE
BANK CREDIT
TOTAL F. R. DISCOUNTS
SEASONAL ELIMINATED
REDISCOUNT RATE
FEDERAL RESERVE BANK OF NEW YORK
1919
1920
1921
1922
1923
1924
1925
1926
1927
1928
1929
1930
1931

level of money rates as indicated below.

MONEY RATES AT NEW YORK

	Aug. 31, 1931	Sept.30, 1931	Oct. 30, 1931	Nov. 27, 1931
Stock Exchange call loans	1 1/2	1 1/2	2 1/2	2 1/2
Stock Exchange 90 day loans	*1 1/4-1 1/2	2 1/2	*3 1/2-4	*3-3 1/2
Prime commercial paper	2	2	3 3/4-4 1/4	3 3/4-4
Bills - 90 day unindorsed	7/8	1 1/4	3 1/4	3
Customers' rates on commercial loans	x3.44	x3.33	x3.67	x4.50
Treasury certificates and notes				
Maturing December 15 (yield)	.34	.85	1.48	1.10
Maturing March 15 (yield)	.48	1.17	2.32	1.87
Federal Reserve Bank of New York rediscount rate	1 1/2	1 1/2	3 1/2	3 1/2
Federal Reserve Bank of New York buying rate for 90 day indorsed bills	1	1 1/4	3 1/8	3 1/8

* Nominal

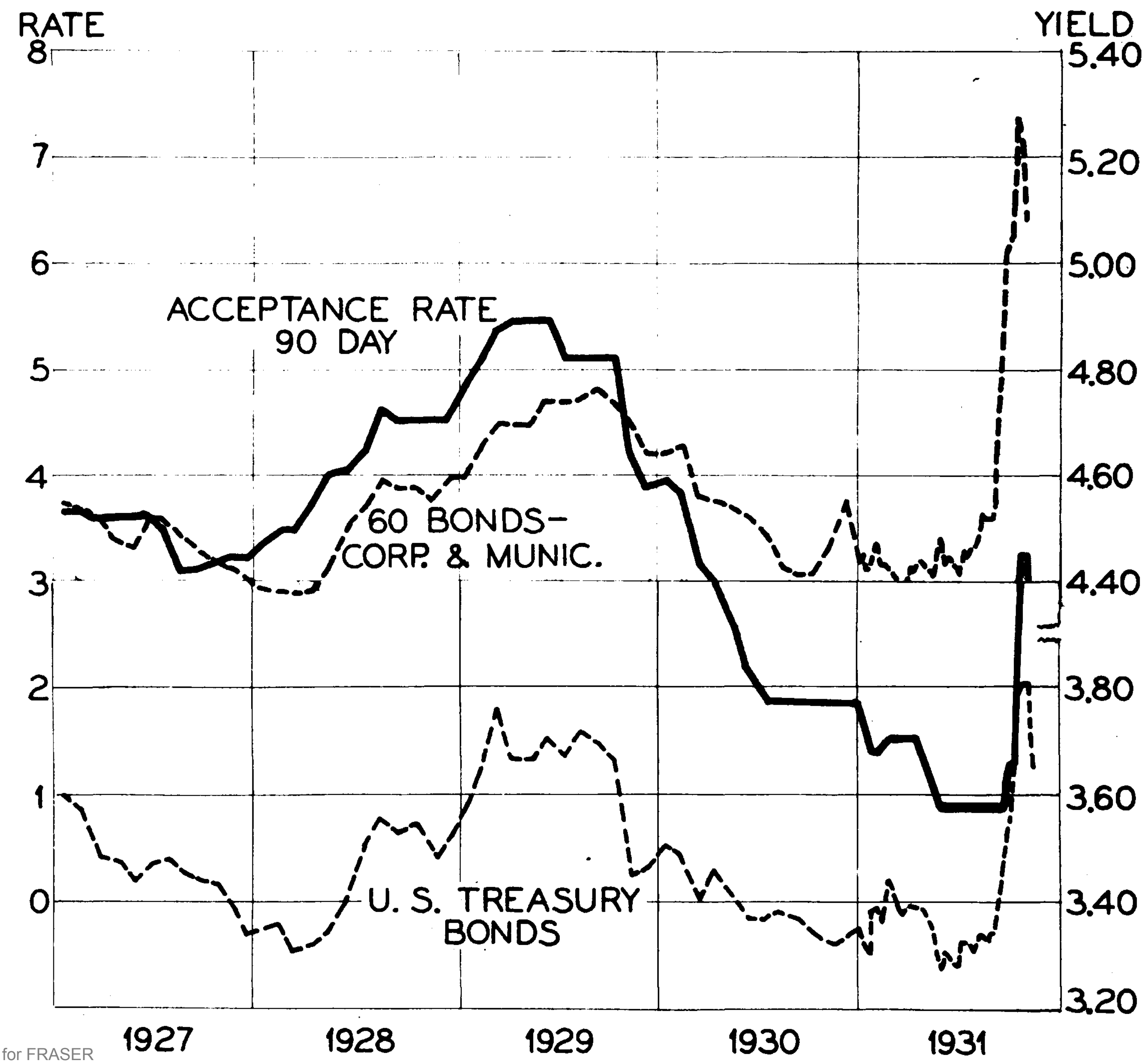
x Average rate of leading banks at middle of month.

4. Public Psychology. The upsetting of the gold standard in London, together with the threat to the dollar was a powerful disturbing factor to public pschology both in this country and abroad, the results of which are impossible to measure. One result was certainly to make bankers and others more timid and reluctant in contemplating new uses of funds or new enterprises, or even the maintenance in some cases of existing credit lines.

5. The Bond Market. Following the sharp increase in money rates, the pressure upon the banks, and the psychological influence of all these bond price averages dropped 6 to 12 points in a few weeks. The simultaneous movement of interest rates and bond yields are shown in the accompanying chart.

This movement in bond prices is of particular importance because of the weakened position of many banks. A few points difference in bond prices may make the difference between the solvency or insolvency of no inconsiderable number of banking institutions.

Federal Reserve Bank
of New York
Reports Department
Nov. 26, 1931.



Broadly speaking the effect of these developments was to place additional credit pressure upon a situation already uncertain, to make banks more reluctant to lend and invest at a time when they were already reluctant, and in particular to worsen the position of many banks.

At the end of October and early November, following the establishment of the National Credit Corporation, it looked for a time as though a turn might have been reached in the business and financial situation. But that hope now appears to be dissipated and there is no convincing evidence of recovery.

To a considerable extent the basic forces operating upon the present financial situation are political and industrial, and thus outside the immediate influence of the Federal Reserve System. But with respect to the volume of rediscounts and their pressure upon the situation, the influence of money rates, and the general attitude of the financial community, the Reserve System exercises an influence which is or may be important.

There are now two major problems for the Reserve System - the long time policy and the policy to deal with events of the year-end. The first of these questions is so largely affected by the large movement of funds at the year-end, and again by the normal tendency for currency to flow back in January, that it seems difficult to deal with broader questions of policy before the first of the year. In the meantime the year-end offers problems deserving of full attention.

YEAR END PROBLEM

Currency demand and large bill maturities may require something over $500,000,000 of new Federal reserve credit in some form by December 23. The following rough estimates may be made although the many complex factors in the present situation necessarily make estimates most uncertain.

(In Millions of Dollars)

	To Meet Currency Demand	To Meet Bill Maturities	Total
December 2	60	135	195
" 9	80	210	290
" 16	120	290	410
" 23	220	350	570

While the maximum figures are likely to be for the few days before Christmas, the year-end will also offer a complicated and perhaps difficult situation because of the sensitiveness of many banks and their customers to any borrowing position which year-end reports may show, at a time when the volume of discounts is so large.

In view of the considerable amounts of currency now outstanding in excess of estimated normal demands the Christmas increase in currency may be smaller than usual. It seems unsafe, however, to count upon this since any increase in bank failures would further increase currency requirements. The large bill maturities reflect heavy purchases of bills by the Reserve system in September and early October. It is improbable that the full amount of these maturities can be replaced from offerings of bills to the Reserve banks in coming weeks. The member banks now hold somewhat limited amounts of bills and at present rates there is going forward a considerable distribution of bills outside the Reserve banks. In the past week adjustments of rates have been made which should make possible the maintenance of present market rates throughout the balance of the year and give reasonable encouragement to the offering of bills to the Reserve banks especially under repurchase agreement. During the past week the dealers have raised their rates to 3 1/8% bid, 3% offered. The New York Reserve bank some days ago reduced its 1 to 45 day buying rate to 3%, and reduced its carrying rate to 3% this past week so that the market rates and our own buying rate are in a reasonable relationship. Even with these adjustments it seems clear that there will be a considerable gap to be filled in some other way than by bills. The two methods deserving of thorough consideration appear to be, first, a discussion with the banks in important centers as to their willingness to show borrowing on their year-end statements, and second, provision for year-end purchases of government securities similar to those made last year.

Circulate

FEDERAL RESERVE BANK
OF NEW YORK

For CIRCULATION:
Mr. Hamlin
Mr. James
Mr. Magee
Mr. Miller
Mr. Pole
Mr. Harrison
Mr. Morrill
Mr. McClelland
Mr. Wyatt
Mr.
Mr. 333.-C-
Please note - initial
and return to GOVERNOR.

November 17, 1931.

Dear Governor Meyer:

No suggestions have been received for changes in the tentative minutes of the October 26 meeting of the Executive Committee of the Open Market Policy Conference mailed you with our letter of October 27. These minutes may, therefore, be considered as final. 10/26/31 filed 333.-C-2 Final Minutes

Very truly yours,

W. Randolph Burgess

W. Randolph Burgess
Deputy Governor

Hon. Eugene Meyer,
Governor, Federal Reserve Board,
Washington, D. C.

WRB.H

333.-C-2

October 28, 1931.

Mr. W. Randolph Burgess, Secretary,
Open Market Policy Conference,
Care Federal Reserve Bank,
New York, N. Y.

Dear Mr. Burgess:

This will acknowledge receipt of your letter of October 27, addressed to Governor Meyer, with which you enclosed a copy of the minutes of the meeting of the executive committee of the Open Market Policy Conference held at the Federal Reserve Bank of New York on October 26, and copies of memoranda submitted at that meeting.

10/26/31 filed 333.-C-2 Final minutes

Very truly yours,

(Signed) Chester Morrill

E. M. McClelland,
Assistant Secretary.

Form No. 131

Office Correspondence

FEDERAL RESERVE BOARD

Date October 28, 1931.

To All Members of the Board

Subject:

From Mr. McClelland

333.-C-2

2—8495

There are attached hereto, for your information, the copies which Governor Meyer presented at the meeting this morning of the minutes of the meeting of the Executive Committee of the Open Market Policy Conference held in New York City on October 26, and of memoranda presented at that meeting.

10-26-31 filed 333.-C-2 Final minutes

Governor Meyer
Mr. Hamlin
Mr. Miller
Mr. James
Mr. Magee
Mr. Pole

Please circulate promptly and return to the Secretary's office.

FEDERAL RESERVE BANK

OF NEW YORK

333.-C-2

CONFIDENTIAL

October 27, 1931.

Dear Governor Meyer:

10-26-31 filed 333.-C-2 Final minutes

Attached herewith are the minutes of the meeting of the executive committee of the Open Market Policy Conference held yesterday at this bank.

I am also enclosing copies of the memorandum on credit conditions and the report of operations submitted to the meeting.

Very truly yours,

W. Randolph Burgess

W. Randolph Burgess

Hon. Eugene Meyer,
Governor, Federal Reserve Board,
Washington, D. C.

WRB.H

See minutes

AT BOARD MEETING
OCT 28 1931

OCT 28 1931
OFFICE OF
THE G...

see letter 11/17/31
see ans 10/28/31

EXHIBIT "E"

AMOUNT OF EACH FEDERAL RESERVE BANK'S EARNINGS, EXPENSES AND DIVIDENDS AND ESTIMATED CHARGE-OFFS FOR YEAR 1931, FIGURES FOR FIRST NINE MONTHS ACTUAL, LAST THREE MONTHS ESTIMATED
(000 Omitted)

YEAR 1931		Gross Earnings	Expenses Dividends & Deductions from and Additions to Net Earnings	Estimated Year-end Charge-offs	Net Earnings
BOSTON					
Actual	for 9 months	$ 1,041	$ 1,993		$ 952
Estimated	" 3 "	404	663	132	391
	Total	$ 1,445	$ 2,656		$1,343
NEW YORK					
Actual	for 9 months	4,214	7,085		2,871
Estimated	" 3 "	1,542	2,656	478	1,592
	Total	$5,756	$9,741		$4,463
PHILADELPHIA					
Actual	for 9 months	1,427	2,163		736
Estimated	" 3 "	569	886	59	376
	Total	$1,996	$3,049		$1,112
CLEVELAND					
Actual	for 9 months	1,760	2,616		856
Estimated	" 3 "	592	904	275	587
	Total	$2,352	$3,520		$1,443
RICHMOND					
Actual	for 9 months	841	1,400		559
Estimated	" 3 "	394	465	155	226
	Total	$1,235	$1,865		$ 785
ATLANTA					
Actual	for 9 months	787	1,192		405
Estimated	" 3 "	386	396	96	106
	Total	$1,173	$1,588		$ 511
CHICAGO					
Actual	for 9 months	2,496	3,552		1,056
Estimated	" 3 "	915	1,188	450	723
	Total	$3,411	$4,740		$1,779
ST. LOUIS					
Actual	for 9 months	753	1,190		437
Estimated	" 3 "	291	408	190	307
	Total	$1,044	$1,598		$ 744
MINNEAPOLIS					
Actual	for 9 months	646	748		102
Estimated	" 3 "	210	272	92	154
	Total	$ 856	$1,020		$ 256
KANSAS CITY					
Actual	for 9 months	1,042	1,450		408
Estimated	" 3 "	329	475	168	314
	Total	$1,371	$1,925		$ 722
DALLAS					
Actual	for 9 months	814	812		2
Estimated	" 3 "	277	371	47	141
	Total	$1,091	$1,183		$ 139
SAN FRANCISCO					
Actual	for 9 months	1,426	2,273		847
Estimated	" 3 "	719	758	191	230
	Total	$2,145	$3,031		$ 1,077
Actual	Totals	$17,247	$26,474		$9,227
Estimated	"	6,628	9,442	$2,333	5,147
SYSTEM TOTALS		$23,875	$35,916	-	$14,374

333-C-2

CONFIDENTIAL

REPORT OF OPEN MARKET OPERATIONS TO MEETING OF THE EXECUTIVE COMMITTEE OF THE OPEN MARKET POLICY CONFERENCE HELD IN THE FEDERAL RESERVE BANK OF NEW YORK ON OCTOBER 26, 1931

The total of the government securities held in the System Account is the same as at the time of the last meeting of the Open Market Policy Conference on August 11, 1931, namely . . . . $524,468,000. Changes in maturities consisted partly of the replacement of maturing Treasury bills and certificates of indebtedness and partly of exchanges which included the taking over of about $24,000,000 of Fourth Liberty Loan bonds through the Federal Reserve Bank of Philadelphia from a Philadelphia member bank, against which other issues were sold. The following is a statement of the holdings in the Account on August 11 and on October 21:

	Due	Holdings Aug. 11	Holdings Oct. 21
U. S. Treasury Bills	Aug. 17, 1931	$ 13,700,000	$ -0-
" " " "	" 31, 1931	23,425,000	-0-
" " " "	Sept. 30, 1931	5,000,000	-0-
" " " "	Oct. 15, 1931	24,700,000	-0-
" " " "	Nov. 2, 1931	20,750,000	9,670,000
" " " "	" 9, 1931	7,225,000	7,225,000
" " " "	" 16, 1931	-0-	8,111,000
" " " "	" 23, 1931	-0-	19,207,000
" " " "	" 30, 1931	-0-	15,425,000
" " " "	Dec. 30, 1931	-0-	12,652,000
" " " "	Jan. 15, 1932	-0-	2,000,000
1 1/2% Cert. of Ind.	Sept. 15, 1931	43,407,000	-0-
1 7/8% " " "	Dec. 15, 1931	120,076,500	68,574,500
3 1/2% Treasury Notes called	" 15, 1931	9,027,250	1,807,250
2 % Cert. of Ind.	Mar. 15, 1932	118,481,500	115,481,500
1 1/8% " " "	Sept. 15, 1932	-0-	53,500,000
4 1/4% 4th L/L Bds. 1933-1938		68,625,750	115,039,750
4 1/4% 1st " " 1932-1947		22,950,000	15,750,000
3 1/2% 1st " " 1932-1947		47,100,000	80,025,000
	Totals	$524,468,000	$524,468,000

CHANGES IN PARTICIPATIONS IN GOVERNMENT SECURITIES HELD IN SYSTEM SPECIAL INVESTMENT ACCOUNT

At the time of the last meeting the participating Federal reserve banks except Richmond and Minneapolis, were holding temporarily $2,500,000 of the Federal Reserve Bank of Dallas' participation in government securities in the System Account of which it had been relieved on July 15. Since August 11 several of the participating reserve banks as shown below have been relieved temporarily at their request of part of their participations in government securities, owing to their reserve and free gold position. The reserve banks that were relieved temporarily of part of their participations and the dates and the amounts taken over were as follows:

Dallas	August	26	$ 5,000,000
"	October	9	5,000,000
"	"	19	3,000,000
Kansas City	September	22	10,000,000
" "	October	10	10,000,000
Richmond	"	15	3,000,000
Minneapolis	"	16	3,000,000

The Federal reserve banks which participated in the securities taken over temporarily from other banks and the amount of such securities that each of these banks are temporarily holding for other banks at present are as follows:

Boston	$ 4,251,000
New York	23,092,500
Philadelphia	3,679,000
Cleveland	1,218,500
Atlanta	127,000
Chicago	4,913,500
St. Louis	862,000
* Kansas City	155,500
San Francisco	3,201,000
	$41,500,000

* This represents participation by the Kansas City bank in $2,500,000 government securities given off by the Federal Reserve Bank of Dallas on July 15.

A request by the Federal Reserve Bank of Kansas City that a further $10,000,000 of government securities be taken over from them, raised the question of the principles which should govern this operation and for the time being it was suggested that the Kansas City bank improve its position by the sale of some of its bills. Accordingly on October 22, $5,000,000 of their bills were taken over and allotted to other participating banks.

CHANGES IN PARTICIPATIONS IN SYSTEM PURCHASES OF BANKERS ACCEPTANCES

Up to the past week all of the Federal reserve banks have been participating in the System's bill purchases, with the exception of the Federal Reserve Bank of Philadelphia, which bank has limited its participation to bills discounted for foreign banks. However, during the past week several of the reserve banks discontinued participating in the System's bill purchases, owing to their reserve position. The banks which discontinued their participation and the dates their non-participation became effective, are as follows:

St. Louis	October	15
Minneapolis	"	16
Richmond	"	16
Kansas City	"	19
Dallas	"	19

In addition, the Federal Reserve Bank of Richmond was relieved of $10,000,000 of its holdings in bills on October 19. These bills were sold to the other participating Federal reserve banks except Atlanta, the latter being unable to participate.

ALLOTMENT RATIOS

In accordance with the plan that has been in effect during the past few years, System purchases during the first half of the current calendar year have been made according to percentages based on the ratio that each bank's expenses, dividends and charge-offs for the previous year bore to the total of such items for the System with adjustments in the percentages being made each month based on the actual and estimated figures available at the end of each month during the last half of the year. The following statement shows the percentage ratios that were in effect during the first six months of the current year and the subsequent adjustments that have been made in these percentages based on the figures received at the end of each month since June 30, 1931. (In allotting System purchases, however, these percentages were adjusted to provide for the distribution of the non-participating banks' share.)

	Ratios effective first 6 mos.	Ratios effective July 15	Ratios effective Aug. 15	Ratios effective Sept.15	Ratios effective Oct. 15
Boston	7 1/4%	7 1/4%	7 1/4%	7 1/4%	7 1/4%
New York	25 1/4%	27 %	26 3/4%	26 3/4%	26 3/4%
Philadelphia	7 1/2%	8 %	8 1/4%	8 %	8 %
Cleveland	9 3/4%	10 %	10 %	9 3/4%	10 %
Richmond	5 1/4%	5 1/4%	5 1/4%	5 1/4%	5 1/4%
Atlanta	5 %	4 1/2%	4 1/2%	4 1/2%	4 1/4%
Chicago	13 %	13 1/2%	13 1/2%	13 1/2%	13 1/2%
St. Louis	5 1/4%	4 1/2%	4 1/2%	4 3/4%	4 3/4%
Minneapolis	3 1/4%	3 %	3 %	3 1/4%	3 %
Kansas City	5 1/2%	5 1/2%	5 1/2%	5 1/2%	5 1/2%
Dallas	4 %	3 1/4%	3 1/4%	3 1/4%	3 1/4%
San Francisco	9 %	8 1/4%	8 1/4%	8 1/4%	8 1/2%
Totals	100 %	100 %	100 %	100 %	100 %

Attached are statements showing:

Exhibit "A" - Outright holdings of government securities by individual Federal reserve banks and their participation in government security holdings in the System Special Investment Account as of Oct. 21, 1931, and ratio of each bank's total holdings to the total for the System.

Exhibit "B" - Earning asset holdings of all Federal reserve banks Oct. 21, 1931, as compared with previous week and Oct. 22, 1930; also weekly average of earning assets from Jan. 2 to Oct. 21, 1931, as compared with corresponding period 1930 and entire year 1930.

Exhibit "C" - Bills purchased outright by System by weeks from Jan. 2 to Oct. 21, 1931,

Exhibit "D" - Amount of net profit realized on sales of United States Government securities in System Account during period Jan. 2 to Oct. 21, 1931 and held in Suspense Account by the Federal Reserve Bank of New York and each bank's pro rata share, also amount of loss as represented by the difference between the book values and market bid prices on Oct. 21 of the government securities in the System Account and each bank's pro rata share.

Exhibit "E" - Amount of each Federal reserve bank's earnings, expenses and dividends for the year 1931, the first nine months' figures actual and last three months estimated (including estimated charge-offs).

Exhibit "A"

OUTRIGHT HOLDINGS OF GOVERNMENT SECURITIES
BY INDIVIDUAL FEDERAL RESERVE BANKS AND THEIR
PARTICIPATION IN GOVERNMENT SECURITY HOLDINGS
IN THE SYSTEM SPECIAL INVESTMENT ACCOUNT AS
OF CLOSE OF BUSINESS OCTOBER 21, 1931
(000 Omitted)

	Outright Holdings	Participation in System Account	Total	Ratio of each bank's total holdings to System total
Boston	$ 704	$ 56,502	$ 57,206	7 3/4%
New York	124,797	115,358	240,155	33 1/4%
Philadelphia	10,007	47,934	57,941	8 %
Cleveland	10,000	63,021	73,021	10 %
Richmond	0	27,406	27,406	3 3/4%
Atlanta	2,594	19,773	22,367	3 %
Chicago	21,598	78,266	99,864	13 3/4%
St. Louis	4,000	27,210	31,210	4 1/4%
Minneapolis	7,385	17,273	24,658	3 1/2%
Kansas City	84	19,031	19,115	2 3/4%
Dallas	9,999	7,132	17,131	2 1/4%
San Francisco	9,625	45,562	55,187	7 3/4%
Totals	$200,793	$524,468	$725,261	100 %

STATEMENT SHOWING EARNING ASSETS HOLDINGS OF ALL FEDERAL RESERVE BANKS OCTOBER 21, 1931 COMPARED WITH PREVIOUS WEEK AND OCTOBER 22, 1930; ALSO WEEKLY AVERAGE OF EARNING ASSETS JANUARY 2, 1931 TO OCTOBER 21, 1931, INCLUSIVE, COMPARED WITH CORRESPONDING PERIOD 1930 and ENTIRE YEAR 1930

(000 Omitted)

		Boston	New York	Phila.	Cleveland	Richmond	Atlanta	Chicago	St. Louis	Minn.	Kan. City	Dallas	San Fran.	Totals
Bills Discounted	- Oct. 14	$16,160	$205,945	$ 91,292	$76,865	$31,181	$31,578	$39,492	$14,101	$ 5,892	$21,971	$18,832	$74,270	$ 627,579
" "	" 21	19,918	159,032	98,249	92,465	40,070	41,105	61,518	21,188	8,259	28,567	24,339	103,601	698,311
Net Change		3,758+	46,913-	6,957+	15,600+	8,889+	9,527+	22,026+	7,087+	2,267+	6,596+	5,507+	29,331+	70,732+
Bills Purchased	- Oct. 14	71,969	200,745	13,624	57,454	31,791	39,436	116,344	34,944	26,586	42,617	22,749	72,148	730,407
" "	" 21	78,920	214,149	14,667	57,566	20,562	40,355	126,527	33,932	26,919	47,662	23,851	83,956	769,066
Net Change		6,951+	13,404+	1,043+	112+	11,229-	919+	10,183+	1,012-	333+	5,045+	1,102+	11,808+	38,659+
Government Securities	- Oct. 14	56,287	245,259	57,187	72,085	31,558	22,340	99,864	31,211	27,968	9,115	20,165	54,392	727,431
" "	" 21	57,205	241,698	57,942	73,021	27,406	22,367	99,864	31,211	24,858	19,115	17,130	55,187	727,004
Net Change		918+	3,561-	755+	936+	4,152-	27+	-0-	-0-	3,110-	10,000+	3,035-	795+	427-
Total Earning Assets	- Oct. 14	145,376	657,889	168,863	206,404	95,230	93,954	257,490	80,886	61,002	73,703	61,746	201,900	2,104,443
" " "	" 21	158,038	629,564	177,618	223,052	88,738	104,427	289,994	86,961	60,593	95,344	65,320	244,749	2,224,398
Net Change		12,662+	28,325-	8,755+	16,648+	6,492-	10,473+	32,504+	6,075+	409-	21,641+	3,574+	42,849+	119,955+
Comparison of Weekly Average of Earning Assets														
Jan. 2 to Oct. 21, 1931		76,278	299,310	83,133	108,668	49,652	44,342	134,463	44,694	36,561	55,263	44,217	90,112	1,066,693
Same period 1930		72,647	317,131	83,082	95,132	43,074	50,383	126,838	47,443	34,176	38,593	45,234	68,942	1,022,675
Entire year 1930		74,002	323,075	82,371	98,736	44,795	49,995	127,693	46,611	34,591	41,405	45,066	72,522	1,040,862
Net Change from same period 1930		3,631+	17,821-	51+	13,536+	6,578+	6,041-	7,625+	2,749-	2,385+	16,670+	1,017-	21,170+	44,018+
" " " entire year 1930		2,276+	23,765-	762+	9,932+	4,657+	5,653-	6,770+	1,917-	1,970+	13,858+	849-	17,590+	25,831+
Comparison of Earning Assets														
October 21, 1931		158,038	629,564	177,618	223,052	88,738	104,427	289,994	86,961	60,593	95,344	65,320	244,749	2,224,398
" 22, 1930		70,496	266,097	73,094	105,006	45,699	47,098	118,663	50,289	36,257	47,017	45,610	71,574	976,900
Net Change		87,542+	363,467+	104,524+	118,046+	43,039+	57,329+	171,331+	36,672+	24,336+	48,327+	19,710+	173,175+	1,247,498+

SUMMARY FOR SYSTEM

Bills Discounted for week	$ 70,732+
Bills Purchased for week	38,659+
Government Securities for week	427-
Total Earning Assets for week	119,955+
Comparison of Weekly Average of Earning Assets Jan. 2 to Oct. 21, 1931 with same period 1930	44,018+
" " " " " " " " 2 " " 21, 1931 with entire year 1930	25,831+
Comparison of Earning Assets Oct. 21, 1931 with Oct. 22, 1930	1,247,498+

EXHIBIT "C"

BILLS PURCHASED OUTRIGHT BY SY BY
FROM JANUARY 2 TO OCTOBER 21, 1931, INCL E
(000 Omitted)

Weeks Ending -1931-	Boston	New York Banks	New York Dealers	New York Total	Phila.	Cleveland	Richmond	Atlanta	Chicago	Minn.	Dallas	San Fran.	Totals	INCREASE or DECREASE in Holdings Including Sales Contracts: New York Operations	INCREASE or DECREASE in Holdings Including Sales Contracts: System Operations	Dealers Operations With Other Districts: Received	Dealers Operations With Other Districts: Sent
Jan. 7	$ 362	$ 35,498	$ 6,280	$ 41,778	-0-	-0-	$ 248	$ 22	$ 24	-0-	-0-	$ 438	$ 42,372	$ 84,707-	$ 98,388-	$ 4,588	$ 1,724
14	407	406	322	728	-0-	-0-	21	580	126	-0-	93	280	2,235	64,071-	69,276-	5,128	999
21	-0-	2,351	718	3,069	-0-	-0-	-0-	83	-0-	-0-	1	79	3,232	40,316-	44,555-	3,675	3,767
28	157	593	-0-	593	-0-	-0-	-0-	75	-0-	-0-	31	36	892	24,763-	31,384-	7,419	6,679
Feb. 4	-0-	2,994	264	3,258	-0-	-0-	290	37	120	-0-	16	-0-	3,721	11,303-	15,966-	2,096	4,272
11	-0-	2,894	-0-	2,894	-0-	-0-	60	80	28	-0-	7	12	3,081	6,568-	16,536-	2,501	1,323
18	-0-	20,904	-0-	20,904	-0-	-0-	-0-	357	-0-	-0-	1	-0-	21,262	8,352+	6,256+	1,676	6,360
25	90	14,499	-0-	14,499	-0-	-0-	-0-	-0-	50	-0-	40	2,578	17,257	13,984+	12,322+	3,631	2,803
March 4	50	16,966	105	17,071	-0-	-0-	-0-	-0-	-0-	460	141	1,775	19,497	6,865-	5,762-	825	2,215
11	-0-	47,222	3,218	50,440	-0-	-0-	-0-	-0-	2,434	-0-	7	2,448	55,329	46,867+	50,847+	4,201	5,371
18	-0-	12,105	1,188	13,293	-0-	-0-	-0-	-0-	-0-	-0-	-0-	1,653	14,946	28,647-	28,852-	2,056	7,537
25	-0-	14,353	-0-	14,353	-0-	-0-	-0-	-0-	50	-0-	-0-	3,204	17,607	38,681-	39,278-	2,518	7,052
April 1	4,040	57,800	6,794	64,594	-0-	-0-	-0-	-0-	1,210	-0-	-0-	3,653	73,497	77,535+	83,350+	1,902	6,700
8	-0-	45,476	16,503	61,979	-0-	-0-	-0-	-0-	874	450	18	2,476	65,797	7,762+	5,107+	1,134	6,351
15	-0-	12,442	8,207	20,649	-0-	-0-	-0-	384	55	-0-	13	607	21,708	38,984-	40,250-	4,259	7,912
22	457	17,061	1,212	18,273	-0-	-0-	-0-	-0-	390	-0-	25	2,648	21,793	8,729+	20,132+	2,227	4,867
29	3,339	27,723	5,081	32,804	-0-	-0-	-0-	-0-	403	-0-	-0-	1,523	38,369*	19,508+	18,154+	10,625	1,499
May 6	123	40,193	4,595	44,788	-0-	-0-	-0-	-0-	-0-	135	10	3,066	48,122	26,736+	24,104+	8,878	2,634
13	-0-	5,407	8,423	13,830	-0-	-0-	-0-	-0-	368	-0-	-0-	279	14,477	36,142-	40,761-	8,549	639
20	1,201	16,355	2,121	18,476	-0-	-0-	-0-	-0-	499	-0-	35	600	20,811	19,001-	22,101-	3,972	1,065
27	252	17,060	1,101	18,161	-0-	-0-	-0-	-0-	267	-0-	-0-	218	18,898	4,065-	6,506-	4,617	1,000
June 3	-0-	11,387	2,910	14,297	-0-	-0-	-0-	278	-0-	-0-	-0-	-0-	14,575	6,529+	9,654+	5,118	1,230
10	115	22,509	3,209	25,718	-0-	-0-	-0-	-0-	-0-	-0-	-0-	751	26,584	4,247-	6,938-	5,442	1,249
17	135	2,771	720	3,491	-0-	-0-	-0-	-0-	1,747	-0-	3	1,248	6,624	18,008-	20,403-	5,909	3,015
24	-0-	698	10,911	11,609	-0-	-0-	-0-	101	-0-	-0-	-0-	1,466	13,176	1,288+	424-	8,501	963
July 1	-0-	2,996	1,227	4,223	-0-	-0-	-0-	-0-	-0-	-0-	-0-	1,691	5,997**	4,064-	3,049-	13,277	3,386
8	-0-	2,714	41	2,755	-0-	-0-	-0-	-0-	-0-	-0-	15	242	3,012	5,595-	11,553-	5,869	5,906
15	-0-	206	600	806	-0-	-0-	-0-	46	-0-	-0-	-0-	-0-	852	19,897-	21,380-	3,516	1,557
22	-0-	1,013	-0-	1,013	-0-	-0-	-0-	1,501	-0-	-0-	-0-	1,557	4,071	7,035-	3,375-	5,550	12,192
29	-0-	592	-0-	592	-0-	-0-	-0-	-0-	200	-0-	-0-	-0-	792	1,374+	497-	3,812	4,435
Aug. 5	-0-	9,946	-0-	9,946	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	9,946	59+	462-	8,002	2,701
12	-0-	36,333	2,445	38,778	-0-	-0-	-0-	-0-	-0-	-0-	-0-	1,477	40,255	68,307+	69,664+	3,667	10,646
19	-0-	4,782	2,698	7,480	-0-	-0-	-0-	-0-	-0-	702	-0-	-0-	8,182	19,840+	18,890+	4,411	2,256
26	-0-	12,932	42	12,974	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	12,974	26,294+	25,890+	2,618	1,560
Sept. 2	-0-	23	110	133	-0-	1,582	-0-	151	-0-	-0-	-0-	250	2,116	16,325+	17,350+	3,892	1,938
9	-0-	7,299	102	7,401	-0-	-0-	-0-	45	-0-	-0-	-0-	-0-	7,446	83+	80-	2,294	2,378
16	-0-	5,905	4,097	10,002	-0-	-0-	-0-	290	50	-0-	-0-	500	10,842	14,039+	19,982+	2,121	2,787
23	5,011	86,363	23,148	109,511	-0-	-0-	-0-	220	33,526	-0-	-0-	4,774	153,042	15,699-	25,419+	2,880	1,114
30	3,670	217,545	13,395	230,940	20	1,843	-0-	1,419	9,660	-0-	-0-	2,907	250,459	209,587+	225,338+	7,662	2,746
Oct. 7	1,573	131,494	13,270	144,764	-0-	43	-0-	567	750	-0-	125	2,349	150,171	108,014+	112,829+	5,023	3,174
14	3,435	132,491	66,551	199,042	443	263	-0-	1,505	781	-0-	2,761	2,053	210,283	150,785+	149,051+	3,505	1,320
21	989	53,351	34,072	87,423	497	-0-	-0-	763	1,391	350	-0-	595	92,008	42,319+	38,659+	2,899	1,300
TOTALS	$25,406	$1,153,652	$245,680	$1,399,332	$960	$3,731	$619	$8,504	$55,003	$ 2,097	$3,342	$49,433	$1,548,810	$396,318+	$405,222+	$192,445	$151,122

* Includes $300,000 purchased by St. Louis
**Includes 83,000 purchased by Kansas City.

Exhibit "C" (a)

CLASSIFICATION BY MATURITIES OF BILLS PURCHASED
BY FEDERAL RESERVE BANKS IN THEIR RESPECTIVE DISTRICTS
DURING THE PERIOD FROM JANUARY 2 TO OCTOBER 21, 1931
(EXCLUDING SALES CONTRACTS)
(000 Omitted)

	1-30 days	31-60 days	61-90 days	Over 90-days	Total
Boston	$ 8,547	$ 4,572	$ 11,345	$ 942	$ 25,406
New York	728,614	328,125	334,822	7,771	1,399,332
Philadelphia	347	16	597	0	960
Cleveland	650	2,028	1,053	0	3,731
Richmond	40	234	345	0	619
Atlanta	2,640	2,076	3,438	350	8,504
Chicago	25,887	17,054	12,062	0	55,003
St. Louis	300	0	0	0	300
Minneapolis	1,246	200	651	0	2,097
Kansas City	6	74	3	0	83
Dallas	295	132	2,335	580	3,342
San Francisco	24,122	16,638	6,442	2,231	49,433
Totals	$792,694	$371,149	$373,093	$11,874	$1,548,810

Exhibit "D"

AMOUNT OF NET PROFIT REALIZED ON SALES OF UNITED STATES GOVERNMENT SECURITIES IN THE SYSTEM ACCOUNT DURING THE PERIOD JANUARY 2 TO OCTOBER 21, 1931, WHICH IS HELD IN SUSPENSE ACCOUNT BY THE FEDERAL RESERVE BANK OF NEW YORK AND EACH BANK'S PRO RATA SHARE BASED ON AVERAGE DAILY HOLDINGS; ALSO AMOUNT OF NET LOSS AS REPRESENTED BY THE DIFFERENCE BETWEEN THE BOOK VALUES AND THE MARKET BID PRICES ON OCTOBER 21, 1931 OF THE GOVERNMENT SECURITIES HELD IN THE SYSTEM ACCOUNT, AND EACH BANK'S PRO RATA SHARE BASED ON AVERAGE DAILY HOLDINGS

	Net Profit Held in Suspense Account	Loss as Represented by the Difference Between Book Values and Market Bid Prices
Boston	$ 164,851.65	$ 822,825.20
New York	275,808.06	1,376,642.71
Philadelphia	137,347.40	685,543.00
Cleveland	184,660.81	921,698.77
Richmond	80,141.85	400,012.46
Atlanta	47,668.98	237,930.50
Chicago	226,237.05	1,129,218.55
St. Louis	70,440.65	351,590.92
Minneapolis	64,605.66	322,466.69
Kansas City	114,290.02	570,456.60
Dallas	63,032.79	314,616.02
San Francisco	123,599.92	616,925.16
Totals	$1,552,684.82	$7,749,926.58

CONFIDENTIA

333. C-2

Preliminary Memorandum on Credit Conditions for the Meeting of the Executive Committee of the Open Market Policy Conference, October 26, 1931.

A number of developments of unusual importance have occurred since the last meeting of the Open Market Policy Conference on August 11:

Continued withdrawals of funds from London led to suspension of gold payments by Great Britain; this has been followed by similar action in a number of other countries;

Subsequent strengthening of foreign central bank gold holdings and a "run on the dollar" have led to heavy purchases of gold from the United States by foreigners;

Currency hoarding has resulted in further heavy withdrawals of deposits from the banks;

As a result the demand for Federal Reserve Credit has increased at an extraordinary rate;

Federal Reserve Bank discount rates and open market money rates have risen;

Security prices have declined further; prices of United States Government securities have dropped precipitately within a few weeks from approximately the highest levels in recent years to levels even lower than were reached in 1929;

Bank failures have increased considerably in number;

Liquidation of member bank credit has been resumed at an unprecedented rate, with consequent shrinkage in the supply of money available for business use;

The emphasis of banks on liquidity has increased and the financing of business either by investors or by banks has become increasingly difficult;

Business activity and employment after seasonal adjustment have declined further, and commodity prices are lower;

Efforts toward the restoration of confidence in the banks have been undertaken chief of which has been the organization of the National Credit Corporation.

System Gold Position

The effects of gold losses and currency hoarding on the System gold position are shown in the attached diagrams and the following table. Recent gold losses of about $700,000,000 have not yet entirely offset the gain to the country's gold stock since early 1929 when it was generally considered that the gold supply was well in excess of the country's needs.

The "free gold" of the Federal Reserve System has shown little change during the recent outflow, as the second diagram indicates. This is due to the fact, which is also illustrated by the diagram, that the amount of gold required as collateral for Federal Reserve notes has diminished about as rapidly as have the gold reserves of the System. The foreign demand for gold, together with the domestic demand for currency, have brought into the Reserve Banks a large volume of eligible paper in the form of discounts and acceptances, which has been pledged as collateral for Federal Reserve notes, so that a large part of the gold used until recently as collateral has been released. The following table summarizes the demands on the reserves of the Federal Reserve System between September 16 and October 21, and shows the position of the System with respect to gold after meeting these demands.

Demand for Gold and Other Reserves between September 16 and October 21, and Effect on Reserve Position of the Federal Reserve System

(In millions of dollars)

Demand for Gold (and other reserve cash):

For earmarking	418
For gold exports (net)	261
Total	679
Reduction in required reserve against F.R. deposits	- 49
Increase in required reserve against F.R. notes	151
Total	102
Estimated increase in gold certificate and coin circulation	41
Total demand from all sources	822

Effect on Reserve Position of Federal Reserve System:

	Sept. 16, 1931	Oct. 21, 1931	Change
Total reserves - - - - - - - - -	3647	2927*	-720
Excess reserves over minimum requirements - - - - -	1919	1097*	-822
Gold required as collateral for F. R. notes - - - - - -	1037	281	-756
"Free Gold" - - - - - - - -	882	816*	- 66

*The issuance of Federal Reserve Notes in place of gold certificates will tend to increase the reserves of Federal Reserve Banks and eventually to increase the amount of "free gold"; this process is already under way.

As this indicates, the System on October 21 still had excess reserves totaling about $1,100,000,000, either in the form of "free gold," or in the form of gold collateral which will be released when further needs for funds bring in additional bills or discounts. Recently dollar exchange has strengthened relative to the exchanges of European countries which have been taking gold, and there are indications that the outflow of gold is subsiding.

Net Change in Monetary Gold Stock of the United States

Week ended:	
September 26	- $173,000,000
October 3	- 168,000,000
" 10	- 153,000,000
" 17	- 151,000,000
" 24 (Preliminary)	- 58,000,000

The Banking Position

From the viewpoint of the business of this country, the developments relating to the position of commercial banks - the great numbers of bank failures, the continued hoarding of currency, and the consequent excessive caution on the part of bankers which has been instilled by these occurrences - have been of more importance than the gold outflow. Security markets have become almost completely closed to new financing; banks are more reluctant than ever to employ their funds in any but the most liquid forms of loans or investments; the supply of credit available for business has been shrinking rapidly. The following table shows changes in the loans and investments and in the deposits of weekly reporting member banks during October and since the beginning of July.

(In millions of dollars)

	July 1, 1931	Sept. 30, 1931	Oct. 21* 1931
Security loans - - - - - - - - - - - - - -	6,746	6,346	5,873
All other loans - - - - - - - - - - - - -	7,945	7,845	7,681
U. S. securities - - - - - - - - - - - - -	4,129	4,223	4,158
Other securities - - - - - - - - - - - - -	3,666	3,693	3,606
Total loans and investments - - - -	22,486	22,107	21,314
Net demand deposits - - - - - - - - - - -	13,688	13,227	12,532
Time deposits - - - - - - - - - - - - - -	7,172	6,775	6,459
Total - - - - - - - - - - - - - - - - -	20,860	20,002	18,991

*Estimated largely on basis of October 21 figures for New York City banks.

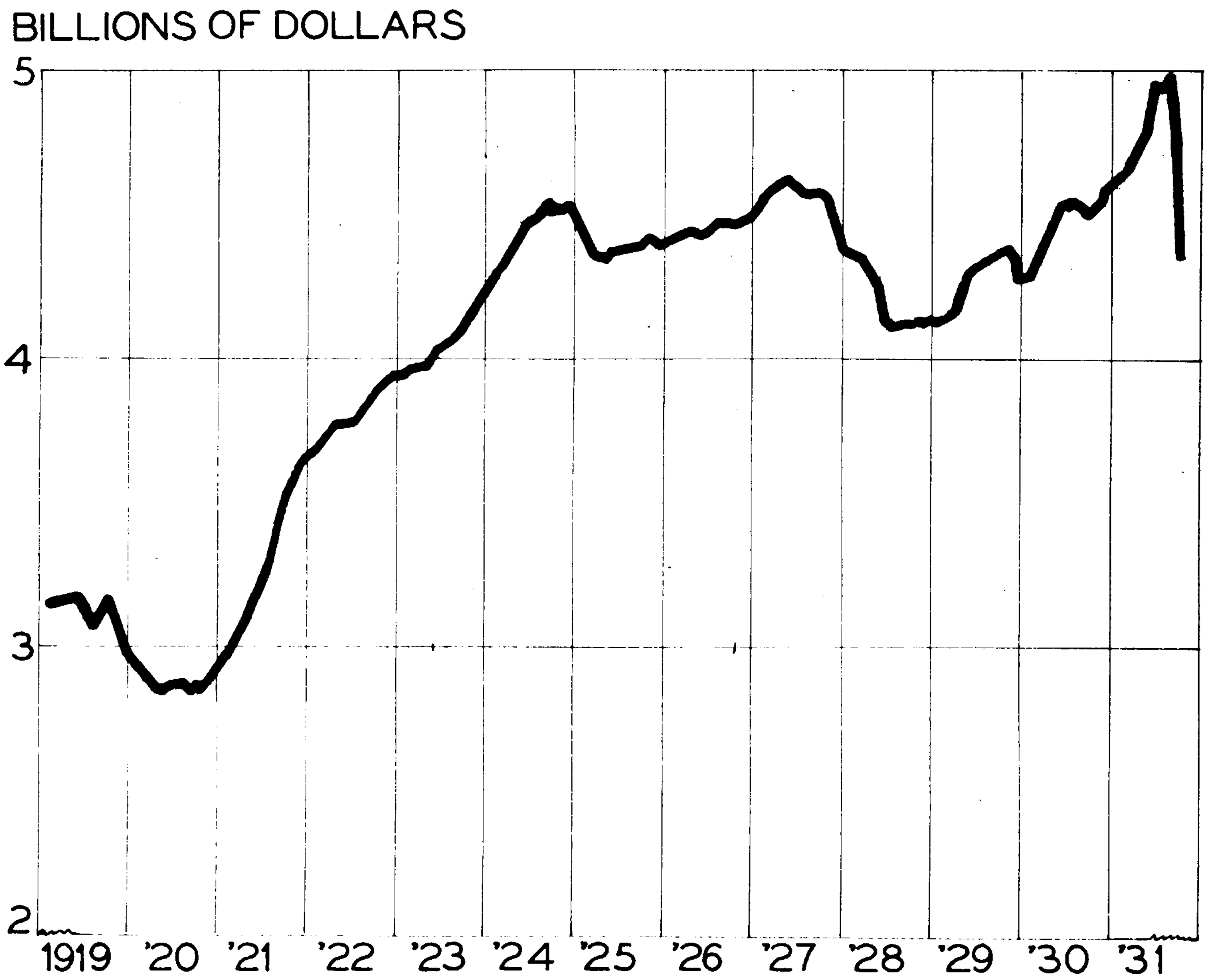
During the past three weeks the loans and investments of reporting banks have been reduced nearly $800,000,000. To the effect of this on deposits has been added the effect of gold and currency withdrawals, partly offset by funds paid out by the Reserve Banks through bill purchases. Consequently the deposits of these banks have shown a decline of about $1,000,000,000 during the three-week period and a decline of nearly $1,900,000,000 since the first of July. This constitutes by far the most rapid shrinkage in member bank deposits during the life of the System.

The closing of banks has proceeded at an accelerated rate. In July the number of closed banks was 93, in August 158, in September 298, and in the first three weeks of October 386. This brings the number of banks closed since the beginning of the year to a total of more than 1,600.

Depreciation in the market value of bond holdings is probably responsible for the difficulties of more banks than any other cause. Until recently the depreciation was confined largely to the lower grades of bonds, but within the past few months prices of even the highest grade corporation bonds have declined considerably, especially railroad bonds the status of which with respect to "legal lists" has been endangered by the continued decline in railroad earnings. Since the beginning of September there has been an extraordinary severe decline in the market prices of United States Government securities - the only class of bank assets which up to that time had maintained an unimpaired market value. Between September 16 and October 19 the market value of long-term Government bonds declined about 8 per cent on the average, representing a "paper" loss to all member banks in the neighborhood of $300,000,000.

Thus altogether, present banking conditions are such as to constitute a serious obstacle, rather than an aid, to business recovery. Some improvement in this situation may be hoped for from the operations of the National Credit Corporation. Sentiment is already better though no definite results have been shown.

2131
Federal Reserve Bank
of New York
Reports Department
March, 25, 1931.



Monetary Gold Stock of the United States
(End of month figures; latest figure Oct.21)

Exhibit "C" (a)

CLASSIFICATION BY MATURITIES OF BILLS PURCHASED
BY FEDERAL RESERVE BANKS IN THEIR RESPECTIVE DISTRICTS
DURING THE PERIOD FROM JANUARY 2 TO OCTOBER 21, 1931
(EXCLUDING SALES CONTRACTS)
(000 Omitted)

	1-30 days	31-60 days	61-90 days	Over 90-days	Total
Boston	$ 8,547	$ 4,572	$ 11,345	$ 942	$ 25,406
New York	728,614	328,125	334,822	7,771	1,399,332
Philadelphia	347	16	597	0	960
Cleveland	650	2,028	1,053	0	3,731
Richmond	40	234	345	0	619
Atlanta	2,640	2,076	3,438	350	8,504
Chicago	25,887	17,054	12,062	0	55,003
St. Louis	300	0	0	0	300
Minneapolis	1,246	200	651	0	2,097
Kansas City	6	74	3	0	83
Dallas	295	132	2,335	580	3,342
San Francisco	24,122	16,638	6,442	2,231	49,433
Totals	$792,694	$371,149	$373,093	$11,874	$1,548,810

Exhibit "D"

AMOUNT OF NET PROFIT REALIZED ON SALES OF UNITED STATES GOVERNMENT SECURITIES IN THE SYSTEM ACCOUNT DURING THE PERIOD JANUARY 2 TO OCTOBER 21, 1931, WHICH IS HELD IN SUSPENSE ACCOUNT BY THE FEDERAL RESERVE BANK OF NEW YORK AND EACH BANK'S PRO RATA SHARE BASED ON AVERAGE DAILY HOLDINGS; ALSO AMOUNT OF NET LOSS AS REPRESENTED BY THE DIFFERENCE BETWEEN THE BOOK VALUES AND THE MARKET BID PRICES ON OCTOBER 21, 1931 OF THE GOVERNMENT SECURITIES HELD IN THE SYSTEM ACCOUNT, AND EACH BANK'S PRO RATA SHARE BASED ON AVERAGE DAILY HOLDINGS

	Net Profit Held in Suspense Account	Loss as Represented by the Difference Between Book Values and Market Bid Prices
Boston	$ 164,851.65	$ 822,825.20
New York	275,808.06	1,376,642.71
Philadelphia	137,347.40	685,543.00
Cleveland	184,660.81	921,698.77
Richmond	80,141.83	400,012.46
Atlanta	47,668.98	237,930.50
Chicago	226,237.05	1,129,218.55
St. Louis	70,440.65	351,590.92
Minneapolis	64,605.66	322,466.69
Kansas City	114,290.02	570,456.60
Dallas	63,032.79	314,616.02
San Francisco	123,599.92	616,925.16
Totals	$1,552,684.82	$7,749,926.58

CONFIDENTIA

333.-C-2

Preliminary Memorandum on Credit Conditions for the Meeting of the Executive Committee of the Open Market Policy Conference, October 26, 1931.

A number of developments of unusual importance have occurred since the last meeting of the Open Market Policy Conference on August 11:

Continued withdrawals of funds from London led to suspension of gold payments by Great Britain; this has been followed by similar action in a number of other countries;

Subsequent strengthening of foreign central bank gold holdings and a "run on the dollar" have led to heavy purchases of gold from the United States by foreigners;

Currency hoarding has resulted in further heavy withdrawals of deposits from the banks;

As a result the demand for Federal Reserve Credit has increased at an extraordinary rate;

Federal Reserve Bank discount rates and open market money rates have risen;

Security prices have declined further; prices of United States Government securities have dropped precipitately within a few weeks from approximately the highest levels in recent years to levels even lower than were reached in 1929;

Bank failures have increased considerably in number;

Liquidation of member bank credit has been resumed at an unprecedented rate, with consequent shrinkage in the supply of money available for business use;

The emphasis of banks on liquidity has increased and the financing of business either by investors or by banks has become increasingly difficult;

Business activity and employment after seasonal adjustment have declined further, and commodity prices are lower;

Efforts toward the restoration of confidence in the banks have been undertaken chief of which has been the organization of the National Credit Corporation.

System Gold Position

The effects of gold losses and currency hoarding on the System gold position are shown in the attached diagrams and the following table. Recent gold losses of about $700,000,000 have not yet entirely offset the gain to the country's gold stock since early 1929 when it was generally considered that the gold supply was well in excess of the country's needs.

The "free gold" of the Federal Reserve System has shown little change during the recent outflow, as the second diagram indicates. This is due to the fact, which is also illustrated by the diagram, that the amount of gold required as collateral for Federal Reserve notes has diminished about as rapidly as have the gold reserves of the System. The foreign demand for gold, together with the domestic demand for currency, have brought into the Reserve Banks a large volume of eligible paper in the form of discounts and acceptances, which has been pledged as collateral for Federal Reserve notes, so that a large part of the gold used until recently as collateral has been released. The following table summarizes the demands on the reserves of the Federal Reserve System between September 16 and October 21, and shows the position of the System with respect to gold after meeting these demands.

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As this indicates, the System on October 21 still had excess reserves totaling about $1,100,000,000, either in the form of "free gold," or in the form of gold collateral which will be released when further needs for funds bring in additional bills or discounts. Recently dollar exchange has strengthened relative to the exchanges of European countries which have been taking gold, and there are indications that the outflow of gold is subsiding.

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of the United States

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" 24 (Preliminary)	- 58,000,000

The Banking Position

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Thus altogether, present banking conditions are such as to constitute a serious obstacle, rather than an aid, to business recovery. Some improvement in this situation may be hoped for from the operations of the National Credit Corporation. Sentiment is already better though no definite results have been shown.

2131
Federal Reserve Bank
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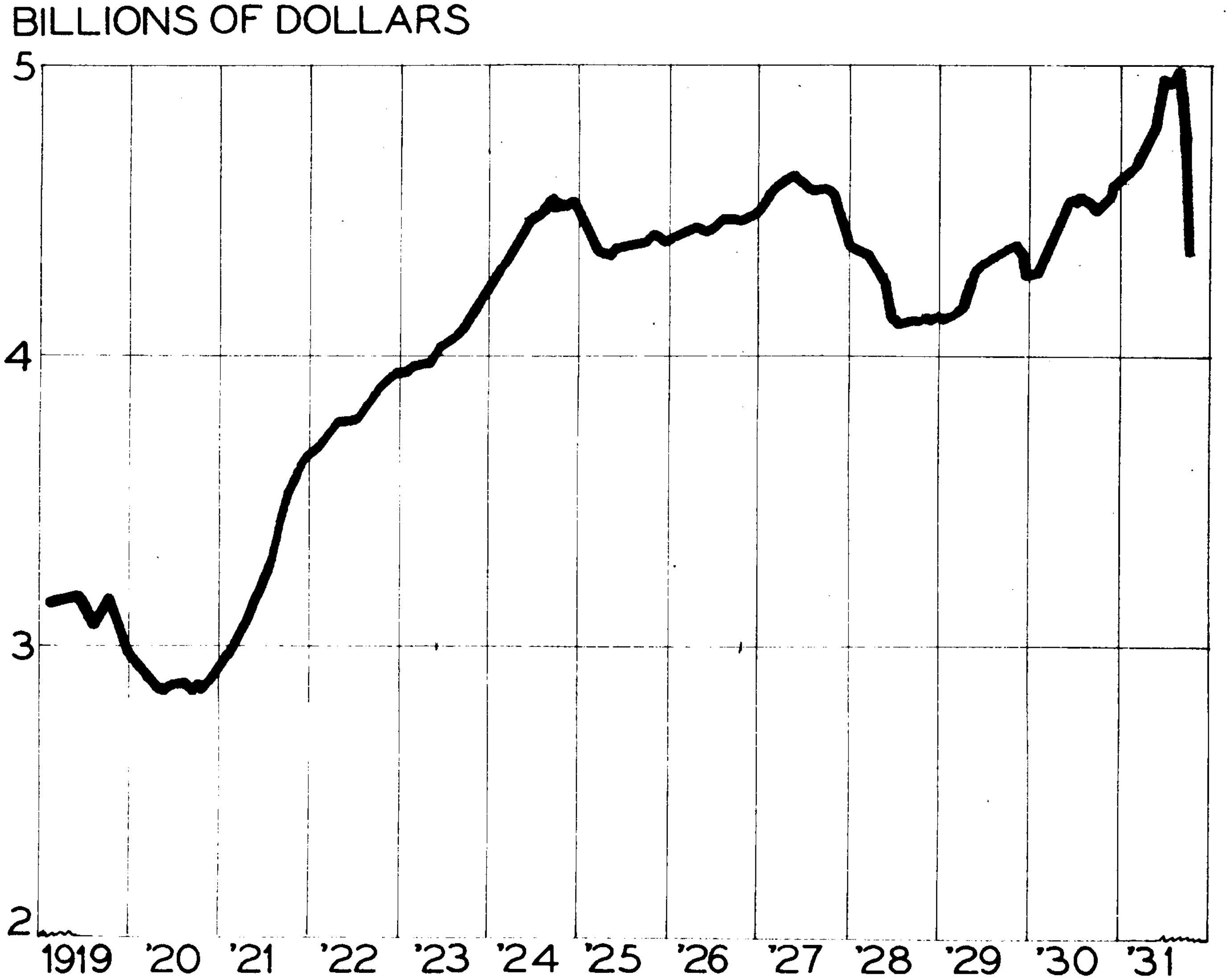
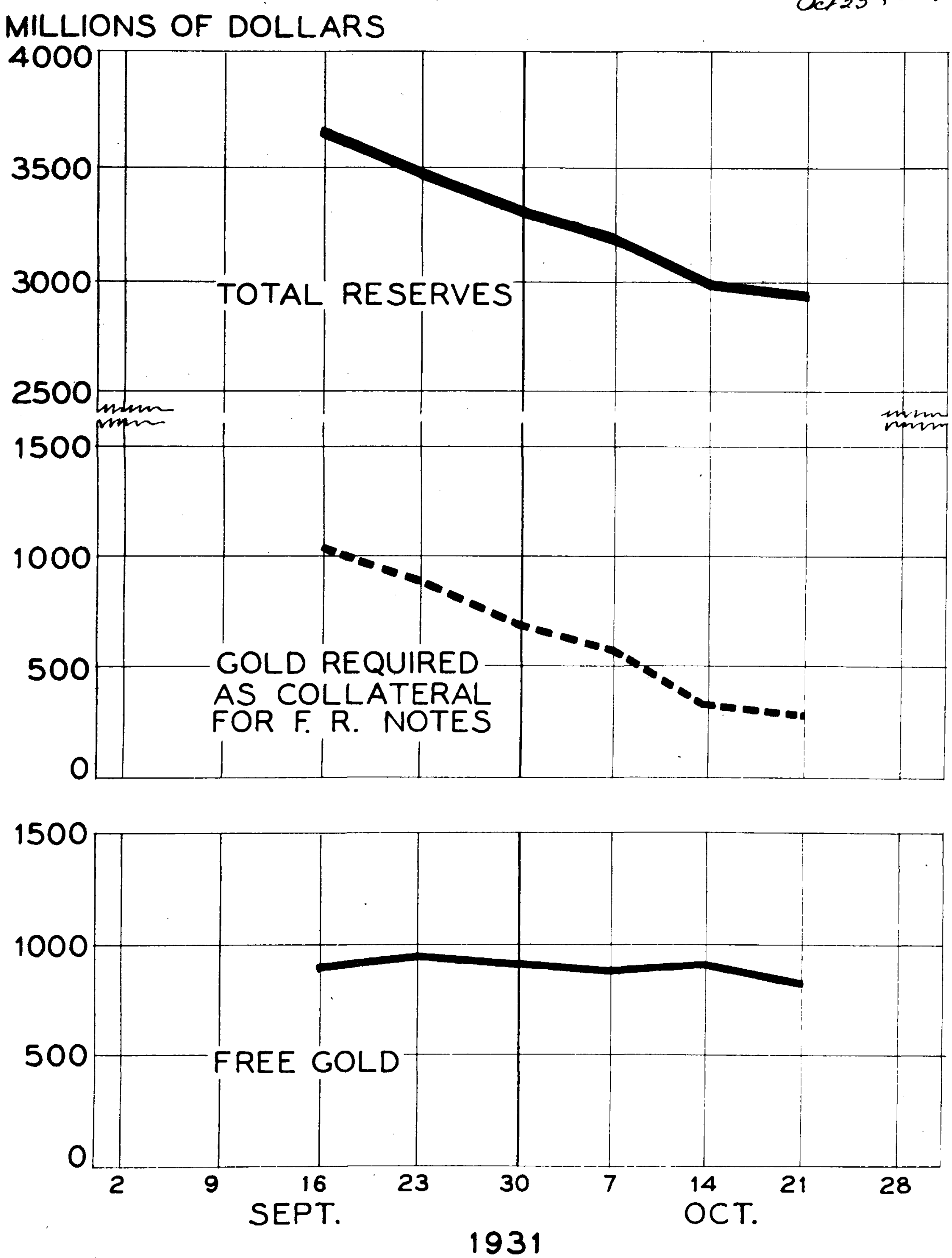
Reports Department
March, 25, 1931.



Monetary Gold Stock of the United States
(End of month figures; latest figure Oct.21)

Oct 23, 1931.



Gold required as collateral for Federal Reserve notes has been replaced by eligible paper as total reserves have been drawn down by gold exports and earmarkings, leaving the System's free gold virtually unchanged

FEDERAL RESERVE BANK

OF NEW YORK

333.-C-2

November 24, 1931.

Dear Governor Meyer:

I find and regret the necessity for a correction in the correction of the minutes of the Open Market Policy Conference for August 11 as noted in my letter last night. In making the change suggested in that letter the text should read as follows:

8/11/31 filed 333.-C-2

> "if governments are purchased we should not hesitate to sell them if and when conditions make it necessary or desirable."

Very truly yours,

W. Randolph Burgess

W. Randolph Burgess
Deputy Governor

Hon. Eugene Meyer,
Governor, Federal Reserve Board,
Washington, D. C.

WRB.H

FEDERAL RESERVE BANK

OF NEW YORK

333.C-2

November 23, 1931.

Dear Governor Meyer:

8-11-31 filed 333.-C-2 Final Minutes

A minor change has been suggested in the minutes of the Open Market Policy Conference for August 11. Will you therefore please have the following change made in your copy of the minutes which was forwarded some weeks ago.

Line 17 on page 6 which reads at present as follows,

> "he did not think we should hesitate to sell governments in order to help England."

should be changed to

> "if governments are repurchased we should not hesitate to sell them if and when conditions make it necessary or desirable."

Very truly yours,

W. Randolph Burgess

W. Randolph Burgess
Deputy Governor

Hon. Eugene Meyer,
Governor, Federal Reserve Board,
Washington, D. C.

WRB.H

see letter 11/24/31

CIRCULATION:
Mr. Hamlin
Mr. James
Mr. Magee
Mr. Miller
Mr. Pole
Mr. Harrison
Mr. Morrill
Mr. McClelland
Mr. Wyatt
Mr. Goldenweiser
Mr.
333 -C-2
Please note - initial
and return to GOVERNOR.

November 21, 1931

Dr. W. Randolph Burgess,
Federal Reserve Bank,
New York City.

Dear Doctor Burgess:

Thank you very much for your letter of November 20.

Perhaps it would be desirable, as you indicate, to correct the minutes of the meeting of the Open Market Policy Conference on August 11, in view of the fact that they constitute a permanent record. The change you suggest is entirely satisfactory to me and accurately expresses the thought I intended to convey.

8/11/31 filed 333.-C-2

With kind regards, I am

Very truly yours,

Meyer

Governor.

see letter 11/23/31

FEDERAL RESERVE BANK
OF NEW YORK

333.-C.-2

November 20, 1931.

Dear Governor Meyer:

I have your note of November 19 and I am inclined to think that since these minutes (8/11/31 filed 333.-C.-27 final minutes) are in the nature of permanent records it would be well to make a change to cover the point you raise. I, therefore, suggest that we change line 17 on page 6 to read, "if governments are purchased we should not hesitate to sell them if and when conditions make it necessary or desirable." If you agree I can send the change to the various people who have copies of the minutes, and have the correction made. I am sorry that the minute did not express your thought more precisely. As a matter of fact, I was not myself present at that meeting.

Very truly yours,

W Randolph Burgess

W. Randolph Burgess
Deputy Governor

Hon. Eugene Meyer,
Governor, Federal Reserve Board,
Washington, D. C.

RECEIVED
NOV 21 1931
OFFICE OF
THE GOVERNOR

see ans 11/21/31

For CIRCULATION:
Mr. Hamlin
Mr. James
Mr. Magee
Mr. Miller
Mr. Pole
Mr. Harrison
Mr. Morrill
Mr. McClelland
Mr. Wyatt
Mr.
Mr.
Please note - Initial and return to GOVERNOR

November 19, 1931.

Dr. W. Randolph Burgess,
Federal Reserve Bank,
New York, N. Y.

Dear Doctor Burgess:

Ever since I received, on October 29, the minutes of the meeting of the Open Market Policy Conference on August 11, filed 333.-C-2 Final Minutes I have intended to drop you a line about a statement which appears on page 6, but one thing or another has prevented me from doing so. The matter is not of sufficient importance to require correction, but I feel that I ought to bring it to your attention.

The statement to which I refer is this: "Governor Meyer stated that he did not think we should hesitate to sell Governments in order to help England."

I did not intend to convey the impression that I thought we should sell Governments "in order to help England." What I had in mind was that if the System should buy more Governments, it should not hesitate to sell them if and when conditions should arise which would make such action necessary or desirable. In other words, I was thinking about the matter, not from the standpoint of selling Governments "to help England", but from the standpoint of whether consideration of the question of buying Governments should be affected by the possibility that it might be necessary later on to sell Governments.

see ans 11/20/31
see letter 10/28/31

As I said before, I do not think it is worth while to correct the minutes, and I am writing this note merely for your own information.

With best wishes, I am

Very truly yours,

(Signed) Eugene Meyer
Governor

FEDERAL RESERVE BANK

OF NEW YORK

333.-C-2

October 28, 1931.

Dear Governor Meyer:

I am enclosing for your records a complete copy of the minutes of the meeting of the Open Market Policy Conference on August 11. filed 333.-C-2 Final minutes The meeting was attended by representatives of all the Reserve banks, and copies of the resolutions adopted were mailed out previously, but due to the pressure of other matters the complete minutes had not heretofore been sent out.

Very truly yours,

W Randolph Burgess

W. Randolph Burgess
Secretary, Open Market
Policy Conference.

Hon. Eugene Meyer,
Governor, Federal Reserve Board,
Washington, D. C.

WRB H
encl.

see ans 11/19/31

Mr. Carpenter

333 ...

August 22, 1931.

Dear Governor Harrison:

I acknowledge receipt of your letter of August 21st, returning that part of tentative draft of the Board's minutes of the meeting of the Open Market Policy Conference on August 11th, relating to your statement. The changes made thereon are noted and will all be incorporated in the final draft of the minutes.

Very truly yours,

E. M. McClelland,
Assistant Secretary.

Mr. George L. Harrison, Governor,
Federal Reserve Bank,
New York City, N. Y.

FEDERAL RESERVE BANK

OF NEW YORK

333.-C-2

August 21, 1931.

Dear Mr. McClelland:

I am sorry that, owing to my absence from the bank for a few days earlier this week, I have delayed replying to your letter of August 13 with which you were good enough to send me a section of the tentative draft of your minutes of the meeting of the Open Market Policy Conference on August 11.

As you have given me an opportunity to suggest some changes in that part of the minutes relating to my statement, I have taken the liberty of noting my suggestions in pencil on the enclosed draft which I am returning to you.

Very truly yours,

George L. Harrison
George L. Harrison,
Governor.

Mr. E. M. McClelland,
Assistant Secretary,
Federal Reserve Board,
Washington, D. C.

Enc.

see ans 8/22/31

A meeting of the Federal Reserve Board with the Open Market Policy Conference was held in the office of the Federal Reserve Board on Tuesday, August 11, 1931, at 5:30 p.m.

PRESENT:	Governor Meyer	
	Mr. Hamlin	
	Mr. Miller	
	Mr. James	
	Mr. Magee	
	Mr. McClelland, Assistant Secretary	
ALSO PRESENT:	Governor Young	Members, Open Market Policy Conference
	Governor Harrison	
	Governor Fancher	
	Governor Black	
	Deputy Governor McKay	
	Governor Martin	
	Governor Geery	
	Deputy Governor Worthington	
	Deputy Governor Gilbert	
	Mr. Matteson, Secretary, Open Market Policy Conference	
	Dr. Goldenweiser, Director, Division of Research and Statistics	
	Mr. Smead, Chief, Division of Bank Operations	
	Mr. Wyatt, General Counsel	

Governor Harrison, Chairman of the Open Market Policy Conference, presented a preliminary memorandum relative to credit conditions, submitted to the Conference, a report of operations in the System account since the last meeting of the Conference, and tentative minutes of the meeting of the Executive Committee of the Conference held in New York on August 4th.

He stated that the Conference had been in session all day discussing conditions both in this country and abroad and he referred particularly to the drastic decline in commodity prices (which has been so great as to threaten bankruptcy in certain countries of the world and in (see below). He stated that at the moment it appears that nothing can be done by the Federal Reserve System to help ~~the~~ this situation through the discount rate or through operations in the bill market, the only possible helpful action being the purchase of Government securities in rather large amounts. In this connection, he referred to the free gold of the Federal Reserve

certain sections of individual countries whose chief sources of income are raw materials. In many instances these products at present prices are not adequate to cover fixed charges so that either commodity prices must rise or else we must expect defaults on many debts, national and private.

banks now amounting to about $750,000,000, which could probably be increased to $1,000,000,000 through the retirement of excess Federal Reserve notes held in the cash of the Federal Reserve banks and branches, and to the distribution of this free gold and the fact that five of the Federal Reserve banks hold only what might be considered very close to their operating minimums.

He stated that no member of the Conference is in favor of purchasing large amounts of Government securities ~~right~~ just at this time, and it is felt that there would be no point in putting large amounts into the market until such time as it should appear that the effect would not be limited to the mere piling up of excess reserves in member banks which would not be employed. He stated that the natural outlet for such excess reserves is in investments, and if action were taken at the right time it might result in pressure being imposed on the banks for the use of their surplus funds through the purchase of bonds, mortgages, etc. The difficulty at the present time, he said, lies in the fact that prime investments have been bought up until they are on a very low yield basis; that secondary bonds consist largely of railroad issues aggregating approximately $7,750,000,000, $5,500,000,000 of which are likely within a short time to become ~~ineligible~~ illegal for investment by savings banks, insurance companies and for trust funds due to provisions of law relative to earnings of issuing companies; and that in addition there is pressure on the market due to forced liquidation of bond portfolios of closed banks.

On the other hand, he stated the existing situation is so critical that most of the Conference felt that the System should be prepared to act quickly in the event conditions develop to a point where it appears that an operation in Governments might encourage or facilitate recovery.

He stated that the following resolution was prepared and presented to the Conference by the Chairman:

"It is the sense of the Conference that, subject to the approval of the Federal Reserve Board, the Executive Committee be authorized to purchase, for account of such Federal Reserve banks as desire to participate, up to ($300,000,000) of Government securities, if and when it becomes necessary or advisable to do so.

"It is the opinion of the Conference that economic conditions in this country and throughout the world are now such that it is essential that the System be prepared promptly to take whatever further proper steps are in its power to encourage or facilitate a recovery in conditions as soon as it appears likely that such steps will be effective in accomplishing this purpose."

He reported, however, that a motion was made to amend ~~the above~~ resolution so as to make it read as follows:

"It is the sense of the Conference that, subject to the approval of the Federal Reserve Board, the Executive Committee be authorized to purchase, for account of such Federal Reserve banks as desire to participate, up to $120,000,000 of Government securities, if and when it becomes necessary or advisable to do so, or if necessary or advisable to sell up to a similar amount.

"It is the opinion of the Conference that economic conditions in this country and throughout the world are now such that it is essential that the System be prepared promptly to take whatever further proper steps are in its power to encourage or facilitate a recovery in conditions as soon as it appears likely that such steps will be effective in accomplishing this purpose."

He stated that ~~the~~ this motion to amend was carried with two negative votes {Gov Young & Gov Harrison} following which the resolution as amended was adopted, one member of the Conference voting in the negative {Gov. Young}.

Governor Harrison stated that he voted against the amendment because he was of the opinion that if purchases were to be effective they should be made in a more substantial amount; that ~~with~~ increase of the withdrawals of currency for hoarding plus the retirement of bills and Governments held by ~~the Bank of France~~ our foreign central bank the authority contemplated by the amendment would do no more than offset present withdrawals from the market.

He stated, however, that a majority of the members reported that it was their opinion and the opinion of the directors of their banks that it would be inadvisable to purchase any governments at this time, and that they could not forsee the likelihood of any occasion to buy governments in the near future. He had voted for the amended resolution, he said, because he thought it was important that the Executive Committee should not be without some authority to act. Governor Harrison also stated that it was not contemplated that the $50,000,000 of governments purchased by the Federal Reserve Bank of New York within the last two or three days would be absorbed into the System account under the authority given in the amended resolution of the Conference, and that unless some of the other individual Federal Reserve banks desired to participate in those purchases they would be carried in the portfolio of the New York Bank.

Governor Young reported that he had voted against both the motion to amend the original resolution and the adoption of the resolution as amended

FEDERAL RESERVE BANK
OF BOSTON

333-C-2

ROY A. YOUNG
GOVERNOR

August 15, 1931

Mr. E. M. McClelland, Asst. Secretary,
Federal Reserve Board,
Washington, D. C.

Dear Mr. McClelland:

This will acknowledge receipt of your letter of August 13 furnishing copy of a statement that appears in the Board's records of the Open Market Policy Conference which was held on August 11. I have but one suggestion to offer. The following appears: ".....rediscounting and bill operations nullified by...." and I would like to have it changed to read - ".....rediscounting and bill operations further nullified by...."

Thanking you for sending the statement to me, I am

Yours very truly,

RAYoung

R. A. Young,
Governor.

J

333.-C-2

August 13, 1931

Dear Governor Young: See 8-11-31 files 333.-C-2 Final Minutes

In the minutes of the Board's meeting with the Open Market Policy Conference on August 11th, your statement is summarized as follows:

> "Governor Young reported that he had voted against both the motion to amend the original resolution and the adoption of the resolution as amended because he felt that any emergency could be taken care of by the System through purchases of bills, which will come to the System at a one per cent rate, and that he would rather see an increase in the bill portfolio or even in rediscounts rather than in ineligible Government securities. He said he would regret to see the important functions of the Federal Reserve System in rediscounting and bill operations nullified by purchases of Government securities. He expressed the opinion that neither the commodity price situation or the bond market would be helped by an operation in Government securities. He stated that even if there were anything in the idea that excess reserves could be put in the market and create activity, he did not feel that the present was the time to do it. He stated that when the time did come he thought there would be opportunity for a thorough-going discussion of it by the Conference before action was taken."

Will you please let me know if this statement is satisfactory to you, or advise me of any changes you would like to have made. I would appreciate hearing from you at your early convenience as the minutes should be presented to the Board promptly.

Very truly yours,

E. M. McClelland,
Assistant Secretary

Mr. R. A. Young, Governor,
Federal Reserve Bank,
Boston, Mass.

see ans 8/15/31

333.-C-2

August 13, 1931

Dear Governor Harrison:

8-11-31

I am sending you herewith the first four pages of the tentative draft of our minutes of the meeting with the Open Market Policy Conference on August 11th. They contain a summary of your statement to the Board and are sent you in order that you may make any changes which you think are necessary or desirable.

It would be appreciated if you would return the corrected pages as soon as convenient, as the minutes should be submitted to the Board promptly.

Very truly yours,

E. M. McClelland,
Assistant Secretary

Mr. George L. Harrison, Governor,
Federal Reserve Bank,
New York, New York.

(Enclosure)

see ans 8/21/31

8/11/31

Moved,

" It is the sense of the Conference that, subject to the approval of the Federal Reserve Board, the Executive Committee be authorized to purchase, for account of such Federal Reserve banks as desire to participate, up to ($300,000,000) of Government securities, if and when it becomes necessary or advisable to do so.

It is the opinion of the Conference that economic conditions in this country and throughout the world are now such that it is essential that the System be prepared promptly to take whatever further proper steps are in its power to encourage or facilitate a recovery in conditions as soon as it appears likely that such steps will be effective in accomplishing this purpose. "

Moved to amend to read as follows:

" It is the sense of the Conference that, subject to the approval of the Federal Reserve Board, the Executive Committee be authorized to purchase, for account of such Federal Reserve banks as desire to participate, up to $120,000,000 of Government securities, if and when it becomes necessary or advisable to do so, or if necessary or advisable to sell up to a similar amount.

It is the opinion of the Conference that economic conditions in this country and throughout the world are now such that it is essential that the System be prepared promptly to take whatever further proper steps are in its power to encourage or facilitate a recovery in conditions as soon as it appears likely that such steps will be effective in accomplishing this purpose. "

Motion to amend carried, Governors Harrison and Young voting in the negative.

Motion as amended carried, Governor Young voting in the negative.

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A meeting of the Federal Reserve Board with the Open Market Policy Conference was held in the office of the Federal Reserve Board on Tuesday, August 11, 1931, at 5:30 p. m.

8-11-31

PRESENT: Governor Meyer
Mr. Hamlin
Mr. Miller
Mr. James
Mr. Magee
Mr. McClelland, Assistant Secretary.

ALSO PRESENT: Governor Young)
Governor Harrison)
Governor Fancher)
Governor Black) Members, Open
Deputy Governor McKay) Market Policy
Governor Martin) Conference.
Governor Geery)
Deputy Governor Worthington)
Deputy Governor Gilbert)

Mr. Matteson, Secretary, Open Market Policy Conference.
Dr. Goldenweiser, Director, Division of Research and Statistics.
Mr. Smead, Chief, Division of Bank Operations.
Mr. Wyatt, General Counsel.

Governor Harrison, Chairman of the Open Market Policy Conference, presented a preliminary memorandum relative to credit conditions, submitted to the Conference, a report of operations in the System account since the last meeting of the Conference, and tentative minutes of the meeting of the Executive Committee of the Conference held in New York on August 4th.

He stated that the Conference had been in session all day discussing conditions both in this country and abroad and he referred particularly to the drastic decline in commodity prices which has been so great as to threaten bankruptcy in certain countries of the world and in certain sections of individual countries whose chief sources of income are raw materials. In many instances these products at present prices are not adequate to cover fixed charges so that either commodity prices must rise or else we must expect defaults on many debts, national and private. He stated that at the moment it appears that nothing can be done by the Federal Reserve System to help this situation through the discount rate or through operations in the bill market, the only possible helpful action being the purchase of Government securities in rather large amounts. In this connection, he referred to the free gold of the Federal Reserve banks now amounting to about $750,000,000, which could probably be increased to $1,000,000,000 through the retirement of excess Federal Reserve notes held in the cash of the Federal Reserve banks and branches, and to the distribution of this free gold and the fact that five of the Federal Reserve banks hold only what might be considered very close to their operating minimums.

He stated that no member of the Conference is in favor of purchasing large amounts of Government securities just at this time, and it is felt that there would be no point in putting large amounts into the market until such time as it should appear that the effect would not be limited to the mere piling up of excess reserves in member banks which would not be employed. He stated that the natural outlet for such excess reserves is in investments, and if action were taken at the right time it might result in pressure being imposed on the banks for the use of their surplus funds through the purchase of bonds, mortgages, etc. The difficulty at the present time, he said, lies in the fact that prime investments have been bought up until they are on a very low yield basis; that secondary bonds consist largely of railroad issues aggregating approximately $7,750,000,000, $5,500,000,000 of which are likely within a short time to become illegal for investment by savings banks, insurance companies and for trust funds due to provisions of law relative to earnings of issuing companies; and that in addition there is pressure on the market due to forced liquidation of bond portfolios of closed banks.

On the other hand, he stated the existing situation is so critical that most of the Conference felt that the System should be prepared to act quickly in the event conditions develop to a point where it appears that an operation in Governments might encourage or facilitate recovery.

He stated that the following resolution was prepared and presented to the Conference by the Chairman:

> "It is the sense of the Conference that, subject to the approval of the Federal Reserve Board, the Executive Committee be authorized to purchase, for account of such Federal Reserve banks as desire to participate, up to ($300,000,000) of Government securities, if and when it becomes necessary or advisable to do so.
>
> "It is the opinion of the Conference that economic conditions in this country and throughout the world are now such that it is essential that the System be prepared promptly to take whatever further proper steps are in its power to encourage or facilitate a recovery in conditions as soon as it appears likely that such steps will be effective in accomplishing this purpose."

He reported, however, that a motion was made to amend the above resolution so as to make it read as follows:

> "It is the sense of the Conference that, subject to the approval of the Federal Reserve Board, the Executive Committee be authorized to purchase, for account of such Federal Reserve banks as desire to participate, up to $120,000,000 of Government securities, if and when it becomes necessary or advisable to do so, or if necessary or advisable to sell up to a similar amount.
>
> "It is the opinion of the Conference that economic conditions in this country and throughout the world are now such that it is essential that the System be prepared promptly to take whatever further proper steps are in its power to encourage or facilitate a recovery in conditions as soon as it appears likely that such steps will be effective in accomplishing this purpose."

He stated that this motion to amend was carried with two negative votes, Governor Young and Governor Harrison, following which the resolution as amended was adopted, one member of the Conference, Governor Young, voting in the negative.

Governor Harrison stated that he voted against the amendment because he was of the opinion that if purchases were to be effective they should be made in a more substantial amount; that in view of the withdrawals of currency for hoarding plus the retirement of bills and Governments held by one foreign central bank the authority contemplated by the amendment would do no more than offset present withdrawals from the market.

He stated, however, that a majority of the members reported that it was their opinion and the opinion of the directors of their banks that it would be inadvisable to purchase any Governments at this time, and that they could not forsee the likelihood of any occasion to buy Governments in the near future. He had voted for the amended resolution, he said, because he thought it was important that the Executive Committee should not be without some authority to act. Governor Harrison also stated that it was not contemplated that the $50,000,000 of Governments purchased by the Federal Reserve Bank of New York within the last two or three days would be absorbed into the System account under the authority given in the amended resolution of the Conference, and that unless some of the other individual Federal Reserve banks desired to participate in those purchases they would be carried in the portfolio of the New York Bank.

Governor Young reported that he had voted against both the motion to amend the original resolution and the adoption of the resolution as amended because he felt that any emergency could be taken care of by the System through purchases of bills, which will come to the System at a one per cent rate, and that he would rather see an increase in the bill portfolio or even in rediscounts rather than in ineligible Government securities. He said he would regret to see the important functions of the Federal Reserve System in rediscounting and bill operations further nullified by purchases of Government securities. He expressed the opinion that neither the commodity price situation or the bond market would be helped by an operation in Government securities. He stated that even if there were anything in the idea that excess reserves could be put in the market and create activity, he did not feel that the present was the time to do it. He stated that when the time did come he thought there would be opportunity for a thoroughgoing discussion of it by the Conference before action was taken.

At this point Governor Black left the meeting.

Governor Meyer, who had attended a part of the preliminary meeting of the Open Market Policy Conference, stated that the authorization was given because the Conference felt the Executive Committee should have authority to take some action, either to buy or to sell Government securities, if circumstances required, pending another meeting of the Conference.

The Governor then made inquiry of Doctor Goldenweiser regarding the question of free gold in the System and the idea apparently held by some of the Governors that a danger exists of employing too large a portion of the System's free gold in purchases of Government securities which are not eligible as collateral for Federal Reserve notes, in the face of the possibility of currency demands arising from local situations.

Doctor Goldenweiserreplied that he did not see any real danger in the immediate situation for the System as a whole, since any sustained demand for currency would necessitate borrowing by member banks which would of itself furnish the collateral necessary for the issuance of the notes.

Doctor Miller then stated that he did not feel that a policy of maintaining the status quo in a money market at depression levels for fear that it might cause some disturbance had an adequate basis. He stated rather that he felt, skeptical as he might be toward Open Market Policy as an instrument of the Federal Reserve System, that if there ever had been a justification for its bold, experimental use, even though it might only serve to demonstrate the limits of the availability of such a policy, that situation exists at the present time. He stated that while not over optimistic as to what might be accomplished, he felt sure that if ever the experiment could be undertaken with the minimum of hazard it was at the present time, or in the near future, and that since the Federal Reserve System is the one agency which a large part of the public thinks has the power to do something, he felt that either no action should be taken or else such action should be taken as might result in some movement in the moribund condition which now exists.

Governor Meyer then referred to the initiation of the present meeting of the Conference by the Federal Reserve Board, through the suggestion made to the Chairman of the Conference of the Board's willingness to sympathetically consider a program of positive open market action, which decision had been reached by the Board after a careful consideration of all related conditions. He stated that at the recent meeting of the Executive Committee of the Conference an interesting discussion had ensued, but that it was recognized that in any such a major program a meeting of the full Conference was necessary. He stated that a majority of the Governors apparently came to this meeting carrying mandates to a certain extent from their boards of directors and that the Board had not had an opportunity to participate in the discussions until after action had been taken by the Conference. He stated that he did not feel that the Board was fully informed of the views of the Conference and suggested that perhaps further study and consideration should be given to the situation with the expectation of having another meeting of the Conference in the not distant future, at which a full and free discussion can be had. He stated that he has felt for some time that it would make for a more satisfactory procedure if the Board were brought into the preliminary discussion and that he believed in future the meetings of the Open Market Policy Conference should begin with a discussion of the whole situation with the Board, following which a separate session could be held by the Conference, and a further joint meeting with the members of the Board, if desired.

Governor Harrison expressed his own objections to the present organization of the Open Market Policy Conference, but stated that the procedure at this meeting was what had been followed since the Conference was organized and that there had been no intent to exclude the members of the Board from a full participation in the discussions.

Governor Meyer also referred to the fact that several of the Governors had left the Conference before its completion and expressed the opinion that in the future when attending conferences of the Open Market Policy Conference, arrangements should be made by the various Governors to afford themselves ample time to participate in the entire proceeding.

The meeting adjourned at 6:50 p. m.

Assistant Secretary.

Approved:

Governor.

CONFIDENTIAL

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REPORT OF OPEN MARKET OPERATIONS
TO MEETING OF THE OPEN MARKET POLICY CONFERENCE
IN WASHINGTON, AUGUST 11, 1931

At the last meeting of the Open Market Policy Conference on April 29, 1931, the total holdings of Government securities in the System Account amounted to - $402,300,000

Pursuant to the discussion at the Governors' Conference in April, a transfer was effected early in May from the holdings in the Investment Account of the Federal Reserve Bank of New York of $37,543,000 of Government securities, representing the amount of its excess holdings of Government securities, to the participations in the System Account of other Federal reserve banks which showed shortages in their pro rata share of Government security holdings, as follows:

Banks	Amount Transferred	Date Effected	
Cleveland	$ 5,000,000	May 5, 1931	
Richmond	13,000,000	" 5, 1931	
Atlanta	3,000,000	" 5, 1931	
St. Louis	1,543,000	" 5, 1931	
San Francisco	10,000,000	" 8, 1931	
Atlanta	5,000,000	" 9, 1931	37,543,000

At the request of the Federal Reserve Bank of St. Louis, and with the approval of the Open Market Policy Conference, a block of $4,625,000 United States 1 1/2% certificates of indebtedness maturing September 15, 1931, was transferred on May 19, 1931, from the holdings in the Investment Account of the Federal Reserve Bank of St. Louis to the System Account, and the participation of the St. Louis bank in the System Account was increased by - - - - - - - - - 4,625,000

Neither of the foregoing transfers affected the total amount of Government securities held in the System, but increased the total amount of holdings in the System Account to - - - - - - - - - - - - - - $444,468,000

Subsequent to the meeting of the Executive Committee of the Conference on June 22, 1931, purchases of United States Government securities were made, under authorization given at the April 29 meeting of the Conference, aggregating $80,000,000, as follows:

During week ended June 24 - - - - -	$20,000,000	
" " " July 1 - - - - -	20,000,000	
" " " " 8 - - - - -	30,000,000	
" " " " 15 - - - - -	10,000,000	80,000,000

These purchases brought the total holdings in the Account, at the close of business July 15, 1931, up to $524,468,000

This increase in the portfolio took the form principally of 1st and 4th Liberty Loan bonds.

In addition to the foregoing operations, there have been some changes in the maturities of the issues held in the Account, partly due to the replacement of maturing issues, and partly to sales and purchases made to effect an improvement in the yield.

June 15 Tax Period Operations

As a partial offset to the easing effect in the money market caused by the Treasury's operations during the June 15 tax period, delivery was deferred for two days, of $11,500,000 of replacement purchases made in the market for the Investment Account of the Federal Reserve Bank of New York. Due to the small amount of the Treasury certificate of indebtedness issued on June 15 to cover the Treasury overdraft, which amounted to $21,000,000 for only one day, no participations were sold to New York City banks.

PARTICIPATION IN SYSTEM SPECIAL INVESTMENT ACCOUNT

At the present time all of the Federal reserve banks have participations in the holdings of Government securities in the System Account. During the period covered by this report there have been some changes in the participations, in addition to those previously mentioned in this report, as follows:

On June 29 - The Federal Reserve Bank of San Francisco was relieved temporarily of $10,000,000 of its participation, at its request, which was taken over by the Federal Reserve Bank of New York until July 3 when San Francisco repurchased the securities.

On July 15 - The Federal Reserve Bank of Dallas was relieved temporarily of $2,500,000 of its participation, at its request, which was pro rated to all the banks, except Richmond and Minneapolis, which were not in a position to take on more Governments. The Dallas bank has indicated that they expect to repurchase their participation in this amount in about sixty days.

CHANGES IN PARTICIPATIONS IN SYSTEM PURCHASES OF BANKERS ACCEPTANCES

On May 6, 1931, a sale was made of $2,000,000 bills from the portfolio of the Federal Reserve Bank of New York to the Federal Reserve Bank of Atlanta, to compensate for Atlanta's inability to take sufficient governments to cover fully the shortage previously mentioned in this report.

On May 14, 1931, the Federal Reserve Bank of Richmond resumed its participation in System purchases of bankers acceptances, which had been discontinued on February 5, 1931.

At the present time all of the Federal reserve banks are participating in System purchases of bankers acceptances, with the exception of the Federal Reserve Bank of Philadelphia.

ALLOTMENT OF SYSTEM PURCHASES OF GOVERNMENT SECURITIES AND BANKERS ACCEPTANCES

For the first half of the current calendar year, in accordance with the plan that has been in effect during the past few years, System purchases were allotted according to percentages based on the ratio that each bank's expenses, dividends, and charge-offs for the preceding year bore to the total of such items for the System, with the understanding that adjustments would be made in the ratios during the second half of the year on the basis of actual and estimated figures available at the end of each month. New ratios were accordingly put into effect in July, based upon actual figures for the first six months and estimated figures for the last six months of this year. The ratios used for the first six months, and the ratios now in effect for allotment of System purchases of Government securities and bankers acceptances, are as follows, the Federal Reserve Bank of Philadelphia being omitted from the bill ratio as it does not participate in bill purchases:

	GOVERNMENT SECURITIES		BANKERS ACCEPTANCES	
	Ratios Used For First Six Months	Ratios in Effect in July	Ratios Used For First Six Months	Ratios in Effect in July
Boston	7 1/4%	7 1/4%	7 3/4%	8 %
New York	25 1/4%	27 %	27 1/4%	29 1/4%
Philadelphia	7 1/2%	8 %	0	0
Cleveland	9 3/4%	10 %	10 1/2%	11 %
Richmond	5 1/4%	5 1/4%	5 3/4%	5 3/4%
Atlanta	5 %	4 1/2%	5 1/2%	4 3/4%
Chicago	13 %	13 1/2%	14 %	14 3/4%
St. Louis	5 1/4%	4 1/2%	5 3/4%	5 %
Minneapolis	3 1/4%	3 %	3 1/2%	3 1/4%
Kansas City	5 1/2%	5 1/2%	6 %	6 %
Dallas	4 %	3 1/4%	4 1/4%	3 1/2%
San Francisco	9 %	8 1/4%	9 3/4%	8 3/4%
Totals	100 %	100 %	100 %	100 %

Attached are statements showing:

Exhibit "A" - Outright holdings of Government securities by individual Federal reserve banks, as of close of business August 5, 1931; also, their participation in Government security holdings in the System Special Investment Account, and the classification of issues held in the System Account by maturities, as of close of business April 22, 1931 and August 5, 1931.

Exhibit "B" - Earning asset holdings of all Federal reserve banks August 5, 1931, as compared with previous week and August 6, 1930; also weekly average of earning assets from January 2 to August 5, 1931, as compared with corresponding period 1930 and entire year 1930.

Exhibit "C" - Bills purchased outright by System by weeks from January 2, 1930 to December 31, 1930, and from January 2, 1931 to August 5, 1931.

Exhibit "D" - Amount of net profit that was realized on various sales of United States Government securities in System Account during period January 2, 1931 to August 5, 1931, and held in Suspense Account by the Federal Reserve Bank of New York, and amount of each bank's pro rata share of such profits; also the approximate amount of net profit as represented between the book values and the market bid prices on August 5, 1931, of United States Government securities held in the System Account.

Exhibit "E" - Amount of each Federal Reserve Bank's Gross Earnings, Expenses and Dividends, and net earnings or net deficit, for the first six months of 1931.

EXHIBIT "A"

STATEMENT SHOWING HOLDINGS OF GOVERNMENT SECURITIES BY FEDERAL RESERVE BANKS
(Excluding Sales Contracts)

	Outright Holdings of Government Securities by Federal Reserve Banks as of the Close of Business August 5, 1931	Participation by Federal Reserve Banks in System Special Inv. Acct. Gov't Securites as of the Close of Business August 5, 1931	Totals
Boston	$ 709,950	$ 52,455,500	$ 53,165,450
New York	74,776,900*	93,216,000	167,992,900
Philadelphia	12,791,250	44,481,500	57,272,750
Cleveland	10,000,000	62,085,000	72,085,000
Richmond	1,152,100	30,405,500	31,557,600
Atlanta	2,559,350	19,773,500	22,332,850
Chicago	21,598,100	73,734,000	95,332,100
St. Louis	4,000,000	26,475,500	30,475,500
Minneapolis	7,167,000*	20,273,000	27,440,000
Kansas City	46,500	39,030,500	39,077,000
Dallas	9,997,900	20,132,000	30,129,900
San Francisco	9,625,050	42,406,000	52,031,050
Totals	$154,424,100	$524,468,000	$678,892,100

*Excluding Self Insurance Reserve.

CLASSIFICATION OF ISSUES OF GOVERNMENT SECURITIES
HELD IN THE SYSTEM SPECIAL INVESTMENT ACCOUNT

	Close of Business April 22	Close of Business August 5
U. S. Treasury Bills due May 4, 1931	$ 2,000,000	$ 0
" " " " " May 18, 1931	19,200,000	0
" " " " " July 1, 1931	21,300,000	0
" " " " " July 2, 1931	11,500,000	0
" " " " " Aug. 10, 1931	0	1,000,000
" " " " " Aug. 17, 1931	0	17,700,000
" " " " " Aug. 31, 1931	0	23,425,000
" " " " " Sept. 30, 1931	0	5,000,000
" " " " " Oct. 15, 1931	0	24,700,000
" " " " " Nov. 2, 1931	0	20,750,000
2 7/8% Cert. of Ind. " June 15, 1931	43,781,000	0
1 3/4% " " " " June 15, 1931	23,300,000	0
1 1/2% " " " " Sept. 15, 1931	57,027,000	50,632,000
2 3/8% " " " " Sept. 15, 1931	72,880,500	0
1 7/8% " " " " Dec. 15, 1931	87,626,500	118,076,500
2 % " " " " March 15, 1932	45,332,000	118,481,500
3 1/2% Treas. Notes called Dec.15, 1931	14,012,000	11,027,250
4 1/4% 4th L/L bonds due Oct. 15, 1938	4,341,000	66,125,750
3 1/2% 1st " " " June 15, 1947	0	44,600,000
4 1/4% " " " " June 15, 1947	0	22,950,000
Totals	$402,300,000	$524,468,000

EXHIBIT "B"

STATEMENT SHOWING EARNING ASSET HOLDINGS OF ALL FEDERAL RESERVE BANKS AUGUST 5, 1931 COMPARED WITH PREVIOUS WEEK AND AUGUST 6, 1930; ALSO WEEKLY AVERAGE OF EARNING ASSETS JANUARY 2 TO AUGUST 5, 1931, INCLUSIVE, COMPARED WITH CORRESPONDING PERIOD 1930 AND ENTIRE YEAR 1930

(000 Omitted)

		Boston	New York	Phila.	Cleveland	Richmond	Atlanta	Chicago	St.Louis	Minn.	Kan. City	Dallas	San Fran.	Totals
Bills Discounted	- July 29	$ 9,376	$26,845	$17,055	$16,262	$17,785	$16,008	$13,636	$ 9,724	$ 4,667	$10,340	$12,241	$29,097	$ 183,036
" "	Aug. 5	7,271	36,105	18,033	17,484	18,231	17,058	14,992	9,553	4,796	12,059	12,577	20,416	188,575
Net Change		2,105-	9,260+	978+	1,222+	446+	1,050+	1,356+	171-	129+	1,719+	336+	8,681-	5,539+
Bills Purchased	- July 29	4,845	23,502	3,406	6,071	2,216	6,689	7,770	1,738	1,083	2,366	1,682	5,168	66,536
" "	Aug. 5	5,327	25,973	3,412	5,442	2,347	4,374	7,471	1,891	1,188	2,160	1,468	5,021	66,074
Net Change		482+	2,471+	6+	629-	131+	2,315-	299-	153+	105+	206-	214-	147-	462-
Government Securities	- July 29	53,162	169,535	54,473	72,085	31,558	22,302	95,332	30,476	27,816	39,077	30,130	52,031	677,977
" "	Aug. 5	53,162	169,535	57,273	72,085	31,557	22,333	95,332	30,476	27,640	39,077	30,130	52,031	680,631
Net Change		-0-	-0-	2,800+	-0-	1-	31+	-0-	-0-	176-	-0-	-0-	-0-	2,654+
Total Earning Assets	- July 29	67,683	223,122	75,494	94,818	51,779	45,209	117,268	42,138	33,842	52,563	44,213	86,666	934,795
" " "	Aug. 5	66,010	234,153	79,428	95,361	52,320	43,940	118,250	42,120	33,806	54,076	44,335	77,783	941,582
Net Change		1,673-	11,031+	3,934+	543+	541+	1,269-	982+	18-	36-	1,513+	122+	8,883-	6,787+
Comparison of Weekly Average of Earning Assets														
Jan. 2 to Aug. 5, 1931		68,868	252,487	72,324	94,435	43,041	37,474	118,034	40,472	34,594	52,033	42,031	74,761	930,554
Same period 1930		70,832	330,577	87,711	95,670	41,962	50,232	131,108	46,716	33,106	35,268	43,800	69,851	1,036,833
Entire year 1930		74,002	323,075	82,371	98,736	44,795	49,995	127,693	46,611	34,591	41,405	45,066	72,522	1,040,862
Net Change from same period 1930		1,964-	78,090-	15,387-	1,235-	1,079+	12,758-	13,074-	6,244-	1,488+	16,765+	1,769-	4,910+	106,279-
" " " entire year 1930		5,134-	70,588-	10,047-	4,301-	1,754-	12,521-	9,659-	6,139-	3+	10,628+	3,035-	2,239+	110,308-
Comparison of Earning Assets														
August 5, 1931		66,010	234,152	79,428	95,361	52,320	43,940	118,250	42,120	33,806	54,076	44,335	77,783	941,582
" 6, 1930		71,651	275,723	71,262	83,392	42,786	46,808	106,617	41,866	34,953	43,829	45,689	58,414	922,990
Net Change		5,641-	41,570-	8,166+	11,969+	9,534+	2,368-	11,633+	254+	1,147-	10,247+	1,354-	19,369+	18,592+

SUMMARY FOR SYSTEM

Bills Discounted for week	$5,539+
Bills Purchased for week	462-
Government Securities for week	2,654+
Total Earning Assets for week	6,787+
Comparison of Weekly Average of Earning Assets Jan. 2 to Aug. 5, 1931 with same period 1930	106,279-
" " " " " " " 2 " " 5, 1931 " entire year 1930	110,308-
Comparison of Earning Assets Aug. 5, 1931 with Aug. 6, 1930	18,592+

EXHIBIT "C"

BILLS PURCHASED OUTRIGHT BY SYSTEM BY WEEKS

FROM JA 2 TO MBER 31, 1930 AND FROM JANUARY 2 TO AUGUST 5, 193 LUSIV

(000 Omitted)

Weeks Ending	Boston	New York Banks	New York Dealers	New York Total	Phila.	Cleveland	Richmond	Atlanta	Chicago	Minn.	Dallas	San Fran.	Totals	Increase or Decrease in Holdings Including Sales Contracts: New York Operations	Increase or Decrease: System Operations	Dealers Operations With Other Districts: Received	Dealers Operations: Sent
-1930-																	
Jan. 8	$ 2,359	$ 25,766	$ 7,338	$ 33,104	$ 1,385	-0-	$ 599	$ 1,790	$ 615	-0-	$ 561	$ 2,248	$ 42,761	$ 56,534-	$ 73,042-	$ 13,068	$ 7,113
15	3,359	20,539	30,900	51,439	1,838	-0-	650	303	975	-0-	483	4,261	64,008	5,149+	4,180+	3,179	876
22	1,627	9,398	14,187	23,585	1,608	-0-	473	965	1,107	-0-	592	3,761	33,718	28,774-	24,958-	5,075	3,440
29	563	10,740	4,834	15,574	1,160	-0-	-0-	942	137	-0-	356	1,913	20,645	30,555-	39,917-	3,819	3,550
Feb. 5	172	37,970	14,294	52,264	1,813	-0-	-0-	769	469	-0-	595	2,129	58,211	36,257+	37,319+	7,154	2,143
11	-0-	6,073	8,973	15,046	544	-0-	-0-	426	361	-0-	402	430	17,209	19,318-	19,707-	2,615	1,086
19	613	37,852	12,431	50,283	878	-0-	403	96	730	708	550	2,902	57,163	7,701+	4,963+	4,887	1,837
26	2,175	30,381	15,677	46,058	2,585	-0-	58	323	389	547	410	1,930	54,467	12,031+	18,249+	5,314	10,582
Mar. 5	900	28,464	3,858	32,322	1,150	-0-	283	496	721	854	316	5,427	42,469	24,578-	28,104-	11,346	5,939
12	301	8,714	2,387	11,101	279	-0-	514	223	2,960	-0-	443	984	16,305	10,971-	14,664-	8,640	3,518
19	85	13,650	4,567	18,217	698	-0-	100	-0-	590	-0-	281	152	20,123	62,031-	71,521-	7,753	8,026
26	1,009	7,404	-0-	7,404	137	-0-	162	-0-	168	-0-	115	135	9,130	73,104+	71,465+	8,007	4,033
Apr. 2	3,542	18,474	8,206	26,680	1,899	-0-	269	125	4,749	335	633	3,428	41,660	25,431+	44,815+	6,719	2,768
9	6,455	8,412	26,186	34,598	3,515	-0-	-0-	-0-	853	-0-	190	2,865	48,476	34,134-	34,295-	9,815	2,552
16	3,428	19,450	24,203	43,653	1,442	-0-	454	468	507	-0-	418	2,194	52,564	39,897+	35,412+	7,240	5,546
23	2,122	7,498	19,295	26,793	1,964	-0-	-0-	21	480	1,780	57	1,433	34,650	45,158-	45,545-	3,844	4,454
30	1,586	16,613	371	16,984	245	-0-	109	220	717	366	132	1,714	22,073	40,274-	47,305-	5,044	2,560
May 7	824	2,341	3,962	6,303	-0-	-0-	102	-0-	669	-0-	108	434	8,440	30,173-	34,361-	2,295	2,938
14	332	23,380	9,917	33,297	143	-0-	-0-	-0-	1,365	-0-	138	1,225	36,500	1,309-	4,168-	8,140	2,974
21	2,535	30,177	1,742	31,919	-0-	-0-	232	-0-	558	-0-	104	1,585	36,933	15,354+	15,849+	8,137	1,241
28	688	5,307	3,064	8,371	73	-0-	367	75	637	1,000	112	1,907	13,230	18,991-	11,324-	4,430	2,548
June 4	231	22,244	2,187	24,431	-0-	-0-	165	45	349	427	32	1,903	27,583	22,991+	13,680+	5,081	1,603
11	2,275	7,089	4,602	11,691	-0-	-0-	245	-0-	710	-0-	77	552	15,550	42,459-	41,069-	4,771	1,705
18	620	6,475	5,304	11,779	-0-	-0-	245	-0-	1,175	-0-	169	1,280	15,268	14,744-	15,396-	9,263	4,060
25	1,244	7,945	2,428	10,373	-0-	-0-	144	-0-	4,243	852	30	2,312	19,698	31,975-	30,457-	4,000	5,342
July 2	501	35,561	3,525	39,086	-0-	-0-	110	30	1,116	-0-	81	876	41,800	59,363+	55,172+	9,008	2,444
9	427	8,094	4,045	12,139	-0-	-0-	80	60	1,166	-0-	17	374	14,263	6,520-	8,540-	3,030	4,612
16	1,146	41,660	8,719	50,379	-0-	-0-	-0-	25	393	818	-0-	2,152	54,913	21,118-	19,722+	3,993	1,254
23	1,441	11,313	5,532	16,845	-0-	-0-	237	-0-	451	-0-	38	1,039	20,051	14,489-	16,144-	6,008	4,403
30	1,203	7,404	4,100	11,504	-0-	-0-	75	33	-0-	262	66	500	13,643	15,709-	19,761-	4,766	2,504
Aug. 6	863	11,990	280	12,270	-0-	-0-	81	20	63	-0-	14	841	14,152	6,530+	2,809+	7,300	739
13	-0-	41,288	907	42,195	-0-	-0-	25	25	510	-0-	19	729	43,503	21,458+	20,757+	4,619	3,169
20	443	31,820	1,105	32,925	-0-	-0-	-0-	-0-	1,569	-0-	-0-	1,276	36,213	1,604+	4,594+	3,426	2,720
27	482	17,052	129	17,181	-0-	-0-	60	27	-0-	-0-	19	-0-	17,769	10,257+	4,352+	8,496	2,253
Sept. 3	178	12,652	3,924	16,576	-0-	-0-	-0-	236	232	246	-0-	781	18,249	6,020+	7,121+	3,096	1,988
10	580	48,067	6,044	54,111	-0-	-0-	-0-	550	100	-0-	-0-	100	55,441	23,801+	22,725+	5,924	4,107
17	588	26,336	113	26,449	-0-	-0-	-0-	193	160	-0-	30	696	28,116	15,035+	15,741+	5,071	2,407
24	300	11,705	7,744	19,449	-0-	-0-	143	209	527	-0-	5	1,737	22,370	14,432-	11,118-	4,210	2,102
Oct. 1	1,917	23,799	63	23,862	-0-	-0-	-0-	590	-0-	200	299	3,056	29,924	8,829-	4,635-	6,919	4,660
8	6,298	23,827	3,864	27,691	-0-	-0-	70	-0-	113	-0-	-0-	3,101	37,273	17,498+	17,915+	9,855	2,486
15	260	29,196	2,257	31,453	-0-	-0-	-0-	149	849	-0-	16	3,320	36,047	30,980-	25,531-	6,167	5,273
22	670	30,948	7,822	38,770	-0-	-0-	-0-	117	200	-0-	-0-	1,562	41,319	7,171-	1,098+	7,471	1,506
29	500	4,237	1,105	5,342	-0-	-0-	328	387	861	200	-0-	1,125	8,743	5,793-	20,932-	7,007	4,099
Nov. 5	73	25,710	290	26,000	-0-	-0-	-0-	384	118	-0-	7	3,613	30,195	14,662+	19,944+	5,901	3,715
12	200	17,970	777	18,747	-0-	-0-	-0-	-0-	-0-	-0-	32	883	19,862	23,505+	21,740+	2,675	4,988
19	-0-	13,075	30	13,105	-0-	-0-	40	80	434	-0-	571	538	14,768	29,911-	29,069-	7,787	1,709
26	-0-	10,316	2,510	12,826	-0-	-0-	218	-0-	588	-0-	112	2,507	16,251	2,472-	2,187-	5,654	444
Dec. 3	1,286	43,204	311	43,515	-0-	-0-	71	1,298	544	660	-0-	1,470	48,844	39,338+	42,831+	3,047	1,233
10	1,010	34,659	4,393	39,052	-0-	-0-	322	626	75	-0-	15	884	41,984	21,926+	24,760+	3,462	2,054
17	103	34,066	1,829	35,895	6	-0-	-0-	649	1,151	-0-	-0-	1,146	38,950	6,345+	7,894+	4,802	1,154
24	855	6,541	-0-	6,541	-0-	-0-	-0-	1,746	3,235	-0-	-0-	1,544	13,921	14,233-	8,246+	5,219	1,249
31	688	91,229	5,722	96,951	-0-	-0-	216	1,514	13,984	902	20	419	114,694	45,198+	104,007+	2,882	2,968
TOTALS	$61,057	$1,106,075	$308,053	$1,414,128	$23,362	-0-	$7,642	$16,235	$ 54,673	$10,157	$ 8,765	$86,573	$1,682,592	$112,740-	$ 38,389-	$312,481	$164,429
-1931-																	
Jan. 7	362	35,498	6,280	41,778	-0-	-0-	248	22	24	-0-	-0-	438	42,872	84,707-	98,388-	4,588	1,724
14	407	406	322	728	-0-	-0-	21	580	126	-0-	93	280	2,235	64,071-	69,276-	5,128	999
21	-0-	2,351	718	3,069	-0-	-0-	-0-	83	-0-	-0-	1	79	3,232	40,316-	44,555-	3,675	3,767
28	157	594	-0-	593	-0-	-0-	-0-	75	-0-	-0-	31	36	892	24,763-	31,384-	7,419	6,679
Feb. 4	-0-	2,994	264	3,258	-0-	-0-	290	37	120	-0-	16	-0-	3,721	11,303-	15,966-	2,096	4,272
11	-0-	2,894	-0-	2,894	-0-	-0-	60	80	28	-0-	7	12	3,081	6,568-	16,536-	2,501	1,323
18	-0-	20,904	-0-	20,904	-0-	-0-	-0-	357	-0-	-0-	1	-0-	21,262	8,352+	6,256+	1,676	6,360
25	90	14,499	-0-	14,499	-0-	-0-	-0-	-0-	50	-0-	40	2,578	17,257	13,984+	12,322+	3,631	2,503
March 4	50	16,966	105	17,071	-0-	-0-	-0-	-0-	-0-	460	141	1,775	19,497	6,965-	5,762-	825	2,215
11	-0-	47,222	3,218	50,440	-0-	-0-	-0-	-0-	2,434	-0-	7	2,448	55,329	46,367+	50,847+	4,201	5,371
18	-0-	12,105	1,188	13,293	-0-	-0-	-0-	-0-	-0-	-0-	-0-	1,653	14,946	28,647-	28,852-	2,056	7,537
25	-0-	14,353	-0-	14,353	-0-	-0-	-0-	-0-	50	-0-	-0-	3,204	17,607	38,681-	39,278-	2,518	7,052
April 1	4,040	57,800	6,794	64,594	-0-	-0-	-0-	-0-	1,210	-0-	-0-	3,653	73,497	77,535+	83,350+	1,902	6,700
8	-0-	45,476	16,503	61,979	-0-	-0-	-0-	-0-	874	450	18	2,476	65,797	7,762+	5,107+	1,134	6,351
15	-0-	12,442	8,207	20,649	-0-	-0-	-0-	384	55	-0-	13	607	21,708	38,984-	40,250-	4,259	7,912
22	457	17,061	1,212	18,273	-0-	-0-	-0-	-0-	390	-0-	25	2,648	21,793	8,729+	20,132+	2,227	4,367
29	3,389	27,723	5,081	32,804	-0-	-0-	-0-	-0-	403	-0-	-0-	1,523	38,369*	19,508+	18,154+	10,625	1,499
May 6	123	40,193	4,595	44,788	-0-	-0-	-0-	-0-	-0-	135	10	3,066	48,122	26,736+	24,104+	8,878	2,634
13	-0-	5,407	8,423	13,830	-0-	-0-	-0-	-0-	368	-0-	-0-	279	14,477	36,142-	40,761-	8,549	639
20	1,201	16,355	2,121	18,476	-0-	-0-	-0-	-0-	499	-0-	35	600	20,811	19,001-	22,101-	3,972	1,065
27	252	17,060	1,101	18,161	-0-	-0-	-0-	-0-	267	-0-	-0-	218	18,898	4,065-	6,506-	4,617	1,000
June 3	-0-	11,387	2,910	14,297	-0-	-0-	-0-	278	-0-	-0-	-0-	-0-	14,575	6,529+	9,654+	5,118	1,230
10	115	22,509	3,209	25,718	-0-	-0-	-0-	-0-	-0-	-0-	-0-	751	26,584	4,247-	6,938-	5,442	1,249
17	135	2,771	720	3,491	-0-	-0-	-0-	-0-	1,747	-0-	3	1,248	6,624	18,008-	20,403-	5,909	3,015
24	-0-	698	10,911	11,609	-0-	-0-	-0-	101	-0-	-0-	-0-	1,466	13,176	1,288+	424-	8,501	963
July 1	-0-	2,996	1,227	4,223	-0-	-0-	-0-	-0-	-0-	-0-	-0-	1,691	5,997**	4,064-	3,049-	13,277	3,386
8	-0-	2,714	41	2,755	-0-	-0-	-0-	-0-	-0-	-0-	15	242	3,012	5,595-	11,553-	5,869	5,906
15	-0-	206	600	806	-0-	-0-	-0-	46	-0-	-0-	-0-	-0-	852	19,897-	21,380-	3,516	1,557
22	-0-	1,013	-0-	1,013	-0-	-0-	-0-	1,501	-0-	-0-	-0-	1,557	4,071	7,035-	3,375-	5,550	12,192
29	-0-	592	-0-	592	-0-	-0-	-0-	-0-	200	-0-	-0-	-0-	792	1,374+	497-	3,812	4,435
Aug. 5	-0-	9,946	-0-	9,946	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	9,946	59+	462-	8,002	2,701
TOTALS	$10,728	$465,134	$85,750	$550,884	-0-	-0-	$619	$3,544	$8,845	$1,045	$456	$34,528	$611,032	$244,236-	$297,770-	$151,473	$119,403

*Includes $300,000 purchased by St. Louis

**Includes $ 83,000 purchased by Kansas City

EXHIBIT "C" (a)

CLASSIFICATION BY MATURITIES OF BILLS PURCHASED
BY FEDERAL RESERVE BANKS IN THEIR RESPECTIVE DISTRICTS
DURING THE PERIOD FROM JANUARY 2 TO DECEMBER 31, 1930
AND FROM JANUARY 2 TO AUGUST 5, 1931
(EXCLUDING SALES CONTRACTS)
(000 Omitted)

	JANUARY 2 TO DECEMBER 31, 1930				
	1-30 days	31-60 days	61-90 days	Over 90-days	Total
Boston	$ 29,410	$ 14,949	$ 19,679	$ 1,332	$ 65,370
New York	785,107	445,452	150,809	16,206	1,397,574
Philadelphia	5,253	8,036	10,073	0	23,362
Richmond	2,014	3,142	2,462	24	7,642
Atlanta	18,955	4,009	3,032	265	26,261
Chicago	22,549	24,202	7,922	0	54,673
St. Louis	325	0	0	0	325
Minneapolis	1,015	3,479	5,663	0	10,157
Dallas	4,379	3,055	829	502	8,765
San Francisco	19,428	44,914	21,766	465	86,573
Totals	$888,435	$551,238	$222,235	$18,794	$1,680,702

	JANUARY 2 TO AUGUST 5, 1931				
	1-30 days	31-60 days	61-90 days	Over 90-days	Total
Boston	$ 7,510	$ 1,890	$ 523	$ 805	$ 10,728
New York	386,977	124,436	38,675	796	550,884
Richmond	40	234	345	0	619
Atlanta	2,048	739	709	48	3,544
Chicago	6,169	2,384	292	0	8,845
St. Louis	300	0	0	0	300
Minneapolis	1,045	0	0	0	1,045
Kansas City	6	74	3	0	83
Dallas	295	99	30	32	456
San Francisco	18,829	13,332	1,936	431	34,528
Totals	$423,219	$143,188	$42,513	$2,112	$ 611,032

EXHIBIT "D"

Amount of Net Profit that was realized on various sales of United States Government securities in System Account during period January 2 to August 5, 1931, and held in Suspense Account by the Federal Reserve Bank of New York $1,289,832.78

Amount of Each Bank's Pro Rata Share

Boston	$ 139,272.27
New York	222,359.43
Philadelphia	115,001.49
Cleveland	153,656.49
Richmond	63,728.06
Atlanta	35,727.08
Chicago	188,963.08
St. Louis	55,304.16
Minneapolis	55,631.78
Kansas City	100,658.55
Dallas	58,501.66
San Francisco	101,028.73
Total - - - - - - - - - - -	$1,289,832.78

Approximate amount of Net Profit as represented between the book values and the market bid prices on August 5, 1931, of United States Government securities held in the System Account -$1,120,475.53

EXHIBIT E

STATEMENT SHOWING THE AMOUNT OF EACH FEDERAL RESERVE BANK'S GROSS EARNINGS EXPENSES AND DIVIDENDS, AND NET EARNINGS OR NET DEFICIT, FOR THE FIRST SIX MONTHS OF 1931

	Gross Earnings	Expenses and Dividends *	Net Earnings or Net Deficit
Boston	$ 706,655	$ 1,346,892	$ 640,237
New York	2,797,218	4,582,382	1,785,164
Philadelphia	917,230	1,457,311	540,081
Cleveland	1,153,537	1,810,977	657,440
Richmond	543,022	958,149	415,127
Atlanta	486,024	812,796	326,772
Chicago	1,645,866	2,391,576	745,710
St. Louis	519,783	770,454	250,671
Minneapolis	433,676	557,184	123,508
Kansas City	715,463	970,766	255,303
Dallas	530,381	442,829	87,552
San Francisco	887,199	1,490,789	603,590
TOTALS	$11,336,054	$17,592,105	$6,256,051

*Including current debits and credits to profit and loss account, but not for profit or loss on sales of United States securities held in Special Investment Account.

333.-2-

PRELIMINARY MEMORANDUM, SUBJECT TO REVISION

CONFIDENTIAL

August 3, 1931.

MEMORANDUM ON CREDIT CONDITIONS FOR THE MEETING OF THE OPEN MARKET POLICY CONFERENCE AUGUST 11, 1931.

In the past six weeks there has been no evident improvement in business. In fact the available indexes rather show some decrease in activity. The complete figures for June show a volume of activity considerably reduced from the two preceding months and nearly as low as the lowest point reached in January as indicated by the following principal indexes.

	Jan.	Feb.	Mar.	Apr.	May	June
F. R. Bank of N. Y. Volume of Trade Index(1)	81	83	83	84	83	82p
F. R. Bd. Production Index(2)	83	86	88	90	89	86p

(1) In per cent of calculated normal. p Preliminary
(2) In per cent of 1923-1925 average.

While the weekly indexes of commodity price movements show a practically stable level for the past two months, a number of important individual commodities have been weak, especially agricultural products. Industrial employment, after showing at least the usual expansion in the spring, declined in June to a new low level for recent years.

The great impediment to business improvement has been a series of financial disturbances both at home and abroad which have unsettled confidence. In June there were 166 bank failures in the United States, the largest number since January, with total deposits involved of $218,000,000, the largest since last December. The preliminary figures for July indicate 89 failures with deposits of $45,000,000, the same as in May.

Bank Suspensions

	Number		Deposits In millions of dollars	
	1930	1931	1930	1931
January	99	202	29	78
February	85	77	33	35
March	76	86	24	35
April	96	64	33	42
May	55	89	19	45
June	66	166	71	218
July	65	89p	32	45p
August	67		22	
September	66		24	
October	72		25	
November	254		186	
December	344		367	

p Preliminary

But of considerably greater magnitude than the financial troubles at home have been difficulties abroad, which have included temporary breakdowns of the financial structure in a number of the central European countries. These events in turn have placed such pressure on the London money market as to cause a drain in a few brief weeks of more than $150,000,000 in gold, with the consequence that the Bank of England has sought and obtained a central bank credit and has arranged by Treasury minute an increase of 15 million pounds in its fiduciary issue. A lesser but contributing factor to financial unrest has been the addition of Chile to the list of South American countries which have suspended payment on their foreign debts.

These financial developments are only the symptoms of a deeper underlying economic disequilibrium. The worldwide drop in commodity prices has thrown out of balance the international trade position of many countries and has increased the burden of the payment of international debts to a point where many of these countries will have grave difficulty in meeting their external obligations. This disturbance to the balance of trade has accompanied a decline in national income

which has forced out of balance the government budgets of many countries. At a time when unemployment is creating great social distress and when government enterprises are being advocated as a means of relief, governments are finding their income insufficient to meet even their ordinary budgetary expenses. Under these circumstances our trade with other countries has been cut to less than half the 1929 figures.

Prior to the recent outbreak of financial difficulties in central Europe there was perhaps some reason to hope for a business improvement in the autumn with some recovery in commodity prices. Recent developments have decreased the probability of any such recovery. It now appears that in this and other countries a winter of severe unemployment and distress is to be expected unless some unusual development now unforeseen occurs to change the situation. Another winter of this sort may bring with it a severe threat to the capitalist system in some countries, the risk of the overthrow of conservative governments and the danger of critical social and political disturbances in many parts of the world. The situation is sufficiently serious to justify the consideration of every sound remedy.

Federal Reserve Position

Since June 22 the Federal Reserve banks have purchased $80,000,000 of Government securities under the authorization to purchase up to $100,000,000, arranged at the meeting of the open market policy conference on April 29 and approved by the Federal Reserve Board. The changes since that time in the various elements of Federal Reserve credit and other factors influencing the money market are shown in the following table.

(Averages of daily figures. In millions of dollars)

	Week Ended June 20, 1931	Week Ended Aug. 1, 1931	Change
Bills discounted	197	185	- 12
Bills bought	118	66	- 52
U. S. securities	601	678	+ 77
Other reserve bank credit	30	23	- 7
Total reserve bank credit	946	952	+ 6
Monetary gold stock	4,884	4,951	+ 67
Treasury currency - adjusted	1,764	1,788	+ 24
Money in circulation	4,773	4,812	+ 39
Member bank reserve balances	2,407	2,388	- 19
Miscellaneous	414	491	+ 77*

*Due chiefly to increase in balances of foreign correspondents with Federal Reserve Banks which now total over $100,000,000.

Bills discounted and acceptances purchased taken together have declined $64,000,000, nearly offsetting the purchases of Government securities. A gain of $67,000,000 in gold has been practically absorbed by an increase of currency in circulation, and in addition balances of foreign banks at the Reserve Banks have increased by an amount sufficient to absorb all of the excess reserves and leave the member banks just about even in their reserve position. Thus neither the purchases of securities nor the gain in gold have placed any more funds permanently at the disposal of the member banks, but on the contrary there are now less free funds than a month ago.

Member banks generally did not put to active use the excess reserves in their possession for some weeks past. The temper of the banks has been to make their position constantly more liquid rather than to seek full employment of their funds. In pursuance of this aim they have reduced their loans on securities and their holdings of securities other than Governments and have increased their holdings of bankers acceptances and Government securities. The New York banks, in which the surplus of reserves centered, have indeed increased their extensions of

credit, but not in sufficient amount to offset decreases elsewhere. These tendencies are shown in the following table.

Weekly Reporting Banks - figures in millions of dollars

	Change from June 24 to July 29		
	N. Y. City	Other cities	Total
Loans			
On securities - - - - - - - - - - -	- 106	- 53	- 159
All other* - - - - - - - - - - - -	+ 138	- 33	+ 105
Investments			
U. S. Government securities - - -	+ 118	- 79	+ 39
Other securities - - - - - - - - -	- 19	- 13	- 32
Total - - - - - - - - -	+ 131	- 178	- 47

* Includes bankers acceptances.

This conservative attitude of the banks and their desire to maintain their funds in very liquid form operates as a limitation to their putting into active use additional funds which become available.

In considering the prospective influences upon the Federal Reserve position for the next few weeks the following comments may be made.

(1) The gold movement appears at the moment to be partly arrested though some imports continue and though there are a number of countries from which more substantial imports might easily come.

(2) Bills discounted and bills purchased appear to be at a practical minimum. The present amount of bills purchased appearing in the statement as $60,000,000 includes less than $30,000,000 of domestic bills, the balance consisting of foreign bills. The amount of foreign bills held is not likely to diminish but may well increase, and before many weeks we shall reach the period when more domestic bills come into the market. The System appears now therefore to have

just reached the point where further purchases of Governments will no longer be offset by declines in discounts and bills.

(3) Currency circulation ordinarily reaches approximately its lowest point for the year in the last week of July and thereafter begins to increase. The future movement of circulation depends not a little upon the state of confidence in banks. There is now probably as much as $500,000,000 of hoarded currency.

(4) The increase in foreign balances with the Reserve Banks has become an important influence on the money market, though this movement is probably nearing its end.

In the consideration of any further purchases of Government securities or equally of credits to foreign countries question arises as to the gold position of the Reserve System and how much leeway the System has for further such operations. It may reasonably be assumed that at the present time for the first time in recent years purchases of Government securities would cause very little if any reduction in discounts or acceptances, but would be followed mainly by an increase in member bank reserve balances, (unless some other cause not now foreseen operated to absorb the funds). On this assumption $35 of gold would be required to be set aside for every $100 of Government securities purchased. To the extent, however, that purchases were accompanied by decreases in discounts or acceptances $100 of gold would have to be set aside for every $100 of security purchases, since this amount would be required as collateral for Federal Reserve notes to replace the discounts or bills liquidated. The effect of investments in foreign bills which are not under present arrangements eligible as collateral for Federal Reserve notes would be somewhat similar to the effect of buying Government securities. The various possible effects are shown in the attached table.

The amount of free gold available to meet these or other requirements, such as an emergency demand for currency, is shown in the following table both for

the system as a whole and for the several Reserve banks. The first column shows the amounts of free gold on the assumption that Federal Reserve notes are treated as at present, with considerable amounts of notes in the tills of most of the Reserve banks that have been issued to the banks but not put into circulation. The second column shows the results if these notes in till are reduced to a reasonable minimum in accordance with computations made by the Federal Reserve Board on the basis of information from the Reserve banks.

"FREE GOLD" OF THE FEDERAL RESERVE SYSTEM

(Figures as of July 29, 1931 - In millions of dollars)

District	Actual Free Gold*	Potential Free Gold**
Boston	32	48
New York	469	623
Philadelphia	40	68
Cleveland	60	75
Richmond	8	7
Atlanta	5	7
Chicago	69	149
St. Louis	7	11
Minneapolis	5	5
Kansas City	13	8
Dallas	6	9
San Francisco	34	76
System	748	1,086

* After providing collateral for all notes actually issued to Federal Reserve Banks.

** Computed by Division of Bank Operations of Federal Reserve Board assuming provision for collateral for only a minimum supply of Federal Reserve notes issued to the banks but not in actual circulation.

CHANGES IN FEDERAL RESERVE SYSTEM POSITION
RESULTING FROM $100,000,000 CREDIT TO A FOREIGN BANK OF ISSUE

Assumptions
1. That the credit is entirely used.
2. That foreign bills purchased are not available as collateral for Federal Reserve Notes.

	Actual Statement July 8 (millions)	Position after buying $100,000,000 of Foreign Bills: If Proceeds Are Used to Earmark or Export Gold (millions)	If Proceeds Are Used to Create Deposit At Reserve Banks (millions)	If Deposit so Created is Used to Make Payments (millions)
Total Reserves	$ 3592	→ $ 3492	$ 3592	$ 3592
Earning Assets				
Bills discounted	162	162	162	162
Bills bought	92	→ 192	→ 192	→ 192
Gov. securities	668	668	668	668
Other securities	10	10	10	10
Total	932	→ 1032	→ 1032	→ 1032
Due from Foreign Banks	4	4	4	4
Note Circulation	1737	1737	1737	1737
Deposits				
Member Banks	2439	2439	2439	→ 2539
Foreign Banks	40	40	→ 140	40
Other	48	48	48	48
Total	2527	2527	→ 2627	→ 2627
Reserve %				
Combined	84.2%	→ 81.9%	→ 82.3%	→ 82.3%
Against deposits after providing for note collateral	66.3%	→ 62.4%	→ 63.8%	→ 63.8%
Free Gold Remaining	792	→ 692	→ 757	→ 757
Effect on Market		None	None	Gain of 100 million

If instead of buying bills the credit should take the form of placing a deposit in a foreign bank, the only change in the above would be that bills bought would show no increase from the actual amount on July 8 and due from foreign banks would be increased $100,000,000. The effects on the reserve percentage, free gold, or the money market would be the same as those shown above.

→ indicates items showing change

333-C-2

PRELIMINARY MEMORANDUM, SUBJECT TO REVISION

CONFIDENTIAL

August 3, 1931.

MEMORANDUM ON CREDIT CONDITIONS FOR THE MEETING OF THE OPEN MARKET POLICY CONFERENCE AUGUST 11, 1931.

In the past six weeks there has been no evident improvement in business. In fact the available indexes rather show some decrease in activity. The complete figures for June show a volume of activity considerably reduced from the two preceding months and nearly as low as the lowest point reached in January as indicated by the following principal indexes.

	Jan.	Feb.	Mar.	Apr.	May	June
F. R. Bank of N. Y. Volume of Trade Index(1)	81	83	83	84	83	82p
F. R. Bd. Production Index(2)	83	86	88	90	89	86p

(1) In per cent of calculated normal. p Preliminary
(2) In per cent of 1923-1925 average.

While the weekly indexes of commodity price movements show a practically stable level for the past two months, a number of important individual commodities have been weak, especially agricultural products. Industrial employment, after showing at least the usual expansion in the spring, declined in June to a new low level for recent years.

The great impediment to business improvement has been a series of financial disturbances both at home and abroad which have unsettled confidence. In June there were 166 bank failures in the United States, the largest number since January, with total deposits involved of $218,000,000, the largest since last December. The preliminary figures for July indicate 89 failures with deposits of $45,000,000, the same as in May.

Bank Suspensions

	Number		Deposits In millions of dollars	
	1930	1931	1930	1931
January	99	202	29	78
February	85	77	33	35
March	76	86	24	35
April	96	64	33	42
May	55	89	19	45
June	66	166	71	218
July	65	89p	32	45p
August	67		22	
September	66		24	
October	72		25	
November	254		186	
December	344		367	

p Preliminary

But of considerably greater magnitude than the financial troubles at home have been difficulties abroad, which have included temporary breakdowns of the financial structure in a number of the central European countries. These events in turn have placed such pressure on the London money market as to cause a drain in a few brief weeks of more than $150,000,000 in gold, with the consequence that the Bank of England has sought and obtained a central bank credit and has arranged by Treasury minute an increase of 15 million pounds in its fiduciary issue. A lesser but contributing factor to financial unrest has been the addition of Chile to the list of South American countries which have suspended payment on their foreign debts.

These financial developments are only the symptoms of a deeper underlying economic disequilibrium. The worldwide drop in commodity prices has thrown out of balance the international trade position of many countries and has increased the burden of the payment of international debts to a point where many of these countries will have grave difficulty in meeting their external obligations. This disturbance to the balance of trade has accompanied a decline in national income

which has forced out of balance the government budgets of many countries. At a time when unemployment is creating great social distress and when government enterprises are being advocated as a means of relief, governments are finding their income insufficient to meet even their ordinary budgetary expenses. Under these circumstances our trade with other countries has been cut to less than half the 1929 figures.

Prior to the recent outbreak of financial difficulties in central Europe there was perhaps some reason to hope for a business improvement in the autumn with some recovery in commodity prices. Recent developments have decreased the probability of any such recovery. It now appears that in this and other countries a winter of severe unemployment and distress is to be expected unless some unusual development now unforeseen occurs to change the situation. Another winter of this sort may bring with it a severe threat to the capitalist system in some countries, the risk of the overthrow of conservative governments and the danger of critical social and political disturbances in many parts of the world. The situation is sufficiently serious to justify the consideration of every sound remedy.

Federal Reserve Position

Since June 22 the Federal Reserve banks have purchased $80,000,000 of Government securities under the authorization to purchase up to $100,000,000, arranged at the meeting of the open market policy conference on April 29 and approved by the Federal Reserve Board. The changes since that time in the various elements of Federal Reserve credit and other factors influencing the money market are shown in the following table.

(Averages of daily figures. In millions of dollars)

	Week Ended June 20, 1931	Week Ended Aug. 1, 1931	Change
Bills discounted	197	185	- 12
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U. S. securities	601	678	+ 77
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Total reserve bank credit	946	952	+ 6
Monetary gold stock	4,884	4,951	+ 67
Treasury currency - adjusted	1,764	1,788	+ 24
Money in circulation	4,773	4,812	+ 39
Member bank reserve balances	2,407	2,388	- 19
Miscellaneous	414	491	+ 77*

*Due chiefly to increase in balances of foreign correspondents with Federal Reserve Banks which now total over $100,000,000.

Bills discounted and acceptances purchased taken together have declined $64,000,000, nearly offsetting the purchases of Government securities. A gain of $67,000,000 in gold has been practically absorbed by an increase of currency in circulation, and in addition balances of foreign banks at the Reserve Banks have increased by an amount sufficient to absorb all of the excess reserves and leave the member banks just about even in their reserve position. Thus neither the purchases of securities nor the gain in gold have placed any more funds permanently at the disposal of the member banks, but on the contrary there are now less free funds than a month ago.

Member banks generally did not put to active use the excess reserves in their possession for some weeks past. The temper of the banks has been to make their position constantly more liquid rather than to seek full employment of their funds. In pursuance of this aim they have reduced their loans on securities and their holdings of securities other than Governments and have increased their holdings of bankers acceptances and Government securities. The New York banks, in which the surplus of reserves centered, have indeed increased their extensions of

credit, but not in sufficient amount to offset decreases elsewhere. These tendencies are shown in the following table.

Weekly Reporting Banks - figures in millions of dollars

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	N. Y. City	Other cities	Total
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All other*	+ 138	- 33	+ 105
Investments			
U. S. Government securities	+ 118	- 79	+ 39
Other securities	- 19	- 13	- 32
Total	+ 131	- 178	- 47

* Includes bankers acceptances.

This conservative attitude of the banks and their desire to maintain their funds in very liquid form operates as a limitation to their putting into active use additional funds which become available.

In considering the prospective influences upon the Federal Reserve position for the next few weeks the following comments may be made.

(1) The gold movement appears at the moment to be partly arrested though some imports continue and though there are a number of countries from which more substantial imports might easily come.

(2) Bills discounted and bills purchased appear to be at a practical minimum. The present amount of bills purchased appearing in the statement as $60,000,000 includes less than $30,000,000 of domestic bills, the balance consisting of foreign bills. The amount of foreign bills held is not likely to diminish but may well increase, and before many weeks we shall reach the period when more domestic bills come into the market. The System appears now therefore to have

just reached the point where further purchases of Governments will no longer be offset by declines in discounts and bills.

(3) Currency circulation ordinarily reaches approximately its lowest point for the year in the last week of July and thereafter begins to increase. The future movement of circulation depends not a little upon the state of confidence in banks. There is now probably as much as $500,000,000 of hoarded currency.

(4) The increase in foreign balances with the Reserve Banks has become an important influence on the money market, though this movement is probably nearing its end.

In the consideration of any further purchases of Government securities or equally of credits to foreign countries question arises as to the gold position of the Reserve System and how much leeway the System has for further such operations. It may reasonably be assumed that at the present time for the first time in recent years purchases of Government securities would cause very little if any reduction in discounts or acceptances, but would be followed mainly by an increase in member bank reserve balances, (unless some other cause not now foreseen operated to absorb the funds). On this assumption $35 of gold would be required to be set aside for every $100 of Government securities purchased. To the extent, however, that purchases were accompanied by decreases in discounts or acceptances $100 of gold would have to be set aside for every $100 of security purchases, since this amount would be required as collateral for Federal Reserve notes to replace the discounts or bills liquidated. The effect of investments in foreign bills which are not under present arrangements eligible as collateral for Federal Reserve notes would be somewhat similar to the effect of buying Government securities. The various possible effects are shown in the attached table.

The amount of free gold available to meet these or other requirements, such as an emergency demand for currency, is shown in the following table both for

the system as a whole and for the several Reserve banks. The first column shows the amounts of free gold on the assumption that Federal Reserve notes are treated as at present, with considerable amounts of notes in the tills of most of the Reserve banks that have been issued to the banks but not put into circulation. The second column shows the results if these notes in till are reduced to a reasonable minimum in accordance with computations made by the Federal Reserve Board on the basis of information from the Reserve banks.

"FREE GOLD" OF THE FEDERAL RESERVE SYSTEM

(Figures as of July 29, 1931 - In millions of dollars)

District	Actual Free Gold*	Potential Free Gold**
Boston	32	48
New York	469	623
Philadelphia	40	68
Cleveland	60	75
Richmond	8	7
Atlanta	5	7
Chicago	69	149
St. Louis	7	11
Minneapolis	5	5
Kansas City	13	8
Dallas	6	9
San Francisco	34	76
System	748	1,086

* After providing collateral for all notes actually issued to Federal Reserve Banks.

** Computed by Division of Bank Operations of Federal Reserve Board assuming provision for collateral for only a minimum supply of Federal Reserve notes issued to the banks but not in actual circulation.

CHANGES IN FEDERAL RESERVE SYSTEM POSITION
RESULTING FROM $100,000,000 CREDIT TO A FOREIGN BANK OF ISSUE

Assumptions

1. That the credit is entirely used.
2. That foreign bills purchased are not available as collateral for Federal Reserve Notes.

	Actual Statement July 8 (millions)	Position after buying $100,000,000 of Foreign Bills: If Proceeds Are Used to Earmark or Export Gold (millions)	If Proceeds Are Used to Create Deposit At Reserve Banks (millions)	If Deposit so Created is Used to Make Payments (millions)
Total Reserves	$ 3592	→$ 3492	$ 3592	$ 3592
Earning Assets				
Bills discounted	162	162	162	162
Bills bought	92	→ 192	→192	→ 192
Gov. securities	668	668	668	668
Other securities	10	10	10	10
Total	932	→ 1032	→1032	→1032
Due from Foreign Banks	4	4	4	4
Note Circulation	1737	1737	1737	1737
Deposits				
Member Banks	2439	2439	2439	→ 2539
Foreign Banks	40	40	→ 140	40
Other	48	48	48	48
Total	2527	2527	→ 2627	→ 2627
Reserve %				
Combined	84.2%	→ 81.9%	→ 82.3%	→ 82.3%
Against deposits after providing for note collateral	66.3%	→ 62.4%	→ 63.8%	→ 63.8%
Free Gold Remaining	792	→ 692	→757	→757
Effect on Market		None	None	Gain of 100 million

If instead of buying bills the credit should take the form of placing a deposit in a foreign bank, the only change in the above would be that bills bought would show no increase from the actual amount on July 8 and due from foreign banks would be increased $100,000,000. The effects on the reserve percentage, free gold, or the money market would be the same as those shown above.

→ indicates items showing change

FEDERAL RESERVE BANK

OF NEW YORK

333.-C-2

CONFIDENTIAL

August 22, 1931.

Mr. E. M. McClelland,
Assistant Secretary, Federal Reserve Board,
Washington, D. C.

Dear Mr. McClelland:

In accordance with the request contained in your letter of August 21, 1931, we are pleased to enclose one copy each of the report of open market operations presented at the meeting of the Open Market Policy Conference on April 29 and at the meeting of the executive committee meeting of the conference on June 22, also a copy of the memorandum submitted by Governor Harrison at the latter meeting. 6-22-31

Very truly yours,

W. B. Matteson
Assistant Deputy Governor

Encls. (3)

CHANGES IN FEDERAL RESERVE SYSTEM POSITION
RESULTING FROM $100,000,000 CREDIT TO A FOREIGN BANK OF ISSUE

Assumptions
1. That the credit is entirely used.
2. That foreign bills purchased are not available as collateral for Federal Reserve Notes.

	Actual Statement July 8 (millions)	Position after buying $100,000,000 of Foreign Bills: If Proceeds Are Used to Earmark or Export Gold (millions)	If Proceeds Are Used to Create Deposit At Reserve Banks (millions)	If Deposit so Created is Used to Make Payments (millions)
Total Reserves	$ 3592	→$ 3492	$ 3592	$ 3592
Earning Assets				
Bills discounted	162	162	162	162
Bills bought	92	→ 192	→192	→ 192
Gov. securities	668	668	668	668
Other securities	10	10	10	10
Total	932	→ 1032	→1032	→1032
Due from Foreign Banks	4	4	4	4
Note Circulation	1737	1737	1737	1737
Deposits				
Member Banks	2439	2439	2439	→ 2539
Foreign Banks	40	40	→ 140	40
Other	48	48	48	48
Total	2527	2527	→ 2627	→ 2627
Reserve %				
Combined	84.2%	→ 81.9%	→ 82.3%	→ 82.3%
Against deposits after providing for note collateral	66.3%	→ 62.4%	→ 63.8%	→ 63.8%
Free Gold Remaining	792	→ 692	→757	→757
Effect on Market		None	None	Gain of 100 million

If instead of buying bills the credit should take the form of placing a deposit in a foreign bank, the only change in the above would be that bills bought would show no increase from the actual amount on July 8 and due from foreign banks would be increased $100,000,000. The effects on the reserve percentage, free gold, or the money market would be the same as those shown above.

→ indicates items showing change

333-C.

August 21, 1931.

Dear Mr. Burgess:

It would be appreciated if you would send to me one copy each of the secretary's reports of open market operations for System account which were presented at the meeting of the Open Market Policy Conference on April 29th and at the meeting of the Executive Committee of the Conference on June 22nd, as well as a copy of the memorandum submitted by Governor Harrison at the latter meeting.

Very truly yours,

(Signed) E. M. McClelland.

E. M. McClelland,
Assistant Secretary.

Mr. W. R. Burgess, Secretary,
Open Market Policy Conference,
c/o Federal Reserve Bank,
New York, N. Y.

see ans 8/22/31

Form No. 131

Office Correspondence

FEDERAL RESERVE
BOARD

Date July 20, 1931

To All Members of the Board

Subject: 333,-C-2

From Mr. McClelland

2—8495

There are attached hereto, for the information of the members of the Board, tentative minutes of the meeting of the Open Market Policy Conference held on April 29th and of the Executive Committee of the Conference held on June 22nd, which have just been received from the Secretary of the Conference.

Governor Meyer
Mr. Hamlin
Mr. Miller
Mr. James
Mr. Magee
Mr. Pole

Please circulate promptly and return to the Secretary's Office.

Mr McClelland

333.-C-2

FEDERAL RESERVE BANK
OF NEW YORK

July 20, 1931.

Dear Governor Meyer:

On June 24 we sent you a draft of the minutes of the meeting of the executive committee of the Open Market Policy Conference held June 22, together with a draft of the minutes of the Open Market Policy Conference meeting on April 29. As no suggestions for changes in either of these have been received, they may now be considered as final. 6/22/31 filed 333.-C-2 Final minutes

Very truly yours,

W Randolph Burgess
W. Ramdolph Burgess
Deputy Governor

Honorable Eugene Meyer,
Governor, Federal Reserve Board,
Washington, D. C.

FEDERAL RESERVE BANK

OF NEW YORK

333.-C-2

July 18, 1931.

Dear Mr. McClelland:

I am enclosing herewith copies of the tentative 4-29-31 minutes of the Open Market Policy Conference meeting of April 29, and of the Executive Committee meeting of June 22.

Very truly yours,

W. Randolph Burgess

W. Randolph Burgess
Deputy Governor

Mr. E. M. McClelland,
Assistant Secretary,
Federal Reserve Board,
Washington, D. C.

WRB.H
encl.

See file for minutes of April 29.

333.-C-2

FEDERAL RESERVE BANK

OF NEW YORK

CONFIDENTIAL

June 24, 1931.

Dear Governor Meyer:

4-29-31

I am enclosing herewith a copy of the draft of the minutes of the meeting of the Open Market Policy Conference held in Washington on April 29, also of the minutes of the meeting of the Executive Committee of the Open Market Policy Conference held at this bank on June 22, which have been forwarded to the governor of each Federal reserve bank.

These minutes are subject to correction or amendment after the various members of the Conference and Executive Committee have had an opportunity to read them. Should any changes be necessary, however, I shall of course send you a corrected copy.

We regret the delay in sending out the minutes of the meeting of April 29, due to the many pressing matters which Governor Harrison has had on hand since that time.

Very truly yours,

W. Randolph Burgess

W. Randolph Burgess
Secretary, Open Market
Policy Conference

Honorable Eugene Meyer,
Governor, Federal Reserve Board,
Washington, D. C.

Encls.

see letter 7/20/31

TENTATIVE - SUBJECT TO CORRECTION

CONFIDENTIAL

MINUTES OF MEETING OF THE EXECUTIVE COMMITTEE
OF THE OPEN MARKET POLICY CONFERENCE HELD AT THE
OFFICE OF THE FEDERAL RESERVE BANK OF NEW YORK
AUGUST 4, 1931.

The meeting was called to order at 10:50 a. m., there being present Governors Young, Harrison, Norris, and Black, and Deputy Governors McKay and Burgess.

A memorandum summarizing the credit situation was presented by the chairman, together with a report of the secretary.

Governor Harrison then reviewed the developments since the last meeting, saying that the meeting had been called because the world situation both economic and financial appeared to have developed to a point requiring careful review. While there had been some hope of an improvement in business conditions this autumn, recent developments in Europe have led to a lack of confidence and a state of fear and unrest more severe than at any time since the World War. At the root of international difficulties lay the commodity price movement. With commodity prices where they are now many countries are unable to meet their fixed charges. One of two things must happen: either commodity prices must go up, or else some parts of the world must completely reorganize their debt structures involving defaults or postponements in many cases. Bank credits, while they patch up the situation temporarily, cannot correct the basic difficulties.

In these circumstances the only possible additional step which appears to be open to the Federal Reserve System is the purchase of government securities. There is now a substantial body of opinion which believes that government purchases by the Reserve System would be helpful. Because of the greater general lack of confidence purchases at present are perhaps less likely to be effective than appeared to be the case six weeks ago. But now, for the first time, because of the system's small holdings of discounts and bills, any money the Reserve system puts out has to stay out. There is of course no assurance that a program of government purchases would necessarily be effective: the banks might keep excess reserves unused, reducing their deposit rates to zero. In any event it seems that such a program would be most likely to succeed only if the bankers in principal centers were taken into confidence and their cooperation secured.

Governor Meyer entered the meeting at this point.

Governor Harrison reviewed recent developments abroad in those countries to which credits had been granted by the Federal Reserve Banks, discussing in some detail the situations in Austria, Hungary, and Germany, and reviewing the reasons for the $10,000,000 deposit in the B. I. S.

Governor Black raised the question of the possible use of sterling bills as collateral for Federal Reserve notes, and Governor Harrison pointed out that the difficulties were not legal but rather mechanical and perhaps also related to the criticisms which might be provoked by the use of these holdings of foreign bills as collateral for Federal Reserve notes.

Reverting to the previous discussion, Governor Harrison summarized the position with regard to purchases of governments by saying that, admitting the world was in the midst of a social, economic, and political crisis, the question was whether there was anything the Federal Reserve System could do. If by the purchase of government securities it could facilitate an increase in world prices, clearly it should be done. It is doubtful whether a purchase of governments would have such an effect, at least immediately, but the question is whether in the present crisis, which involves perhaps a struggle between socialism and capitalism, the system can wisely omit doing anything which might be helpful and which a growing number of responsible people believe would be helpful.

Deputy Governor McKay said that in his opinion everything should be done to strengthen the position of the Federal Reserve System so that there might be continued confidence in the system. Any disturbance abroad might bring withdrawals of deposits from banks in this country. In those circumstances it would be better if the member banks rather than the Reserve system held the government securities; so that they might be used as a basis for borrowing and as a basis for Federal Reserve note issues. He did not believe that purchases of government securities would help the situation, but would rather hurt it, since interest rates were very low and many banks were already suffering from lack of earnings and would have to cut their dividends.

Governor Harrison said that he would be doubtful about buying governments unless there were at least an informal understanding with the principal member banks concerning the employment of excess reserves. He would not want to suggest that the banks make wholesale purchases of bonds, but would rather suggest the placing of substantial bids for second grade bonds to aid the market price, the difficulty now being not so much that many bonds are being pressed for sale as that in many cases there are no bids whatever.

Governor Meyer said that all were agreed that it is desirable to keep the banks in a strong position, but that their losses were occurring more largely in principal than on income account. The policy of buying governments would be designed to affect attitudes and sentiment in the country and so improve the value of principal, a step which would be more effective in preventing losses by the banks than anything that could be done to improve their income. A large body of responsible opinion favored the buying of government securities and there is question whether the Reserve system can be said to have done everything within its power, until it has tried that policy more vigorously.

Governor Black stated his general agreement with this position and, referring to the attitude of the banks, said that there appeared to be two questions; first, are the banks following the right policy because of timidity, and if not what can we do to help them? He did not believe that the purchase of governments would weaken the Reserve system.

At 1:10 the meeting adjourned for lunch.

At 3:20 the members of the committee met with the executive committee of the Federal Reserve Bank of New York and there ensued a general discussion of the proposal to buy government securities covering somewhat the same ground as the morning meeting.

At 4:05 the meeting of the executive committee of the Federal Reserve Bank of New York adjourned and the executive committee of the Open Market Policy Conference reconvened. Governor Young stated that he found it difficult to believe that a purchase of government securities at this time would prove of value, but he had an open mind on the question and believed that it would be desirable to call a meeting of all the governors to consider the question. After further discussion the following resolution was passed.

> The executive committee having reviewed the general credit and economic situation at home and abroad and believing it to be serious, with the consequences of present tendencies impossible to foresee, it was voted that there should be a meeting of the Open Market Policy Conference in the near future to consider the wisdom of granting such authority to the executive committee as would prepare it to act in the further purchase of government securities if and when that might seem to be necessary or desirable.

After discussion with Governor Meyer it was agreed that the meeting should be called for Tuesday, August 11, in Washington, at 10 a. m.

There was some general discussion of the attitude of bank examiners toward the treatment of bonds in the portfolios of member banks.

The meeting adjourned at 4:30.

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~~TENTATIVE - SUBJECT TO CORRECTION~~

MINUTES OF THE MEETING OF THE EXECUTIVE COMMITTEE
OF THE OPEN MARKET POLICY CONFERENCE HELD AT THE
OFFICE OF THE FEDERAL RESERVE BANK OF NEW YORK
JUNE 22, 1931.

The meeting was called to order at 11:10 a. m., there being present Governors Young, Harrison, Norris, Black, and McDougal, Governor Meyer of the Federal Reserve Board, and Deputy Governor Burgess.

¶ Governor Harrison outlined developments in recent weeks in the international markets, and particularly in connection with the assistance required by the Austrian Credit Anstalt, and the further succeeding developments in Hungary and in Germany, and indicated that on Friday the Reichsbank reserve was close to its legal minimum, that altogether the Reichsbank had sold us over $100,000,000 in gold, and its total losses of gold and foreign exchange had been approximately $250,000,000. It had begun a policy of credit rationing at home. As a result largely of the gold from Germany this country had gained $112,000,000 of gold since June 1, and the total net gain since January 1 amounted to $298,000,000.

¶ Governor Harrison stated that at the April meeting of the Open Market Policy Conference all appeared to be in agreement that this country was receiving gold which it did not desire, and which other countries could not afford to lose, and that if possible we should find some way to avoid being in the position of receiving this gold without allowing it to produce its usual effects in expanding credit. Since the April meeting incoming gold may be considered to have been partly absorbed by currency withdrawals in connection with bank difficulties. If the influence of these currency withdrawals could be eliminated Federal reserve earning assets would show a substantial reduction. In other words, the gold has been to a degree sterilized, and the aim of the April meeting of maintaining earning assets and putting new gold to work has not been fully achieved.

" Governor Young objected at this point that he did not agree with the conclusions of the April conference with respect to the sterilization of gold.

" Governor Harrison, continuing, pointed out that the other aim of the April conference was to reduce short money rates and thus encourage the shifting of funds to employment in longer use. Partly as a consequence of the action taken there had been large and widespread reductions of rates paid by banks on deposits, and in short time money rates generally.

" He further stated that the events of the past two weeks were in some ways the most critical which the world has passed through since the war, that there had been a threat of a general moratorium and a possible breakdown of capitalism in Europe. In the meantime developments in South America had indicated the danger of a moratorium in certain countries there. In these circumstances it seemed desirable to take every possible measure available to the Federal Reserve System for improving the situation. He could see no risk in buying governments at this time, but considerable advantage. It was a particularly good time, because the improvement of psychology and the lift in the commodity markets and the security markets following the announcement of the administration's position as to reparations provided an impetus toward revival which, with proper encouragement, might now bring the turning of the tide.

"As far as the bill holdings of the system were concerned Governor Harrison stated that it would probably be somewhat easier to maintain these holdings because of the fact that the Bank of France was allowing all its bills to mature. Since these holdings constituted something like 25% of the total bills outstanding in the American market, the release of these bills would provide a more ample supply, part of which would presumably come to the Reserve bank. The Bank of France intended, however, to increase its balances at the Reserve banks as its bills matured, an action which would be a tightening factor in the money market. It might be desirable in the near future to make some reduction in bill rates since technically bill rates were becoming out of line with other short term money rates. In fact the directors of the New York bank had already requested from the Federal Reserve Board a lower minimum buying rate on bills, though there was no present intention of reducing the actual buying rate.

"Governor Meyer reported that the statisticians of the Federal Reserve Board computed that from $350,000,000 to $375,000,000 of currency was now hoarded throughout the country as a result of banking disturbances since last autumn. This represented an additional demand for Federal reserve credit which tended to offset the effects of gold imports under the normal working of the gold standard.

A draft of the minutes of the meeting of the Open Market Policy Conference in April was distributed and read by each of those present. It was agreed that these minutes should be sent out in their present form even though it was somewhat more detailed than usual.

The secretary's report of operations in the System Account was received and placed on file.

The memorandum submitted by the chairman was received and placed on file.

"Governor Norris suggested that the two major objectives of the April program were

(1) to check gold imports, and

(2) to drive down the interest rates paid on deposits by banks.

"There had been great success in pursuing the second objective, though as to the first we appeared to have gone as far as it was possible to go, since gold movements now appeared not to be due to interest rates but rather due to necessity or due to this market being the safest place for funds.

"Governor Harrison pointed out that the first objective of the April meeting was perhaps somewhat broader, and included a desire to make the incoming gold effective and not sterilize it.

"Governor Norris asked whether the real difficulty at present was not the rates for money but lack of demand for credit from high grade borrowers while lenders were timid and hesitant with respect to any other type of borrower.

"Governor Harrison suggested that the pressure of excess reserves sooner or later tends to overcome timidity. Under the traditional gold standard the piling up of funds in any country sooner or later operates toward an expansion of credit which in turn is an influence towards raising the price level. He hoped that the purchase of governments might first avoid sterilizing gold, and might second be a stimulus operating with other favorable recent events towards giving an additional lift toward business recovery.

"Governor Norris raised the question whether the system would not be criticized for taking a step to make money still easier when it was already very easy. Governor Harrison suggested that the proposal simply recognized that incoming gold would inevitably produce credit ease, and the effect of the action was to bring somewhat earlier rather than later the normal effects of the gold movement, and thus to avoid in part some of the serious effects on European countries of the loss of gold.

"Governor Meyer suggested that other critics would say that by inaction we were preventing the normal influence of gold.

"Governor Black commented that the action taken at the April 29 meeting at Washington was affirmative, in favor of positive action which was to continue until it accomplished its results. The methods to be followed were first the reduction of bill rates and second the purchase of governments. The results hoped for were a favorable psychological reaction, lower interest rates, and the prevention of the sterilization of gold. The first remedy, action through the bill market, appeared to have been exhausted. Business had not shown any recovery. The European situation was worse. The remaining remedy was to buy governments which should be done as a logical continuation of the affirmative policy. The President, by his announcement, had taken a constructive step which should be backed up to the limit, and Governor Black believed that the purchase of governments would give this impression and have this effect.

"Governor Meyer stated that the Federal Reserve Board would be sympathetic to the purchase of Government securities, would have some preference for a larger program of purchases than $50,000,000, and that the Board would regard this program as simply discounting in advance the easing effect of the return of hoarded currency when the period of apprehension was over.

"Governor Young discussed the question of gold sterilization and indicated that he believed that sterilization had been and was natural and inevitable under the operation of the Federal Reserve System; that the only way sterilization could be stopped was to have continuously an excess of credit, but that any such excess never lasts but is rather quickly absorbed through a reduction in Federal reserve credit. It is, therefore, impossible to prevent sterilization without adopting the Macauley policy of buying an exceedingly large volume of government securities. He agreed that something should be done to support the action of the President, but did not believe that the purchase of $50,000,000 of Government securities would accomplish this purpose. He did think that there was a great opportunity to deal more directly with the problem by some form of advance to Germany. This might mean announcing the advance on gold in transit, or announcing that we were prepared to make advances to the Reichsbank. Such action would put the injection precisely into the place where needed.

"Governor Harrison stated that it would hardly be appropriate to announce the advance against gold since that was in the nature of temporary and ordinary banking operation which would pass quickly, and moreover, might suggest weakness on the part of the Reichsbank. He said that there had not yet been any request from the Reichsbank for a credit though word from abroad indicated that such a request might come before long.

"Governor McDougal stated that while he was impressed at the last meeting by the considerations with respect to gold, he considered the domestic bank situation the most important and pressing element in the situation, and speaking in general he questioned the desirability of putting out more credit now that the market is already glutted. Following the President's announcement, however, we have had an exhibition of the effect upon the state of mind of some positive action. If purchases of governments would be received by the public as supporting the President's announcement that would appear to him of great importance.

"Governor McDougal asked what the prospective demands for credit from Europe were likely to be, and Governors Harrison and Meyer reported recent communications from Europe and indicated that any demands from Europe would be in sufficiently limited amounts as to constitute no strain upon the System and leave us free to pursue the policy which seemed best from other points of view.

At 1:20 the meeting adjourned for lunch.

At 3:25 p. m. the meeting reconvened, there being present Governors Young, Harrison, Norris, Black, McDougal, and Talley, and Deputy Governor Burgess.

"Governor Harrison stated that the directors of the Federal Reserve Bank of New York were unanimous in favoring the purchase of government securities at this time.

Governor Meyer joined the meeting at this point.

"Question was raised as to the general effects of buying government securities, on sentiment and otherwise, and there was also discussed the form which publicity might take. The general opinion was that probably no attempt to explain the reason for purchases was desirable. The action would probably be interpreted as part of the general program.

"Governor Harrison suggested that the attitude of the member banks toward purchases of government securities had changed considerably during recent weeks and that two New York City bankers had suggested to him the desirability of buying governments as a means for aiding the situation.

"Governor Talley said that the purchase of government securities might have an important effect in helping banks to maintain their liquidity and so encouraging them to use their funds courageously.

"After some further discussion it was voted to buy up to $50,000,000 of government securities with the understanding that there would be further conference by telephone or otherwise between members of the committee before any purchases were made beyond that amount."

Governor Young asked to be recorded as voting in the negative, and Governor Norris did not vote.

The meeting adjourned at 4:12.

W. Randolph Burgess,
Secretary.

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PRELIMINARY MEMORANDUM, SUBJECT TO REVISION

CONFIDENTIAL

August 3, 1931.

MEMORANDUM ON CREDIT CONDITIONS FOR THE MEETING OF THE OPEN MARKET POLICY CONFERENCE AUGUST 11, 1931.

In the past six weeks there has been no evident improvement in business. In fact the available indexes rather show some decrease in activity. The complete figures for June show a volume of activity considerably reduced from the two preceding months and nearly as low as the lowest point reached in January as indicated by the following principal indexes.

	Jan.	Feb.	Mar.	Apr.	May	June
F. R. Bank of N. Y. Volume of Trade Index(1)	81	83	83	84	83	82p
F. R. Bd. Production Index(2)	83	86	88	90	89	86p

(1) In per cent of calculated normal. p Preliminary
(2) In per cent of 1923-1925 average.

While the weekly indexes of commodity price movements show a practically stable level for the past two months, a number of important individual commodities have been weak, especially agricultural products. Industrial employment, after showing at least the usual expansion in the spring, declined in June to a new low level for recent years.

The great impediment to business improvement has been a series of financial disturbances both at home and abroad which have unsettled confidence. In June there were 166 bank failures in the United States, the largest number since January, with total deposits involved of $218,000,000, the largest since last December. The preliminary figures for July indicate 89 failures with deposits of $45,000,000, the same as in May.

Bank Suspensions

	Number		Deposits In millions of dollars	
	1930	1931	1930	1931
January	99	202	29	78
February	85	77	33	35
March	76	86	24	35
April	96	64	33	42
May	55	89	19	45
June	66	166	71	218
July	65	89p	32	45p
August	67		22	
September	66		24	
October	72		25	
November	254		186	
December	344		367	

p Preliminary

But of considerably greater magnitude than the financial troubles at home have been difficulties abroad, which have included temporary breakdowns of the financial structure in a number of the central European countries. These events in turn have placed such pressure on the London money market as to cause a drain in a few brief weeks of more than $150,000,000 in gold, with the consequence that the Bank of England has sought and obtained a central bank credit and has arranged by Treasury minute an increase of 15 million pounds in its fiduciary issue. A lesser but contributing factor to financial unrest has been the addition of Chile to the list of South American countries which have suspended payment on their foreign debts.

These financial developments are only the symptoms of a deeper underlying economic disequilibrium. The worldwide drop in commodity prices has thrown out of balance the international trade position of many countries and has increased the burden of the payment of international debts to a point where many of these countries will have grave difficulty in meeting their external obligations. This disturbance to the balance of trade has accompanied a decline in national income

which has forced out of balance the government budgets of many countries. At a time when unemployment is creating great social distress and when government enterprises are being advocated as a means of relief, governments are finding their income insufficient to meet even their ordinary budgetary expenses. Under these circumstances our trade with other countries has been cut to less than half the 1929 figures.

Prior to the recent outbreak of financial difficulties in central Europe there was perhaps some reason to hope for a business improvement in the autumn with some recovery in commodity prices. Recent developments have decreased the probability of any such recovery. It now appears that in this and other countries a winter of severe unemployment and distress is to be expected unless some unusual development now unforeseen occurs to change the situation. Another winter of this sort may bring with it a severe threat to the capitalist system in some countries, the risk of the overthrow of conservative governments and the danger of critical social and political disturbances in many parts of the world. The situation is sufficiently serious to justify the consideration of every sound remedy.

Federal Reserve Position

Since June 22 the Federal Reserve banks have purchased $80,000,000 of Government securities under the authorization to purchase up to $100,000,000, arranged at the meeting of the open market policy conference on April 29 and approved by the Federal Reserve Board. The changes since that time in the various elements of Federal Reserve credit and other factors influencing the money market are shown in the following table.

(Averages of daily figures. In millions of dollars)

	Week Ended June 20, 1931	Week Ended Aug. 1, 1931	Change
Bills discounted	197	185	- 12
Bills bought	118	66	- 52
U. S. securities	601	678	+ 77
Other reserve bank credit	30	23	- 7
Total reserve bank credit	946	952	+ 6
Monetary gold stock	4,884	4,951	+ 67
Treasury currency - adjusted	1,764	1,788	+ 24
Money in circulation	4,773	4,812	+ 39
Member bank reserve balances	2,407	2,388	- 19
Miscellaneous	414	491	+ 77*

*Due chiefly to increase in balances of foreign correspondents with Federal Reserve Banks which now total over $100,000,000.

Bills discounted and acceptances purchased taken together have declined $64,000,000, nearly offsetting the purchases of Government securities. A gain of $67,000,000 in gold has been practically absorbed by an increase of currency in circulation, and in addition balances of foreign banks at the Reserve Banks have increased by an amount sufficient to absorb all of the excess reserves and leave the member banks just about even in their reserve position. Thus neither the purchases of securities nor the gain in gold have placed any more funds permanently at the disposal of the member banks, but on the contrary there are now less free funds than a month ago.

Member banks generally did not put to active use the excess reserves in their possession for some weeks past. The temper of the banks has been to make their position constantly more liquid rather than to seek full employment of their funds. In pursuance of this aim they have reduced their loans on securities and their holdings of securities other than Governments and have increased their holdings of bankers acceptances and Government securities. The New York banks, in which the surplus of reserves centered, have indeed increased their extensions of

credit, but not in sufficient amount to offset decreases elsewhere. These tendencies are shown in the following table.

Weekly Reporting Banks - figures in millions of dollars

	Change from June 24 to July 29		
	N. Y. City	Other cities	Total
Loans			
On securities - - - - - - - - - - -	- 106	- 53	- 159
All other* - - - - - - - - - - - -	+ 138	- 33	+ 105
Investments			
U. S. Government securities - - -	+ 118	- 79	+ 39
Other securities - - - - - - - - -	- 19	- 13	- 32
Total - - - - - - - - -	+ 131	- 178	- 47

* Includes bankers acceptances.

This conservative attitude of the banks and their desire to maintain their funds in very liquid form operates as a limitation to their putting into active use additional funds which become available.

In considering the prospective influences upon the Federal Reserve position for the next few weeks the following comments may be made.

(1) The gold movement appears at the moment to be partly arrested though some imports continue and though there are a number of countries from which more substantial imports might easily come.

(2) Bills discounted and bills purchased appear to be at a practical minimum. The present amount of bills purchased appearing in the statement as $60,000,000 includes less than $30,000,000 of domestic bills, the balance consisting of foreign bills. The amount of foreign bills held is not likely to diminish but may well increase, and before many weeks we shall reach the period when more domestic bills come into the market. The System appears now therefore to have

just reached the point where further purchases of Governments will no longer be offset by declines in discounts and bills.

(3) Currency circulation ordinarily reaches approximately its lowest point for the year in the last week of July and thereafter begins to increase. The future movement of circulation depends not a little upon the state of confidence in banks. There is now probably as much as $500,000,000 of hoarded currency.

(4) The increase in foreign balances with the Reserve Banks has become an important influence on the money market, though this movement is probably nearing its end.

In the consideration of any further purchases of Government securities or equally of credits to foreign countries question arises as to the gold position of the Reserve System and how much leeway the System has for further such operations. It may reasonably be assumed that at the present time for the first time in recent years purchases of Government securities would cause very little if any reduction in discounts or acceptances, but would be followed mainly by an increase in member bank reserve balances, (unless some other cause not now foreseen operated to absorb the funds). On this assumption $35 of gold would be required to be set aside for every $100 of Government securities purchased. To the extent, however, that purchases were accompanied by decreases in discounts or acceptances $100 of gold would have to be set aside for every $100 of security purchases, since this amount would be required as collateral for Federal Reserve notes to replace the discounts or bills liquidated. The effect of investments in foreign bills which are not under present arrangements eligible as collateral for Federal Reserve notes would be somewhat similar to the effect of buying Government securities. The various possible effects are shown in the attached table.

The amount of free gold available to meet these or other requirements, such as an emergency demand for currency, is shown in the following table both for

the system as a whole and for the several Reserve banks. The first column shows the amounts of free gold on the assumption that Federal Reserve notes are treated as at present, with considerable amounts of notes in the tills of most of the Reserve banks that have been issued to the banks but not put into circulation. The second column shows the results if these notes in till are reduced to a reasonable minimum in accordance with computations made by the Federal Reserve Board on the basis of information from the Reserve banks.

"FREE GOLD" OF THE FEDERAL RESERVE SYSTEM

(Figures as of July 29, 1931 - In millions of dollars)

District	Actual Free Gold*	Potential Free Gold**
Boston	32	48
New York	469	623
Philadelphia	40	68
Cleveland	60	75
Richmond	8	7
Atlanta	5	7
Chicago	69	149
St. Louis	7	11
Minneapolis	5	5
Kansas City	13	8
Dallas	6	9
San Francisco	34	76
System	748	1,086

* After providing collateral for all notes actually issued to Federal Reserve Banks.

** Computed by Division of Bank Operations of Federal Reserve Board assuming provision for collateral for only a minimum supply of Federal Reserve notes issued to the banks but not in actual circulation.

CHANGES IN FEDERAL RESERVE SYSTEM POSITION
RESULTING FROM $100,000,000 CREDIT TO A FOREIGN BANK OF ISSUE

Assumptions
1. That the credit is entirely used.
2. That foreign bills purchased are not available as collateral for Federal Reserve Notes.

	Actual Statement July 8 (millions)	Position after buying $100,000,000 of Foreign Bills: If Proceeds Are Used to Earmark or Export Gold (millions)	If Proceeds Are Used to Create Deposit At Reserve Banks (millions)	If Deposit so Created is Used to Make Payments (millions)
Total Reserves	$ 3592	→$ 3492	$ 3592	$ 3592
Earning Assets				
Bills discounted	162	162	162	162
Bills bought	92	→ 192	→ 192	→ 192
Gov. securities	668	668	668	668
Other securities	10	10	10	10
Total	932	→ 1032	→ 1032	→ 1032
Due from Foreign Banks	4	4	4	4
Note Circulation	1737	1737	1737	1737
Deposits				
Member Banks	2439	2439	2439	→ 2539
Foreign Banks	40	40	→ 140	40
Other	48	48	48	48
Total	2527	2527	→ 2627	→ 2627
Reserve %				
Combined	84.2%	→ 81.9%	→ 82.3%	→ 82.3%
Against deposits after providing for note collateral	66.3%	→ 62.4%	→ 63.8%	→ 63.8%
Free Gold Remaining	792	→ 692	→ 757	→ 757
Effect on Market		None	None	Gain of 100 million

If instead of buying bills the credit should take the form of placing a deposit in a foreign bank, the only change in the above would be that bills bought would show no increase from the actual amount on July 8 and due from foreign banks would be increased $100,000,000. The effects on the reserve percentage, free gold, or the money market would be the same as those shown above.

→ indicates items showing change

CONFIDENTIAL

June 19, 1931.

MEMORANDUM FOR THE MEETING OF THE EXECUTIVE COMMITTEE
OF THE OPEN MARKET POLICY CONFERENCE, JUNE 22, 1931.

At a meeting of the Open Market Policy Conference on April 27 it was agreed that it would be desirable for the Federal Reserve System to pursue a policy designed to facilitate the more normal operation of the gold standard and if possible to stimulate a more active use of credit by banks and their depositors. The three means directed toward this purpose which were considered were -

(1) The maintenance of the bill portfolio through reduced bill rates.

(2) Reductions in discount rates.

(3) The possible purchase of government securities.

With regard to government securities the following resolution was adopted:

> "VOTED that pending another meeting of the conference, as soon as that may be deemed necessary by the Federal Reserve Board or the members of the conference, the executive committee of the conference should be authorized, if and when it appears to them necessary or advisable, to purchase up to $100,000,000 of government securities."

No purchases of ~~government securities~~ have as yet been made under the authority ~~granted at that conference~~, (Open Market Policy Conference, April 27, 1931) but successive reductions in the bill rate were made in the early weeks of May and the discount rates of a number of the Reserve banks were reduced. Reductions in bill rates were an influence toward maintaining the total volume of bills in the Federal Reserve System fairly well until the past few days despite the large volume of gold imports. The figures for bill holdings this year compared with the average for the years 1926-1930, together with the reserve position of the New York City banks, are shown in the attached diagrams. In the past few days bills have been running off as the banks have held large surplus reserves, and as rates on short governments have declined relative to bill rates.

In the weeks since April 27 two important credit movements have taken place. First, gold imports have been supplemented by large releases of gold held earmarked for foreign account. During the month of May the country's gold stock increased $70,000,000 and during the month of June up to the present, more than $100,000,000, with $26,000,000 additional on the way from Germany. This gold has come out of the bank reserves of foreign central banks principally Germany and the Argentine, at considerable cost to those countries. From the point of view of world economics it is important as was agreed at the last meeting of the Conference that the gold standard should operate normally by this gold being put to work as a basis for credit and not nullified by its sterilization through continued reduction in Federal Reserve credit outstanding.

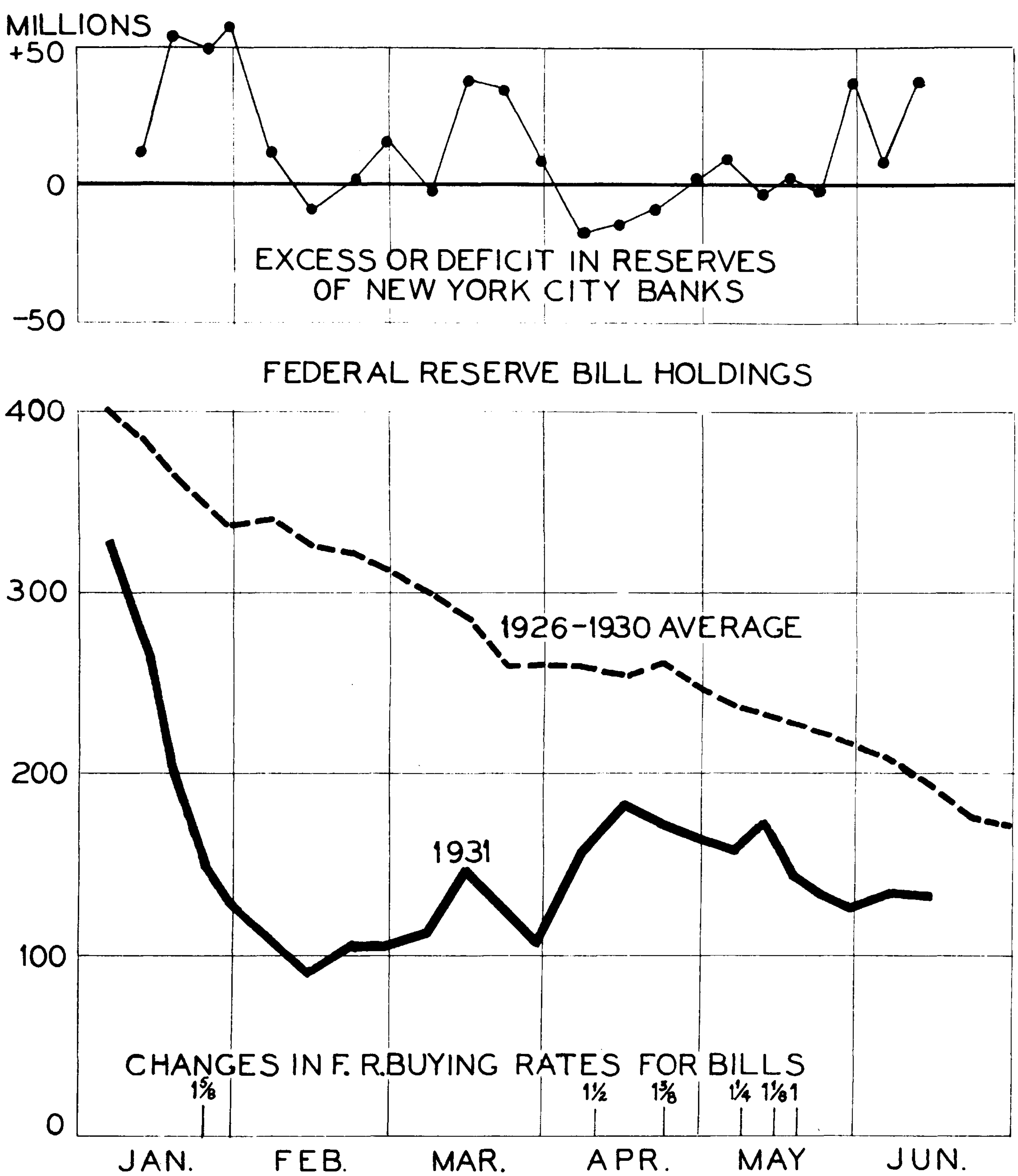
During this period the gold has, however, been largely absorbed, not so much by a reduction in the total earning assets of the Federal Reserve System as by an increase in the volume of currency in bank tills or for hoarding. This increase in circulation has occurred in a number of districts where there have been bank disturbances, and particularly in the Chicago district. The total such increase amounting to over $100,000,000 has brought the total volume of currency in circulation to a point about $300,000,000 higher than at this time last year. It has been estimated that much if not all this increase has been for hoarding.

The question now arises whether this expansion in currency circulation is not an abnormal factor for which compensation should be made in order that incoming gold might have a direct influence upon credit conditions.

The question is complicated by the movement of the system bill portfolio, which is now subject to a number of unusual influences. It is clear that any purchase of government securities or other means of placing more funds in the market might be expected to result, other things being equal, in a diminution in system holdings of bills. Some adjustment of bill rates might assist in maintaining the bill portfolio and preventing it from being reduced quite as rapidly as government security holdings may be increased. The maintenance of a bill portfolio on the other hand should be considerably aided by a recent decision of a foreign correspondent holding more than $300,000,000 of bills in this market to allow these bills to run off, as it may be assumed that the Reserve System will be called upon to absorb some of these bills.

"At the present moment the reserves of the New York City banks are considerably in excess of requirements. During the next two weeks, however, midyear demands for funds may be expected to draw upon these reserves and fairly quickly to exhaust the surplus.

"It is clear that the purposes of the policies adopted at the April conference have not been fully accomplished though some progress appears to have been made. The movement of gold imports had slackened up until the time difficulties arose in Central Europe leading to large releases of gold from earmark in this country. Rates paid by banks for deposits have been reduced in most important centers. There has been some recovery in the bond market, though this is perhaps due as much to direct action on the part of some New York City banks as it is to any change in the monetary situation. Despite the increase in government securities outstanding there has been no net increase in the total volume of bank credit. Interest rates are on a definitely lower basis than they were in April, but this reduction has not yet evidently led to any considerable shifting of funds from short to long use.


MILLIONS
+50
0
-50
EXCESS OR DEFICIT IN RESERVES
OF NEW YORK CITY BANKS
FEDERAL RESERVE BILL HOLDINGS
400
300
200
100
0
1926-1930 AVERAGE
1931
CHANGES IN F. R. BUYING RATES FOR BILLS
1⅝
1½
1⅜
1¼
1⅛
1
JAN.
FEB.
MAR.
APR.
MAY
JUN.

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~~TENTATIVE - SUBJECT TO CORRECTION~~
See letter July 20, 1931

CONFIDENTIAL

MINUTES OF MEETING OF THE OPEN MARKET POLICY CONFERENCE
HELD AT THE OFFICES OF THE FEDERAL RESERVE BOARD
WASHINGTON, D. C., APRIL 29, 1931.

The meeting convened at 2:30 o'clock, there being present the following:

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

The chairman presented the secretary's report of open market operations since the last meeting of the conference on January 21, 1931. After consideration, it was

VOTED that the report be received and placed on file.

The chairman then stated that the attached report of the chairman of the conference, which had previously been read during the meeting of the governors' conference, was before the open market policy conference for consideration.

There was a long discussion of the report by the various members of the conference with particular reference to the present gold trends and the possibility of making the gold standard work more effectively. It was pointed out that in view of the present favorable trade balance of the United States, amounting in recent years to about $500,000,000 a year, the only way in which that trade balance could now be paid for was by the shipment of gold since the foreign bond market in this country was practically closed to any new issues. As indicated in the report of the chairman, this country has received over $400,000,000 of gold in the last fifteen months. This gold, however, has not in any way reflected itself in the expansion of member bank loans and investments but rather has been utilized to reduce the amount of Federal reserve earning assets. To that extent it may be said that the normal effects of the import of this volume of gold have been nullified.

The question which was discussed by the conference was whether there was any appropriate way in which the Federal Reserve System could take action in order that any further gold imports will have their normal and natural effect upon the loans and investments of member banks.

Governor Harrison pointed out that this was one of the reasons which had prompted the Federal Reserve Bank of New York in recent weeks to reduce its bill rates, hoping that by that action it would be possible to maintain or even increase the System's bill portfolio in spite of the fact that gold is still coming into the country. He said that to have done nothing with the bill rates would very likely have resulted in a rapid diminution of the bill portfolio of the System as gold came in, not only thereby nullifying gold imports but liquidating the System's earning assets by a substitution of gold, of which we already have a plethora. Governor Harrison then said that it was the purpose of the New York bank, if necessary, to reduce its bill rate as low as one per cent in the hope of accomplishing its objectives of maintaining or even increasing the bill portfolio in the face of gold imports; that it was likely that next week or the following week he would recommend a reduction in the discount rate. The chief purpose of this program was, he stated, not only to tend to reduce the amount of gold imports or to make those imports that actually take place more effective, but also, by its effect upon the short time money market, ultimately to make credit, of which there is now plenty, especially in the big centers, more active and more widely distributed. It was felt that this policy sooner or later would necessarily, because of its effect upon the short time money rates, encourage banks and depositors in banks, in spite of their present liquidity, to employ their money, which now is becoming relatively so unprofitable. More specifically, he said that he hoped that this policy might encourage the New York Clearing House banks further to reduce interest rates on deposits.

In this connection, it seemed to be the general sentiment of the conference that one of the difficulties with the banking situation today is the consequence of the competition of banks throughout the country for increasing deposits at unjustifiably high rates of interest, and that any action which might encourage a more general reduction in those interest rates could not but be helpful to the banking situation as a whole. Governor Harrison then said that if the policy which the New York bank has adopted is to become completely effective it requires System cooperation both in the matter of rates and in the matter of open market purchases of government securities for with bill rates as low as they are, in the event that the System's bill portfolio runs off, even after rates may have been reduced to one per cent, the only effective instrument which the System has left to aid in maintaining the total volume of its credit outstanding is the purchase of government securities. He, therefore, recommended that the conference authorize the executive committee of the conference, if and when it appears to them necessary or advisable, to purchase up to $100,000,000 of government securities. In making this recommendation, he pointed out that it was not the intention to purchase government securities immediately but rather to attempt to carry out the policy, first, through bill rates, second, through the reduction in discount rate, and then, if necessary, to resort to the purchase of government securities.

Governor Meyer was then invited to join the conference, and each member of the conference, in turn, discussed this proposal.

Governor Norris was of the opinion that the proposed policy might not accomplish any great amount of good; that the System was in a strong position; that there was little or no danger of speculation; that he saw no probability of any bad results from the policy; and that in those circumstances he was ready to participate in the policy and to contribute by recommending a reduction in the Philadelphia bank rate to three per cent. His chief misgiving about the adoption of the policy was the danger of a slowness in the reversal of the policy when that might become necessary. This was a danger to which all the members of the conference referred and which Governor Meyer stated he did not believe would be existent in the present circumstances, especially in view of the fact that the country would look upon a reversal of the policy as an evidence that the turn had come in the business depression.

Governor Young stated that they are even now following the New York reductions in bill rates and in the past have followed in the reduction of discount rates; that he believes it is important to have harmony in the System; and that if New York reduces its discount rate to 1 1/2 per cent, he will recommend the same rate in Boston. He believes that it is inadvisable to buy more government securities at the moment but that even so he would, of course, be willing to buy government securities at the present time from any member bank that needed accommodation in that fashion. He felt that while the program might be right or wrong, the only thing to do, in view of all the circumstances discussed by the conference, is to go through with it.

Governor Fancher stated that the economic situation throughout the world has seriously changed in the past year and is perhaps more serious than ever; the gold flow is most important; and he said that he was willing to go along with any program designed to check it. He also agreed that the System can lend its efforts to make money so cheap as to put it to work. He stated that it was probable that Cleveland would not reduce its discount rate but that the System cannot afford to go along drifting in this extreme situation, and that he was, therefore, in favor of the recommended program.

Governor Seay stated that he had no great degree of confidence that the proposed policy will accomplish anything very definite or that business recovery is dependent upon any further ease in credit. He intimated that it was possible that a further easing program might be construed as a move in the wrong direction and as a policy of desperation. He did feel, however, that any move that would force banks to reduce rates which they pay on deposits is a most important one, and that if the proposed program fails in accomplishing that, the program itself would fail. He stated that if New York reduces its rate to 1 1/2 per cent, he would recommend a reduction in the Richmond rate to three per cent. He felt, therefore, that while the program may or may not accomplish good, it would probably have very little risks attached to it, and that as far as possible the Richmond bank would follow the program.

Governor Black stated that, in his opinion, the present situation is extreme and that it was important that we do something; that there were only three courses before the System: (1) that it should follow a policy of further pressure by going up in its rates, (2) that we should maintain the status quo, or (3) that we should make further ease. He hopes and believes that the program recommended by Governor Harrison will be effective, at least in part; that it would tend to make the gold which we have more useful; and that it would tend to drive some short time money to work, which is what the situation now needs. He questions whether the Clearing House banks in New York will further reduce their rates, but that even so that should not deter us in the adoption of the program, which he is prepared to follow. He said that the Atlanta bank would follow on bill rate reductions but is not sure what the bank would do about discount rate, but that he is determined to have the Atlanta bank follow the program as far as it can.

Governor McDougal stated that the gold problem, as discussed by the conference, is an impressive one and should be corrected, if possible; that that is the big question before us. The banking situation is also an outstanding problem; and that while he thinks money rates are now cheap enough and does not see how cheaper rates will stimulate business, nevertheless it may serve to move gold elsewhere. In his judgment, there is no danger in the stock market but fears that low or lower rates may lead banks to take imprudent steps. He was not in favor of buying governments at the moment but that if lower discount rates were established in the Eastern districts, Chicago would probably have to follow.

Governor Martin said that there is no historical precedent for the present situation, and that it would, therefore, be difficult to predict the results of the proposed policy. He saw some objections to it but, on the whole, the majority of reasons were in favor of it. What objections there are he felt could be overcome if we were prepared to go quickly enough to reversal. He was in favor of trying the experiment and said that St. Louis would follow with reductions in the bill rates and probably with the discount rate.

Governor Geery was somewhat at a loss to foresee the precise results of the proposed policy but was willing to give it a fair trial at this time and was willing to vote for it.

Governor Talley stated that he still has confidence that gold will finally express itself. It always has in the past sooner or later, and he said we are now at a practical minimum of discounts and have only $180,000,000 of bills to be absorbed. If gold comes beyond that point, it will certainly express itself in the country's credit structure. The proposed program would bring this event nearer. He also agreed that the policy would tend to shove short time funds outside of New York, though probably not into remote country districts. In his judgment, there was some question whether it would be desirable to have the New York banks reduce their interest rates further; that it was more desirable, in his mind, for those banks to send money abroad into short commercial credits. While somewhat apprehensive about attempting the policy, he saw little ammunition left, and he was in favor of trying it.

Deputy Governor Worthington said that while the Kansas City bank has felt for some time that money rates have been too low and that there would be no revival in business until rates go up, nevertheless he sees no objection to the program and that it was necessary, in his judgment, now to make some effort to overcome present difficulties. He sees no harm and possible good in the program and that Kansas City would always cooperate with any plan approved by the conference.

Governor Calkins said that he agreed with the desirability of harmonious action in the System but questioned how harmonious it would be unless a program is agreed to without reluctance. He is somewhat skeptical of the proposed program because of the fact that the present situation was so lacking in precedents that it is not possible to compare it with the past. Furthermore, conditions are largely psychological and causes of it go away back to the war at least. He disagrees with the theory that small reductions in bill rates and discount rates would stimulate credit or that it is possible to make the gold standard work in any orthodox fashion when two nations have most of the gold. He referred to the fact that the Federal Reserve System has already contributed in a large measure to the mobility of credit because of the telegraphic transfer system, and that indeed this system contributed largely to the inflation during 1928 and 1929. The big question, in his mind, is whether we would be prepared to correct or reverse the policy if it proves to be wrong, but that San Francisco will be prepared to follow and participate in the program, even though not with the wholehearted acquiescence which he thinks so advisable.

Governors Meyer and Harrison then said that they did not have any fixed certainty of the outcome of the procedure but that it was one in which we had little, if any, volition since it would be forced upon us by the present gold movement sooner or later, in any event.

After further general discussion and upon recommendation of Governor Harrison, the conference

VOTED that pending another meeting of the conference, as soon as that may be deemed necessary by the Federal Reserve Board or the members of the conference, the executive committee of the conference should be authorized, if and when it appears to them necessary or advisable, to purchase up to $100,000,000 of government securities.

Chairman.

COPY

333.-C.2

FEDERAL RESERVE BANK
OF NEW YORK

July 20, 1931.

Dear Governor Meyer:

On June 24 we sent you a draft of the minutes of the meeting of the executive committee of the Open Market Policy Conference held June 22, together with a draft of the minutes of the Open Market Policy Conference meeting on April 29. As no suggestions for changes in either of these have been received, they may now be considered as final. 4/29/31 filed 333.-C-2 Final Minutes

Very truly yours,

(Signed) W. Randolph Burgess

W. Randolph Burgess
Deputy Governor

Honorable Eugene Meyer,
Governor, Federal Reserve Board,
Washington, D. C.

Orig. letters filed 6-22-31 meeting

COPY

FEDERAL RESERVE BANK
OF NEW YORK

July 18, 1931.

Dear Mr. McClelland:

I am enclosing herewith copies of the tentative minutes of the Open Market Policy Conference meeting of April 29, and of the Executive Committee meeting of June 22.

Very truly yours,

(Signed) W. Randolph Burgess

W. Randolph Burgess
Deputy Governor

Mr. E. M. McClelland,
Assistant Secretary,
Federal Reserve Board,
Washington, D. C.

WRB.H
encl.

C O P Y

333.-C-2

FEDERAL RESERVE BANK
OF NEW YORK

CONFIDENTIAL June 24, 1931.

Dear Governor Meyer:

I am enclosing herewith a copy of the draft of the minutes of the meeting of the Open Market Policy Conference held in Washington on April 29, also of the minutes of the meeting of the Executive Committee of the Open Market Policy Conference held at this bank on June 22, which have been forwarded to the governor of each Federal reserve bank.

These minutes are subject to correction or amendment after the various members of the Conference and Executive Committee have had an opportunity to read them. Should any changes be necessary, however, I shall of course send you a corrected copy.

We regret the delay in sending out the minutes of the meeting of April 29, due to the many pressing matters which Governor Harrison has had on hand since that time.

Very truly yours,

(Signed) W. Randolph Burgess

W. Randolph Burgess
Secretary, Open Market
Policy Conference

Honorable Eugene Meyer,
Governor, Federal Reserve Board,
Washington, D. C.

Encls.

see letter 7/20/31

CONFIDENTIAL

333.-C-2

REPORT OF OPEN MARKET OPERATIONS TO MEETING OF THE EXECUTIVE COMMITTEE OF THE OPEN MARKET POLICY CONFERENCE HELD IN THE FEDERAL RESERVE BANK OF NEW YORK ON JUNE 22, 1931.

At the last meeting of the Open Market Policy Conference during the Governors' Conference held in Washington commencing April 27, 1931, the total holdings of government securities in the System Account amounted to - $402,300,000

At the meeting referred to, authorization was given for the purchase up to $100,000,000 of government securities. There have been, however, no purchases made under this authorization. Pursuant to the discussion at the Governors' Conference in April, a transfer was effected from the holdings in the Investment Account of the Federal Reserve Bank of New York of $37,543,000 of government securities, representing the amount of its excess holdings of government securities, to the participations in the System Account of other Federal reserve banks which showed shortages in their pro rata share of government security holdings. This transfer, which did not affect the total amount of government securities held in the System, increased the total amount of holdings in the System Account to- - - - - - - - - - - - - - - 439,843,000

Below is a schedule of the amounts transferred to the participations of the Federal reserve banks referred to, and the dates that the transfers were effected with their approval.

Banks	Amounts Transferred	Date Effected
Cleveland	$ 5,000,000	May 5, 1931
Richmond	13,000,000	May 5, 1931
Atlanta	3,000,000	May 5, 1931
St. Louis	1,543,000	May 5, 1931
San Francisco	10,000,000	May 8, 1931
Atlanta	5,000,000	May 9, 1931
	$37,543,000	

At the request of the Federal Reserve Bank of St. Louis and with approval of the Open Market Policy Conference, a block of $4,625,000 - 1 1/2% Treasury certificates of indebtedness, maturing September 15, 1931, was transferred on May 19, 1931 from the holdings in the Investment Account of the Federal Reserve Bank of St. Louis to the System Account, and the participation of the St. Louis reserve bank in the System Account was increased by $4,625,000. This transfer also did not affect the total amount of government securities held in the System and increased the total amount of holdings in the System Account to - $444,468,000

There has been no change in the total amount of holdings of government securities in the System Account since the transfer on May 19, noted above. There have been, however, some changes in the maturities of the issues held. These exchanges were made in replacement of maturing issues, in anticipation of early maturities, or to effect an improvement in the distribution of maturities or in the yield return.

The amount of net profit that was realized on various sales of United States Government securities in the System Account during the period January 2, 1931 to June 15, 1931, and held in Suspense Account by the Federal Reserve Bank of New York and the amount of each reserve bank's pro rata share of such profit, are as follows:

Boston	$110,473.61
New York	171,609.57
Philadelphia	90,676.68
Cleveland	119,126.77
Richmond	45,632.70
Atlanta	23,820.17
Chicago	148,652.52
St. Louis	40,165.60
Minneapolis	44,330.53
Kansas City	79,068.94
Dallas	46,845.06
San Francisco	77,426.51
Total	$997,828.66

CHANGES IN PARTICIPATIONS
IN SYSTEM PURCHASES OF BANKERS ACCEPTANCES

On May 6, 1931 a sale was made of $2,000,000 bills from the portfolio of the Federal Reserve Bank of New York to the Federal Reserve Bank of Atlanta, to compensate for Atlanta's inability to take sufficient governments to cover fully the shortage previously mentioned in this report.

On May 14, 1931, the Federal Reserve Bank of Richmond resumed its participation in System purchases of bankers acceptances, which participation it had discontinued on February 5, 1931.

At the present time all of the Federal reserve banks are participating in the System purchases of bankers acceptances with the exception of the Federal Reserve Bank of Philadelphia.

ALLOTMENT OF SYSTEM PURCHASES

Since the beginning of the current calendar year, in accordance with the same formula that has been in effect during the past several years, System purchases have been allotted on percentages based on the ratio that each bank's expenses, dividends and charge-offs bore to the total of such items for the System for the preceding year, with the understanding that adjustments would be made in the ratios during the second half of the year based on the requirements of the banks calculated on the figures available at the end of each month.

The ratios based on the expenses, dividends and charge-offs for the year 1930 and the present ratios for allotment of System purchases of bankers acceptances, excluding the Federal Reserve Bank of Philadelphia from participation, are as follows:

	Ratios of each bank's expenses, dividends and charge-offs for year 1930	Ratios for allotment of bills
Boston	7 1/4%	7 3/4%
New York	25 1/4%	27 1/4%
Philadelphia	7 1/2%	0
Cleveland	9 3/4%	10 1/2%
Richmond	5 1/4%	5 3/4%
Atlanta	5 %	5 1/2%
Chicago	13 %	14 %
St. Louis	5 1/4%	5 3/4%
Minneapolis	3 1/4%	3 1/2%
Kansas City	5 1/2%	6 %
Dallas	4 %	4 1/4%
San Francisco	9 %	9 3/4%
	100%	100%

The following statement shows the amount of each Federal reserve bank's gross earnings, expenses and dividends and net earnings or net deficit for the first five months of 1931.

	Gross Earnings	Expenses and Dividends *	Net Earnings or Net Deficit
Boston	$ 598,159	$ 1,136,671	$ 538,512
New York	2,360,826	3,848,435	1,487,609
Philadelphia	775,475	1,218,355	442,880
Cleveland	974,958	1,522,677	547,719
Richmond	437,439	812,549	375,110
Atlanta	403,482	684,803	281,321
Chicago	1,404,581	2,010,670	606,089
St. Louis	442,864	634,997	192,133
Minneapolis	364,801	468,433	103,632
Kansas City	606,421	815,422	209,001
Dallas	442,806	321,765	121,041
San Francisco	725,608	1,243,006	517,398
Totals	$9,537,420	$14,717,783	$5,180,363

* Including current debits and credits to profit and loss account but not for profit or loss on sales of U. S. securities held in special investment account.

333.-C-2

May 7, 1931

Mr. George L. Harrison, Governor,
Federal Reserve Bank,
New York, New York.

Dear Governor Harrison:

As I advised you over the telephone, the Federal Reserve Board at its meeting this morning considered the report of action taken by the Open Market Policy Conference, on April 29, 1931, reading as follows:

> "After consideration of the memorandum presented by the Chairman, and following a long discussion of the present business, banking and credit situation, both national and international, it was voted that pending another meeting of the Conference, as soon as that may be deemed necessary by the Federal Reserve Board or the members of the Conference, the Executive Committee of the Conference should be authorized, if and when it appears to them necessary or advisable, to purchase up to $100,000,000 of Government securities".

The Board has voted to approve the request that the Executive Committee of the Open Market Policy Conference be authorized, if and when it appears to them necessary or advisable, to purchase up to $100,000,000 of Government securities.

Very truly yours,

Eugene Meyer,
Governor

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Mr. Carpenter

333.-C-2

FEDERAL RESERVE BANK

OF NEW YORK

CONFIDENTIAL

May 7, 1931.

Dear Governor Meyer:

I am enclosing herewith for your files a copy of the report, 4-27-31 which Governor Harrison made to the Governors Conference relating to open market operations.

Very truly yours,

W. Randolph Burgess
RAH

W. Randolph Burgess
Deputy Governor

Honorable Eugene Meyer,
Governor, Federal Reserve Board,
Washington, D. C.

WRB.H
encl.

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MAY - 8 1931
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333, C-2

REPORT OF THE CHAIRMAN OF THE OPEN MARKET POLICY CONFERENCE
TO THE GOVERNORS CONFERENCE
April 27, 1931.

Government security holdings of the Federal Reserve System now total $602,000,000, which is about the same figure at which they have been maintained since the middle of August, 1930, except for a temporary increase and decrease over the end of the year amounting in the aggregate to about $100,000,000. In fact the present total represents an increase of only $25,000,000 over the amount held the middle of last June, the $25,000,000 having been bought in August when gold was moving to France.

Broadly speaking the open market program of the Federal Reserve System since the stock market crash in the autumn of 1929 consisted of a rapid reversal of the policies which had been designed in 1928 and 1929 to place vigorous pressure upon the money market and the member banks. These policies had involved a decrease of about $450,000,000 in security holdings between December 1927 and October 1929. Between October 1929 and August 1930 the operation was exactly reversed and $450,000,000 of securities were purchased, bringing the total back again to around $600,000,000.

10

It is fair to say that the open market operations undertaken during this period were not pursued with the idea that thereby any vigorous stimulant might be given to business or finance, but rather with the idea of removing in a period of reaction and depression the pressure which had been placed upon the market in 1928 and 1929, a period of inflation and expansion. In this way the System undertook simply to remove impediments which might otherwise unnecessarily delay a restoration of more normal operations in the money market. In particular it was recognized that the pressure of high money rates and a restricted supply of funds in 1929 had shut off a certain amount of the supply of mortgage and long time capital to various types of borrowers including foreign borrowers whose purchasing power for our goods was thus seriously curtailed. Ordinarily there has been in times past a close relationship between the volume of new financing and business activity, and financing in this market for foreign countries has been closely related to the gold movement and to the maintenance of trade equilibrium between the nations especially since the war. Foreign countries have in recent years owed the United States currently on balance approximately $500,000,000 a year which includes $220,000,000 due on account of interallied debts. This amount they have to pay in goods, in gold, or by an increase in their indebtedness to us or a decrease in our indebtedness to them. At the present time our market is pretty effectively closed to any increase in foreign shipments of goods for one reason or another including reduced consumption of goods and tariff barriers. Our money market both short and long term is closed to foreign borrowers so that they cannot increase their indebtedness. Hence the two forms of payment that are open are a withdrawal of foreign money from the United States or a shipment of gold to us. In the present disturbed state of the world foreign individuals find this the safest market to employ their funds and hence on that account there has been little movement away from this market. The net result has been that we have received considerable amounts of gold as the only means by which foreigners might meet their obligations to us. The most hopeful method by which some other adjustment may be made appears to be through an increase of our loans to foreigners. It was a reasonable hope that the removal of pressure from the money markets might be followed by renewed financing for enterprises of the sort which had for some months been inadequately supplied with capital, and might lead also to a resumption of foreign borrowing here to restore trade equilibrium already considerably unbalanced.

The effect of system purchases of securities in late 1929 and during 1930 was somewhat augmented by continued gold imports from abroad and the retirement of currency from circulation due to business depression. The net result was to enable the member banks to reduce their Federal reserve indebtedness to less than $200,000,000 and to bring about easy conditions in the principal money markets.

Under these circumstances there was a considerable recovery in the bond market in the first half of 1930 which was, however, soon interrupted by a series of unfavorable developments wholly unrelated to the System's easy money policy. Increasing political disturbances following economic disorders abroad acted almost immediately to deter investors in foreign bonds, so that while about $850,000,000 of new money was loaned abroad in the first seven months of 1930, the civil war in China, revolutions in South America, governmental overthrows in Eastern Europe, friction between France and Italy and finally the German elections in September practically shut our market to foreign borrowers in the last five months of the year. Furthermore the severe drought in this country diminished the purchasing power of large agricultural areas. The business depression became more severe and a series of banking difficulties in the course of which a number of sizeable banks suspended operations accentuated the psychology of fear and threw upon the market sizeable blocks of bonds both domestic and foreign.

After the turn of the new year there was some revival of confidence. The bond market staged a considerable recovery. But at this point a number of bills was introduced into Congress calling at the maximum for an immediate cash payment to World War veterans of $3,400,000,000. The payment of this huge sum, or any sum nearly approaching it would have required large new issues of government obligations. Any such program of financing could only have been carried forward at interest rates much higher than those currently borne by outstanding government bonds. Thus the inevitable consequence of such new issues would have been to revalue outstanding bonds, not only government bonds but other prime issues as well, to a higher yield basis in proportionate relation to the new bonds. In the face of this possibility trading in bonds was practically at a standstill from the latter part of January until the bonus question was finally settled late in February.

Since the passage of definite legislation the bond market has in part recovered lost ground, and new issues of securities have been in somewhat more satisfactory volume. However, the recognition of the necessity for the Treasury's securing considerable amounts of new money to meet the bonus legislation as passed and to make up a deficiency in tax receipts is still a deterrent influence on the bond market, and severe depression in many lines of business, together with continued political and economic unsettlement in various parts of the globe have stood in the way of the complete restoration of a satisfactory security market. Even now, there is practically no market for foreign issues, or for securities of businesses concerning the credit of which any possible question has been raised. While bonds of the highest grade are selling at or close to their highest prices in recent years practically all other categories of bonds continue to be depressed and without a broad market.

As far as the business situation is concerned it cannot yet be established that the turn has come. There was for a time considerable anticipation for a spring revival but that hope passed without apparent fulfilment. Comprehensive indexes of the total volume of trade do show a slight increase from January to March, but the increase is not sufficient to indicate a definite trend and the current reports from business do not offer any certainty of its continuance, but rather show a little setback.

An interesting change in the banking statistics of the past few weeks has been an increase in the loans and investments of the reporting member banks resulting directly from new issues of government securities. On March 15 the Treasury sold $400,000,000 more securities than it redeemed, most of which was taken in the first instance by the weekly reporting banks, so that in a single week due to this and other factors their total loans and investments showed an increase of about $500,000,000. On the liability side of the ledger the immediate result was an increase of government deposits in these banks, but as these deposits were drawn down there was a tendency for them to be replaced by deposits of individuals as the Treasury funds were paid out to individuals largely in the form of veteran loan checks. After some recession the total volume of credit showed a similar though smaller increase in connection with the April 15 issue of Treasury certificates. These operations probably tend to result in some increase in available purchasing power, and may in part account for the slight pick-up in some lines of business but thus far not sufficient time has elapsed for the business statistics to reflect any definite results. There has been in the past three weeks an unseasonable increase in the total amount of money in circulation which, in the absence of other explanation, appears largely due to the withdrawal of currency by veterans who have received their bonus money. Already actual payments to veterans have totalled about $500,000,000, and the increase in currency as a departure from the usual seasonal tendencies, has been in the neighborhood of $50,000,000.

Three problems may be suggested as related to future system open market policy. The first relates to the bond market. Generally speaking the volume of new domestic issues are now going forward in limited volume, and these issues are restricted to securities of primest character. When put out at proper prices they appear to meet with satisfactory distribution but bonds which are less than prime can hardly be sold. There is no material market for foreign issues.

The unsettlement of the bond market in recent months and the severe depreciation of many types of issues has focussed attention upon possible errors which issue houses and the market in general may be said to have made in the past in the issuance of securities. It may be that a reconsideration of procedures and responsibilities is a necessary preliminary to the resumption of large scale foreign lending in particular. In any event these matters have recently been the subject of considerable discussion and consideration in the New York market.

An added complication to the status of the bond market has been found in the reluctance with which banks have made any increases in their holdings of long time bonds. It is true that the investments of the reporting member banks show an increase of approximately $2,000,000,000 as compared with a year ago. About half of this increase, however, has taken the form of government securities and a considerable part of the rest is probably in the form of short term obligations of one sort or another.

The second problem lies in the banking situation itself. As reports are received of recent bank examinations the extent of bank depreciation on securities and losses on loans has been revealed. In many institutions capital has been seriously impaired by these losses. One feature of bank examination procedure which these returns have brought to light has been the widest variation of practice in charging off losses on securities. In the second district at least it has become clear that no really adequate method for determining security losses has as yet been devised, and a wide difference of opinion as to intrinsic values has been revealed especially with respect to real estate mortgage bonds. This appears to be a field in which a considerable amount of careful work may well be carried forward. From the point of view of Federal reserve policy question may be raised as to the effect on the position of many banks of any changes in policy which may be made. An easier money policy inevitably would tend to reduce the interest return of member banks on a part of their earning assets, particularly short term governments and bills which are held most largely by city banks. On the other hand any policy which would have an influence even in small degree toward restoring a better bond market would aid many banks throughout the country in larger degree.

The third problem is perhaps the most deep rooted one of the moment, that is, the gold movement. Since the first of the year about $120,000,000 of gold has come to the United States with approximately $33,000,000 on the way. This follows a movement of $275,000,000 in 1930, and the present rate of import is increased by a movement from France which may reach considerable proportions. From the point of view of world public opinion the movement from France is of importance because during 1930 we shared with that country the distinction of acting as a magnet to draw gold from countries which sorely needed it to money markets where it was already excessive. But as we become the single important destination of gold movements our position becomes even more conspicuous and our responsibilities even greater. The causes of this movement may be summarized briefly:

(1) The rest of the world owes the United States on trade balance in the neighborhood of $500,000,000 a year, which on the basis of the present trade balance in merchandise goods can be paid only by further foreign financing in this market or by shipments of gold.

(2) Reductions in prices and money value of exports from many raw material producing countries is serving to accentuate trade deficits of those countries.

(3) A condition of distrust in many money markets encourages short money to stay here rather than move to higher rate markets.

As a result of these three causes many countries find themselves with a balance of trade which can be met only by gold exports. Foreign commentators are particularly critical of the monetary policies of the United States, because this gold which comes to us does not find its way into use. Imports in the past fifteen months of nearly $400,000,000 of gold have been accompanied by practically no increase in the total loans and investments of the reporting member banks and by a considerable liquidation of loans in country banks, whereas the normal ratio of expansion of credit on gold would have indicated an expansion of perhaps $4,000,000,000. For the gold as it came into the country has been used by member banks to repay Federal reserve credit in one form or another, with the result that in this period the total volume of Federal reserve credit has declined by an amount equal to the gold imports. Thus it may be said that the United States has prevented the usual or normal effect of gold which has come to it.

The problem of putting gold imports to work is a particularly puzzling one because of the obstacles which lie in the way of almost any kind of use which is considered. An expansion of foreign lending requires that investors should be willing to purchase foreign bonds. An expansion of domestic commercial credit requires that business men should be willing to borrow. An expansion of long term bank investments to provide capital which is in demand here and abroad, requires that banks which have recently taken huge losses in securities, and upon which the lesson of liquidity has been enforced by sad experience, should be willing to purchase bonds. The evils to the world of continued gold sterilization, however, are so great as to make desirable a careful scrutiny of Federal reserve open market policy to see whether any action may yet be taken to put more Federal reserve credit to work or at least to avoid any further reduction in the volume of earning assets in the System.

While it is commonly stated that money conditions have been exceedingly easy in recent months, and while indeed money rates have been at very low levels there has not been over a period of months any consistent surplus of Federal reserve funds pressing for use upon the market. During January there was a substantial surplus in the reserves of New York City banks but early in February this surplus disappeared and was only present consistently again for two weeks in March. Over a period the banks even in the principal centers have not had any considerable amount of unemployed funds on their hands as was the case in previous severe business recessions in this country, as in the 90s and in 1907 - 08. Question may well be raised whether methods could be devised for keeping in the hands of these member banks some surplus of funds pressing for employment. Even though it is true that the banks in the large centers have had a considerable amount of their funds employed at very low rates, that does not exert a pressure for credit growth which lies in an actual surplus of reserves. Furthermore, apart from the relatively easy position of the banks in the larger cities, credit cannot be said to be very cheap or very plentiful generally throughout the country. For one reason or another it has become fairly well bottled up in the larger banks in the larger cities.

In all these circumstances it has seemed desirable to consider possible means by which gold imports may have their effect on the credit position rather than being nullified, as they have been, by a reduction in total earning assets of the System. Toward that end the New York bank has already, with the approval of the Federal Reserve Board, made a reduction of 1/8 in its buying rate for short bankers bills. It remains to be seen whether this step results in keeping more Federal reserve credit in employment, or indeed whether it will even serve to avoid a further reduction in reserve credit as gold continues to come in.

In any event it is clear that the seriousness of the present world situation and the central position of the United States in the whole world picture makes it desirable to tax our ingenuity that the Federal Reserve System may put forth every possible effort within its power towards maintaining a measure of credit stability throughout the world and towards eventual business recovery.

Prepared April 24, 1931.

CONFIDENTIAL

333. -C-

REPORT OF OPEN MARKET OPERATIONS TO MEETING OF THE OPEN MARKET POLICY CONFERENCE DURING GOVERNORS' CONFERENCE HELD IN WASHINGTON COMMENCING APRIL 27, 1931

There have been no changes in the amount of total holdings of government securities in the System Special Investment Account since the last meeting of the Open Market Policy Conference held in Washington on January 21, 1931, the total holdings remaining throughout this period at - - - - - - - - - - - - $402,300,000. It was not considered desirable to make any sales from System Account under the authorization recommended at the Open Market Policy Conference in January, as the excess of reserves then existing was shortly absorbed, partly by sales of sterling and bill maturities.

There have been a number of changes in the maturities of the issues held in the Account, to maintain a desirable distribution of maturities, and including the replacement of March maturities.

PARTICIPATIONS IN SYSTEM SPECIAL INVESTMENT ACCOUNT GOVERNMENT SECURITIES

Changes in Participations

At the present time all of the Federal reserve banks have participations in the holdings of government securities in the System Account (the amount of each bank's participation as well as the amount of its outright holdings of government securities is shown on an attached exhibit). During the period covered by this report there have been some changes in the participations as follows:

On Feb. 2 and Feb. 10, 1931 — At the request of the Federal Reserve Bank of Kansas City for additional earning asset holdings, a sale was made to that bank of $5,000,000 of government securities on each date from the Federal Reserve Bank of New York's participation in the System Account.

On Mar. 11 and Mar. 18, 1931 — The Federal Reserve Bank of Atlanta repurchased on each date $2,500,000 of its participation of government securities in the System Account of which it was temporarily relieved on Nov. 14, 1930, owing to its low reserve position at that time.

GOVERNMENT SECURITY OPERATIONS IN FEDERAL RESERVE BANK OF NEW YORK'S INVESTMENT ACCOUNT

At the time of the Open Market Policy Conference meeting in January, the total amount of government securities held in the Investment Account of the Federal Reserve Bank of New York was - $147,000,000.
which included a balance of $35,000,000 of $45,000,000 of Liberty Loan and Treasury bonds temporarily taken over from two New York City banks during the month of December 1930.
During January and February, as market conditions permitted, this balance of $35,000,000 was disposed of which reinstated the amount of total holdings in the New York bank's Investment Account to - - - - - - - - - - - - $112,000,000

Classification of Issues Held in Investment Account of Federal Reserve Bank of New York as of Close of Business April 22, 1931

Treasury Bills	due	May 4, 1931	$ 3,000,000
" "	"	July 2, 1931	7,500,000
1 3/4% certificates	"	June 15, 1931	5,137,500
2 7/8% "	"	June 15, 1931	14,575,500
2 3/8% "	"	Sept. 15, 1931	1,009,500
1 1/2% "	"	Sept. 15, 1931	14,130,000
1 7/8% "	"	Dec. 15, 1931	29,653,000
2 % "	"	Mar. 15, 1932	8,803,000
3 1/2% Treasury notes	"	Dec. 15, 1932	9,280,100
3 1/2% First Liberty Loan bonds			4,000,000
4 1/4% " " "	"		2,500,000
4 1/4% Fourth " "	"		12,731,300
		Total - - - - -	$112,319,900

March 16 tax period operations

As a partial offset to the easing effect in the money market caused by the Treasury's operations over the March 16 tax period, delivery was deferred until after March 18 of about $10,000,000 of replacement purchases made in the market for the Investment Account of the Federal Reserve Bank of New York and sales of government securities were made from that account to a large New York City bank, under one-day repurchase agreement of $30,000,000 on March 17, $15,000,000 on March 18 and $10,000,000 on March 19. Sales were also made to New York City and other banks of participations in the Treasury Special certificate of indebtedness issued to the Federal Reserve Bank of New York to cover the Treasury overdraft. The amounts of the Special Treasury certificates issued to cover the Treasury overdraft and the participations sold were as follows:

	Special Treasury Certificates	Participations Sold
March 16	$170,000,000	$106,000,000
17	103,000,000	76,000,000
18	85,000,000	40,000,000
19	57,000,000	35,000,000
20	9,000,000	
21	12,000,000	
23	22,000,000	

PARTICIPATIONS IN SYSTEM PURCHASES OF BANKERS ACCEPTANCES

At the present time all of the Federal reserve banks are participating in purchases of bankers acceptances by the System with the exception of the Federal Reserve Bank of Philadelphia (whose only takings of bills are those purchased in its own market) and the Federal Reserve Bank of Richmond. On February 5, the latter bank withdrew from participating in the System's bill purchases because it believed the System bill rate to be unjustifiably low.

Ratios of allotments of System purchases

Since the beginning of the current calendar year, in accordance with the same formula that has been in effect during the past several years, System purchases have been allotted on percentages based on the ratio that each bank's expenses, dividends and charge-offs bore to the total of such items for the System for the preceding year with the understanding that adjustments would be made in the ratios during the second half of the year based on the requirements of the banks calculated on the figures available at the end of each month.

The ratios based on the expenses, dividends and charge-offs for the year 1930 and the present allotment ratios, excluding the Federal Reserve Banks of Philadelphia and Richmond from participation, are as follows:

	Ratios of Each Bank's Expenses, Dividends and Charge-offs Year 1930	Ratios for Allotment
Boston	7 1/4%	8 1/4%
New York	25 1/4%	29 %
Philadelphia	7 1/2%	0
Cleveland	9 3/4%	11 1/4%
Richmond	5 1/4%	0
Atlanta	5 %	5 3/4%
Chicago	13 %	15 %
St. Louis	5 1/4%	6 %
Minneapolis	3 1/4%	3 3/4%
Kansas City	5 1/2%	6 1/4%
Dallas	4 %	4 1/2%
San Francisco	9 %	10 1/4%
Totals	100%	100%

Attached are statements showing:

Exhibit "A" - Outright holdings of government securities by individual Federal reserve banks, as of close of business April 22, 1931; also, their participation in government security holdings in the System Special Investment Account, and the classification of issues held in the System Account by maturities, as of close of business April 22, 1931.

Exhibit "A"

STATEMENT SHOWING HOLDINGS OF GOVERNMENT SECURITIES BY FEDERAL RESERVE BANKS
(Excluding Sales Contracts)

	Outright Holdings of Government Securities by Federal reserve banks as of the close of business April 22, 1931	Participation by Federal reserve banks in System Special Investment Acct. Government Securities as of the close of business April 22, 1931	Totals
Boston	$ 709,950	$ 45,472,500	$ 46,182,450
New York	112,319,900	68,851,000	181,170,900
Philadelphia	12,107,100	37,245,000	49,352,100
Cleveland	10,002,600	47,690,000	57,692,600
Richmond	1,152,100	15,830,500	16,982,600
Atlanta	2,611,200	10,146,500	12,757,700
Chicago	19,927,400	61,201,000	81,128,400
St. Louis	8,625,000	15,274,000	23,899,000
Minneapolis	7,328,500	18,248,500	25,577,000
Kansas City	46,500	33,733,000	33,779,500
Dallas	10,033,250	19,241,000	29,274,250
San Francisco	9,625,050	29,367,000	38,992,050
Totals	$194,488,550	$402,300,000	$596,788,550

CLASSIFICATION OF ISSUES OF GOVERNMENT SECURITIES
HELD IN THE SYSTEM SPECIAL INVESTMENT ACCOUNT
CLOSE OF BUSINESS APRIL 22, 1931

U. S. Treasury Bills due May 4, 1931	$ 2,000,000
" " " " " May 18, 1931	19,200,000
" " " " " July 1, 1931	21,300,000
" " " " " July 2, 1931	11,500,000
2 7/8% C/I due June 15, 1931	43,781,000
1 3/4% " " June 15, 1931	23,300,000
1 1/2% " " Sept. 15, 1931	57,027,000
2 3/8% " " Sept. 15, 1931	72,880,500
1 7/8% " " Dec. 15, 1931 TD	80,126,500
1 7/8% " " Dec. 15, 1931 TD2	7,500,000
2 " " " Mar. 15, 1932	45,332,000
3 1/2% T/N " Dec. 15, 1932	14,012,000
4 1/4% 4th L/L bonds due Oct. 15, 1938	4,341,000
	$402,300,000

Exhibit "B" - Earning asset holdings of all Federal reserve banks April 22, 1931, as compared with previous week and April 23, 1930; also weekly average of earning assets from January 2, 1931 to April 22, 1931, as compared with corresponding period 1930, and entire year 1930.

Exhibit "C" - Bills purchased outright by System by weeks from January 2, 1930 to December 31, 1930, and from January 2, 1931 to April 22, 1931.

Exhibit "D" - Amount of net profit that was realized on various sales of United States Government securities in System Account during period January 2, 1931 to April 22, 1931, and held in Suspense Account by the Federal Reserve Bank of New York, and amount of each bank's pro rata share of such profits; also the approximate amount of net profit as represented between the book values and the market bid prices on April 22, 1931, of United States Government securities held in the System Account.

Exhibit "E" - Amount of earnings, expenses and dividends, and net deficit of all Federal reserve banks for the first three months of 1931.

EXHIBIT "B"

STATEMENT SHOWING EARNING ASSET HOLDINGS OF ALL FEDERAL RESERVE BANKS APRIL 22, 1931 COMPARED WITH PREVIOUS WEEK AND APRIL 23, 1930; ALSO WEEKLY AVERAGE OF EARNING ASSETS JANUARY 2, 1931 TO APRIL 22, 1931, INCLUSIVE, COMPARED WITH CORRESPONDING PERIOD 1930 AND ENTIRE YEAR 1930

(000 Omitted)

	Boston	New York	Phila.	Cleveland	Richmond	Atlanta	Chicago	St.Louis	Minn.	Kan. City	Dallas	San Fran.	Totals
Bills Discounted - April 15	$ 7,534	$26,144	$14,385	$14,437	$14,475	$ 9,770	$12,351	$ 7,490	$ 3,415	$ 8,935	$ 7,326	$ 5,742	$ 132,004
" " " 22	7,160	31,192	15,822	11,768	11,937	10,048	13,337	8,489	3,401	9,059	7,477	5,560	135,250
Net Change	374-	5,048+	1,437+	2,669-	2,538-	278+	986+	999+	14-	124+	151+	182-	3,246+
Bills Purchased - April 15	10,255	24,551	105	20,806	104	5,675	22,557	9,888	5,883	8,041	5,510	18,104	131,479
" " " 22	17,510	40,985	105	19,430	43	6,106	21,032	7,928	5,632	7,768	5,106	19,966	151,611
Net Change	7,255+	16,434+	-0-	1,376-	61-	431+	1,525-	1,960-	251-	273-	404-	1,862+	20,132+
Government Securities - April 15	46,182	182,713	49,352	57,355	16,983	12,854	81,128	23,899	25,668	33,780	29,229	38,992	598,635
" " " 22	46,182	182,713	49,352	57,693	16,982	12,757	81,128	23,899	25,777	33,780	29,274	38,992	598,529
Net Change	-0-	-0-	-0-	162-	1-	97-	-0-	-0-	109+	-0-	45+	-0-	106-
Total Earning Assets - April 15	63,971	233,408	63,842	93,098	31,562	28,299	116,036	41,277	34,966	50,756	42,065	62,838	862,118
" " " " 22	70,852	254,890	65,279	88,891	28,962	28,911	115,497	40,316	34,810	50,607	41,857	64,518	885,390
Net Change	6,881+	21,482+	1,437+	4,207-	2,600-	612+	539-	961-	156-	149-	208-	1,680+	23,272+
Comparison of Weekly Average of Earning Assets													
Jan. 2 to April 22, 1931	67,872	277,672	74,075	94,231	37,111	34,182	121,342	39,679	34,287	51,664	40,355	69,294	941,764
Same period 1930	66,876	382,347	95,679	102,922	43,066	50,346	149,490	48,518	31,494	29,986	45,164	72,494	1,118,382
Entire year 1930	74,002	323,075	82,371	98,736	44,795	49,995	127,693	46,611	34,591	41,405	45,066	72,522	1,040,862
Net Change from same period 1930	996+	104,675-	21,604-	8,691-	5,955-	16,164-	28,148-	8,839-	2,793+	21,678+	4,809-	3,200-	176,618-
" " " entire year 1930	6,130-	45,403-	8,296-	4,505-	7,684-	15,813-	6,351-	6,932-	304-	10,259+	4,711-	3,228-	99,098-
Comparison of Earning Assets													
April 22, 1931	70,852	254,890	65,279	88,891	28,962	28,911	115,497	40,316	34,810	50,607	41,857	64,518	885,390
" 23, 1930	72,202	308,273	83,182	92,982	39,504	55,612	115,251	45,741	35,111	31,982	41,136	83,987	1,004,963
Net Change	1,350-	53,383-	17,903-	4,091-	10,542-	26,701-	246+	5,425-	301-	18,625+	721+	19,469-	119,573-

SUMMARY FOR SYSTEM

Bills Discounted for week	$ 3,246+
Bills Purchased for week	20,132+
Government Securities for week	106-
Total Earning Assets for week	23,272+
Comparison of Weekly Average of Earning Assets Jan. 2 to April 22, 1931 with same period 1930	176,618-
" " " " " " " " 2 " " 22, 1931 with entire year 1930	99,098-
Comparison of Earning Assets April 22, 1931 with April 23, 1930	119,573-

EXHIBIT "C"

BILLS PURCHASED OUTRIGHT BY SYSTEM BY WEEKS
FROM JANUARY 2 TO DECEMBER 31, 1930 AND FROM JANUARY 2 TO APRIL 22, 1931, INCLUSIVE
(000 Omitted)

Weeks Ending	Boston	New York Banks	New York Dealers	New York Total	Phila.	Cleveland	Richmond	Atlanta	Chicago	Minn.	Dallas	San Fran.	Totals	INCREASE or DECREASE in Holdings Including Sales Contracts: New York Operations	System Operations	Dealers Operations With Other Districts: Received	Sent
-1930-																	
Jan. 8	$ 2,359	$ 25,766	$ 7,388	$ 33,104	$ 1,385	-0-	$ 599	$ 1,790	$ 615	-0-	$ 561	$ 2,248	$ 42,761	$ 56,534-	$ 73,042-	$ 13,068	$ 7,113
15	3,359	20,539	30,900	51,439	1,838	-0-	650	303	975	-0-	483	4,961	64,008	5,149+	4,180+	3,179	876
22	1,627	9,398	14,187	23,585	1,608	-0-	473	965	1,107	-0-	592	3,761	33,718	28,774-	24,958-	5,075	3,440
29	563	10,740	4,834	15,574	1,160	-0-	-0-	942	137	-0-	356	1,913	20,645	30,555-	39,917-	3,319	3,550
Feb. 5	172	37,970	14,294	52,264	1,813	-0-	-0-	769	469	-0-	595	2,129	58,211	36,257+	37,319+	7,154	2,143
11	-0-	6,073	8,973	15,046	544	-0-	-0-	426	361	-0-	402	430	17,209	19,318-	19,707-	2,615	1,086
19	613	37,852	12,431	50,283	878	-0-	403	96	730	708	550	2,902	57,163	7,701+	4,963+	4,887	1,837
26	2,175	30,381	15,677	46,058	2,585	-0-	50	323	389	547	410	1,930	54,467	12,031+	18,249+	5,314	10,582
Mar. 5	900	28,464	3,858	32,322	1,150	-0-	283	496	721	854	316	5,427	42,469	24,578-	28,104-	11,346	5,939
12	301	8,714	2,387	11,101	279	-0-	514	223	2,960	-0-	443	984	16,305	10,971-	14,664-	8,640	3,518
19	85	13,650	4,567	18,217	698	-0-	100	-0-	590	-0-	281	152	20,123	62,031-	71,521-	7,753	8,026
26	1,009	7,404	-0-	7,404	137	-0-	162	-0-	168	-0-	115	135	9,130	73,104+	71,465+	8,007	4,033
Apr. 2	3,542	18,474	8,206	26,680	1,899	-0-	269	125	4,749	335	633	3,428	41,660	25,431+	44,815+	6,719	2,768
9	6,455	8,412	26,186	34,598	3,515	-0-	-0-	-0-	853	-0-	190	2,865	48,476	34,134-	34,295-	9,815	2,552
16	3,428	19,450	24,203	43,653	1,442	-0-	454	468	507	-0-	418	2,194	52,564	39,897+	35,412+	7,240	5,546
23	2,122	7,498	19,295	26,793	1,964	-0-	-0-	21	480	1,780	57	1,433	34,650	45,158-	45,545-	3,844	4,454
30	1,586	16,613	371	16,984	245	-0-	109	220	717	366	132	1,714	22,073	40,274-	47,305-	5,044	2,560
May 7	824	2,341	3,962	6,303	-0-	-0-	102	-0-	669	-0-	108	434	8,440	30,173-	34,361-	2,235	2,938
14	332	23,380	9,917	33,297	143	-0-	-0-	-0-	1,365	-0-	138	1,225	36,500	1,309-	4,168-	8,140	2,974
21	2,535	30,177	1,742	31,919	-0-	-0-	232	-0-	558	-0-	104	1,585	36,933	15,354+	15,849+	8,137	1,241
28	688	5,307	3,064	8,371	73	-0-	367	75	637	1,000	112	1,907	13,230	18,991-	11,324-	4,430	2,548
June 4	231	22,244	2,187	24,431	-0-	-0-	165	45	349	427	32	1,903	27,583	22,991+	13,680+	5,081	1,608
11	2,275	7,089	4,602	11,691	-0-	-0-	245	-0-	710	-0-	77	552	15,550	42,459-	41,068-	4,771	1,705
18	620	6,475	5,304	11,779	-0-	-0-	245	-0-	1,175	-0-	169	1,280	15,268	14,744-	15,396-	9,263	4,060
25	1,244	7,945	2,428	10,373	-0-	-0-	144	-0-	4,243	852	30	2,312	19,698	31,975-	30,457-	4,000	5,342
July 2	501	35,561	3,525	39,086	-0-	-0-	110	30	1,116	-0-	81	876	41,800	59,363+	55,172+	9,008	2,444
9	427	8,094	4,045	12,139	-0-	-0-	80	60	1,166	-0-	17	374	14,263	6,520-	8,540-	3,030	4,612
16	1,146	41,660	8,719	50,379	-0-	-0-	-0-	25	393	818	-0-	2,152	54,913	21,119-	19,722+	3,993	1,254
23	1,441	11,313	5,532	16,845	-0-	-0-	237	-0-	451	-0-	38	1,039	20,051	14,439-	18,144-	6,008	4,403
30	1,203	7,404	4,100	11,504	-0-	-0-	75	33	-0-	262	66	500	13,643	15,709-	19,761-	4,766	2,504
Aug. 6	863	11,990	280	12,270	-0-	-0-	81	20	63	-0-	14	841	14,152	6,530+	2,809+	7,300	739
13	-0-	41,288	907	42,195	-0-	-0-	25	25	510	-0-	19	729	43,503	21,458+	20,757+	4,619	3,169
20	443	31,820	1,105	32,925	-0-	-0-	-0-	-0-	1,569	-0-	-0-	1,276	36,213	1,604+	4,594+	3,426	2,720
27	482	17,052	129	17,181	-0-	-0-	60	27	-0-	-0-	19	-0-	17,769	10,257+	4,352+	8,496	2,253
Sept. 3	178	12,652	3,924	16,576	-0-	-0-	-0-	236	232	246	-0-	781	18,249	6,920+	7,121+	3,096	1,988
10	580	48,067	6,044	54,111	-0-	-0-	-0-	550	100	-0-	-0-	100	55,441	23,801+	22,725+	5,924	4,107
17	588	26,336	113	26,449	-0-	-0-	-0-	193	160	-0-	30	696	28,116	15,035+	15,741+	5,071	2,407
24	300	11,705	7,744	19,449	-0-	-0-	143	209	527	-0-	5	1,737	22,370	14,432-	11,118-	4,210	2,102
Oct. 1	1,917	23,799	63	23,862	-0-	-0-	-0-	590	-0-	200	299	3,056	29,924	8,829-	4,635-	6,919	4,660
8	6,298	23,827	3,864	27,691	-0-	-0-	70	-0-	113	-0-	-0-	3,101	37,273	17,498+	17,915+	9,855	2,486
15	260	29,196	2,257	31,453	-0-	-0-	-0-	149	849	-0-	16	3,320	36,047	30,980-	25,531-	6,167	5,273
22	670	30,948	7,822	38,770	-0-	-0-	-0-	117	200	-0-	-0-	1,562	41,319	7,171-	1,098+	7,471	1,506
29	500	4,237	1,105	5,342	-0-	-0-	328	387	861	200	-0-	1,125	8,743	5,793-	20,932-	7,007	4,099
Nov. 5	73	25,710	290	26,000	-0-	-0-	-0-	384	118	-0-	7	3,613	30,195	14,662+	19,944+	5,901	3,715
12	200	17,970	777	18,747	-0-	-0-	-0-	-0-	-0-	-0-	32	883	19,862	23,505+	21,740+	2,675	4,588
19	-0-	13,075	30	13,105	-0-	-0-	40	80	434	-0-	571	538	14,768	29,911-	29,069-	7,787	1,709
26	-0-	10,316	2,510	12,826	-0-	-0-	218	-0-	588	-0-	112	2,507	16,251	2,472-	2,137-	5,654	444
Dec. 3	1,286	43,204	311	43,515	-0-	-0-	71	1,298	544	660	-0-	1,470	48,844	39,338+	42,831+	3,047	1,233
10	1,010	34,659	4,393	39,052	-0-	-0-	322	626	75	-0-	15	884	41,984	21,926+	24,760+	3,462	2,054
17	103	34,066	1,829	35,895	6	-0-	-0-	649	1,151	-0-	-0-	1,146	38,950	6,845+	7,894+	4,802	1,154
24	855	6,541	-0-	6,541	-0-	-0-	-0-	1,746	3,235	-0-	-0-	1,544	13,921	14,233-	8,246+	5,219	1,249
31	688	91,229	5,722	96,951	-0-	-0-	216	1,514	13,984	902	20	419	114,694	45,198+	104,007+	2,882	2,968
TOTALS	$61,057	$1,106,075	$308,053	$1,414,128	$23,362	-0-	$7,642	$16,235	$ 54,673	$10,157	$ 8,765	$86,573	$1,682,592	$112,740-	$ 38,389-	$312,481	$164,429
-1931-																	
Jan. 7	362	35,498	6,280	41,778	-0-	-0-	248	22	24	-0-	-0-	438	42,872	84,707-	98,388-	4,588	1,724
14	407	406	322	728	-0-	-0-	21	580	126	-0-	93	280	2,235	64,071-	69,276-	5,128	999
21	-0-	2,351	718	3,069	-0-	-0-	-0-	83	-0-	-0-	1	79	3,232	40,316-	44,555-	3,675	3,767
28	157	594	-0-	593	-0-	-0-	-0-	75	-0-	-0-	31	36	892	24,763-	31,384-	7,419	6,679
Feb. 4	-0-	2,994	264	3,258	-0-	-0-	290	37	120	-0-	16	-0-	3,721	11,303-	15,966-	2,096	4,272
11	-0-	2,894	-0-	2,894	-0-	-0-	60	80	28	-0-	7	12	3,031	6,568-	16,536-	2,501	1,323
18	-0-	20,904	-0-	20,904	-0-	-0-	-0-	357	-0-	-0-	1	-0-	21,262	8,352+	6,256+	1,676	6,360
25	90	14,499	-0-	14,499	-0-	-0-	-0-	-0-	50	-0-	40	2,578	17,257	13,984+	12,322+	3,631	2,803
Mar. 4	50	16,966	105	17,071	-0-	-0-	-0-	-0-	-0-	460	141	1,775	19,497	6,865-	5,762-	825	2,215
11	-0-	47,222	3,218	50,440	-0-	-0-	-0-	-0-	2,434	-0-	7	2,448	55,329	46,867+	50,847+	[illegible]	5,371
18	-0-	12,105	1,188	13,293	-0-	-0-	-0-	-0-	-0-	-0-	-0-	1,653	14,946	28,647-	28,852-	2,056	7,537
25	-0-	14,353	-0-	14,353	-0-	-0-	-0-	-0-	50	-0-	-0-	3,204	17,607	38,681-	39,278-	2,518	7,052
April 1	4,040	57,800	6,794	64,594	-0-	-0-	-0-	-0-	1,210	-0-	-0-	3,653	73,497	77,535+	83,350+	1,902	6,700
8	-0-	45,476	16,503	61,979	-0-	-0-	-0-	-0-	874	450	18	2,476	65,797	7,762+	5,107+	1,134	6,351
15	-0-	12,442	8,207	20,649	-0-	-0-	-0-	384	55	-0-	13	607	21,708	38,984-	40,250-	4,259	7,912
22	457	17,061	1,212	18,273	-0-	-0-	-0-	-0-	390	-0-	25	2,648	21,793	8,729+	20,132+	2,227	4,867
TOTALS	$5,563	$303,564	$44,811	$348,375	-0-	-0-	$ 619	$1,618	$5,361	$910	$393	$21,887	$384,726	$181,676-	$212,233-	$49,836	$75,932

EXHIBIT "C" (a)

CLASSIFICATION BY MATURITIES OF BILLS PURCHASED
BY FEDERAL RESERVE BANKS IN THEIR RESPECTIVE DISTRICTS
DURING THE PERIOD FROM JANUARY 2 TO DECEMBER 31, 1930
AND FROM JANUARY 2 TO APRIL 22, 1931
(EXCLUDING SALES CONTRACTS)
(000 Omitted)

JANUARY 2 TO DECEMBER 31, 1930

	1-30 days	31-60 days	61-90 days	Over 90-days	Total
Boston	$ 29,410	$ 14,949	$ 19,679	$ 1,332	$ 65,370
New York	785,107	445,452	150,809	16,206	1,397,574
Philadelphia	5,253	8,036	10,073	0	23,362
Richmond	2,014	3,142	2,462	24	7,642
Atlanta	18,955	4,009	3,032	265	26,261
Chicago	22,549	24,202	7,922	0	54,673
St. Louis	325	0	0	0	325
Minneapolis	1,015	3,479	5,663	0	10,157
Dallas	4,379	3,055	829	502	8,765
San Francisco	19,428	44,914	21,766	465	86,573
Totals	$888,435	$551,238	$222,235	$18,794	$1,680,702

JANUARY 2 TO APRIL 22, 1931

	1-30 days	31-60 days	61-90 days	Over 90-days	Total
Boston	$ 4,634	$ 305	$ 522	$ 102	$ 5,563
New York	271,395	56,881	19,391	708	348,375
Richmond	40	234	345	0	619
Atlanta	658	275	637	48	1,618
Chicago	3,608	1,753	0	0	5,361
Minneapolis	910	0	0	0	910
Dallas	280	61	20	32	393
San Francisco	9,749	10,347	1,509	282	21,887
Totals	$291,274	$ 69,856	$ 22,424	$ 1,172	$ 384,726

Exhibit "D"

Amount of Net Profit that was realized on various sales of United States Government securities in System Account during period January 2 to April 22, 1931, and held in Suspense Account by the Federal Reserve Bank of New York $ 754,532.18

Amount of Each Bank's Pro Rata Share

Boston	$ 85,757.11
New York	134,822.83
Philadelphia	70,460.48
Cleveland	90,181.69
Richmond	28,974.04
Atlanta	12,910.80
Chicago	115,381.55
St. Louis	29,071.37
Minneapolis	34,411.19
Kansas City	60,309.00
Dallas	36,400.14
San Francisco	55,851.98
Total - - - - - -	$754,532.18

Approximate amount of Net Profit as represented between the book values and the market bid prices on April 22, 1931, of United States Government securities held in the System Account - - - - - - - - - - - - - - $149,213.82

EXHIBIT "E"

STATEMENT SHOWING EARNINGS, EXPENSES AND DIVIDENDS AND NET DEFICIT OF ALL FEDERAL RESERVE BANKS FOR THE FIRST THREE MONTHS OF 1931

	Gross Earnings First Three Months 1931	Expenses and Dividends First Three Months 1931	Net Deficit First Three Months 1931
Boston	$ 385,904	$ 677,733	$ 291,829
New York	1,567,795	2,133,356	565,561
Philadelphia	518,264	712,065	193,801
Cleveland	631,959	922,358	290,399
Richmond	283,006	496,853	213,847
Atlanta	265,777	414,069	148,292
Chicago	897,168	1,204,223	307,055
St. Louis	291,965	373,184	81,219
Minneapolis	227,260	275,383	48,123
Kansas City	390,165	491,545	101,380
Dallas	268,029	383,919	115,890
San Francisco	462,981	759,764	296,783
Totals	$6,190,273	$8,844,452	$2,654,179

Form No. 131

Office Correspondence

FEDERAL RESERVE BOARD

Date February 19, 1931

To All Members of the Board

Subject: 333.-C.2

From Mr. McClelland

2—8495

For your information, there is attached hereto letter from the Secretary of the Open Market Policy Conference, dated February 18th, enclosing a revised copy of the minutes of the meeting of the Open Market Policy Conference held on January 21st in Washington.

1/21/31 file

333.-C-2

Final minutes

Governor Meyer
Mr. Hamlin
Mr. James
Mr. Miller
Mr. Pole

Please circulate promptly and return to this office.

File #2

(~~Not in holding letter minutes~~ ?)

~~333 /~~

333.-C-2

February 19, 1931.

Dr. W. Randolph Burgess,
Secretary, Open Market Policy Conference,
Federal Reserve Bank of New York,
New York City.

Dear Doctor Burgess:

I have your letter of February 18 enclosing a revised copy of the minutes of the meeting of the Open Market Policy Conference held in Washington on January 21, 1931, and I appreciate your courtesy in sending the revised draft to me.

1/21/31 filed 333.-C-2 final minutes

Very truly yours,

(Signed) Eugene Meyer

Governor.

FEDERAL RESERVE BANK
OF NEW YORK

333.-C-2

CONFIDENTIAL

February 18, 1931.

Dear Governor Meyer:

1-21-31 filed 333.-C-2 Final minutes

Enclosed herewith is a revised copy of the minutes of the meeting of the Open Market Policy Conference held January 21 in Washington, which I should be glad if you would substitute for the tentative minutes mailed to you January 29. There have been considerable changes made in this revised draft.

Very truly yours,

W. Randolph Burgess
W. Randolph Burgess
Secretary, Open Market Policy Conference

Honorable Eugene Meyer,
Governor, Federal Reserve Board,
Washington, D. C.

WRB.H
encl.

see ans 2/19/31

333.-C-2

February 9, 1931.

Dr. W. Randolph Burgess,
Secretary, Open Market Policy Conference,
Federal Reserve Bank of New York,
New York City.

Dear Doctor Burgess:

Because of my preoccupation with committees of Congress, I have not heretofore had an opportunity to acknowledge the receipt of your letter of January 29 enclosing the tentative draft of the minutes of the Open Market Policy Conference, copies of the Preliminary Memorandum submitted by the Chairman, and the Secretary's Report on Operations. I shall be glad to receive the final minutes of the Conference when they have been approved.

With kind regards, I am

Very truly yours,

(Signed) Eugene Meyer

Governor.

333.C-2

FEDERAL RESERVE BANK
OF NEW YORK

CONFIDENTIAL January 29, 1931.

Dear Governor Meyer:

I am enclosing herewith tentative draft of the minutes of 1-21-31 Open Market Policy Conference. These are in somewhat different form from the previous minutes because several members of the Conference requested that the views of individuals should be more fully expressed. Our feeling here is that the result is a rather cumbersome and unsatisfactory record, since the views which are expressed offhand on such an occasion are of necessity incomplete and are apt to give a misleading impression. We have suggested this to the members of the Conference. These minutes are, therefore, subject not only to changes in detail but possibly redrafting, and we will send you later the minutes as they are finally approved.

Also enclosed are copies of the Preliminary Memorandum submitted by the Chairman, and the Secretary's Report on Operations.

Very truly yours,

W. Randolph Burgess

W. Randolph Burgess
Secretary, Open Market Policy Conference.

See 1-29-31 & 2-1-31
filed 333.3 OMPC

Hon. Eugene Meyer,
Governor, Federal Reserve Board,
Washington, D. C.

WRB.H
encl.

see ans 2/9/31

CONFIDENTIAL

333.-C.2

DRAFT

MINUTES OF MEETING OF THE OPEN MARKET POLICY CONFERENCE
HELD AT THE OFFICES OF THE FEDERAL RESERVE BOARD
WASHINGTON, D. C., JANUARY 21, 1931.

The meeting convened at 10:00 o'clock, there being present the following:

Governors Young, Fancher, Seay, Black, McDougal, Martin,
Geery, Talley, Calkins and Harrison, Chairman
Deputy Governors Hutt, Worthington and Burgess, secretary.

The preliminary memorandum submitted by the chairman and the report of the secretary covering System operations in government securities were distributed and read by those present. It was moved and carried that these reports be received and placed on file.

Governor Harrison then reviewed for the conference his discussions with European bankers and others and the impressions he gathered on his recent European trip. In the course of extended discussion of these matters Governor Harrison pointed out that the world owes the United States on balance about $600,000,000 each year, and that payment has to be made in gold, in imports from foreign countries to us, or by borrowing from us. The political debts involved a payment to us of about $200,000,000 a year or about one-third in amount of the net balance due us each year. These countries were unable to send us much more gold, their exports to us were now limited and new financing curtailed. Their only alternative was to diminish their purchases of goods from us, which was now being done to our detriment.

He indicated that the people he met abroad appeared to believe that recovery from the present business depression depends largely on America, partly for psychological reasons and partly because of the importance of exports to us and borrowing from us.

Generally speaking he felt that the economic situation of European countries had grown distinctly worse since his visit last spring, and has probably grown somewhat worse in the weeks since his recent return from Europe.

After general discussion with regard to the foreign situation, Governor Harrison referred to the reduction of the discount rate of the Federal Reserve Bank of New York, effective December 24, 1930. He indicated that the banking situation was of primary importance in the decision. He had been urged from many quarters to make a reassuring statement which might aid in quieting the banking situation. Such a statement was practically impossible because to be strong enough to do any good it would run the risk of being contradicted by any small bank failure which might thereafter occur. The rate reduction, apart from other reasons, served as a method of stating to the public that money was freely available. The rate reduction was justified technically by the money situation. It would probably help the foreign situation as well as the domestic situation. Incidentally, it might make it easier for France to reduce her rate. The discount rate decision had been made very rapidly, and there had not been an opportunity to discuss the matter with most of the other Reserve banks. In fact, the proposal had only arisen after the meeting on December 20 of the executive committee of the Open Market Policy Conference.

Governor Harrison referred to the holdings of sterling bills purchased during the period of greatest weakness of sterling last autumn. He said it had been the intention to sell these bills some time after the turn of the year, when it was hoped that sterling would be strong enough to make that an orderly operation. Recent weakness of sterling, however, has made this program seem undesirable up to this time, and instead of the sale of sterling the directors of the New York bank have voted at their last meeting to sell a part of the securities which had been added to the portfolio of the New York bank during the recent banking emergency.

Governor McDougal commented on the recent discount rate change by the Federal Reserve Bank of Chicago and indicated with regard to the last three changes in their discount rate that in the case of the first two of these changes it had been hoped that the reduction in the rate would have some encouraging effect upon business, but that the latest change had been made without any such belief, but because the Chicago bank did not feel it could operate with so large a differential between its rates and that of the New York bank.

Governor Calkins stated that he had approved of the New York rate reduction, and said that there appeared to him to be reason for a reduction at the turn of the year when the hope of business improvement might be stimulated and the psychological effect might be good.

Governor McDougal expressed the hope that there would be no further reduction in the bill rate; that money was too cheap with Federal funds quoted at 1/4 of one per cent; and that it would be better for the market to get the bills if it wanted them.

Governor Calkins suggested that the position should be one in which we kept our bill rate low, but tried to correct any over-sloppy condition in the money market by the sale of government securities.

Governor McDougal suggested that the minutes of the Open Market Policy Conference meetings should be more complete and should include statements such as those he had made.

Governor McDougal made inquiries concerning the rates which banks were paying on their balances, and indicated that the change in the Chicago Clearing House rates had been a factor in the recent discount rate change of the Federal Reserve Bank of Chicago.

There ensued a discussion as to the statement of facts in the preliminary memorandum submitted by the chairman, and Governor Harrison further reviewed the changes in the money market since the last meeting of the Open Market Policy Conference, pointing out that the seasonal expansion in the requirements for Federal reserve credit up to the time of financial disturbances had been less than normal, and bill purchases appeared to be sufficient to take care of seasonal needs without additional purchases of government securities. This appeared to be true, until the banking emergency when the New York bank had found it necessary to take over securities from two member banks and at the end of the year when purchases were necessary in order to avoid too great tightening of credit due to an unusual amount of "window dressing." Purchases made for the open market account had since been liquidated as had also $20,000,000 of the emergency purchases made by the New York bank. Since the turn of the year the return flow of funds appeared to have greatly aided the bond market. There had been a considerable excess of reserves of the New York City banks, though this had fluctuated a good deal. It was the general plan of the New York bank to liquidate the balance of the temporary purchases of $45,000,000 of securities, as the surplus of reserves offered opportunity without interfering with the bond and money market.

It was moved by Governor McDougal that it was the sense of the conference that the present was an opportune time to let government securities go from the open market portfolio as and when it could be done without undue disturbance, with the understanding that sales should not be made rapidly and should be made in orderly fashion. Governor McDougal explained this motion by saying that some time ago System open market operations had followed a general principle which he believed to be sound, and should be reverted to, that whenever the market is ready to take bills and government securities the Reserve System should sell them, and conversely, the System should acquire them when the market cannot take them readily. On this principle he would like to hold bill rates where they were to push bills out of the System.

Governor Harrison commented that if we sell governments we should have the bill rate at a point nearer to the market so that we might be ready to take in bills without such a big penalty to the seller. He would not favor any sales for Federal reserve credit up to the time of financial disturbances had been less than normal, and bill purchases appeared to be sufficient to take care of seasonal needs without additional purchases of government securities. This appeared to be true, until the banking emergency when the New York bank had found it necessary to take over securities from two member banks and at the end of the year when purchases were necessary in order to avoid too great tightening of credit due to an unusual amount of "window dressing." Purchases made for the open market account had since been liquidated as had also $20,000,000 of the emergency purchases made by the New York bank. Since the turn of the year the return flow of funds appeared to have greatly aided the bond market. There had been a considerable excess of reserves of the New York City banks, though this had fluctuated a good deal. It was the general plan of the New York bank to liquidate the balance of the temporary purchases of $45,000,000 of securities, as the surplus of reserves offered opportunity without interfering with the bond and money market.

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Governor Harrison commented that if we sell governments we should have the bill rate at a point nearer to the market so that we might be ready to take in bills without such a big penalty to the seller. He would not favor any sales of governments unless the bill window were opened to provide in this way any money the market required.

Governor Seay and Talley commented that it would be better to take bills and sell government securities; that the bills were needed to take care of the sensitiveness of the market.

Governor Harrison further commented that in executing such a policy as that recommended by Governor McDougal in re: the sale of governments, serious regard should be paid to its effect upon the bond market.

Governor Talley assented, indicating that forcing governments out too rapidly would interfere with the distribution of bonds.

Governor Black raised the question whether any resolution adopted should not state the reasons for sales, that is, should be a statement of policy rather than a statement of some particular action to be taken.

Governor McDougal stated that sufficient reason for the action was to be found in the fact that there is now a great clamor for government bonds.

There ensued a general discussion as to how a general policy might be stated in which Governors Harrison, Black, Young, and Seay participated, all of them agreeing that a statement of policy was important.

In the course of this discussion Governor Harrison inquired whether those present would favor a tighter money policy, an easier money policy, or a continuance of the present generally easy policy which was in reality a continuance of the September policy.

Deputy Governor Hutt indicated that he was prepared to vote for a tighter money policy, but the general sentiment of the meeting appeared to favor a continuance of a generally easy money policy, but with some sales of securities to take up the slack.

Governor Young stated that a sale of $50,000,000 or $60,000,000 of governments might perhaps injure the bond market; that a commercial banker who saw a reduction in government holdings of the Reserve System would be inclined to sell bonds. In any event it was important to decide the general policy whether the conference favored firmer or easier money, or the status quo.

Governor McDougal again stated that the demand for securities was a sufficient test. In discussing the amount he added that the sale of $100,000,000 might be too much. Governor Seay stated that he would rather see a sale of $200,000,000 than of $100,000,000, but would favor Governor McDougal's motion.

Governor Calkins and Deputy Governor Hutt stated that they believed it would be better not to refer to any definite amount, but rather to state the policy.

Governor Black presented a substitute resolution to that of Governor McDougal, the provisions of which were then discussed.

The morning meeting adjourned at 1:10.

The meeting reconvened at 2:37 and proceeded to a redrafting of Governor Black's resolution. Governor McDougal's motion was re-read, and he indicated that he would be agreeable to the addition of a preamble to his motion. As a result the following resolution was finally adopted by unanimous vote:

> The Conference has considered the preliminary memorandum submitted by the Chairman and has reviewed business and credit conditions as they now appear. It is the sense of the Conference that in view of these conditions it should be the policy of the System to continue an easy money policy in the best interest of trade and commerce. It is the belief of the Conference, however, that the seasonal return flow of currency and credit and other factors have tended during recent weeks to make for an undue excess of funds in the principal money centers. It is therefore the opinion of the Conference that in these circumstances it would be desirable to dispose of some of the System holdings of government securities as and when opportunity affords itself to do this without disturbance or any (undue *) tightening of the money position. It is understood that there shall be a new meeting of the Conference as soon as or whenever conditions in the opinion of the Conference or the Federal Reserve Board justify a reconsideration of this policy.

* this word later omitted

While this resolution was being typed, Governor Harrison reported briefly his appearance before the Senate sub-committee investigating monetary problems.

At 4:30 Governor Meyer and Messrs. Hamlin, James, Miller, and Goldenweiser, McClelland, and Smead joined the meeting.

Governor Harrison reviewed the discussionsof the Conference, read the preliminary memorandum of the chairman, and the resolution stating the findings of the conference. He also reported the action of the directors of the Federal Reserve Bank of New York in voting to sell $35,000,000 of government securities out of the emergency purchase made during December, of which amount $20,000,000 had already been sold.

Governor Meyer raised the question whether some of the extra currency outstanding as a result of the emergency might not continue outstanding and not return for a number of months.

Mr. Miller inquired whether the banks of other districts than New York had surplus reserves. Governors Young and McDougal replied that the banks in the Boston and Chicago districts did not have surpluses. Mr. Miller inquired how surplus reserves were to be interpreted, and Governor Harrison replied that they appeared to indicate first, little demand for funds by borrowers, and second, reluctance to employ funds. He stated that the New York banks were in a very liquid position, their per cent of liquid assets being as high as perhaps ever before.

Governor Meyer inquired whether the banks generally were in a frozen position, and Governor Harrison replied that in the second district they were not.

Mr. Miller inquired what was the leading principle of operation of the New York banks in recent months.

Governor Harrison replied that they had given great attention to securing the maximum liquidity.

Governor McDougal stated that the three largest banks in Chicago showed a very liquid statement, probably never exceeded in liquidity.

Governor Harrison said that the recent test in New York of the ability of certain banks to stand losses of 30% to 50% of their deposits raised the question of the desirability of the Federal Reserve System having power to discount notes secured by listed bonds under proper safeguards. He believed such a provision might make it much easier to deal with cases of banks facing runs.

Mr. Miller suggested that the banking situation might be suffering just now from excessive caution and excessive desire for liquidity. Governor Harrison replied that that was one reason why our easy money policy had not proved more effective. Governor Meyer suggested that money was not really easy until last summer, and that the expected good results from easy money had been interrupted by bank failures and other difficulties.

Mr. Miller referred to a memorandum which he had received relating to the possible use of Clearing House certificates and discussing the liquidity of the city banks, which was then read by the assistant secretary of the Federal Reserve Board.

Governor Meyer stated that the banking situation was at present the primary thing to consider, and that whatever policy was adopted should be adopted with that in view. He suggested that bill maturities would respond to changes in the money market, and would act as a buffer in taking up surplus funds. Any proposal for the liquidation of governments should consider the present extraordinary reluctance of banks to show bills payable. The present banking situation was so delicate that it could be easily disturbed.

Governor Harrison pointed out that the resolutions of the conference represented a compromise since some of those present were in favor of vigorous sales of securities, while others were only in favor of such moderate sales as might be necessary to take up some of the slack. Governor Meyer suggested that any move which the Federal Reserve System made in its automatic assets immediately put the acts of the System on the skyline where they were subject to observation and criticism.

Governor Harrison indicated that he would not be content with even the proposed moderate program of sales of governments unless the buying rates for bills were nearer to the market rate, as bills coming back to the System would act as a safety valve in case too much funds were withdrawn from the market.

Mr. Miller stated that the banking situation was now more important than the credit situation, and asked what the governors were planning to do in different districts if further banking trouble started. The Federal reserve bank is the normal place of leadership, and plans should be developed to keep any bank with good resources from suffering.

Governor Harrison outlined a method which had been devised in New York to deal with any banks which might hereafter be in trouble.

At this point Governor Harrison left the meeting.

Governor Meyer stated that a reduction of bills and discounts of the System did not involve the launching of any major policy, whereas the sale of governments is commonly interpreted as a major move in Federal reserve policy. The Reserve System has been accused in a number of quarters of pursuing a deflationary policy in the past year, and a sale of government securities at this time is likely to draw fire. In this situation it would appear most desirable to avoid a move which appears to represent a major change in policy when there is no necessity for doing it.

Governor McDougal stated that he believed the policies which governed open market operations at the beginning should be reverted to, that the System should buy when bills and government securities are dragging around, but when there is demand from the market we should feed them out, and when there is a large surplus of funds seeking investment it would be a good time to let government securities go.

Mr. Burgess said that on the basis of that formula the System would have been buying securities during 1929.

Governor Meyer stated that temporary conditions of surplus funds ought not to determine major System policies.

Governor Young said that those present would certainly not favor any program which they believed would affect bank confidence, or that was a new and major change in policy. Government bonds had first been bought under an emergency, and their purchase had proved helpful, but there was a limit to what the System could do in buying bonds. Some sales would put the System into a position to go back into the market and buy again if it is necessary. Governor Calkins stated that the System could not go much further in buying government securities.

Mr. Burgess stated that about $1,000,000,000 was the amount of additional purchases of government securities which could be made.

Governor Meyer said that he did not believe that System purchases had been the principal cause of easy money, although they might have hastened it, that the present ease represented a normal condition for the money market at periods of depression.

Governor Calkins stated the belief that some sales would not cause apprehension, and it would be an opportunity to put the System in a better position to meet any emergency that might arise; that the reserve position of the System would not allow any considerable additional purchases.

Governor McDougal pointed out that no one present was desirous of dumping securities in the market, but they favored a program that would be worked out gradually. Governor Calkins stated that he believed the word "undue" should be omitted in the phrase "any undue tightening of the money position." There seemed to be general sentiment in favor of this suggestion.

Governor Meyer stated that in this position the Board has an apparent responsbility to the country; that the world was now in the worst economic condition that he had ever seen. There had been the worst breakdown in credit conditions which he had witnessed. The present situation in Germany and Australia in which a nation's credit was at question being cases in point. Unemployment, unrest, and discontent were severe. Under these circumstances everything which the Federal Reserve System does which is or may be interpreted as a move in major policy is on the skyline and in the spot light. If the action taken by the conference today were announced, there is danger that it would be interpreted as a major change in policy and if so it would be sufficient to kill the bond market.

Governor Calkins stated that the redundancy of credit was now a depressing influence.

Mr. Miller stated that if this program is interpreted as a major policy it would make trouble, and he inquired whether this was a change in major policy.

Governor Calkins stated that the proposal was not considered as a major change in policy, that his idea was that a beginning of sales might be made by letting February 16 maturities of Treasury bills run off. It could not be considered a major change in policy because it provides specifically for the "continuance of an easy money policy."

The meeting adjourned at 6:15.

W. Randolph Burgess,
Secretary.

CONFIDENTIAL

333. C-

REPORT OF OPEN MARKET OPERATIONS TO MEETING OF THE OPEN MARKET POLICY CONFERENCE HELD IN WASHINGTON ON JANUARY 21, 1931

At the time of the last meeting of the Open Market Policy Conference held in Washington on September 24 and 25, 1930, the total amount of holdings of government securities in the System Special Investment Account was $402,300,000

Authorization was given at that meeting for the purchase or sale of not to exceed $100,000,000 of government securities, if necessary, to supplement bill purchases in order to maintain the status quo of money rates.

In order to avoid undue stringency of money over the year-end, purchases were made, under authority of the Open Market Policy Conference of September 25, of government securities as follows:

December 30, 1930 -	$28,275,000	
December 31, 1930 -	4,650,000	32,925,000

These purchases temporarily increased the total holdings in the Account to - $435,225,000

Following the turn of the year and the accompanying ease in money rates, sales were made to the market, as the market was in condition to absorb them, of all of the $32,925,000 government securities purchased to take care of year-end demands, as follows:

January 2, 1931 -	$10,000,000
January 5, 1931 -	7,500,000
January 7, 1931 -	9,000,000
January 13, 1931 -	6,425,000
Total - - - -	$32,925,000

These sales restored the total amount of holdings in the Account to $402,300,000

Since September 25 there have also been some exchanges in the maturities of the issues held in the Account, all of which have been made at advantageous prices. These exchanges were made in replacement of maturing issues, in anticipation of early maturities, or to effect an improvement in the distribution of maturities or in the yield return. Principally among these exchanges was the replacement of approximately

$17,000,000	Treasury Bills which matured		November 17, 1930
77,000,000	certificates	" "	December 15, 1930
98,000,000	3 1/2% Treasury notes called		for payment March 15, 1931

The latter item especially effected an improvement in the distribution of maturities, as the holdings in the System Account of called Treasury notes, which on September 25 amounted to approximately $188,000,000, were comparatively larger than other maturities, due, of course, to the fact that both the Series "A" and "B" notes were called on September 15 for payment on March 15, 1931.

PARTICIPATION IN SYSTEM SPECIAL INVESTMENT ACCOUNT - GOVERNMENT SECURITIES

Participating Federal Reserve Banks

At the present time, all of the Federal reserve banks have participations in the holdings of government securities in the System Account. In connection with the recent temporary purchase of $32,000,000 governments to take care of year-end requirements in the money market, all Federal reserve banks participated in this purchase with the exception of the Federal Reserve Bank of Chicago, which advised that it was unable to participate in this purchase owing to the fact that it anticipated taking on substantial amounts of bankers acceptances and possibly some repurchase agreements over the year-end, and the Federal Reserve Bank of Atlanta, which advised that it was unable to participate owing to its gold position.

Changes in Participations since Sept. 25, 1930

On November 14, 1930, the Federal Reserve Bank of Atlanta was temporarily relieved of $5,000,000 of its participation owing to its reserve position.

On November 17, 1930, the Federal Reserve Bank of St. Louis was relieved temporarily of $10,000,000 of its participation, due to heavy demands owing to failures in Little Rock and Louisville and again on November 21 was relieved temporarily of the balance of its participation amounting to $5,526,000.

On December 12, 1930, the Federal Reserve Bank of Richmond was relieved temporarily of $5,000,000 of its participation in order to increase its gold reserve to care for emergencies.

All of the participations referred to were taken over and apportioned to the other participating Federal reserve banks. The Federal Reserve Banks of Richmond and St. Louis have since repurchased all of the participations of which they were temporarily relieved.

GOVERNMENT SECURITY OPERATIONS IN FEDERAL RESERVE BANK OF NEW YORK INVESTMENT ACCOUNT

Due to the local conditions during the month of December, the Federal Reserve Bank of New York took over into its investment account temporarily from two New York City banks about $45,000,000 of Liberty Loan and Treasury bonds. Of this amount $10,000,000 has been disposed of in the market during the past few days and further sales will be made as conditions make it desirable. There have been no other changes in the total amount of government security holdings in the investment account of the New York reserve bank, the total of such holdings at the present time being $147,000,000.

The operations of the New York bank over the December 15 tax period consisted of

1. Sales to New York City banks of participations in the special Treasury certificate of indebtedness issued to cover the Treasury overdraft at the Federal Reserve Bank of New York. These participations amounted to $80,000,000 from December 15 to December 16 and $50,000,000 from December 16 to December 17.

2. The deferring until December 18 delivery of upwards of $50,000,000 of government securities purchased principally to replace maturing issues.

These operations accomplished the desired result in the money market over the December 15, 1930 tax period.

PURCHASES OF BANKERS ACCEPTANCES BY SYSTEM

Participating Federal Reserve Banks

At the present time all of the Federal reserve banks are participating in purchases of bankers acceptances by the System with the exception of the Federal Reserve Bank of Philadelphia, whose only takings of bills are those purchased in its own market.

Ratios of Allotments of System Purchases

Pending approval of the Open Market Policy Conference at this meeting, System purchases since the beginning of the year have been made in accordance with the same formula as during the past several years, that is, during the first six months of the year to make allotments on percentages based on the ratio that each bank's expenses, dividends and charge-offs bore to the total of such items for the System for the preceding year, and to make adjustments in the ratio during the second half of the year based on the requirements of the banks calculated on the figures available at the end of each month.

The ratios based on the expenses, dividends and charge-off figures for the year 1930 and the present allotment ratios, excluding the Federal Reserve Bank of Philadelphia, are as follows:

	Ratios of Expenses, Dividends and Charge-offs for Year 1930	Allotment Ratios Excluding Philadelphia
Boston	7 1/4%	7 3/4%
New York	25 1/4%	27 1/2%
Philadelphia	7 1/2%	0
Cleveland	9 3/4%	10 1/2%
Richmond	5 1/4%	5 3/4%
Atlanta	5 %	5 1/2%
Chicago	13 %	14 %
St. Louis	5 1/4%	5 3/4%
Minneapolis	3 1/4%	3 1/2%
Kansas City	5 1/2%	6 %
Dallas	4 %	4 1/2%
San Francisco	9 %	9 1/4%
Totals	100 %	100 %

Attached are statements showing:

Exhibit "A" - Outright holdings of government securities by individual Federal reserve banks, as of close of business January 17, 1931; also, their participation in government security holdings in the System Special Investment Account, and the classification of issues held in the System Account by maturities, as of close of business January 19, 1931.

Exhibit "B" - Earning asset holdings of all Federal reserve banks January 14, 1931, as compared with previous week and January 15, 1930; also weekly average of earning assets from January 2, 1931 to January 14, 1931, as compared with corresponding period 1930, and entire year 1930.

Exhibit "C" - Bills purchased outright by System by weeks from January 2, 1930 to December 31, 1930, and from January 2, 1931 to January 14, 1931.

Exhibit "D" - Amount of net profit that was realized on various sales of United States Government securities during the year 1930, and distributed to participating Federal reserve banks on December 31, 1930; also the approximate amount of net profit as represented by the difference between the book values and the market bid prices on December 31, 1930, of the United States Government securities held in the System Special Investment Account at the close of the year 1930.

Exhibit "A"

STATEMENT SHOWING HOLDINGS OF GOVERNMENT SECURITIES BY FEDERAL RESERVE BANKS
(Excluding Sales Contracts)

	Outright Holdings of Government Securities by Federal reserve banks as of the close of business January 14, 1931	Participation by Federal reserve banks in System Special Investment Acct. Government Securities as of the close of business January 19, 1931	Totals
Boston	$ 689,000	$ 45,843,500	$ 46,532,500
New York	147,157,550 *	75,190,500	222,348,050
Philadelphia	12,907,100	37,656,500	50,563,600
Cleveland	10,164,800	48,194,000	58,358,800
Richmond	1,152,100	16,109,000	17,261,100
Atlanta	2,617,550	5,146,500	7,764,050
Chicago	19,927,400	61,917,000	81,844,400
St. Louis	8,625,000	15,526,000	24,151,000
Minneapolis	7,606,700	18,407,500	26,014,200
Kansas City	3,000	29,025,000	29,028,000
Dallas	9,983,250	19,453,500	29,436,750
San Francisco	9,642,650	29,831,000	39,473,650
Totals	$230,476,100	$402,300,000	$632,776,100

* Close of business January 19, 1931.

CLASSIFICATION OF ISSUES OF GOVERNMENT SECURITIES
HELD IN THE SYSTEM SPECIAL INVESTMENT ACCOUNT
CLOSE OF BUSINESS JANUARY 19, 1931

U. S. Treasury Bills due Feb. 16, 1931	$ 26,107,000
3 1/2% T/N called March 15, 1931	90,695,100
2 7/8% C/I due June 15, 1931	83,631,000
1 3/4% " " June 15, 1931	6,550,000
2 3/8% " " Sept.15, 1931	80,230,500
1 7/8% " " Dec. 15, 1931	62,126,500
3 1/2% T/N " Dec. 15, 1932	42,411,900
4 1/4% 4th L/L bonds due Oct. 15, 1938	8,548,000
3 1/2% 1st L/L bonds due June 15, 1947	2,000,000
Total	$402,300,000

EXHIBIT "B"

STATEMENT SHOWING EARNING ASSET HOLDINGS OF ALL FEDERAL RESERVE BANKS JANUARY 14, 1931 COMPARED WITH PREVIOUS WEEK AND JANUARY 15, 1930; ALSO WEEKLY AVERAGE OF EARNING ASSETS JANUARY 2, 1931 TO JANUARY 14, 1931, INCLUSIVE, COMPARED WITH CORRESPONDING PERIOD 1930 AND ENTIRE YEAR 1930

(000 Omitted)

	Boston	New York	Phila.	Cleveland	Richmond	Atlanta	Chicago	St.Louis	Minn.	Kan. City	Dallas	San Fran.	Totals
Bills Discounted - Jan. 7	$11,504	$69,492	$29,140	$34,180	$24,281	$22,710	$30,019	$11,091	$ 4,080	$19,641	$ 5,009	$31,238	$ 292,385
" " " 14	11,078	51,161	27,233	29,458	22,899	21,793	26,029	10,537	4,189	16,880	4,893	17,190	243,340
Net Change	426-	18,331-	1,907-	4,722-	1,382-	917-	3,990-	554-	109+	2,761-	116-	14,048-	49,045-
Bills Purchased - Jan. 7	23,816	70,723	3,568	26,831	10,006	16,078	47,649	10,066	8,860	12,703	9,363	25,793	265,456
" " " 14	16,795	50,934	3,568	23,180	7,434	10,702	36,672	7,106	5,749	9,520	6,480	18,040	196,180
Net Change	7,021-	19,789-	-0-	3,651-	2,572-	5,376-	10,977-	2,960-	3,111-	3,183-	2,883-	7,753-	69,276-
Government Securities - Jan. 7	47,511	238,041	51,625	59,680	12,582	7,717	82,603	24,801	26,406	29,781	29,984	48,170	658,901
" " " 14	46,533	233,891	50,563	58,359	17,261	7,763	81,844	24,151	26,014	29,028	29,437	39,473	644,317
Net Change	978-	4,150-	1,062-	1,321-	4,679+	46+	759-	650-	392-	753-	547-	8,697-	14,584-
Total Earning Assets - Jan. 7	83,681	381,106	84,983	121,691	46,869	46,505	161,271	45,958	39,554	62,125	44,356	105,201	1,223,300
" " " " 14	75,256	338,686	81,364	111,997	47,594	40,258	145,545	41,794	35,952	55,428	40,810	74,703	1,089,397
Net Change	8,425-	42,420-	3,619-	9,694-	725+	6,247-	15,726-	4,164-	3,602-	6,697-	3,546-	30,498-	133,913-
Comparison of Weekly Average of Earning Assets													
Jan. 2, 1931 to Jan. 14, 1931	79,468	359,896	83,173	116,844	47,232	43,382	153,408	43,376	37,753	58,777	42,583	89,952	1,156,344
Same period 1930	65,343	475,340	104,581	128,208	52,445	61,680	195,184	53,455	30,735	35,276	49,356	70,370	1,321,973
Entire year 1930	74,002	323,075	82,371	98,736	44,795	49,995	127,693	46,611	34,591	41,405	45,066	72,522	1,040,862
Net Change from same period 1930	14,125+	115,444-	21,408-	11,364-	5,213-	18,298-	41,776-	9,579-	7,018+	23,501+	6,773-	19,582+	165,629-
" " " entire year 1930	5,466+	36,321+	802+	18,108+	2,437+	6,613-	25,715+	2,735-	3,162+	17,372+	2,483-	17,430+	115,482+
Comparison of Earning Assets													
January 14, 1931	75,256	338,686	81,364	111,997	47,594	40,258	145,545	41,794	35,952	55,428	40,810	74,703	1,089,387
" 15, 1930	64,929	444,361	102,300	128,769	51,556	60,416	191,156	48,445	28,423	30,793	48,634	59,841	1,259,623
Net Change	10,327+	105,675-	20,936-	16,772-	3,962-	20,158-	45,611-	6,651-	7,529+	24,635+	7,824-	14,862+	170,236-

SUMMARY FOR SYSTEM

Bills Discounted for week	$49,045-
Bills Purchased for week	69,276-
Government Securities for week	14,584-
Total Earning Assets for week	133,913-
Comparison of Weekly Average of Earning Assets Jan. 2, 1931 to Jan. 14, 1931 with same period 1930	165,629-
Comparison of Weekly Average of Earning Assets Jan. 2, 1931 to Jan. 14, 1931 with entire year 1930	115,482+
Comparison of Earning Assets January 14, 1931 with January 15, 1930	170,236-

EXHIBIT "C"

BILLS PURCHASED OUTRIGHT BY SYSTEM BY WEEKS
FROM JANUARY 2 TO DECEMBER 31, 1930 AND FROM JANUARY 2 TO JANUARY 14, 1931, INCLUSIVE

Weeks Ending	Boston	New York Banks	New York Dealers	New York Total	Phila.	Cleveland	Richmond	Atlanta	Chicago	Minn.	Dallas	San Fran.	Totals	Increase or Decrease in Holdings Including Sales Contracts: New York Operations	Increase or Decrease in Holdings Including Sales Contracts: System Operations	Dealers Operations With Other Districts: Received	Dealers Operations With Other Districts: Sent
-1930-																	
Jan. 8	$ 2,359	$ 25,766	$ 7,338	$ 33,104	$ 1,385	-0-	$ 599	$ 1,790	$ 615	-0-	$ 661	$ 2,248	$ 42,761	$ 56,534-	$ 73,042-	$ 13,068	$ 7,113
15	3,359	20,539	30,900	51,439	1,838	-0-	650	303	975	-0-	483	4,961	64,008	5,149+	4,180+	3,179	876
22	1,627	9,398	14,187	23,585	1,608	-0-	473	965	1,107	-0-	592	3,761	33,718	28,774-	24,958-	5,075	3,440
29	563	10,740	4,834	15,574	1,160	-0-	-0-	942	137	-0-	356	1,913	20,645	30,555-	39,917-	3,819	3,550
Feb. 5	172	37,970	14,294	52,264	1,813	-0-	-0-	769	469	-0-	595	2,129	58,211	36,257+	37,319+	7,154	2,143
11	-0-	6,073	8,973	15,046	544	-0-	-0-	426	361	-0-	402	430	17,209	19,318-	19,707-	2,615	1,086
19	613	37,852	12,431	50,283	878	-0-	403	96	730	708	550	2,902	57,163	7,701+	4,963+	4,887	1,837
26	2,175	30,381	15,677	46,058	2,585	-0-	50	323	389	547	410	1,930	54,467	12,031+	18,249+	5,314	10,582
March 5	900	28,464	3,858	32,322	1,150	-0-	283	496	721	854	316	5,427	42,469	24,578-	28,104-	11,346	5,939
12	301	8,714	2,387	11,101	279	-0-	514	223	2,960	-0-	443	984	16,805	10,971-	14,664-	8,640	3,518
19	85	13,650	4,567	18,217	698	-0-	100	-0-	590	-0-	281	152	20,123	62,031-	71,521-	7,753	8,026
26	1,009	7,404	-0-	7,404	137	-0-	162	-0-	168	-0-	115	135	9,130	73,104+	71,465+	8,007	4,033
April 2	3,542	18,474	8,206	26,680	1,899	-0-	269	125	4,749	335	633	3,428	41,660	25,431+	44,815+	6,719	2,768
9	6,455	8,412	26,186	34,598	3,515	-0-	-0-	-0-	853	-0-	190	2,865	48,476	34,184-	34,295-	9,815	2,552
16	3,428	19,450	24,203	43,653	1,442	-0-	454	468	507	-0-	418	2,194	52,564	39,897+	35,412+	7,240	5,546
23	2,122	7,498	19,295	26,793	1,964	-0-	-0-	21	480	1,780	57	1,433	34,650	45,158-	45,545-	3,844	4,454
30	1,586	16,613	371	16,984	245	-0-	109	220	717	366	132	1,714	22,073	40,274-	47,305-	5,044	2,560
May 7	824	2,341	3,962	6,303	-0-	-0-	102	-0-	669	-0-	108	434	8,440	30,173-	34,361-	2,295	2,988
14	332	23,380	9,917	33,297	143	-0-	-0-	-0-	1,365	-0-	138	1,225	36,500	1,309-	4,168-	8,140	2,974
21	2,535	30,177	1,742	31,919	-0-	-0-	232	-0-	558	-0-	104	1,585	36,933	15,354+	15,849+	8,187	1,241
28	688	5,307	3,064	8,371	73	-0-	367	75	637	1,000	112	1,907	13,230	18,991-	11,324-	4,430	2,548
June 4	231	22,244	2,187	24,431	-0-	-0-	165	45	349	427	32	1,903	27,583	22,991+	13,680+	5,081	1,608
11	2,275	7,089	4,602	11,691	-0-	-0-	245	-0-	710	-0-	77	552	15,550	42,459-	41,068-	4,771	1,705
18	620	6,475	5,304	11,779	-0-	-0-	245	-0-	1,175	-0-	169	1,280	15,268	14,744-	15,396-	9,263-	4,060
25	1,244	7,945	2,428	10,373	-0-	-0-	144	-0-	4,243	852	30	2,812	19,698	31,975-	30,457-	4,000	5,342
July 2	501	35,561	3,525	39,086	-0-	-0-	110	30	1,116	-0-	81	876	41,800	59,363+	55,172+	9,008	2,444
9	427	8,094	4,045	12,139	-0-	-0-	80	60	1,166	-0-	17	374	14,263	6,520-	8,540-	8,030	4,612
16	1,146	41,660	8,719	50,379	-0-	-0-	-0-	25	393	818	-0-	2,152	54,913	21,118-	19,722+	3,993	1,254
23	1,441	11,313	5,532	16,845	-0-	-0-	237	-0-	451	-0-	38	1,039	20,051	14,439-	18,144-	6,008	4,403
30	1,203	7,404	4,100	11,504	-0-	-0-	75	33	-0-	262	66	500	13,643	15,709-	19,761-	4,766	2,504
Aug. 6	863	11,990	280	12,270	-0-	-0-	81	20	63	-0-	14	841	14,152	6,530+	2,809+	7,300	739
13	-0-	41,288	907	42,195	-0-	-0-	25	25	510	-0-	19	729	43,503	21,458+	20,757+	4,619	3,169
20	443	31,820	1,105	32,925	-0-	-0-	-0-	-0-	1,569	-0-	-0-	1,276	36,213	1,604+	4,594+	3,426	2,720
27	482	17,052	129	17,181	-0-	-0-	60	27	-0-	-0-	19	-0-	17,769	10,257+	4,352+	8,496	2,253
Sept. 3	178	12,652	3,924	16,576	-0-	-0-	-0-	236	232	246	-0-	781	18,249	6,020+	7,121+	3,096	1,988
10	580	48,067	6,044	54,111	-0-	-0-	-0-	550	100	-0-	-0-	100	55,441	23,801+	22,725+	5,924	4,107
17	588	26,336	113	26,449	-0-	-0-	-0-	193	160	-0-	30	696	28,116	15,035+	15,741+	5,071	2,407
24	300	11,705	7,744	19,449	-0-	-0-	143	209	527	-0-	5	1,737	22,370	14,492-	11,118-	4,210	2,102
Oct. 1	1,917	23,799	63	23,862	-0-	-0-	-0-	590	-0-	200	299	3,056	29,924	8,829-	4,635-	6,919	4,660
8	6,298	23,827	3,864	27,691	-0-	-0-	70	-0-	113	-0-	-0-	3,101	37,273	17,498+	17,915+	9,855	2,486
15	260	29,196	2,257	31,453	-0-	-0-	-0-	149	849	-0-	16	3,320	36,047	30,980-	25,531-	6,167	5,273
22	670	30,948	7,822	38,770	-0-	-0-	-0-	117	200	-0-	-0-	1,562	41,319	7,171-	1,098+	7,471	1,506
29	500	4,237	1,105	5,342	-0-	-0-	328	387	861	200	-0-	1,125	8,743	5,793-	20,932-	7,007	4,099
Nov. 5	73	25,710	290	26,000	-0-	-0-	-0-	384	118	-0-	7	3,613	30,195	14,662+	19,944+	5,901	3,715
12	200	17,970	777	18,747	-0-	-0-	-0-	-0-	-0-	-0-	32	883	19,862	23,505+	21,740+	2,675	4,688
19	-0-	13,075	30	13,105	-0-	-0-	40	80	434	-0-	571	538	14,768	29,911-	29,069-	7,787	1,709
26	-0-	10,316	2,510	12,826	-0-	-0-	218	-0-	588	-0-	112	2,507	16,251	2,472-	2,187-	5,654	444
Dec. 3	1,286	43,204	311	43,515	-0-	-0-	71	1,298	544	660	-0-	1,470	48,844	39,338+	42,831+	3,047	1,233
10	1,010	34,659	4,393	39,052	-0-	-0-	322	626	75	-0-	15	884	41,984	21,926+	24,760+	3,462	2,054
17	103	34,066	1,829	35,895	6	-0-	-0-	649	1,151	-0-	-0-	1,146	38,950	6,845+	7,894+	4,802	1,154
24	855	6,541	-0-	6,541	-0-	-0-	-0-	1,746	3,235	-0-	-0-	1,544	13,921	14,233-	8,246+	5,219	1,249
31	688	91,229	5,722	96,951	-0-	-0-	216	1,514	13,984	902	20	419	114,694	45,198+	104,007+	2,882	2,968
TOTALS	$61,057	$1,106,075	$308,053	$1,414,128	$23,362	-0-	$7,642	$16,235	$ 54,673	$10,157	$8,765	$86,573	$1,682,592	$112,740-	$ 38,389-	$312,481	$164,429
-1931-																	
Jan. 7	362	35,498	6,280	41,778	-0-	-0-	248	22	24	-0-	-0-	438	42,872	84,707-	98,388-	4,588	1,724
14	407	406	322	728	-0-	-0-	21	580	126	-0-	93	280	2,235	64,071-	69,276-	5,128	999
TOTALS	$ 769	$ 35,904	$6,602	$42,506	-0-	-0-	$ 269	$ 602	$ 150	-0-	$ 93	$ 718	$ 45,107	$148,778-	$167,664-	$ 9,716	$ 2,723

EXHIBIT "C" (a)

CLASSIFICATION BY MATURITIES OF BILLS PURCHASED
BY FEDERAL RESERVE BANKS IN THEIR RESPECTIVE DISTRICTS
DURING THE PERIOD FROM JANUARY 2 TO DECEMBER 31, 1930
AND FROM JANUARY 2 TO JANUARY 14, 1931
(EXCLUDING SALES CONTRACTS)
(000 Omitted)

	JANUARY 2 TO DECEMBER 31, 1930				
	1-30 days	31-60 days	61-90 days	Over 90-days	Total
Boston	$ 29,410	$ 14,949	$ 19,679	$ 1,332	$ 65,370
New York	785,107	445,452	150,809	16,206	1,397,574
Philadelphia	5,253	8,036	10,073	0	23,362
Richmond	2,014	3,142	2,462	24	7,642
Atlanta	18,955	4,009	3,032	265	26,261
Chicago	22,549	24,202	7,922	0	54,673
St. Louis	325	0	0	0	325
Minneapolis	1,015	3,479	5,663	0	10,157
Dallas	4,379	3,055	829	502	8,765
San Francisco	19,428	44,914	21,766	465	86,573
Totals	$888,435	$551,238	$222,235	$18,794	$1,680,702

	JANUARY 2 TO JANUARY 14, 1931				
	1-30 days	31-60 days	61-90 days	Over 90-days	Total
Boston	$ 33	$ 183	$ 451	$ 102	$ 769
New York	34,169	4,106	4,225	6	42,506
Richmond	0	45	224	0	269
Atlanta	353	53	196	0	602
Chicago	107	43	0	0	150
Dallas	58	35	0	0	93
San Francisco	271	280	69	98	718
Totals	$ 34,991	$ 4,745	$ 5,165	$ 206	$ 45,107

Exhibit "D"

AMOUNT OF NET PROFIT THAT WAS REALIZED ON VARIOUS SALES OF UNITED STATES GOVERNMENT SECURITIES DURING THE YEAR 1930 AND DISTRIBUTED TO PARTICIPATING FEDERAL RESERVE BANKS ON DECEMBER 31, 1930; ALSO, THE APPROXIMATE AMOUNT OF PROFIT ON UNITED STATES GOVERNMENT SECURITIES HELD IN THE SYSTEM SPECIAL INVESTMENT ACCOUNT ON DECEMBER 31, 1930, AS REPRESENTED BY THE DIFFERENCE BETWEEN THE BOOK VALUES OF THE SECURITIES HELD AND THE MARKET BID PRICES ON THAT DATE.

	Amount of Net Profit Distributed to Federal Reserve Banks on December 31, 1930
Boston	$ 180,927.30
New York	364,282.96
Philadelphia	153,950.82
Cleveland	178,163.14
Richmond	59,218.47
Atlanta	34,042.59
Chicago	255,952.06
St. Louis	57,523.31
Minneapolis	68,138.71
Kansas City	85,439.02
Dallas	78,140.93
San Francisco	106,377.82
Total	$1,622,157.13

Net profit on holdings as represented by difference between book values and market bid prices, as of close of business December 31, 1930 - - - - $1,230,896.23

uary 20, 1931.

333.-C-

PRELIMINARY MEMORANDUM FOR THE OPEN MARKET POLICY CONFERENCE

The volume of business activity has declined since the last meeting of the Conference in September, and index figures for December reached as low points relative to normal trends as at any previous time in the country's history. There is some indication of slight increase in activity since the first of the year, but it is not yet clear whether the recovery is more than seasonal. Commodity prices have declined further.

On top of other difficulties a series of bank failures has shaken public confidence and brought about a state of apprehension which has impeded business recovery. The number of bank failures in 1930 was 1,326 banks or over 5 per cent of all the banks in the United States. Deposit liabilities of failed banks totaled over $900,000,000. In December 328 banks failed with deposit liabilities of $407,000,000.

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The necessitous liquidation of bonds by banks and others, together with the disturbance to public confidence, affected the bond market with peculiar severity. Some of the indexes of bond prices declined in December to the lowest levels since 1924, while only those composed of the higher grade issues remained above their 1929 lows. Under these conditions new financing was practically stopped.

Since January first easy money conditions in New York, a relaxing of the pressure on banks, and some indications of lessened public apprehension have been accompanied by a recovery in bond prices of about half their last quarter loss, and some resumption of new issues, though the market for new issues is highly selective and foreign bonds particularly are as yet almost unsalable.

The stoppage of foreign financing in this country at a time when other countries are going through a serious depression and are most in need of funds has placed a severe burden on a number of countries. These difficulties are accentuated by some reduction in American short term credits abroad. One consequence has been a weakening of foreign exchanges, and imports of gold totaling 121 million dollars since September 25.

The Money Market

On the money market the primary influence was a large additional demand for currency accompanying bank disturbances. The amount of extra currency required between the middle of November and the first of January, in addition to the usual seasonal requirement, was about $350,000,000. Part of this extra demand for reserve funds was met by gold imports but most of it required a corresponding increase in Federal Reserve credit which took three forms: an increase in member bank rediscounting, an increase in acceptance holdings of Reserve Banks, and an increase in government security holdings. The following table shows the changes in the different categories of Reserve Bank credit by weeks over this period, which includes the usual seasonal increase.

Bills and Securities of All Federal Reserve Banks
(In millions of dollars)

	Discounts	Bills Bought	U. S. Securities	Total Bills and Securities
Nov. 19, 1930	205	178	596	985
Nov. 26	234	176	596	1,012
Dec. 3	251	219	602	1,078
Dec. 10	257	244	617	1,118
Dec. 17	331	252	692	1,283
Dec. 24	448	260	642	1,356
Dec. 31	251	364	729	1,352
Jan. 2, 1931	341	328	714	1,390
Jan. 7	292	265	659	1,223
Jan. 14	243	196	644	1,089
Jan. 19	243	170	635	1,048

The increase between September 25 and January 2 of about $118,000,000 in Government security holdings consisted of the following:

Purchased by Federal Reserve Bank of New York to provide two member banks with the means to secure currency (of which $20,000,000 has been sold by January 21)	$ 45,000,000
Purchased by Federal Reserve Bank of San Francisco in a similar situation (sold since January 1)	7,500,000
Temporary year-end purchase for open market investment account (sold between January 2 and 13)	33,000,000
Held under repurchase agreement (all now liquidated)	32,400,000
	$117,900,000

The increase in bill holdings in the last quarter of 1930 included purchases of ($35,000,000) of sterling bills by the Federal Reserve Bank of New York, participated with other Reserve Banks, for the purpose of supporting sterling exchange during the period of greatest seasonal weakness, and avoiding gold imports from that source. This holding of sterling will be liquidated when strength in the exchange permits it. Sterling is now at the gold import point.

Since the first of the year the return of currency has been close to the usual seasonal amount and extremely little of the extra currency called into circulation has come back, perhaps about $50,000,000, leaving outstanding an extra amount due to extraordinary causes of about $300,000,000 and calling for that much additional Federal Reserve credit. The rate of return of this extra currency provides a mathematical measure of the passing of a state of apprehension.

The seasonal return of currency and retirement of year-end credit has been largely absorbed by a decrease in discounts of $100,000,000, a reduction of $90,000,000 in Government securities as shown above, and a decrease of $158,000,000 in bill holdings. Despite this retirement of Federal Reserve credit and the continued additional demand due to extra currency remaining outstanding, money rates have been easy in New York since the first of the year, and there has been a tendency towards the accumulation of surplus reserves. This appears to reflect primarily extreme caution throughout the country in the use of funds, the result of which is to pile up money in New York, employed at short term, rather than to make loans or purchase investments freely.

The surplus reserves of the New York City banks, have fluctuated greatly. On several days last week they were as large as 80 million dollars but, as in previous months, there has not been continuously any considerable surplus; a few days of plethora of funds has been followed by a drying up of the surplus.

Prospects for Coming Weeks

The seasonal return flow of funds is usually largely completed by the end of the third week in January; so that the movement due to purely seasonal causes should now be near completion. The System has bill maturities of $100,000,000 between now and the end of January which should be sufficient to take up any excessive slack in funds for the balance of the month. Early in February the spring demand for funds usually begins, rising to a peak in late March or early April.

The unknown quantity in the situation is now the extra currency called into use to meet the December banking emergencies. If and when this returns it should make possible a liquidation of discounts to a point where they were before the unusual needs arose and lead also to some further reduction in bill holdings. Some return from this source may be available to meet spring demands for funds.