

Form F. R. 567

END SHEET

KIND OF MATERIAL OR NUMBER

333.3-a

NAME OR SUBJECT

Federal Open Market Committee
Open Market Operations

DATES (Inclusive)

Jul 1933 - 1934

PART NUMBER

Part 1

Form No. 181

Office Correspondence

FEDERAL RESERVE BOARD

Date: **RECEIVED**
FEB - 1 1944
333.3

To: Secretary of the Treasury

Subject:

From: Mr. Goldenweiser

Open-market operations of the F. R. System

Pursuant to your recent request, there is transmitted herewith a record attached there is a record

in tabular form of the recommendations with respect to open market operations

submitted to the Federal Reserve Board by the System Committee for review

by the Board. From January 1, 1926 until May 1930, recommendations with respect

to open-market operations were made to the Board by a committee comprised of

the Governors of the Federal Reserve Banks of Boston, New York, Philadelphia,

Cleveland, and Chicago. From May 21, 1930 until June 16, 1933, the committee

comprised a representative from each Federal Reserve bank, and subsequently

a composition of this character was formally required by statute. The attached

document also shows the dates upon which the Open Market Committee made its

recommendations, and the action which the Board took on these recommendations.

This record indicates that the Board in nearly all instances concurred with

the recommendations made by the committee.

As a matter of practice, however, the Chairman of the Open Market Committee usually had conversations with the

Governor of the Board concerning recommendations in prospect and it was usually

conferences by telephone or otherwise, prior to the making

of formal recommendations. In these conferences the initiative

was usually taken by the committee. The following paragraphs summarize in a very brief fashion these specific

cases in the past nine years in which the Committee made specific recommendations

for increases or decreases in government security holdings within a defined period;

and the action of the Board is indicated.

Recommendations for Increase

Recommendations for Decrease

Mar. 24. To \$300,000,000 Approved
(Board approved.)

Apr. 17. By \$60,000,000 Approved.
(Board approved.)

Nov. 7. By \$100,000,000 Approved
(Board approved.)

Open-market committee prior to the meeting of the committee. approved after the first meeting of the committee. The Board was usually to be made.

has been not infrequently taken by the Governor of the Federal Reserve Board. It has not been unusual to have an informal agreement or a previous understanding between the Board and the chairman of the

12/31/34

the years 1926-1934

The position of the Board in this the nature of the recommendations, marked original of the

however, the recommendations made by the committee. In considering this record it should be kept in mind that the actual course of negotiations is not adequately reflected by the Chairman of the Open Market Committee usually had conversations with the Governor of the Board concerning recommendations in prospect and it was usually conferences by telephone or otherwise, prior to the making of formal recommendations. In these conferences the initiative was usually taken by the committee. The following paragraphs summarize in a very brief fashion these specific cases in the past nine years in which the Committee made specific recommendations for increases or decreases in government security holdings within a defined period; and the action of the Board is indicated.

most of them

2.

*Repeated readings**No decision
by Board**Approved*

Mar. 21. By \$50,000,000. ~~Approved~~
(Board approved.)
May 11. To \$250,000,000. *Approved*
(Board approved.)
July 27. By \$50,000,000. *Approved*
(Board approved.)
Nov. 2. By \$100,000,000. *Approved*

Mar. 21-May 11. By \$72,000,000
(Board approved.)

Aug. 13. By \$100,000,000. *Approved with qualification*
(Board approved.)
Nov. 15. By \$25,000,000. ~~Approved~~
(Board approved.)

Jan. 9. By \$40,000,000. *Approved*
(Board approved.)
Jan. 24. By \$50,000,000. *Approved*
(Board approved.)

Sept. 24. By \$25,000,000. *Approved*
(Board approved.)
Nov. 12. By \$200,000,000. *Approved*
(Board approved.)

April 11. By \$20,000,000 - \$25,000,000. *Offered*
Jan. 7. By \$50,000,000. *No action*
(No Board action.)
Feb. 2. Board ordered sales
in small amounts.

Oct. 30. N.Y. Bank buys \$69,000,000 of securities on its own initiative. Action challenged
by the Board

Mar. 5. Board ordered purchase of \$50,000,000
May 29. By \$25,000,000 a week. *Approved*
(Board approved for two weeks.)
Aug. 6. By \$25,000,000. *Approved*
(Board approved.)
Sept. 3. By \$50,000,000. *Approved*
(Board approved.)
Sept. 25. By \$100,000,000. *Approved until January*
(Board approved until January.)

requested N.Y. Bank to

Apr. 29. By \$100,000,000. *Approved*
(Board approved.)
Aug. 11. By \$120,000,000. *Approved*
(Board approved.)
Nov. 30. By \$200,000,000. *Approved until Jan. 30.*
(Board approved.)

Aug. 10 By \$50,000,000

Jan. 12. By \$200,000,000. *Approved subject*
(Board approved subject to review.)

Feb. 24. By \$250,000,000 at approximate rate of \$25,000,000 per week. *Board approved subject to passage of Glass-Steagall Bill.*

3.

Repeat read-up

April 5 By \$25,000,000 per week
 Apr. 12. By \$500,000,000 at rate
 of \$100,000,000 per week. *approved.*
 (~~Board approved.~~)

June 16. Continue purchases in smaller
 volume

Jan 5 sufficient to maintain volume of excess reserves. *approved*
 Apr. 22. To \$1,000,000,000 *1935*
 (~~Board approved.~~) *approved.*

May 23 By \$25,000,000 in current week
 Sept. 21 By \$36,000,000 in current week
 Oct. 25 By \$18,000,000 in current week

Copy as to complete

December 31, 1934

Secretary of the Treasury
Mr. Goldenweiser

Pursuant to your recent request, there is transmitted herewith a record in tabular form of the recommendations with respect to open market operations submitted to the Federal Reserve Board by the System Committee for review by the Board. From January 1, 1926 until May 1930, recommendations with respect to open market operations were made to the Board by a committee comprised of the Governors of the Federal Reserve Banks of Boston, New York, Philadelphia, Cleveland, and Chicago. From May 21, 1930 until June 16, 1933, the committee comprised a representative from each Federal Reserve bank, and subsequently a composition of this character was formally required by statute. The attached document also shows the dates upon which the Open Market Committee made recommendations and the action which the Board took on these recommendations. This record indicates that the Board in nearly all instances concurred with the recommendations made by the committee. As a matter of practice, however, the Chairman of the Open Market Committee usually had conversations with the Governor of the Board concerning recommendations in prospect and it was usually the case that an agreement was reached before the recommendations were made. *the important*

The following paragraphs summarize in a very brief *most typical* fashion ~~those specific~~ cases in the past nine years in which the ~~Committee~~ *specific* made ~~specific~~ recommendations for ~~increase or decrease~~ in government security holdings within a defined period:

Recommendations for Increase

Mar. 24. To \$500,000,000
(Board approved.)
Nov. 7. ~~By \$100,000,000~~
(Board approved.)

1926

Recommendations for Decrease

any
~~Apr.~~ 17. By \$80,000,000
(Board approved.)

1927
Mar. 21. By \$50,000,000 (Board approved.)
May 11. To \$250,000,000 (Board approved.)
July 27. By \$50,000,000 (Board approved.)
Nov. 2. By \$100,000,000 (Board approved.)
Aug. 13. By \$100,000,000 (Board approved.)
Nov. 15. By \$25,000,000 (Board approved.)

Mar. 21-May 11. By \$72,000,000 (Board approved.)

No decisive action by Board

1928
Sept. 24. By \$25,000,000 a week (Board approved.)
Nov. 12. By \$200,000,000 (Board approved.)

Jan. 9. By \$40,000,000 (Board approved.)
Jan. 24. By \$50,000,000 (Board approved.)
April 11. By \$10,000,000 - \$25,000,000 (Board approved.)
Jan. 7. By \$50,000,000 (No Board action.)
Feb. 2. Board ordered sales in small amounts.

1929
Oct. 30. N.Y. Pub. buys \$69,000,000 of securities on its own initiative.
(action challenged by the Board)

1930
Mar. 5. Board ordered purchase of \$50,000,000.
May 29. By \$25,000,000 a week (Board approved for two weeks.)
Aug. 6. By \$25,000,000 (Board approved.)
Sept. 3. By \$50,000,000 (Board approved.)
Sept. 25. By \$100,000,000 (Board approved until January.)

no question N.Y. bank to

did not object to

1931
Apr. 29. By \$100,000,000 (Board approved.)
Aug. 11. By \$120,000,000 (Board approved.)
Nov. 30. By \$200,000,000 (Board approved.)

Aug. 10. By 50,000,000

1932
Jan. 12. By \$200,000,000 (Board approved subject to review.)
Feb. 24. By \$250,000,000 at approximate rate of \$25,000,000 per week. (Board approved subject to passage of Glass-Steagall Bill.)

until Jan. 30.

3.

- Apr 5 By 25,000,000 ^{new} ~~work~~ ✓
- Apr. 12. By \$500,000,000 at rate ✓
of \$100,000,000 per week.
(Board approved.)
- June 18. Continue purchases in smaller ✓
volume
- Jan. 5 Sufficient to main volume of excess as shown. (Board approved) ✓
1953
- Apr. 22. To \$1,000,000,000 ✓
(Board approved.)
- May 23. By \$25,000,000 ⁱⁿ current work
- Oct 21. By \$36,000,000 in current work
- Oct 25. By \$18,000,000 in current work

December 21, 19__

SUMMARY OF INFORMATION CONTAINED IN FILES OF FEDERAL RESERVE
BOARD OF ACTION TAKEN ON OPEN MARKET MATTERS.

On January 1, 1926 there was in existence the Open Market Investment Committee for the Federal Reserve System consisting of the Governors of the Federal Reserve Banks of Boston, New York, Philadelphia, Cleveland, and Chicago. This committee was superseded by the Open Market Policy Conference in May 1930, which consisted of a representative from each Federal Reserve bank designated by the board of directors. Section 12(A) of the Federal Reserve Act, which was approved on June 16, 1933, created the Federal Open Market Committee, consisting of a member selected by the board of directors of each Federal Reserve bank, which committee superseded the Open Market Policy Conference. Accordingly, the committee recommendations referred to below were made by the Open Market Investment Committee from January 1, 1926 to May 21, 1930; by the Open Market Policy Conference, or its executive committee, from May 21, 1930 to June 16, 1933; and by the Federal Open Market Committee, or its executive committee, from June 16, 1933 to the present time.

<u>Date</u>	<u>Committee Recommendations</u>	<u>Board Action</u>	<u>Securities in System Acct.</u>
Jan. 18, 1926	Temporary holdings of \$50,- 000,000 should not be sold immediately but later.	No objections to sale.	Jan. 6, 1926 \$260,000,000 Jan. 20, 1926 \$260,000,000 Feb. 24, 1926 \$210,000,000

2.

<u>Date</u>	<u>Committee Recommendations</u>	<u>Board Action</u>	<u>Securities in System Acct.</u>
Mar. 20, 1926	Replace Mar. 15 maturities	Approved	
Mar. 24, 1926	Increase account to \$300,000 if and when necessary but not after April 15	Approved	April 21, 1926 \$275,000,000
June 2, 1926	Replace June 15 maturities	Approved	
June 21, 1926	Maintain account at \$275,000,000 but purchase or sell temporarily \$50,000,000 if and when necessary	Approved	Aug. 4, 1926 \$275,000,000 Aug. 11, 1926 \$270,000,000
Aug. 17, 1926	Sell about \$60,000,000 to Treasury for foreign account	Approved	Sept. 8, 1926 \$210,000,000
Sept. 10, 1926	Maintain account at approximately \$200,000,000 but increase or decrease by \$50,000,000 if and when necessary	Maintain account between \$200,000,000 and \$225,000,000	Sept. 15, 1926 \$200,000,000
Nov. 7, 1926	Temporary seasonal purchase up to \$100,000,000	Approved subject to further conference with Board	Mar. 9, 1927 \$200,000,000
Mar. 5, 1927	Do not replace Mar. 15 maturities	Approved	Mar. 16, 1927 \$176,000,000
Mar. 21, 1927	Replace March maturities and purchase up to \$500,000,000 if and when necessary	Approved replacement and approved additional purchase subject to further conference	Mar. 23, 1927 \$201,000,000
May 11, 1927	To Aug. 1 do not further offset gold imports and increase account to \$250,000,000	Approved	May 11, 1927 \$136,000,000 June 22, 1927 \$250,000,000
July 27, 1927	Purchase \$50,000,000 if and when necessary	Approved (In addition purchases were being made to	Nov. 2, 1927 \$403,000,000

Sales to offset the import of gold

3.

<u>Date</u>	<u>Committee Recommendations</u>	<u>Board Action</u>	<u>Securities in System Acct.</u>
		offset a reduction in monetary gold stock)	
Nov. 2, 1927	Offset gold movements and seasonal stringency by purchases or sales as necessary	Approved	Dec. 14, 1927 \$427,000,000
Dec. 13, 1927	Suspend purchases	Approved	Jan. 4, 1928 \$423,000,000
Jan. 9, 1928	Sell \$40,000,000 to \$50,000,000	Approved sale up to \$50,000,000 if and when necessary	Jan. 11, 1928 \$400,000,000
Jan. 12, 1928	Sell securities	Approved	Jan. 18, 1928 \$368,000,000
Jan. 24, 1928	Sell \$50,000,000	Approved	Feb. 8, 1928 \$273,000,000
Feb. 10, 1928	Suspend sales	Approved	Mar. 7, 1928 \$273,000,000
Mar. 26, 1928	Sell securities	Approved up to May 1	May 2, 1928 \$157,000,000
Apr. 29, 1928	Continue to sell	Approved	May 23, 1928 \$100,000,000
May 25, 1928	Continue to sell	Approved	June 6, 1928 \$85,000,000 July 18, 1928 \$85,000,000
July 18, 1928	Continue present holdings		Aug. 15, 1928 \$75,000,000
Aug. 13, 1928	Temporary purchases to avoid credit stringency	Seasonal purchases up to \$100,000,000. Approved as a last resort	Nov. 14, 1928 \$75,000,000

4.

<u>Date</u>	<u>Committee Recommendations</u>	<u>Board Action</u>	<u>Securities in System Acct.</u>
Nov. 15, 1928	Purchase if and when necessary to avoid stringency	Not approved but would approve temporary purchases up to \$25,000,000 to avoid temporary situation	Feb. 6, 1929 \$76,000,000
Jan. 7, 1929	Sell \$50,000,000 if and when necessary	No action	
Feb. 2 1929		Sell in small amounts	Mar. 27, 1929 \$40,000,000
Apr. 1, 1929	Continue sales as necessary under previous authority		July 31, 1929 \$18,000,000
Sept. 24, 1929	Purchase up to \$25,000,000 a week if and when necessary	Approved for seasonal purposes	Nov. 13, 1929 \$98,000,000
Nov. 12, 1929	Remove limit of \$25,000,000 per week and purchase up to \$200,000,000	Approved	Dec. 31, 1929 \$278,000,000
Jan. 28, 1930	No change		Mar. 5, 1930 \$278,000,000
Mar. 5, 1930		Purchase \$50,000,000	Mar. 19, 1930 \$327,000,000
Mar. 24, 1930	No change		May 21, 1930 \$327,000,000
May 21, 1930	No change		May 28, 1930 \$327,000,000
May 29, 1930	Purchase \$25,000,000 a week	Approved for two weeks	June 11, 1930 \$377,000,000
June 23, 1930	No change		Aug. 6, 1930 \$377,000,000

5.

<u>Date</u>	<u>Committee Recommendations</u>	<u>Board Action</u>	<u>Securities in System Acct.</u>
Aug. 6, 1930	Purchase \$25,000,000 during week	Approved	Aug. 13, 1930 \$402,000,000
Sept. 3, 1930	Purchase up to \$50,000,000 if and when necessary	Approved	Sept. 24, 1930 \$402,000,000
Sept. 25, 1930	Purchase or sell up to \$100,000,000 if and when necessary	Approved until January	Dec. 24, 1930 \$402,000,000 Dec. 31, 1930 \$435,000,000 Jan. 14, 1931 \$402,000,000
Jan. 21, 1931	Sell securities if possible without tightening money	Approved	Apr. 29, 1931 \$402,000,000
Apr. 29, 1931	Purchase up to \$100,000,000 if and when necessary	Approved	June 24, 1931 \$464,000,000
June 22, 1931	Purchase \$50,000,000		July 8, 1931 \$514,000,000
July 7, 1931	Purchase \$50,000,000		July 15, 1931 \$524,000,000
Aug. 11, 1931	Purchase up to \$120,000,000 if and when necessary	Approved	Nov. 25, 1931 \$524,000,000
Nov. 30, 1931	Temporary seasonal purchase of \$200,000,000 if and when necessary	Approved until Jan. 30	Dec. 16, 1931 \$524,000,000 Dec. 23, 1931 \$574,000,000 Dec. 30, 1931 \$567,000,000
Jan. 12, 1932	Purchase up to \$200,000,000 if and when necessary	Approved subject to review	Feb. 24, 1932 \$567,000,000
Feb. 24, 1932	Purchase up to \$250,000,000 at approximate rate of \$25,000,000 per week	Approved subject to passage of Glass-Steagall Bill	Apr. 6, 1932 \$712,000,000
Apr. 5, 1932	Continue purchases of \$25,000,000 a week		

<u>Date</u>	<u>Committee Recommendations</u>	<u>Board Action</u>	<u>Securities in System Acct.</u>
Apr. 12, 1932	Purchase up to \$500,000,000 in addition to previous authorization, purchases to be made at rate of \$100,000,-000 a week	Approved	May 18, 1932 \$1,296,000,000
May 17, 1932	Continue purchases up to \$500,000,000	Approved	June 15, 1932 \$1,521,000,000
June 16, 1932	Continue purchases in smaller volume but keep excess reserves between \$250,000,000 and \$300,000,000		July 13, 1932 \$1,610,000,000
July 14, 1932	Continue purchases necessary to maintain excess reserves at approximately \$200,000,000	Approved	Aug. 10, 1932 \$1,640,000,000 Nov. 16, 1932 \$1,640,000,000
Nov. 15, 1932	No change		Jan. 4, 1933 \$1,640,000,000
Jan. 5, 1933	Purchase or sell securities to keep excess reserves at present level	Approved	Jan. 25, 1933 \$1,559,000,000 Feb. 22, 1933 \$1,629,000,000
Apr. 22, 1933	Purchase up to \$1,000,000,000	Not approved until May 12, 1933	May 17, 1933 \$1,629,000,000 July 19, 1933 \$1,810,000,000
July 21, 1933	Continue purchases	Approved	Oct. 11, 1933 \$2,137,000,000
Oct. 10, 1933	Continue purchases	Approved	Nov. 8, 1933 \$2,223,000,000
Mar. 5, 1934	Reduce authorization to \$100,000,000	Approved	
June 26, 1934	Sell up to \$500,000,000 to the Treasury if and when necessary	No action taken	Dec. 26, 1934 \$2,223,000,000

December 22, 1934. **REC'D, FILES SECTION**
FEB - 1 1944

MEMORANDUM OF INFORMATION CONTAINED IN FILES OF FEDERAL RESERVE 63
BOARD OF ACTION TAKEN ON OPEN MARKET MATTERS.

On January 1, 1926 there was in existence the Open Market Investment Committee for the Federal Reserve System consisting of the Governors of the Federal Reserve Banks of Boston, New York, Philadelphia, Cleveland, and Chicago. This committee was superseded by the Open Market Policy Conference in May 1930, which consisted of a representative from each Federal reserve bank designated by the board of directors. Section 12(A) of the Federal Reserve Act, which was approved on June 16, 1933, created the Federal Open Market Committee, consisting of a member selected by the board of directors of each Federal reserve bank, which committee superseded the Open Market Policy Conference. Accordingly, the committee recommendations referred to below were made by the Open Market Investment Committee from January 1, 1926 to May 21, 1930; by the Open Market Policy Conference, or its executive committee, from May 21, 1930 to June 16, 1933; and by the Federal Open Market Committee, or its executive committee, from June 16, 1933 to the present time.

<u>Date</u>	<u>Committee Recommendations</u>	<u>Board Action</u>	<u>Securities in System Acct.</u>
Jan. 18, 1926	AGREED that while it is not advisable to sell immediately the \$50,000,000 short-term securities acquired during latter part of December, 1925 for resale possibly in January, 1926, situation should be carefully watched in order that action might be taken at any time that developments disclose desirability of selling.	Committee action reported to Board on January 19 and on January 25, Board interposed no objection to committee furnishing the market with an amount of certificates up to \$50,000,000 against definite or-	Jan. 26, 1926 \$260,000,000 Jan. 26, 1926 \$210,000,000.

<u>Date</u>	<u>Committee Recommendations</u>	<u>Board Action</u>	<u>Securities in System Acct.</u>
		ders. This action taken upon receipt of advice from New York bank that money conditions in New York were easing considerably.	
Mar. 8, 1926	Chairman of committee recommended replacement of \$66,000,000 of maturing securities.	Board interposed no objection to committee replacing so far as possible \$66,000,000 of securities maturing on March 15, 1926	Mar. 10, 1926 \$245,000,000 Mar. 11, 1926 \$189,000,000
Mar. 20, 1926	It was the unanimous opinion of the committee that other than replace March 15 maturities, no action should be taken, at least until after March 23, when the Treasury pays off \$121,000,000 of 3rd Liberty bonds and when re-adjustments after the usual quarter-day movement will have been completed.	On March 23 Board approved recommendations that no change be made in account except that March 15 maturities be replaced if conditions seemed to warrant. (\$31,000,000 of March 15 maturities had not been replaced at that time).	
Mar. 24, 1926	Committee and Governor's Conference recommended that if developments in the money market indicate need for doing so, the amount of securities in the System Account be increased to \$300,000,000, but no purchases shall be made after April 15, 1926 without further consideration.	Recommendation was considered by Board at meetings on March 24 and 25 and approved on latter date.	Mar. 24, 1926 \$189,000,000 Apr 1, 1926 \$275,000,000

2

3

<u>Date</u>	<u>Committee Recommends:</u>	<u>Action by Board:</u>	<u>Securities in System Acct.</u>
			March 31, 1926 \$217,000,000
			April 21, 1926 \$275,000,000
June 2, 1926	Committee agreed that \$37,000,000 of June 15 maturities should be replaced by other short term governments.	Replacements approved by Board.	June 8, 1926 \$282,000,000
			June 9, 1926 \$295,000,000
			June 16, 1926 \$259,000,000
June 21, 1926	System Account Committee recommended that System Account be maintained at existing amount (approx. \$275,000,000) but with authority to make temporary purchases or sales within a range of \$50,000,000 as may be deemed advisable by the Committee, any such purchases to be liquidated within a reasonable time as market conditions warrant.	Board met jointly with Committee and Committee's recommendation and Board's approval was in simultaneous vote	June 23, 1926 \$275,000,000 Aug. 11, 1926 \$270,000,000 Aug. 4, 1926 \$275,000,000 Aug. 11, 1926 \$270,000,000
August 17, 1926	Committee recommended sale of approximately \$40,000,000 Third Liberty Loan bonds to Treasury (at request of Treasury) without replacement and that a meeting be called the early part of September to consider conditions at that time. Committee also approved the sale, without replacement, to a foreign correspondent made on August 16, 1926 of \$2,300,000 Treasury notes, the sale of \$5,000,000 Treasury notes to a foreign correspondent some-time that week, and the sale to a foreign correspondent during the next few weeks of approximately \$15,000,000 of short term securities.	Committee meeting attended by three members of Board, and at its meeting on Aug. 23, Board noted approval by all Federal reserve banks of sale to Treasury of \$40,000,000 of bonds without replacement. Minutes of Aug. 17 meeting of Committee presented at meeting of Board on Aug. 24 and were ordered circulated without action being taken.	Aug. 18, 1926 \$267,000,000 August 25, 1926 \$223,000,000 September 1, 1926 \$220,000,000 Sep. 8, 1926 \$210,000,000
Sep. 10, 1926	Committee recommended that account be maintained for the		

(4)

present at approximately \$200,000,000, with the understanding that the Committee could, at its discretion, increase or decrease the account by not more than \$50,000,000. It was also understood that in the event of further gold imports for the account of foreign correspondent, we should continue to furnish them with securities from the special account as heretofore, thus offsetting the effect of the gold imports.

In a separate meeting on Sep. 10, the Board authorized the Committee to maintain the account at from \$200,000,000 to \$225,000,000 Sep. 15, 1926 \$200,000,000

November 7, 1926

Committee recommended that it may be desirable to purchase up to \$100,000,000 of securities during the coming 6 weeks to be sold again at such time as credit conditions appear to make that course desirable. If business and credit conditions continue as at present, it would seem wise to sell the securities shortly after the turn of the year, but in the event of a decline in business activities, such as some observers think may occur, it then might be desirable to retain a part of the securities in the Federal Reserve portfolio. ~~period.~~ In any event, we should be prepared for either course.

At meeting of Board on Nov. 10, 1926, Board approved a letter to acting chairmen of Committee stating that Board understands that as the Committee views the situation at this time, there is no need for action looking toward a change in the amount of ~~the~~ Special Investment Account, as approved by the Board on Sep. 10, '26 and in this view, the Board concurs. The Board, therefore, construes the Committee's suggestion as an expression of opinion on the part of the Committee that in the event of a future change in the present situation, it may be desirable to give consideration to ~~the~~ increasing the account temporarily. The

(5)

Board assumes that should there be any change in the present situation or any new ~~change~~ developments which would seem to warrant increasing the account temporarily, the Committee will confer further with the Board.

~~Dec. 29, '26~~

~~\$206,000,000~~

Mar. 9, 1927

\$100,000,000

(6)

<u>Date</u>	<u>Committee Recommendations</u>	<u>Board Action</u>	<u>Securities In System Acct.</u>
March 8, 1927	<p><i>issued after its meeting on February 18</i></p> <p>Following statement by Federal Advisory Council that it did not believe that there was anything in the business situation necessitating any change in present open market policy, although should interest rates continue to decline the Federal reserve banks should reduce their holdings of bills bought in the open market, the Board transmitted the statement to the Board of Directors of the Federal Reserve Bank of New York for any recommendations that they might care to make and with the statement that the Board thinks it pertinent in connection with consideration of recommendation to take cognizance of the gold imports since the first of the year and the present state of the acceptance market, and to consider whether there should be any change in the volume of investments in the System's Special Investment Account, especially in view of the March 15 maturities. The New York directors replied that if the committee concurred, it would be well to let the March 15 maturities run off.</p>	<p>On March 8 the Board approved of the committee allowing the maturities to run off with the understanding that, at the meeting of the committee called for March 21st, it could be determined if and when it would be advisable to replace them.</p>	<p>March 16, 1927 \$176,000,000.</p>
March 21, 1927	<p>Committee agreed that it would be desirable to replace the \$25,000,000. of March 15 maturities immediately and in view of reduction of system holdings of bankers acceptances due to sale to a</p>	<p>On March 21, 1927 the Board approved the replacement of the \$25,000,000 of matured Government securities and advised the committee that it would hold it-</p>	<p>March 23, 1927 \$201,000,000. <i>May 4, 1927</i> <i>\$200,000,000</i></p>

Insert A

< During the period between August 21 - May 11,

The Federal Reserve Bank of New York learned that one of the New York member banks had negotiated to purchase ~~from the Bank of France~~ of \$90,000,000 of gold and had made arrangements for the import of it. ^{Telephone} After consultation with the members of the Open Market Investment Committee and the Federal Reserve Board, ~~by telephone~~, it was arranged to purchase from the Bank of France ^{about 7} all of the gold—nearly \$60,000,000—which had not been shipped, and to sell to the ~~Bank of France~~ a like amount of the September maturity of certificates of indebtedness held in the Open Market Investment account. Securities were sold to offset the \$9,000,000 to \$12,000,000 of gold which had already arrived, but no arrangements were made to offset the affect of the gold which was then scheduled to arrive.

7

<u>Date</u>	<u>Committee Recommendations</u>	<u>Board Action</u>	<u>Securities in System Acct.</u>
	foreign correspondent in replacement of securities matured on March 15, the committee should be prepared to make additional purchases of Government securities up to an amount of about \$50,000,000, if necessary, to avoid drastic tightening of the money market.	self ready upon advice from the committee, as a committee, or from the Federal Reserve Bank of New York, if the committee prefers to leave the matter in the hands of the Federal Reserve Bank, to act upon a recommendation for the purchase of an additional \$50,000,000 of short-term Government securities at any time such a course should appear to be desirable.	
May 9 th 1927	Committee submitted the following recommendations of policy for the period ending August 1: (1) That no further sales of system securities be made in order to offset gold imports known or anticipated, and, (2) That it be the policy of the committee gradually to acquire, if possible to do so, without undue effect upon the money market, sufficient additional short-term Government obligations to bring the total of the committee's investment account up to \$250,000,000.	On May 13, 1927, the Board approved the recommendations of the committee with the feeling that the securities proposed to be purchased should be accumulated slowly and with a view to the possibility that it may not be advisable to purchase the full amount authorized within the time limit mentioned.	May 13, 1927 \$136,000,000
June 16, 1927	In a letter to the Board Governor Strong expressed the view of the officers of the New York bank that it might be well to defer further purchases until possibly after the first of July even though in the meantime money rates might advance somewhat in the general market. In a	On June 23, 1927 the Board advised the committee that it did not consider the \$100,000,000 of securities purchased by the committee since May 13, 1927 (to offset gold earmarked for foreign correspondents) as forming part of the authority granted to the committee by the Board on that date.	June 23, 1927 \$222,000,000

8

<u>Date</u>	<u>Committee Recommendations</u>	<u>Board Action</u>	<u>Securities in System Acct.</u>
-------------	----------------------------------	---------------------	---------------------------------------

letter dated June 20, 1927
Governor Strong again re-
viewed the situation sta-
ting that the bank was quite
willing to watch the effect
of somewhat higher rates for
a short period, but that it
would be hazardous to allow
a general revision of the
level of interest rates to
occur.

Governor Strong came to
Washington on June 22 and
at a meeting of the Board
made an extended review
of present and prospec-
tive conditions.

July 27, 1927

Committee voted that its authority be extended for the purchase, as and when conditions warrant, of not to exceed \$50,000,000 of investments.

Committee's action was taken in joint meeting with Federal Reserve Board which approved recommendation. ~~simultaneous vote with Committee.~~

November 2, 1927
~~5403,000,000~~

~~August 3, 1927~~
~~\$286,000,000~~

~~September 28, 1927~~
~~\$363,000,000~~

November 2, 1927

Committee recommended adoption of program of, (1) continued offsetting of gold movements by purchases and sales of securities, (2) any considerable advances in money rates toward end of year would be dealt with only if necessary by temporary purchases of securities, (3) sales of securities in January in amounts sufficient to insure retirement of seasonal issue, and, (4) in event of renewal of gold movements to the United States, gold may be purchased abroad if necessary or exchange on foreign countries purchased so as to arrest a further importation of gold, the limit of such purchases to be \$100,000,000 and such purchases to be offset the same as gold movements.

Board approved policy as recommended.

~~November 2, 1927~~
~~\$403,000,000~~

December 14, 1927
~~5427,000,000~~

December 13, 1927

Governor Strong transmitted opinion of New York directors that it might be well to let banks borrow additional funds up to \$100,000,000 or \$150,000,000 rather than to undertake to ease the situation by making further purchases of securities.

On December 14, Board expressed concurrence in directors' opinion.

January 4, 1928
~~Dec. 14, 1927~~
~~\$427,000,000~~
~~5427~~

January 9, 1928

Committee concurred in opinion of New York bank that it might be advisable to sell from \$40,000,000 to \$50,000,000 of governments.

Board ~~informally~~ voted to approve sale of not to exceed \$50,000,000 of securities if and when deemed advisable by Committee.

January 11, 1928
\$400,000,000

January 12, 1928 Recommended that Committee program should now work toward somewhat firmer money conditions as far as necessary to check undue rapid further increases in volume of credit and in order to accomplish this, Committee would expect to sell further amounts of securities and, if necessary, to deal with gold movements in such manner as necessary to carry out the program.

Board authorized the Committee during the next two months to make sales of government securities from time to time with accompanying authority temporarily to purchase such securities should developments not now in sight require such action.

January 16, 1928 Acting Chairman of Committee reported sale of government securities to a point at which further securities would not be absorbed by market except at reduced price and it was proposed to withhold further sales for a day or two.

Board expressed sympathy with the proposal reported but that it would not favor any prolonged departures from the program recommended by the Committee and approved by Board on January 12.

Jan. 18, 1928
\$368,000,000

January 24, 1928 Committee recommended sale of an additional 50,000,000.

No objection expressed by Board to proposed sale.

24 8
~~January 25, 1928~~
~~\$300,000,000~~
2273

11.

<u>Date</u>	<u>Committee Recommendations</u>	<u>Board Action</u>	<u>Securities in System Acct.</u>
Feb. 10, 1928 X	New York directors expressed opinion that no further sales of securities be made for the next three or four days.	Board expressed agreement with conclusion of directors although there was a feeling on the part of some members that further sales should be suspended indefinitely.	Feb. 15, 1928 \$273,000,000
Feb. 27, 1928 X	New York Directors reached conclusion that no further sales of securities should be made at this time.	This opinion shared by all members of the Board.	Feb. 29, 1928 \$273,000,000
Mar. 26, 1928 X	Committee recommended that the policy recommended in January be continued until another meeting is held or until a change in the situation makes an earlier reconsideration desirable. The Committee would expect to make such changes in the open market account as are necessary to carry out the policy.	Board approved policy recommended by Committee and authorized Committee to make further sales of Government securities from time to time up to May 1, 1928, at about which time another meeting of the committee with the Federal Reserve Board will be held unless a change in the situation makes earlier reconsideration desirable.	Mar. 28, 1928 \$258,000,000 May 2, 1928 8,152,000.00
Apr. 11, 1928 ✓	Deputy Governor Case reported plans to sell \$20,000,000 to \$25,000,000 of securities in order to keep a grip on the present situation.	Governor reported he had advised Mr. Case there would be no objection to sale of securities contemplated.	Apr. 11, 1928 \$248,000,000
Apr. 18, 1928 Y	Mr. Case reported New York directors felt that situation was getting out of control largely because of money coming into New York presumably attracted by high call rate.	Increase in discount rate at Boston bank was under consideration and Board approved increase apparently on basis that sales of securities were not having desired effect.	Apr. 18, 1928 \$200,000,000 May 2, 1928 8,152,000.00

12.

<u>Date</u>	<u>Committee Recommendations</u>	<u>Board Action</u>	<u>Securities in System Acct.</u>
Apr. 29, 1928 X	In view of continued expansion of bank credit at what seemed to be an unduly rapid rate, notwithstanding the sales of securities and increase in discount rates, the committee recommended that the general policy adopted at meeting on March 26 be continued.	<i>on May 2</i> Board expressed agreement with procedure suggested by the committee and approved its recommendations, but in doing so, reserved the same right that the committee reserved, of changing its position should conditions develop which would make a change advisable.	May 2, 1928 \$137,000,000 <i>May 23, 1928</i> <i>\$100,000,000</i>
May 25, 1928 X	Committee saw no reason to change policy adopted at last meeting and expressed opinion that it may be necessary to assert further pressure on the situation and, to this end, that it may be advisable to make further sales of securities.	Board approved policy outlined and approved further sales if such sales were deemed necessary by the committee.	<i>June 6,</i> May 29, 1928 \$85,000,000 <i>July 18, 1928</i> <i>\$85,000,000</i>
July 18, 1928 X	Committee recommended that no open market action be taken at present or until moderately high level of money rates has continued long enough to provide a testing of the credit situation which may have effect of checking unsound uses of credit. Committee expressed opinion that amount of member bank borrowing and present money rates would not be wholesome if continued over an extended period, that the System should be prepared to exercise its influence to modify these conditions and that situation should have careful continued study.		July 18, 1928 \$85,000,000 <i>Aug. 15, 1928</i> <i>\$75,000,000</i>

13.

<u>Date</u>	<u>Committee Recommendations</u>	<u>Board Action</u>	<u>Securities in System Acct.</u>
Aug. 13, 1928	Committee expressed opinion that conditions did not necessitate immediate purchases, that there were indications that with approaching fall demands for credit, it might soon be possible or necessary to take steps looking toward the reduction or at least the avoidance of the necessity of any substantial increase in volume of member bank discounts and with these facts in view, committee recommended the policy of purchasing securities whenever it should become necessary to avoid undue credit stringency.	On August 16 the Board expressed agreement with the committee that the seasonal requirements would probably develop a strain upon the future credit situation which may react unfavorably upon commerce and industry and that if such a situation should develop, the System should take some action to relieve the strain. Board stated, however, that it would not care to agree to purchase of securities except as last resort, and with this understanding, it approved the purchase of securities up to \$100,000,000.	Nov. 14, Aug. 15, 1928 \$75,000,000.✓
Nov. 15, 1928	Committee renewed the recommendation contained in its report of August 13 that that it be it be the policy of the System to purchase Government securities if and when it might become necessary to avoid an acute stringency.	On November 27 the Board refused to approve recommendation for reasons stated and advised committee that it would hold itself in readiness to act promptly upon written or telephone request from the committee in an amount not to exceed \$25,000,000.	<i>if adjustments & temporary credit & situation were allowed</i> Feb. 6, 1929 Nov. 14, 1928 \$75,000,000. \$76,000,000
Jan. 7, 1929	Committee expressed opinion that System should be prepared to sell up to \$50,000,000 of securities during January or February if amount of member bank indebtedness should diminish to an amount where money rates became so easy as to stimulate further increases	No action by Board	Jan. 9, 1929 \$76,000,000

14.

<u>Date</u>	<u>Committee Recommendations</u>	<u>Board Action</u>	<u>Securities in System Acct.</u>
Feb. 2, 1929 ²⁹ ✓	in total volume of credit beyond that required required for business purposes, but that there was no occasion at that time to make a recommendation either as to purchase or sale of securities.	Board expressed no objection to Governor advising committee that Board sees no reason why sales of securities should not be made in small amounts	Mar. 27, 1929 \$40,000,000
Feb. 5, 1929 x		Governor of New York bank was present at meeting of Board and referred to possible necessity of increase in the discount rate should other efforts fail to halt increasing volume of credit. Majority opinion of members of the Board was that further efforts should be made along the line of so-called direct action, and that a rate increase should not be considered until the system is satisfied that all other reasonable means had been exhausted.	Feb. 13, 1929 \$54,000,000 Mar. 6, 1929 \$40,000,000.

<u>Date</u>	<u>Committee Recommendations</u>	<u>Board Action</u>	<u>Securities in System Acct.</u>
Apr. 1, 1929 X	Committee informally agreed that there appeared to be no need to consider the purchase of Government securities and that, as the committee already had authority to sell Government securities, there was no occasion for a further recommendation at that time.		July 31, Apr. 22, 1929 \$27,000,000. ✓ \$18,000,000
May 21, 1929 X		Federal Advisory Council publicly stated that it continued to agree with the view of the Board that an excessive amount of the country's credit had been absorbed in speculative security loans, that the policy pursued by the Board had had a beneficial effect and that efforts in this direction should be continued. Council recommended that it grant permission to raise the discount rate to 6% at the Federal Reserve banks requesting it.	May 22, 1929 \$21,000,000. ✓
		(All during this period up to August when the rediscount rate of 6% was approved for the Federal Reserve Bank of New York, there was continued consideration of discount rates in connection with the Board's policy of so-called direct action).	

16.

<u>Date</u>	<u>Committee Recommendations</u>	<u>Board Action</u>	<u>Securities in System Acct.</u>
Aug. 8, 1929	<p>The Governors' Conference expressed the opinion that increased credit demands incident to autumn requirements should be met so far as possible by an increase in bills and that this procedure can best and most safely be undertaken and with least risk of abuse in the use of the Federal reserve credit under the protection of an effective discount rate in New York. Conference recommended that the Board act favorably on any application that may be made by the Federal Reserve Bank of New York for an increase in its existing rate.</p>	<p>The rate of 6% established by the New York directors was approved by the Board on August 8, after the Board had voted to adopt the report received from the Governors as a basis of Federal reserve policy during ensuing months.</p>	<p>Aug. 14, 1929 \$31,000,000.</p>
Sept. 17, 1929		<p>The Federal Advisory Council expressed belief that the increasing of the New York bank rate to 6% and the reduction in the buying rate for bills in the open market had worked satisfactorily and that such action had the approval of the Council.</p>	

<u>Date</u>	<u>Committee Recommendation</u>	<u>Board Action</u>	<u>Securities in System acct.</u>
September 24, 1929	Committee favored a further increase of open-market holdings for purpose of avoiding, if possible, any increase in total volume of member bank discounts during the fall season if this could be done without stimulating unnecessary or abnormal expansion of member bank credit. It favored an increase of these holdings by continued purchase of bills if these could be obtained and if not, by purchases of short term governments. Committee recommended that it be authorized to purchase not to exceed \$25,000,000 a week of short-term securities with the understanding that there would be a careful current review of the consequences of such purchases.	On October 1, Board approved proposed program and authorized purchase of short term governments at not to exceed \$25,000,000 a week. Board stated that its approval was mainly for seasonal reasons and should not be interpreted as a reversal of former policies.	<div>17</div> <div>Sep. 25, 1929 \$48,000,000 ✓ Nov. 13, 1929 \$78,000,000</div>
Oct. 29, 1929		Board expressed the definite opinion that the most helpful thing at that time would be a reduction in the discount rate of the New York bank to 5% coupled with an understanding that the System would suspend, for the time being, any purchases of government securities pending future developments in the credit situation as a result of the rate reduction, and further consideration and approval by the Board.	<div>Oct. 30, 1929 \$48,000,000 ✓</div>
Oct. 30, 1929	Governor Harrison advised of purchases the day before of \$69,000,000 of government securities for the New York bank under authority of the board of directors who had authorized the purchase of securities by the bank in an unlimited amount in the discretion of the Governor.	Governor Young reported at Board meeting that he had advised Governor Harrison that directors' action would probably lead to eventual promulgation by the Board of a regulation on open-market open-market operations.	

(18)

<u>Date</u>	<u>Committee Recommendation</u>	<u>Board Action</u>	<u>Securities in System Acct.</u>
Nov. 7, 1929 X	Directors of New York bank expressed the opinion that the policy of the system for the coming weeks should be to keep a plentiful supply of money in the market through the purchase of bills if available, and, if not, through the purchase of governments.		Nov. 6, 1929 \$73,000,000 ✓
Nov. 12, 1929 ✓	Committee recommended that the present limit of \$25,000,000 per week on the purchase of Government securities be removed and that the Committee be authorized in lieu thereof, to purchase not to exceed \$200,000,000 of securities, with the understanding that there would be a careful current review by the Board and the Committee of the consequences of any such purchases.	On November 13, the Board advised the Committee that it had authorized the Governor, should the Board not be immediately available to act on its behalf, in giving approval in an emergency to purchases of securities and that if an acute emergency arises where it was not practicable to confer with the Governor, the Board would interpose no objection to a purchase operation being undertaken with the understanding that prompt advice would be furnished the Board.	Nov. 13, 1929 \$25,000,000 ✓
		On November 25, 1929 Board advised Committee that it had reconsidered its action of November 13, 1929 and had voted to approve the general principles as to future policy laid down in the report of the open market investment Committee dated November 12 and the resolution adopted by the board of directors of the New York bank on November 7, and had authorized the Committee to purchase from time to time not to exceed in the aggregate \$200,000,000 of securities, with the understanding that if at any time the Board feels that purchases are being made too rapidly, it will so express itself to the Committee and reconsider the whole situation.	Dec. 31, 1929 \$278,000,000 ✓

19.

Date	Committee Recommendation	Board Action	Securities in System Acct.
Jan. 28, 1930	<p>Committee expressed opinion that no open-market operations in government securities were necessary at that time either to halt or to expedite the trend of credit, but recommended that the minimum buying rate for bills be reduced so that the Federal reserve banks might have such flexibility in their bill operations as to avoid the hardening of rates.</p>	<p>On Jan. 30, the Board considered a request from the Federal Reserve Bank of New York for a reduction to $3\frac{1}{2}\%$ in the minimum buying rate and advised that the request had been taken under review and had determined the minimum buying rate to be $3\frac{3}{4}\%$. On February 12, 1930, the Board reduced to $3\frac{1}{2}\%$ the minimum buying rate on acceptances at the New York bank.</p>	<p><i>Mar. 5</i> Jan. 29, 1930 \$278,000,000✓</p>
March 5, 1930		<p>The Governor of the Board was authorized to request that there be submitted to the New York directors gradually not to exceed \$50,000,000 of securities during the next two weeks or so. On March 7, Mr. Case reported authorization by the directors of the New York bank to purchase up to \$50,000,000 of securities in accordance with the Board's suggestion. <i>On March 10, 1930, the minimum buying rate was reduced to 3%.</i></p>	<p><i>19</i> March 8, 1930 \$278,000,000✓ <i>377,</i></p>
March 24, 1930	<p>Committee expressed opinion that there was no occasion for further purchases of Government securities, but in the interest of flexibility and preparedness for the unexpected, favored a reduction in the minimum buying rate on bills to $2\frac{1}{2}\%$.</p>	<p>On March 25, action on request of New York bank for reduction in minimum buying rate on bills to $2\frac{1}{2}\%$ was deferred. Action was again deferred at the meeting of the Board on March 26. On April 8, 1930, Board authorized <i>informed</i> Committee that it concurred in Committee report of March 24, except in the event of some unforeseen development, bills should not be bought below 3% although in view of the trend of bill rates since the date of the meeting</p>	<p><i>on acceptances by the New York bank</i> <i>March 10, 1930, the minimum buying rate was reduced to 3%.</i> <i>May 1, 1930</i> <i>327,000,000</i></p>

a suggestion to purchase

20.

Board Action

Securities in
System Acct.

the Board desired to keep ~~March 26, 1950~~
under review the question ~~\$327,000,000~~ ✓
of a reduction to $2\frac{1}{2}\%$ in the
minimum buying rate.

21.

<u>Date</u>	<u>Committee Recommendations</u>	<u>Board Action</u>	<u>Securities in System Acct.</u>
Apr. 24, 1930 X	New York directors voted to establish rediscount rate of 3% predicated upon approval by Board of minimum buying rate of $2\frac{1}{2}\%$ with the idea of putting into effect a rate of $2-3/4\%$, if the discount rate was reduced to 3%.	Board held request for $2\frac{1}{2}\%$ buying rate under review and determined minimum buying rate to be $2-3/4\%$ <i>not putting any April 30. On May 1 the Board offered a minimum buying rate of $2\frac{1}{2}\%$.</i>	Apr. 30, 1930 \$327,000,000 ✓
May 21, 1930 X	Committee voted to go on record that recommendations as to discount rate of any Federal reserve bank is not within committee's proper province and the directors of any Federal reserve bank must be free at any time to change the discount rate for their bank, subject only to the review and determination of the Federal Reserve Board. Committee stated that it did not appear that any affirmative recommendation as to open-market operations was advisable at that time.		May 28, 1930 \$327,000,000✓
May 29, 1930 ✓	Governor Harrison reported feeling on the part of the directors of the New York bank that action should be taken to further ease the credit situation and had made a recommendation that the System proceed to purchase Government securities at	On June 3rd Board authorized purchase of not to exceed \$25,000,000 of securities a week for the next two weeks, <i>the situation to be reviewed at the end of that time.</i>	June 14, 1930 \$342,000,000✓ 377

22.

<u>Date</u>	<u>Committee Recommendations</u>	<u>Board Action</u>	<u>Securities in System Acct.</u>
	the rate of \$25,000,000 a week; that seven banks concurred in the recommendation, four were opposed, and one interposed no objection,		

Date

Committee Recommendation

Board Action

Securities in
System Acct.

June 23, 1930

Committee expressed opinion that it was not desirable for System to undertake any further purchases of securities.

Aug 6,
~~June 23,~~ 1930
\$577,000,000 ✓

Aug. 6, 1930

Committee requested approval of immediate purchase of \$25,000,000 of securities during ~~the~~ current week.

Board gave approval requested.

Aug. 13, 1930
\$402,000,000 ✓

[Handwritten signature]

[Large handwritten note:]
~~After the Board's approval~~
~~to purchase securities~~
~~the Committee recommended~~
~~approval of the purchase~~
~~of securities.~~

123

<u>Date</u>	<u>Committee Recommendation</u>	<u>Board Action</u>	<u>Securities in System Acct.</u>
June 23, 1930 X	Committee expressed opinion that it was not desirable for System to undertake any further purchases of securities.		Aug 6, June 23, 1930 \$377,000,000 ✓
Aug. 6, 1930 <i>[Signature]</i> ✓	Committee requested approval of immediate purchase of \$25,000,000 of securities during the current week.	Board gave approval requested. <i>[Signature]</i> acted by the Board by further recommendation of Committee if approved by about Board member by telephone.	Aug. 13, 1930 \$402,000,000 ✓

24.

<u>Date</u>	<u>Committee Recommendations</u>	<u>Board Action</u>	<u>Securities in System Acct.</u>
Sept. 3, 1930	Committee recommended authorization of purchase of securities up to \$50,000,000, with understanding that authority should be exercised only if necessary as a supplement to present purchases in offsetting seasonal demands for credit, gold exports, or influences toward firmer money which might interfere with the continuance of present money conditions.	Board granted authority requested, but called attention to the fact that the procedure followed by the committee was not in harmony with the resolution establishing it, under which a meeting of the committee should have been held for free and full discussion of the proposed action.	Sept. 3, 1930 \$402,000,000.✓
Sept. 25, 1930	Committee recommended authorization to supplement bill purchases by purchases of Government securities in the event that the seasonal demand for Federal reserve credit, gold exports, or other factors, should tend unnecessarily to tighten present money rates, and that in the event that conditions develop which would require sales of securities to execute this policy, the committee should be authorized to make such sales; it being understood that if the committee should have to buy or sell more than \$100,000,000 of securities to maintain the status quo, new authority should be procured in accordance with the prescribed procedure.	On October 2, 1930 the committee was advised that the Board was prepared to approve the purchase or sale of Government securities within the limits proposed for the purpose of maintaining stability of rates, such authority to run until an agreeable date next January, unless a change in conditions before that time should make a review and reconsideration of open-market policy advisable at an early date. The advice also stated that it was understood that such purchases or sales of securities would be made in consultation with the Governor of the Board or acting executive officer, except purchases or sales made in small amounts in pursuit of an understood program, or in the event of a sudden emergency.	Oct. 1, 1930 \$402,000,000. Dec. 24, 1930 \$402,000,000 Dec. 31, 1930 \$435,000,000 Jan. 14, 1931 \$402,000,000

25

<u>Date</u>	<u>Committee Recommendation</u>	<u>Board Action</u>	<u>Securities in System Acct.</u>
Oct. 22, 1930 X		In considering a purchase of sterling exchange by the Federal Reserve Bank of New York, the Board stated that it is assumed that the special operations in foreign exchange will be considered as part of the open-market program subject to the policy agreed upon by the Open Market Committee and approved by the Board.	
Nov. 18, 1930 X		The Federal Advisory Council expressed the opinion that the present situation would be best served if the natural flow of credit were unhampered by open-market operations or changes in the discount rates; the seasonal demands during the balance of the year should be met by rediscounting on the part of member banks.	Nov. 19, 1930 \$402,000,000
Dec. 20, 1930 X	Committee expressed willingness to leave it to the judgment of the New York bank whether some additional amount of government securities should be purchased within \$100,000,000 authority with the understanding that the New York bank would keep in close touch with the members of the Committee.		Dec. 31, 1930 \$435,000,000 ✓
Jan. 6, 1931 X		Board approved Governor Meyer's action in advising New York, that he felt, in the light of all circumstances, the Board <i>interposed no objection</i> would not object to the purchase by the New York bank of approximately \$45,000,000 of securities from two member banks or	

26

Board Action

(con't)

the purchase of \$32,000,000
of securities made by the
Committee because of banking
and credit strain over the
year end.

27.

Securities in
System Acct.

<u>Date</u>	<u>Committee Recommendations</u>	<u>Board Action</u>	
Jan. 21, 1931 X	It was the sense of the committee that it should be the policy of the system to continue an easy money policy in the best interest of trade and commerce, but that it would be desirable to dispose of some of the system's holdings of securities as and when opportunity affords without disturbance or tightening of the money position.	On January 30, the Board advised committee Board approved of recommendation.	<i>ap 27</i> Jan. 28, 1931 \$402,000,000✓
Feb. 17, 1931 X		Federal Advisory Council reiterated the recommendation made by its previous meeting that the situation would be best served if the natural flow of credit were unhampered by open-market operations or changes in the discount rates.	Feb. 18, 1931 \$402,000,000✓
Apr. 29, 1931 ✓	Committee recommended authorization if and when it appears necessary or advisable to purchase up to \$100,000,000 of securities.	On May 7 Board authorized, if and when it appears to committee necessary or advisable, to purchase up to \$100,000,000 of securities.	Apr. 30, 1931. \$402,000,000. <i>Jan 24, 1931</i> \$464,000,000
June 22, 1931 ✓	Committee voted to buy up to \$50,000,000 of securities with the understanding that there would be further conferences by telephone or otherwise between members of the committee before any purchases were made beyond that amount.		June 24, 1931 \$464,000,000 <i>July 8 1931</i> \$514,000,000

28

<u>Date</u>	<u>Committee Recommendation</u>	<u>Board Action</u>	<u>Securities in System Acct.</u>
July 7, 1931 X	Committee agreed to proceed with purchase of an additional \$50,000,000 of securities.		July 8, 1931 \$514,000,000 ✓ July 15, 1931 \$524,000,000 ✓
Aug. 10, 1931 ✓	To counteract tightening influence of \$50,000,000 of maturing bills held by Bank of France, Executive Committee of New York bank authorized officers to purchase up to \$50,000,000 of Government securities.	Governor Meyer and Mr. Miller were present at meeting in New York and, being familiar with the attitude of the Board, did not express objection to the action.	Aug. 18, 1931 \$524,000,000 ✓ KN-15 ✓
Aug. 11, 1931 ✓	Committee recommended authorization to purchase up to \$120,000,000 of securities if and when it became necessary or advisable to do so, or if necessary or advisable to sell up to a similar amount.	On Aug. 18, Board advised Committee that it gave a general approval to the contemplated purchase of Government securities, and in order that Committee may be prepared to act promptly on the current application of the policy of purchase, it had authorized the Governor of the Board, until such time as the matter of open-market policy should be reviewed and further considered, to act on its behalf with respect to the purchase of an aggregate of \$120,000,000 of Government securities. The Board also stated that it was authorized not authorizing the Governor to exercise its approval with regard to sales of securities and that in the event conditions should take such a turn as to make sales of securities from System Account advisable in the judgment of the Executive Committee of the Conference, the Board would wish to consider the matter.	Aug. 29, 1931 \$524,000,000 ✓

29.

<u>Date</u>	<u>Committee Recommendations</u>	<u>Board Action</u>	<u>Securities in System Acct.</u>
Oct. 22, 1931 X		Expressed as feeling of members of the Board at meeting on October 22, 1931 that, if recommended by the executive committee of the open market policy conference, they would be inclined to approve the sale of securities from the open-market account, or to allow maturities to run off, to the extent of \$120,000,000.	Oct. 21, 1931 \$524,000,000.
Oct. 26, 1931 +	Committee asks for the same leeway with respect to the sale of Government securities as it possessed with respect to purchases, as recommended by the resolution of August 11.	Board not disposed to grant authority requested, <i>but no formal action taken.</i>	Oct. 28, 1931 \$524,000,000.✓
Nov. 30, 1931 ✓	While committee was of the opinion that no occasion for immediate purchase of Government securities existed, it requested authority, in order to be prepared if and when occasion arose, to buy up to \$200,000,000 of Government securities before the end of the year and authority in its discretion to sell any security so bought after the turn of the year if conditions should then permit.	Board granted authority requested with understanding that it would run until January 30th or such earlier date as another meeting of the committee.	Dec. 16, 1931 \$524,000,000.✓ Dec. 23 1931 \$574,000,000 Dec. 30, 1931 \$567,000,000

30

Jan. 12, 1932	Committee recommended that it be authorized if and when desirable to purchase not to exceed \$200,000,000 of securities such purchases to be made only after the approval of the Executive Committee at a meeting to be called for the purpose of considering the occasion or standards need therefor.	On January 19, 1932 Board granted the authority requested with the understanding that any action taken by the Executive Committee would be subject to approval of the Federal Reserve Board. The Board also reserved the right to review this and request its approval if and when circumstances justify.	<i>Jan. 24,</i> Jan. 17, 1932 \$567,000,000 ✓
Feb. 24, 1932	Committee recommended that subject to the approval of the Federal Reserve Board the Executive Committee be authorized to purchase up to \$250,000,000 of securities at the approximate rate of \$25,000,000 per week; it being understood that purchases under this program should be made after a meeting of the Executive Committee called for the purpose of considering such purchases.	Board granted authority requested and that at immediate subsequent meeting of the Executive Committee of the Open Market Conference, it was decided to proceed with the purchases of Government securities if and when the Glass-Steagall bill was enacted in the law.	<i>April 6,</i> March 2, 1932 \$587,000,000 ✓ \$712,000,000
April 5, 1932	Committee voted to continue purchases of securities at \$25,000,000 a week previously authorized.		April 6, 1932 \$712,000,000 ✓

31.

<u>Date</u>	<u>Committee Recommendations</u>	<u>Board Action</u>	<u>Securities in System Acct.</u>
Apr. 8, 1932	New York directors voted subject to approval of Board that bank should purchase for its own account \$50,000,000 of Government securities.	Board concurred in Governor Myer 's advice to Governor Harrison that inasmuch as a meeting of the Open Market Policy Conference would be held during the next week for the specific purpose of considering the whole matter of Open Market policy, the New York bank should postpone any purchases of securities until the conference had had an opportunity to canvass the situation in all its aspects.	
Apr. 12, 1932	Committee requested authority to purchase up to \$500,000,000 of Government securities in addition to the unexpired authority granted on February 24, and that these purchases, at least in the initial weeks, should be at a rate as rapid as may be practicable and if possible should amount to \$100,000,000 in the current statement week.	Board granted authority requested.	<p>Apr. 13, 1932 \$812,000,000. <i>May 18, 1932</i> <i>\$1,296,000,000</i></p>
May 17, 1932	Committee requested authority to continue the purchase of Government securities as may seem advisable from week to week, but not to exceed an aggregate of \$500,000,000 without another meeting of the Open Market Policy Conference.	<p>Authority requested granted by Board.</p> <p>In joint meeting of the Federal Reserve Board and Open Market Policy Conference, the issuance of a statement to the press was approved; it stated that the Governors of the Federal</p>	<p><i>Jan 15,</i> May 18, 1932. \$1,296,000,000 <i>\$1,501,</i></p>

32.

<u>Date</u>	<u>Committee Recommendations</u>	<u>Board Action</u>	<u>Securities in System Acct.</u>
		<p>reserve banks met with the Federal Reserve Board and it was decided to continue open-market operations by the purchase of government securities, the extent and amount to be determined from time to time as conditions justify.</p>	

33.

<u>Date</u>	<u>Committee Recommendation</u>	<u>Board Action</u>	<u>Securities in System Acct.</u>
June 16, 1932	<p><i>sufficient</i></p> <p>Committee agreed to a proposal that (1) until further notice several purchases of Government securities should be made to keep excess reserves of member banks at a figure between \$250,000,000 and \$300,000,000, (2) that the System should continue to show an increase from week to week in total holdings of Government securities in order to avoid the creation of a feeling that the policy of the System had been changed, and (3) that in the coming week it appeared that the purpose might be accomplished by smaller purchases.</p>		<p><i>Jul 13</i> June 15, 1932 ✓ \$1,620,000,000</p>
<i>July</i> 14, 1932	<p>Conference requested authority to buy securities to the extent necessary to maintain excess reserves at approximately \$200,000,000, total purchases to be limited to the amount previously authorized which was \$207,000,000. For the guidance of the Executive Committee, it was the sense of the Conference that except in unusual or unforeseen circumstances purchases should not exceed \$15,000,000 a week, but for the next 4 weeks should be not less than \$5,000,000 a week.</p>	<p>Authority requested July 13, 1932 ✓ was approved by Board. \$1,640,000,000</p>	<p><i>Aug 10</i> July 13, 1932 ✓ <i>Nov 16, 1932</i> \$1,640,000,000</p>
Nov. 15, 1932	<p>Conference was of the opinion that no change should be made in the amount of System holdings of Government securities pending another meeting of the Board during the first week in January.</p> <p><i>Conference</i></p>		<p>Nov. 15, 1932 ✓ \$1,640,000,000 Dec. 23, 1932 ✓ \$1,640,000,000 <i>Jan 4, 1933</i> \$1,640,000,000</p>

34

<u>Date</u>	<u>Committee Recommendations</u>	<u>Board Action</u>	<u>Securities in System Acct.</u>
Jan. 5, 1933	Conference was of opinion that no change should be made in the System's holdings policy intended to maintain a substantial amount of excess reserves, but recommended that authority be given (a) to reduce the System's holdings of short-term Treasury bills in order to offset such amount of the return flow of currency as may seem desirable, provided such action did not result in any substantial reduction in existing excess reserves, and (b) if necessary, to purchase Government securities in sufficient amounts to prevent excess reserves falling below the present general level.	Recommendation approved by the Board. (Press statement issued in connection with this action).	Jan. ²⁵ 4, 1933 ✓ \$1,840,000,000 159, Jan. 11, 1933 \$1,629,000,000
Feb. 27, 1933	Secretary of Treasury suggested advisability of purchasing during the week securities in such amounts up to \$100,000,000 as might be necessary to steady the market.	Discussion at Board meeting indicated that members of Board were not disposed to favor the suggested action.	Jan. 18, 1933 ✓ \$1,574,000,000 Jan. 25, 1933 ✓ \$1,559,000,000 Feb. 8, 1933 ✓ \$1,579,000,000 Feb. 15, 1933 ✓ \$1,604,000,000 Feb. 22, 1933 ✓ \$1,629,000,000
Apr. 22, 1933	It was sense of the conference that, subject to the approval of the Federal Reserve Board, the executive committee be authorized to arrange with the Secretary of the Treasury from time to time to purchase up to \$1,000,000,000 of Government securities to meet Treasury requirements.	On April 26, 1933 the Board advised the Chairman that it did not think it advisable to make any change in the system holdings of Government securities that week and that action on the resolution of the conference had been deferred.	May 17, 1933 ✓ \$1,629,000,000

25

<u>Date</u>	<u>Committee Recommendations</u>	<u>Board Action</u>	<u>Securities in System Acct.</u>
		On May 12, 1933 the Board advised the Chairman of the conference that it authorized the committee to proceed with its proposed purchases of Government securities up to an aggregate of \$1,000,000,000. The Board also stated that it would have the whole matter of Open Market Policy under constant review and would advise the committee of changes to be made in the program in order more fully to adjust it to the requirements of the national situation.	<p><i>Jan 19, 1933</i> \$1,810,000,000</p>
May 23, 1933	Executive committee voted that authority be given to it at previous meeting of the conference should be amended to remove the restriction, "to meet Treasury requirements", in order that purchases of securities may be made promptly if, in the judgment of the committee, such purchases are considered desirable, whether or not to meet Treasury requirements.		<p>May 24, 1933 ✓ \$1,854,000,000</p> <p>May 31, 1933 ✓ \$1,882,000,000</p>
	Committee also voted to purchase \$25,000,000 of Government securities during the statement week provided the majority of conference approved the proposed extension of authority to the executive committee.		

36

June 29, 1933

Executive Committee decided to purchase approximately \$20,000,000 of securities during the current week and no decision was reached as to definite action beyond the week because of the great uncertainty as to the possibility of the dollar and other influences affecting business activity.

~~June 29, 1933~~
~~\$1,769,000,000~~

July 21, 1933

It was the sense of the Federal Open Market Committee that the authority to purchase up to \$1,000,000,000 of securities be reaffirmed and be continued for the unused portion of the authority.

Recommendation approved by Board. ~~July 26, 1933~~
~~\$1,820,000,000~~

~~Oct. 11, 1933~~
~~\$1,137,000,000~~

Sep. 21, 1933

Executive Committee voted that purchases not to exceed \$36,000,000 be made in the current statement week with the understanding that a lesser amount might be purchased if the change in conditions appeared to make that advisable.

~~Sep. 20, 1933~~
~~\$2,031,000,000~~

Oct. 10, 1933

Committee voted that authority to purchase \$1,000,000,000 of securities be continued and reaffirmed for the unused portion of the authority.

On October 12, 1933, Board authorized the Executive Committee to proceed with the proposed purchases of securities to the extent of the unused portion of the aggregate of \$1,000,000,000. The Board again stated that it would have the whole matter of open-market policy under constant review and would advise the Committee of changes to be made in the program in order more fully to adjust it to the requirements of the national situation.

~~Oct. 11, 1933~~
~~\$2,168,000,000~~

Oct. 25, 1933

Committee agreed that the policy of gradually diminishing purchases should be followed and that \$18,000,000 of securities should be purchased during the statement week.

~~Oct. 25, 1933~~
~~\$2,195,000,000~~

~~Nov. 8, 1933~~
~~\$2,223,000,000~~

~~No further change has been made in amount of securities held in the System Acct.~~

<u>Date</u>	<u>Committee Recommendations</u>	<u>Board Action</u>	<u>Securities in System Acct.</u>
March 5, 1934 June 22, 1934	Committee recommended that the authorization for the purchase of Government securities renewed on October 10, be reduced to \$100,000,000.	Recommendation approved by Board with understanding that the Board would be kept informed currently by the Executive Committee of its program of purchases and as to any development in the situation which might affect the application of the program.	
March 24, 1934	The directors of the Chicago bank requested authority to allow its holdings of securities maturing on April 15, 1934 to run off without reinvestment.	On April 12 Board expressed opinion to Chicago bank it would be undesirable for the bank to take the contemplated action.	
May 23, 1934	At meeting of executive committee, question was raised whether there was a possibility of a purchase of Government securities from the Federal reserve system by the Treasury for the account of the stabilization fund. The question was discussed wholly tentatively, but no conclusion was reached.		
June 26, 1934.	Committee recommended that executive committee be authorized to sell up to \$500,000,000 of securities to the Treasury, if and when it seemed desirable, it being preferred that any securities so sold should be of the longer maturities.	On August 15 Governor Black advised Governor Harrison that since the Treasury had taken no steps to discuss the position purchase of securities, it appeared unnecessary for the Board to take action on the matter at that time.	

38

<u>Date</u>	<u>Committee Recommendation</u>	<u>Board Action</u>	<u>Securities in System Acct.</u>
Sept. 21, 1934	<p>It was voted as the sense of the Conference that the Federal Reserve System was deeply interested in the present, as in the past, financing of the Treasury, and instructed the Chairman of the Committee to convey to the Secretary of the Treasury the System's interest, and to advise the Secretary that the System would continue its active aid in the financing and would be pleased to consider such suggestions as may be made for further cooperation.</p> <p>Other meetings were held by the Executive Committee and the Federal Open Market Committee during 1934 but no action was taken of a character which would require reference thereto in this memorandum.</p>		<p>Dec 26, 1934 82,223,000,00</p>

Special In it not account he¹⁰ li, one
day previous to typewritten dates

7	Jan. 18, 1926	260,000.00
19	Mar. 8, 1926	223,056.00
23	Mar. 20, 1926	172,589.00
1	Mar. 24, 1926	183,837.00
20	June 2, 1926	282,500.00
16	June 21, 1926	263,700.00
	Aug. 17, 1926	264,863.00
	Sept. 10, 1926	204,975.00
	Nov. 7, 1926	200,000.00
	Mar. 5, 1927	200,000.00
	Mar. 21, 1927	176,324.00
	May 11, 1927	135,812.00
	June 16, 1927	244,256.30
	July 27, 1927	265,998.30
	Nov. 2, 1927	405,222.00
	Dec. 13, 1927	419,934.00
	Jan. 9, 1928	422,030.00
	Jan. 12, 1928	399,530.00
	Jan. 16, 1928	371,030.00
	Jan. 24, 1928	341,019.00
	Feb. 10, 1928	272,194.00
	Feb. 27, 1928	"
	Mar. 26, 1928	272,289.00
	Apr. 11, 1928	253,038.00
	Apr. 18, 1928	210,438.00
	Apr. 29, 1928	152,318.00
	May 25, 1928	100,000.00
	July 18, 1928	84,788.00
	Aug. 13, 1928	75,482.00
	Nov. 15, 1928	"
7	Jan. 7, 1929	75,592.00
1	Feb. 2, 1929	"
1	Feb. 5, 1929	"
1	Apr. 1, 1929	400,000.00
1	May 21, 1929	20,500.00
1	Aug. 8, 1929	31,125.00
1	Sept. 17, 1929	36,125.00
1	Sept. 24, 1929	26,128.00
1	Oct. 29, 1929	43,500.00
1	Oct. 30, 1929	47,500.00
1	Nov. 7, 1929	72,500.00
1	Nov. 12, 1929	97,500.00
1	Jan. 28, 1930	277,500.00
1	Mar. 5, 1930	"
23	Mar. 24, 1930	302,250.00
23	Apr. 24, 1930	327,300.00
20	May 21, 1930	"
28	May 29, 1930	"
28	June 28, 1930	377,300.00
22	Aug. 6, 1930	377,300.00
5	Sept. 3, 1930	402,300.00

Sept. 25, 1930	402,300,000
Oct. 22, 1930	"
Nov. 18, 1930	"
Dec. 20, 1930	"
Jan. 6, 1931	417,729,000
Jan. 21, 1931	402,300,000
Feb. 17, 1931	"
Apr. 29, 1931	"
June 22, 1931	444,468,000
July 7, 1931	494,471,000
Aug. 10, 1931	524,468,000
Aug. 11, 1931	"
Oct. 22, 1931	"
Oct. 28, 1931	"
Nov. 30, 1931	"
Jan. 12, 1932	566,816,000
Feb. 24, 1932	"
Apr. 5, 1932	696,816,000
Apr. 8, 1932	711,816,000
Apr. 12, 1932	736,816,000
May 17, 1932	1,234,021,000
June 16, 1932	1,521,333,000
July 14, 1932	1,609,583,000
Nov. 15, 1932	1,639,607,500
Jan. 5, 1933	1,639,607,500
Feb. 27, 1933	1,629,379,400
Apr. 22, 1933	"
May 23, 1933	"
June 29, 1933	1,762,150,000
July 21, 1933	1,810,350,000
Sept. 21, 1933	1,850,350,000
Oct. 10, 1933	2,102,150,000
Oct. 25, 1933	2,162,150,000
Mar. 5, 1934	2,223,147,500
Mar. 24, 1934	"
May 23, 1934	"
June 26, 1934	"
Sept. 21, 1934	"

Page	Date	Committee Recommendation (Other Recommendations✓)	Board Authorization	Status of Account
49	Jan.18,1926	Sell \$50,000,000 of Govern- ments when developments dis- close desirability	Approved	Dec. 30, 1925 \$260,000,000
50	Mar.8,1926	✓ <u>Chairman Open Market Invest- ment Committee.</u> Replace about \$66,000,000 of Mar.15, 1926 maturities	Approved	Feb. 24, 1926 \$210,000,000
53	Mar.22,1926	Buy unreplaced \$31,411,100 of Mar.15,1926 maturities. (Buy additional securities if there should be no further liquida- tion of F. R. credit.)	\$31,411,100 replace- ment approved.	
55	Mar.22,1926	✓ <u>Governor's Conference.</u> Buy up to \$90,000,000 additional se- curities if developments in- dicate need before April 15, 1926.	Approved	April 15, 1926 \$275,000,000
57	June 21,1926	Maintain approximately \$275,000,000. Buy or sell tem- porarily within \$50,000,000 range.	Approved	Aug.17, 1926 \$275,000,000
60	Aug.17,1926	Sell \$40,000,000 of Third Liberty Loan 4 1/2's to Treasury, \$25,000,000 from account and \$15,000,000 from three F. R. banks, without replacement. Sell approximately \$20,000,- 000 of Treasury notes to foreign correspondents to off- set gold imports.	3 Board members pre- sent at Committee meeting. Minutes ordered circulated in Board without any action being taken. <i>Program carried out.</i>	Sept. 10, 1926 \$210,000,000
63	Sept.10,1926	Maintain approximately \$200,- 000,000. Buy and sell tempo- rarily within \$50,000,000 range. Offset gold imports by sale of securities to foreign correspondents.	Joint meeting approv- ed recommendations. Board authorized main- tenance of \$200,000,- 000 to \$225,000,000	

Page	Date	Committee Recommendation (Other Recommendations)	Board Authorization	Status of Account
				Nov. 7, 1926 \$200,000,000
68	Nov. 7, 1926	"it may be desirable to purchase up to 100 million of securities during the coming six weeks, to be sold again ...shortly after the turn of the year".	"should there be...any new developments which would seem to warrant increasing the account temporarily the Committee will confer further with the Board."	
70	Mar. 1 1927	✓ <u>New York F. R. Bank.</u> Do not replace \$30,000,000 of March 15 maturities.	Approved	Mar. 21, 1927 \$176,323,500
78	Mar. 21, 1927	Replace \$25,000,000 of March 15 maturities. Buy \$50,000,000 of additional Governments if and when justifiable.	Approved \$25,000,000 replacement. Ready to act on recommendation of \$50,000,000 purchase.	
86	May 11, 1927	No further sale of securities to offset gold imports. Gradually bring account up to \$250,000,000 by August 1.	Approved	Mar. 21, 1927 (later) \$201,000,000
92	June 16, 1927	✓ <u>Governor Strong.</u> Buy up to additional \$100,000,000 by August 1 since about \$100,000,00 now in account were purchased to offset loss of gold earmarked for foreign account.	Not approved	June 15, 1927 \$244,256,300
97	June 22, 1927	✓ <u>Governor Strong.</u> Same as above	Approved. (Operations to offset gold movements not "part of authority" granted by Board)	July 27, 1927 \$265,998,300
102	July 27, 1927	Buy up to additional \$50,000,000	Approved	July 27, 1927 \$265,998,300

3.

Page	Date	Committee Recommendation (Other Recommendations)	Board Authorization	Status of Account
				Nov. 2, 1927 \$403,000,000
126	Nov.2,1927	Offset gold movements by purchases and sales. Deal with year-end advance in money rates by temporary purchases to be re-sold in January. Buy up to \$100,000,000 in gold or exchange to offset any renewed gold imports.	Approved	
				Dec.31,1927 \$423,158,500
137	Jan. 9,1928	Sell \$40,000,000 to \$50,000,000 No formal Board approval considered necessary in view of Nov. 2,1927 authorization.	Formally authorized sale of up to \$50,-000,000 after \$25,000-000 had in past been sold <i>fact</i>	Jan.12,1928 \$376,030,000
145	Jan.12,1928	Sell further amounts. "Work toward somewhat firmer money conditions." Deal with gold movements.	Approved	
				Mar.24,1928 \$273,000,000
158	Mar.26,1928	Continuation of Jan.12 policy	Approved	
				Apr. 29,1928 \$152,318,300
168	Apr.29,1928	Continuation of Mar. 26 policy	Approved	
				May 25,1928 \$100,000,000
176	May 25,1928	Continue sales	Approved	
				July 18,1928 \$85,000,000.
183	July 18,1928	No recommendation		
191	Aug.13,1928	Buy if necessary to meet fall credit demands.	Approved purchases up to \$100,00,00 only as last resort.	
				Nov.15,1928 \$75,000,000
208	Nov.15,1928	Buy if necessary	Blanket approval refused,ready to act on request on amounts up to \$25,000,000.	

Page	Date	Committee Recommendation (Other Recommendations✓)	Board Authorization	Status of Account
				Jan. 2, 1929 \$76,000,000
220	Jan. 7, 1929	Sell up to \$50,000,000. Committee's function should be defined. It should recommend policy to Board and should have power to carry out Board's authorization within specified limits.	No action reported. (Approval indicated by nature of April, 1 recommendation of Committee)	
				April 1, 1929 \$40,000,000
228	Apr. 1, 1929	"As there appears to be no need just now to consider the purchase of government securities and as the committee already has authority to sell government securities, there is no occasion for any further recommendation at this time."		
				Aug. 7, 1929 \$31,125,000
258	Aug. 8, 1929	✓ <u>Governors' Conference</u> . Credit demand should be met by bill purchases.		
				Sept. 25, 1929 \$31,125,000
268	Sept. 24, 1929	Buy up to \$25,000,000 of government securities if sufficient bills are not available to prevent increase in member bank borrowing.	Approved	
				Oct. 23, 1929 \$22,500,000
274	Oct. 28, 1929	✓ <u>Governor Harrison</u> . Buy governments to relieve market	<i>No formal</i> Action not approved but securities were purchased.	
				Nov. 9, 1929 \$73,000,000
281	Nov. 12, 1929	Buy up to \$200,000,000 of government securities.	Approved (Nov. 25) (\$50,000,000 of unauthorized purchases not part of \$200,000- 000 authorization)	Nov. 14, 1929 \$122,500,000
			<i>previously made not considered</i>	

5.

Page	Date	Committee Recommendation (Other Recommendations)	Board Authorization	Status of Account
300	Jan.28,1930	(On Jan.23 revision of open-market procedure announced by Board - see p. 297). Recommended no open-market operations but suggested a reduction in bill rate.	No action reported	Jan.23,1930 \$277,500,000
319	Mar.24,1930	✓ <u>Open Market Investment Committee</u> "including informally" representatives of all F. R. banks. Procedure revision Recommended no open market operations, but suggested reduction in bill rate. <i>Considered.</i>	Approved (except for bill rate reduction)	Mar.20,1930 \$327,300,000
338	May 21,1930	No recommendation. Stand ready to act if necessary.		May 14,1930 \$327,300,000
341	June 3,1930	✓ <u>Executive Committee</u> . Buy \$25,-000,000 of government securities per week for two weeks	Approved	May 28,1930 \$327,300,000
352	June 23,1930	✓ <u>Executive Committee</u> . No recommendation		June 19,1930 \$377,300,000
362	Aug.6,1930	Buy \$25,000,000 (no meeting)	Approved	Aug.6,1930 \$377,300,000
365	Sept.3,1930	Buy up to \$50,000,000 (no meeting)	Approved, though contrary to established procedure <i>Lack of meeting</i>	Aug.28,1930 \$402,300,000
				Sept.25,1930 \$402,300,000

Page	Date	Committee Recommendation (Other Recommendations)	Board Authorization	Status of Account
380	Sept.25,1930	Buy or sell up to \$100,000,000	Approved	Jan.15,1931 \$402,300,000
402	Jan.21,1931	Sell, but not enough to tighten money conditions	Approved	Apr.29,1931 \$402,300,000
423	Apr.29,1931	Buy up to \$100,000,000	Approved	June 18,1931 \$444,468,000
434	June 22,1931	✓ <u>Executive Committee.</u> Buy up to \$50,000,000 (under Apr. 29 authorization)		

DECLASSIFIED
Authority *EX Order 12256*

333.3-a

CONFIDENTIAL

DEC 27 1934

Mr. F. H. Curtiss, Chairman,
Federal Reserve Bank of Boston,
Boston, Massachusetts.

Dear Mr. Curtiss:

There is attached, for your information, a copy
see 12-27-34
of a letter addressed by the Federal Reserve Board today
to the Chairman of the Federal Open Market Committee,
advising of the action taken by the Board on the recom-
mendations made at the meeting of the Federal Open Market
Committee in Washington on December 17, 1934.

Very truly yours,

(Signature)

Chester Morrill,
Secretary.

(Signature)
CSC/mf

Inclosure.

(Signature)
(Signature)

FILE COPY

DECLASSIFIED
Authority *Ex Order 12356*

333.3-a

CONFIDENTIAL

December 27, 1934.

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

Dear Mr. Case:

There is attached, for your information, a copy
of a letter ¹²⁻²⁷⁻³⁴ addressed by the Federal Reserve Board today
to the Chairman of the Federal Open Market Committee,
advising of the action taken by the Board on the recom-
mendations made at the meeting of the Federal Open Market
Committee in Washington on December 17, 1934

Very truly yours,

Chester Morrill,
Secretary.

Inclosure

SRC/mf



FILE COPY

DECLASSIFIED
Authority *Ex Order 12356*

333.3-a

December 27, 1934.

CONFIDENTIAL

Mr. R. L. Austin, Chairman,
Federal Reserve Bank of Philadelphia,
Philadelphia, Pennsylvania.

Dear Mr. Austin:

There is attached, for your information, a copy
of a letter ¹²⁻²⁷⁻³⁴ addressed by the Federal Reserve Board today
to the Chairman of the Federal Open Market Committee,
advising of the action taken by the Board on the recom-
mendations made at the meeting of the Federal Open
Market Committee in Washington on December 17, 1934.

Very truly yours,

Chester Morrill,
Secretary.

Inclosure

SRC/mf



FILE COPY

DECLASSIFIED
Authority *Ex Order 12356*

333.3-a

CONFIDENTIAL

December 27, 1934.

Mr. E. S. Burke, Jr., Deputy Chairman,
Federal Reserve Bank of Cleveland,
Cleveland, Ohio.

Dear Mr. Burke:

There is attached, for your information, a copy
of a letter¹²⁻²⁷⁻³⁴ addressed by the Federal Reserve Board today
to the Chairman of the Federal Open Market Committee,
advising of the action taken by the Board on the recom-
mendations made at the meeting of the Federal Open Market
Committee in Washington on December 17, 1934.

Very truly yours,

Shester Morrill
Secretary

Inclosure.

SRC/mf



FILE COPY

DECLASSIFIED
Authority *Ex Order 12356*

333.3-a

CONFIDENTIAL

December 27, 1934.

Mr. W. W. Hoxton, Chairman,
Federal Reserve Bank of Richmond,
Richmond, Virginia.

Dear Mr. Hoxton:

There is attached, for your information, a copy
of a letter ¹²⁻²⁷⁻³⁴ addressed by the Federal Reserve Board today
to the Chairman of the Federal Open Market Committee,
advising of the action taken by the Board on the recom-
mendations made at the meeting of the Federal Open Market
Committee in Washington on December 17, 1934.

Very truly yours,

Chester Morrill,
Secretary.

Inclosure.

SRC/mf



FILE COPY

DECLASSIFIED
Authority *Ex Order 12356*

333.3-a

CONFIDENTIAL

December 27, 1934

Mr. Oscar Newton, Chairman,
Federal Reserve Bank of Atlanta,
Atlanta, Georgia.

Dear Mr. Newton:

There is attached, for your information, a copy
of a letter ¹²⁻²⁷⁻³⁴ addressed by the Federal Reserve Board today
to the Chairman of the Federal Open Market Committee,
advising of the action taken by the Board on the recom-
mendations made at the meeting of the Federal Open Market
Committee in Washington on December 17, 1934.

Very truly yours,

Chester Morrill,
Secretary.

Inclosure.

SRC/mf

FILE COPY

DECLASSIFIED
Authority *Ex Order 12256*

333.3-a

CONFIDENTIAL

December 27, 1934.

Mr. E. M. Stevens, Chairman,
Federal Reserve Bank of Chicago,
Chicago, Illinois.

Dear Mr. Stevens:

There is attached, for your information, a copy
of a letter ¹²⁻²⁷⁻³⁴ addressed by the Federal Reserve Board today
to the Chairman of the Federal Open Market Committee,
advising of the action taken by the Board on the recom-
mendations made at the meeting of the Federal Open Market
Committee in Washington on December 17, 1934.

Very truly yours,

Chester Morrill,
Secretary.

Inclosure.

SRC/mf



FILE COPY

DECLASSIFIED
Authority *Ex Order 12356*

333.2-a

CONFIDENTIAL

December 27, 1934.

Mr. J. S. Wood, Chairman,
Federal Reserve Bank of St. Louis,
St. Louis, Missouri.

Dear Mr. Wood:

There is attached, for your information, a copy
12-27-34
of a letter addressed by the Federal Reserve Board today
to the Chairman of the Federal Open Market Committee,
advising of the action taken by the Board on the recom-
mendations made at the meeting of the Federal Open Market
Committee in Washington on December 17, 1934.

Very truly yours,

Chester Morrill,
Secretary.

Inclosure

SRC/as
[Signature]

FILE COPY

DECLASSIFIED
Authority *Ex Order 12956*

333.3^a

December 27, 1934.

CONFIDENTIAL

Mr. J. N. Peyton, Chairman,
Federal Reserve Bank of Minneapolis,
Minneapolis, Minnesota.

Dear Mr. Peyton:

There is attached, for your information, a copy
of a letter¹²⁻²⁴⁻³⁴ addressed by the Federal Reserve Board today
to the Chairman of the Federal Open Market Committee,
advising of the action taken by the Board on the recom-
mendations made at the meeting of the Federal Open Market
Committee in Washington, on December 17, 1934.

Very truly yours,

Chester Morrill,
Secretary.

Inclosure.

SPC/af


FILE COPY

DECLASSIFIED
Authority *Ex Order 12356*

333.3-a

CONFIDENTIAL

December 27, 1934.

Mr. E. P. Brown, Deputy Chairman,
Federal Reserve Bank of Kansas City,
Kansas City, Missouri.

Dear Mr. Brown:

There is attached, for your information, a copy
of a ¹²⁻²⁷⁻³⁴letter addressed by the Federal Reserve Board today
to the Chairman of the Federal Open Market Committee,
advising of the action taken by the Board on the recom-
mendations made at the meeting of the Federal Open Market
Committee in Washington on December 17, 1934.

Very truly yours,

Chester Morrill,
Secretary.

Inclosure.

SNC/af



FILE COPY

DECLASSIFIED
Authority *Ex Order 12356*

333.3-a

CONFIDENTIAL

December 27, 1934.

Mr. C. C. Walsh, Chairman,
Federal Reserve Bank of Dallas,
Dallas, Texas.

Dear Mr. Walsh:

There is attached, for your information, a copy
of a letter ¹²⁻²⁷⁻³⁴ addressed by the Federal Reserve Board today
to the Chairman of the Federal Open Market Committee,
advising of the action taken by the Board on the recom-
mendations made at the meeting of the Federal Open Market
Committee in Washington on December 17, 1934.

Very truly yours,

Chester Morrill,
Secretary.

Inchessure

SRC/af



FILE COPY

DECLASSIFIED
Authority *Ex Order 12356*

333.3-a

CONFIDENTIAL

December 27, 1934.

Mr. W. N. Moore, Deputy Chairman,
Federal Reserve Bank of San Francisco,
San Francisco, California.

Dear Mr. Moore:

There is attached, for your information, a copy
del 12-27-34
of a letter addressed by the Federal Reserve Board today
to the Chairman of the Federal Open Market Committee,
advising of the action taken by the Board on the recom-
mendations made at the meeting of the Federal Open Market
Committee in Washington on December 17, 1934.

Very truly yours,

Chester Morrill,
Secretary.

Inclosure

SRC/ms



FILE COPY

DECLASSIFIED
Authority *Ex Order 12356*

333.3-a

CONFIDENTIAL

DEC 27 1934

Mr. George L. Harrison, Chairman,
Federal Open Market Committee,
Federal Reserve Bank of New York,
New York, New York.

Dear Governor Harrison:

The Federal Reserve Board has given consideration to the action taken at the meeting of the Federal Open Market Committee in Washington on December 17, 1934, advice of which was contained in Mr. Burgess' letter of December 18, addressed to Governor Eccles, and approves the recommendations that the Executive Committee of the Federal Open Market Committee be authorized to replace the Treasury Notes maturing on March 15, 1935 and the maturities of called 4th 4½% Liberty Bonds held in the system account either in the market or with any securities which the Treasury may offer in exchange, and to make exchanges between maturities in the system account up to a total of \$100,000,000.

Advice of the Board's action is being sent today to the Chairmen of the Federal Reserve banks.

FOR APPROVAL

Very truly yours,

Handwritten signature of Chester Morrill

(Signed) Chester Morrill

Chester Morrill,
Secretary

Mr. Hamlin.....
Mr. Miller.....
Mr. James.....
Mr. Thomas.....
Mr. Szymczak.....
Mr.

If you approve, please
initial and return to
Mr. Carpenter

DEC 28 1934

FILE COPY

DECLASSIFIED
Authority *Ex Order 12356*

333,3-a

December 18, 1954.

Dear Governor Eccles:

Carded

At its meeting yesterday the Federal Open Market Committee passed the following two motions designed to place the Executive Committee in a position to replace maturities and to deal with changes in market conditions pending a further meeting of the full Committee.

\$ 74,350,000

"Voted that the Executive Committee be given authority to replace the Treasury Notes maturing on March 15 and the maturities of called 4th $4\frac{1}{4}\%$ Liberty Bonds in System Account either in the market or with any securities which the Treasury may offer in exchange."

\$84,667,700

"Voted that the Executive Committee be given authority to make exchanges between maturities in the System Account up to a total of \$100,000,000."

Very truly yours,

W. Randolph Bueper

Secretary.

Honorable M. S. Eccles, Governor,
Federal Reserve Board,
Washington, D. C.

DECLASSIFIED
Authority *EX Order 12356*

Open Market Com. File

33 3.3-a

**FEDERAL RESERVE BANK
OF NEW YORK**

December 3, 1934.

Dear Governor Eccles:

Confirming my telephone conversation this is to let you know that we have now received word from all the Federal reserve banks approving the action of the executive committee at its meeting on November 25 with respect to the replacement of issues maturing December 15 next, and exchanges of securities in the market. The reception of the new Treasury issue is so good that it now seems unlikely that there will be any occasion for unusual action on the part of the Reserve System.

Very truly yours,

W. Randolph Burgess

W. Randolph Burgess
Secretary, Federal Open
Market Committee

Honorable Marriner S. Eccles,
Governor, Federal Reserve Board,
Washington, D. C.

WRB.H

October 30, 1934

Dr. Miller

Open-market policy and operations

Mr. Goldenweiser

from the middle of 1927 to the end of 1928

Throughout 1927 the Federal Reserve System pursued an easy money policy.

In July the System held conferences with representatives of the Bank of England, the Banque de France, and the Reichsbank, at which it was pointed out that the United States was drawing large amounts of gold from Europe, that European currencies were under pressure, and that it might prove to be impossible for those countries that had recently returned to the gold standard to maintain it during the autumn months when the demand for dollars is seasonally large, unless definite efforts be made in the United States to establish and maintain easy conditions in the American money market.

On July 27, 1927 at a joint meeting of the Federal Reserve Board and the Open-market Investment Committee it was decided to recommend the adoption of lower discount rates by the Federal Reserve banks and to authorize the Open-market Investment Committee to purchase additional securities up to \$50,000,000. The most important consideration underlying the decision was that the differential between rates in New York and rates in London was not sufficient to enable London, and therefore the rest of Europe, to avoid general advances in rates during the autumn of 1927, unless the rates here were lowered, and that the consequence of higher rates in Europe would have been unfavorable to the marketing of our export products abroad, and would have endangered the maintenance of the gold standard.

Commodity prices had been declining in this country and there was a slackening of business activity. Heavy payments to this country had caused a drain on European central bank gold reserves. During the first five months of the year imports of gold into this country amounted to nearly \$200,000,000. The

2.

prospect that this movement would increase with the fall movement of our crops to Europe made it seem more than likely that central bank rates in Europe would need to be further advanced during the autumn of 1927. The German and Austrian rates had already been advanced and other advances were expected.

After the middle of the year the inward gold movement ceased and in September gold began to be exported in considerable volume. During the six weeks subsequent to the authorization for open market purchases at the end of July the Federal Reserve System's holdings of United States Government securities increased by approximately \$100,000,000. This larger growth than had been anticipated was construed, in part, as an offset to the loss of foreign currency holdings which were taking place at the time. A part of the picture was that New York was losing funds to the interior, with the result that the New York City banks were unable to reduce their indebtedness at the Reserve Bank and that there was in consequence little easing in money rates.

Purchases of United States Government securities by the Open-market Investment Committee were continued until the middle of November after which they were discontinued, in view of the growth of speculative credit.

During the last half of November and the first half of December the System's holdings of United States obligations increased further, but independently of the System's open-market policy. The Treasury at that time issued special one-day certificates to the Federal Reserve banks to cover an over-draft which arose in connection with the refunding of the Second Liberty Loan bonds. This at one time amounted to more than \$200,000,000 and continued at around \$50,000,000 throughout most of the period. It was not retired until

December 20. In addition, the Federal Reserve banks bought \$40,000,000 of United States Government securities on resale contracts.

Federal Reserve bank holdings of United States Government securities on selected dates during the last half of 1927 are presented in the table below, which shows that between July 27 and December 28 the System acquired \$218,000,000 of United States Government securities.

UNITED STATES SECURITIES HELD BY FEDERAL RESERVE BANKS

(In millions of dollars)

Date	In System invest- ment account	Outside system investment account			Total
		Under resale agreement	1-day Treasury certificates	All other U. S. securities	
1927					
July 27	266	5	-	114	385
September 7	374	8	-	117	499
November 9	409	-	-	121	530
16	416	4	165	120	705
23	416	3	81	121	621
30	420	4	2	122	548
December 7	420	11	50	123	604
14	427	8	40	123	598
21	423	25	-	140	588
28	423	44	-	136	603

In addition, the System's holdings of purchased bills increased by \$217,000,000 and of discounted bills by \$211,000,000. These increases in the assets of the Reserve banks were in part an offset to a loss of gold, which amounted to \$193,000,000 during the period and to a seasonal increase

of the
Federal Reserve Bank of St. Louis

4.

of \$267,000,000 in currency; member bank reserve balances increased by \$150,000,000 during the period. These developments are summarized in the following table.

RESERVE BANK CREDIT AND SELECTED RELATED ITEMS

(In millions of dollars)

Wednesday	July 27 1927	Dec. 28 1927	Dec. 26 1928	Change	
				July 27 to Dec. 28, 1927	July 27, 1927 to Dec. 26, 1928
Discounts	398	609	1168	+211	+770
Acceptances	169	386	489	+217	+320
U.S. Government securities	385	603	232	+218	-153
Other Reserve bank credit	76	41	52	- 35	- 24
Total Reserve bank credit	1028	1639	1941	+611	+913
Monetary Gold Stock	4578	4385	4149	-193	-429
Money in circulation	4776	5043	5089	+267	+313
Member bank reserve balances	2282	2432	2409	+150	+127

The policy of the Federal Reserve System during the second half of 1927, therefore, was to check the outflow of gold from Europe and then when gold commenced to move out of this country to Europe to offset the effects of this outflow on our market by open-market purchases.

By the early part of 1928 the Federal Reserve System had become alarmed

over the speculative situation and sold Government securities rapidly in order to offset the influence of the seasonal return of currency in January and to force member banks into debt with a view to tightening the money market. Total sales from the System's open market account amounted to \$350,000,000. The effectiveness of this policy was increased by an outflow of gold from this country amounting to \$240,000,000 for the year. There were three successive increases in discount rates at the Federal Reserve Bank of New York, from 3 1/2 per cent at the early part of the year to 5 per cent in July. In the autumn of the year, however, a large volume of bills was acquired by the System. This constituted a break in the policy of restraining credit.

From the point of view of the banking situation as a whole it is apparent that the policy of easy money pursued by the Federal Reserve System in the last half of 1927 increased the volume of member bank reserves and encouraged the extension of credit by these banks. There was no increase in the demand for commercial loans, but a considerable growth in the demand for credit to finance security transactions. The major part of the increase in member bank credit during 1927, therefore, was in the form of loans on securities chiefly to brokers and dealers in New York City.

In 1928 the efforts of the Federal Reserve System to restrict the volume of credit were reflected in the retardation of the rate of growth of member bank loans on securities. Credit used in speculation continued to increase rapidly during the year, however, through the medium of loans to brokers by lenders other than banks.

For the period from the middle of 1927 to the end of 1928, as a whole,

Reserve bank credit showed an increase of nearly \$1,000,000,000 and member bank credit an increase of \$3,000,000,000, the larger part of which was in security loans.

LOANS AND INVESTMENTS OF ALL MEMBER BANKS AND LOANS TO BROKERS
(In millions of dollars)

	June 30, 1927	Dec. 31, 1927	Dec. 31, 1928	Change June 30, 1927 to Dec. 31, 1928
<u>All Member Banks</u>				
Total loans and investments	32,756	34,247	35,684	+2,928
Loans on securities	8,156	-	10,172	+2,016
All other loans	14,782	-	14,983	+ 201
Investments	9,818	10,361	10,529	+ 711
<u>Reporting Member Banks In New York City*</u>				
Loans to brokers and dealers in securities	3,118	3,718	5,091	+1,973
For own account	1,132	1,374	1,109	- 23
For out of town banks	1,144	1,338	1,660	+ 516
For account of others	842	1,006	2,322	+1,480

- Not available

* Wednesdays nearest to dates indicated

333.3-a

August 15, 1934.

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

Dear Governor Harrison:

*See meeting
6/26/34
333.3-a-1*

Carded

On July 3 Dr. Burgess wrote me sending me a tentative draft of the minutes of the meeting of the Federal Open Market Committee held at Washington on June 26. These minutes included a motion authorizing the executive committee to sell up to \$500,000,000 worth of securities to the Treasury. Upon receiving this letter from Dr. Burgess I advised him that the motion was not in line with my understanding from you of what it was proposed that the system do. It had been my understanding in the talk with you that the proposition would include selling the shorter maturities of the system. To clear this up I therefore awaited your return from Europe before handling this matter with the Board as there seemed to be no reason for any speedy action in the matter. Upon your return I had the pleasure of discussing it with you and you pointed out that if the longer maturities were sold the earning power of the system would be maintained by exchanging shorter maturities for longer maturities. I have reviewed the minutes of the committee meeting again this morning. Since the Treasury has taken no steps to discuss the purchase of any securities it appears to be unnecessary to have Board action on this at this time. Further consideration will probably be desired to be given to the matter by the conference and such

FILE COPY

no ans in file

Mr. George L. Harrison - (2)

action as is taken then submitted to the Board for its consideration.
Please advise if this is satisfactory.

With my regards, I am,

Very truly yours,

Governor.

W. H. Harrison

W. H.

ERB:w

FILE COPY

333.3-a
August 1, 1934.

Memorandum to Governor Black:

You will recall that just before your departure for Montana you handed me a letter dated July 3 from Dr. Burgess with which he transmitted a tentative draft of the minutes of the meeting of the Open Market Committee held at Washington on June 26, 1934.

You said that you had talked to Dr. Burgess about it and suggested that, while you agreed with the idea of selling governments to the Treasury, you felt that if short-terms were sold the proceeds should be converted so as to preserve the earning assets of the banks and that if long-terms were sold short-terms should be converted into long-terms to maintain the earning assets. You said that Dr. Burgess was to advise you further on these points. I have seen nothing from Dr. Burgess on this subject and I am continuing to hold his letter of July 3 in accordance with your request.

Secretary.

CM-v

CW FILE COPY

see letter 8/15/34 copy filed 333.3-a-1

333,372
July 16, 1934

Mr. W. S. Johns, Acting Governor,
Federal Reserve Bank,
Atlanta, Georgia.

Dear Mr. Johns:

I have your letter of July 13th relative to the bank's investment in government securities and the action of the Executive Committee relative to the sale of \$500,000,000 of Reserve System holdings to the Treasury.

The recommendation of the Executive Committee has not yet been acted upon by the Board. Confidentially, it was not my understanding that the Committee was to recommend the sale of \$500,000,000 of the long term governments to the Government. I rather thought that they would sell to the Government \$500,000,000 of the short term governments, then convert such part of \$500,000,000 of the remaining short term governments into long term governments so as to make up the loss in earnings resulting from the sale of the \$500,000,000 short term.

You will see that with this misunderstanding on my part of what the Committee desired to do I have not yet been in position to refer this to the Board.

I have discussed this question with Dr. Burgess, of the New York bank, and he is to advise me later.

With my warm regards, I am

Sincerely yours,

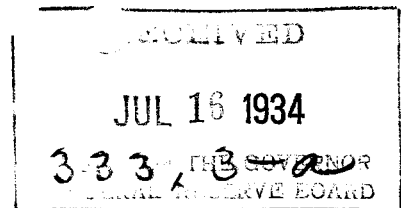
Governor.

B-C

FEDERAL RESERVE BANK
OF ATLANTA

OFFICE OF
GOVERNOR

July 13, 1934



Mr. E. R. Black, Governor,
Federal Reserve Board,
Washington, D. C.

Dear Governor Black:

Several days ago we obtained an additional participation in the Open Market Investment Account of five million dollars which makes our total investment in United States Government securities approximately \$94,000,000.

At the last meeting of the Governors' Conference a short and more or less informal meeting was held of the Open Market Committee and the Committee was asked to delegate authority to the Executive Committee to negotiate a sale of approximately \$500,000,000 of our holdings to the Secretary of the Treasury if such an arrangement could be made. It appears that the Secretary has been approached with reference to purchasing about that amount of our holdings and he seemed favorable to the purchase but preferred not to do anything until his return about August 1st.

If this sale is made our holdings will be reduced to about \$1,750,000,000 and it is expected that inasmuch as the sale to the Secretary will consist of long term securities, the earnings of the Reserve Banks will be protected by investing a part of our very short-term maturities into longer term maturities. If \$200,000,000 of our Treasury Bills were exchanged for 3% bonds this would largely off-set the loss of income from the sale of \$500,000,000 of long term securities to the Secretary.

The authority to the Executive Committee requested, was granted.

We obtained this additional \$5,000,000 with the view of keeping our earnings well over our expenditures and while we are running very close, we still have a comfortable margin of net income which I hope can be maintained, if not improved by the end of the year.


See letter 7/16/34

FEDERAL RESERVE BANK OF ATLANT

-2-

If the sale referred to above is made, it is intended that the profit on this sale, which would be very substantial, will be distributed among Federal Reserve Banks on a basis of their participation.

Very truly yours,



W. S. Johns,
Acting Governor.

WSJ:CLB

*Rec'd from Mr.
Thomson 10/6/34
333. 37a
[Signature]*

June 28, 1934.

Dear Governor Morris:

You will remember that at the meeting of the joint conference of the Governors and Federal Reserve Agents with the Federal Reserve Board on last Tuesday morning, I was called upon to report to the conference for the Executive Committee of the Federal Open Market Committee which, as you know, the day before had been asked by the conference to act as a standing committee to consider ways and means by which the Federal Reserve System might be helpful in aiding recovery, and also to consider prospective steps looking towards the betterment or unification of the banking system.

The committee held two meetings on Monday of this week, one of which unfortunately you were unable to attend. While we took no formal action in the short time available to us on that day, nevertheless, we did discuss various matters which we thought should come within the jurisdiction of the committee under our new assignment. In view of my prospective absence during July and your appointment to serve as chairman of the committee during my absence, I am writing now briefly to mention the matters we considered.

1. Study of the banking system and possible recommendations for legislation:

The committee considered the fact that the Treasury Department is now undertaking a study of various matters of interest to it,

12.

Governor Morris

6/28/34

such as taxation, currency, credit control, unification of the banking system, etc. While the committee, of course, could have no objection to this independent departmental study by the Treasury, nevertheless, it was felt that if the whole question of banking in this country is to be thoroughly explored, it should be done by some joint commission or committee on which the Federal Reserve System is at least represented; and that there should be no limit in time as to the length of the study. The committee felt that the plan of the Treasury to make such an exhaustive report before October 1st would make it impossible for them thoroughly to explore matters within the jurisdiction of the Federal Reserve System, and that therefore a larger committee with broader powers would be desirable at this time, quite apart from the Treasury study. If for any reason such a joint commission or committee is not practicable, then it may well be that the Federal Reserve System should make a study on its own account. In the circumstances, however, it was thought by the committee that the Federal Reserve Board should suggest to the President that a joint commission or committee should be appointed by him, or authorized by him to be set up by the Treasury and the Federal Reserve Board to study the whole question of the country's banking and currency problem. If for any reason the Board feels that this is not a practicable request to make to the President, then the Reserve System should on its own account make as exhaustive a study as is possible on the matters clearly within its jurisdiction.

2. Coordination between banks and supervisory authorities:

The members of the committee felt that it is going to be difficult, if not impossible, for the banks of the country to do their full share in the recovery program unless there is a better coordination

#3

Governor Morris

6/28/74

or understanding between the banks, on the one hand, and the supervisory authorities, on the other; that the position taken by the supervisory authorities and their examiners in the past few years has led many banks to make their position as liquid as possible, and that there is a growing reluctance on the part of many institutions throughout the country, because of the fear of criticism by examiners, to undertake loans of the character which may well be necessary if we are to emerge promptly from the present depression. It was therefore felt by the committee that this whole problem should first be discussed with the Comptroller of the Currency and other supervisory authorities, with a view to reaching an understanding as to how far banks might properly go in making loans and investments to aid recovery, without risking criticism from the examining authorities. It was pointed out by one member of the committee that it might be helpful if present classifications of loans could be altered so as to report only those on which loss has been suffered, omitting the slow and doubtful classes.

3. Frazier-Lemke Bill:

Governor Schaller referred to the fact that in his opinion no steps toward recovery would be successful unless the Frazier-Lemke farm bill is vetoed, because in his opinion if that bill is signed it will be quite impossible for the farm population of the country to procure credit from banks or on mortgages.

4. Capital Market:

The committee was unanimous in its belief that the Federal budgetary problem is dependent in large measure upon the early opening of the capital market and that unless private capital soon moves into industry, especially the heavy industries, it will be difficult for the

#4

Governor Morris.

6/28/34

Treasury to avoid further huge expenditures for relief next winter. It was pointed out, therefore, that anything that the Reserve Banks might do, especially those in the larger cities where capital markets exist, to encourage or to facilitate capital issues would be helpful in the recovery program. I suggested that in this connection it would seem to be important for each Federal Reserve Bank to make a survey of the number of institutions or the amount of capital still left available in the investment business. Since banks have been required to divorce their investment affiliates, and private banking houses have been required to elect whether they would stay in the security business or the banking business, much capital heretofore available for the issue business is now lacking. However, the committee felt that it is important that we should ascertain as accurately as may be possible in the circumstances just how much investment facilities have been curtailed, or, putting it differently, what facilities are still left available. This study will be helpful not only in determining the adequacy of the present machinery for demands, but also in determining whether or to what extent further legislation might be necessary as a means of routing more capital funds into the investment business.

5. General:

On the whole, the committee was in cordial agreement with Governor Black's statement on Monday morning regarding the responsibilities of the Federal Reserve Banks and the member banks to aid in recovery, as well as in agreement with the implications in his statement as to future legislation in the event that we do not have an early recovery. Much pioneer work in this problem can be undertaken by the Governors and Chairmen of the several Federal Reserve Banks, and it was recognized that they have an opportunity and an obligation in this

#


Governor N r1.

6/28/34

respect of no little importance. It was also felt by the committee, however, that it would be tremendously helpful were it possible for Governor Black as Governor of the Federal Reserve Board to visit the various Federal Reserve Banks with a view to impressing upon them the nature of the problem, and of explaining Administration policy vis-a-vis banking responsibility. The committee was in agreement that Governor Black is eminently qualified for this task and that, therefore, everything should be done that could be done to make it possible for Governor Black to remain in his present position, at least for the next six months or until present efforts toward recovery have produced more tangible results.

There may have been some other topics touched upon at our meetings, but I think that the above represents the principal ones and I am sending this letter merely that it might be useful to you as a reminder in the event that there is any occasion for further meetings of the committee before my return, which I expect will be before the end of July. In the meantime, my best wishes and thanks to you.

Faithfully yours,


GEORGE L. HARRISON

George L. Harrison,
Governor.

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

GLH:R

333.3-a

FEDERAL RESERVE BANK
OF NEW YORK

June 13, 1934.

Corred

Dear Governor Black:

I am enclosing for your information a copy of a letter which I have today sent to all the members of the Federal Open Market Committee, not represented on the Executive Committee, reviewing the transactions in the system account during the past ten days. I have also sent an almost identical letter to the members of the Executive Committee.

Faithfully yours,

George L. Harrison
George L. Harrison,
Governor.

Hon. E. R. Black,
Governor, Federal Reserve Board,
Washington, D. C.

Enc.

FEDERAL RESERVE BANK
COPY
OF NEW YORK

June 13, 1934.

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

Dear Governor McKinney:

Now that the June Treasury financing is out of the way, I am writing to give you a brief summary of the operations in the System account in connection with the replacement of the 1/4 per cent June certificates and the 2 1/8 per cent August notes. You will recall that the Account held substantial amounts of both these issues. At the end of February the holdings of June certificates amounted to \$134 million, or roughly three-fourths of the entire issue, while the holdings of notes totalled \$160 million, or about one-half of the amount outstanding.

Following the quarterly financing by the Treasury on March 15 which was limited to an exchange offering, there developed a strong demand for nearby maturities based on the exchange privileges it was expected these issues would carry. Favorable opportunity was thus offered to cut down gradually the large holdings of June certificates and August notes. By the end of March it was possible to exchange about \$62 million of the certificates in the market for other short issues as well as a block of \$15 million of the notes. Further sales reduced the holdings of certificates to \$42 million and of notes to \$109 million on June 4, when the new issue was announced. About half of the replacement purchases up to June 4 consisted of Treasury Bills and the remainder of other short-term issues with a maturity of less than one year.

On June 5 conversations were held with Governor Black, with Treasury officials, and with the members of the executive committee, with regard to arrangements which might be worked out for dealing with System maturities. The time was short to hold a meeting of the full Federal Open Market Committee and

- 2 -

6/13/34

Governor McKinney

that, moreover, seemed unnecessary in view of the general expression of opinion as to dealing with maturities at the meeting on March 5, supplemented by discussions at the executive committee meetings of April 2 and May 23 and individual expressions of view from other governors. After discussion the executive committee agreed upon a program of

1. Converting \$60,000,000 of the maturing issues into new 3% bonds
2. Selling \$60,000,000 of the maturities to the Treasury (to be replaced by purchases in the market of other short maturities), and
3. Exchanging the balance of the maturities in the market for other short obligations

When this program had been agreed to by the executive committee a wire was sent to the governors not represented on the committee, all of whom indicated agreement with the program, or no dissent.

It was found possible to carry through this program without placing undue pressure on the market for the maturing issues or for the new bonds. Replacements proved a little difficult to secure, but were finally obtained without raising market prices materially. In order to do this it was necessary to make whatever purchases could be readily obtained, but these purchases were well distributed throughout different maturities and the bulk of them is within two years. The following figures show the securities purchased in replacement of the maturing issues sold to the Treasury and to the market. Of these purchases \$11,500,000 were made in the Chicago market and the balance in New York:

\$19,438,000 - August	Treasury Bills	
10,000,000 - September	"	"
3,000,000 - October	"	"
1,500,000 - 2 1/4% Cert. of Ind. due Dec.		15, 1934
13,200,000 - 2 1/2% Treas. Notes	"	Mar. 15, 1935
2,750,000 - 3 %	"	" June 15, 1935

- 3 -

6/13/34

Governor McKinney

\$ 750,000	- 1 5/8%	Treas. Notes due	Aug. 1, 1935
4,492,000	- 2 1/2%	" "	Dec. 15, 1935
3,500,000	- 2 7/8%	" "	Apr. 15, 1936
300,000	- 2 3/4%	" "	Dec. 15, 1936
6,425,000	- 3 %	" "	Feb. 15, 1937
1,850,000	- 3 %	" "	Apr. 15, 1937
1,450,000	- 3 1/4%	" "	Sept. 15, 1937
5,500,000	- 2 5/8%	" "	Feb. 1, 1938
6,425,000	- 3 %	" "	Mar. 15, 1938
5,350,000	- 2 7/8%	" "	June 15, 1938
<u>6,500,000</u>	- 2 1/8%	" "	June 15, 1939
 \$92,430,000			

Giving effect to the above replacements, the maturity distribution of Government securities held in the Account as of June 15 will be as follows:

Within 3 months	\$ 291,782,000
3-6 "	504,020,100
6 months-1 year	207,689,900
1-2 "	377,484,800
2-3 "	263,960,000
3-4 "	252,819,000
4-5 "	6,500,000
Callable Bonds	194,893,700
Other "	<u>124,000,000</u>
Total holdings	<u>\$2,223,149,500</u>

In addition to the System maturities the New York reserve bank held nearly \$12,000,000 of the June and August issues and the Chicago bank \$6,000,000. Of these the New York reserve bank has converted \$6,000,000 into the new 3% bonds and exchanged the balance in the market for other short-term issues, while the Chicago bank converted their entire \$6,000,000 into the new 3% bonds with the intention of exchanging the bonds for other maturities in the market later.

Sales of June certificates and August notes involved in the aforementioned transactions have realized a profit of \$996,053.37.

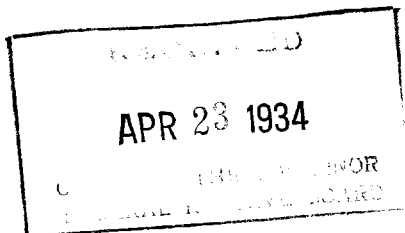
For your further information, the following table shows the amount and distribution of the profit realized on all sales of Government securities from the

FEDERAL RESERVE BANK OF CHICAGO

333.3-a

230 SOUTH LA SALLE STREET

OFFICE OF THE GOVERNOR



April 20, 1934.

Ref

Honorable Eugene R. Black, Governor,
Federal Reserve Board,
Washington, D. C.

Dear Governor Black:

24
Thank you for your letter of April 12, in
reply to my letters of March 23 and April 6 concerning the
desire of our Board to permit certain bonds to mature with-
out reinvestment. We note the decision of the Federal Reserve
Board and the same will be followed.

In fairness to our own Board, I must correct
the impression conveyed to you in my letter of the 6th instant
that they concurred in this opinion. However, we do want you
to know that we appreciate your desire to co-operate with us
in every possible way.

Very truly yours,

Governor.

Mr. G. J. Schaller

- 2 -

reducing their holdings of Government securities, it would be undesirable for the Federal Reserve Bank of Chicago to take the contemplated action.

The Federal Reserve Board is in agreement with this opinion, and it is understood from your letter of April 6 that the executive committee of your bank also concurs and that a reply to your letter of March 24, 1934, is desired only for the purpose of completing your record as to the attitude of the Board.

Very truly yours,

(Signed) E. R. Black

E. R. Black,
Governor.

SRC-jcb



FILE COPY

333.3-a

FEDERAL RESERVE BANK OF CHICAGO

230 SOUTH LA SALLE STREET

OFFICE OF THE GOVERNOR

APR 6 1934

April 6, 1934.

Honorable Eugene R. Black, Governor,
Federal Reserve Board,
Washington, D. C.

My dear Governor:

Handwritten mark

At a meeting of our Executive Committee held today, inquiry was made as to a reply to our letter of March 24, advising that our Board had brought up the question of reducing the amount of Government securities in our investment account by not replacing the April 15, 1934 maturities.

I of course had in mind the discussion had with you on Monday of the present week and reported the same to our Committee, but they felt that the record should be completed by a reply at your convenience.

Thanking you, and with kind regards, I am

Very truly yours,

Handwritten signature
Governor.

Handwritten signature

Handwritten initials

see encl. 4/12/34

Form No. 131

Office Correspondence

M. Morrill
FEDERAL RESERVE
BOARD

Date March 27, 1934.

To Governor Black

Subject: 333.3-a

From Mr. Morrill

16-852

At the meeting this morning it was understood that you would discuss the subject matter of the attached letter with Governor Schaller ^{see 3/24/34} when he is in Washington on Monday in connection with the meeting of the executive committee of the Federal Open Market Committee.

*I telephoned Schaller - Awaiting
meeting of Executive Committee
then next Monday A.K.
3/28/34 (see letter 4/6/34) I R B*

FEDERAL RESERVE BANK
OF NEW YORK

MAR 27 1934
333.3-a NC


March 26, 1934.

Dear Governor Black:

When I was in Washington last week Secretary Morgenthau asked me if I would call a meeting of the Executive Committee of the Federal Open Market Committee, to be available in Washington on Monday, April 2, to discuss certain aspects of Treasury financing with him.

This is merely to confirm my conversation with you this morning that I have asked the committee to be in Washington next Monday morning, and to express the hope that in addition to our meeting with the Treasury officials we may have a chance to have a talk with you or the Board as well. I have nothing particular in mind, now, but it might be helpful to avail ourselves of that opportunity for an exchange of views.

Faithfully yours,


George L. Harrison,
Governor.

Hon. Eugene R. Black,
Governor, Federal Reserve Board,
Washington, D. C.

333.3-2
FEDERAL RESERVE BANK OF CHICAGO

230 SOUTH LA SALLE STREET

OFFICE OF THE GOVERNOR

March 24, 1934.

Honorable Eugene R. Black, Governor,
Federal Reserve Board,
Washington, D. C.

My dear Governor:

Carried

At a meeting of our Board of Directors, held
March 23, 1934, the following matter was considered and this
action taken:

"The advisability of allowing the April 15, 1934
maturities (called Fourth 4 $\frac{1}{4}$ % bonds) aggregating
\$6,100,000, held in our own investment portfolio, to
run off was thoroughly discussed, and UPON MOTION
duly made, seconded and unanimously carried, the
officers were directed to ask the Federal Reserve
Board for authority to allow the Government secur-
ities referred to above to mature without reinvestment."

May I add that our Board feels that the need for
continuing our holdings of Government securities in the present
amount has passed, since the public is eager to purchase at a
very low yield. It is further felt that we would better serve
our bank, the public, and our Government by permitting early
maturities to run off and thereby place this bank in a position
to do its full part by coming back into the market when there is
a greater need for funds by the Treasury.

(Asking your consideration of the above, and await-
ing your advice and the permission of your Board, I am

Very truly yours,

E. R. Black
Governor.

RECORDED
MAR 27 1934

MAR 27

see memo 3/27/34
see letter 4/6/34

see ans 4/12/34

FEDERAL RESERVE BANK
OF RICHMOND

*File
3 3/13. 3-a*

March 13, 1934

Mr. Chester Morrill, Secretary
Federal Reserve Board
Washington, D. C.

Dear Mr. Morrill:

I have yours of March 9th and thank
you for sending me the Board's letter of that date to
the Secretary of the Federal Open Market Committee.

With best regards,

Sincerely



W. W. Hoxton
Chairman

Mr. Carpenter

FEDERAL RESERVE BANK
OF CLEVELAND

March 12, 1934.

333.3-a

RECEIVED
FEDERAL RESERVE BOARD
WASHINGTON

1934 MAR 13 AM 11 33

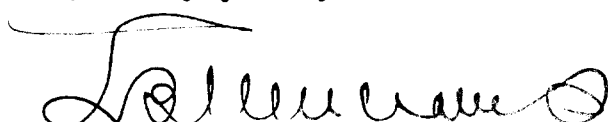
Federal Reserve Board,
Washington, D. C.

ATTENTION MR. CHESTER MORRILL,
SECRETARY.

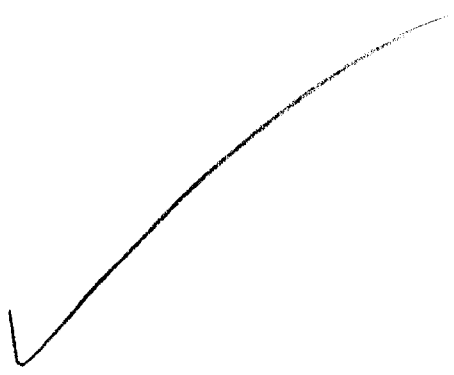
Gentlemen:

The copy of a letter addressed
under date of the 9th by the Federal
Reserve Board to the Secretary of the
Federal Open Market Committee is
acknowledged with thanks.

Very truly yours,



Chairman of the Board and
Federal Reserve Agent.



Mr. Cooper

333.3-a

FEDERAL RESERVE BANK
OF NEW YORK

March 10, 1934.

Dear Mr. Morrill:

Let me acknowledge receipt of yours of March 9 advising us of the action of the Federal Reserve Board with respect to the resolutions adopted by the Federal Open Market Committee. I note that copies of your letter have been sent to all Federal reserve banks.

Very truly yours,

W. Randolph Burgess

W. Randolph Burgess
Secretary, Federal
Open Market Committee

Mr. Chester Morrill,
Secretary, Federal Reserve Board,
Washington, D. C.

WRB/H

[Large handwritten checkmark]

DECLASSIFIED
Authority Ex Order 12256

3 3 3.3-a

March 9, 1934.

CONFIDENTIAL

Mr. F. H. Curtiss, Chairman,
Federal Reserve Bank of Boston,
Boston, Massachusetts.

Dear Mr. Curtiss:

There is inclosed herewith, for your
information, a copy of a letter ^{see 3-9-34} addressed today
by the Board to the Secretary of the Federal Open
Market Committee.

Very truly yours,

(Signed) Chester Morrill
Chester Morrill,
Secretary.

Inclosure.

872-jcb
[Signature]
CW

FILE COPY

DECLASSIFIED
Authority EX Order 12256

333.3-a

March 9, 1934.

CONFIDENTIAL

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

Dear Mr. Case:

There is inclosed herewith, for your
information, a copy of a letter ^{Let 3-9-34} addressed today
by the Board to the Secretary of the Federal Open
Market Committee.

Very truly yours,

(Signed) Chester Morrill
Chester Morrill,
Secretary.

Inclosure.

SRC-lem
Am

FILE COPY

DECLASSIFIED
Authority Ex Order 12256

333.3-a

March 9, 1934.

CONFIDENTIAL

Mr. R. L. Austin, Chairman,
Federal Reserve Bank of Philadelphia,
Philadelphia, Pennsylvania.

Dear Mr. Austin:

There is inclosed herewith, for your
information, a copy of a letter ³⁻⁹⁻³⁴ addressed today
by the Board to the Secretary of the Federal Open
Market Committee.

Very truly yours,

(Signed) Chester Morrill
Chester Morrill,
Secretary.

Inclosure.

SPC-100

[Handwritten signature]
CW

FILE COPY

DECLASSIFIED
Authority EX Order 12256

333.3-a

March 9, 1934.

CONFIDENTIAL

Mr. L. B. Williams, Chairman,
Federal Reserve Bank of Cleveland,
Cleveland, Ohio.

Dear Mr. Williams:

There is inclosed herewith, for your
information, a copy of a letter addressed today
by the Board to the Secretary of the Federal Open
Market Committee.

Very truly yours,

(Signed) Chester Morrill
Chester Morrill,
Secretary.

Inclosure.

CCM
MCC-lem

FILE COPY

DECLASSIFIED
Authority EX Order 12256

833.3-a

March 9, 1934.

CONFIDENTIAL

Mr. W. W. Hoxton, Chairman,
Federal Reserve Bank of Richmond,
Richmond, Virginia.

Dear Mr. Hoxton:

There is inclosed herewith, for your
information, a copy of a letter³⁻⁹⁻³⁴ addressed today
by the Board to the Secretary of the Federal Open
Market Committee.

Very truly yours,

(Signed) Chester Morrill
Chester Morrill,
Secretary.

Inclosure.

Am
3-12-35

FILE COPY

see ans. 3/12/35

DECLASSIFIED
Authority Ex Order 12356

333 3-2

March 9, 1934.

CONFIDENTIAL

Mr. Oscar Newton, Chairman,
Federal Reserve Bank of Atlanta,
Atlanta, Georgia.

Dear Mr. Newton:

There is inclosed herewith, for your
information, a copy of a letter addressed today
by the Board to the Secretary of the Federal Open
Market Committee.

Very truly yours,

(Signed) Chester Morrill
Chester Morrill,
Secretary.

Inclosure.

333 3-2

Cm

FILE COPY

DECLASSIFIED
Authority Ex Order 12256

733.3-2

March 9, 1934.

CONFIDENTIAL

Mr. E. M. Stevens, Chairman,
Federal Reserve Bank of Chicago,
Chicago, Illinois.

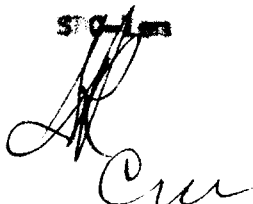
Dear Mr. Stevens:

There is inclosed herewith, for your
information, a copy of a letter ³⁻⁹⁻³⁴ addressed today
by the Board to the Secretary of the Federal Open
Market Committee.

Very truly yours,

(Signed) Chester Morrill
Chester Morrill,
Secretary.

Inclosure.

STC:lm


FILE COPY

DECLASSIFIED
Authority EX Order 12256

333.3-2

March 9, 1934.

CONFIDENTIAL

Mr. J. S. Wood, Chairman,
Federal Reserve Bank of St. Louis,
St. Louis, Missouri.

Dear Mr. Wood:

There is inclosed herewith, for your
information, a copy of a letter addressed today
by the Board to the Secretary of the Federal Open
Market Committee.

Very truly yours,

(Signed) Chester Morrill
Chester Morrill,
Secretary.

Inclosure.

SECTION

CW

FILE COPY

DECLASSIFIED
Authority EX Order 12256

333.3-a

March 9, 1934.

CONFIDENTIAL

Mr. J. H. Peyton, Chairman,
Federal Reserve Bank of Minneapolis,
Minneapolis, Minnesota.

Dear Mr. Peyton:

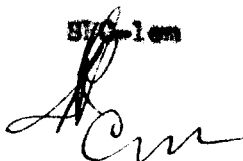
There is inclosed herewith, for your
information, a copy of a letter addressed today
by the Board to the Secretary of the Federal
Open Market Committee.

Very truly yours,

(Signed) Chester Morrill
Chester Morrill,
Secretary.

Inclosure.

5-10-10m



FILE COPY

DECLASSIFIED
Authority EX Order 12356

333-1-10

March 9, 1934.

CONFIDENTIAL

Mr. W. L. McClure, Chairman,
Federal Reserve Bank of Kansas City,
Kansas City, Mo.

Dear Mr. McClure:

There is inclosed herewith, for your
information, a copy of a letter ³⁻⁷⁻³⁴ addressed today
by the Board to the Secretary of the Federal
Open Market Committee.

Very truly yours,

(Signed) Chester Morrill
Chester Morrill,
Secretary.

Inclosure.

WLC-100

[Handwritten signature]
CW

FILE COPY

DECLASSIFIED
Authority EX Order 12256

333 3-2

March 9, 1934.

CONFIDENTIAL

Mr. C. C. Walsh, Chairman,
Federal Reserve Bank of Dallas,
Dallas, Texas.

Dear Mr. Walsh:

There is inclosed herewith, for your
information, a copy of a letter ⁽³⁻⁹⁻³⁴⁾ addressed today
by the Board to the Secretary of the Federal
Open Market Committee.

Very truly yours,

(Signed) Chester Morrill
Chester Morrill,
Secretary.

Inclosure.

87011

Cm

FILE COPY

DECLASSIFIED
Authority EX Order 12356

333.3-a

March 9, 1934.

CONFIDENTIAL

Mr. Isaac D. Newton, Chairman,
Federal Reserve Bank of San Francisco,
San Francisco, California.

Dear Mr. Newton:

There is inclosed herewith, for your
information, a copy of a letter addressed today
by the Board to the Secretary of the Federal
Open Market Committee.

Very truly yours,

(Signed) Chester Morrill
Chester Morrill,
Secretary.

Inclosure.

[Signature]
3/10/34

Cm

FILE COPY

DECLASSIFIED
Authority EX Order 12256

333.3-a

CONFIDENTIAL

Mr. W. R. Burgess, Secretary,
Federal Open Market Committee,
Federal Reserve Bank of New York,
New York, New York.

Dear Mr. Burgess:

Receipt is acknowledged of your letter of March 7, 1934, addressed to Governor Black, inclosing a tentative draft of the minutes of the meeting of the Federal Open Market Committee held in Washington on March 5, 1934.

The Federal Reserve Board has given consideration to the resolution adopted by the committee reducing to \$100,000,000 the authorization to the executive committee for the purchase of government securities, and approves the authorization to the executive committee in the reduced amount, with the understanding that the Board will be kept informed currently by the executive committee of its program of purchases and as to any development in the situation which may affect the application of the program.

The Board has noted with approval the further action taken by the Federal Open Market Committee at its meeting in voting to convert the whole or any part, as might be determined by the executive committee, of the \$150,000,000 of government securities held in System account, which mature on March 15, into any new note offering which might be offered by the Treasury, and that the executive committee was given authority to replace the whole or any part of the System holdings of 4½% Fourth Liberty Loan bonds, called for redemption on April 15, 1934, with such other maturities as the committee may determine.

FILE COPY

SECRET

DECLASSIFIED
Authority Ex Order 12356

Mr. W. R. Burgess - 2 -

A copy of this letter is being sent to each Federal reserve bank for its information.

Very truly yours,

Chester Morrill,
Secretary.

SRG:jcb

[Handwritten signatures and initials]

FILE COPY

FEDERAL RESERVE BANK
OF ATLANTA

MAR 3 1934

333.3-a

OFFICE OF
GOVERNOR

February 28, 1934

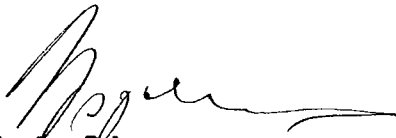
Mr. E. R. Black, Governor,
Federal Reserve Board,
Washington, D. C.

Dear Governor Black:

The Federal Reserve Bank of New York sold us \$10,000,000 of their open market participation today and I again wish to thank you for your efforts in obtaining this additional earning asset for us.

On a basis of the present average earning rate on our government securities, which is approximately 1.82 %, this will give us around \$15,000 per month additional earnings and I hope by the end of March we may be operating without a deficit.

Sincerely yours,


W. S. Johns,
Acting Governor.

WSJ:CLB

**FEDERAL RESERVE BANK
OF ATLANTA**

February 26, 1934

OFFICE OF
GOVERNOR

FEB 27 1934

333 3-a

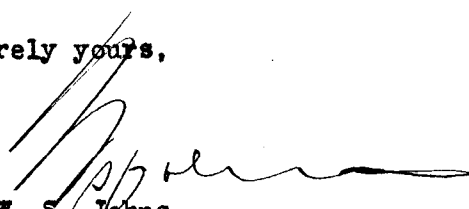
Mr. E. R. Black, Governor,
Federal Reserve Board,
Washington, D. C.

Dear Governor Black:

This will acknowledge your letter of February 23rd, and I wish to thank you for securing for us a participation not to exceed \$10,000,000 in the open market holdings of the Federal Reserve Bank of New York.

Personally, I would like to see the regulation changed to the extent that all Federal Reserve Banks could make direct purchases of government securities in reasonable amounts as their cash position might justify and I understand that it might be proper to discuss this matter at the next meeting of the Open Market Conference. I would be reluctant, however, to bring this question before the Conference unless, in your opinion, such a change would be acceptable to the Federal Reserve Board.

Sincerely yours,


W. S. Johns,
Acting Governor.

WSJ:CLB

333.3-a

February 23, 1934

Mr. W. S. Johns, Acting Governor,
Federal Reserve Bank,
Atlanta, Georgia.

Dear Mr. Johns:

I have just telephoned you that the Federal Reserve Bank of New York will be glad to give you participation up to \$10,000,000 in the bond account.

I now beg to acknowledge receipt of your letter of February 16th advising of the opening of the First National Bank of Orlando.

I note especially the reduction in the indebtedness of the Georgia Savings Bank & Trust Company; that the First National Bank of Fort Myers is going to pay its indebtedness, and there is a great reduction in the indebtedness of the conservator banks or banks that have not opened on an unrestricted basis: as to all of which I congratulate you.

With my warm regards, I am

Sincerely yours,

Governor.

B-C

See letter 2/26/34

3 3.3-a

FEDERAL RESERVE BANK
OF ATLANTA

FEB 16 1934

OFFICE OF
GOVERNOR

February 16, 1934

Mr. E. R. Black, Governor,
Federal Reserve Board,
Washington, D. C.


Dear Governor Black:

You might be interested to know that the First National Bank at Orlando, a new National bank, opened for business yesterday morning.

The indebtedness of the old institution to the Reserve Bank, amounting to approximately \$200,000.00, was paid, and, other than the indebtedness of the Georgia Savings Bank and Trust Company, our outstanding indebtedness from conservator banks or banks that have not opened on an unrestricted basis, is very small. The First National Bank of Fort Myers owes us the larger amount, approximately \$64,000.00, and we hope to have this indebtedness paid within the next thirty days.

The indebtedness of the Georgia Savings Bank and Trust Company has been reduced from approximately \$850,000.00 to \$540,000.00 and on account of the substantial increase in the market value of stocks and bonds that we hold as collateral to their loan, the listed collateral on the present market would liquidate all of the indebtedness except approximately \$50,000.00 which would have to be collected out of the slow collateral.

Very truly yours,


W. S. Johns,
Acting Governor.

WSJ:CLB

See letter 2/23/34

*Mr. Morrill
Docket*



①



333.3-a

NOV 9 1933

Mr. R. A. Young, Governor,
Federal Reserve Bank of Boston,
Boston, Massachusetts.

Dear Governor Young:

Receipt is acknowledged of your letter of November 6, 1933, written in accordance with the resolution adopted by the board of directors of your bank at its meeting on November 1, 1933, with regard to participation by your bank in further purchases of government securities for System account.

Your letter is being brought to the attention of the members of the Federal Reserve Board.

Very truly yours,

(Signed) Chester Morrill

Chester Morrill,
Secretary.

SRC: jcb

AM
CW

FILE COPY

**FEDERAL RESERVE BANK
OF BOSTON**

*Confidential copies
sent to Bd members,
Mr Martin and
Messrs. Wyatt Lineal
and Goldenweiser*

ROY A. YOUNG, GOVERNOR
WILLIAM W. PADDOCK, DEPUTY GOVERNOR
WILLIAM WILLETT, CASHIER
KRICKEL K. CARRICK, SECRETARY

ASSISTANT CASHIERS
ELLIS G. HULT CARL B. PITMAN
ERNEST M. LEAVITT L. WALLACE SWEETSER

FREDERIC H. CURTISS 333.3-a
CHAIRMAN OF THE BOARD
AND FEDERAL RESERVE AGENT
ALLEN HOLLIS
DEPUTY CHAIRMAN OF THE BOARD
ASSISTANT FEDERAL RESERVE AGENTS
CHARLES F. GETTEMY
WILLIAM D. MCRAE

November 6, 1933

Federal Reserve Board
Washington, D. C.

Dear Sirs:-

I am sending you herewith a copy of a letter which I am sending today to Governor Harrison, Chairman of the Federal Open Market Committee, advising him of this bank's decision not to make at this time a commitment to participate in the System purchases of Government securities covered by the vote adopted at the meeting of the Federal Open Market Committee on October 10, and the Board's telegram of October 12, 1933, authorizing the Executive Committee to proceed with such purchases. I am also enclosing a copy of the resolutions adopted by our board of directors at their meeting on November 1, pursuant to which the notice is given.

As stated in my letter to Governor Harrison, the action of our board of directors was taken after I acquainted them with the discussion which took place at the meeting of the Federal Open Market Committee on October 10, with regard to participation by the Federal Reserve Bank of Chicago, the point being made at such meeting that, inasmuch as Chicago had not notified the committee or the Federal Reserve Board within the prescribed time, they were obligated to participate.

As also stated in my letter to Governor Harrison, this action was taken by our board of directors not because of lack of cooperation in the System's program but to safeguard the bank against any commitment. You will observe that in the last paragraph of the resolutions I have been instructed to advise the Federal Open Market Committee and the Board of this bank's willingness to have offered to it from week to week a share of the purchases made or proposed to be made by the Executive Committee for the System account, and you will note that in my letter to Governor Harrison I have invited the committee to offer this bank its pro rata share or more of each week's purchases made or proposed to be made by the Executive Committee for the System account.

Very truly yours

R. A. Young
Governor

K
Enclosure

see ans 11/9/33

NOV 7 - 1933

FEDERAL RESERVE BANK OF BOSTON
30 PEARL STREET

November 6, 1933

Mr. George L. Harrison, Chairman
Federal Open Market Committee
Federal Reserve Bank of New York
New York City, New York

Dear Governor Harrison:-

You will recall that at the last meeting of the Open Market Committee, which was held on October 10, 1933, the question was raised as to whether the Federal Reserve Bank of Chicago had not committed itself to participate in certain purchases of Government securities for the System account. Fortunately, a compromise satisfactory to everybody was reached, which enabled us to handle the situation, and the question, therefore, was not pressed.

At the regular meeting of our board of directors on November 1, 1933, I read the official minutes of the Federal Open Market Committee meeting on October 10, including the vote with reference to the authority of the Executive Committee to purchase the unpurchased portion of the \$1,000,000,000 of Government securities covered by the vote of the Federal Open Market Policy Conference on April 22, 1933, and also read the Federal Reserve Board's telegram of October 12, 1933, authorizing the Executive Committee to proceed with such purchases. I also acquainted our directors with the discussion in reference to Chicago's position.

Having in mind the question raised in the Chicago case, our directors adopted resolutions, the purpose of which is to safeguard the bank against commitment to participate in the purchases contemplated, and I am sending you herewith a copy of the resolutions adopted.

I am now giving you the notice, which I am directed by the resolutions to give you, that this bank has decided not to make at this time a commitment of such substantial and uncertain proportions, and does not wish to participate to any such undetermined extent in the open-market operations recommended by the Federal Open Market Committee and approved by the Federal Reserve Board, and referred to above.

I wish to add that this action was not taken because of any lack of cooperation, and, furthermore, in line with instructions to me contained in the resolutions, I am pleased to invite the committee to offer this bank its pro rata share or more of each week's purchases which may be made or proposed to be made by the Executive Committee for the System account, and when offers are made, we will, of course, advise the committee promptly whether we will participate in such purchases.

Very truly yours

R. A. Young
Governor

K
Enclosure

Resolutions Adopted by the Board of Directors of the Federal Reserve
Bank of Boston at a regular meeting held on
November 1, 1933.

WHEREAS, the Federal Open Market Committee at its meeting on October 10, 1933, unanimously recommended that the Executive Committee of the Federal Open Market Committee be given authority to purchase in its discretion for the System account the unpurchased portion of \$1,000,000,000 of Government securities, the purchase of which was covered by a vote adopted at a meeting of the Open Market Policy Conference on April 22, 1933, and

WHEREAS, under date of October 12, 1933, the Federal Reserve Board advised that it authorized the Executive Committee to proceed with the proposed purchases, with certain qualifications which were properly and wisely made, and

WHEREAS, after allowing for purchases made since October 10, such unpurchased portion of such Government securities is now approximately \$581,000,000, and

WHEREAS, this bank's concurrence in the operations so recommended and approved might constitute a commitment to participate in purchases amounting to as much as \$581,000,000, the extent of such commitment depending upon the number of Federal reserve banks participating and the Executive Committee's basis of allocation of such purchases and being in any event substantial in amount even if all Federal reserve banks should participate, and

WHEREAS, if this bank should fail, within the time prescribed in the Federal Reserve Board's Regulation M, to file notice of its decision not to participate in such operations, it might be deemed, under the Federal Reserve Act and Regulation M of the Federal Reserve Board, to have agreed to participate in such operations on whatever basis of allocation might be validly made by the Executive Committee of the Federal Open Market Committee,

NOW THEREFORE BE IT RESOLVED that in the opinion of this board of directors this bank should not at this time make a commitment of such substantial and uncertain proportions, and be it further

RESOLVED, that the Governor of this bank be and he is hereby instructed (1) to file with the Chairman of the Federal Open Market Committee forthwith written notice of the foregoing decision, with a statement that this bank does not wish at this time to participate to any such undetermined extent in the open-market operations so recommended and approved, and (2) to transmit a copy of such notice to the Federal Reserve Board, and be it further

RESOLVED, that the Governor be and he is hereby instructed to advise the Chairman of the Federal Open Market Committee and the Federal Reserve Board of this bank's willingness to have offered to it from week to week a share of purchases made or proposed to be made by the Executive Committee for the System account, under the recommendations of the Federal Open Market Committee and the approval of the Federal Reserve Board, which offers this bank may in its discretion accept in whole or in part as received.

I, the undersigned, Secretary of the Federal Reserve Bank of Boston, do hereby certify that the foregoing is a true and correct copy of preambles and resolutions which were duly adopted by the board of directors of said bank at a meeting duly called and held on November 1, 1933, a quorum being present, and of the whole of the said preambles and

resolutions, as set forth in the minutes of the said meeting.

IN WITNESS WHEREOF I hereunto subscribe my name and affix the corporate seal of the said Federal Reserve Bank of Boston.


Secretary

Boston, Mass., November 4, 1933.

FEDERAL RESERVE BANK OF CHICAGO

230 SOUTH LA SALLE STREET

OCT 28 1933

333.3-a

October 28, 1933

Honorable Eugene R. Black
Governor, Federal Reserve Board
Washington, D. C.

Dear Governor Black:

10/28/33
In compliance with your request, I enclose two tabulations, one showing the percentages of participation in the purchases of Government securities for System account according to the old plan in effect prior to April, 1933, and the method adopted by the committee at the meeting in April, 1933; the third column shows a proposed method of allotment by Dr. Burgess of the Federal Reserve Bank of New York; column No. 4 a method of allotment proposed by myself and column No. 5 a plan of allotment in accordance with the capital and surplus of each Federal reserve bank.

In the other tabulation is shown the percentage of allotment under the plan proposed by myself as to how it would have operated if it had been in effect since March 29, also showing the average allotments for the period from March 29 to October 25. This plan is based on the total member bank reserves carried (not required reserves) and it is flexible, as the percentages would be computed weekly on the basis of the previous week's experience. For instance, if a portion of the excess reserves of the Chicago bank should during the week be transferred to New York or vice versa the percentages of allotment would be immediately affected thereby. Owing to the fact that at this writing this bank has \$328,000,000 excess reserves, with required reserves of only \$225,000,000, it is conceivable that if general conditions in the country should change that most, if not all of these excess reserves might be transferred to New York. If such were the case this would result in a transfer of over \$300,000,000 out of our Gold Settlement Fund into the Gold Settlement Fund of the New York bank. I therefore feel that any plan adopted should take into consideration the question of the transfers of excess reserves.

In accordance with your suggestion, I give you the following regarding our directors, all of whom you met yesterday:

F. C. Ball is a Class "C" director. He is president of Ball Brothers Co. of Muncie, Indiana, the largest manufacturers of glass fruit jars, producing about 150,000,000 fruit jars per year and employing 1500 workmen.

FEDERAL RESERVE BANK OF CHICAGO

Governor Black - #2

Oct. 28, 1933

James Simpson, also a Class "C" director and Deputy Chairman of our board. He is chairman of the Commonwealth Edison Co., the Peoples Gas Light & Coke Co., and the Public Service Co. of Northern Illinois. Prior to July, 1932, he was chairman of the Board of Marshall Field & Co. of Chicago.

Max W. Babb, class "B" director, is president of the Allis-Chalmer Manufacturing Co. of Milwaukee, Wisconsin.

S. T. Crapo, class "B" director, is Secretary and Treasurer of the Huron Portland Cement Co., Detroit, Michigan.

Nicholas H. Noyes, class "B" director, is Treasurer and director of the Eli-Lilly Co., manufacturing druggists of Indianapolis, Indiana.

E. R. Estberg, class "A" director, is president of the Waukesha National Bank, Waukesha, Wisconsin.

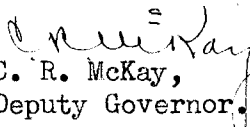
George J. Schaller, class "A" director, is president of the Citizens National Bank of Storm Lake, Iowa.

These are the other directors, which besides Mr. Stevens and Mr. Leavell, you met yesterday.

We were very glad to have had the opportunity of discussing various matters with you yesterday and our Board of Directors, I know, appreciated the opportunity of getting acquainted with you.

With kindest regards, I am

Very truly yours,


C. R. McKay,
Deputy Governor.

J-
enc.

PERCENTAGES OF PARTICIPATION IN PURCHASES OF GOVERNMENT BONDS,
BASED ON

	(1) Old plan based on capital & earning require- ments. <u>June, 1932</u>	(2) Excess re- serves over 55%. State. 9/13/33	(3) Total reserves & other cash & earn- ing requirements as proposed by Dr. Burgess	(4) Member bank re- serve accts. as proposed by Mr. McKay. <u>State. 10/11/33</u>	(5) Capital & Surpl State. 10/11/33
BOSTON	7.25	11.00	7.4	6.84	7.4
NEW YORK	27.00	15.25	26.6	38.73	33.8
PHILA.	7.75	5.25	7.2	5.07	10.6
CLEVE.	10.50	5.75	8.5	5.52	9.6
RICHMOND	5.00	5.00	4.5	2.90	3.9
ATLANTA	4.75	3.50	3.8	2.29	3.6
CHICAGO	12.75	36.50	19.1	20.04	12.4
ST. LOUIS	4.25	4.00	4.4	2.99	3.3
MINNEAP.	3.00	2.00	3.0	2.04	2.3
KAS. CITY	5.50	4.25	4.6	4.20	3.0
DALLAS	3.75	0.75	2.9	2.97	2.9
SAN FRAN.	<u>8.50</u>	<u>7.00</u>	<u>8.0</u>	<u>6.41</u>	<u>7.2</u>
	100%	100%	100%	100%	100%

Prepared by
C. R. McKay
Federal Reserve Bank of Chicago
Oct. 28, 1933

PERCENTAGE OF MEMBER BANK RESERVE ACCOUNT OF FEDERAL RESERVE BANKS
TO SYSTEM TOTAL

1933

	<u>Mar. 29</u>	<u>Apr. 26</u>	<u>May 31</u>	<u>June 28</u>	<u>July 26</u>	<u>Aug. 30</u>	<u>Sep. 27</u>	<u>Oct. 25</u>	<u>Average</u>
Boston	5.8	5.8	6.6	6.97	6.21	6.3	6.6	6.1	6.3
New York	44.9	48.6	47.5	41.81	41.40	42.4	40.5	40.7	43.4
Phila.	5.5	5.3	5.2	6.40	5.18	5.3	4.9	4.7	5.3
Cleveland	6.5	5.6	6.1	6.04	6.51	6.0	5.6	5.4	6.0
Richmond	2.9	2.9	2.9	3.17	3.15	2.9	2.7	2.6	2.9
Atlanta	2.1	1.9	2.2	2.23	2.34	2.2	2.1	2.1	2.1
Chicago	13.6	12.4	12.6	14.81	16.24	17.3	19.6	20.6	15.9
St. Louis	3.1	3.1	2.9	3.01	3.20	3.0	3.1	3.0	3.1
Minnesota	2.0	1.7	1.9	2.08	2.27	2.1	1.9	1.8	2.0
Kas. City	3.9	3.5	3.4	4.17	4.60	4.2	4.2	3.8	4.0
Dallas	2.8	2.3	2.2	2.35	2.40	2.1	2.6	2.9	2.4
San Franc.	<u>6.9</u>	<u>6.9</u>	<u>6.7</u>	<u>6.96</u>	<u>6.50</u>	<u>6.2</u>	<u>6.2</u>	<u>6.3</u>	<u>6.6</u>
	100%	100%	100%	100%	100%	100%	100%	100%	100%

Prepared by C.R. McKay
Federal Reserve Bank of Chicago
October 28, 1933

333.3 -a

October 23, 1933

Mr. C. R. McKay, Deputy Governor,
Federal Reserve Bank of Chicago,
Chicago, Illinois.

Dear Governor McKay:

I thank you for your letter of October
16th relative to the action of your Executive Committee
on the open market policy question.

I also note that the next meeting of
your Board of Directors is October 27th. I am trying to
make arrangements to be with you and at that time will
be glad to confer with you and the officers and directors
on the questions that are pertinent at the present time.

With my regards, I am,

Sincerely yours,

Governor.

B-C

See letter 10/28/33 **FILE COPY**

774

333.3-a

FEDERAL RESERVE BANK OF NEW YORK

October 13, 1933.

Dear Governor Black:

Governor Harrison suggests that you would like to have the figures for the proposed bases for distribution of government securities among various Federal reserve banks. I, therefore, enclose two tables. The first is one presented to the executive committee meeting of September 21. This was compiled in accordance with the action of the Open Market Policy Conference in April which proposed that securities should be distributed with a view to reducing the disparities between reserve percentages. With as large holdings as we then had it seemed illogical to distribute further purchases on the basis of earning requirements. In September we shifted from a 55% to a 50% basis to meet Chicago's case.

This week we discussed with the members of the executive committee a further modification of the basis to meet Chicago views, and proposed that securities be distributed in the ratio of the total reserves of each bank to the total reserves of the System. These figures are shown in column 3 of the second table, and seem to give a pretty equitable distribution on the basis of the relative strength of the different banks and their ability to take government securities.

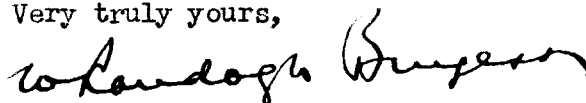
The second table also shows what the ratios would be on the basis formerly used, that is, the earnings requirements of the several banks. While this now appears to be a pretty illogical basis, nevertheless there are some of the banks which are not earning their living and there is some justification for giving earning requirements some consideration. As a compromise suggestion we have worked out column 6 which is an average of columns ² 3 and ⁴ 4. There is

FEDERAL RESERVE BANK OF NEW YORK..... 2.....

Honorable Eugene R. Black 10/19/33.

something to be said for this compromise. It has not yet been discussed with the members of the committee.

Very truly yours,

A handwritten signature in dark ink, appearing to read "W. Randolph Burgess". The signature is fluid and cursive, with the first name "W." being small and the last name "Burgess" being larger and more prominent.

W. Randolph Burgess
Deputy Governor

Honorable Eugene R. Black,
Governor, Federal Reserve Board,
Washington, D. C.

WRB.H
encls.

Table I

Per cent Distribution of Excess Reserves
of Federal Reserve Banks on September 13, 1933

	<u>Over 40%</u>	<u>Over 45%</u>	<u>Over 50%</u>	<u>Over 55%</u>
Boston	8.6	9.1	9.7	11.0
New York	23.9	22.4	20.0	15.5
Philadelphia	5.9	5.7	5.4	4.8
Cleveland	7.1	6.8	6.5	5.9
Richmond	4.2	4.2	4.3	4.5
Atlanta	3.1	3.1	3.1	3.1
Chicago	28.1	29.6	31.8	35.9
St. Louis	4.2	4.2	4.3	4.4
Minneapolis	2.2	2.1	2.0	1.8
Kansas City	4.0	4.1	4.1	4.2
Dallas	1.4	1.4	1.3	1.2
San Francisco	7.3	7.3	7.5	7.7
Total	100.0%	100.0%	100.0%	100.0%

Table II

Proposed Bases for Distribution of Government Purchases Among Various Federal Reserve Banks

(Figures are as of October 11, 1933)

	1.	2.	3.	4.	5.
	Total gold reserves and other cash (In millions of dollars)	Percentage Distribution	*Earnings Requirements (In thousands of dollars)	Percentage Distribution	Average of 2 and 4
Boston	292	7.7%	2,763	7.1%	7.4%
New York	986	25.9	10,622	27.2	26.6
Philadelphia	241	6.3	3,189	8.2	7.2
Cleveland	281	7.4	3,760	9.6	8.5
Richmond	158	4.1	1,869	4.8	4.5
Atlanta	128	3.4	1,632	4.2	3.8
Chicago	960	25.2	5,045	12.9	19.1
St. Louis	160	4.2	1,805	4.6	4.4
Minneapolis	98	2.6	1,323	3.4	3.0
Kansas City	152	4.0	2,010	5.2	4.6
Dallas	83	2.2	1,459	3.7	2.9
San Francisco	266	7.0	3,504	9.0	8.0
System	3,805	100.0	38,981	100.0	100.0

*Requirements for Expenses and Dividends

F. R. B. of N. Y.
 Reports Department
 Division of Tabulation
Oct. 19, 1933.

TELEGRAM

FEDERAL RESERVE SYSTEM

(LEASED WIRE SERVICE)

333.3-a

16-794

RECEIVED AT WASHINGTON, D. C.

71gb

Kansascity 1009am Oct 18

Board

Attn Carpenter Washn

Referring to telephone conversation, have received the twelve extra
copies of X-7636 and destroyed them.

10-12-33

Mcclure

1127am

TELEGRAM

FEDERAL RESERVE SYSTEM

(LEASED WIRE SERVICE)

333.3-a

16-794

RECEIVED AT WASHINGTON, D. C.

162gb

Chicago Oct 17 1223p

Carpenter

Washn

10-12-33

Extra copies letter X-7636 destroyed.

Young

130p

333.3-a
FEDERAL RESERVE BANK OF SAN FRANCISCO

ISAAC B. NEWTON
CHAIRMAN OF THE BOARD
AND FEDERAL RESERVE AGENT

October 17, 1933

Dear Mr. Carpenter:

The twenty extra copies of the Board's letter X-7636 | 10-12-33
were received this morning by me and in accordance with your
request have been destroyed.

Yours very truly,

Isaac B. Newton

Federal Reserve Agent.

Mr. S. R. Carpenter,
Assistant Secretary,
Federal Reserve Board,
Washington, D. C.

Hansen
6 d'33
Paley

DECLASSIFIED
Authority *Ex Order 12256*

FEDERAL RESERVE BANK
OF NEW YORK

8
333.3-a

CONFIDENTIAL

October 16, 1933.

Dear Governor Black:

You will remember that at the meeting of the Federal Open Market Committee with the Federal Reserve Board on Thursday morning, October 12, I read to the Board the resolution unanimously adopted by the Federal Open Market Committee that morning recording their views with respect to the System's open market operations. Pending preparation of the formal minutes of the meeting, I am enclosing a copy of that resolution which it was understood would be regarded as confidential and not for publication.

While in Washington, I handed you a copy of the vote of the committee with respect to the authority granted to the executive committee to make further purchases of government securities. The vote which was unanimous was "that, subject to the approval of the Federal Reserve Board, the authority granted to the executive committee at the meeting of the Open Market Policy Conference on April 22, as amended, to purchase up to \$1,000,000,000 of government securities be continued and reaffirmed for the unused portion of the authority."

As I reported to the Board at our joint meeting, it appeared to be the opinion of all those present during the discussion of this resolution of the committee that from the point of view of the present credit and banking position alone, there was little, if any,

DECLASSIFIED
Authority *Ex Order 12256*

FEDERAL RESERVE BANK OF NEW YORK

Governor Black

Oct. 16, 1933.

necessity for further purchases of government securities, and that, therefore, it would seem to be advisable in the present circumstances gradually to reduce the rate of purchases as soon as and to the extent that it is possible to do so without adverse effect upon the government's program of recovery. It was recognized, however, that in view of existing uncertainties and the possibility of the development of new conditions or policies that cannot now be foreseen, the executive committee should be free, pending another meeting of the Federal Open Market Committee, to use its discretion as circumstances dictate.

As you have been advised in regular course, the executive committee purchased \$35,000,000 of securities for the statement week ending October 11.

Very truly yours,

George L. Harrison
George L. Harrison,
Chairman, Federal Open Market
Committee.

Hon. E. R. Black,
Governor, Federal Reserve Board,
Washington, D. C.

Enc.

✓
✓
✓
✓
✓
X

DECLASSIFIED
Authority *Ex Order 12356*

CONFIDENTIAL

RESOLUTION RELATIVE TO OPEN MARKET OPERATIONS
ADOPTED BY FEDERAL OPEN MARKET COMMITTEE
AT ITS MEETING ON THURSDAY, OCTOBER 12, 1933.

In their participation in the extensive open market program which the Reserve System has conducted for a number of months past, the Federal Reserve Banks have been actuated by their desire to contribute to the fullest extent within their power to the national recovery effort. In furtherance of that desire, and as a result of our observation of the open market operation, we believe that we may render a helpful service by recording our present views.

The System's holdings of government securities now amount to the unprecedented sum of \$2,344,000,000, more than ten per cent of the Federal debt. Excess reserves of member banks are now nearly \$800,000,000, member bank indebtedness to the Reserve banks has been reduced to the smallest figure since August, 1917, and short-time money rates have been forced down to the lowest level in our history. When to these facts it is added that the volume of currency outstanding is approximately \$5,600,000,000, far in excess of that outstanding in 1929, and that bank reserves are greater than at any previous time in our history, it would seem that our monetary problem today is not so much one of correcting a deficiency in the supply of basic money, whether by Federal Reserve credit or by government currency, as of achieving an effective use and turnover of the already existing supply.

Open market operations, as a means of stimulating business recovery, are ordinarily designed to force banking funds, first, into the short-time money market, and subsequently, as short-time rates are lowered, into the intermediate and long-time capital markets. In the present instance, it seems clear that neither of these major purposes is yet accomplished.

As to short-term credit, there are still grave obstacles both for borrowers and for lenders. Many business concerns, whose worth has been

DECLASSIFIED
Authority *Ex Order 12356*

2

diminished by the unprecedented shrinkage in values and by several years of unprofitable operation have been either unable or afraid to draw upon the available credit supply. At the same time many of the banks, partly by reason of their former unfortunate experiences and partly by reason of new uncertainties incident to the inauguration of the deposit insurance and other features of the Banking Act of 1933, have felt it necessary to pursue a policy of extreme liquidity. The result is that, notwithstanding the Reserve System's open market purchases and the consequent large increase in bank reserves, loans and investments of member banks have been virtually stationary for four months, and net demand deposits are less today than at the end of May. In addition, some \$4,000,000,000 of deposits remain locked up in closed or unlicensed banks.

Not only has there been no expansion in the volume of short-term bank credit, but the desired pressure of funds into longer uses in the capital goods industries seems to be blocked by lack of confidence in the future position of the dollar and uncertainty with respect to monetary policy in general, and also by the liabilities imposed by the Securities Act of 1933 and the Banking Act of 1933. The capital issues market remains completely stagnant; and coupled with this fact is the fact that the recovery in business from March to August, though unprecedented for extent in so short a period, revealed a serious lack of balance in the pronounced lagging of the capital goods industries, which are responsible for over 60 per cent of present unemployment. It is worthy of special mention, also, that during the recent recurrence of inflationary agitation the bond market lost one-third of its advance since March. The bearing of a declining bond market upon the condition of banks and upon the prospect for reviving the capital goods industries through the long-time money market requires no elaboration.

In our judgment, these conditions indicate that the effectiveness of open market operations, in so far as banking and credit factors are concerned, will depend in large measure upon the early adoption of a broader program,

TELEGRAM

FEDERAL RESERVE SYSTEM

(LEASED WIRE SERVICE)

333-3a

16-794

RECEIVED AT WASHINGTON, D. C.

27bmr

New York 1026a Oct 16 1933

Carpenter

Washington

The seventeen copies of X-7636 ¹⁰⁻¹²⁻³³ received by us from the Board on October 14 have been destroyed in accordance with your instructions

Case

1041a

333.3-a

FEDERAL RESERVE BANK OF CHICAGO

OCT 18 1933 150 N. LA SALLE STREET

October 16, 1933.

Honorable Eugene R. Black, Governor,
Federal Reserve Board,
Washington, D. C.

Dear Governor Black:

Our Executive Committee, at its meeting on Friday, October 13, 1933, adopted the following resolution:

"WHEREAS, on September 29, 1933, our Executive Committee adopted certain resolutions setting forth our position in reference to open market operations, and we have now been informed that it is the desire of the Federal Reserve Board that this bank participate with all other Federal reserve banks in the System purchases of Government securities;

"NOW, THEREFORE, BE IT RESOLVED, that this bank participate in the purchase of \$35,000,000 for System account, made during the week ending October 11, but that this participation be limited to the percentage of allotment for this bank in force prior to the action of the Open Market Committee on April 22, 1933;

"BE IT FURTHER RESOLVED, that any further purchases in which this bank may participate shall be limited to the percentage of allotment in force prior to the action of the Open Market Committee April 22, 1933, and such participation will only be accepted upon the written request of the Federal Reserve Board in Washington to the Federal Reserve Bank of Chicago."

Since this resolution was adopted your letter of the 14th instant has been received, and as we now have your request that we participate in the System policy of purchases of Government securities, which request we understand is concurred in by the entire Board, that part of the resolution of our Executive Committee which stated: "***such participation will only be accepted upon the written request of the Federal Reserve Board in Washington to the Federal Reserve Bank of Chicago" has been complied with.

See letter 10/23/33

FEDERAL RESERVE BANK OF CHICAGO

-2-

n. R. Black,
Governor, Federal Reserve Bd.,
Washington, D. C.

With regard to the other part of the resolution which limits any further purchases in which this bank may participate to the percentage of allotment in force prior to the action of the Open Market Committee on April 22, 1933, this question was taken up at the meeting of the Federal Open Market Committee held in Washington last week and is now being considered by the Chairman of the Open Market Committee with a view to changing the present method of allotment.


We have participated in the purchase of \$35,000,000 Government securities for System account made during the week ended October 11, but only to the extent of 12%, which was the percentage of allotment for this bank in force prior to the action of the Open Market Committee April 22, 1933.

I appreciate very much your letter and the friendly interest you have shown in our situation regarding open market operations, and assure you of our desire to co-operate.

The next meeting of our Board of Directors will be held at 11 o'clock on Friday, October 27, and we should be very much pleased indeed to have you present at that meeting, as I am sure it would be very helpful if our directors and officers had the opportunity to discuss with you System policies and other matters of mutual interest. We are looking forward to seeing you at that time and we shall notify the members of our Board that we expect you.

With kindest regards, I am

Yours sincerely,


C. R. McKay,
Deputy Governor.

K

TELEGRAM

FEDERAL RESERVE SYSTEM

(LEASED WIRE SERVICE)

333.3-a

259gb

16-704

Stlouis Oct 16 215p 1933

RECEIVED AT WASHINGTON, D. C.

Carpenter

Washn

The usual fifteen extra copies of your letter October twelfth X-7636 received today and destroyed as requested. Copy for Governor received in envelope addressed to Auditor novy. Shall it be delivered to Governor ?

Stewart

410p

Stewart told me over the telephone that the copy addressed to the Governor had come in an envelope addressed to Novy Auditor. I asked that he turn the copy over to the Governor.

FEDERAL RESERVE BANK OF MINNEAPOLIS

NINTH DISTRICT

OFFICE OF THE CHAIRMAN
AND FEDERAL RESERVE AGENT

J. N. PEYTON
CHAIRMAN AND FEDERAL RESERVE AGENT
CURTIS L. MOSHER
ASSISTANT FEDERAL RESERVE AGENT
F. M. BAILEY
ASSISTANT FEDERAL RESERVE AGENT

October 16,
1933

Federal Reserve Board,
Washington, D. C.

Attn: S. R. Carpenter, Asst. Secretary

Gentlemen:

10-12-33 Twenty-four extra copies of letter
X-7636 arrived this morning, and as requested in your
telephone conversation Friday evening, October 13, I have
destroyed the twenty-four copies.

Trusting this meets with your desires, I am

Yours very truly,

F M Bailey
F. M. Bailey
Asst. Federal Reserve Agent

FMB:EP



TELEGRAM

333.3-a

FEDERAL RESERVE SYSTEM

(LEASED WIRE SERVICE)

16-784

RECEIVED AT WASHINGTON, D. C.

271gb

Dallas Oct 16 301p 1933

Carpenter

Washn

In re our ~~fm~~ phone conversation October 13th copies of letters
have been received and disposed of as requested by you

X-7636
10-12-
33

Walsh

426p

TELEGRAM

FEDERAL RESERVE SYSTEM

(LEASED WIRE SERVICE)

7dea

16-794

Cleveland

9am oct 14 1933 RECEIVED AT WASHINGTON, D. C.

Carpenter

Washn

10-12-38
Eight copies letter X-7636 received and destroyed

Williams

932a

TELEGRAM

FEDERAL RESERVE SYSTEM

(LEASED WIRE SERVICE)

333.3-a

RECEIVED AT WASHINGTON, D. C.

57fy¹⁶⁻⁷⁹⁴

Atlanta 1136a Oct 14 1933

Carpenter

Washn

Refer telephone conversation yesterday I have destroyed ten copies
of Boards letter X-7636 dated October 12

Conniff

1240pm

333.3-a

October 14, 1933

Dear Governor McKay:

I recall that during the present week there was a discussion here at the Governors' conference as to Chicago's further participation in bond purchases, that discussion having arisen over the recent resolution of your Executive Committee, copy of which you were kind enough to send me.

I had occasion to discuss with you the question of Chicago's participation and suggested to you that you should endeavor to get the Governors' conference to arrange some method of pro rating bonds to the Federal Reserve Banks which would not put an undue burden upon the Chicago bank and it is my impression that you did discuss this situation while here.

The entire Board has been very highly pleased that since the beginning of bond purchases starting in May all of the reserve banks have participated in these purchases except in one or two instances where a bank was not able, by reason of its reserve position, to participate, and this cooperation of the reserve banks in the effort of the System in this matter has been gratifying to all of us. The Board has expressed itself a number of times as being in accord with the policy adopted by the System relative to open market operations and with purchases made in accord with that policy. The success of that policy depends upon the united cooperation of reserve banks and its success up to the present time has been due to that cooperation. I would be very greatly disturbed if any one of the banks declined to participate in the System policy, and I was therefore hopeful that you might succeed in reaching a more equitable manner of distribution of bonds and the Chicago bank would reconsider the action of its executive committee and participate with the other banks in the policy.

At the conference of Governors I stated at length and in detail the reasons why I favored the present policy. Other members of the Board, including Mr. Szymczak, who is chairman of the Chicago district and who naturally has an interest in the Chicago bank, expressed themselves as similarly hopeful that the System policy would be adhered to by the

See letter 10/4/33

See letter 10/16/33

Governor McKay - 2

banks and expressed their belief that the System policy was right.

You are, of course, at full liberty to show this letter to your directors as expressing my interest, Mr. Szymczak's interest and indeed the interest of the entire Board in this matter and as expressing the hope that the Chicago bank will go along with the other banks on a fair basis in furtherance of this System policy.

I am recalling that I stated to you that I would be glad of an opportunity in the near future to meet with you and the other officers of your bank and the directors, so that I might know them all better and might have an opportunity to discuss System policies with them and give them in full such information as would be helpful. I am still hoping that this opportunity may present itself at the next meeting of your directors.

With my warm regards, I am

Sincerely yours,

Governor.

Mr. C. R. McKay, Deputy Governor,
Federal Reserve Bank,
Chicago, Illinois.

Form No. 181

Office Correspondence

FEDERAL RESERVE
BOARD

33.3-a
Date October 14, 1933.


To Files,

Subject: _____

From Mr. Carpenter.

...

2-8495

 At 11:05 a.m. Miss Miller, in the office of Mr. Case, Federal Reserve Agent at New York, advised over the telephone that she had received the 17 extra copies of X-7636 sent to the Federal Reserve Agent at New York, and that they would be destroyed immediately.
110-12-33

Immediately following, Mr. Paddock at Boston advised me over the telephone that he had received the 20 extra copies of X-7636 sent to that bank and that they would be destroyed immediately.

Form No. 181

Office Correspondence

FEDERAL RESERVE
BOARD


223.3-1
Date October 14, 1933.

To Files.

Subject: _____

From Mr. Carpenter.

... 2-8495



At 10:55 a.m. this morning Mr. Austin's secretary advised me over the telephone that Mr. Austin was not at the office today but that she personally had destroyed the 18 extra copies of X-7636 sent to the Federal Reserve Agent at Philadelphia.

10-12-33

FEDERAL RESERVE BOARD

WASHINGTON

X-7636

October 12, 1933.

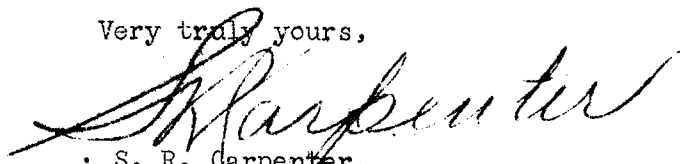
**ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD**

Dear Sir:

The Federal Reserve Board today transmitted to Mr. George L. Harrison, ~~as~~ Chairman of the Federal Open Market Committee, a telegram reading as follows:

"The Federal Reserve Board has given careful consideration to the resolution adopted at the meeting on October 10, 1933, of the Federal Open Market Committee and has requested me to advise you that it authorizes the Executive Committee of the Federal Open Market Committee to proceed with the proposed purchases of United States Government securities up to the extent of the unused portion of the aggregate of \$1,000,000,000 covered by the authority granted as set forth in my wire to you of May 12, 1933. In granting this authority, the Board will expect to be kept informed currently by the Executive Committee of its program of purchases and as to any development in the situation which may affect the application of the program. The Board will have the whole matter of open market policy under constant review and will advise the Committee of changes to be made in the program in order more fully to adjust it to the requirements of the national situation."

Very truly yours,



S. R. Carpenter,
Assistant Secretary.

TO: CHAIRMEN OF ALL F. R. BANKS.

No. 6850

- 1 - 20 Paddock OT
- 2 - 17 Burke OT
- 3 - 18 Davis OT
- 4 - 8 Williams OT ✓
- 5 - 25 Hoxton OT. Iny - 19:00 P.M. 10/1/2.
- 6 - 10 Conniff OT
- 7 - 4 Young OT
- 8 - 15 Nooy OT
- 9 - 24 Bailey OT
- 10 - 12 McClure OT
- 11 - 25 Walsh OT
- 12 - 20 Newton OT

PERSONS ON THE DISTRIBUTION LIST

MRS. STEWART ✓

MISS WESTERGREN ✓

MR. MILLER ✓

MR. NOELL ✓

MR. BETHEA ✓

MR. THOMPSON ✓

MR. CARPENTER ✓

~~MRS. WILLIAMSON~~ ✓

MR. HAMLIN ✓

GOVERNOR'S OFFICE ✓

MR. HOGG ✓

MR. WINGFIELD ✓

MR. VEST ✓

MR. CHASE ✓

MR. WYATT *Can't find*

MR. BOATWRIGHT ✓

MR. PAULGER ✓

ALL EXAMINERS. ✓

MRS. ROOT ✓

DIV. OF BANK OPERATION (MR. DORSEY) ✓

MR. KITZMILLER ✓

MR. PARRY ✓

MR. RHODES ✓

MISS. RACKSTRAW ✓

MR. BARTZ ✓

GEN'L FILES ✓

MR. GOLDENWEISER ✓

~~_____~~

Mr. Drinner

31 (5.4)

#7. v - 1 returned, Mr. Conrad keeping his copy

I destroyed these copies personally
SA

Form No. 181

Office Correspondence

FEDERAL RESERVE
BOARDDate October 14, 1933.To Files.Subject: 33307From Mr. Carpenter.

333.3-a

16-852

In accordance with the provisions of Section IV(d) of Regulation M, on Open Market Operations, there was addressed to the Chairmen of all Federal reserve banks on October 12, 1933 a letter marked X-7636, in which was quoted the telegram addressed on the same date to Mr. Geo. L. Harrison, Chairman of the Federal Open Market Committee, advising of the action taken by the Board in connection with the resolution adopted by the Committee at its meeting on October 10, 1933. The letter was dispatched to all Chairmen, with a copy addressed to the Governor of each Federal reserve bank, on the evening of October 12, 1933.

The letter was not marked confidential and the following morning, October 13, 1933, the mail room, in accordance with the usual practice of sending extra copies of all X-letters to the Federal reserve agents, sent the usual number of extra copies of the letter to the Federal reserve agent at each Federal reserve bank and the usual disposition of the letter was made throughout the Board's offices. Upon learning of this yesterday afternoon, I immediately requested that all copies of the letter distributed throughout the offices of the Board be collected and returned to me, and all copies of the letter in the mimeograph room destroyed.

I also called the Federal reserve agent's office at each Federal reserve bank on the telephone and got in touch with the Federal reserve agent or some other available person. I talked to the following people at the respective Federal reserve banks:

Form No. 131

Office Correspondence

FEDERAL RESERVE
BOARD

Date October 14, 1933.

To Files,

Subject:

From Mr. Carpenter.

- 2 -

G.P.O. 16-1851

Boston . . . . .	.Mr. Paddock, Deputy Governor
New York . . . . .	.Miss Burke, Secretary to Mr. Case
Philadelphia . . . . .	.Mr. Davis, Assistant Cashier
Cleveland. . . . .	.Mr. Williams, Federal Reserve Agent
Richmond . . . . .	.Mr. Hoxton, Federal Reserve Agent
Atlanta . . . . .	.Mr. Conniff, Deputy Governor
Chicago. . . . .	.Mr. Young, Assistant Federal Reserve Agent
St. Louis. . . . .	.Mr. Novy, Auditor
Minneapolis. . . . .	.Mr. Bailey, Assistant Federal Reserve Agent
Kansas City. . . . .	.Mr. McClure, Federal Reserve Agent
Dallas. . . . .	.Mr. Walsh, Federal Reserve Agent
San Francisco. . . . .	.New Newton, Federal Reserve Agent

I advised each of the persons with whom I talked, of the dispatch of the letter on the evening of October 12, 1933, to the Chairman of the bank and stated that the usual number of extra copies, which had gone out of this office on the morning of October 13, 1933, to the Federal reserve agent had been sent in a brown envelope address "Federal Reserve Agent" and that because of the confidential nature of the letter, the extra copies never should have been sent, but had been forwarded in error. ~~_____~~

~~_____~~, I requested that the mail room of the bank be instructed, upon receipt of the envelope containing the extra copies (in the case of Richmond there were two envelopes, one containing 10 copies and addressed to Mr. Hoxton and the other containing 25 copies addressed "Federal Reserve Agent") to turn it over to the Federal reserve agent and that he immediately destroy all of the copies contained in the envelope and advise me by telephone, in the case of the Federal Reserve Banks of Boston, New York and Philadelphia, and in the case of the other banks, by leased wire, that the copies had been destroyed. Each of the persons with whom I talked assured me that the matter would be handled as requested.

This morning Mr. Fry of Richmond called me on the telephone and stated that the two lots of 10 and 25 copies of the letter received at his bank had been destroyed in accordance with my request.

333.3-a

FEDERAL RESERVE BOARD

WASHINGTON

X-7636

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

October 12, 1933.

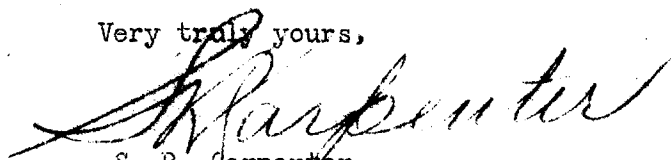
Dear Sir:

Carded

The Federal Reserve Board today transmitted to Mr. George L. Harrison, as Chairman of the Federal Open Market Committee, a telegram reading as follows:

"The Federal Reserve Board has given careful consideration to the resolution adopted at the meeting on October 10, 1933, of the Federal Open Market Committee and has requested me to advise you that it authorizes the Executive Committee of the Federal Open Market Committee to proceed with the proposed purchases of United States Government securities up to the extent of the unused portion of the aggregate of \$1,000,000,000 covered by the authority granted as set forth in my wire to you of May 12, 1933. In granting this authority, the Board will expect to be kept informed currently by the Executive Committee of its program of purchases and as to any development in the situation which may affect the application of the program. The Board will have the whole matter of open market policy under constant review and will advise the Committee of changes to be made in the program in order more fully to adjust it to the requirements of the national situation."

Very truly yours,



S. R. Carpenter,
Assistant Secretary.

TO: CHAIRMEN OF ALL F. R. BANKS.

Mr. Carpenter

FEDERAL RESERVE BOARD

WASHINGTON

X- 7636

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

October 12, 1933.

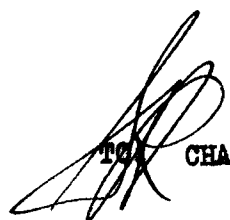
Dear Sir:

The Federal Reserve Board today transmitted to Mr. George ^{L.} Harrison, as Chairman of the Federal Open Market Committee, a telegram reading as follows:

"The Federal Reserve Board has given careful consideration to the resolution adopted at the meeting on October 10, 1933, of the Federal Open Market Committee and has requested me to advise you that it authorizes the Executive Committee of the Federal Open Market Committee to proceed with the proposed purchases of United States Government securities up to the extent of the unused portion of the aggregate of \$1,000,000,000 covered by the authority granted as set forth in my wire to you of May 12, 1933. In granting this authority, the Board will expect to be kept informed currently by the Executive Committee of its program of purchases and as to any development in the situation which may affect the application of the program. The Board will have the whole matter of open market policy under constant review and will advise the Committee of changes to be made in the program in order more fully to adjust it to the requirements of the national situation."

Very truly yours,

S. R. Carpenter,
Assistant Secretary.



CHAIRMAN OF ALL F. R. BANKS.

Form 149b

TELEGRAM

FEDERAL RESERVE BOARD
WASHINGTON

333.3a

October 12, 1933.

HARRISON - NEW YORK

The Federal Reserve Board has given careful consideration to the resolution adopted at the meeting on October 10, 1933, of the Federal Open Market Committee and has requested me to advise you that it authorizes the Executive Committee of the Federal Open Market Committee to proceed with the proposed purchases of United States Government securities up to the extent of the unused portion of the aggregate of \$1,000,000,000 covered by the authority granted as set forth in my wire to you of May 12, 1933. In granting this authority, the Board will expect to be kept informed currently by the Executive Committee of its program of purchases and as to any development in the situation which may affect the application of the program. The Board will have the whole matter of open market policy under constant review and will advise the Committee of changes to be made in the program in order more fully to adjust it to the requirements of the national situation.

CM/mr

Cru

MOOREILL.
Lee Appel
minutes
AT BOARD MEETING

OCT 12 1933

FILE COPY

333.3-2
10/12/33

MEMORANDUM OF OPEN MARKET POLICY

In their participation in the extensive open market program which the Reserve System has conducted for a number of months past, the Federal Reserve banks have been actuated by their desire to contribute to the fullest extent within their power to the national recovery effort. In furtherance of that desire, and as a result of our observation of the open market operation, we believe that we may render a helpful service by recording our present views.

The System's holdings of government securities now amount to the unprecedented sum of \$2,274,000,000, more than ten percent of the Federal debt. Excess reserves of member banks are now nearly \$800,000,000, member bank indebtedness to the Reserve banks has been reduced to the smallest figure since August, 1917, and short-time money rates have been forced down to the lowest level in our history. When to these facts it is added that the volume of currency outstanding is \$5,595,000,000, far in excess of that outstanding in 1929, and that bank reserves are greater than at any previous time in our history, it would seem that our monetary problem today is not so much one of correcting a deficiency in the supply of basic money, whether by Federal Reserve credit or by government currency, as of achieving an effective use and turnover of the already existing supply.

Open market operations, as a means of stimulating business recovery, are ordinarily designed to force banking funds, first, into the short-time money market, and subsequently, as short-time rates are lowered, into the intermediate and long-time capital markets. In the present instance, it seems clear that

L. C. Mumford
AT BOARD MEETING

OCT 12 1933

-2-

neither of these major purposes is yet accomplished.

As to short-term credit, there are still grave obstacles both for borrowers and for lenders. Many business concerns, whose worth has been diminished by the unprecedented shrinkage in values and by several years of unprofitable operation, have been either unable or afraid to draw upon the available credit supply. At the same time many of the banks, partly by reason of their former unfortunate experiences and partly by reason of new uncertainties incident to the inauguration of the deposit insurance and other features of the Banking Act of 1933, have felt it necessary to pursue a policy of extreme liquidity. The result is that, notwithstanding the Reserve System's open market purchases and the consequent large increase in bank reserves, loans and investments of member banks have been virtually stationary for four months, and net demand deposits are less today than at the end of May. In addition, some \$4,000,000,000 of deposits remain locked up in closed or unlicensed banks.

Not only has there been no expansion in the volume of short-term bank credit, but the desired pressure of funds into longer uses in the capital goods industries seems to be blocked by lack of confidence in the future position of the dollar and uncertainty with respect to monetary policy in general, and also by the liabilities imposed by the Securities Act of 1933 and the Banking Act of 1933. The capital issues market remains completely stagnant; and coupled with this is the further fact that the recovery in business from March to August, though unprecedented for extent in so short a period, revealed a serious lack of balance in the pronounced lagging of the capital goods industries, which are responsible for over 60 per cent of present unemployment. It is worthy of special mention, also, that during the recent recurrence of inflationary agitation the bond market

-3-

lost one-third of its advance since March. The bearing of a declining bond market upon the condition of banks and upon the prospect for reviving the capital goods industries through the long-time money market requires no elaboration.

In our judgment, these conditions indicate that the effectiveness of open market operations, in so far as banking and credit factors are concerned, will depend in large measure upon the early adoption of a broader program, designed to strengthen confidence and to encourage the flow of credit, both short-time and long-time, into uses which make for a well-balanced and enduring recovery.

333.3-a

10-10-33

"It was voted that, subject to the approval of the Federal Reserve Board, the authority granted to the Executive Committee at the meeting of the Open Market Conference on April 22, 1933, to purchase up to \$1,000,000,000 of government securities be continued and reaffirmed for the unused portion of the authority."

Passed Tuesday evening, October 10th, and reported orally to Governor Black October 11th A. M.

See minutes
.....
AT BOARD MEETING

OCT 12 1933

SP

It was voted that, subject to the approval of the F. R. Board, the authority granted to the Exec. Com. at the meeting of the S. M. Conference on April 22, 1933, to purchase up to \$1 billion of government securities, be continued and reaffirmed for the unused portion of the authority.

Passed Tuesday evening October 10th
and reported orally to Gov. Black
October 11th AM.

Form No. 181

Office Correspondence

FEDERAL RESERVE
BOARDDate October 9, 1933To Governor Black

Subject: _____

From Mr. Goldenweiser

16-852

In accordance with your request I attach a table which shows for 1932 and 1933 purchases of United States Government securities for system account from week to week and cumulative from the beginning of the year. Last year the Federal reserve banks purchased for system account \$1,073,000,000 of securities while this year they have purchased up to October 1 \$462,000,000. In January of this year the banks sold \$91,000,000 of securities, so that if we consider only the period of purchases beginning in March, the total up to October 1 was \$553,000,000.

I also attach a table showing the distribution of the Federal reserve banks' holdings of securities by maturities. The table shows that a third of all the securities held have a maturity of 6 months or less; and that an insignificant amount of the total have maturities of more than 5 years.

Changes in Holdings of United States Government Securities
in Special System Investment Account
(Figures in millions of dollars)

Month	Wednesday	Change from week to week		Cumulative change from first of year	
		1932	1933	1932	1933
January	1st	-	-	-	-
	2nd	-	-36	-	-36
	3rd	-	-30	-	-66
	4th	-	-15	-	-81
February	1st	-	-	-	-81
	2nd	-	+20	-	-61
	3rd	-	+25	-	-36
	4th	-	+25	-	-11
March	1st	+20	-	+20	-11
	2nd	+25	-	+45	-11
	3rd	+25	-	+70	-11
	4th	+24	-	+94	-11
	5th	+25	-	+119	-11
April	1st	+26	-	+145	-11
	2nd	+100	-	+245	-11
	3rd	+93	-	+338	-11
	4th	+113	-	+451	-11
May	1st	+99	-	+550	-11
	2nd	+98	-	+648	-11
	3rd	+82	-	+730	-11
	4th	+58	+25	+788	+14
	5th	+50	+28	+838	+42
June	1st	+70	+22	+908	+64
	2nd	+46	+21	+954	+85
	3rd	+39	+22	+993	+107
	4th	-	+21	+993	+128
July	1st	+30	+20	+1,023	+148
	2nd	+20	+12	+1,043	+160
	3rd	+15	+10	+1,058	+170
	4th	+5	+10	+1,063	+180
August	1st	+5	+10	+1,068	+190
	2nd	+5	+18	+1,073	+208
	3rd	-	+2	+1,073	+210
	4th	-	+35	+1,073	+245
	5th	-	+36	+1,073	+281
September	1st	-	+38	+1,073	+319
	2nd	-	+36	+1,073	+355
	3rd	-	+36	+1,073	+391
	4th	-	+36	+1,073	+427
October	1st	-	+35	+1,073	+462

DISTRIBUTION BY MATURITIES OF FEDERAL RESERVE
BANK HOLDINGS OF UNITED STATES GOVERNMENT
SECURITIES - OCTOBER 4, 1933

	Amount (In millions of dollars)	Percentages	
		By maturities	Cumulative
90 days or less	534	23	23
91 days to 6 months	205	9	32
Over six months -			
Maturing in:			
1934	430	19	51
1935	184	8	59
1936	309	13	72
1937	147	6	78
1938	411	18	96
1943	20	1	97
1947 or later	68	3	100
TOTAL	2,309	100	

FEDERAL RESERVE BANK OF CHICAGO 1933
230 SOUTH LA SALLE STREET

333.3-1
October 4, 1933

Honorable E. R. Black
Governor, Federal Reserve Board
Washington, D. C.

Dear Governor Black:

At the meeting of our Executive Committee last Friday, September 29, following a discussion of the open market policy of the Federal Reserve System, the following resolutions were passed unanimously:

"WHEREAS, open market purchases of Government securities for System account have resulted in increasing the excess reserves of member banks of the System by over \$700,000,000 and these excess reserves are well distributed among the twelve Federal reserve districts, thereby creating easy money conditions in all of these districts; and

WHEREAS, from the standpoint of the credit and banking situation of the country there now appears to be no need for further purchases of Government securities; and

WHEREAS, the Federal reserve banks should maintain a strong position, particularly in these times, for the purpose of meeting any demands for credit or currency that may be made upon them during the period of readjustment of the banking system and to enable them to fully exercise their functions of rediscounting paper for their member banks for commercial, agricultural, and industrial purposes as originally provided for in the Federal Reserve Act;

RESOLVED, that the participation of this bank from time to time in the present policy of purchases of Government securities is solely for the purpose of aiding the Government's recovery program, and should only be exercised when and as requested under the provisions of Section 43(a) of the Emergency Farm Mortgage Act of 1933."

FEDERAL RESERVE BANK OF CHICAGO

Hon. E. R. Black - #2

October 4, 1933

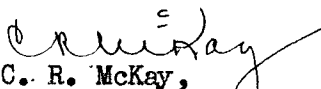
"WHEREAS, at the meeting of the Open Market Committee on April 22, 1933, it was deemed advisable to reallocate the percentages of participation by the different banks in the System purchases of Government securities to meet conditions existing at that time, and on account of the wide variance in the reserve percentages of the various banks then current; and

WHEREAS, it is our belief that such conditions do not prevail at this time, and that the relationship of the reserve percentages of the various banks is now on a reasonable basis;

NOW, THEREFORE, BE IT RESOLVED, that the percentage of this bank's participation in purchases of Government securities for System account is inequitable, and that the percentages of allotments to the various banks should now revert to those in force prior to the action of the Open Market Committee April 22, 1933."

At the request of our Executive Committee the above copies of these resolutions are submitted for your information and consideration.

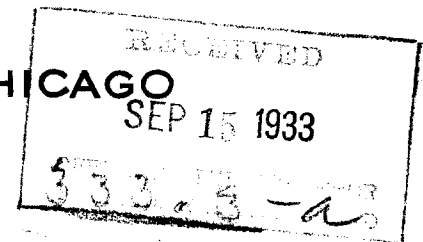
Very truly yours,


C. R. McKay,
Deputy Governor.

J-

(FEDERAL RESERVE BANK OF CHICAGO

230 SOUTH LA SALLE STREET



September 12, 1933

Honorable Eugene R. Black
Governor, Federal Reserve Board
Washington, D. C.

Dear Governor Black:

When you were here last week, I discussed with you briefly the question of the percentages of allotment in the participation by the Federal reserve banks of purchases of Government securities by the Federal Open Market Committee, and you suggested that I address a letter to you on the subject.

Under the present method of allotment, the percentages of participation by each Federal reserve bank are based upon their reserve position, on the excess of their reserves over 55%. If a bank has 55% or less reserve, it does not have to participate.

The reserve position of some of the banks is affected largely by the amount of their circulation outstanding and in the case of this bank it happens that our circulation as of September 6, including Federal reserve bank notes, is about \$783,000,000, while that of New York is only \$702,000,000. While their member bank reserve account is \$1,016,000,000, ours is only about \$436,000,000. The total resources of the Federal Reserve Bank of New York are about \$2,013,000,000, while the resources of the Chicago bank are only \$1,377,000,000. Under the present method of allotment, the Chicago bank's percentage of participation in the System purchases is 36%, whereas the New York bank's percentage is only 15-1/4%.

We feel that consideration should be given to the outstanding circulation of all of the Federal reserve banks in determining the percentages of allotment of purchases for System account, and that the allotments as calculated by the present method of computation should be adjusted up or down according as the ratio of Federal reserve notes and Federal reserve bank notes outstanding for each bank to their member bank deposits is less or more than the average for the System. With this in mind, we have prepared a tabulation based on the statement of September 6 showing the ratio of outstanding circulation for each bank to its member bank reserve accounts; the ratio for the System; the ratio in which each bank varies from the System average; the present percentages of allotment and the proposed allotments as adjusted by the circulation factor.

FEDERAL RESERVE BANK OF CHICAGO

-2-

Sep. 12, 1933.

Honorable Eugene R. Black.

This tabulation, which is enclosed, shows in Column #1 the ratio of Federal reserve notes and Federal reserve bank notes outstanding to member bank reserve accounts for each bank and for the System; Column #2 shows the relationship of the System average to each bank's ratio and is obtained by dividing the System ratio, that is, in this case, 1.289, by the individual bank ratios in Column #1. Column #3 is the present percentage of participation based on excess reserves as furnished us by the Federal Reserve Bank of New York. Column #4 represents the latter percentages adjusted by the circulation factor by multiplying by the figures in Column #2. Column #5 are the same figures reduced to percentages by dividing each one by the total, and Column #6 represents the same figures adjusted to the nearest 1/4 of 1%.

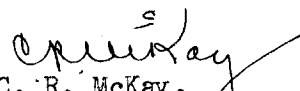
It will be noted that only three banks under this plan would have an increased percentage of allotment, namely, New York, Kansas City and Dallas and that all of the other Federal reserve banks would have reduced allotments. Any reduction in the reserve percentage of the New York bank or of any other bank caused by the proposed increase in their allotment could be offset by the issue of Federal reserve bank notes in place of Federal reserve notes.

The question of the percentages of allotment of System purchases was discussed at the meeting of our executive committee last Friday and it was suggested that the matter be taken up with the members of the open market committee. I am presenting this proposed plan of allotment to the members of the executive committee of the Federal Open Market Committee.

I have submitted this proposed plan of allotment in detail so that you will be fully informed in the matter, and shall be glad to have any comments or suggestions you may have to make.

Very truly yours,

J-
enc.


C. R. McKay,
Deputy Governor.

STATEMENT SEPTEMBER 6, 1933

	(1)	(2)	(3)	(4)	(5)	(6)
Boston	1.575	.82	11 %	9.02	.0971	.09 $\frac{5}{4}$ %
New York	.691	1.87	15 $\frac{1}{4}$	28.52	.3073	.30 $\frac{3}{4}$
Philadelphia	1.912	.67	4 $\frac{5}{8}$	3.18	.0342	.03 $\frac{1}{2}$
Cleveland	2.171	.59	6 $\frac{1}{4}$	3.69	.0397	.04
Richmond	1.942	.66	5	3.30	.0355	.03 $\frac{1}{2}$
Atlanta	2.172	.59	3 $\frac{5}{8}$	2.21	.0238	.02 $\frac{1}{4}$
Chicago	1.796	.72	36	25.92	.2793	.28
St. Louis	1.865	.69	4	2.76	.0297	.03
Minneapolis	1.827	.70	1 $\frac{5}{8}$	1.23	.0132	.01 $\frac{1}{4}$
Kansas City	1.065	1.21	4 $\frac{1}{2}$	5.45	.0587	.05 $\frac{5}{8}$
Dallas	.714	1.81	3 $\frac{1}{4}$	1.36	.0146	.01 $\frac{1}{2}$
San Francisco	<u>1.473</u>	<u>.88</u>	<u>7</u>	<u>6.16</u>	<u>.0663</u>	<u>.06$\frac{5}{8}$</u>
System	1.289		100	92.80	.9994	100

Proposed percentages of allotment of purchases of
Government securities for System account.

Prepared by Federal Reserve Bank of Chicago

September 12, 1933

333.3-a

August 31, 1933

Mr. John U. Calkins, Governor,
Federal Reserve Bank of San Francisco,
San Francisco, California.

Dear Mr. Calkins:

Dr. Burgess has been kind enough *encl with letter*
to send me copy of your letter of August 25th *8/28/33*
to Governor Harrison, Chairman of the Open Market
Committee, relative to future purchases of govern-
ments by the System.

I have read your letter with a great
deal of interest and beg to advise that I am largely
in line with the expressions in your letter. I am
especially appreciative of your attitude at this time
as expressed in your letter.

With my warm regards, I am

Sincerely yours,

E R Black

B-C

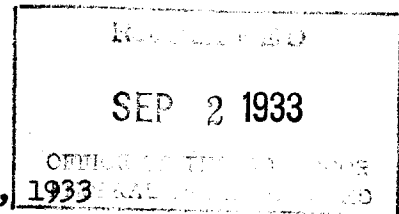
FILE COPY

See letter 8/28/33

333,3-a
FEDERAL RESERVE BANK OF SAN FRANCISCO

JNO. D. CALKINS, GOVERNOR

August 28, 1933

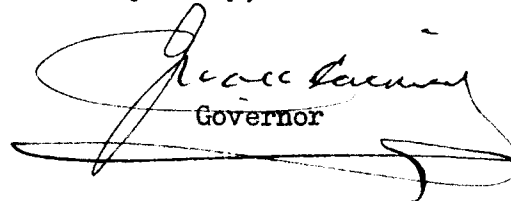


Mr. Eugene R. Black,
Governor, Federal Reserve Board,
Washington, D. C.

My dear Governor Black:

For your information, I enclose here-
with copy of letter written to Governor Harrison,
which I think expresses my views in part.

Yours very truly,


Governor

Enclosure

Copy

August 25, 1933

Mr. George L. Harrison,
Chairman, Federal Open Market Committee,
Federal Reserve Bank of New York,
New York City.

My dear Governor Harrison:

By the way of obiter dictum, I offer the following:

I am of the opinion that open market purchases for the past week might better have been \$50,000,000, instead of \$35,000,000, and that purchases for the next and several succeeding periods should be in considerable amounts, say \$50,000,000, or even \$100,000,000, per week.

As you recall, I was consistently, and persistently, of the opinion that putting more money into a market already gorged when nothing else was being done was a futile process, and I think that the correctness of that view was amply confirmed. It is, however, one thing to try to create an effect by such means in the absence of any other effort and quite another thing to add that pressure to other efforts put forth for the same purpose.

An effort is now being made to create purchasing power, raise prices, increase employment, and revive courage, and, with those things under way, it is my view that the Federal Reserve System should do its full part, even at the risk of subsequently having to realize that its efforts were ineffective. In other words, we are not in a position to see the best course and follow it, but probably are in a position to elect one of several traditionally unorthodox expedients.

Yours very truly,

(signed) Jno. U. Calkins

Governor

GM

Pale

' 33

JUC

Form No. 181

FEDERAL RESERVE
BOARD

Office Correspondence

Date August 25, 1933.To Mr. MorrillSubject: 333.3-aFrom Mr. Carpenter

• P O 16-852

Filed

The attached tabulation of maturities of Government securities held by Federal reserve banks in the open market account shows that the principal shift of maturities since January 27, 1933, has been from maturities within eighteen months to maturities over two years. The accompanying letter dated August 24 from Mr. Burgess shows that approximately 28% of the \$35,000,000 of securities purchased during the week ending August 23 were of maturities over three years and \$5,380,000 of purchases in the market to replace the \$17,500,000 of Treasury bills due August 23, 1933, were maturities in excess of three years.

At the meeting of the Executive Committee of the Board on May 1, 1933, Governor Meyer called attention of the other members to the changes which were being effected in the maturities of system holdings of Government securities and after a discussion of the resolution adopted by the Open Market Policy Conference on April 22, 1933, providing for shifting of maturities, he suggested that the Board might consider a policy of distributing the maturities so that securities with maturities not in excess of eighteen months would amount to at least 50% of the total, maturities between eighteen months and two years would not exceed 25% of the total and maturities between two and three years would not total more than 25%. Action on the matter was deferred pending the attendance of the Chairman of the Board at a meeting. At the meeting of the Executive

Form No. 131

Office Correspondence

FEDERAL RESERVE
BOARD

Date _____

To _____

Subject: _____

From _____

GPO 16-852

(2)

Committee on May 6, Governor Meyer stated that he had talked with Deputy Governor Burgess over the telephone and that the latter had advised that in replacing maturities in the open market investment account, arrangements were being made to keep 50% or more of the securities in maturities within eighteen months, and that the Executive Committee of the Open Market Policy Conference did not have at that time a program for further shifting of maturities.

No further consideration has been given at a meeting of the Board to the resolution of the Open Market Policy Conference referred to above.

Maturities of Government Securities held by Federal Reserve Banks
in Open Market Account

	<u>Within 18 months</u>	<u>Within 2 years</u>	<u>Within 3 years</u>	<u>Over 3 years</u>	<u>Total</u>
<u>Distribution of Maturities held in Account on:</u>					
Jan. 27, 1933	\$1,002,724,500	\$117,952,000	\$82,627,000	\$355,496,000	\$1,558,799,500
% of total	64%	8%	5%	23%	100%
Apr. 7, 1933	\$1,090,536,000	-----	\$90,477,000	\$448,386,500	\$1,629,399,500
% of total	67%		6%	27%	100%
Apr. 28, 1933	\$1,042,826,500	-----	\$91,277,000	\$495,296,000	\$1,629,399,500
% of total	64%		6%	30%	100%
May 5, 1933	\$ 957,989,000	-----	\$166,614,500	\$504,796,000	\$1,629,399,500
% of total	59%		10%	31%	100%
Aug. 4, 1933	\$1,050,389,000	\$ 93,077,000	\$160,079,500	\$526,804,000	\$1,830,349,500
% of total	57%	5%	9%	29%	100%
Aug. 11, 1933	\$1,054,969,000	\$ 93,077,000	\$164,749,500	\$527,554,000	\$1,840,349,500
% of total	57%	5%	9%	29%	100%
Aug. 18, 1933	\$ 987,064,000	\$160,702,000	\$161,829,500	\$540,754,000	\$1,850,349,500
% of total	52%	9%	9%	30%	100%

Resolution

It is the sense of the conference that while, as a general principle, the average maturity of Government securities held in the system account should be kept as short as possible, nevertheless, in the present emergency, and especially in view of the need of full cooperation with the Treasury in meeting its fiscal problems, the executive committee should be authorized from time to time to shift maturities in the system account as conditions in the market or requirements of the Treasury appear to make that advisable. Furthermore, it is understood that in replacing maturities in the system account, the executive committee will use its discretion in the light of existing conditions and this resolution in selecting replacements.

(Unanimous)

Excerpt from the Minutes of the Meeting of the Executive Committee of the Federal Reserve Board, held
May 1, 1933

Governor Meyer then called to the attention of the other members the changes which are being effected in the maturities of System holdings of Government securities, and there was further discussion of the resolution adopted by the Open Market Policy Conference at its meeting on April 22, 1933, providing for the shifting of maturities. The discussion brought out the view that it is desirable that the System account be maintained in such position with respect to maturities that a change in System policy could be made without too great difficulty, and that such a difficulty might be created by having in the account a large proportion of securities of relatively long maturities. Governor Meyer suggested that the Board might consider a policy of distributing the maturities so that securities with maturities not in excess of eighteen months would amount to at least 50% of the total, maturities between eighteen months and two years would not exceed 25% of the total, and maturities between two and three years would not total more than 25%. At the conclusion of the discussion, the suggestion was made that, as the Chairman of the Board, who is still confined to his home by illness but is much improved, may be at the office within the next day or two, the matter be deferred until he can be present.

Accordingly, action was deferred pending consideration of the matter at a meeting at which the Chairman of the Board is in attendance.

Excerpt from the Minutes of the Meeting of the Executive Committee of the Federal Reserve Board, held
May 6, 1933

Governor Meyer stated that he had talked with Deputy Governor Burgess of the Federal Reserve Bank of New York over the telephone and that the latter had advised that, in replacing maturities in the open market investment account, arrangements are being made to keep 50% or more of the securities in maturities within eighteen months, and that the executive committee of the Open Market Policy Conference, at the present time, does not have a program for further shifting of maturities.

Mr. Wallis
Gibbs

Gov. Black

You may be
interested in Mr.
Carpenter's memo. with
attached (two yellow
sheets) and the
tabulation on a white
sheet just below Mr
Carpenter's memo. as to
voluntaries of Gov. Securities
held in "system" etc.
Cm

333.3-a
X-7527

FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

July 29, 1933.

SUBJECT: Regulations regarding (1) Open Market
Operations and (2) Relations with For-
eign Banks and Bankers.

Dear Sir:

The Federal Reserve Board has given careful consideration to the recommendations submitted to it by the Federal Open Market Committee during its meetings in Washington on July 20 and 21, 1933, and to the suggestions which have been received from the various Federal reserve agents, in regard to the tentative drafts of regulations governing open market operations and relations with foreign banks and bankers which were sent to all Federal Reserve Agents in the Board's letter of July ¹⁴~~14~~, 1933 (X-7498). These regulations have been revised in the light of such recommendations and suggestions; and at a meeting of the Board on July 28, 1933, were adopted for issuance on August 10, 1933. They are to be published in the August Bulletin and also printed in separate pamphlets.

See 252.-
M + N

A mimeographed copy of each of these regulations is inclosed herewith.

Very truly yours,

Chester Morrill,
Secretary.

"orig" copy filed
252.- M + N
Inclosures.

TO THE CHAIRMEN AND GOVERNORS OF ALL F. R. BANKS.

X-7527-a

(Adopted by the Federal Reserve Board July 28, 1933,
to be issued August 10, 1933.)

REGULATION M, SERIES OF 1933.

OPEN MARKET OPERATIONS.

SECTION I.

Pursuant to the authority conferred upon it by Section 12A of the Federal Reserve Act, as amended, and by other provisions of the Federal Reserve Act, the Federal Reserve Board prescribes the following regulations governing the procedure to be followed ordinarily in the conduct of open market operations of the Federal reserve banks,

The specific mention in this regulation of any power or authority of the Federal Reserve Board or of the Federal reserve banks, or the failure to mention specifically any such power or authority, shall not be construed as an interpretation of the law as to the existence, extent, or absence of such power or authority; and the Federal Reserve Board expressly reserves the right to alter, amend, or repeal this regulation in whole or in part at any time.

SECTION II. DEFINITIONS.

(a) Government securities. - The term "Government securities" shall include bonds, notes, certificates of indebtedness and Treasury bills of the United States.

(b) Obligations. - The term "obligations" shall include all bankers' acceptances, bills of exchange, cable transfers, bonds, notes, warrants, debentures, and other obligations, including Government securities, which Federal reserve banks are authorized by law to purchase in the open market.

X-7527-a

- 2 -

(c) System account. - The term "system account" applies to Government securities held for two or more participating Federal reserve banks under the control of the Executive Committee.

(d) Executive Committee. - The term "Executive Committee" shall mean the Executive Committee of the Federal Open Market Committee.

SECTION III. GENERAL PRINCIPLES.

The time, character and volume of all purchases and sales in the open market by Federal reserve banks shall be governed with a view to accommodating commerce and business and with regard to their bearing upon the general credit situation of the country.

SECTION IV. FEDERAL OPEN MARKET COMMITTEE.

(a) Organization. - The Federal Open Market Committee created by Section 12A of the Federal Reserve Act, as amended by the Banking Act of 1933, consists of one member from each Federal Reserve District selected annually by the board of directors of the Federal reserve bank of such Federal Reserve District. The Committee shall select its own chairman, vice chairman, and secretary.

(b) Meetings. - The Committee shall meet in Washington, D. C. at least four times each year and oftener if deemed necessary. Meetings shall be held upon the call of the Governor of the Federal Reserve Board or at the request of any three members of the Committee and, in the discretion of the Board, may be attended by the members of the Board. The Committee shall keep minutes of all its meetings and furnish copies thereof to the Federal Reserve Board and to each Federal reserve bank.

(c) Functions. - It shall be the duty of the Committee to

X-7527-a

- 3 -

consider the needs of commerce and business, the general credit situation of the country and such other matters as may be called to its attention by the Federal Reserve Board or by any member of the Committee and to formulate and submit to the Federal Reserve Board for its action recommendations in writing concerning the open market policy of the Federal Reserve System.

(d) Open Market Policy. - Any open market policy recommended by the Federal Open Market Committee shall be considered by the Federal Reserve Board and shall be effective only when and to the extent approved by the Board. Any such policy shall be subject to reconsideration at any time after it has become effective and before it has been fully executed; and a meeting of the Federal Open Market Committee shall be called for that purpose whenever requested by the Federal Reserve Board or by any three members of the Committee. The Board reserves the right to modify or revoke its approval after the Committee shall have had a reasonable opportunity to reconsider any such policy and submit further recommendations to the Federal Reserve Board. The Federal Reserve Board will notify each Federal reserve bank and the Chairman of the Federal Open Market Committee of all decisions respecting any such policy.

(e) Participation by Federal Reserve Banks. - If any Federal reserve bank shall decide not to participate in open market operations recommended by the Federal Open Market Committee and approved by the Federal Reserve Board, it shall file written notice of its decision with the Chairman of the Committee within thirty days after notification by the Federal Reserve Board of its action respecting such recommendation

-7527-a

- 4 -

and shall transmit a copy of such notice to the Federal Reserve Board. Any Federal reserve bank which shall fail within the time prescribed to file such notice of its decision not to participate in such open market operations shall be deemed to have agreed to participate in the same and will be expected to cooperate fully in carrying out the policy so decided upon.

(f) Undertaking to Sell Securities Purchased. - Whenever the Federal Reserve Board has approved an open market policy involving the purchase of Government securities for System account, all banks participating therein shall be deemed to have agreed to the sale of any part or all of the Government securities so purchased or of an equivalent amount of other Government securities held for System account, whenever such sale shall be recommended by the Federal Open Market Committee and approved by the Federal Reserve Board.

SECTION V. EXECUTIVE COMMITTEE.

(a) Organization. - The Federal Open Market Committee, at its first meeting in each calendar year, shall select from its own membership an Executive Committee consisting of five members and shall appoint the Chairman thereof. The Executive Committee shall keep minutes of all its meetings and furnish copies thereof to the Federal Reserve Board and to each Federal reserve bank.

(b) Functions. - It shall be the duty of the Executive Committee:

(1) To execute purchases and sales of Government securities and other obligations in the open market in accordance with open market policies approved by the Federal Reserve Board;

(2) To allocate among all participating Federal reserve

X-7527-a

- 5 -

banks the aggregate amount of Government securities and other obligations held for their account and to adjust such allocation from time to time to meet the changing needs of the respective Federal reserve banks. Such allocations shall be made with the view primarily of (a) enabling each Federal reserve bank to maintain a suitable reserve position, and (b) equalizing as far as practicable the net earning position of the Federal reserve banks.

(3) To keep the Federal Reserve Board and each Federal reserve bank informed of all transactions executed by the Committee and of all allocations and reallocations of Government securities and other obligations held for participating banks; and

(4) To perform such other functions and duties in connection with open market policies approved from time to time by the Federal Reserve Board as may be assigned to it from time to time by the Federal Open Market Committee with the approval of the Federal Reserve Board.

SECTION VI. PURCHASES AND SALES OF GOVERNMENT SECURITIES.

No Federal reserve bank shall purchase or sell Government securities except in accordance with an open market policy approved by the Federal Reserve Board and in effect at the time, except that:

(1) In an emergency, any Federal reserve bank may purchase Government securities when necessary to afford relief in a situation involving specific banking institutions in its district; and

(2) After obtaining the consent of the Federal Reserve Board, any Federal reserve bank may purchase or sell Government securities for other specific purposes, for its own account.

All purchases and sales of Government securities by any Federal reserve bank for its own account shall be reported promptly to the Federal Reserve Board and to the Chairman of the Executive Committee; and

1527-a

- 6 -

the Executive Committee may make such compensatory purchases or sales for the System account and such reallocations of the obligations in the System account as may be appropriate in the light of purchases and sales made for their own account by individual Federal reserve banks.

The Board reserves the right, in its discretion, to require the sale of any Government securities purchased by an individual Federal reserve bank under the authority of this section.

Any Federal reserve bank may purchase United States temporary certificates of indebtedness for the accommodation of the Treasury of the United States in amounts requested by the Treasury and may sell participations therein; but such certificates shall not be held for more than seven days without the approval of the Federal Reserve Board.

SECTION VII. OTHER OPEN MARKET OPERATIONS.

Each Federal reserve bank may engage in open market operations other than the purchase or sale of Government securities, subject to the following conditions:

(1) All such transactions shall be reported daily to the Federal Reserve Board.

(2) Purchases of acceptances and bills of exchange shall be in accordance with the provisions of Regulation B and the rates of interest or discount shall be in accordance with schedules approved by the Federal Reserve Board: Provided, however, That no obligations payable in foreign currency shall be purchased without the consent of the Federal Reserve Board.

(3) All purchases by Federal reserve banks of bills, notes, revenue bonds and warrants of States, counties, districts, political subdivisions or municipalities shall be in accordance with the provisions

of Regulation E.

(4) No Federal reserve bank shall engage in the purchase or sale of cable transfers for its own account without first obtaining the approval of the Federal Reserve Board, except that the Federal Reserve Bank of Atlanta may purchase and sell cable transfers through its Havana Agency in accordance with the resolutions or regulations of the Federal Reserve Board governing the operations of such agency.

(5) Except with the approval of the Federal Reserve Board, no Federal reserve bank shall engage in any open market transactions which are not of the customary character, which do not occur in the ordinary course of business, which are engaged in for the purpose of affecting general credit conditions or which may have a material effect upon general credit conditions: Provided, however, That any Federal reserve bank may purchase obligations for the purpose of affording relief in a situation involving specific banking institutions in its district.

X-7527-b

(Adopted by the Federal Reserve Board July 28, 1933, to be issued August 10, 1933.)

REGULATION N, SERIES OF 1933.

RELATIONS WITH FOREIGN BANKS AND BANKERS

SECTION I.

Pursuant to the authority conferred upon it by Section 12A and subsection (g) of Section 14 of the Federal Reserve Act, as amended, and by other provisions of law, the Federal Reserve Board prescribes the following regulations governing relationships and transactions between Federal reserve banks and foreign banks or bankers or groups of foreign banks or bankers.

SECTION II. INFORMATION TO BE FURNISHED
TO THE BOARD.

In order that the Federal Reserve Board may perform its statutory duty of exercising special supervision over all relationships and transactions of any kind entered into by any Federal reserve bank with any foreign bank or banker or with any group of foreign banks or bankers, each Federal reserve bank shall promptly submit to the Federal Reserve Board in writing full information concerning all existing relationships and transactions of any kind heretofore entered into by such Federal reserve bank with any foreign bank or banker or with any group of foreign banks or bankers and copies of all written agreements between it and any foreign bank or banker or any group of foreign banks or bankers which are now in force, unless copies have heretofore been furnished to the Board, in which case the Federal reserve bank shall inform the Board as to the dates upon which such copies were furnished. Each Federal reserve bank shall also keep the Federal Reserve Board promptly and

X-7527-b

- 2 -

fully advised of all transactions with any foreign bank or banker or with any group of foreign banks or bankers, except transactions of a routine character.

SECTION III. CONFERENCES AND NEGOTIATIONS WITH
FOREIGN BANKS AND BANKERS.

Without first obtaining the permission of the Federal Reserve Board, no officer or other representative of any Federal reserve bank shall conduct negotiations of any kind with the officers or representatives of any foreign bank or banker or any group of foreign banks or bankers, except communications in the ordinary course of business in connection with transactions pursuant to agreements previously approved by the Federal Reserve Board. Any request for the Board's permission to conduct any such negotiations shall be submitted in writing and shall include a full statement of the occasion and objects of the proposed negotiations.

The Federal Reserve Board reserves the right, in its discretion, to be represented by such representative or representatives as it may designate in any negotiations between any officer or other representative of any Federal reserve bank and any officers or representatives of any foreign bank or banker or any group of foreign banks or bankers; and the Board shall be given reasonable notice in advance of the time and place of any such negotiations.

A full report of all such conferences or negotiations and all understandings or agreements arrived at or transactions agreed upon and all other material facts appertaining to such conferences or negotiations shall be filed with the Federal Reserve Board in writing by a duly

X-7527-b

- 3 -

authorized officer of each Federal reserve bank which shall have participated in such conferences or negotiations, including copies of all correspondence appertaining thereto.

SECTION IV. AGREEMENTS WITH FOREIGN BANKS OR BANKERS.

No Federal reserve bank shall hereafter enter into any agreement, contract or understanding with any foreign bank or banker or with any group of foreign banks or bankers without first obtaining the permission of the Federal Reserve Board. When any Federal reserve bank has entered into such an agreement, contract or understanding with the consent of the Federal Reserve Board, any other Federal reserve bank desiring to do so may participate in transactions pursuant to such agreement with the approval of the Federal Reserve Board.

SECTION V. AMENDMENTS.

The Federal Reserve Board reserves the right, in its discretion, to alter, amend or repeal these regulations and to prescribe such additional regulations, conditions and limitations as it may deem desirable respecting relationships and transactions of any kind entered into by any Federal reserve bank with any foreign bank or banker or with any group of foreign banks or bankers.

Mr. Harrison

Mr. Carpenter ✓
333.3-a

FEDERAL RESERVE BANK
OF NEW YORK

July 25, 1933.

Mr. Chester Morrill,
Secretary, Federal Reserve Board,
Washington, D. C.

Dear Mr. Morrill:

Let me acknowledge in Governor Harrison's absence
the receipt of your letter of July 24, confirming the board's
approval of the authorization granted to the executive committee
of the Federal Open Market Committee in the resolution adopted
by the open market committee at its meeting on July 21.

Very truly yours,

W. Randolph Burgess

W. Randolph Burgess,
Deputy Governor.

M. Thompson

333.3-a

Mr. G. L. Harrison, Chairman,
Federal Open Market Committee,
Federal Reserve Bank of New York,
New York, New York.

dated

Dear Governor Harrison:

This letter will confirm the oral advice given you by Governor Black on the afternoon of July 21, 1933, that the Federal Reserve Board approves the authorization granted to the Executive Committee of the Federal Open Market Committee in the following resolution adopted by the Federal Open Market Committee at its meeting on that date:

"It was voted to be the sense of the Committee that, subject to the approval of the Federal Reserve Board, the resolution of the Open Market Policy Conference of April 22, as modified by telegraphic vote after the Executive Committee meeting of May 23, authorizing the Executive Committee to make purchases of up to one billion dollars of Government securities be reaffirmed and continued for the unused portion of the authority."

Very truly yours,

Chester Morrill,
Secretary.

SRC-jcb

[Handwritten signature]
CW

see ans 7/25/33

FILE COPY

EXCERPT FROM THE MINUTES OF THE FEDERAL RESERVE BOARD, MEETING WITH THE FEDERAL
OPEN MARKET COMMITTEE ON JULY 20, 1933

333.3-a

Governor Harrison stated that, following an informal suggestion made by Governor Black, the Federal Open Market Committee had been duly organized at a meeting this morning, at which Governor Harrison was elected chairman, and Deputy Governor Burgess, secretary. He also stated that the Federal Open Market Committee had appointed an executive committee, consisting of the representatives from the Federal Reserve Banks of Boston, New York, Philadelphia, Cleveland and Chicago.

* * * * *

Governor Harrison then outlined the Committee's suggestions as to changes in the draft of regulation on open market operations. Among the suggestions submitted by Governor Harrison was one that the reference in the proposed regulation to a vice chairman be omitted as it was the feeling of the Governors that there was no occasion for having a vice chairman except in case of inability of the chairman to be present at a particular meeting, at which time a chairman pro tempore might be elected by the members of the committee who were present. Governor Harrison stated that for this reason a vice chairman had not been elected at the organization of the committee this morning. However, Mr. James pointed out that there would no doubt be occasion from time to time for the Board to communicate with the committee and that, if the chairman were temporarily under disability or on vacation, for example, there should be a vice chairman with whom the Board could communicate officially.

333.3-a

7/20/33

"It was voted to be the sense of the Committee that,
subject to the approval of the Federal Reserve Board, the
resolution of the Open Market Policy Conference of April 22,
as modified by telegraphic vote after the Executive Committee
meeting of May 23, authorizing the Executive Committee to make
purchases of up to one billion dollars of Government securi-
ties be reaffirmed and continued for the unused portion of the
authority."

- C O P Y -

333.3a

FEDERAL RESERVE BANK OF DALLAS

July 15, 1933.

Mr. E. R. Black, Governor,
Federal Reserve Board,
Washington, D. C.

Dear Governor Black:

Reference is made to Mr. Morrill's telegram of the 13th relating to the discount of paper of the Regional Agricultural Credit Corporation, as discussed in my telegram to you of the 11th. The statement of Acting Emergency Credit Commissioner Brennan to the effect that the submission of paper for discount to Federal reserve banks is not now contemplated disposes of the question raised in my wire to you, but I feel I should like to comment briefly on the concluding sentence in Mr. Morrill's message, that sentence being as follows: "With respect to effect of your discounting such paper instead of participating in open market purchases of Government securities for System account it should be borne in mind that it would be necessary for the other Federal reserve banks to take over your share in case you did not participate and as you know the other Federal reserve banks have their own local problems."

As I understand it, the purpose of the Open Market Policy Conference in voting at the April meeting to purchase government securities for System account, as subsequently approved and broadened by the Federal Reserve Board, was to increase the volume of Federal funds in the market with the more or less incidental purpose of assisting the Treasury in meeting its requirements. It seems to me that it is quite immaterial, so far as the money market is concerned, what form the investments acquired would take so long as the net result would be the injection of additional Federal funds into the market. For example, if on occasions bankers bills could be acquired in sufficient volume to meet the needs for the time being (and it was felt expedient to take them on) the purchase of those bills would be as effective in the market as the buying of government securities. In like manner, if we were able to discount, for instance, \$2,000,000 of receivables for the RACC the result would be the placing of that amount of our funds in the market and thus lessening to that extent the need for the System to purchase government securities. This would not impose any burden upon the other Federal reserve banks, for with a smaller amount of governments to take on the amount that each of the other eleven would be required to take would in a general way be no larger than if we had not discounted \$2,000,000 for the RACC and had joined to that extent with them in buying governments. Incidentally, I may say, too, that our action in discounting for the RACC would help the Treasury in meeting its requirements by reducing the amount of securities which it would otherwise be required to put out.

I do not know what is meant by "their own local problems" as mentioned by Mr. Morrill. On July 12th the total amount of bills discounted by the twelve reserve banks amounted to only \$167,000,000. This would indicate that the demand

-2-

for funds from member banks is not a problem at this time. If it is intended to suggest that the other Federal reserve banks also have their earning problems, our taking on even a substantial amount of rediscounts for the RACC would not change the earning position of the other eleven banks in any manner. As pointed out above, they would not in a general way be required to take any more or less government securities than would be necessary for them to take without our discounting for the RACC. Moreover, if those in charge of the RACC's operations should determine to offer paper to the Federal reserve banks for discount the other banks would have the same opportunity that we would have for acquiring earning assets with a higher return.

In addition to the foregoing, I think I should say that I can not help looking with some concern upon the tremendous volume of government securities that the System now holds--about \$2,000,000,000. I frequently wonder if we have some serious problems ahead of us, in possible market losses and otherwise. It is my feeling that if we could place more of our funds in the market against business and producers' paper with short maturities and a reasonable assurance of liquidation we would be functioning more correctly as reserve banks. The paper which we are holding here in trust for the RFC, discounted by that organization for the RACC, includes a large volume of choice livestock paper, much of which really belongs in commercial banks. It represents a part of the economic life blood of this district. How could we operate more effectively and more safely than to invest a part of the reserves of the district in some of this well-secured, well-distributed paper?

Sincerely yours,

B. A. McKinney (signed)
Governor.

BAM X

EXCERPT FROM THE MINUTES OF THE FEDERAL RESERVE BOARD, MEETING OF JULY 10, 1933

333.3-a

The question was raised as to the desirability of calling a meeting of the Federal Open Market Committee in the near future to consider open market policy and Governor Black stated that it has been his thought that such meeting would not be called until the Board is prepared to discuss with the Committee the regulations to be issued by the Federal Reserve Board pursuant to the provisions of section 12A of the Federal Reserve Act, as amended by the Banking Act of 1933. It was stated that a tentative draft of regulation covering open market operations had been prepared and was under consideration by members of the Board's staff and that it was hoped that it would be ready for submission to the Board for consideration within the next three or four days.

After discussion, the Governor was requested to call a meeting of the Federal Open Market Committee to be held in Washington on Thursday, July 20, 1933, at 10:30 a. m., it being understood that, if possible, copies of the proposed regulation covering open market operations of Federal reserve banks would be sent to members of the Committee prior to the meeting.

(A telegram calling the meeting of the Federal Open Market Committee was sent to all FRAgents on July 11, 1933, signed by Governor Black. It contained the following statement: "If your directors have not yet selected member of Committee to represent your district, it is suggested that selection be made in order that you may have a member in attendance at meeting." -- fhg)

Form No. 181

Office Correspondence

FEDERAL RESERVE
BOARDDate July 7, 1933 333.37To Dr. GoldenweiserSubject: Open Market Operations--U. S.From Mr. Thompson F-62Government Securities

... 2-8495

As I understand it, the Federal reserve banks of Atlanta and Minneapolis act as dealers in U. S. Government securities for the convenience of the banks in their districts and, as a result, are constantly buying and selling small amounts of such securities. In the Atlanta District total purchases only occasionally exceed \$1,000,000 in the course of a week, and in the Minneapolis District they average about \$1,000,000 per week. In both districts--except during emergencies as in the week ending March 8, 1933--total purchases almost never exceed \$2,000,000.

Sales generally balance purchases fairly closely so that the net change from week to week in holdings of locally purchased governments is small. During 1932, holdings by the Federal Reserve Bank of Atlanta of locally purchased governments on Wednesday dates varied between \$3,080,000 and \$4,347,000. Holdings by the Federal Reserve Bank of Minneapolis of locally purchased governments fluctuated between \$7,727,000 and \$8,045,000 during the same period.

The practices of these two banks may have some bearing on the regulations governing open market operations to be issued by the Federal Reserve Board.

For material regarding the Open Market Policy Conference,
which preceded the Federal Open Market Committee, see
333.-c-1