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Authority Ex Order 12356

Form F. R. 567

END SHEET

KIND OF MATERIAL OR NUMBER	333.3-a-1
NAME OR SUBJECT	Federal Open Market Committee Meetings Open Market Operations
DATES (Inclusive)	Jul - Dec 1933
PART NUMBER	Part 1

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333.3-a-1

NOV 8 1933

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

Dear Mr. Burgess:

Reference is made to your letter of October 28, 1933, addressed to Governor Black, transmitting a preliminary draft of the minutes of the meeting of the Federal Open Market Committee held in Washington on October 10, 1933, and requesting advice of suggestions as to changes in the draft.

Following the meeting of the Federal Reserve Board with the governors of Federal reserve banks which was held on October 12, 1933, Governor Harrison reported to the Board the action taken by the Federal Open Market Committee at its meeting on October 10, and it is suggested, therefore, that the following be added to the minutes of the Committee before the statement of adjournment:

"Following a meeting on October 12, 1933, of the Federal Reserve Board with the governors of Federal reserve banks, a meeting of the Federal Open Market Committee with the Federal Reserve Board was held, at which Governor Black and Messrs. Hamlin, James, Thomas, Szymczak and O'Connor, members of the Federal Reserve Board, Messrs. Morrill and Carpenter, of the Board's staff, and the representatives of the Federal reserve banks on the Federal Open Market Committee, were present.

"Governor Harrison advised the Board of the action taken by the Federal Open Market Committee in voting unanimously that the

*see meeting
10/10/33
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"authority granted to the executive committee to purchase up to \$1,000,000,000 of government securities be continued and reaffirmed for the unused portion of the authority, and he stated that, immediately after the action of the Committee, the executive committee met and authorized the purchase of \$35,000,000 of government securities during the current statement week, which meant that the securities had to be purchased not later than Wednesday, October 11, 1933, and, not having an opportunity to submit the resolution to the Federal Reserve Board for approval, a purchase of the authorized amount was consummated under the previous authority granted to the executive committee.

"Governor Harrison also informed the Board of the views set forth above which were expressed by the members of the Federal Open Market Committee during the discussion in their separate meeting of the Committee's action, and he read the memorandum of open market policy which had been adopted by the Committee as an expression of its opinion.

"Governor Black raised the question whether the memorandum was to be understood as being confidential between the Federal Open Market Committee and the Federal Reserve Board, and Governor Harrison stated that it was understood by the members of the Committee that it was to be treated as strictly confidential by them, and that, while the Committee would have no objection to the submission of the memorandum to the Secretary of the Treasury or to the President

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"of the United States, if the Board decided such action would be helpful, it was to be held otherwise in strict confidence.

"The meeting adjourned at 1:15 p. m."

Receipt is acknowledged also of your letter of October 31, 1933, inclosing a copy of the minutes of the meeting of the executive committee of the Federal Open Market Committee which was held in New York on October 25, 1933, from which it is noted that the executive committee at that meeting voted to request the members of the Federal Open Market Committee to give the executive committee authority to offer for conversion all or such part of the called Fourth 4 $\frac{1}{2}$ % bonds in the System portfolio as may, in the judgment of the committee, seem advisable from time to time in the light of all the circumstances.

For the purposes of the Board's records it will be appreciated if you will advise it as to the responses received to this request.

Very truly yours,

Chester Morrill

Chester Morrill,
Secretary.

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FEDERAL RESERVE BANK
OF NEW YORK

333.3-a-1

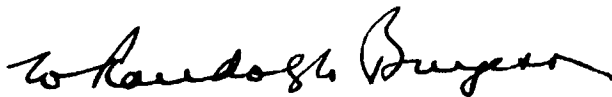
11/2/33
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October 31, 1933.

Dear Governor Black:

I enclose herewith minutes ^{10-25-33 filed 333.3-a-1} of a meeting of the ^{Final minutes} executive committee of the Federal Open Market Committee, which was held here on October 25, together with the report of open market operations which was submitted to that meeting.

Very truly yours,

W. Randolph Burgess
Secretary, Federal Open
Market CommitteeHonorable Eugene R. Black,
Governor, Federal Reserve Board,
Washington, D. C.WRB/H
encl.

see ans 11/8/33

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REPORT OF OPEN MARKET OPERATIONS TO MEETING OF THE
EXECUTIVE COMMITTEE OF THE FEDERAL OPEN MARKET COMMITTEE
HELD IN THE FEDERAL RESERVE BANK OF NEW YORK ON OCTOBER 25, 1933

At the time of the last meeting of the Federal Open Market Committee held in Washington on October 10, 1933, the total amount of holdings of United States Government securities in the System Account was - - - - ~~\$~~2,102,149,500

Under authority of resolutions adopted at the meeting of the Open Market Policy Conference on April 22, 1933, later amended by telegraphic vote, approved by the Federal Reserve Board on May 12, reaffirmed by the Federal Open Market Committee on July 21, and by the Federal Reserve Board on July 24, and by agreement of the Executive Committee, purchases of short-term United States Government securities were made for the System Account as follows:

Week ended October 11	\$35,000,000
" " " 18	31,000,000
" " " 25	<u>25,000,000</u>
Total Purchases	<u>\$91,000,000</u>

These purchases increased the amount of total holdings in the System Account to - - - - - ~~\$~~2,193,149,500

Other transactions effected in the System Account since the October 10 meeting consisted of

Redemption of \$64,725,000 aggregate amount of Treasury bills at maturity, which were replaced by purchases of a like par amount of short-term issues of government securities.

The following is a statement of the issues of United States Government securities held in the System Account on October 4, 1933 (as reported to meeting of Federal Open Market Committee on October 10) and on October 25, 1933:

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						October 4, 1933	October 25, 1933
U. S. Treas. Bills	due	October	11, 1933	\$	26,300,000	\$	0
" " " "	"	"	18, 1933		20,000,000		0
" " " "	"	"	25, 1933		18,425,000		0
" " " "	"	November	1, 1933		23,800,000		23,800,000
" " " "	"	"	8, 1933		29,980,000		34,980,000
" " " "	"	"	15, 1933		20,500,000		24,500,000
" " " "	"	"	22, 1933		33,171,000		35,070,000
" " " "	"	"	29, 1933		58,950,000		63,950,000
" " " "	"	December	6, 1933		41,900,000		49,802,000
" " " "	"	"	20, 1933		17,200,000		26,900,000
" " " "	"	"	27, 1933		49,845,000		49,845,000
" " " "	"	January	3, 1934		37,250,000		43,250,000
" " " "	"	"	10, 1934		0		32,250,000
" " " "	"	"	17, 1934		0		39,098,000
" " " "	"	"	24, 1934		0		18,600,000
3/4% Cert. of Ind.	"	December	15, 1933		73,254,000		73,254,000
4 1/4% " " "	"	"	15, 1933		99,520,000		99,520,000
3/4% " " "	"	March	15, 1934		157,400,000		161,000,000
3 % Treas. Notes	"	May	2, 1934		108,387,000		109,387,000
1/4% Cert. of Ind.	"	June	15, 1934		134,563,000		134,563,000
2 1/8% Treas. Notes	"	August	1, 1934		153,602,000		153,602,000
3 % " " "	"	June	15, 1935		106,748,700		107,498,700
1 5/8% " " "	"	August	1, 1935		72,053,300		78,053,300
2 7/8% " " "	"	April	15, 1936		159,604,500		166,530,500
3 1/4% " " "	"	August	1, 1936		46,092,000		48,092,000
2 3/4% " " "	"	December	15, 1936		88,693,000		90,443,000
3 % " " "	"	April	15, 1937		63,875,000		68,125,000
3 1/4% " " "	"	September	15, 1937		80,100,000		80,100,000
2 5/8% " " "	"	February	1, 1938		25,570,000		25,570,000
2 7/8% " " "	"	June	15, 1938		19,750,000		19,750,000
3 1/2% 1st L/L Bds.	"	1932-47			25,025,000		25,025,000
4 1/4% " " "	"	1932-47			29,000,000		29,000,000
4 1/4% 4th " " "	"	1933-38			281,591,000		281,591,000*
		Totals			\$2,102,149,500		\$2,193,149,500

* Of this amount \$83,941,200 has been called for payment on April 15, 1934.

Participation and Outright Holdings of
United States Government Securities

All reserve banks, except Chicago, have participated in new purchases to the full amount of their allotments on the basis of the resolution of the Open Market Policy Conference at its meeting on April 22, as follows:

VOTED to be the sense of the conference that the executive committee should be instructed to work out a system of allotment of existing holdings as well as new purchases of government securities with a view to arriving at a more equitable relationship of reserve percentages.

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The percentages of allotment from week to week are shown in the attached Exhibits D and DA. The actual formula used for allotments was as follows: from May 31 to September 20, ratio of each bank's excess reserves over a 55% ratio to the System total; from September 21 to October 11, on ratio of each bank's excess reserves over 50% to the System total; and for week ended October 18, on ratio of each bank's total reserves to the total reserves for the System. A further Exhibit E shows the changes in the reserve percentages of the different Federal reserve banks on April 26, July 26, and on October 18.

The following is a statement showing the amount of each Reserve Bank's participation in the new purchases made for System Account for weeks ended October 11 and October 18, 1933, and in the total holdings in the System Account on October 18, 1933, and each Federal reserve bank's holding ratio, i. e., the ratio percentage that each Federal reserve bank's holdings in the Account bear to the total holdings in the Account, also, the amount of each Federal reserve bank's outright holdings of United States Government securities at the close of business October 18, 1933:

	<u>Participations in New Purchases</u>	<u>Participations in Total Holdings</u>	<u>Holding Ratios</u>	<u>Outright Holdings</u>
Boston	\$ 7,011,000	\$ 152,023,000	7 %	\$ 703,000
New York	19,846,000*	695,230,000	32 %	120,296,550
Philadelphia	4,410,500	159,567,000	7 1/4%	3,385,500
Cleveland	5,472,500	208,128,000	9 1/2%	0
Richmond	3,375,500	75,916,000	3 1/2%	0
Atlanta	2,771,500	69,014,000	3 1/4%	113,800
Chicago	7,920,000	368,001,000	17 %	62,741,700
St. Louis	3,229,000	89,998,500	4 1/4%	500,000
Minneapolis	1,674,000	56,418,500	2 1/2%	7,139,700
Kansas City	3,263,500	79,126,500	3 3/4%	182,600
Dallas	1,821,500	53,124,000	2 1/2%	10,000,000
San Francisco	5,205,000	161,603,000	7 1/2%	0
Totals	\$66,000,000	\$2,168,149,500	100 %	\$205,062,850

*Includes \$4,030,000 of Chicago's share of purchases week ended October 18, held temporarily by New York.

NOTE: The above participation figures do not include \$25,000,000 purchased for delivery October 25, apportionment of which is pending.

On October 18 and 25 the Federal Reserve Bank of Dallas increased its participation in the System Account \$5,000,000 and \$2,000,000 respectively, in order to improve its earning position for the balance of the year. These sales were made from the Federal Reserve Bank of New York's participation temporarily and the \$5,000,000 sale was apportioned on October 19 between the Federal reserve banks which expressed a desire to participate in the sale as follows:

Boston	\$ 374,000	Chicago	\$ 910,500
New York	1,707,500	St. Louis	221,500
Philadelphia	378,000	Minneapolis	139,000
Cleveland	514,000	Kansas City	187,000
Atlanta	170,000	San Francisco	398,500

System Purchases of Bankers Acceptances

Only a negligible amount of bankers acceptances was purchased by the System since the October 10 meeting and no purchases or allotments were made by the Federal Reserve Bank of New York.

Appended are statements showing the following:

Exhibit "A" - Maturities of Holdings in System Account
at the End of Each Month, 1932-33,
and October 25, 1933.

"B" - Appreciation or Depreciation of United
States Securities Held in System Special
Investment Account as Represented by Book
Values and Market Bid Prices as of Close
of Business October 4, 1933.

"C" - Statement Showing Earnings of all Federal
Reserve Banks for the First Nine Months
of 1933.

"D" - Statement Showing Percentages used for
Apportionment of New Purchases of United
States Government Securities Each Week
Since July 20, 1933.

"E" - Reserve Percentages of Federal Reserve
Banks on April 26, July 26 and October
18, 1933.

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EXHIBIT "A"

MATURITIES OF HOLDINGS IN SYSTEM ACCOUNT
 END OF EACH MONTH - 1932-33
 (In Millions of Dollars)

1932	Within Six Months	Per- cent	Within One Year	Per- cent	Within Two Years	Per- cent	3-5 Years Inc.	Per- cent	Call- able Bonds	Per- cent	Totals
Jan.	\$165	29	\$ 355	63	\$ 355	63	\$ -	-	\$212	37	\$ 567
Feb.	191	32	375	64	375	64	-	-	212	36	587
Mar.	299	44	475	69	475	69	-	-	212	31	687
Apr.	583	57	778	76	779	76	-	-	239	24	1,018
May	716	51	1,058	75	1,115	79	-	-	290	21	1,405
June	744	48	1,106	71	1,173	75	64	4	322	21	1,559
July	733	45	1,098	67	1,167	71	132	8	336	21	1,635
Aug.	622	38	1,029	63	1,194	73	110	6	336	21	1,640
Sept.	606	37	998	61	1,170	71	134	8	336	21	1,640
Oct.	651	40	1,051	64	1,229	75	75	4	336	21	1,640
Nov.	765	47	1,046	64	1,227	75	77	4	336	21	1,640
Dec.	779	48	1,021	62	1,203	73	101	6	336	21	1,640
<u>1933</u>											
Jan.	644	41	903	58	1,107	71	116	7	336	22	1,559
Feb.	577	36	856	53	1,090	67	203	12	336	21	1,629
Mar.	709	44	856	53	1,090	67	203	12	336	21	1,629
Apr.	570	35	725	45	958	59	335	20	336	21	1,629
May	543	32	823	49	962	57	384	23	336	20	1,682
June	656	37	879	49	1,117	62	335	19	336	19	1,788
July	659	36	903	50	1,143	63	341	19	336	18	1,820
Aug.	621	32	1,025	53	1,191	62	394	21	336	17	1,921
Sept.	706	34	1,102	53	1,278	62	452	22	336	16	2,066
Oct. 11	738	35	1,134	53	1,317	61	484	23	336	16	2,137
Oct. 18	769	35	1,165	54	1,348	62	484	22	336	16	2,168
Oct. 25	776	35	1,173	53	1,359	62	499	23	336	15	2,193

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Exhibit "B"

**APPRECIATION OR DEPRECIATION OF U. S. SECURITIES HELD IN SYSTEM SPECIAL INVESTMENT ACCOUNT AS
REPRESENTED BY BOOK VALUES AND MARKET BID PRICE AS OF CLOSE OF BUSINESS OCTOBER 4, 1933.**

Issue		Maturity	Par Value	Approximate Book Value	Market Bid Price	APPRECIATION in Black DEPRECIATION in Red
U. S. Treas. Bills		Oct. 11, 1933	\$ 26,300,000	.301% Disc't	.20% Disc't	\$ 443.43
" " " "		" 18, 1933	20,000,000	.259% "	.20% "	432.04
" " " "		" 25, 1933	18,425,000	.273% "	.20% "	753.74
" " " "		Nov. 1, 1933	23,800,000	.254% "	.20% "	979.49
" " " "		" 8, 1933	29,980,000	.264% "	.20% "	1,814.98
" " " "		" 15, 1933	20,500,000	.166% "	.20% "	774.38
" " " "		" 22, 1933	33,171,000	.162% "	.20% "	1,660.35
" " " "		" 29, 1933	58,950,000	.110% "	.20% "	8,105.45
" " " "		Dec. 6, 1933	41,900,000	.093% "	.20% "	7,691.38
" " " "		" 20, 1933	17,200,000	.066% "	.20% "	4,834.02
" " " "		" 27, 1933	49,845,000	.056% "	.20% "	16,534.86
" " " "		Jan. 3, 1934	37,250,000	.077% "	.20% "	11,443.75
3/4% Cert. of Ind.		Dec. 15, 1933	73,254,000	100 2/32	100 8/32	153,378.67
4 1/4% " " "		" 15, 1933	99,520,000	100 9/32	100 27/32	575,202.02
3/4% " " "		Mar. 15, 1934	157,400,000	100 3/32	100 7/32	214,357.00
1/4% " " "		June 15, 1934	134,563,000	100 1/32	100	13,570.40
3 % Treas. Notes		May 2, 1934	108,387,000	100 24/32	101 20/32	973,472.66
2 1/8% " " "		Aug. 1, 1934	153,602,000	100 14/32	101 18/32	1,728,506.30
3 % " " "		June 15, 1935	106,748,700	101 4/32	103 12/32	2,431,323.45
1 5/8% " " "		Aug. 1, 1935	72,053,300	100 6/32	101 3/32	661,834.99
2 1/8% " " "		Apr. 15, 1936	159,604,500	101 1/32	102 13/32	2,201,587.41
3 1/4% " " "		Aug. 1, 1936	46,092,000	102 18/32	103 15/32	420,136.38
2 3/4% " " "		Dec. 15, 1936	88,693,000	100 28/32	102 12/32	1,345,698.20
% " " "		Apr. 15, 1937	63,875,000	102 7/32	102 12/32	115,818.83
3 1/4% " " "		Sept. 15, 1937	80,100,000	102 24/32	102 20/32	93,357.46
2 5/8% " " "		Feb. 1, 1938	25,570,000	100 12/32	100 27/32	124,113.39
2 7/8% " " "		June 15, 1938	19,750,000	101	101 7/32	43,658.95
3 1/2% 1st L/L Bds.		" 15, 1932-47	25,025,000	100 1/32	102 10/32	572,734.14
4 1/4% " " "		" 15, 1932-47	29,000,000	100 3/32	102 27/32	799,015.41
4 1/4% 4th " "		Oct. 15, 1933-38	281,591,000	100 17/32	103 6/32	7,522,418.48
TOTALS			<u>\$2,102,149,500</u>			<u>\$19,729,707.91</u> Net Apprec.

NET PROFIT FOR YEAR 1933 HELD IN SUSPENSE ACCOUNT GENERAL CLOSE OF BUSINESS OCTOBER 4, 1933 - - - - - \$ 951,459.57

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EXHIBIT "C"

STATEMENT SHOWING EARNINGS OF ALL FEDERAL RESERVE BANKS
FOR THE FIRST NINE MONTHS OF 1933

	<u>Gross Earnings</u>	<u>Current Expenses and Net Deductions From Current Net Earnings</u>	<u>Available for Depreciation Allowances, Reserves and Surplus</u>
Boston	\$ 2,034,175	\$ 2,034,455	\$ 280 (a)
New York	13,251,961	7,692,032	5,559,929
Philadelphia	3,058,902	2,346,747	712,155
Cleveland	3,676,627	2,792,511	884,116
Richmond	1,254,224	1,428,239	174,015 (a)
Atlanta	1,310,231	1,206,198	104,033
Chicago	4,874,921	3,450,067	1,424,854
St. Louis	1,175,427	1,320,290	144,863 (a)
Minneapolis	1,135,615	969,151	166,464
Kansas City	1,293,677	1,475,022	181,345 (a)
Dallas	915,100	1,084,895	169,795 (a)
San Francisco	<u>3,087,520</u>	<u>2,567,979</u>	<u>519,541</u>
Totals	<u>\$37,068,380</u>	<u>\$28,367,586</u>	<u>\$8,700,794</u>

(a) deficit

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EXHIBIT "D"

STATEMENT SHOWING PERCENTAGES USED FOR APPORTIONMENT OF NEW PURCHASES OF UNITED STATES GOVERNMENT SECURITIES
FOR SYSTEM ACCOUNT EACH WEEK SINCE JULY 20, 1933

Week Ended	July 26	Aug. 2	Aug. 9	Aug. 16	Aug. 23	Aug. 30	Sept. 6	Sept. 13	Sept. 20	Sept. 27	Oct. 4
Boston	13 %	11 1/4%	11 1/4%	12 %	11 1/2%	11 1/4%	11 %	11 %	11 %	9 1/4%	9 3/4%
New York	9 1/2%	11 %	10 1/4%	10 3/4%	12 1/4%	16 %	15 1/4%	15 1/4%	15 1/2%	21 1/4%	19 3/4%
Philadelphia	5 %	4 1/4%	4 1/2%	4 1/4%	4 3/4%	4 3/4%	4 3/4%	5 1/4%	4 3/4%	5 1/4%	5 %
Cleveland	6 3/4%	8 1/4%	8 %	7 1/4%	6 3/4%	6 %	6 1/4%	5 3/4%	6 %	6 %	6 3/4%
Richmond	5 1/2 %	5 1/4%	5 %	5 %	5 1/4%	4 3/4%	5 %	5 %	4 1/2%	4 1/4%	4 %
Atlanta	3 1/2%	3 1/2%	3 1/2%	3 3/4%	4 %	3 3/4%	3 3/4%	3 1/2%	3 %	3 1/4%	3 1/4%
Chicago	37 1/4%	38 %	38 3/4%	37 3/4%	38 1/4%	36 %	36 %	36 1/4%	36 %	32 1/2%	32 3/4%
St. Louis	5 1/4%	4 3/4%	4 3/4%	5 %	4 1/4%	4 1/2%	4 %	4 %	4 1/4%	4 %	4 1/2%
Minneapolis	1 3/4%	1 3/4%	1 3/4%	1 3/4%	1 3/4%	1 1/2%	1 3/4%	2 %	1 3/4%	2 %	1 3/4%
Kansas City	4 3/4%	5 %	5 %	5 %	4 3/4%	4 1/4%	4 1/2%	4 1/4%	4 1/4%	4 %	4 %
Dallas	1/4%	1/4%	1/2%	3/4%	3/4%	3/4%	3/4%	3/4%	1 1/4%	1 1/4%	1 3/4%
San Francisco	7 1/2%	6 3/4%	6 3/4%	6 3/4%	5 3/4%	6 1/2%	7 %	7 %	7 3/4%	7 %	6 3/4%
Totals	100 %	100 %	100 %	100 %	100 %	100 %	100 %	100 %	100 %	100 %	100 %

(Above allotment percentages based on the amount of reserves of each Federal Reserve Bank in excess of the amount required for a reserve ratio of 55% up to Sept. 20 and a 50% reserve ratio subsequent thereto.)

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EXHIBIT "DA"

STATEMENT SHOWING PERCENTAGES USED FOR APPORTIONMENT OF NEW PURCHASES OF
UNITED STATES GOVERNMENT SECURITIES FOR SYSTEM ACCOUNT FOR WEEKS
ENDED OCTOBER 11 AND OCTOBER 18, 1933

	<u>October 11</u>	<u>October 18</u>
	Based on reserves of each bank in excess of amount required for a reserve ratio of 50%	Based on each bank's Total Reserves to Total Reserves for System
Boston	10 1/4%	7 3/4%
New York	17 1/4%	26 %
Philadelphia	5 1/2%	6 1/4%
Cleveland	7 %	7 1/2%
Richmond	4 3/4%	4 %
Atlanta	3 3/4%	3 1/2%
Chicago	31 1/2% *	25 % **
St. Louis	4 1/4%	4 1/4%
Minneapolis	2 %	2 1/2%
Kansas City	4 1/2%	4 %
Dallas	2 1/2%	2 1/4%
San Francisco	<u>6 3/4%</u>	<u>7 %</u>
	100%	100%

* Chicago participated only to extent of 12%. Balance of Chicago's share amounting to \$6,825,000 allotted to all other banks.

** Chicago participated only to extent of 12%. Balance amounting to \$4,030,000 held temporarily by New York.

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EXHIBIT "E"

RESERVE PERCENTAGES OF FEDERAL RESERVE BANKS
ON APRIL 26, JULY 26 AND OCTOBER 18, 1933.

	<u>April 26</u>	<u>July 26</u>	<u>October 18</u>
Boston	65.7%	77.3%	70.4%
New York	59.4%	60.0%	59.8%
Philadelphia	59.0%	63.5%	62.5%
Cleveland	55.9%	67.8%	62.8%
Richmond	72.9%	72.0%	66.3%
Atlanta	58.2%	70.0%	66.7%
Chicago	75.1%	78.4%	72.4%
St. Louis	67.8%	71.2%	67.3%
Minneapolis	51.3%	63.6%	61.1%
Kansas City	61.9%	71.7%	66.2%
Dallas	44.0%	57.2%	68.5%
San Francisco	52.6%	68.1%	66.7%
System	62.7%	68.4%	65.5%

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FEDERAL RESERVE BANK
OF NEW YORK

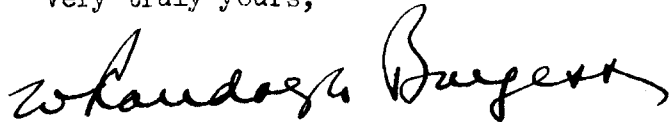
DEC 11 1933
333.3-a-1

December 9, 1933.

Dear Governor Black:

Conforming to Mr. Morrill's letter of December 7
we have revised page 2 of the minutes of the meeting of the
Federal Open Market Committee. I enclose herewith a revised
page which should be substituted in the copy of the minutes
in your files for the previous page 2.

Very truly yours,



W. Randolph Burgess
Secretary, Federal Open
Market Committee

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

WRB/H
encl.

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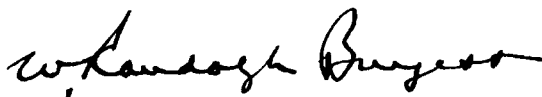
**FEDERAL RESERVE BANK
OF NEW YORK**

December 8, 1933.

Dear Mr. Morrill:

Let me acknowledge the receipt of your letter of December 7 making a further suggestion with respect to the minutes of the meeting of the Federal Open Market Committee held on October 10, 1933. In accordance with the suggestion I am having page 2 of these minutes re-written, and will send the revised page to all those who have copies of the minutes.

Very truly yours,



W. Randolph Burgess
Secretary, Federal Open
Market Committee.

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

WRB/H

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333.3-a-1

DEC 7 1933

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

Dear Mr. Burgess:

Receipt is acknowledged of your letter of November 16, 1933, addressed to Governor Black, inclosing a copy of the minutes ^{10/10/33 filed 333.3-a-1} of the meet-^{Final Minutes}ing of the Federal Open Market Committee held on October 10, 1933.

Since the dispatch of the Board's letter of November 8, 1933, in which certain changes were suggested in the minutes, Governor Black requests that the further suggestion be made to you that the last line of the first paragraph on page 2 of the revised minutes, which refers to a statement by Governor Black, be changed to read: "lest a cessation now might sooner or later force radical steps."

If this suggested change meets with your approval, it will be appreciated if you will have it incorporated in the minutes and a revised page forwarded to the Board to be substituted for the page 2 of the minutes inclosed with your letter of November 16.

Very truly yours,

Chester Morrill,
 Secretary.

100-jcb

OW GRB

see letter 12/9/33
see ans 12/8/33

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*Mr. Moffill,
Mr. Carpenter*

FEDERAL RESERVE BANK
OF NEW YORK

NOV 16 1933

333.3-a-1

November 16, 1933.

Dear Governor Black:

Enclosed herewith are the final minutes of the *10-10-33 filed 333.3-a-1* *Final Minutes*

Federal Open Market Committee meeting held on October 10.

Will you please substitute these for the preliminary draft
previously sent you.

Very truly yours,

W. Randolph Burgess

W. Randolph Burgess
Secretary, Federal Open
Market Committee

1
Mr. Roy A. Young,
Governor, Federal Reserve Bank of Boston,
Boston, Mass.

WRB.H
encl.

see ans 12/7/33

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Authority EO Order 12356

(24)

333.3-a-V

NOV 8 1933

Mr. W. R. Burgess

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

Dear Mr. Burgess:

Reference is made to your letter of October 28, 1933, addressed to Governor Black, transmitting a preliminary draft of the minutes of the meeting of the Federal Open Market Committee held in Washington on October 10, 1933, and requesting advice or suggestions as to changes in the draft.

Following the meeting of the Federal Reserve Board with the governors of Federal reserve banks which was held on October 12, 1933, Governor Harrison reported to the Board the action taken by the Federal Open Market Committee at its meeting on October 10, and it is suggested, therefore, that the following be added to the minutes of the Committee before the statement of adjournment:

"Following a meeting on October 12, 1933, of the Federal Reserve Board with the governors of Federal reserve banks, a meeting of the Federal Open Market Committee with the Federal Reserve Board was held, at which Governor Black and Messrs. Hamlin, James, Thomas, Szymozak and O'Connor, members of the Federal Reserve Board, Messrs. Morrill and Carpenter, of the Board's staff, and the representatives of the Federal reserve banks on the Federal Open Market Committee, were present.

"Governor Harrison advised the Board of the action taken by the Federal Open Market Committee in voting unanimously that the

FILE COPY

see ans 11/16/33

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Mr. W. Randolph Burgess

- 2 -

"authority granted to the executive committee to purchase up to \$1,000,000,000 of government securities be continued and reaffirmed for the unused portion of the authority, and he stated that, immediately after the action of the Committee, the executive committee met and authorized the purchase of \$35,000,000 of government securities during the current statement week, which meant that the securities had to be purchased not later than Wednesday, October 11, 1933, and, not having an opportunity to submit the resolution to the Federal Reserve Board for approval, a purchase of the authorized amount was consummated under the previous authority granted to the executive committee.

"Governor Harrison also informed the Board of the views set forth above which were expressed by the members of the Federal Open Market Committee during the discussion in their separate meeting of the Committee's action, and he read the memorandum of open market policy which had been adopted by the Committee as an expression of its opinion.

"Governor Black raised the question whether the memorandum was to be understood as being confidential between the Federal Open Market Committee and the Federal Reserve Board, and Governor Harrison stated that it was understood by the members of the Committee that it was to be treated as strictly confidential by them, and that, while the Committee would have no objection to the submission of the memorandum to the Secretary of the Treasury or to the President

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Mr. W. Randolph Burgese

- 3 -

"of the United States, if the Board decided such action would be helpful, it was to be held otherwise in strict confidence.

"The meeting adjourned at 1:15 p. m."

Receipt is acknowledged also of your letter of October 31, 1933, inclosing a copy of the minutes of the meeting of the executive committee of the Federal Open Market Committee which was held in New York on October 25, 1933, from which it is noted that the executive committee at that meeting voted to request the members of the Federal Open Market Committee to give the executive committee authority to offer for conversion all or such part of the called Fourth 4 1/2 bonds in the System portfolio as may, in the judgment of the committee, seem advisable from time to time in the light of all the circumstances.

For the purposes of the Board's records it will be appreciated if you will advise it as to the responses received to this request.

Very truly yours,

(Signed) Chester Morrill

Chester Morrill,
Secretary.

.....
AT BOARD MEETING

NOV 11 1933

SBC:CM-jeb

FOR APPROVAL

Gov. Black.....
 Mr. Hamlin.....
 Mr. Miller.....
 Mr. James.....
 Mr. Thomas.....
 Mr. Szymczak.....
 Mr. O'Connor.....
 Mr. Martin.....
 If you approve, please
 initial and return to
 Mr. Carpenter

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FEDERAL RESERVE BANK
OF NEW YORK

OCT 30 1933

333.3-a-1

October 28, 1933.

Dear Governor Black:

I am enclosing preliminary draft of the minutes of the meeting of the Federal Open Market Committee held in Washington on October 10. Will you please send me any suggestions you may have as to changes.

Very truly yours,

W. Randolph Burgess

W. Randolph Burgess
Secretary, Federal Open
Market Committee

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

WRB.H
encl.

see ans 11/8/33

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Authority Ex Order 12356FINAL DRAFT - SUBJECT TO CHANGE

333.3-a-1

CONFIDENTIALMINUTES OF THE MEETING OF THE FEDERAL OPEN MARKET COMMITTEEHELD AT WASHINGTON, D. C., TUESDAY, OCTOBER 10, 1933.

The meeting was called to order at 3 p. m., there being present:

From the Federal Reserve Board
Governor Black, and Messrs. Hamlin, Miller, James,
Thomas and Szymczak.

From the Federal reserve banks
Governors Harrison, Fancher, Martin, Geery,
Hamilton, McKinney, Young, Norris and Calkins,
Acting Governor Johns, and Deputy Governors Peple
and McKay.

From the Federal Reserve Board Staff
Messrs. Morrill and Martin.

Governor Harrison outlined to the conference briefly the discussion which took place at the meeting of the executive committee in New York on September 21, at which time, he pointed out, the committee agreed that there was then little, if any, necessity for the further purchase of government securities from the point of view of the present credit and banking position alone. He referred to the fact that money rates in the principal centers are the lowest of any time in their history; that the borrowings of member banks are lower than at any time since 1917; that excess reserves are now at their highest level, about 800,000,000; and that in these circumstances it might well be argued that further purchases of government securities are no longer required as a means of pressure towards expansion of credit. The question for the conference to decide, therefore, was whether under these conditions there were other reasons, apart from the ordinary central bank objectives, for continuing open market purchases, and if so, in what amounts or at what rate.

Governor Black expressed the view that open market operations to date had no doubt been effective, as Governor Harrison had stated, in making for great ease in the credit position, and that they had also been a most important factor

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to date in minimizing the pressure for more drastic inflation; that all things considered, he thought it would be advisable to continue open market operations lest a cessation now might sooner or later force ~~the issue of greenbacks~~ *radical steps.*

Mr. Miller questioned whether there was any real risk in further purchases of government securities, and expressed the opinion that we should continue them for a while at least. The only real question in his mind was at what rate they should be made, that is, whether at the same or a lower rate.

Mr. James felt that there was little that could be done that would be of effect until the various functions of the government were co-ordinated in repairing the banking position, and that we must also find ways of affording a compensatory return for money. In this connection, Governor Young expressed the view that it is possible to get money rates so low as to be a deterrent to its use. But apart from that, Governor Young said that in the present state of affairs, and possibly for political reasons, it might be advisable for a time to continue to buy securities but at as low a rate as is possible without precipitating other difficulties.

Governor Hamilton stated that most commercial banks are suffering from a loss of earnings. He felt that the program for the issue of capital stock to the Reconstruction Finance Corporation was an excellent idea, but it was difficult for him to see how the banks could use the money thus obtained.

Governor Young reiterated his belief that having commenced the program of open market purchases it might be harmful to stop entirely just now, but that we should ease off in our purchases, if possible, beginning this week. Governor Harrison questioned whether this particular week was a good week to begin reductions if only because of the possibly bad repercussion on the new Treasury issue to be announced on Thursday.

Governor Martin stated that while he felt that we should continue the program for the time being, nevertheless we must keep more and more in mind the necessity for giving banks an opportunity to make some earnings,

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Governor Norris remarked that we have well over two billion dollars of government securities, which form over 95% of the assets of the Federal reserve banks. He also mentioned the fact that money rates are now so low that many banks have no incentive to make loans since many loans at present rates involve a risk with but little return. Furthermore he is of the opinion that the majority of the American public is against inflation and for sound money. In this connection he felt that the opinions expressed by the American Federation of Labor and the American Legion are significant, and that it is possible that the talk of inflation is more noisy than real. On the whole, however, he felt that we should be prepared to buy government securities for a few weeks or months longer, if necessary, pending the formation of a monetary policy, although if continued too long the only effect of them will be to weaken the banking structure of the country by reducing rates to a point which will yield little return to the banks and deter them from making loans. He called attention to the fact that increased employment depends in large part now on a revival of the heavy goods industries which in turn depend upon reopening of the capital markets.

Mr. McKay stated that the Federal Reserve Bank of Chicago has participated in the program thus far reluctantly, and that the directors seeing no great good resulting from the program, felt that there was no need now to continue. He said, therefore, that his directors preferred not to proceed any further unless directly requested to do so under the terms of the Thomas amendment.

Governor Fancher said there was some question in his mind as to the advisability of changing the System policy at the moment although he favored doing so as soon as possible.

Mr. Hamlin concurred with the views of Governor Black and Mr. Szymczak who felt that we should continue the program at least until January 1. Mr. Thomas favored a continuation of the policy inasmuch as he feared that stopping purchases would be construed as a signal for deflation. Psychology, he said, is the largest

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part of the problem. He would, therefore, prefer to see purchases increased rather than reduced.

At 5 p. m. the Federal Reserve Board withdrew from the meeting and the Federal Open Market Committee continued its discussion.

Governor Harrison presented to the conference the preliminary memorandum as well as the Secretary's report of open market operations since the last meeting. Both were considered and ordered placed on file.

After further discussion of the arguments in favor of and against further purchases of government securities it was voted unanimously that the minutes of the meeting of the executive committee held in New York on September 21 be approved and ratified.

It was then unanimously 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 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. ✓

During the discussion of this resolution it appeared to be the opinion of all those present that from the point of view of the present credit and banking position alone, there was little, if any, 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.

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At this point the executive committee took up for consideration the question of the amount of purchases for the current statement week, and it was voted that \$35,000,000 should be bought. Mr. McKay voted in the negative and stated that in view of the action taken by his directors it would be impossible for the Chicago bank to participate in these purchases; whereupon all the other Governors present said that they would recommend that their banks take their pro rata share of the purchases which otherwise would have been allocated to the Chicago bank.

The meeting adjourned at 6:30 p. m.

The meeting of the Federal Open Market Committee reconvened Thursday, October 12, 1933, at 11:15 a. m.

Governor Harrison stated that in view of the discussion which had taken place in the past two days about the effectiveness of further open market operations under present conditions, he thought it would be helpful if the conference would formally express its views to the Federal Reserve Board regarding the usual objectives of open market operations, reviewing what had been accomplished thus far toward improving the banking position of the country and in creating a credit position which would make possible an expansion of both short time and long time credit as soon as there might be need or demand for it, and pointing out the deterrents to the desired expansion of credit in present circumstances. After further considerable discussion, the following resolution was unanimously adopted as an expression of the views of the committee:

"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

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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 ¹⁷⁴\$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 ^{5,595,000,000}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 diminished by the unprecedented shrinkage in values and by several years of unprofitable

October 11, 1929
figures for 1929
which makes
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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 ^{further} 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

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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."

The meeting adjourned at 1:15 p. m.

George L. Harrison,
Chairman.

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333.3-a-1

REPORT OF OPEN MARKET OPERATIONS TO MEETING OF THE
FEDERAL OPEN MARKET COMMITTEE HELD IN WASHINGTON
ON OCTOBER 10, 1933

10/10/33

At the time of the last meeting of the Federal Open Market Committee held in Washington on July 20, 1933, the total amount of holdings of United States Government securities in the System Account was - - - - \$1,810,349,500.

Under authority of resolutions adopted at the meeting of the Open Market Policy Conference on April 22, 1933, later amended by telegraphic vote, approved by the Federal Reserve Board on May 12, reaffirmed by the Federal Open Market Committee on July 21, and by the Federal Reserve Board on July 24, and by agreement of the Executive Committee, purchases of short-term United States Government securities were made for the System Account as follows:

Week ended July	26	\$10,000,000
" " August	2	10,000,000
" " "	9	10,000,000
" " "	16	10,000,000
" " "	23	35,000,000
" " "	30	36,000,000
" " September	6	37,300,000
" " "	13	36,000,000
" " "	20	36,000,000
" " "	27	36,000,000
" " October	4	<u>35,500,000</u>
Total Purchases		<u>\$291,800,000</u>

These purchases increased the amount of total holdings in the System Account to - - - - - \$2,102,149,500

Other transactions effected in the System Account since the July 20 meeting consisted of

- (1) Redemption of \$254,263,000 aggregate amount of Treasury bills at maturity, and \$22,651,700 - 4% Treasury certificates of indebtedness maturing August 15, 1933, which were replaced by purchases in the market of \$276,914,700 aggregate amount of short-term issues of government securities.

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- (2) Exchange at maturity, by exchange subscription, of \$37,753,300 - 4% Treasury certificates of indebtedness, matured August 15, 1933, and \$93,563,000 - 1 1/4% Treasury certificates of indebtedness matured September 15, 1933, for like amounts of 1 5/8% Treasury notes due August 1, 1935, and 1/4% Treasury certificates of indebtedness due June 15, 1934, respectively.
- (3) Exchange in the market of \$94,370,000 aggregate amount of short-term issues of government securities for a like par amount of other issues of short-term government securities.
- (4) Sale to various Federal Intermediate Credit Banks of \$24,500,000 - 1 1/4% Treasury certificates of indebtedness, due September 15, 1933, which was replaced by purchases of other issues of government securities - \$21,500,000 from the Federal Intermediate Credit Banks and \$3,000,000 in the market.

The following is a statement of the issues of United States Government securities held in the System Account on July 19, 1933 (as reported to meeting of Federal Open Market Committee on July 20) and on October 4, 1933:

		<u>July 19, 1933</u>	<u>October 4, 1933</u>
U. S. Treas. Bills due July	26, 1933	\$33,700,000	\$ 0
" " " " " August	2, 1933	800,000	0
" " " " " "	9, 1933	14,400,000	0
" " " " " "	16, 1933	20,600,000	0
" " " " " "	23, 1933	17,500,000	0
" " " " " "	30, 1933	28,950,000	0
" " " " " September	6, 1933	19,500,000	0
" " " " " "	20, 1933	20,830,000	0
" " " " " "	27, 1933	25,895,000	0
" " " " " October	4, 1933	35,688,000	0
" " " " " "	11, 1933	14,000,000	28,300,000
" " " " " "	18, 1933	800,000	20,000,000
" " " " " "	25, 1933	0	18,425,000
" " " " " November	1, 1933	0	23,800,000
" " " " " "	8, 1933	0	29,980,000
" " " " " "	15, 1933	0	20,500,000
" " " " " "	22, 1933	0	33,171,000
" " " " " "	29, 1933	0	58,950,000
" " " " " December	6, 1933	0	41,900,000
" " " " " "	20, 1933	0	17,200,000
" " " " " "	27, 1933	0	49,845,000
" " " " " January	3, 1934	0	37,250,000

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						<u>July 19, 1933</u>	<u>October 4, 1933</u>
4	% Cert. of Ind. due	August	15, 1933	\$	60,405,000	\$	0
1	1/4% " " " "	September	15, 1933		182,433,000		0
	3/4% " " " "	December	15, 1933		85,754,000		73,254,000
4	1/4% " " " "	"	15, 1933		101,020,000		99,520,000
	3/4% " " " "	March	15, 1934		133,650,000		157,400,000
3	% Treasury Notes	May	2, 1934		107,887,000		108,387,000
	1/4% Cert. of Ind.	June	15, 1934		0		134,563,000
2	1/8% Treasury Notes	August	1, 1934		148,277,000		153,602,000
3	% " " " "	June	15, 1935		90,577,000		106,748,700
1	5/8% " " " "	August	1, 1935		0		72,053,300
2	7/8% " " " "	April	15, 1936		116,487,500		159,604,500
3	1/4% " " " "	August	1, 1936		32,892,000		46,092,000
2	3/4% " " " "	December	15, 1936		70,443,000		88,693,000
3	% " " " "	April	15, 1937		33,025,000		63,875,000
3	1/4% " " " "	September	15, 1937		58,650,000		80,100,000
2	5/8% " " " "	February	1, 1938		19,570,000		25,570,000
2	7/8% " " " "	June	15, 1938		1,000,000		19,750,000
3	1/2% First L/L Bds of	1932/47			25,025,000		25,025,000
4	1/4% " " " "	1932/47			29,000,000		29,000,000
4	1/4% Fourth " " " "	1933/38			281,591,000		281,591,000
					<u>\$1,810,549,500</u>		<u>\$2,102,149,500</u>

Participation and Outright Holdings of
United States Government Securities

All Reserve Banks have participated in new purchases to the full amount of their allotments on the basis of the resolution of the Open Market Policy Conference at its meeting on April 22, as follows:

VOTED to be the sense of the conference that the executive committee should be instructed to work out a system of allotment of existing holdings as well as new purchases of government securities with a view to arriving at a more equitable relationship of reserve percentages.

The percentages of allotment from week to week are shown in the attached Exhibit D. The actual formula used for allotments was as follows: from May 31 to September 20, ratio of each bank's excess reserves over a 55% ratio to the System total; from September 21 on, ratio of each bank's excess reserves over 50% to the System total. A further Exhibit E shows the changes in the reserve percentages of the different Federal reserve banks on April 26, July 26, and on October 4, showing that the allotment of securities in accordance with this program has resulted in some equalization of reserve percentages.

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The following is a statement showing the amount of each Reserve bank's participation in the new purchases made for System Account since July 20, 1933, and in the total holdings in the System Account on October 4, 1933, and each Federal Reserve bank's holding ratio, i. e., the ratio percentage that each Federal Reserve bank's holdings in the Account bear to the total holdings in the Account, also, the amount of each Federal Reserve bank's outright holdings of United States Government securities at the close of business October 4, 1933:

	<u>Participation in New Purchases</u>	<u>Participation in Total Holdings</u>	<u>Holding Ratios</u>	<u>Outright Holdings</u>
Boston	\$ 31,639,500 <i>10.55%</i>	\$ 145,386,000	7 %	\$ 703,550
New York	45,617,000 <i>15.65%</i>	677,091,500	32 1/4%	120,296,550
Philadelphia	14,209,500 <i>4.87%</i>	155,534,500	7 1/4%	3,385,500
Cleveland	18,665,000	203,169,500	9 3/4%	0
Richmond	13,857,500	72,540,500	3 1/2%	0
Atlanta	10,237,500	66,412,500	3 1/4%	26,200
Chicago	104,287,000	360,991,500	17 1/4%	62,741,700
St. Louis	12,582,000	86,991,000	4 %	500,000
Minneapolis	5,196,500	54,883,500	2 1/2%	7,089,050
Kansas City	12,766,000	76,050,000	3 1/2%	181,600
Dallas	2,778,000	46,302,500	2 1/4%	10,000,000
San Francisco	19,964,500	156,796,500	7 1/2%	0
Totals	\$291,800,000 <i>100.0%</i>	\$2,102,149,500	100 %	\$204,924,150

On September 15 and 20, the Federal Reserve Bank of Dallas increased its participation in the System Account \$2,500,000 and \$2,000,000 respectively, in order to improve its earning position for the balance of the year. This sale was made from the Federal Reserve Bank of New York's participation temporarily and later apportioned between the Federal Reserve banks, which expressed a desire to participate in the sale as follows:

Boston	\$ 323,000	Chicago	\$780,000
New York	1,578,000	St. Louis	198,500
Philadelphia	346,500	Minneapolis	127,000
Cleveland	472,000	Kansas City	165,500
Atlanta	151,500	San Francisco	358,000

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System Purchases of Bankers Acceptances

Only a negligible amount of bankers acceptances was purchased by the System since the July 20 meeting and no purchases or allotments were made by the Federal Reserve Bank of New York.

Appended are statements showing the following:

Exhibit "A" - Maturities of Holdings in System Account at the End of each Month, 1932-33, and October 4, 1933.

"B" - Appreciation or Depreciation of United States Securities Held in System Special Investment Account as Represented by Book Values and Market Bid Prices as of Close of Business October 4, 1933.

"C" - Statement Showing Earnings of all Federal Reserve Banks for the First Eight Months of 1933.

"D" - Statement Showing Percentages used for Apportionment of New Purchases of United States Government Securities each Week Since July 20, 1933.

"E" - Reserve Percentages of Federal Reserve Banks on April 26, July 26 and October 4, 1933.

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EXHIBIT "A"

MATURITIES OF HOLDINGS IN SYSTEM ACCOUNT
END OF EACH MONTH - 1932-33
(In Millions of Dollars)

1932	Within Six Months	Per- cent	Within One Year	Per- cent	Within Two Years	Per- cent	3-5 Years Inc.	Per- cent	Call- able Bonds	Per- cent	Totals
Jan.	\$165	29	\$ 355	63	\$ 355	63	\$ -	-	\$212	37	\$ 567
Feb.	191	32	375	64	375	64	-	-	212	36	587
Mar.	299	44	475	69	475	69	-	-	212	31	687
Apr.	583	57	778	76	779	76	-	-	239	24	1,018
May	716	51	1,058	75	1,115	79	-	-	290	21	1,405
June	744	48	1,106	71	1,173	75	64	4	322	21	1,559
July	733	45	1,098	67	1,167	71	132	8	336	21	1,635
Aug.	622	38	1,029	63	1,194	73	110	6	336	21	1,640
Sept.	606	37	998	61	1,170	71	134	8	336	21	1,640
Oct.	651	40	1,051	64	1,229	75	75	4	336	21	1,640
Nov.	765	47	1,046	64	1,227	75	77	4	336	21	1,640
Dec.	779	48	1,021	62	1,203	73	101	6	336	21	1,640
<u>1933</u>											
Jan.	644	41	903	58	1,107	71	116	7	336	22	1,559
Feb.	577	36	856	55	1,090	67	203	12	336	21	1,629
Mar.	709	44	856	55	1,090	67	203	12	336	21	1,629
Apr.	570	35	725	45	958	59	335	20	336	21	1,629
May	543	32	823	49	962	57	384	23	336	20	1,682
June	656	37	879	49	1,117	62	335	19	336	19	1,788
July	659	36	903	50	1,143	65	341	19	336	18	1,820
Aug.	621	32	1,025	53	1,191	62	394	21	336	17	1,921
Sept.	706	34	1,102	53	1,278	62	452	22	336	16	2,066
Oct. 4	707	34	1,104	52	1,285	61	485	23	336	16	2,102

Exhibit "B"

APPRECIATION OR DEPRECIATION OF U. S. SECURITIES HELD IN SYSTEM SPECIAL INVESTMENT ACCOUNT AS
 REPRESENTED BY BOOK VALUES AND MARKET BID PRICE AS OF CLOSE OF BUSINESS OCTOBER 4, 1933.

Issue		Maturity	Par Value	Approximate Book Value	Market Bid Price	APPRECIATION in Black DEPRECIATION in Red
U. S. Treas. Bills		Oct. 11, 1933	\$ 26,300,000	.301% Disc't	.20% Disc't	\$ 443.43
" " " "		" 18, 1933	20,000,000	.259% "	.20% "	432.04
" " " "		" 25, 1933	18,425,000	.273% "	.20% "	753.74
" " " "		Nov. 1, 1933	23,800,000	.254% "	.20% "	979.49
" " " "		" 8, 1933	29,980,000	.264% "	.20% "	1,814.98
" " " "		" 15, 1933	20,500,000	.166% "	.20% "	774.38
" " " "		" 22, 1933	33,171,000	.162% "	.20% "	1,660.35
" " " "		" 29, 1933	58,950,000	.110% "	.20% "	8,105.45
" " " "		Dec. 6, 1933	41,900,000	.093% "	.20% "	7,691.38
" " " "		" 20, 1933	17,200,000	.066% "	.20% "	4,834.02
" " " "		" 27, 1933	49,845,000	.056% "	.20% "	16,534.86
" " " "		Jan. 3, 1934	37,250,000	.077% "	.20% "	11,443.75
3/4% Cert. of Ind.		Dec. 15, 1933	73,254,000	100 2/32	100 8/32	153,378.67
4 1/4% " " "		" 15, 1933	99,520,000	100 9/32	100 27/32	575,202.02
3/4% " " "		Mar. 15, 1934	157,400,000	100 3/32	100 7/32	214,357.00
1/4% " " "		June 15, 1934	134,563,000	100 1/32	100	13,570.40
3 % Treas. Notes		May 2, 1934	108,387,000	100 24/32	101 20/32	973,472.66
2 1/8% " "		Aug. 1, 1934	153,602,000	100 14/32	101 18/32	1,728,506.30
3 % " "		June 15, 1935	106,748,700	101 4/32	103 12/32	2,431,323.45
1 5/8% " "		Aug. 1, 1935	72,053,300	100 6/32	101 3/32	661,834.99
2 3% " "		Apr. 15, 1936	159,604,500	101 1/32	102 13/32	2,201,587.41
3 1/4% " "		Aug. 1, 1936	46,092,000	102 18/32	103 15/32	420,136.38
2 3/4% " "		Dec. 15, 1936	88,693,000	100 28/32	102 12/32	1,345,698.20
1 % " "		Apr. 15, 1937	63,275,000	102 7/32	102 12/32	115,618.83
3 1/4% " "		Sept. 15, 1937	80,100,000	102 24/32	102 20/32	91,571.46
2 5/8% " "		Feb. 1, 1938	25,570,000	100 12/32	100 27/32	124,113.39
2 7/8% " "		June 15, 1938	19,750,000	101	101 7/32	43,658.95
3 1/2% 1st L/L Bds.		" 15, 1932-47	25,025,000	100 1/32	102 10/32	572,734.14
4 1/4% " " "		" 15, 1932-47	29,000,000	100 3/32	102 27/32	799,015.41
4 1/4% 4th " "		Oct. 15, 1933-38	281,591,000	100 17/32	103 6/32	7,522,418.48
TOTALS			\$2,102,149,500			\$19,729,707.91 Net Apprec.

NET PROFIT FOR YEAR 1933 HELD IN SUSPENSE ACCOUNT GENERAL CLOSE OF BUSINESS OCTOBER 4, 1933 - - - - - \$ 951,459.57

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Exhibit "C"

STATEMENT SHOWING EARNINGS OF ALL FEDERAL RESERVE BANKS
FOR THE FIRST EIGHT MONTHS OF 1933

	<u>Gross Earnings</u>	<u>Current Expenses and Net Deductions From Current Net Earnings</u>	<u>Available for Depreciation Allowances, Reserves and Surplus</u>
Boston	\$ 1,811,019	\$ 1,841,208	\$ 30,189 (a)
New York	11,943,695	6,960,869	4,982,826
Philadelphia	2,787,954	2,127,644	660,310
Cleveland	3,353,062	2,522,498	830,564
Richmond	1,100,805	1,281,448	180,643 (a)
Atlanta	1,180,408	1,081,862	98,546
Chicago	4,311,234	3,120,010	1,191,224
St. Louis	1,041,051	1,192,527	151,476 (a)
Minneapolis	1,023,995	869,615	154,380
Kansas City	1,161,526	1,320,872	159,346 (a)
Dallas	812,480	976,072	163,592 (a)
San Francisco	<u>2,834,756</u>	<u>2,330,768</u>	<u>503,988</u>
Totals	<u>\$33,361,985</u>	<u>\$25,625,393</u>	<u>\$7,736,592</u>

(a) deficit

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EXHIBIT "D"

STATEMENT SHOWING PERCENTAGES USED FOR APPORTIONMENT OF NEW PURCHASES OF UNITED STATES GOVERNMENT SECURITIES
FOR SYSTEM ACCOUNT EACH WEEK SINCE JULY 20, 1933

Week Ended	July 26	Aug. 2	Aug. 9	Aug. 16	Aug. 23	Aug. 30	Sept. 6	Sept. 13	Sept. 20	Sept. 27	Oct. 4
Boston	13 %	11 1/4%	11 1/4%	12 %	11 1/2%	11 1/4%	11 %	11 %	11 %	9 1/4%	9 3/4%
New York	9 1/2%	11 %	10 1/4%	10 3/4%	12 1/4%	16 %	15 1/4%	15 1/4%	15 1/2%	21 1/4%	19 3/4%
Philadelphia	5 %	4 1/4%	4 1/2%	4 1/4%	4 3/4%	4 3/4%	4 3/4%	5 1/4%	4 3/4%	5 1/4%	5 %
Cleveland	6 3/4%	8 1/4%	8 %	7 1/4%	6 3/4%	6 %	6 1/4%	5 3/4%	6 %	6 %	6 3/4%
Richmond	5 1/2 %	5 1/4%	5 %	5 %	5 1/4%	4 3/4%	5 %	5 %	4 1/2%	4 1/4%	4 %
Atlanta	3 1/2%	3 1/2%	3 1/2%	3 3/4%	4 %	3 3/4%	3 3/4%	3 1/2%	3 %	3 1/4%	3 1/4%
Chicago	37 1/4%	38 %	38 3/4%	37 3/4%	38 1/4%	36 %	36 %	36 1/4%	36 %	32 1/2%	32 3/4%
St. Louis	5 1/4%	4 3/4%	4 3/4%	5 %	4 1/4%	4 1/2%	4 %	4 %	4 1/4%	4 %	4 1/2%
Minneapolis	1 3/4%	1 3/4%	1 3/4%	1 3/4%	1 3/4%	1 1/2%	1 3/4%	2 %	1 3/4%	2 %	1 3/4%
Kansas City	4 3/4%	5 %	5 %	5 %	4 3/4%	4 1/4%	4 1/2%	4 1/4%	4 1/4%	4 %	4 %
Dallas	1/4%	1/4%	1/2%	3/4%	3/4%	3/4%	3/4%	3/4%	1 1/4%	1 1/4%	1 3/4%
San Francisco	7 1/2%	6 3/4%	6 3/4%	6 3/4%	5 3/4%	6 1/2%	7 %	7 %	7 3/4%	7 %	6 3/4%
Totals	100 %	100 %	100 %	100 %	100 %	100 %	100 %	100 %	100 %	100 %	100 %

(Above allotment percentages based on the amount of reserves of each Federal Reserve Bank in excess of the amount required for a reserve ratio of 55% up to Sept. 20 and a 50% reserve ratio subsequent thereto.)

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Exhibit "E"

RESERVE PERCENTAGES OF FEDERAL RESERVE BANKS
ON APRIL 26, JULY 26 AND OCTOBER 4, 1933.

	<u>April 26</u>	<u>July 26</u>	<u>October 4</u>
Boston	65.7%	77.3%	72.8%
New York	59.4%	60.0%	59.3%
Philadelphia	59.0%	63.5%	63.2%
Cleveland	55.9%	67.8%	64.4%
Richmond	72.9%	72.0%	68.7%
Atlanta	58.2%	70.0%	68.4%
Chicago	75.1%	78.4%	72.4%
St. Louis	67.8%	71.2%	67.4%
Minneapolis	51.3%	63.6%	62.6%
Kansas City	61.9%	71.7%	68.1%
Dallas	44.0%	57.2%	70.1%
San Francisco	52.6%	68.1%	66.1%
System	62.7%	68.4%	65.9%

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October 7, 1933.

PRELIMINARY MEMORANDUM FOR THE FEDERAL OPEN
MARKET COMMITTEE, OCTOBER 10, 1933

Since the July meeting of the Committee, the gold value of the dollar has fluctuated widely and on the whole has shown a further decline, but commodity and security prices, instead of showing a further rise, have had a considerable reaction. Industrial activity has declined somewhat, especially in the industries that expanded operations most rapidly from March to July. Excess reserves of member banks have been increased further to between \$700,000,000 and \$800,000,000, largely as the result of open market purchases of Government securities by the Reserve Banks, and have become widely distributed, but in general there has been no further expansion of member bank credit.

During the latter part of July, the depreciation of the dollar in terms of gold was reduced from 31 per cent to about 26 per cent, but, after holding around the latter level during the first three weeks of August, the depreciation of the dollar increased rapidly and since the middle of September has been between 34 and 36 per cent. Although fluctuations in the value of the dollar have been followed to some extent by the prices of basic commodities, especially the principal import commodities and certain farm products such as cotton and grain, basic commodities in general have shown no net rise since August, and a considerable decline since the middle of July, despite the further depreciation of the dollar. In fact, there have been indications that the depreciation of the dollar as a stimulus to speculative buying of commodities has been losing force.

As the accompanying diagram shows, basic commodity prices in terms of gold, which during June and July showed an average increase of at least 15 per cent over April 1, in the early part of October showed a small decline.

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Per Cent Change in Prices Since April 1

	<u>July High Point</u>	<u>Latest</u>
Basic Commodities, Wholesale (Moody's index)	+72.5 (July 18)	+50.9 (Oct. 5)
All Commodities, Wholesale (B.L.S. index)	+16.0 (July 22)	+19.3 (Sept. 30)
Price of Gold*	+45.6 (July 18)	+54.4 (Oct. 5)

*Computed from French franc quotation

Change in Commodity Prices Relative to Price of Gold Since April 1

Basic Commodity Prices	+18.3% (Jul.18)	- 2.3% (Oct. 5)
All Commodity Prices	-16.5% (Jul.22)	-22.6% (Sept.30)

While basic commodity prices have shown wide fluctuations and in general some decline since the middle of July, general indexes of wholesale commodity prices that include prices of finished goods have continued to move gradually upward, reflecting the increased cost of producing finished products. Since the beginning of April, however, the rise in the general commodity indexes has been less than 20 per cent, as compared with a rise of more than 50 per cent in the price of gold, so that, in terms of gold, the general level of commodity prices in this country has shown a considerable decline.

The influence of the depreciation of the dollar on the security markets also has shown signs of weakening during the past three months. In fact, in the case of bond prices, the recent effect of dollar depreciation has been adverse, whereas during the earlier depreciation of the dollar from March to April bond prices rose along with stock prices. The recent decline in bond prices appears to have been due partly to a flight of domestic and foreign capital from this country, and partly to a transfer of investment funds from bonds to stocks, both movements being caused primarily by uncertainty as to the future value of the dollar. The decline has canceled approximately 40 per cent of the rise in bond

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prices from April to July, and, by again increasing the depreciation in bank investments, has had an adverse influence on the banking situation. During the past few days, however, greater stability of the dollar has been accompanied by a somewhat firmer bond market.

Bank Credit

The total loans and investments of reporting member banks in principal cities have shown no further expansion since the middle of June, as the following diagram shows, notwithstanding the fact that excess reserves of member banks have doubled. Loans other than security loans of reporting banks have continued to show a gradual increase, but there has been some decline in security loans, and the increase in investments has been checked. Government security holdings, in which the principal expansion of bank credit has occurred during the past two years, have shown no further increase, probably due in part to the heavy demand for such securities following the elimination of interest payments on demand deposits, and in part to Reserve Bank purchases. Other investments, which are not shown in the diagram, have shown little change in many months.

It is probable that member banks have been restrained from extending further credit, especially through investments, by the various uncertainties in the situation - specifically the uncertainties relating to the future value of the dollar, the business prospect, and the effect of the insurance of bank deposits.

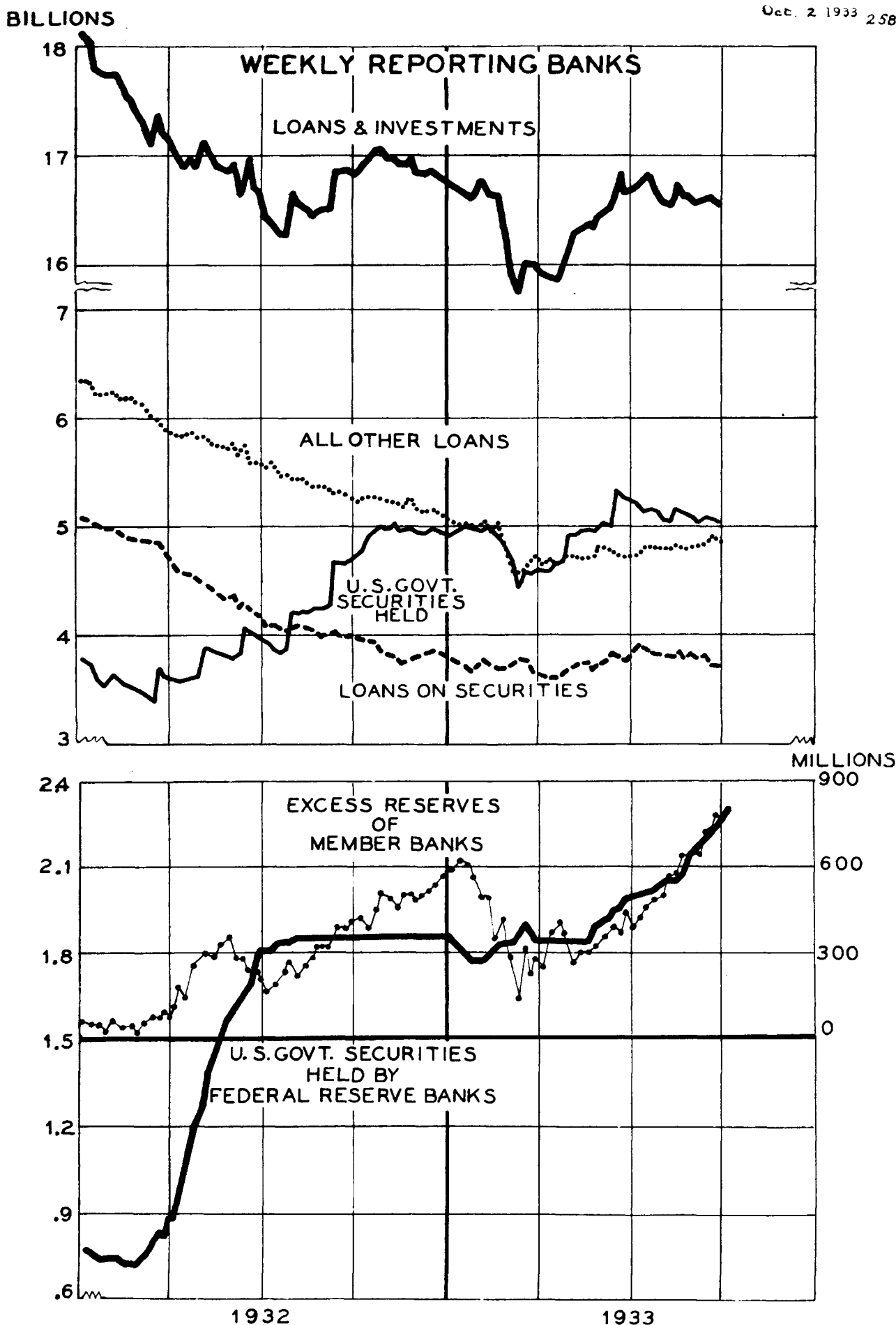
Recent Business Developments

During the past two months there has been a considerable slackening of industrial activity, especially in the industries that expanded operations most rapidly from March to July in anticipation of higher prices of raw materials and higher production costs. Meanwhile, there has been a slight improvement in the construction and equipment industries, which tended to lag in the early stages of

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Oct. 2 1933 2580



Changes in Member Bank Credit During the Period of Heavy Purchases of Government Securities by Federal Reserve Banks and Accumulation of Excess Reserves in Member Banks

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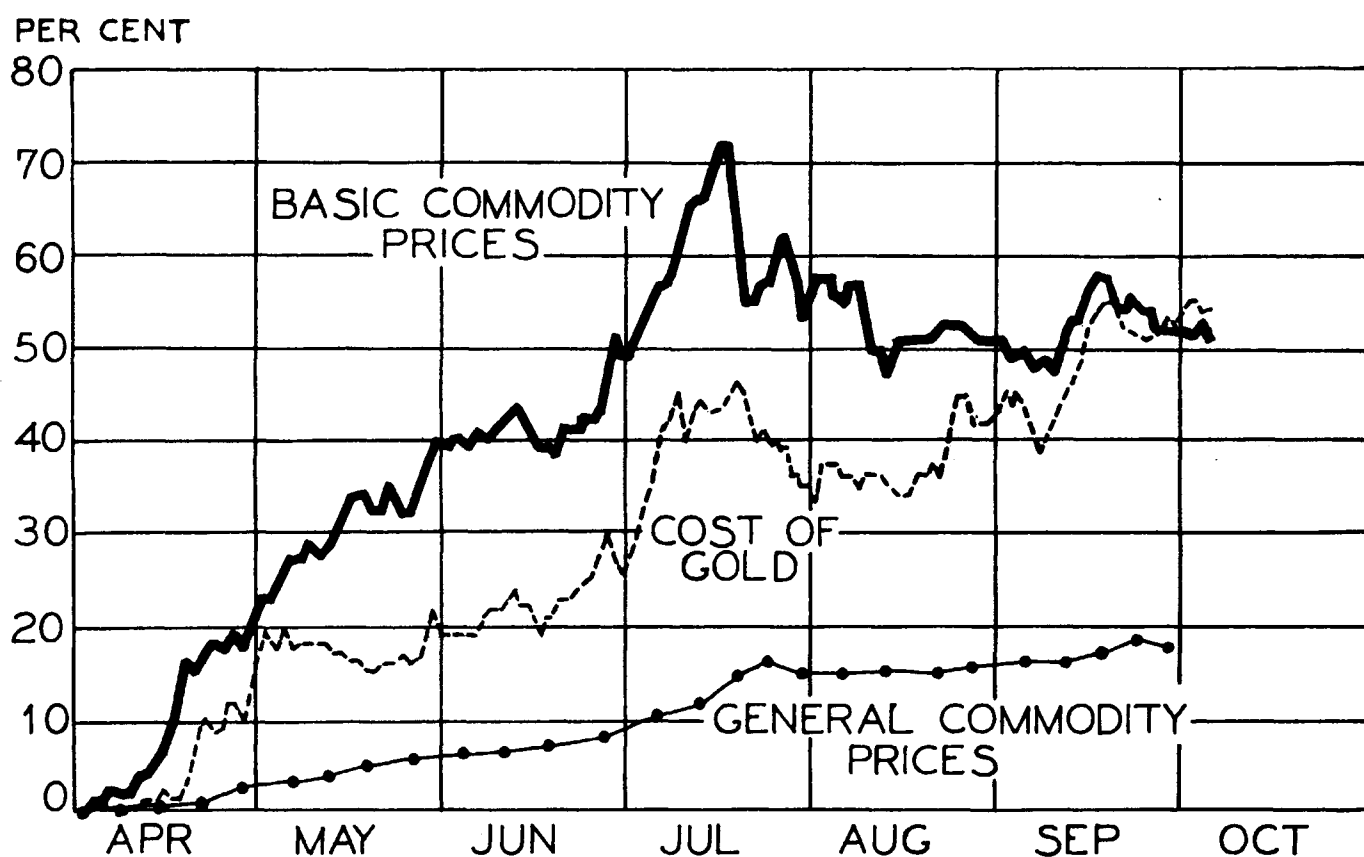
business recovery, but operations in these industries remain at a very low level relative to past years. A large part of the existing unemployment is due directly or indirectly to the depressed conditions of these industries, which are dependent upon the employment of new capital. The public works program of the Government and proposed loans to railroads for rail and equipment purchases will tend to cause some further revival in the heavy industries during the coming months, but a resumption of private investment which is needed to bring about a full recovery of the heavy industries, is not yet in prospect, as the flotation of new capital issues remains practically at a standstill.

Notwithstanding the curtailment of operations in several important industries since July, the reemployment of workers in manufacturing and other industries has continued, due largely to the adoption of industrial codes under the National Recovery Act. By the end of August the increase in the number of workers employed was estimated by the American Federation of Labor at 2,800,000, and some further increase probably occurred in September. As the work of bringing industries under N.R.A. codes is brought toward completion, however, the problem of eliminating unemployment depends more largely upon recovery in the industries that have lagged.

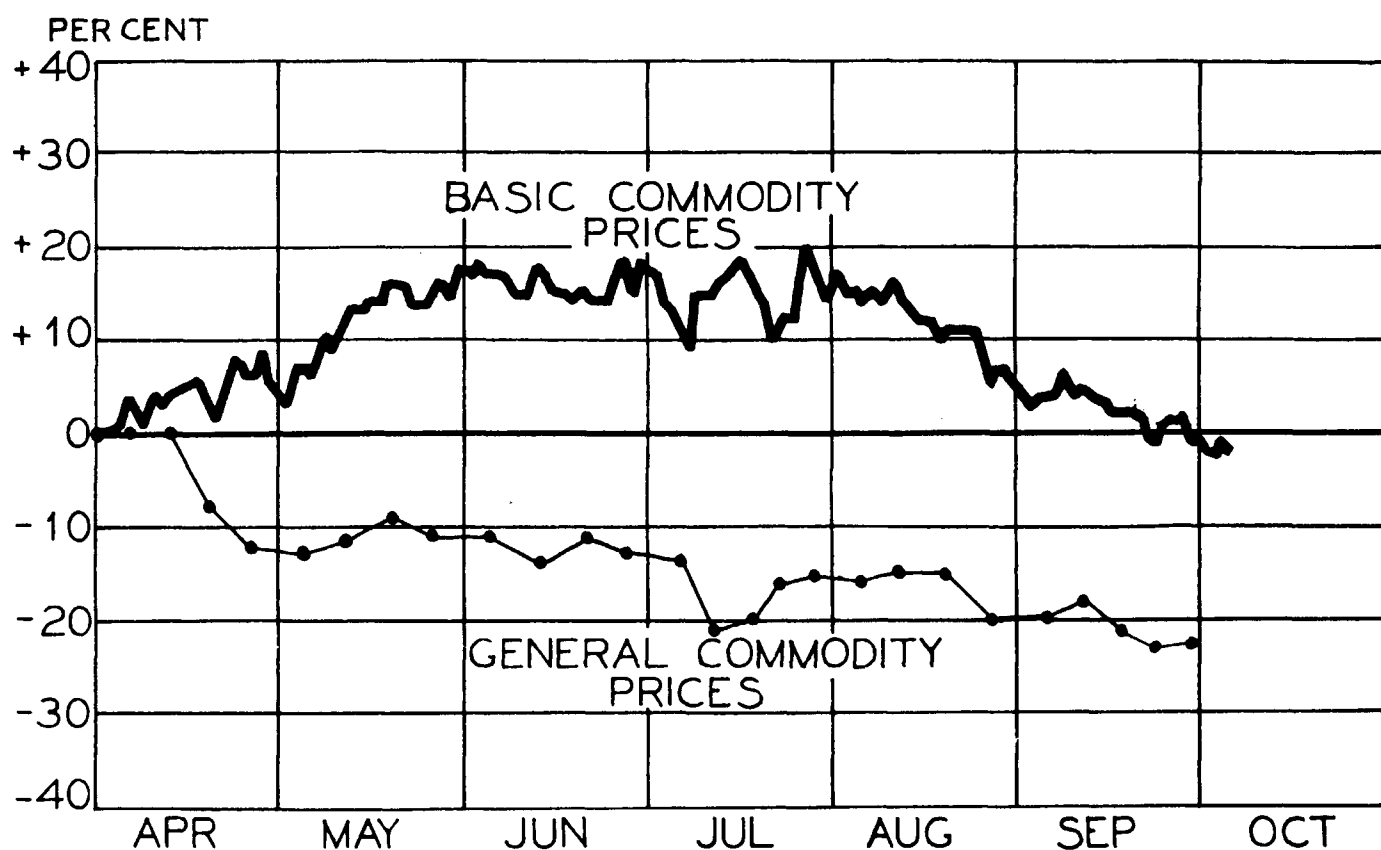
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Federal Reserve Bank
of New York
Reports Department
Sept 20, 1933
2566



Change in Wholesale Prices since April 1, in Dollars.



Change in Wholesale Prices since April 1, in Terms of Gold.

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September 30, 1933.

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

Dear Governor Norris:

Your telegram of September 27th
addressed to Governor Black was received during
his absence from the city on a short vacation.

The suggestion contained in your
telegram will be taken up with him immediately
upon his return.

Sincerely yours,

Assistant to the Governor.

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TELEGRAM
Federal Reserve System

4lcs

Philadelphia 115 P Sept. 27

Black

Washington

9/27/35

Replying your wire this date will attend governors' conference
October tenth. Inasmuch as new banking Act requires that meetings
of open market committee shall be held at least four times each
year upon the call of the Governor of the Federal Reserve Board,
and as no meeting of this committee has been held since July twen-
tieth, would it not be well for you to call a meeting of this com-
mittee for the same date or the day before or after?

Norris

120 PM

see ans. 9/30/35