

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)

Jan - May 1935

PART NUMBER

Part 3

333.3-a-1

June 28, 1935.

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

Dear Mr. Burgess:

Governor Eccles has requested me to acknowl-
edge receipt of your letter of June 21, 1935, with
which you inclosed copies of the final minutes of the
meeting of the Federal Open Market Committee held on
May 27, 1935, and the minutes of the meeting of the
Executive Committee of the Committee held on June
19, 1935, and to advise you that he has no sugges-
tions to make with regard to the minutes of June 19.

5/28/35 filed
333.3-a-1
Final Minutes

Very truly yours,

(Signed) S. R. Carpenter

S. R. Carpenter,
Assistant Secretary.

Copy filed
333.3-a-1
meeting of
6-19-35
SIC/acw

FILE COPY

333.3-a-1

FEDERAL RESERVE BANK
OF NEW YORK

June 21, 1935.

FOR CIRCULATION

- Mr. Hamlin ✓
- Mr. Miller ✓
- Mr. James ✓
- Mr. Thomas ✓
- Mr. Szymuzak ✓
- Mr. ✓
- Mr. ✓
- Mr. Merrill ✓
- Mr. Bethea ✓
- Mr. Carpenter ✓
- Mr. ~~Hick~~ *Holdeman* ✓
- Mr. ✓
- Mr. ✓
- Mr. ✓
- Mr. ✓

Dear Governor Eccles:

Please find enclosed herewith tentative draft of the minutes of the executive committee meeting held at Washington on June 19. I should be glad to receive as early as possible any suggestions as to changes.

I am also enclosing a revised and final copy of the meeting of the full committee on May 27. The tentative minutes of the joint meeting of the Federal Open Market Committee and the Federal Reserve Board on May 28, previously sent you, may be considered as final since no suggestions for changes have been received.

Very truly yours,

W. Randolph Burgess
W. Randolph Burgess
Secretary, Federal Open
Market Committee

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

WRB.H
ENCL.

*See meeting
6/19/35
333.3-a-1*

*5-28-35 filed
333.3-a-1
Final Minutes*

*6/29/35 Copy filed 333.3-a-1
meeting of 6-19-35*

[Handwritten initials]

W. Carpenter
333.3-a-1

FEDERAL RESERVE BANK
OF NEW YORK

June 6, 1935.

Dear Mr. Morrill:

Let me acknowledge and thank you for your
letter of June 3 enclosing transcript of notes of the
joint meeting of the Federal Open Market Committee and
the Federal Reserve Board on May 28.

Very truly yours,

W. Randolph Buehler

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

WRB.H
encl.

333.3-a-1

FEDERAL RESERVE BANK
OF NEW YORK

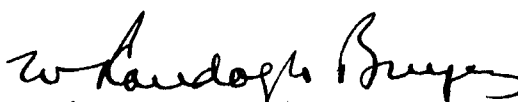
June 6, 1935.

Dear Governor Eccles:

Please find enclosed herewith the minutes ^{5-28-35 filed} of the ^{333.3-a-1} meeting of the Federal Open Market Committee in Washington ^{Final minutes} on May 27, together with the minutes of a joint meeting of the Federal Reserve Board and the Federal Open Market Committee on May 28.

I should be glad to receive at your early convenience any suggestions for revisions of the minutes of the joint session.

Very truly yours,



W. Randolph Burgess
Secretary, Federal
Open Market Committee.

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

WRB.H
encl.

*The attached were
not received in the
Secretary's office until
July 10, 1935.*



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Authority *Ex Order 12956*

333.3-a-1

June 6, 1935.

CONFIDENTIAL

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

Dear Dr. Burgess:

In a telephone conversation this morning you requested, for the purpose of incorporation in the Federal Open Market Committee minutes of the meeting with the Board on May 28, 1935, a copy of the letter received by the Board under date of May 4 from Governor Schaller of the Federal Reserve Bank of Chicago, and a copy of the Board's reply and accompanying memorandum under date of May 25, with regard to a reduction by the Federal reserve banks in their total holdings of United States Government securities.

A copy of the correspondence referred to is attached.

Very truly yours,

App'd See
MINUTES ON

70-1000 S. R. Carpenter

JUN 7 1935

S. R. Carpenter,
Assistant Secretary.

Mr. Tolson
Mr. E. A. Tamm
Mr. Clegg
Mr. Glavin
Mr. Ladd
Mr. Nichols
Mr. Rosen
Mr. Tracy
Mr. Carson
Mr. Coffey
Mr. Hendon
Mr. Pennington
Mr. Quinn
Mr. Nease
Miss Gandy

** see memo copy
filed 5-25-35
SRC/acw*

MS
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see memo 6/6/35

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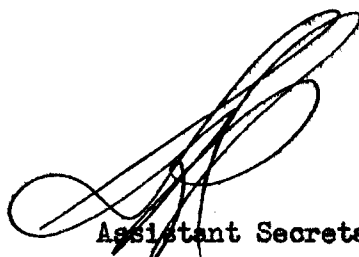
June 6, 1935.

MEMORANDUM TO GOVERNOR ECCLES:

You will recall that at the meeting of the Board with the Federal Open Market Committee on May 28, 1935, there was read the Board's reply, and accompanying memorandum, to the letter received under date of May 4, 1935, from Governor Schaller of the Federal Reserve Bank of Chicago with regard to the propriety of effecting a reduction in the total holdings by the Federal reserve banks of Government securities.

see 5-25-35

Dr. Burgess called me on the telephone this morning and requested a copy of the letter from Governor Schaller, together with copies of the Board's reply and accompanying memorandum. He has prepared minutes of the meeting on May 28 for the records of the Federal Open Market Committee, which he proposes to send to the governors of the various Federal reserve banks, and he desires to send a copy of the correspondence referred to above to each of the governors as a part of the minutes. Inasmuch as the correspondence was read at the meeting, I see no objection to sending Dr. Burgess a copy for the purpose stated. Dr. Goldenweiser concurs in this view. If you approve the attached letter to Dr. Burgess, please initial the file copy and it will be presented to the other members of the Board for their approval.



Assistant Secretary.

see letter 6/6/35-

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333.3-21

June 5, 1935.

CONFIDENTIAL

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 telephone conversation this afternoon with Mr. Carpenter, Assistant Secretary, in which you stated that you desired to prepare Federal Open Market Committee minutes for the meeting of the Committee with the Federal Reserve Board on the morning of Tuesday, May 28, 1935, and requested a transcript of notes taken during the meeting for that purpose.

In accordance with your request there are set forth below notes on the meeting from which the Board's minutes have been written:

There were present at the beginning of the meeting Governor Eccles, Vice Governor Thomas, Messrs. Hamilton, Miller, James and Szymosak of the Federal Reserve Board; Messrs. Clayton, Morrill, Carpenter and Goldenweiser of the Board's staff; Messrs. Young, Harrison, Morris, Fleming, Seay, Newton, Schaller, Martin, Geery, Hamilton, McKinney and Day, Members of the Federal Open Market Committee; and Mr. Strater, Secretary of the Governors' Conference.

Governor Harrison stated that the Federal Open Market Committee, at a meeting on May 27, 1935, reviewed the general open market situation and a preliminary memorandum prepared by the chairman on money market and credit conditions and that, as a Governors' Conference, the governors had discussed the topics contained in the conference program. He said that the Federal Open Market Committee had concluded that the most desirable procedure would be for the Committee to terminate all authorities previously given to the executive committee and adopt resolutions giving such new authority

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as was felt desirable. He referred to the resolution adopted at the February meeting of the Federal Open Market Committee and the circumstances in which the resolution was considered and stated that at this meeting the Committee was not confronted with the possible emergency situation that was in contemplation in February and that there was no need for a resolution in the form adopted at that time. He said that instead the Committee had adopted two resolutions, the first superseding previous authorizations and authorizing the executive committee to make shifts between maturities in the open market investment account up to \$250,000,000, the thought being that such authority should be a continuing one in order that replacements might be made by the executive committee of maturing issues. The second resolution, Governor Harrison said, authorized the executive committee to buy or sell up to \$250,000,000 of Government securities subject to telegraphic approval of a majority of the Federal Open Market Committee and the approval of the Federal Reserve Board.

Governor Harrison pointed out that, while under the previous authority given to the executive committee to make shifts up to \$250,000,000 changes in maturities had been made in the total net amount of \$214,000,000 including the replacement of maturing issues, the percentage of securities held in the account maturing within one year was not substantially changed. He stated that in February 39% of the system account consisted of maturities within 6 months, 43% of maturities within one year, and 65% of maturities within 2 years, as compared with 26% of maturities within 6 months, 44% of maturities within one year, and 64% of maturities within 2 years on May 22, 1935. He stated that it should be borne in mind that the maintenance of the same general proportions of different maturities in the account was due not only to shifts but also to the fact that longer maturities were steadily falling into the short maturity groups.

Another matter considered by the Federal Open Market Committee, Governor Harrison stated, was the distribution among the Federal reserve banks of securities held in the system account. He said that the Federal Reserve Banks of New York and Chicago hold a substantial amount of securities in excess of their prorata share on the basis of expenses, dividends and charge-offs at the respective Federal reserve banks and that the Federal Reserve Bank of Chicago had suggested the consideration of a transfer of some of its excess holdings to other Federal reserve banks which at the present time do not hold their prorata share of the system account. [The point was brought out, Governor Harrison said, that with possibly one or two exceptions, depending upon the policy adopted by the banks with regard to setting up reserves, no Federal reserve bank needs any additional amount of securities to cover its expenses, but that, in view of the desire of the Chicago bank to reduce its excess holdings, the matter had been discussed and the decision reached that the Secretary of the Federal Open Market Committee should pursue the matter with certain Federal reserve banks to see how far the directors of the banks would be willing to go in taking over a portion of Chicago's participation in the system

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 Authority *Ex Order 12256*

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account, and that it was hoped that a shift of between \$40,000,000 and \$45,000,000 could be made. He added that some of the Federal reserve banks had offered to buy at cost to the Federal Reserve Bank of Chicago some of the securities held by the bank in its own account but that the bank was not willing to sell the securities on that basis. He stated further that some of the Federal reserve banks cannot take a portion of the excess securities held by the Federal Reserve Bank of Chicago for the reason that their reserve ratios are low and further purchases by such banks would necessitate their pledging additional Government securities as collateral for Federal reserve notes and that it was not suggested that these banks take additional amounts.

During Governor Harrison's statement Mr. O'Connor joined the meeting.

Governor Harrison expressed, as the view of the Committee, the opinion that it would be unfortunate if the Federal Reserve Bank of Chicago should undertake to sell in the market securities from its own portfolio, thereby reducing the total amount of Government securities held by the system, and he stated that the resolution authorizing the executive committee of the Federal Open Market Committee to buy or sell up to \$250,000,000 of securities was adopted with the understanding that the Committee did not favor any change at the present time in the system's total holdings of securities.

Governor Harrison also said that, in connection with the conversion of called bonds and maturing issues, it had been the general policy of the executive committee to take shorter maturities where an option was given and that when only longer term securities were offered by the Treasury Department in exchange for maturing issues it had been the policy for the last year and a half to anticipate the offering by selling the long term securities in the market and taking shorter maturities in exchange. He said this procedure with regard to the longer term securities was followed only when there was a market strong enough to permit it and the procedure was agreeable to the Treasury Department.

Governor Eccles inquired whether the Committee contemplated that the Board would take any action in connection with the two resolutions adopted by the Committee and Governor Harrison stated that it was not felt that the resolutions required any action by the Board at this time.

Governor Harrison referred to the inquiry made of the Federal Reserve Board by the Federal Reserve Bank of Chicago with regard to the propriety of a reduction in the system's holdings of securities and he suggested that the Federal Open Market Committee be furnished with a copy of the Board's reply for its information in connection with the consideration of open market policy. The letter received by the Board from Governor Schaller of the Federal Reserve Bank of Chicago under date of May 4, 1935, and the Board's reply and accompanying memorandum under date of May 25, 1935, were read for the information of the members of the Federal Open Market Committee.

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Mr. O'Connor inquired whether, in the opinion of the Federal Open Market Committee, it would be desirable to attempt to place a larger portion of the total amount of outstanding Government securities in the hands of private investors. In that connection he pointed out that the condition reports of national banks submitted at the time of the last call showed a slight increase in the total amount of commercial loans held by the banks and he said that he would like to know what the effect would be on the banks' attitude toward the Government securities held in their portfolios of an acceleration of this trend to any marked degree in the next twelve months or more.

Governor Harrison stated that, in his opinion, the large holdings of Government securities by the banks would not of necessity act as a restraint on the making of commercial loans, because of the large excess reserves held by the banks, but that he felt that it would be a sounder position to have more Government securities in the hands of private investors.

In response to a statement by Mr. O'Connor that the banks in the United States hold more Government securities than banks in England or France, Governor Eccles said that the banks in this country hold more securities in proportion to the total Government debt but slightly less in proportion to the total assets of the banks. This point was discussed and it was suggested that the important question in this connection is not what percentage of securities is held by the banks, but whether, when the banks resume lending and making other investments to cover their expenses, they will, in spite of their excess reserves, begin to liquidate their holdings of Government securities to make the proceeds available for other purposes.

Governor Harrison pointed out that in England the British Treasury is authorized to pay a commission for the sale of securities to the public whereas the United States Treasury has no such authority. He said that this matter had been considered by the Treasury Department and that some of the Treasury representatives feel that it would be wise to ask for this authority, and that, if the time came when it was found desirable to reduce holdings of Government securities by selling them to the public, he felt that he would be willing to pay a commission for the sale of securities from the system account even though it should be found necessary for the Federal reserve banks to take over a corresponding amount of the commercial banks' holdings. He added that he realized that this would result in the Federal reserve banks bearing an expense which should be borne by the Treasury but which the Treasury does not have authority to assume.

At this point Mr. O'Connor left the meeting.

After some further discussion, Governor Eccles stated that the question for consideration at this meeting was whether the present easy money policy of the system should be continued until such time as there

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is an indication of substantial improvement in business and in the use of existing funds and that in his mind there was no justification for a change in that policy until its effect in inducing recovery is felt.

Governor Schaller inquired whether the Federal Reserve Board approved the request of the Federal Reserve Bank of Chicago that some of the other banks take over a portion of its holdings of Government securities. Governor Eccles stated that the Board was not in position to force the banks to take any part of Chicago's holdings but would have no objection to their doing so.

Upon inquiry from Mr. Miller as to why Chicago desired to reduce its holdings, Governor Schaller said that the bank is holding a substantial amount of securities in excess of its prorata share.

Mr. Miller referred to the statement contained in Governor Schaller's letter that past experience had not shown that the sale of Government securities for the purpose of checking inflation had been successful, and to the statement contained in the memorandum accompanying the Board's reply that excess reserves should not be reduced until there is evidence of excessive borrowing or speculative expansion, and stated that, in his opinion, the reason why the sale of securities had not had the desired effect in the past was because action was not taken until the movement had gotten out of control. He also suggested that meetings of the Federal Open Market Committee with the Board should be held frequently, even though no definite action is contemplated, in order that the Board and the Committee might be alert to any situation that might develop. He said that he felt the present problem was different from anything that had confronted the Federal Reserve System previously and that while we are still moving in an atmosphere of depression, before we realize it we may be dealing with a new condition which, if it is to be kept in proper bounds, should be dealt with promptly, and action should not be delayed until an excessive expansion is apparent.

Governor Harrison stated that the consideration of the Federal Open Market Committee at its meeting yesterday of the resolutions which were finally adopted was on the basis that the Committee did not favor a change at this time in the total system holdings of Government securities, largely for the reasons set forth in the preliminary memorandum prepared by the chairman. He said that he did not think that the forces of recovery had reached a point where the system would be justified in making a major change in open market policy and that the position taken in Governor Schaller's letter above referred to was a surprise to him, that it had not been mentioned in the Committee discussion, and that he assumed that, in his capacity as a member of the Federal Open Market Committee, Governor Schaller was not in favor of the suggestion contained in the letter that the open market account be reduced.

Governor Schaller stated that he was willing to go along with the policy determined upon by the Committee.

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Governor Harrison said that he was in accord with Mr. Miller's position that when the time comes for a change in open market policy the system cannot afford to wait for statistical evidences that the upward movement is getting out of control but must sense the condition in the light of all circumstances existing at the time.

Mr. Miller suggested that the sale of a small amount of Government securities when the proper point in recovery is reached would provide a strong psychological contribution to the movement.

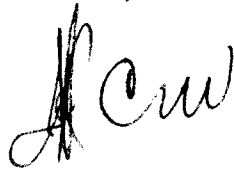
Governor Eccles suggested that the system might find at that time that it would be better to make a change in the reserve requirements of member banks rather than to sell securities. This point was discussed briefly.

The meeting recessed and reconvened at 2:00 p. m. as a meeting of the Federal Reserve Board with the Governors' Conference.

Very truly yours,

Chester Morrill,
Secretary.

SEC/rkt



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CONFIDENTIAL

PRELIMINARY DRAFT SUBJECT TO CHANGE

MINUTES OF THE JOINT MEETING OF THE
FEDERAL OPEN MARKET COMMITTEE WITH THE
FEDERAL RESERVE BOARD
HELD AT WASHINGTON, D. C.
MAY 28, 1935

The meeting was called to order at 11:00 a. m., there being present the following:

From the Federal Reserve Board
Governor Eccles, Chairman, Vice Governor Thomas, and
Messrs. Hamlin, Miller, James, Szymczak, O'Connor, Clayton,
Morrill, Carpenter, and Goldenweiser.

From the Committee
Governors Young, Harrison, Norris, Fleming, Seay, Newton,
Schaller, Martin, Geery, Hamilton, McKinney, and
Deputy Governor Day. Mr. Strater was also present.

Governor Harrison reported to the meeting the action of the committee at its meeting the previous day, and explained that in connection with the motion authorizing purchases or sales after telegraphic approval of the committee and approval of the Federal Reserve Board, it was the unanimous opinion of the committee that no purchases or sales should be undertaken at the present time.

There ensued a general discussion of open market policy, in the course of which question was raised concerning the position of the Federal Reserve Bank of Chicago, and the correspondence between that bank and the Federal Reserve Board was read. Copies of this correspondence are attached to these minutes.

With respect to the distribution of government securities between Federal reserve banks, Governor Harrison reported the discussions of the committee on the preceding day and indicated that the various Federal reserve banks now holding less than their pro rata share were to explore the question of increasing their holdings, and that some shift in securities would probably result. In the course of this discussion Governor Schaller asked Governor Eccles whether the Federal Reserve Board approved the request of the Federal Reserve Bank of Chicago that some of the other banks take over a portion of its holdings of government

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securities. Governor Eccles stated that the Board was not in a position to force the banks to take any of Chicago's holdings, but would have no objection to their doing so.

There ensued further discussion of the policy to be pursued, at the conclusion of which there was unanimous agreement on the part of all those present that no sales of government securities should be made at this time, but there was agreement that the System should be prepared to act promptly when the time came for a change in open market policy.

The meeting adjourned at one p. m.

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

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333.3-a-1

RESOLUTIONS ADOPTED BY THE FEDERAL OPEN MARKET
COMMITTEE ON MAY 27, 1935.

1. Voted that, superseding previous authorizations, the Executive Committee be authorized to make shifts between maturities of Government securities up to \$250,000,000.

2. Voted that the Executive Committee be authorized to buy or sell up to \$250,000,000 of Government securities subject to telegraphic approval of a majority of the Federal Open Market Committee and the approval of the Federal Reserve Board.

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333.3-a-1

FINAL

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~~TENTATIVE DRAFT SUBJECT TO CHANGE~~

MINUTES OF THE MEETING OF THE
FEDERAL OPEN MARKET COMMITTEE
HELD AT WASHINGTON, D. C.
MAY 27, 1935.

The meeting was called to order at 10:30 a. m., there being present
the following:

Governor Harrison, chairman, Governors Young, Norris, Fleming,
Seay, Newton, Schaller, Martin, Geery, Hamilton, McKinney,
Deputy Governors Day and Burgess, secretary. Mr. Strater was
also present.

It was

VOTED that the secretary's report of operations and the
preliminary memorandum which had been mailed previously to
all members of the committee be accepted and filed.

It was

VOTED that the actions of the executive committee since the
meeting of the full committee on February 5 be ratified.

There ensued a discussion of policy for the future. It was agreed in
the first place that there should be continuing authority to effect shifts be-
tween maturities in order to deal with maturing issues and take care of any
situation which might arise in the market. It was further agreed that in fixing
a figure for such shifts that a net figure should be used, that is, a figure for
the net change in the maturities in the portfolio, and the replacement of matur-
ing bills, for example, with other bills should not be included in any authoriza-
tion. Under this method of calculation it was reported that net shifts in the
portfolio amounting to \$214,000,000 had been made since the meeting on February 5.

Accordingly, it was

VOTED that, superseding previous authorizations, the executive
committee be authorized to make shifts between maturities of
Government securities up to \$250,000,000.

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There ensued a discussion of what if any authority should be given to the executive committee with respect to purchases or sales of securities to place the committee in a position to act promptly if any occasion arose, and it was

VOTED that the executive committee be authorized to buy or sell up to \$250,000,000 of Government securities subject to telegraphic approval of a majority of the Federal Open Market Committee and the approval of the Federal Reserve Board.

Governor Schaller of Chicago then reported that the board of directors of the Chicago bank was desirous of reducing its holdings of government securities by the amount which that bank holds in excess of its pro rata share on the basis of the present method of distribution of securities between Federal reserve banks. Governor Schaller reported that his bank had written to the Federal Reserve Board suggesting that they desire either to transfer securities to other Reserve banks or to sell securities in the open market in order to reduce their holdings. Governor Schaller read a letter received from the Federal Reserve Board in reply to this letter.

There then ensued a general discussion whether other Reserve banks now holding less than their pro rata share of government securities might not absorb some part of the holdings of the Federal Reserve Bank of Chicago. In the course of this discussion question was raised as to the possible sale by the New York and Chicago banks to the System portfolio of their present outright holdings of government securities. It was agreed that for the present this matter should be held in abeyance.

After further discussion it was

VOTED that in view of the coverage shown by the holdings of the Federal Reserve Bank of Chicago and its desire to effect some redistribution of these holdings, that each Reserve bank should undertake to consider such an adjustment in its own position as would effect an equalization of holdings among the Reserve banks, and that the executive committee should explore this question further.

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There was some general discussion of open market policy, and it was unanimously agreed that no purchase or sale of securities should be undertaken at the present time. In the course of this discussion there was reference to the memorandum on excess reserves prepared for the directors of the Federal Reserve Bank of New York and circulated to all members of the committee with the minutes of the meeting of the executive committee on April 17, 1935.

At 12:25 Under Secretary Coolidge and Governor Eccles entered the meeting, and there was a general discussion of Treasury financing problems including: the distribution of baby bonds, the mechanism for handling relief checks, the question of reimbursement of Federal reserve banks for fiscal agency operations, and the new method of Treasury financing being tried in the form of asking for bids on bonds. Governor Harrison raised the question whether announcement should be made that the Federal reserve banks would not be authorized to bid on these offerings as is the case with Treasury bill offerings, and it was generally agreed that the Treasury in some appropriate fashion should advise the Reserve banks to that effect in order that there may be no difference in this respect between bill and bond offerings.

At one p. m. the meeting adjourned as an open market committee to reconvene in the afternoon as a governors conference.

W. Randolph Burgess,
Secretary.

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Authority: Ex Order 12956

333.3-a-1

CONFIDENTIAL

TENTATIVE DRAFT SUBJECT TO CHANGE

MINUTES OF THE MEETING OF THE
FEDERAL OPEN MARKET COMMITTEE
HELD AT WASHINGTON, D. C.
MAY 27, 1935.

The meeting was called to order at 10:30 a. m., there being present the following:

Governor Harrison, chairman, Governors Young, Norris, Fleming, Seay, Newton, Schaller, Martin, Geery, Hamilton, McKinney, Deputy Governors Day and Burgess, secretary. Mr. Strater was also present.

It was

VOTED that the secretary's report of operations and the preliminary memorandum which had been mailed previously to all members of the committee be accepted and filed.

It was

VOTED that the actions of the executive committee since the meeting of the full committee on February 5 be ratified.

There ensued a discussion of policy for the future. It was agreed in the first place that there should be continuing authority to effect shifts between maturities in order to deal with maturing issues and take care of any situation which might arise in the market. It was further agreed that in fixing a figure for such shifts that a net figure should be used, that is, a figure for the net change in the maturities in the portfolio, and the replacement of maturing bills, for example, with other bills should not be included in any authorization. Under this method of calculation it was reported that net shifts in the portfolio amounting to \$214,000,000 had been made since the meeting on February 5. Accordingly, it was

VOTED that, superseding previous authorizations, the executive committee be authorized to make shifts between maturities of Government securities up to \$250,000,000.

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Authority Ex Order 12356

2

There ensued a discussion of what if any authority should be given to the executive committee with respect to purchases or sales of securities to place the committee in a position to act promptly if any occasion arose, and it was

VOTED that the executive committee be authorized to buy or sell up to \$250,000,000 of Government securities subject to telegraphic approval of a majority of the Federal Open Market Committee and the approval of the Federal Reserve Board.

Governor Schaller of Chicago then reported that the board of directors of the Chicago bank was desirous of reducing its holdings of government securities by the amount which that bank holds in excess of its pro rata share on the basis of the present method of distribution of securities between Federal reserve banks. Governor Schaller reported that his bank had written to the Federal Reserve Board suggesting that they desire either to transfer securities to other Reserve banks or to sell securities in the open market in order to reduce their holdings. Governor Schaller read a letter received from the Federal Reserve Board in reply to this letter.

There then ensued a general discussion whether other Reserve banks now holding less than their pro rata share of government securities might not absorb some part of the holdings of the Federal Reserve Bank of Chicago. In the course of this discussion question was raised as to the possible sale by the New York and Chicago banks to the System portfolio of their present outright holdings of government securities. It was agreed that for the present this matter should be held in abeyance.

After further discussion it was

VOTED that in view of the overage shown by the holdings of the Federal Reserve Bank of Chicago and its desire to effect some redistribution of these holdings, that each Reserve bank should undertake to consider such an adjustment in its own position as would effect an equalization of holdings among the Reserve banks, and that the executive committee should explore this question further.

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There was some general discussion of open market policy, and it was unanimously agreed that no purchase or sale of securities should be undertaken at the present time. In the course of this discussion there was reference to the memorandum on excess reserves prepared for the directors of the Federal Reserve Bank of New York and circulated to all members of the committee with the minutes of the meeting of the executive committee on April 17, 1935.

At 12:25 Under Secretary Coolidge and Governor Eccles entered the meeting, and there was a general discussion of Treasury financing problems including: the distribution of baby bonds, the mechanism for handling relief checks, the question of reimbursement of Federal reserve banks for fiscal agency operations, and the new method of Treasury financing being tried in the form of asking for bids on bonds. Governor Harrison raised the question whether announcement should be made that the Federal reserve banks would not be authorized to bid on these offerings as is the case with Treasury bill offerings, and it was generally agreed that the Treasury in some appropriate fashion should advise the Reserve banks to that effect in order that there may be no difference in this respect between bill and bond offerings.

At one p. m. the meeting adjourned as an open market committee to reconvene in the afternoon as a governors conference.

W. Randolph Burgess,
Secretary.

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CONFIDENTIAL

REPORT OF OPEN MARKET OPERATIONS TO MEETING OF THE
 FEDERAL OPEN MARKET COMMITTEE AT
 WASHINGTON, D. C., MAY 27, 1935

The present holdings of United States Government securities in the System Special Investment Account amount to **\$2,223,149,510.**

There has been practically (no) change in this amount since November 8, 1933.

Transactions in government securities in the System Account since February 5, 1935, the date of the last meeting of the Federal Open Market Committee, were as follows:

- (1) Redemption at maturity of \$312,374,000 Treasury bills and sales in the market of \$8,700,000 short Treasury bill maturities which were replaced by purchases in the market as follows:

\$285,953,000 - Miscellaneous Treasury bills
 19,856,000 - 3-4 year " notes
 11,900,000 - Intermediate-term Treasury bonds
 3,365,000 - Long-term " "

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The \$3,365,000 long-term bonds noted above were purchased in accordance with the agreement of the Executive Committee to employ up to \$25,000,000 if necessary in order to assist in maintaining an orderly market at the time of the March 13 quarterly Treasury financing. A total of \$8,915,000 of Treasury bonds and Called Fourth Liberty Loan bonds was purchased, \$5,550,000 of which subsequently were resold to the market.

- (2) Exchanges in the market in anticipation of maturity as follows:

\$ 56,400,000 - 3 % Treasury notes due June 15, 1935
 15,800,000 - 4 1/4% 4th L/L bds. called Oct. 15, 1935
 6,000,000 - 2 1/2% Treasury notes due Dec. 15, 1935

for

\$ 55,400,000 - Miscellaneous Treasury bills
 7,000,000 - 3-4 year Treasury notes
 17,800,000 - Intermediate-term Treasury bonds

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(3) Exchanges in the market for the purpose of improving the maturity distribution in the Account as follows:

\$20,500,000 - 2 7/8% Treasury notes due April 15, 1936
 500,000 - 2 3/4% " " " Dec, 15, 1936

for

20,500,000 - Miscellaneous Treasury bills
 500,000 - 3-year Treasury notes

(4) Conversions under Treasury offerings dated March 4 and April 22 as follows:

\$74,350,000 - 2 1/2% Treasury notes due March 15, 1935
 for 1 5/8% " " " " 15, 1940

84,667,700 - Third called Fourth 4 1/4's
 for 2 7/8% Treasury bonds of 1955-60

25,025,000 - First 3 1/2% Liberty Loan bonds
 called June 15, 1935, and

29,000,000 - First 4 1/4% Liberty Loan bonds
 called June 15, 1935

for 1 5/8% Treasury notes due March 15, 1940

(5) The above conversion of \$84,667,700 ~~third~~ called Fourth 4 1/4's into 2 7/8% per cent bonds of 1955-60 was made with the understanding that part of them would be exchanged into shorter maturities when such became possible. To date \$31,633,400 of these bonds have been exchanged, in the market and with the Treasury, for

\$ 5,000,000 - Miscellaneous Treasury bills
 24,645,450 - 2% Consols called July 1, 1935
 1,987,960 - 2% Panamas " August 1, 1935

A further sale of \$22,000,000 of the 2 7/8 per cent bonds, along with \$3,000,000 from the New York Investment Account, has been arranged with the Treasury for account of the Postal Savings System for delivery May 27. Offsetting purchases in anticipation of this sale have been completed as follows:

\$ 1,500,000	- 3	%	Treasury notes due	Feb. 15, 1937
2,000,000	- 3	%	" " "	Apr. 15, 1937
2,250,000	- 3	%	" " "	March 15, 1938
7,500,000	- 2 7/8%		" " "	June 15, 1938
250,000	- 2 1/2%		" " "	Sept. 15, 1938
4,500,000	- 2 1/8%		" " "	June 15, 1939
400,000	- 3 3/8%		Treasury bonds of	1940-43
1,600,000	- 3 1/4%		" " "	1941
2,000,000	- 3 3/8%		" " "	1941-43

\$22,000,000

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3

- (6) Transfers of participations within the Account totaling \$83,000,000 as follows:

<u>Transferred To</u>	<u>Amount</u>
Richmond	\$10,000,000
St. Louis	15,000,000
Minneapolis	5,000,000
Kansas City	15,000,000
Dallas	5,000,000
San Francisco	33,000,000
<u>Transferred From</u>	
New York	38,500,000
Chicago	44,500,000

These transfers were made for the purpose of improving the earning position of banks increasing their participation. Not reflected above is a \$5,000,000 transfer of participation from Dallas to New York on April 30 following a decline in the reserve ratio of the former bank.

Under the general authority to make shifts between maturities in the Account up to \$250,000,000, voted at the meeting of the Federal Open Market Committee on February 5, 1935, net operations to date amount to \$214,474,300. This amount does not take into consideration the sale to the Treasury of \$22,000,000 - 2 7/8 per cent bonds of 1955-60 for delivery May 27, 1935, as is noted in item (5) above.

Attached to this report are the following exhibits:

Exhibit "A" Maturity distribution of government securities in System Account at the end of each month 1932, 1933, 1934 and 1935 to May 22.

Exhibit "B" Classification of issues held in the System Account on February 5 and May 22, 1935 and net changes by issues during this period.

Exhibit "C" (1) Participations by Federal reserve banks in System Special Investment Account and (2) total holdings of government securities by Federal reserve banks close of business May 22, 1935, and the amount of (1) and (2) over or short of pro rata share based on ratio of each bank's expenses, dividends and charge-off requirements for 1934 to total for the System.

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Exhibit "D" Chart showing average earning rate on holdings of United States Government securities in System Special Investment Account and average yield on outstanding Treasury bonds and Treasury notes, 1934 and 1935 to May 22.

Exhibit "E" Earnings of all Federal reserve banks for the four months ended April 30, 1935.

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EXHIBIT "A"

MATURITY DISTRIBUTION OF HOLDINGS IN SYSTEM ACCOUNT
 END OF EACH MONTH - 1932-33-34-35

(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	Other 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
1933													
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.	860(A)	39	1,257	57	1,443	66	498(B)	23	252	11	-	-	2,193
Nov.	845(A)	43	1,235	56	1,435	65	511(B)	23	252	11	25	1	2,223
Dec.	887(A)	40	1,216	55	1,426	64	520(B)	24	252	11	25	1	2,223
1934													
Jan.	887(A)	40	1,216	55	1,426	64	520(B)	24	252	11	25	1	2,223
Feb.	987(A)	44	1,190	54	1,415	64	531(B)	24	252	11	25	1	2,223
Mar.	799(A)	36	1,034	47	1,287	58	659(B)	30	252	11	25	1	2,223
Apr.	730(A)	33	1,008	45	1,476	67	488(B)	21	195	9	64	3	2,223
May	717(A)	32	991	44	1,475	66	489(B)	22	195	9	64	3	2,223
June	765(A)	34	972	44	1,354	61	550(B)	24	195	9	124	6	2,223
July	732(A)	33	939	42	1,321	59	583(B)	26	195	9	124	6	2,223
Aug.	705(A)	32	1,018	46	1,365	61	539(B)	24	195	9	124	6	2,223
Sept.	654	29	868	39	1,258	56	646(B)	29	195	9	124	6	2,223
Oct.	749(A)	34	964	43	1,342	60	647(B)	29	110	5	124	6	2,223
Nov.	752(A)	34	968	43	1,349	60	640(B)	29	110	5	124	6	2,223
Dec.	794(A)	36	953	43	1,405	63	584(B)	26	110	5	124	6	2,223
1935													
Jan.	790(A)	35	950	43	1,394	62	595(B)	27	110	5	124	6	2,223
Feb.	863(A)	39	950	43	1,460	65	529(B)	24	110	5	124	6	2,223
Mar.	747(C)	33	889	40	1,379	62	603(B)	27	56	3	185	8	2,223
Apr.	727(D)	33	1,087	49	1,524	69	519	23	0	0	180	8	2,223
May 15	597(E)	27	987	44	1,424	64	596	27	0	0	203	9	2,223
" 22	578	26	976	44	1,413	64	600	27	0	0	210	9	2,223

(A) Includes Fourth Liberties "called"

(B) Does not include Fourth Liberties "uncalled" maturing October 1938.

(C) Includes First Liberties, Panama's and Consols "called"

(D) Includes First and Fourth Liberties, Panama's and Consols "called"

(E) Includes Fourth Liberties, Panama's and Consols "called"

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EXHIBIT "B"
CLASSIFICATION OF ISSUES HELD IN THE SYSTEM ACCOUNT ON FEBRUARY 5 AND MAY 22, 1935
AND NET CHANGES BY ISSUES DURING THIS PERIOD
(000 omitted)

TREASURY BILLS		Holdings	Holdings	Increase	Decrease
U.S. Treasury Bills due Feby 8, 1935		Feb. 5	May 22		
		\$	\$	\$	\$
"	"	21,535	-	-	21,535
"	"	17,952	-	-	17,952
"	"	18,650	-	-	18,650
"	"	19,040	-	-	19,040
"	"	22,650	-	-	22,650
"	"	17,880	-	-	17,880
"	"	24,800	-	-	24,800
"	"	27,700	-	-	27,700
"	"	18,250	-	-	18,250
"	"	14,552	-	-	14,552
"	"	20,240	-	-	20,240
"	"	18,705	-	-	18,705
"	"	22,250	-	-	22,250
"	"	19,440	-	-	19,440
"	"	24,287	-	-	24,287
"	"	16,875	-	-	16,875
"	"	20,700	20,700	-	-
"	"	25,205	20,205	-	3,000
"	"	-	20,900	20,900	-
"	"	19,250	19,250	-	-
"	"	20,000	20,000	-	-
"	"	27,599	25,099	-	4,500
"	"	18,750	18,750	-	-
"	"	25,200	25,200	-	-
"	"	21,200	21,200	-	-
"	"	10,010	15,010	5,000	-
"	"	-	25,525	25,525	-
"	"	-	23,882	23,882	-
"	"	-	15,720	15,720	-
"	"	-	14,540	14,540	-
"	"	-	12,950	12,950	-
"	"	-	8,500	8,500	-
"	"	-	6,083	6,083	-
"	"	-	15,000	15,000	-
"	"	-	7,219	7,219	-
"	"	-	15,700	15,700	-
"	"	-	14,700	14,700	-
"	"	-	15,555	15,555	-
"	"	-	19,197	19,197	-
"	"	-	24,450	24,450	-
"	"	-	15,982	15,982	-
"	"	-	15,820	15,820	-
"	"	-	18,250	18,250	-
"	"	-	25,500	25,500	-
"	"	-	9,000	9,000	-
"	"	-	4,355	4,355	-
"	"	-	15,875	15,875	-
"	"	-	7,800	7,800	-
TOTALS		\$501,456	\$525,255	\$23,779 Net	-
TREASURY NOTES					
1 1/2%	Treas. Notes due March 15, 1935	74,350	-	-	74,350
2 1/4%	" " " " June 15, 1935	150,795	95,995	-	36,400
2 1/4%	" " " " Aug. 1, 1935	85,725	85,725	-	-
2 1/4%	" " " " Dec. 15, 1935	73,821	67,821	-	6,000
2 1/4%	" " " " April 15, 1936	157,585	136,886	-	20,499
1 1/2%	" " " " June 15, 1936	50,000	50,000	-	-
2 1/4%	" " " " Aug. 1, 1936	73,041	73,041	-	-
1 1/2%	" " " " Sept. 15, 1936	59,367	59,367	-	-
2 1/4%	" " " " Dec. 15, 1936	93,588	93,588	-	500
2 1/4%	" " " " Feb. 15, 1937	65,685	65,685	-	-
2 1/4%	" " " " Apr. 15, 1937	84,175	84,175	-	-
2 1/4%	" " " " Sept. 15, 1937	84,750	84,750	-	-
2 1/4%	" " " " Feb. 1, 1938	58,820	60,205	1,385	-
2 1/4%	" " " " Mar. 15, 1938	37,099	37,099	-	-
2 1/4%	" " " " June 15, 1938	53,500	65,924	12,424	-
2 1/4%	" " " " Sept 15, 1938	80,481	81,981	1,500	-
2 1/4%	" " " " June 15, 1939	69,438	81,485	12,047	-
2 1/4%	" " " " Mar. 15, 1940	-	128,375	128,375	-
TOTALS		\$1,407,799	\$1,480,781	\$17,982 Net	-
LIBRARY LOAN AND TREASURY BONDS					
2 1/4%	1st L.A. Bds called 6/15/35	25,025	-	-	25,025
4 1/4%	" " " " 8/15/35	29,000	-	-	29,000
4 1/4%	4th " " " 10/15/35	84,688	40,401	-	44,287
4 1/4%	" " " " due 10/15/38	56,201	-	-	56,201
2 1/4%	Treasury Bonds of 1941	20,000	42,700	22,700	-
2 1/4%	" " " " 1940-45	-	2,000	2,000	-
2 1/4%	" " " " 1941-45	-	2,000	2,000	-
2 1/4%	" " " " 1945-45	25,000	25,000	-	-
2 1/4%	" " " " 1944-48	59,000	59,000	-	-
2 1/4%	" " " " 1945-47	-	5,000	5,000	-
3 1/4%	" " " " 1948-48	40,000	40,000	-	-
3 1/4%	" " " " 1949-57	-	2,015	2,015	-
2 1/4%	" " " " 1951-55	-	1,550	1,550	-
2 1/4%	" " " " 1955-60	-	55,054	55,054	-
2 1/4%	Consol- 1930 called 7/1/35	-	24,645	24,645	-
2 1/4%	Panamas 1936 " 8/1/35	-	1,489	1,489	-
2 1/4%	" " " " 1938 " 8/1/35	-	519	519	-
TOTALS		\$518,894	\$277,185	-	\$41,761 Net
GRAND TOTALS		\$2,225,149	\$2,225,149	-	-

NOTE: This statement shows the holding in the Account as of May 22, and consequently does not reflect any of the changes which will result of the sale of \$22,000,000 2 7/8% Treasury Bonds of 1936-60 arranged with the Treasury for delivery May 27.

EXHIBIT "C"

(1) PARTICIPATION BY FEDERAL RESERVE BANKS IN THE SYSTEM SPECIAL INVESTMENT ACCOUNT AND (2) TOTAL HOLDINGS OF GOVERNMENT SECURITIES BY FEDERAL RESERVE BANKS CLOSE OF BUSINESS MAY 22, 1935 AND THE AMOUNT OF (1) AND (2) OVER OR SHORT OF PRO RATA SHARE BASED ON RATIO OF EACH BANK'S EXPENSES, DIVIDENDS AND CHARGE-OFFS FOR 1934 TO THE TOTAL FOR THE SYSTEM

(000 Omitted)

	Participations in System Account (A)	Ratio of Holdings in System Account (B)	Ratio of Expenses, Dividends & Charge-offs Year 1934 (C)	Participations (+) Over or (-) Short of Pro Rata Share Based on Ratios in Col. C. (D)	Total Holdings (Portfolio and Participation in System Account) (E)	Ratio of Total Holdings (F)	Total Holdings (+) Over or (-) Short of Pro Rata Share Based on Ratios in Col. C. (G)
BOSTON	\$ 156,982	7.06%	6 3/4%	\$ 6,919+	\$ 157,678	6.49%	\$ 6,213-
NEW YORK	622,318	27.99%	28 %	164-	742,615	30.59%	62,769+
PHILADELPHIA	163,734	7.36%	9 %	36,349-	167,120	6.88%	51,402-
CLEVELAND	213,025	9.58%	9 3/4%	3,732-	213,024	8.77%	23,708-
RICHMOND	113,562	5.11%	5 1/4%	3,153-	113,563	4.68%	13,908-
ATLANTA	94,209	4.24%	4 %	5,283+	94,221	3.88%	2,900-
CHICAGO	321,101	14.44%	11 1/2%	65,439+	383,843	15.81%	104,621+
ST. LOUIS	107,700	4.84%	4 3/4%	2,100+	108,200	4.46%	7,131-
MINNEAPOLIS	63,054	2.84%	3 3/4%	20,314-	70,210	2.89%	20,841-
KANSAS CITY	106,659	4.80%	5 1/4%	10,056-	106,741	4.40%	20,730-
DALLAS	61,475	2.77%	3 3/4%	21,893-	71,475	2.94%	19,576-
SAN FRANCISCO	199,330	8.97%	8 1/4%	15,920+	199,331	8.21%	981-
TOTALS	\$2,223,149	100 %	100 %	\$95,661 Adj.	\$2,428,021	100 %	\$167,390 Adj.

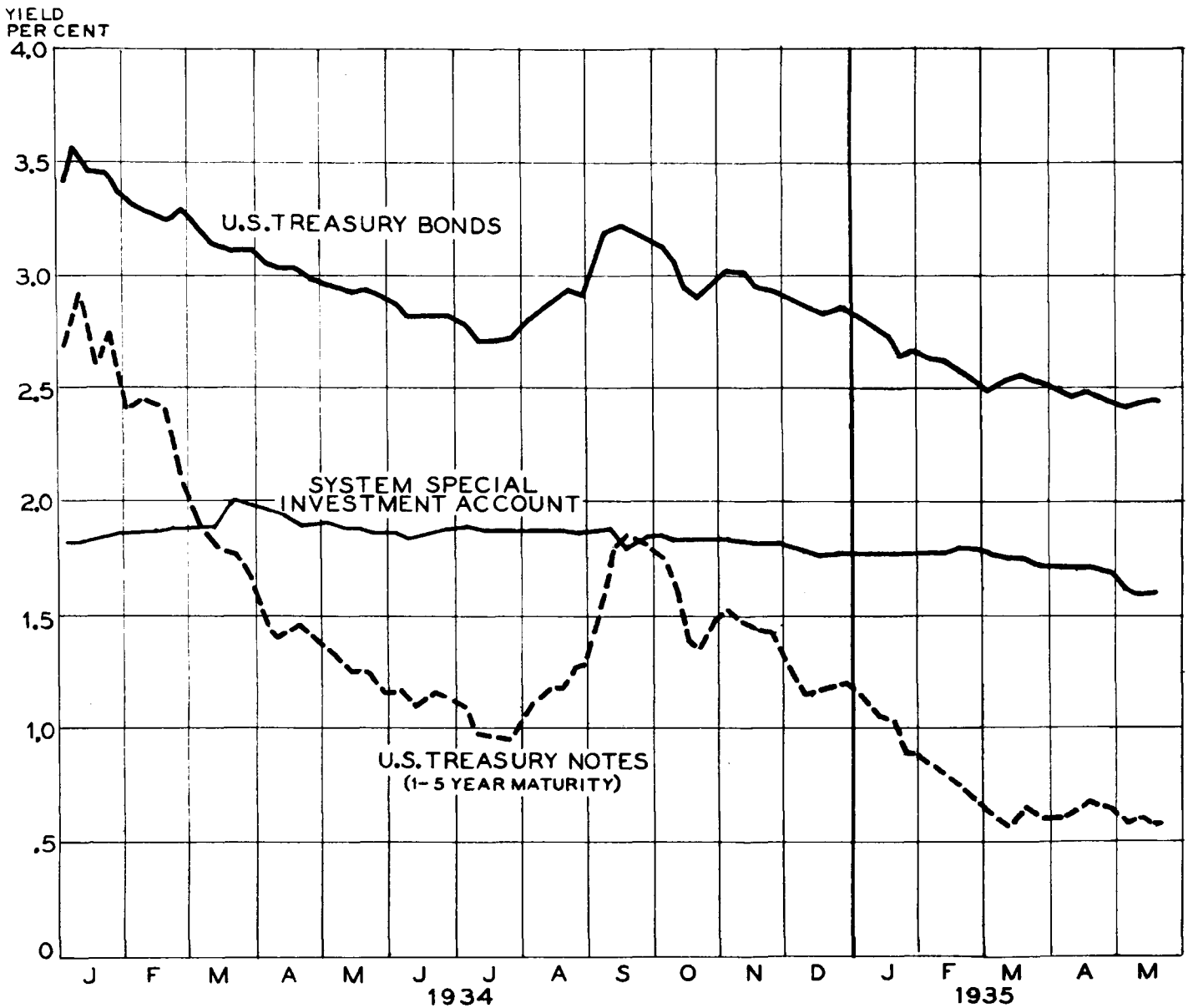
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 Authority: E.O. Order 13526

NOTE: Charge-offs do not include reserves for possible losses, Self Insurance or abnormal real estate depreciation.

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Authority Ex Order 12956

Federal Reserve Bank
of New York
Reports Department
FEB 2, 1935.
2826

Exhibit "D"



Average Earning Rate on Holdings of U. S. Government Securities in System Special Investment Account and Average Yield on Outstanding U. S. Treasury Bonds and Treasury Notes

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 Authority *Ex Order 12256*

EXHIBIT "E"

STATEMENT SHOWING EARNINGS OF ALL FEDERAL RESERVE BANKS
FOR THE FOUR MONTHS ENDED APRIL 30, 1935

Earnings do not include \$1,982,722.87 profits (as of May 22, 1935) on security sales, now held in Suspense Account.

	<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	\$ 954,150	\$ 867,956	\$ 86,194
New York	4,730,212	3,694,868	1,035,344
Philadelphia	1,051,138	1,104,856	53,718 (a)
Cleveland	1,278,371	1,226,104	52,267
Richmond	700,276	667,162	33,114
Atlanta	608,374	541,292	67,082
Chicago	2,366,944	1,375,494	991,450
St. Louis	631,365	546,052	85,313
Minneapolis	472,000	468,810	3,190
Kansas City	652,127	625,888	26,239
Dallas	504,979	431,452	73,527
San Francisco	<u>1,060,486</u>	<u>1,079,146</u>	<u>18,660 (a)</u>
Totals	<u>\$15,010,422</u>	<u>\$12,629,080</u>	<u>\$2,381,342</u>

(a) Deficit

May 24, 1935.

333.3a-1

~~THE~~ PRELIMINARY MEMORANDUM ON MONEY MARKET AND CREDIT
CONDITIONS FOR THE FEDERAL OPEN MARKET COMMITTEE,
MAY 27, 1935

Since the last meeting of the Federal Open Market Committee there has been a considerable further expansion in the supply of funds available for employment. Excess reserves of all member banks have risen approximately \$150,000,000 further to a new high level around \$2,350,000,000, despite an increase of about \$100,000,000 in the amount of currency outstanding and an increase of approximately \$120,000,000 in the reserve requirements of member banks. This increase in member bank excess reserves has been due chiefly to a further increase of more than \$350,000,000 in the monetary gold stock of the United States. As in previous months, the proceeds of the increase in the gold stock have been distributed throughout the country through Government financing operations and disbursements.

The total loans and investments of weekly reporting member banks have shown a further net increase of approximately \$200,000,000 during the past three months, due chiefly to an increase in investments, including larger holdings not only of direct obligations of the Government, but also of Government guaranteed securities and of other securities. Net demand deposits of the reporting banks have increased approximately \$800,000,000 further to new high levels, and time deposits have increased about \$100,000,000.

With deposits in the reporting banks at record levels and the average rate of turnover of deposits still at very low levels, the problem of financing business recovery appears to be more than ever one of more active utilization of available funds for business purposes, rather than a further increase in the money supply. Some indication of a tendency toward more active employment of funds has appeared recently, however. While several large corporations have used part of their available funds to retire outstanding bonded indebtedness rather than for expansion or improvement of plant facilities, there has been evidence of a tendency on a moderate scale for business concerns to employ working capital more largely

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MINUTES ON
MAY 28 1935

for the purchase of new equipment. Machine tool sales, for instance, have been in fairly good volume throughout the first four months of this year, and last month were 40 per cent larger than a year previous, and were the largest for the month of April since 1930. Unfilled orders for electrical equipment also are reported to have increased moderately compared with a year ago.

Evidence of a tendency toward increased private employment of funds has appeared also in the substantial increase in contracts for residential building during the past few months. In April the volume of residential contracts was nearly double that of a year previous, and only a small part of the increase represented publicly financed housing developments. The volume of such expenditures is still far from approaching what might be considered "normal" levels, but recent developments have been favorable to further expansion. An upward tendency in rents has become more pronounced; the rise in building costs at least has been checked; and mortgage money is becoming more readily available.

Thus far, however, the largest factor in business improvement has been the automobile industry, which has been operating this year at the highest level in five years. Without the activity of this industry and suppliers of its raw materials, industrial activity would probably show some decline from a year ago. The margin over a year ago in employment and payrolls has narrowed considerably in the past few months, and extensive unemployment continues, especially in the industries that are heavily dependent upon the employment of new capital.

Meanwhile, although the amount of new capital supplied to business enterprises through new security issues has remained very small, progress toward the reopening of the capital market has been made during the past few months through a substantial expansion in flotations of refunding issues. As the accompanying table shows, the amount of new securities publicly offered during the past four months has been the largest for the corresponding period of any year since 1931. An important part of the new financing represented borrowing by States, municipalities,

and farm loan organizations, but the volume of corporation refunding issues also rose to the highest level since 1931.

Domestic Capital Issues in first four months of 1925 to 1935

(In millions of dollars)

	New Capital		Refunding		Total Issues
	Corporate*	State, Municipal, and Farm Loan	Corporate*	State, Municipal, and Farm Loan	
1925	1,350	471	272	22	2,115
1926	1,462	505	225	7	2,199
1927	1,558	540	580	106	2,784
1928	1,400	483	1,021	17	2,921
1929	2,048	338	455	6	2,847
1930	1,888	482	145	9	2,524
1931	874	578	511	18	1,981
1932	149	342	49	88	628
1933	44	83	98	6	231
1934	61	311	75	118	565
1935	42	299	272	418	1,031

* Exclusive of investment trust issues, etc.

While conditions thus far have been especially favorable to the sale of securities of borrowers with high credit ratings for the purpose of effecting a saving of interest, money market and security market conditions have become more favorable also to the sale of security issues by companies in need of additional capital. This is especially true of industrial companies, whose earnings in general showed further improvement during the first quarter of 1935 following some decline in the latter half of 1934, and of operating public utility companies, whose securities have had a very substantial recovery during the past few months. On the other hand, prices of medium grade railroad bonds and of public utility holding company bonds in general have remained at low levels, and conditions have remained unfavorable to a resumption of the flotation of such securities, which in the past have financed large expenditures on construction and equipment.

Market conditions for the highest grade securities do not vary greatly for the different types of companies, yields on Aaa bonds reported by Moody's

Investors Service averaging between 3.60 and 3.85 per cent for industrial, railroad,

and public utility bonds, and yields on Aa bonds averaging around 4.10 to 4.25 per cent. For the medium grade bonds, however, considerable discrepancies appear; average yields on Baa bonds are reported at around 4.70 per cent for industrials, about 5.50 to 5.60 per cent for public utilities, and about 7.60 to 7.90 per cent for railroad bonds.

333.3-a-1

COPY

May 25, 1935.

Governor George J. Schaller
Federal Reserve Bank of Chicago
Chicago, Illinois.

Dear Governor Schaller:

The Board has given consideration to your letter of May 4 transmitting the opinion of your directors that the participation of the Chicago Reserve bank in the System Investment Account should be adjusted to the proper percentage. It is suggested that the matter of a change in the distribution of the Investment Account among the individual Reserve banks be considered at the next meeting of the Federal Open Market Committee, which has been called for May 27.

The Board does not favor at this time reduction in the total holdings of United States Government securities by all Federal Reserve banks. The reasons for the Board's opinion on this matter are given in the attached memorandum, which discusses in some detail the arguments presented in your letter in favor of a reduction in your bank's holdings of Governments.

Very truly yours,

(Signed) Chester Morrill

Chester Morrill
Secretary

Enclosure

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CONFIDENTIAL

May 17, 1935

PROPOSAL FOR REDUCTION IN SYSTEM'S
SECURITY HOLDINGS

In a letter dated May 4 addressed to Governor Eccles, the Governor of the Federal Reserve Bank of Chicago indicated the desire on the part of the directors of his bank to reduce that bank's holdings of Government securities in the System's account to the proper percentage. The reasons given as a basis for this desire are practically all reasons in favor of a general reduction in the System's holdings of Government securities. Such action would mean a definite change in the System's open-market policy, which during recent years has been consistently in the direction of promoting easier money-market conditions.

The Chicago bank's participation in the System's account is substantially in excess of the standard ratio. Including holdings in its own portfolio, as well as participation in the System's open-market account, the Chicago bank holds slightly over 16 per cent of the total Government securities held by all of the Federal Reserve banks, whereas the ratio of expenses, dividends, and charge-offs in the year 1934 for the Chicago bank was 11 1/2 per cent of the System total. In dollar amounts the holdings of the Chicago bank are \$110,609,000 in excess of its pro rata share; in the System account alone the excess amounts to \$71,439,000.

It would no doubt be possible to transfer some of the excess holdings of the Chicago bank to other Reserve banks which hold less than their pro rata share. Some of the other banks could advantageously improve their earnings by increasing their holdings of Governments and this could be done in most cases without impairment of their reserve positions.

The more fundamental and important questions raised by the reasons advanced by the Chicago bank are in effect arguments in favor of reduction in the System's holdings of Government securities. These reasons are briefly as follows:

1. It has been the System's policy in the past to offset gold imports and this was not done in the case of the imports of the last fifteen months.

2. The large volume of excess reserves has brought about artificially low rates on Treasury bills and other short-term open-market money, and this situation should be corrected.

3. It is an opportune time to reduce holdings because of the unusually strong market for Government securities. The Reserve banks could later increase their purchases in case help is needed to support the market. Any injurious effect to the market that might result from a decline in the Reserve bank holdings of Governments could be prevented by a statement indicating that the purpose was to reduce competition with member banks for short-term Government securities.

4. It is the duty of the System to withdraw credit when there is a substantial excess of credit.

5. It is not necessary to hold a large volume of Governments to check future expansion, because past experience indicates that this method is not successful against speculative movements. It would only result in heavy losses to holders of Government securities and would not affect prices of stocks and real estate.

In considering these reasons in favor of a reduction in holdings of Governments by the Reserve banks, it is desirable first to review the purposes for which the present large holdings have been acquired. The primary purpose was to create excess reserves in member banks and thereby to encourage these banks to find uses for their available funds. This tends to reduce interest rates, first in the open market, and later also to commercial borrowers. Lower interest rates reduce the costs of doing business both to borrowers at short-term and to corporations issuing new securities and, therefore, tend to encourage borrowing for business purposes and the flotation of securities for refunding

or for new capital. Another effect is to lower the cost of Government borrowing and thus to aid in the Government's recovery program, which is designed to reduce unemployment and to stimulate activity until private business begins to provide adequate employment. Excess reserves should not be reduced until there is evidence of excessive borrowing or of speculative expansion.

The policy of offsetting gold imports was followed only at times when the increased gold stock was leading to or was likely to lead to excessive expansion of credit. The gold imports of the last fifteen months have served to further the easy money policy pursued by the Federal Reserve System in 1932 and 1933 without the necessity of further action by the Reserve banks. Although it is impossible to say definitely, it is entirely likely that without large gold imports in 1934 the Federal Reserve banks would have had to increase their holdings of Government securities in the interests of recovery.

The existing low level of open-market rates on short-term money is the result not only of the large supply of excess reserves but also of the small demand for credit in the open market. More particularly the low rates reflect the preference of banks and other lenders for open-market uses of their funds over other uses. Rates on customers' loans, for example, have not shown a decline commensurate with the decline in open-market rates, although in New York City, which is more closely affected by developments in the open market this decline has been substantial. There is no reason for taking action to raise rates so long as there is no evidence or prospect of an excessive use of funds by borrowers.

It is the duty of the Federal Reserve System to withdraw funds from the market when credit is excessive, but excessive credit is determined by the volume of member bank credit that is in active use rather than by excess reserves. There is as yet no evidence of an excessive use of bank credit.

It is stated that this is an opportune time to decrease the Reserve banks' holdings of Government securities because of the high price prevailing for these securities. Stabilization of the price of Government securities should not be a primary objective of Reserve bank open-market operations. The tradition that changes in the System's security holdings signify changes in monetary policy is a valuable aid to the successful prosecution of such a policy. This tradition is well established, so that reduction in the System's portfolio at this time would be likely to lead to general selling of Government securities by other holders, regardless of any explanation that the System may make of its policy.

It should be kept in mind that the market for Government securities is particularly sensitive at present because a large volume of funds awaiting employment in private enterprise is now temporarily invested in Governments by banks, investors, speculators, industrial and commercial concerns, and others. Any development which is likely to lead to lower prices for these securities would induce widespread liquidation of holdings. One reason in favor of a reduction in holdings advanced by the Chicago bank is the desirability of raising short-term money rates. If the holdings of the System are reduced sufficiently to cause an appreciable rise in rates on Treasury bills, prices of all Governments are likely to be affected.)

Finally, it should be emphasized that it is desirable for the Federal Reserve banks to retain their government security holdings intact to be available as an instrument of restraint if any inflationary situation should develop.

(Copy)

FEDERAL RESERVE BANK OF CHICAGO

230 South LaSalle Street

May 4, 1935.

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

My dear Governor:

At a recent meeting of the directors of this bank discussion of our participation in the System Investment Account and the holdings in our own portfolio developed the opinion that steps should be taken to adjust our holdings of Government securities in the System account to the proper percentage and for reasons, in part, outlined as follows:

From January 3, 1934, to February 6, 1935, there has been an increase in the gold stock of \$1,515,000,000 and the net addition to excess reserves during that period was \$1,342,000,000. Since February 6, 1935, gold imports have continued in large volume and the monetary gold stock increased to \$8,721,000,000. There have been no additional purchases of Government securities for the System account during 1934 or in 1935 and the excess reserves of member banks have increased to \$2,272,000,000, caused principally by imports of gold and also by increases by the Treasury in expenditures of free gold and in silver currency. It was formerly the custom to offset imports of gold by the sale of Government securities from the System account, but no offsetting sales have been made during the period above mentioned.

The tremendous amount of excess bank reserves has so affected open market money rates that the return on Treasury bills has largely disappeared. This highly artificial money market is not considered a sound basis upon which to conduct Treasury financing or commercial borrowing and it would seem advisable to at least partly correct this unnatural situation, particularly on the shorter maturities. It is therefore suggested that maturing Treasury bills held in the System account, and in our own portfolio, be permitted to run off until the rate for nine-months maturities is at least 1/2 of 1%.

As of April 17, the total amount of Treasury bills held in the System account was approximately \$530,000,000, and the maturities are about \$20,000,000 weekly.

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The question of reducing the System's holdings of Government securities has been discussed from time to time in the past, but objections have always been raised because of the fear that a reduction in the System holdings would cause banks to sell their Government securities and thus injure the Government market. It is suggested that any unfavorable reaction could be avoided if a public statement were made that the Federal Reserve banks were not selling securities but on account of the strong demand from the market were allowing Treasury bills to mature, as it was not their policy to compete with their member banks for securities of the shorter maturities. If the market was unduly affected, the policy could be promptly reversed.

It would appear that there could be no more opportune time than the present to thus reduce at least the holdings in the System account because of the abnormally low rates and the strong demand for not only Treasury bills but all maturities up to five years, and also for the further reason that the large excess reserves now carried by practically all member banks would promptly absorb any reduction in the System account. By a reduction in the portfolio of the Federal Reserve System the Federal Reserve banks would then be in a stronger position to assist the Treasury later on should such help be necessary.

If it be the duty of the System to furnish credit to the market when there is a scarcity thereof, it would seem equally its responsibility to withdraw credit where there is such a substantial excess.

The argument at times has been advanced that the System should not reduce its present investment in Government securities but be prepared to sell only for the purpose of checking inflation. Past experience has not shown this method as being successful as the sale of United States Government securities does not affect the price of stocks and real estate. Heavy sales of Government securities for the purpose of checking inflation would only result in heavy losses to the present holders of these securities and would undoubtedly greatly injure the Government's credit.

In any event, whether the total holdings of the System be reduced or retained, it is our opinion that the holdings in the System should be adjusted pro rata to the agreed percentage among the several Federal Reserve banks and we request the cooperation of the Federal Reserve Board to this end.

The foregoing is submitted for the consideration of the Federal Reserve Board, and we in turn shall be pleased to have your views.

Very truly yours,

(Signed) Geo. J. Schaller

Governor.

cc-Hon. M. S. Szymczak,
Member, Federal Reserve Board,
Washington, D. C.

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Authority *Ex Order 12256*

April 21, 1935.

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5-21-35

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REPORT OF OPEN MARKET OPERATIONS SINCE MEETING OF THE
EXECUTIVE COMMITTEE OF THE FEDERAL OPEN MARKET COMMITTEE
HELD IN WASHINGTON, D. C., ON APRIL 17, 1935

The present holdings of United States Government securities in the System Special Investment Account amount to - - - - - \$2,223,149,510.

There has been practically no change in this figure since November 8, 1933.

Transactions in government securities in the System Account since April 17, 1935, the date of the last meeting of the Executive Committee, were as follows:

- (1) Redemption at maturity of \$101,930,000 Treasury bills which were replaced by purchases in the market as follows:

- \$71,030,000 Treasury bills due 1935 and 1936
 - 19,000,000 " notes " 1938 " 1939
 - 11,900,000 " bonds of 1941, 1940-43, 1941-43 and 1943-47

- (2) Exchanges in the market in anticipation of maturity as follows:

- \$29,000,000 - 3% Treasury notes due June 15, 1935

- for \$24,000,000 Treasury bills due 1935
 - 1,000,000 " notes " 1938
 - 2,000,000 " " " 1939
 - 2,000,000 " bonds of 1943-47

- 14,800,000 - 4 1/4% Fourth Liberty Loan bonds called October 15, 1935

- for \$14,800,000 Treasury bonds of 1941, 1940-43 and 1941-43

- 6,000,000 - 2 1/2% Treasury notes due December 15, 1935

- for \$ 2,000,000 Treasury bills due 1935
 - 4,000,000 " notes " 1938 and 1939

- (3) Exchange in the market for the purpose of improving the maturity distribution in the account as follows:

- \$ 500,000 - 2 3/4% Treasury notes due December 15, 1936 for Treasury notes due 1938

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- (4) Conversions under Treasury offering dated April 22, 1935 as follows:

\$25,025,000 First 3 1/2% Liberty Loan bonds
 called June 15, 1935, and
 29,000,000 First 4 1/4% Liberty Loan bonds
 called June 15, 1935

for \$54,025,000 - 1 5/8% Treasury notes
 due March 15, 1940,

- (5) Transfers of participations within the Account totaling \$11,000,000 as follows:

<u>Amount</u>	<u>From</u>	<u>To</u>
\$5,000,000	Dallas	New York
6,000,000	Chicago	San Francisco

These transfers were made for the purpose of improving the reserve ratio of the Federal Reserve Bank of Dallas and the earning position of the Federal Reserve Bank of San Francisco.

Under the general authority to make shifts between maturities in the Account up to \$250,000,000, voted at the meeting of the Open Market Committee February 5, 1935, net operations amounted to \$130,749,300 at the time of the last meeting of the Executive Committee on April 17. Further net shifts representing a material change in maturity distribution increased this figure of net operations to \$213,474,300 on May 21, 1935.

Attached to this report are the following exhibits:

Exhibit "A" Maturity distribution of government securities in System Account at the end of each month 1932, 1933, 1934 and 1935 to May 21.

Exhibit "B" Classification of issues held in the System Account on April 15 and May 21, 1935 and net changes by issues during this period.

Exhibit "C" (1) Participations by Federal reserve banks in System Special Investment Account and (2) total holdings of government securities by Federal reserve banks close of business May 16, 1935, and the amount of (1) and (2) over or short of pro rata share based on ratio of each bank's expenses, dividends and charge-off requirements for 1934 to total for the System.

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Exhibit "D" Chart showing average earning rate on holdings of United States Government securities in System Special Investment Account and average yield on outstanding Treasury bonds and Treasury notes, 1934 and 1935 to May 17.

Exhibit "E" Earnings of all Federal reserve banks for the four months ended April 30, 1935.

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EXHIBIT "A"

**MATURITY DISTRIBUTION OF HOLDINGS IN SYSTEM ACCOUNT
END OF EACH MONTH - 1932-33-34-35**
(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	Other 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.	860(A)	39	1,257	57	1,443	66	498(B)	23	252	11	-	-	2,193
Nov.	845(A)	43	1,235	56	1,435	65	511(B)	23	252	11	25	1	2,223
Dec.	887(A)	40	1,216	55	1,426	64	520(B)	24	252	11	25	1	2,223
<u>1934</u>													
Jan.	887(A)	40	1,216	55	1,426	64	520(B)	24	252	11	25	1	2,223
Feb.	987(A)	44	1,190	54	1,415	64	531(B)	24	252	11	25	1	2,223
Mar.	799(A)	36	1,034	47	1,287	58	659(B)	30	252	11	25	1	2,223
Apr.	730(A)	33	1,008	45	1,476	67	488(B)	21	195	9	64	3	2,223
May	717(A)	32	991	44	1,475	66	489(B)	22	195	9	64	3	2,223
June	765(A)	34	972	44	1,354	61	550(B)	24	195	9	124	6	2,223
July	732(A)	33	939	42	1,321	59	583(B)	26	195	9	124	6	2,223
Aug.	705(A)	32	1,018	46	1,365	61	539(B)	24	195	9	124	6	2,223
Sept.	654	29	868	39	1,258	56	646(B)	29	195	9	124	6	2,223
Oct.	749(A)	34	964	43	1,342	60	647(B)	29	110	5	124	6	2,223
Nov.	752(A)	34	968	43	1,349	60	640(B)	29	110	5	124	6	2,223
Dec.	794(A)	36	953	43	1,405	63	584(B)	26	110	5	124	6	2,223
<u>1935</u>													
Jan.	790(A)	35	950	43	1,394	62	595(B)	27	110	5	124	6	2,223
Feb.	863(A)	39	950	43	1,460	65	529(B)	24	110	5	124	6	2,223
Mar.	747(C)	33	889	40	1,379	62	603(B)	27	56	3	185	8	2,223
Apr.	727(D)	33	1,087	49	1,524	69	519	23	0	0	180	8	2,223
May 21	588(E)	26	978	44	1,415	64	599	27	0	0	209	9	2,223

(A) Includes Fourth Liberties "called"
 (B) Does not include Fourth Liberties "uncalled" maturing October 1938.
 (C) Includes First Liberties, Panama's and Consols "called"
 (D) Includes First and Fourth Liberties, Panama's and Consols "called"
 (E) Includes Fourth Liberties, Panama's and Consols "called"

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 Authority *Ex Order 12958*

EXHIBIT 5

**CLASSIFICATION OF ISSUES HELD IN THE SYSTEM ACCOUNT ON APRIL 15 AND MAY 21, 1935
 AND NET CHANGES BY ISSUES DURING THIS PERIOD**
 (000 Omitted)

<u>TREASURY BILLS</u>				Holdings <u>Apr. 15/35</u>	Holdings <u>May 21/35</u>	<u>Increase</u>	<u>Decrease</u>
U.S. Treasury Bills due	April 17, 1935		\$ 18,250	\$ -	\$ -		\$18,250
" " " " "	" 24, 1935		18,703	-	-		18,703
" " " " "	May 1, 1935		22,250	-	-		22,250
" " " " "	" 8, 1935		19,440	-	-		19,440
" " " " "	" 15, 1935		23,287	-	-		23,287
" " " " "	" 22, 1935		18,875	16,875	-		-
" " " " "	" 29, 1935		20,700	20,700	-		-
" " " " "	June 5, 1935		20,203	20,203	-		-
" " " " "	" 12, 1935		6,400	20,900	14,500		-
" " " " "	" 19, 1935		19,230	19,230	-		-
" " " " "	" 26, 1935		20,000	20,000	-		-
" " " " "	July 3, 1935		23,099	23,099	-		-
" " " " "	" 10, 1935		18,750	18,750	-		-
" " " " "	" 17, 1935		23,200	23,200	-		-
" " " " "	" 24, 1935		21,200	21,200	-		-
" " " " "	" 31, 1935		15,010	15,010	-		-
" " " " "	Aug. 7, 1935		25,525	25,525	-		-
" " " " "	" 14, 1935		23,862	23,862	-		-
" " " " "	" 21, 1935		15,720	15,720	-		-
" " " " "	" 28, 1935		14,540	14,540	-		-
" " " " "	Sept. 4, 1935		10,950	12,950	2,000		-
" " " " "	" 11, 1935		7,500	7,500	-		-
" " " " "	" 18, 1935		6,063	6,063	-		-
" " " " "	" 25, 1935		15,000	15,000	-		-
" " " " "	Nov. 27, 1935		13,700	13,700	-		-
" " " " "	Dec. 4, 1935		11,700	14,700	3,000		-
" " " " "	" 11, 1935		8,855	15,355	6,500		-
" " " " "	" 18, 1935		18,897	19,197	300		-
" " " " "	" 24, 1935		24,300	24,450	150		-
" " " " "	" 31, 1935		13,962	13,962	-		-
" " " " "	Jan. 8, 1936		13,820	13,820	-		-
" " " " "	" 15, 1936		-	18,250	18,250		-
" " " " "	" 22, 1936		-	25,300	25,300		-
" " " " "	" 29, 1936		-	9,000	9,000		-
" " " " "	Feb. 5, 1936		-	4,355	4,355		-
" " " " "	" 11, 1936		-	13,675	13,675		-
TOTALS			\$530,991	\$526,091	-		\$ 4,900 Net
<u>TREASURY NOTES</u>							
3	Treas. Notes	June 15, 1935	122,395	93,395	-		29,000
1	5/20	Aug. 1, 1935	85,723	85,723	-		-
2	1/20	Dec. 15, 1935	73,621	67,621	-		6,000
2	7/30	Apr. 15, 1936	136,885	136,885	-		-
1	1/20	June 15, 1936	50,000	50,000	-		-
3	1/40	Aug. 1, 1936	79,042	79,042	-		-
1	1/20	Sept. 15, 1936	58,967	58,967	-		-
2	3/40	Dec. 15, 1936	99,368	98,868	-		500
3	0	Feb. 15, 1937	65,685	65,685	-		-
3	0	Apr. 15, 1937	84,175	84,175	-		-
3	1/40	Sept. 15, 1937	84,750	84,750	-		-
2	5/30	Feb. 1, 1938	58,920	60,205	1,385		-
3	0	Mar. 15, 1938	97,099	97,099	-		-
2	7/30	June 15, 1938	53,500	65,068	11,568		-
2	1/20	Sept. 15, 1938	80,491	81,981	1,500		-
2	1/30	June 15, 1939	69,438	81,485	12,047		-
1	5/30	Mar. 15, 1940	74,350	128,375	54,025		-
TOTALS			\$1,374,899	\$1,419,924	\$45,025 Net		-
<u>LIBERTY LOAN AND TREASURY BONDS</u>							
3	1/20	1st L/I Bds called 6/15/35	25,025	-	-		25,025
4	1/40	" " " " 6/15/35	29,000	-	-		29,000
4	1/40	4th " " " 10/15/35	56,201	41,401	-		14,800
3	1/40	Treasury Bonds of 1941	20,000	41,700	21,700		-
3	1/40	" " " 1943-45	25,000	25,000	-		-
3	1/40	" " " 1944-46	39,000	39,000	-		-
3	0	" " " 1946-48	40,000	40,000	-		-
3	1/30	" " " 1949-52	2,015	2,015	-		-
3	0	" " " 1951-55	1,350	1,350	-		-
2	7/30	" " " 1955-60	53,034	53,034	-		-
2	3/30	" " " 1940-43	-	2,000	2,000		-
3	3/30	" " " 1941-43	-	2,000	2,000		-
3	3/30	" " " 1943-47	-	3,000	3,000		-
2	0	Consols (1930) called 7/1/35	24,646	24,646	-		-
2	0	Panama (1936) " 8/1/35	1,469	1,469	-		-
2	0	" " (1938) " 8/1/35	513	513	-		-
TOTALS			\$317,259	\$277,134	-		\$40,125 Net
GRAND TOTALS			\$2,225,149	\$2,203,149	-		-

EXHIBIT "C"

(1) PARTICIPATION BY FEDERAL RESERVE BANKS IN THE SYSTEM SPECIAL INVESTMENT ACCOUNT AND (2) TOTAL HOLDINGS OF GOVERNMENT SECURITIES BY FEDERAL RESERVE BANKS CLOSE OF BUSINESS MAY 15, 1935 AND THE AMOUNT OF (1) AND (2) OVER OR SHORT OF PRO RATA SHARE BASED ON RATIO OF EACH BANK'S EXPENSES, DIVIDENDS AND CHARGE-OFFS FOR 1934 TO THE TOTAL FOR THE SYSTEM

(CCO Omitted)

	Participations in System Account (A)	Ratio of Holdings in System Account (B)	Ratio of Expenses, Dividends & Charge-offs Year 1934 (C)	Participations (+) Over or (-) Short of Pro Rata Share Based on Ratios in Col. C. (D)	Total Holdings (Portfolio and Participation in System Account) (E)	Ratio of Total Holdings (F)	Total Holdings (+) Over or (-) Short of Pro Rata Share Based on Ratios in Col. C. (G)
BOSTON	\$ 156,982	7.06%	6 3/4%	\$ 6,919+	\$ 157,678	6.49%	\$ 6,215-
NEW YORK	622,318	27.99%	28 %	164-	742,615	30.59%	62,762+
PHILADELPHIA	163,734	7.36%	9 %	36,349-	167,120	6.88%	51,404-
CLEVELAND	213,025	9.58%	9 3/4%	3,732-	213,024	8.77%	23,711-
RICHMOND	113,562	5.11%	5 1/4%	3,153-	113,563	4.68%	13,910-
ATLANTA	94,209	4.24%	4 %	5,283+	94,247	3.88%	2,875-
CHICAGO	321,101	14.44%	11 1/2%	65,439+	383,843	15.81%	104,618+
ST. LOUIS	107,700	4.84%	4 3/4%	2,100+	108,200	4.46%	7,132-
MINNEAPOLIS	63,054	2.84%	3 3/4%	20,314-	70,211	2.89%	20,841-
KANSAS CITY	106,659	4.80%	5 1/4%	10,056-	106,741	4.40%	20,732-
DALLAS	61,475	2.77%	3 3/4%	21,893-	71,475	2.94%	19,577-
SAN FRANCISCO	<u>199,330</u>	<u>8.97%</u>	<u>8 1/4%</u>	<u>15,920+</u>	<u>199,331</u>	<u>8.21%</u>	<u>983-</u>
TOTALS	<u>\$2,223,149</u>	<u>100 %</u>	<u>100 %</u>	<u>\$95,661 Adj.</u>	<u>\$2,428,048</u>	<u>100 %</u>	<u>\$167,380 Adj.</u>

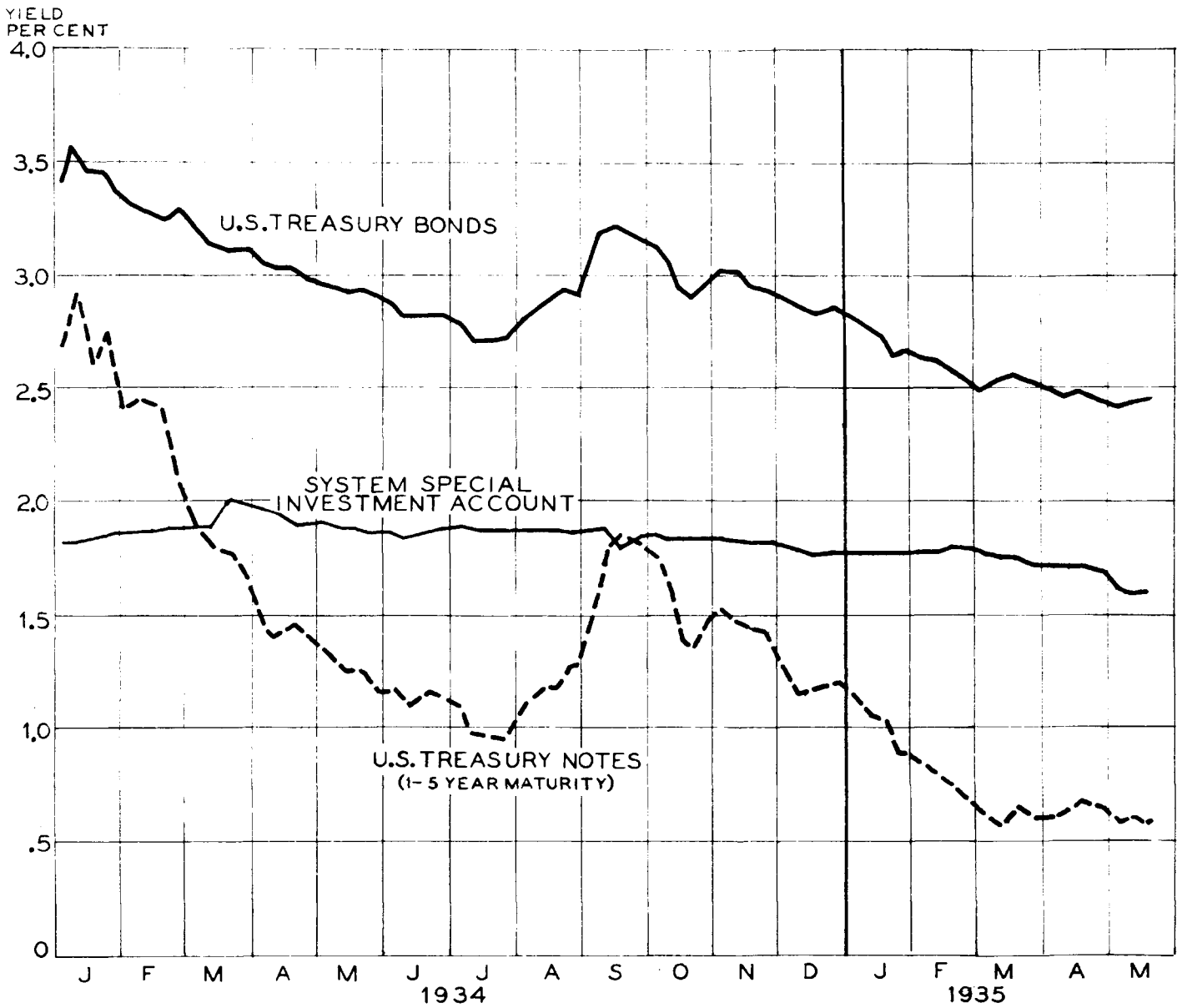
NOTE: Charge-offs do not include reserves for possible losses, Self Insurance or abnormal real estate depreciation.

DECLASSIFIED
 Authority Ex Order 13256

DECLASSIFIED
Authority Ex Order 13250

FRASER
FEB 21 1955
2826

Exhibit "D"



Average Earning Rate on Holdings of U. S. Government Securities in System Special Investment Account and Average Yield on Outstanding U. S. Treasury Bonds and Treasury Notes

DECLASSIFIED
 Authority *Ex Order 12250*

EXHIBIT "E"

STATEMENT SHOWING EARNINGS OF ALL FEDERAL RESERVE BANKS
FOR THE FOUR MONTHS ENDED APRIL 30, 1935

Earnings do not include \$1,818,904.44 profits (as of May 16, 1935) on security sales, now held in Suspense Account.

	<u>Gross</u> <u>Earnings</u>	<u>Current Expenses</u> <u>and Net Deductions</u> <u>From Current</u> <u>Net Earnings</u>	<u>Available for</u> <u>Depreciation</u> <u>Allowances,</u> <u>Reserves and</u> <u>Surplus</u>
Boston	\$ 954,150	\$ 867,956	\$ 86,194
New York	4,730,212	3,694,868	1,035,344
Philadelphia	1,051,138	1,104,856	53,718 (a)
Cleveland	1,278,371	1,226,104	52,267
Richmond	700,276	667,162	33,114
Atlanta	608,374	541,292	67,082
Chicago	2,366,944	1,375,494	991,450
St. Louis	631,365	546,052	85,313
Minneapolis	472,000	468,810	3,190
Kansas City	652,127	625,888	26,239
Dallas	504,979	431,452	73,527
San Francisco	<u>1,060,486</u>	<u>1,079,146</u>	<u>18,660 (a)</u>
Totals	<u>\$15,010,422</u>	<u>\$12,629,080</u>	<u>\$2,381,342</u>

(a) Deficit

DECLASSIFIED
Authority *Ex Order 12356*

May 27-1935

May 21, 1935.

~~333-1~~
333.3-a-1


Memorandum to Governor Ecclesi

Trans 2763

The replies received to your telegram of May 15, 1935 calling a meeting of the Federal Open Market Committee in Washington on Monday, May 27, at 10:50 a. m., following which a meeting of the Governors' Conference will be held, indicate that the following will be present at the meetings:

- | | |
|---------------------|---------------|
| Governor Young | Boston |
| Governor Harrison | New York |
| Governor Norris | Philadelphia |
| Governor Fleming | Cleveland |
| Governor Eady | Richmond |
| Governor Newton | Atlanta |
| Governor Schaller | Chicago |
| Governor Martin | St. Louis |
| Governor Geary | Minneapolis |
| Governor Hamilton | Kansas City |
| Governor McKinney | Dallas |
| Deputy Governor Day | San Francisco |

W. G. ...
Assistant Secretary.

 acw **FILE COPY**

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Authority Ex Order 12956

TELEGRAM

FEDERAL RESERVE SYSTEM

(LEASED WIRE SERVICE)

333.3-a-1

RECEIVED AT WASHINGTON, D. C.

44cs

Philadelphia 254PM May 21

1935 MAY 21 PM 1 56

Eccles

Washington

Regret that I overlooked request to advise as to attendance in
wire ⁵⁻¹⁵⁻³⁵ calling meeting of Open Market Committee. Fully expect to
attend.

Norris

156PM

see trans 2263 - 5/15/35

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TELEGRAM

FEDERAL RESERVE SYSTEM

(LEASED WIRE SERVICE)

333.3-a-1

6leh
16-794

RECEIVED AT WASHINGTON, D. C.

Dallas May 21 959am

Eccles

Washington

1935 MAY 21 AM 11 16

Telegram

Referring to Gilbert's ~~letter~~ 16th I now find that I will be able to attend open market committee meeting and conference next week.

McKinney

1116am

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Authority *Ex Order 12956*

333.3-a-1

TELEGRAM
FEDERAL RESERVE SYSTEM
(LEASED WIRE SERVICE)

RECEIVED AT WASHINGTON, D. C.

34gmr

Kansas City May 18 929a

1935 MAY 18 AM 10 39

Eccles

Washington

I shall attend meeting of open market committee on Monday May twenty seventh

Hamilton

1039am

see trans 2263 - 5/15/35

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Authority *Ex Order 12256*

TELEGRAM

FEDERAL RESERVE SYSTEM
(LEASED WIRE SERVICE)

333.3-a-1

RECEIVED AT WASHINGTON, D. C.

100bfa

Boston 1218p May 16

1935 MAY 16 AM 11 37

Eccles

Washington

5/15/35

In reply to Trans 2263 I advise that I will attend conference of Federal
Open Market Committee and Governors beginning Monday, May twenty seventh
at ten thirty AM.

Young

1136am

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Authority *Ex Order 12956*

TELEGRAM

FEDERAL RESERVE SYSTEM

(LEASED WIRE SERVICE)

333. 3-10-1

19bs

RECEIVED AT WASHINGTON, D. C.

New York 1013AM May 16

Eccles

Washn

Trans 2763-5/15/35

1935 MAY 16 AM 9 16

In reply your telegram I shall attend meetings of Federal Open Market
Committee and Governors' conference beginning May 27

Harrison

915A

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Authority *Ex Order 12956*

TELEGRAM

FEDERAL RESERVE SYSTEM

(LEASED WIRE SERVICE)

333.3-2-1

RECEIVED AT WASHINGTON, D. C.

1935 MAY 16 AM 10 57

13rh m

Richmond Va 1053a may 16

Governor Eccles

Washn

5/15/35

Referring trans 2263 Will attend meeting of open market
committee and governors conference as scheduled

Seay

1055A

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TELEGRAM

FEDERAL RESERVE SYSTEM

(LEASED WIRE SERVICE)

333-3-a-1

RECEIVED AT WASHINGTON, D. C.

3gfa

Chicago Ills 906a May 16

Eccles

Washington

1935 MAY 16 AM 9 11

Will be in attendance at meeting Federal Open Market Committee ^{May}ay twenty seventh

Schaller

910am

see trans 2263-5/15/35-

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TELEGRAM

FEDERAL RESERVE SYSTEM
(LEASED WIRE SERVICE)

333,3-a-1

RECEIVED AT WASHINGTON, D. C.
1955 MAY 16 AM 11 25

95bs

St Louis 958AM May 16

Eccles

Washington

Am arranging to attend meeting of Federal Open Market Committee in Washington on Monday, May 27, and will be prepared to stay over for Governors' conference to follow

Martin

1124AM

see trans 2263-5/15/55

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Authority *Ex Order 12956*

333.3-a-1

TELEGRAM

FEDERAL RESERVE SYSTEM

(LEASED WIRE SERVICE)

105gmr38

RECEIVED AT WASHINGTON, D. C.

Dallas May 16/1134am

Eccles

1935 MAY 16 PM 12 54

Washington.

5/15/35

Twill 2263 Governor McKinney out of city, expected home May 20. He will attend meetings if illness in family does not prevent in any event this bank will be represented. Will advise you later who will attend.

Gilbert

1253pm

see telegram 5/21/35

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Authority *Ex Order 12956*

TELEGRAM

FEDERAL RESERVE SYSTEM

(LEASED WIRE SERVICE)

333,3-a-1

RECEIVED AT WASHINGTON, D. C.

74 D Y

Cleveland 432p May 15

1935 MAY 15 PM 4 40

Eccles

Washington

5/15/35

Twill 2263 Will attend meeting Washington May 27

Fleming

439p

DECLASSIFIED
Authority Ex Order 12956

333.3-a-1

TELEGRAM

FEDERAL RESERVE SYSTEM

(LEASED WIRE SERVICE)

10lfta

Atlanta May 15 441pm

RECEIVED AT WASHINGTON, D. C.

Eccles,

Washington

1935 MAY 15 PM 5 01
1935 MAY 15 PM 5 03

5/15/35

Twill Your number 2263 Governor Newton out of city on business your message transmitted to him by wire

Martin

5pm

see telegram 5/16/35

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Authority *Ex Order 12956*

TELEGRAM
FEDERAL RESERVE SYSTEM
(LEASED WIRE SERVICE)

333.3-a-1

RECEIVED AT WASHINGTON, D. C.

1935 MAY 15 PM 5 33

259ghb

Minneapolis 408pm May 15

Eccles

Washington

I will attend the meeting on May twenty seventh.

Geary

527pm

see Trans 2263 - 5/15/35

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Authority *Ex Order 12956*

TELEGRAM
FEDERAL RESERVE SYSTEM
(LEASED WIRE SERVICE)

333.3-2-1

RECEIVED AT WASHINGTON, D. C.

306ghb

San Francisco 341pm May 15

1935 MAY 15 PM 6 52

Eccles

Washington

In governor Calkins absence will attend meeting of Federal Open Market Committee
Monday, May 27, to be followed by Governors conference

Day

651pm

see trans 2263-5/15/35

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Authority *Ex Order 12956*

333.3-a-1

Trans-2263 - Date: 5/15/35

FOR ANSWERS SEE:

1. *5/16/35*
2. *5/16/35*
3. *5/21/35*
4. *5/15/35*
5. *5/16/35*
6. *5/15/35 - 5/16/35*
7. *5/16/35*
8. *5/16/35*
9. *5/15/35*
10. *5/18/35*
11. *5/16/35 - 5/21/35*
12. *5/15/35*

see memo 5/21/35

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Authority *Ex Order 19356*

Form 148b

TELEGRAM

333.3-a-1

FEDERAL RESERVE BOARD
WASHINGTON
MAY 15 1935

Young - Boston
Harrison - New York
Morris - Philadelphia
Fleming - Cleveland

Seay - Richmond
Newton - Atlanta
Schaller - Chicago
Martin - St. Louis

Geery - Minneapolis
Hamilton - Kansas City
McKinney - Dallas
Day - San Francisco

TRANS. *8263* A meeting of the Federal Open Market Committee is hereby called to be held in Washington at the offices of the Federal Reserve Board beginning on Monday, May 27, 1935, at 10:30 a. m. Please advise by wire as to your attendance. Board will desire to discuss certain other matters with the governors while they are in Washington, and undoubtedly there will be topics which the governors will wish to consider. Therefore, it is suggested that at the conclusion of the Open Market Committee meeting a meeting of the Governors' Conference be held and that the governors come prepared to stay at least two days.

(Signed) Marriner S. Eccles

Eccles.

SR *[initials]* / acw

App'd Sec

MAY 16 1935

RKT

[Handwritten signatures and initials: mlt, [unclear], [unclear], [unclear], [unclear]]

FILE COPY

COPY

333.3-a-1

FEDERAL RESERVE BANK
OF NEW YORK

June 14, 1935.

Dear Governor Eccles:

Enclosed is a tentative draft of the minutes of the meeting of the executive committee held in Washington on Friday, June 7.

Since no changes have been suggested in the tentative drafts of the minutes of March 13 and April 17, these drafts which you now have may be considered as final.

4/17/35 filed
333.3-a-1
Final minutes

Sincerely yours,

(Signed) W. Randolph Burgess

W. Randolph Burgess
Secretary, Federal
Open Market Committee

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

WRB:H
encl.

orig filed 333.3-a-1 meeting 6/7/35-

COPY

333.3-a-1

FEDERAL RESERVE BANK
OF NEW YORK

June 7, 1955.

Dear Sir:

Enclosed please find the minutes, etc., which are missing from your files.

Will you please remove the words "Tentative draft Subject to Change" from the minutes of February 5 and February 27. No changes were made in these minutes, so they stand as final copies.

4/17/35 filed 333.3-a-1 Final Minutes

I am listing below the records you should have:

Minutes	Preliminary Memorandum	Report Operations
Feb. 5 Final draft	yes	yes
" 20 Final draft	no	yes
" 27 Final draft	no	no
Mar. 15 Tentative	no	no
Apr. 17 Tentative	no	yes
May 27 No	yes	yes

Very truly yours,

(Signed) R. A. Holmes

(Secretary to Dr. Burgess)

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

orig. filed 333.3-a-1 meeting 6/7/35

333.3-a-1

FEDERAL RESERVE BANK
OF NEW YORK

April 20, 1935.

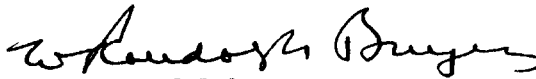
Dear Governor Eccles:

Enclosed herewith are the minutes of a meeting of the executive committee of the Federal Open Market Committee held in Washington on April 17, together with the secretary's report of operations and a memorandum on excess reserves which is referred to in the minutes.

4-17-35 filed 333.3-a-1
Final Minutes

3-21-35

Very truly yours,



W. Randolph Burgess
Secretary, Federal
Open Market Committee

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

WRB:H
encl.

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Authority Ex Order 12956

333.3-a-1

CONFIDENTIAL

REPORT OF OPEN MARKET OPERATIONS TO MEETING OF THE
EXECUTIVE COMMITTEE OF THE FEDERAL OPEN MARKET COMMITTEE
HELD IN WASHINGTON, D. C. ON APRIL 17, 1935

The present holdings of United States Government securities in the System Special Investment Account amount to - - - - - \$2,223,149,510.

There has been practically no change in this figure since November 8, 1933.

Transactions in government securities in the System Account since February 20, 1935, the date of the last full report on operations by the Secretary, were as follows:

- (1) Redemption at maturity of \$150,737,000 Treasury bills which were replaced by purchases in market of other Treasury bills and exchanges in the market of \$8,700,000 short Treasury bill maturities for new issues of Treasury bills.
- (2) Under the general authority to make shifts in maturities in the Account up to \$250,000,000 voted at the meeting of the Federal Open Market Committee on Feb. 5, 1935, operations totaling \$221,916,100 were carried out as follows:

(a) Conversions March 15 as follows:

\$74,350,000 - 2 1/2 per cent Treasury Notes due March 15, 1935
for 1 5/8 per cent Treasury Notes due March 15, 1940

84,667,700 - third called Fourth 4 1/4's for 2 7/8 per cent Treasury Bonds of 1955-60

The conversion into the long bonds was made with the understanding that when it became possible half of them would be exchanged into shorter maturities. To date \$31,633,400 of these bonds have been exchanged - \$5,000,000 in the market for Treasury bills and \$26,633,400 with Treasury agency for 2 per cent Consols and Panamas called for payment on July 1 and August 1 respectively.

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2

- (b) Sales in the market of \$7,400,000 3 per cent Treasury notes due June 15, 1935 and \$20,500,000 - 2 7/8 per cent Treasury notes due April 15, 1936 which were replaced by purchases in the market of Treasury bills.
- (c) Under the agreement of the executive committee to employ up to \$25,000,000 if necessary in order to assist in maintaining an orderly market at the time of the Treasury refunding operations, a total of \$8,915,000 Treasury bonds and called Fourth Liberty Loan bonds were purchased in the market. \$5,550,000 of these bonds were in turn resold to the market and the balance consisting of \$1,350,000 - 3 per cent bonds of 1951-55 and \$2,015,000 - 3 1/8 per cent bonds of 1949-52 were later off-set by allowing Treasury bills to run off.
- (3) Transfers of participation within the Account totaling \$62,000,000. The increases in participation are shown below, in each case the New York and the Chicago banks giving up half of the amounts transferred:

Richmond	\$10,000,000
Kansas City	15,000,000
Dallas	5,000,000
Minneapolis	5,000,000
San Francisco	27,000,000

Attached to this report are the following exhibits:

- Exhibit "A" Maturity distribution of government securities in the System Account at the end of each month 1932, 1933, 1934 and January, February, March and April 15, 1935.
- Exhibit "B" Classification of issues held in the System Account on April 15, 1935, and the percentage of each issue held in the Account to the amount of the respective issue outstanding.
- Exhibit "C" (1) Participations by Federal reserve banks in System Special Investment Account and (2) total holdings of government securities by Federal reserve banks close of business April 10, 1935, and the amount of (1) and (2) over or short of pro rata share based on ratio of each bank's expenses, dividends and charge-off requirements for 1934 to total for the System.

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3

- Exhibit "D" Classification of outright holdings of government securities of all Federal reserve banks as reported to the executive committee of Federal Open Market Committee close of business April 10, 1935.
- Exhibit "E" Chart showing average earning rate on holdings of United States Government securities in System Special Investment Account and average yield on outstanding Treasury bonds and Treasury notes, 1934 and 1935 to April 15.
- Exhibit "F" Earnings of all Federal reserve banks for the three months ended March 31, 1935.

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Authority *Ex Order 12856*

EXHIBIT "A"

**MATURITY DISTRIBUTION OF HOLDINGS IN SYLVA MOUNT
END OF EACH MONTH - 1932-33-34-35**

(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	Other 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	-	-	1,555
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
1933													
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.	860(A)	39	1,257	57	1,443	66	498(B)	23	252	11	-	-	2,193
Nov.	845(A)	43	1,235	56	1,435	65	511(B)	23	252	11	25	1	2,223
Dec.	887(A)	40	1,216	55	1,426	64	520(B)	24	252	11	25	1	2,223
1934													
Jan.	887(A)	40	1,216	55	1,426	64	520(B)	24	252	11	25	1	2,223
Feb.	987(A)	44	1,190	54	1,415	64	531(B)	24	252	11	25	1	2,223
Mar.	799(A)	36	1,034	47	1,287	58	659(B)	30	252	11	25	1	2,223
Apr.	730(A)	33	1,008	45	1,476	67	488(B)	21	195	9	64	3	2,223
May	717(A)	32	991	44	1,475	66	489(B)	22	195	9	64	3	2,223
June	765(A)	34	972	44	1,354	61	550(B)	24	195	9	124	6	2,223
July	732(A)	33	939	42	1,321	59	583(B)	26	195	9	124	6	2,223
Aug.	705(A)	32	1,018	46	1,365	61	539(B)	24	195	9	124	6	2,223
Sept.	654	29	868	39	1,258	56	646(B)	29	195	9	124	6	2,223
Oct.	749(A)	34	964	43	1,342	60	647(B)	29	110	5	124	6	2,223
Nov.	752(A)	34	968	43	1,349	60	640(B)	29	110	5	124	6	2,223
Dec.	794(A)	36	953	43	1,405	63	584(B)	26	110	5	124	6	2,223
1935													
Jan.	790(A)	35	950	43	1,394	62	595(B)	27	110	5	124	6	2,223
Feb.	863(A)	39	950	43	1,460	65	529(B)	24	110	5	124	6	2,223
Mar.	747(C)	33	889	40	1,279	62	603(B)	27	56	3	185	8	2,223
Apr. 10	715(C)	32	893	40	1,383	62	603(B)	27	56	3	181	8	2,223
" 15	771(D)	34	1,087	49	1,524	69	519	23	0	0	180	8	2,223

(A) Includes Fourth Liberties "called"

(B) Does not include Fourth Liberties "uncalled" maturing October 1938.

(C) Includes First Liberties, Panama's and Consols "called"

(D) Includes First and Fourth Liberties, Panama's and Consols "called"

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Authority *Ex Order 19856*

CLASSIFICATION OF ISSUES HELD IN THE SYSTEM ACCOUNT ON APRIL 15, 1935 AS TO THE PERCENTAGE OF EACH ISSUE IN THE ACCOUNT AS COMPARED WITH THE AMOUNT OF THE RESPECTIVE ISSUE OUTSTANDING
(000 Omitted)

				System Account Holdings	Amount Respective Issue Outstanding	Percentage of Issues Held to Amount Outstanding
TREASURY BILLS						
U. S. Treasury Bills due	Apr.	17,	1935	\$ 18,250	\$ 75,248	24.25%
" " " " "	"	24,	1935	18,703	75,102	24.90%
" " " " "	May	1,	1935	22,250	75,015	29.66%
" " " " "	"	8,	1935	19,440	75,075	25.89%
" " " " "	"	15,	1935	23,287	75,045	31.03%
" " " " "	"	22,	1935	16,875	75,168	22.45%
" " " " "	"	29,	1935	20,700	75,287	27.49%
" " " " "	June	5,	1935	20,203	75,139	26.89%
" " " " "	"	12,	1935	6,400	75,079	8.52%
" " " " "	"	19,	1935	19,250	75,020	25.63%
" " " " "	"	26,	1935	20,000	75,300	26.56%
" " " " "	July	3,	1935	23,099	75,150	30.74%
" " " " "	"	10,	1935	18,750	75,185	24.94%
" " " " "	"	17,	1935	23,200	75,079	30.90%
" " " " "	"	24,	1935	21,200	75,129	28.22%
" " " " "	"	31,	1935	15,010	75,106	19.99%
" " " " "	Aug.	7,	1935	25,525	75,185	33.95%
" " " " "	"	14,	1935	23,862	75,112	31.77%
" " " " "	"	21,	1935	15,720	75,024	20.95%
" " " " "	"	28,	1935	14,540	50,054	29.05%
" " " " "	Sept.	4,	1935	10,950	50,114	21.85%
" " " " "	"	11,	1935	7,500	50,052	14.98%
" " " " "	"	18,	1935	6,063	50,125	12.10%
" " " " "	"	25,	1935	15,000	50,079	29.95%
" " " " "	Nov.	27,	1935	13,700	50,185	27.30%
" " " " "	Dec.	4,	1935	11,700	50,072	23.37%
" " " " "	"	11,	1935	8,855	50,149	17.66%
" " " " "	"	18,	1935	18,897	50,006	37.79%
" " " " "	"	24,	1935	24,300	50,071	48.53%
" " " " "	"	31,	1935	13,962	50,018	27.91%
" " " " "	Jan.	8,	1936	<u>13,820</u>	<u>50,062</u>	<u>27.60%</u>
TOTALS				\$ 530,991	\$ 2,028,435	26.17%
TREASURY NOTES						
3 % Treasury Notes	June	15,	1935	\$ 122,995	\$ 416,603	29.52%
1 5/8%	Aug.	1,	1935	85,723	353,865	24.22%
2 1/2%	Dec.	15,	1935	73,621	418,291	17.60%
2 7/8%	Apr.	15,	1936	136,885	558,819	24.50%
1 1/8%	June	15,	1936	50,000	686,673	7.28%
3 1/4%	Aug.	1,	1936	79,042	364,138	21.71%
1 1/2%	Sept.	15,	1936	58,967	514,066	11.47%
2 3/4%	Dec.	15,	1936	99,368	357,921	27.76%
3 %	Feb.	15,	1937	65,685	428,730	15.32%
3 %	Apr.	15,	1937	84,175	502,362	16.76%
3 1/4%	Sept.	15,	1937	84,750	817,483	10.37%
2 5/8%	Feb.	1,	1938	58,820	276,680	21.26%
3 %	Mar.	15,	1938	97,099	455,175	21.33%
2 7/8%	June	15,	1938	53,500	618,057	8.66%
2 1/2%	Sept.	15,	1938	80,481	596,405	13.49%
2 1/8%	June	15,	1939	69,438	1,294,000	5.37%
1 5/8%	Mar.	15,	1940	<u>74,350</u>	<u>513,884</u>	<u>14.47%</u>
TOTALS				\$1,574,899	\$ 9,173,152	15.00%
LIBERTY LOAN AND TREASURY BONDS						
3 1/2% 1st L/L Bds called	6/15/35			\$ 25,025	\$ 1,398,228	1.79%
4 1/4% 1st " " "	6/15/35			29,000	555,982	5.41%
4 1/4% 4th " " "	of 1933-38 called	10/15/35		56,201	1,245,578	4.51%
3 1/4% Treasury Bonds of 1941				20,000	834,474	2.40%
3 1/4% " " " 1943-45				25,000	1,400,570	1.78%
3 1/4% " " " 1944-46				39,000	1,518,858	2.57%
3 % " " " 1946-48				40,000	824,508	4.85%
3 1/8% " " " 1949-52				2,015	491,377	0.41%
3 % " " " 1951-55				1,350	755,479	0.18%
2 7/8% " " " 1955-60				<u>53,074</u>	<u>1,560,000 (a)</u>	<u>3.40%</u>
2 % Consols (1930) called	7/1/35			24,646	599,724	4.11%
2 % Panamas (1936) "	8/1/35			1,469	48,954	3.00%
2 % " (1938) "	8/1/35			<u>519</u>	<u>25,947</u>	<u>2.00%</u>
TOTALS				\$ 317,259	\$11,239,679	2.82%
GRAND TOTALS				\$2,223,149	\$22,441,266	9.91%

Total of all issues of Treasury Bills, Notes, Liberty Loan and Treasury Bonds and the called Consols and Panamas outstanding unmatured. . . \$26,896,859
 Percentage held in System Account. 8.27%
 (a) approximately

EXHIBIT "C"

(1) PARTICIPATION BY FEDERAL RESERVE BANKS IN THE SYSTEM SPECIAL INVESTMENT ACCOUNT AND (2) TOTAL HOLDINGS OF GOVERNMENT SECURITIES BY FEDERAL RESERVE BANKS CLOSE OF BUSINESS APRIL 10, 1935 AND THE AMOUNT OF (1) AND (2) OVER OR SHORT OF PRO RATA SHARE BASED ON RATIO OF EACH BANK'S EXPENSES, DIVIDENDS AND CHARGE-OFFS FOR 1934 TO THE TOTAL FOR THE SYSTEM

(000 Omitted)

	Participations in System Account (A)	Ratio of Holdings in System Account (B)	Ratio of Expenses, Dividends & Charge-offs Year 1934 (C)	Participations (+) Over or (-) Short of Pro Rata Share Based on Ratios in Col. C. (D)	Total Holdings (Portfolio and Participation in System Account) (E)	Ratio of Total Holdings (F)	Total Holdings (+) Over or (-) Short of Pro Rata Share Based on Ratios in Col. C. (G)
BOSTON	\$ 156,982	7.06%	6 3/4%	\$ 6,919+	\$ 157,679	6.49%	\$ 6,219-
NEW YORK	617,318	27.76%	28 %	5,164-	737,615	30.38%	57,740+
PHILADELPHIA	163,734	7.36%	9 %	36,349-	167,120	6.88%	51,411-
CLEVELAND	213,025	9.58%	9 3/4%	3,732-	213,024	8.77%	23,718-
RICHMOND	113,562	5.11%	5 1/4%	3,153-	113,563	4.68%	13,914-
ATLANTA	94,209	4.24%	4 %	5,283+	94,224	3.88%	2,901-
CHICAGO	327,101	14.72%	11 1/2%	71,439+	389,843	16.06%	110,609+
ST. LOUIS	107,700	4.85%	4 3/4%	2,100+	108,200	4.46%	7,136-
MINNEAPOLIS	63,054	2.83%	3 3/4%	20,314-	70,310	2.90%	20,745-
KANSAS CITY	106,659	4.80%	5 1/4%	10,056-	106,741	4.39%	20,736-
DALLAS	66,475	2.99%	3 3/4%	16,893-	76,475	3.15%	14,580-
SAN FRANCISCO	193,330	8.70%	8 1/4%	9,920+	193,331	7.96%	6,989-
TOTALS	\$2,223,149	100 %	100 %	\$95,661 Adj.	\$2,428,125	100 %	\$168,349 Adj.

NOTE: Charge-offs do not include reserves for possible losses, Self Insurance or abnormal real estate depreciation.

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Authority: Ex Order 13250

GOVERNMENT SECURITY HOLDINGS OF ALL FEDERAL RESERVE BANKS AS REPORTED TO THE EXECUTIVE COMMITTEE OF THE FEDERAL OPEN MARKET COMMITTEE
CLOSE OF BUSINESS APRIL 10, 1935

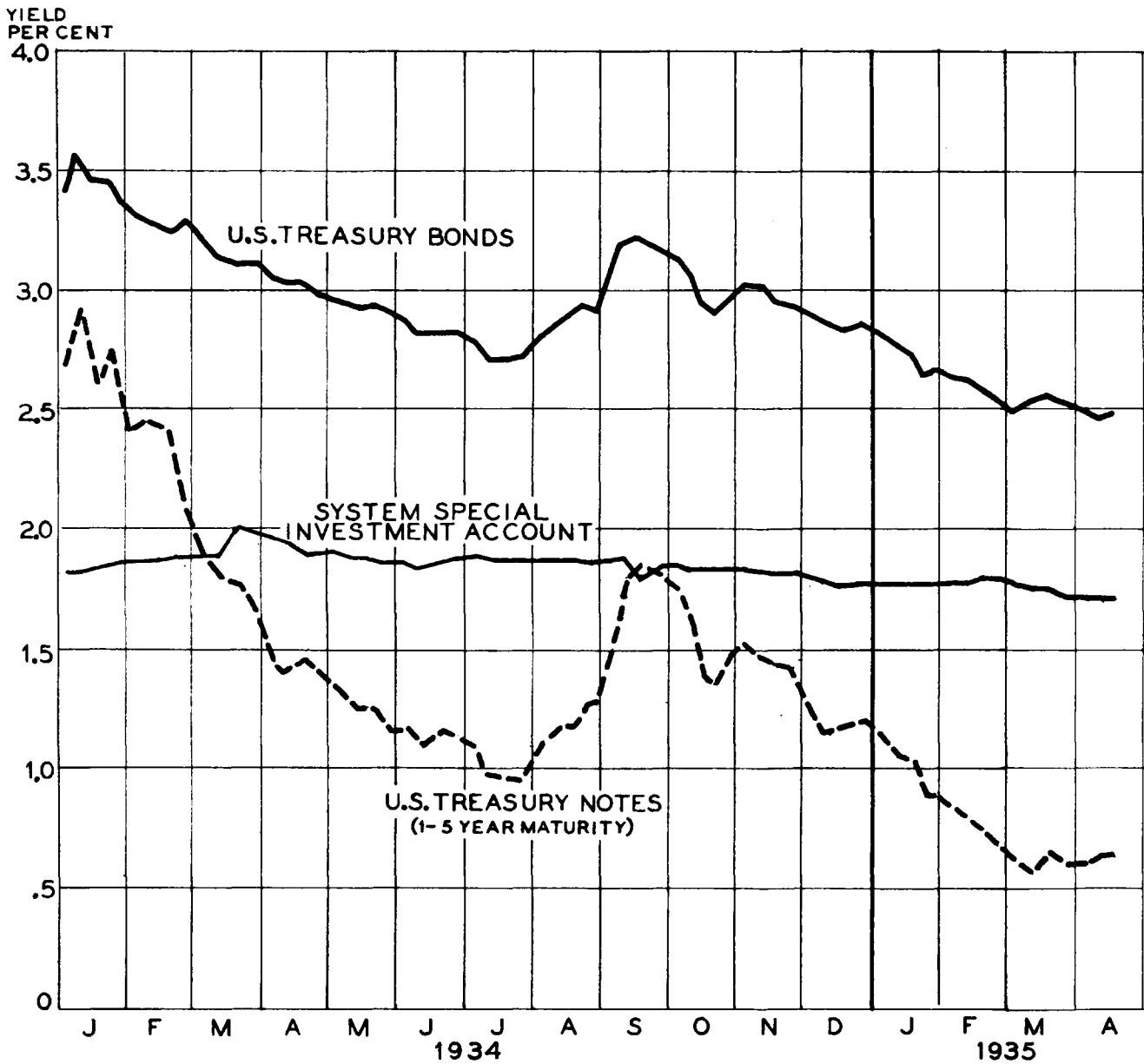
Short-term			Boston	New York	Philadelphia	Cleveland	Richmond	Atlanta	Chicago	St. Louis	Minneapolis	Kansas City	Dallas	San Fran.	TOTALS
Treas. Bills due	4/24/35	\$ -0-	\$ 125,000	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ 125,000
	5/15/35	-0-	6,038,000	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	6,038,000
	5/22/35	-0-	2,681,000	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	2,681,000
	7/10/35	-0-	-0-	-0-	-0-	-0-	-0-	-0-	3,600,000	-0-	-0-	-0-	-0-	-0-	3,600,000
	7/24/35	-0-	-0-	-0-	-0-	-0-	-0-	-0-	6,000,000	-0-	-0-	-0-	-0-	-0-	6,000,000
	8/ 7/35	-0-	-0-	-0-	-0-	-0-	-0-	-0-	500,000	-0-	-0-	-0-	-0-	-0-	500,000
	8/14/35	-0-	532,000	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	532,000
	8/21/35	-0-	500,000	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	500,000
	8/28/35	-0-	1,500,000	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	1,500,000
	11/27/35	-0-	-0-	-0-	-0-	-0-	-0-	-0-	2,000,000	-0-	-0-	-0-	-0-	-0-	2,000,000
	12/4/35	-0-	-0-	-0-	-0-	-0-	-0-	-0-	1,800,000	-0-	-0-	-0-	-0-	-0-	1,800,000
	12/11/35	-0-	1,525,000	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	1,525,000
	12/21/35	-0-	2,468,000	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	2,468,000
3 % June	15, 1935	-0-	13,210,600	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	13,210,600
1 5/8% Aug.	1, 1935	-0-	2,659,700	33,400	-0-	-0-	-0-	-0-	7,840,700	-0-	-0-	-0-	-0-	-0-	10,533,800
2 1/2% Dec.	15, 1935	-0-	2,561,500	500,000	-0-	-0-	-0-	-0-	9,350,000	-0-	-0-	-0-	-0-	-0-	12,411,500
2 7/8% Apr.	15, 1936	-0-	11,267,000	-0-	-0-	-0-	-0-	-0-	6,259,000	-0-	-0-	-0-	-0-	-0-	17,526,000
1 1/8% June	15, 1936	-0-	-0-	-0-	-0-	-0-	-0-	-0-	8,892,000	-0-	-0-	-0-	-0-	-0-	8,892,000
3 1/4% Aug.	1, 1936	-0-	7,900,000	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	7,900,000
1 1/2% Sept.	15, 1936	-0-	936,500	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	936,500
3 % Feb.	15, 1937	-0-	2,497,000	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	2,497,000
3 % Apr.	15, 1937	-0-	1,250,000	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	1,250,000
3 1/4% Sept.	15, 1937	-0-	74,000*	500,000	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	7,074,000
		-0-	6,500,000	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	1,250,000
2 5/8% Feb.	1, 1938	-0-	1,250,000	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	250,000
3 % Mar.	15, 1938	-0-	250,000	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	1,319,000
2 7/8% June	15, 1938	-0-	1,319,000	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	1,319,000
2 1/2% Sept.	15, 1938	-0-	8,042,000	700,000	-0-	-0-	-0-	-0-	4,800,000	-0-	511,000	-0-	-0-	-0-	13,653,000
2 1/8% June	15, 1939	-0-	2,812,000	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	2,812,000
1 5/8% Mar.	15, 1940	-0-	1,150,000	-0-	-0-	-0-	-0-	-0-	9,500,000	-0-	-0-	-0-	-0-	-0-	10,650,000
TOTALS		-0-	\$ 79,050,300	\$ 1,733,400	-0-	-0-	-0-	-0-	\$ 60,141,700	-0-	\$ 511,000	-0-	-0-	-0-	\$ 141,436,400
Long-term															
First L/L called	6/15/35	-0-	6,750,000	-0-	-0-	-0-	-0-	4,150	-0-	500,000	7,300	-0-	-0-	-0-	7,261,450
Fourth "	1938	-0-	7,765,050	500,000	-0-	-0-	-0-	4,950	2,800,000	-0-	20,000*	-0-	-0-	-0-	11,397,850
Treasury 4 1/4s	1952	-0-	524,600*	-0-	-0-	-0-	-0-	-0-	-0-	-0-	407,850	-0-	-0-	-0-	524,600
" 4 s	1954	-0-	210,600*	2,000	-0-	-0-	-0-	-0-	-0-	-0-	165,900	-0-	4,000,000	-0-	4,378,500
" 3 3/4s	1956	-0-	831,700*	-0-	-0-	-0-	-0-	200	-0-	-0-	42,500	-0-	5,205,000	-0-	6,079,400
" 3 3/8s	1945-47	160,000	4,267,000	550,000	-0-	-0-	-0-	-0-	-0-	-0-	47,050	-0-	-0-	-0-	5,024,050
" 3 3/8s	1940-43	-0-	9,762,000	-0-	-0-	-0-	-0-	400	-0-	-0-	29,450	-0-	-0-	-0-	9,791,850
" 3 3/8s	1941-43	-0-	-0-	-0-	-0-	-0-	-0-	3,400	-0-	-0-	200,000*	14,000	-0-	-0-	2,684,100
" 3 1/4s	1941	-0-	-0-	-0-	-0-	-0-	-0-	100	-0-	-0-	2,466,700	-0-	-0-	-0-	10,700
" 3 1/4s	1944-46	-0-	4,421,200	-0-	-0-	-0-	-0-	400	-0-	-0-	-0-	10,600	-0-	-0-	4,481,800
" 3 s	1951-55	-0-	-0-	-0-	-0-	-0-	-0-	300	-0-	-0-	40,000*	-0-	-0-	-0-	4,481,800
" 3 1/4s	1943-45	-0-	62,500*	-0-	-0-	-0-	-0-	1,050	-0-	-0-	20,200	-0-	-0-	-0-	614,200
" 3 s	1946-48	-0-	-0-	-0-	-0-	-0-	-0-	200	-0-	-0-	140,000*	57,600	-0-	-0-	614,200
" 2 7/8s	1955-60	-0-	8,355,000	600,000	-0-	-0-	-0-	550	-0-	-0-	416,300	-0-	-0-	-0-	9,679,050
" 3 1/8s	1946-49	7,500	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	30,000*	-0-	-0-	-0-	654,550
" 3 1/8s	1949-52	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	561,000	-0-	-0-	-0-	5,200
2% Panama	1938	-0-	-0-	100	-0-	-0-	-0-	-0-	-0-	-0-	5,000	-0-	-0-	-0-	5,200
3% Conversions	1946-7	529,000	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	10,000*	-0-	-0-	-0-	9,679,050
TOTALS		\$ 696,500	\$ 42,949,650	\$ 1,682,100	-0-	-0-	\$ 15,700	\$ 2,800,000	\$ 500,000	\$ 7,229,050	\$ 185,200	\$ 10,000,000	-0-	-0-	\$ 65,828,200
Part. System Acct		156,982,000	617,319,910	163,734,500	213,024,500	113,562,500	94,209,000	327,101,000	107,709,000	63,052,500	106,659,000	66,475,000	193,530,500	2,223,149,510	
AGGREGATE		\$157,678,500	\$739,317,980	\$167,120,000	\$213,024,500	\$113,562,500	\$94,224,700	\$329,842,700	\$108,200,000	\$70,810,550	\$106,844,200	\$76,475,000	\$193,530,500	\$2,430,431,110	
*Self Ins. Reserve															

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Authority Ex Order 13256

Federal Reserve Bank
of New York
Reports Department
FEB 2, 1935.
2826

Exhibit "E"



Average Earning Rate on Holdings of U. S. Government Securities in System Special Investment Account and Average Yield on Outstanding U. S. Treasury Bonds and Treasury Notes

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EXHIBIT "F"

STATEMENT SHOWING EARNINGS OF ALL FEDERAL RESERVE BANKS
 FOR THE THREE MONTHS ENDED MARCH 31, 1935

Earnings do not include profits on security sales, now held in Suspense Account.

	<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	\$ 720,609	\$ 661,019	\$ 59,590
New York	3,608,700	2,816,786	791,914
Philadelphia	796,303	828,422	32,119 (a)
Cleveland	968,178	923,886	44,292
Richmond	518,702	500,825	17,877
Atlanta	466,242	407,021	59,221
Chicago	1,821,562	1,031,017	790,545
St. Louis	471,908	426,687	45,221
Minneapolis	353,896	354,539	643 (a)
Kansas City	476,539	471,887	4,652
Dallas	374,996	316,597	58,399
San Francisco	<u>781,344</u>	<u>802,700</u>	<u>21,356 (a)</u>
Totals	<u>\$11,358,979</u>	<u>\$9,541,386</u>	<u>\$1,817,593</u>

(a) Deficit

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333.3-a-1
 3/24/35

EXCESS RESERVES AND FEDERAL RESERVE POLICY

In discussing excess reserves at the last meeting, the directors asked this question: What is the duty of a central bank or banking system in a situation like the present? Can we by analysis of the situation ascertain the principles which should be applied? Having done that, we would be in a better position to consider questions of expediency and methods of procedure.

Before attempting to answer this question, it may be well to review briefly the genesis and growth of the present excess reserves of the member banks of the country. The program of open market purchases of government securities, which began at the outset of the depression in 1929, has gone through a number of phases. In the earlier years its main purpose was to enable the member banks to reduce their rediscounts at the Reserve banks, in the hope, based on previous experience, that this reduction of member bank indebtedness would check deflation and might stimulate credit expansion. [The creation of excess reserves, which represented an entirely new phase of open market policy, may be said to have begun after the passage of the Glass-Steagall Act in February, 1932. By the summer of 1932 our open market purchases had led to the accumulation of fairly substantial excess reserves, principally in New York and Chicago banks. The next phase of the program was the resumption of open market purchases after the banking crisis of March, 1933, as one of various emergency measures, which included also deposit insurance and the Reconstruction Finance Corporation program of bank capital rehabilitation. By January, 1934, excess reserves amounted to about \$800,000,000, which were now fairly well distributed throughout the country. It is important to point out that the Reserve System's active program of increasing bank reserves came to an end at this time,* and that the great increase in excess reserves which has occurred since

* Our purchases of government securities actually ceased in November, 1933, but the full effect upon excess reserves was not apparent until after seasonal return flow of currency to the Reserve banks in January, 1934.

orig. filed 333.3-a

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January, 1934, has been due mainly to the devaluation policy of the Administration and the resulting inflow of gold. Our first conclusion therefore is that the Administration's policy and not the Reserve System has been responsible for the recent growth and the present large amount of excess reserves, and that as matters now stand both the responsibility for and the power over present excess reserves lie principally with the Administration.]

Nevertheless, we must ask ourselves: What is our duty within the limits of our power? We are faced with this situation: Excess reserves are now about \$2,250,000,000; the public debt is steadily mounting; the government securities issued to finance the deficits are being bought mainly by the banks, and largely by reason of the pressure of excess reserves upon the banks. [The theory of creating excess reserves was that in a depression, when the capacity and willingness of banks to lend and of private enterprise to borrow have been impaired, excess reserves would put pressure on the banks thus forcing down the yield on government securities to the point where bank and other investment funds would flow over into private capital investment. There is some evidence that this pressure has begun to work; the yield on government securities has been reduced; there are signs that mortgage money is becoming more plentiful; and there are some signs that the long-awaited movement toward refunding of outstanding private capital issues is getting under way. But there will be no proof that the process has succeeded until these signs are followed by the appearance of new corporate issues which will serve to relieve present pressure on the Treasury directly, or through other governmental agencies, to satisfy the country's current capital requirements.]

Meanwhile, there are certain definite obstacles and dangers. The opening of the private capital market appears to be blocked by obstacles mechanical, psychological, and economic and bank funds continue to flow almost exclusively into government securities. There is thus a grave danger that so long as the avenues

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into private capital investment remain blocked and so long as the pressure of excess reserves is exerted not against a fixed total of government debt but against a continuously expanding volume of such debt, the overflow of bank funds into private channels may not occur, the banks will become more and more heavily loaded with government securities, the government will do a larger and larger part of the nation's borrowing and spending. If this process should continue, should we not expect on the basis of the experience of other nations that eventually a point will be reached where the banks will be unable or unwilling to absorb the government debt, so that the government will find itself forced either to expend its stabilization fund, still further increasing excess reserves, or to request the Reserve banks to purchase more government securities in the open market, or to borrow directly from the Reserve banks, or to issue some form of inconvertible paper money? With some 10,000,000 workers still unemployed, some 22,000,000 of the population on relief rolls, the capital goods industries still in a state of severe depression, with government deficits mounting at a rate of perhaps \$3,500,000,000 a year, and with the private capital market still practically dormant after five years of depression, no one can say with certainty that this is not a likely prospect. \int In the experience of other nations a long-continued process of governmental deficit financing through the banking system has always led at some point to rapidly rising prices, either through actual monetary expansion or through fear of potential expansion, and at this point the process has always become cumulatively uncontrollable, government deficits rising by reason of the rise of prices and the lag of revenue behind expenditures, the whole process being attended by grave economic and political disruption and disorder terminating in collapse. \int

This is indeed a black picture, and we have to face it as one of the major possibilities of our present situation. It has often been said that the signs of an approaching inflation are always ignored or minimized until it is too late to take decisive action. What then is the duty of a central bank or banking system,

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charged with some responsibility for monetary control in the public interest? As a first approach to this question, it is natural to ask ourselves whether there is not some orthodox answer which can be drawn from the accepted theory and the historical experience of central banking. If there were such an answer, it might greatly lessen the difficulty, at least of deciding what we ought to do, even if it did not dispose of the questions of expediency. Unfortunately, there appears to be no such answer. Modern central banking is too young and has developed under circumstances too rapidly changing and abnormal to provide us with any clear and sure light to guide our steps in times like these. Before the war, for example, perhaps the only clear and generally accepted rule of central banking was that the discount rate should be raised upon the occasion of gold outflow; and yet it now seems, as we review that period in retrospect, that when we applied this rule, when England went off gold in September, 1931, and gold began to leave the United States in huge amounts, the rate increase probably served more to add to the deflationary movement of succeeding months than to check the gold outflow. [As to a proper central banking policy with respect to excess reserves, the historical record tells us nothing. But it may have been regarded as orthodox, or at least prudent, in January, 1933, when excess reserves were about \$600,000,000, to sell securities in order to prevent any further increase of excess reserves, even though as events proved we were on the eve of the banking crisis, which was to force us into renewed open market purchases. These decisions, for which the Reserve System has been criticized, do not of course throw any light on our present problem, but they do show perhaps that in such extraordinary times as these, there are no such clear and definite rules of procedure for central banks as the term orthodoxy may imply.]

It might, nevertheless, seem worth while to attempt to derive an answer to our present problem from the previous experiences and practices of foreign central banks which have been faced with the duty of controlling an inflation.

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But our problem is quite different from theirs. Inflation abroad was accompanied by a high degree of business activity and usually also by direct government borrowing from central banks. Under such circumstances it is not difficult to decide what a central bank ought to do. The Federal Reserve System has the much more difficult problem of endeavoring to foresee when and how these conditions may arise. Our dilemma is that if we take action now based upon the assumption that they will arise, our action may be premature and may choke off an incipient recovery such as our present policy is designed to facilitate. We have also to bear in mind that the present extraordinary governmental expenditures are of quite different character from those which have in previous cases been the sources of uncontrollable inflation, such as war time expenditures, or the German reparation payments, or the French reconstruction of invaded territory. All these expenditures were of a compelling nature from which there was no escape but which necessarily became greater as the inflation proceeded; our extraordinary expenditures are a phenomenon of depression. While there is of course no certainty, there is at least a fair possibility that if and when we achieve recovery, extraordinary expenditures will be reduced through the re-employment of the factors of production. Moreover, we are faced with the fact that in a period of depression, as contrasted with a period of boom, some expansion of credit is essential and it is the duty of a central bank or banking system to do what it can to facilitate that expansion. We must not allow our very natural fears as to how we are to control this expansion in the future to obscure our realization that in some form and to some extent it is not only inevitable but desirable, if we are to have any real recovery. It thus becomes a nice question, if credit expansion does not, as promptly as we desire, take the form we wish it to take, namely an expansion of the private use of credit, at what point and on what grounds we are justified in taking measures which might interfere with its taking the form of a public use of credit.

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The question of policy must therefore turn in the final analysis upon a carefully considered view of the existing economic situation and its prospects. It becomes a question of weighing the dangers inherent in our present course against the possibility of a successful outcome. Reviewing the events of the past two years, we do not find the picture wholly black. A certain amount of progress has been made. For the world as a whole, the depression reached its bottom in the summer of 1932, and even for this country the banking crisis in early 1933 did not push production any lower than it had been the preceding summer. Since March, 1933, we have pursued a highly erratic course of ups and downs, but each succeeding recession has been somewhat less than the preceding. Since last summer the course of business has been upward.

Perhaps the greatest single change in the last two years has been the improvement in the economic position of agriculture. Agricultural prices have risen markedly, and the 1909-13 relation of agricultural prices to industrial prices, which appeared during the first year of this Administration to be the principal goal of policy, has been achieved. Though some of the means employed have been artificial and there is no certainty of the continuance of this balance of agricultural and industrial prices, we have reason to feel that its achievement may have introduced a new element of political stability and to some extent have freed the hands of the Administration to deal with the industrial problem.

Another major change has a bearing on the outlook for the capital goods industries, which are the real seat of the depression. It is becoming apparent that the long lapse of time is taking its toll increasingly of equipment in use through the process of wearout and obsolescence, even though many obstacles remain to be removed. Reports for recent months from the machine tool industry, often an important forerunner of industrial recovery, indicate the most active year since 1930. Both the railroads and the utilities appear to have reached the point of

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being in need of equipment if their political or financial difficulties can be resolved. There are scattered evidences of a changing situation in real estate. In various parts of the country pressure for rent reductions has relaxed, families which had doubled up are seeking separate housing, vacancies have lessened.

On the whole, and recognizing frankly the extreme difficulty of analyzing so tangled a situation as this, we feel that we would do better, in the absence of any important change in the situation, to continue upon our present course of maintaining existing aggregate holdings of government securities rather than to take the alternative course, which carries with it the implication of a definite judgment that our present policy cannot succeed. We ought, however, to recognize that in order to succeed our policy, with respect to excess reserves, should be part of a broader monetary policy, which in our view should be on some such lines as the following:

1. The continuance of our present open market position.
2. The removal of mechanical obstacles to the opening of the private capital market, such as the prohibition of underwriting by banks and the undue severities of the Securities Act.
3. The encouragement of all sound steps which will increase the availability and reduce the cost of mortgage money.
4. The revival of confidence, which alone will free private capital, by steps looking toward (a) international monetary stabilization, and (b) a budget policy aimed not at an immediate balance but at some fairly definite schedule for tapering off extraordinary expenditures.

If this program could be adopted, we are satisfied that it would go far toward hastening a general economic recovery. There would, of course, remain much to be done. It is probable that in the sphere of the National Recovery Administration many helpful changes are now going on underneath the surface; but in the field of building construction there is a difficult problem of cost-price adjustments, in the field of railroads there appears to be much need for financial reconstruction as the necessary preliminary to railroad buying of equipment, and in

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the public utilities there is clearly need for some clarification of the present conflict which, while removing previous malpractices wherever they may be found, would make it possible for this industry, and for investors in it, to contribute their very important share to the national spending.

This memorandum has been addressed mainly to the question of what the Federal Reserve System, as a central banking system, ought to do in the present situation, and a program of action has been suggested. What is the alternative to such a program? If, for example, we should decide that we ought to reverse our present course and reduce our holdings of government securities, what prospect is there that our reversal of policy would accomplish our purpose, or that the reversal might not of itself become destructive? Through its stabilization fund the government could exercise a dominant influence over member bank reserves. It could also resort, if it chose, to paper money inflation. Moreover, with the whole question of central banking now very much in the air, the government could readily alter fundamentally the entire central banking, and also the commercial banking, machinery of the country. It seems clear that we could act effectively only with the consent and cooperation of the Administration. And there is the further question whether the Administration, even if we should propose and it should consent to such a reversal of policy, would be well advised to do so. If as a result there were any marked decline in government securities or commodity prices or production, the Administration would probably have to face renewed agitation either for inflation through greenbacks, further devaluation, more silver certificates, and the like, or for increased governmental intervention in the regimentation or management of industry. Perhaps at the moment these dangers appear to be less imminent than a year ago, but that fact does not lessen the danger that a reversal of our policy would strengthen the hands of one or the other of these groups who do not think as we do, and might well result in serious and damaging losses to the banking system. ✓

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A second question requiring careful consideration would be as to the time and the nature of our action. If we should decide upon a reversal of our policy, we ought to choose our ground carefully so that our motives could be easily understood and, in so far as is practicable, publicly justified. The action should be taken at a time and in a manner which would indicate as clearly as possible that the dangers of the present course are becoming greater, while the prospects for a favorable outcome have been lessened. It would seem much more justifiable under present conditions to refuse a request to buy more government securities than to begin a policy of selling. Still more clearly, if the government should at some future stage endeavor to borrow directly from the Reserve banks, there might then be every reason for resisting. Without waiting for either of these events, if we could be sure that the present situation can have no other outcome than a destructive inflation, it might then be our duty to reverse our policy. But is it possible to be sure of this at the present time, when there is yet no actual evidence of inflation but on the contrary a general agreement that we need more activity both of credit and of business? A reversal of our policy at the present time would appear to rest upon more certainty of the future dangers in our situation than is yet warranted and to under-emphasize its more constructive and encouraging aspects.

* * * * *

Assuming, therefore, that it is the carefully considered view of this Board, on the basis of its analysis of the situation as set forth in this memorandum, that the Federal Reserve System ought not, at present, to make any major change in its credit policy, we may ask ourselves whether there is any lesser, intermediate action which should be taken with respect to its government security account. In our recent discussions, it has been frequently pointed out that it is desirable to introduce some measure of flexibility into this security account. In

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a large complex money market which is subject to many influences of a seasonal or transitory nature, there is inevitably a certain amount of variation in the magnitude of reserves. Similarly, there may be fairly wide short-time variations in the condition of the government security market and this market, in circumstances like the present, is a dominant feature of the money market. It is generally agreed that one important function of a central bank or banking system is to smooth out such seasonal or accidental variations affecting the money market, at least so far as they threaten to assume disturbing proportions; and to this end it ought to be free to act even though such action involves changes in the amount or character of its government security holdings. To maintain a completely rigid open market position not only lessens the power of the Federal Reserve System to smooth out minor irregularities in the market but causes the public to attach an undue importance to the size of its security account, and to small changes in the account when they do occur.

Owing to the present great size of excess reserves and the extraordinary ease of the money market, there has been less occasion than in normal times for smoothing out seasonal irregularities or for making changes in the System security portfolio which were not connected with major policy. At the same time, by reason of the unprecedented magnitude of the excess reserves, which has been a factor in the high prices of government securities, and in the large purchases of such securities by the banks, bankers and the general public are more than ordinarily alert and sensitive to every circumstance which might affect the market for government securities. We must, therefore, recognize that there is much more danger than would ordinarily be the case that even minor variations in the System's security account might set in motion forces of an importance not intended and very difficult to control. A diminution in our portfolio, after so long a period of inactivity, might at the present time precipitate a serious selling movement among the banks,

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which quite apart from its effect upon the price of government securities and the government's fiscal policy, would defeat the very purposes which the policy of excess reserves has sought to accomplish. It therefore seems that flexibility, desirable as it would be under more normal conditions, for the time being, should give way to larger considerations. When the time does come to reverse our policy, our present holdings of government securities will probably be inadequate (apart from changes in reserve requirements) for the task of controlling the enormous potential expansion of credit which present excess reserves make possible, and we shall need to rely, so far as we can, upon the psychological effects of our action. The very conspicuousness of our present rigid position may then become a powerful aid in emphasizing to the public the significance of a reversal of our policy.

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Authority *Ex Order 12256*FACTORS OF INCREASE IN MEMBER BANK RESERVES

(Millions of dollars)

Feb. 24, 1932
to
Aug. 10, 1932Sources of additional reserve funds:

U. S. Securities purchased by Federal reserve banks	1,110
Decrease in reserve requirements	36
All other	<u>30</u>
Total	1,176

Uses of reserve funds:

Decrease in gold stock	345
To retire discounts at Federal reserve banks	383
To retire bills held by Federal reserve banks	94
Demand for currency	115
To meet Treasury withdrawals	<u>19</u>
Total	956

Net addition to excess reserves	220
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Authority Ex Order 12256FACTORS OF INCREASE IN MEMBER BANK RESERVES

(Millions of dollars)

Aug. 10, 1932
to
Jan. 3, 1934

Sources of additional reserve funds:

U. S. Securities purchased by Federal reserve banks	581
Increase in gold stock	318
Bills purchased by Federal reserve banks	82
Increase in Treasury currency outstanding	<u>239</u>
Total	1,220

Uses of reserve funds:

To retire discounts at Federal reserve banks	346
To meet Treasury withdrawals	46
To meet increased reserve requirements	61
Demand for currency	84
All other	<u>96</u>
Total	633

Net addition to excess reserves 587

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Authority Ex Order 12356FACTORS OF INCREASE IN MEMBER BANK RESERVES

(Millions of dollars)

	Jan. 3, 1934 to <u>Mar. 6, 1935</u>
<u>Sources of additional reserve funds:</u>	
Increase in gold stock	1,515
Return flow of currency	34
Expenditure of Treasury free gold and increase in silver currency	<u>520</u>
Total	2,069
<u>Uses of reserve funds:</u>	
To retire discounts at Federal reserve banks	100
To retire bills held by Federal reserve banks	115
To meet increased reserve requirements	503
All other	<u>9</u>
Total	727
Net addition to excess reserves	1,342

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REPORT OF OPEN MARKET OPERATIONS TO MEETING OF THE
FEDERAL OPEN MARKET COMMITTEE HELD AT
WASHINGTON, D. C., FEBRUARY 5, 1935

The present holdings of United States Government securities in the System Special Investment Account amount to - - - - - \$2,223,149,500. X

There has been no change in this amount since November 8, 1933.

Transactions in government securities in the System Account since the meeting of the Executive Committee on January 25 were as follows:

- (1) Redemption on January 30 of \$17,688,000 Treasury bills and replacement purchases in the market consisting of \$14,000,000 miscellaneous Treasury bills and \$3,688,000 Treasury notes.
- (2) Sale and replacement purchase in the market of \$1,000,000 Treasury notes.

At the meeting of the Federal Open Market Committee on December 17, 1934, and as approved by the Federal Reserve Board, it was 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."

Under the above authority the only shifts in maturities have been as follows:

\$ 2,550,000 - Tr.bills due 2/13/35	exchanged for \$	750,000-3	%	T/N due	3/15/38
		" "		" "	6/15/38
		" "		" "	9/15/38
		" "		" "	6/15/39
5,000,000 -2 7/8% T/N "	4/15/36	" "		" "	5/ 1/35
		" "		" "	6/15/38
2,000,000 -2 3/4% " "	12/15/36	" "		" "	2/15/37
		" "		" "	6/15/38
<u>1,000,000</u> -3 % " "	3/15/38	" "		" "	7/10/35
<u>\$10,550,000</u>		<u>\$10,550,000</u>			

With the exception of the Treasury bills, practically all of these transactions represent the exchange of issues carrying the gold clause for issues without the gold clause.

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On January 25, 1935, at a meeting of the Executive Committee, it was voted

"that a wire be sent to all members of the Federal Open Market Committee to request them subject to the approval of the Federal Reserve Board to authorize the executive committee, pending a meeting of the full committee in the near future, to make purchases or sales or shifts between maturities in the System Account up to a total of \$250,000,000. This authorization is in addition to the authorization to make shifts between maturities up to \$100,000,000 voted at the December 17 meeting. This authorization is desired primarily to place the System in position to use its influence towards preventing any possible disturbances in the market pending a meeting of the full committee."

The resolution was approved by telegraph by the Federal Reserve Board and all members of the Federal Open Market Committee.

The following table shows by classes the holdings of government securities in the System Account carrying the gold clause and those not carrying the gold clause:

(000 Omitted)

<u>Classification of Securities</u>	<u>With Gold Clause</u>	<u>Without Gold Clause</u>	<u>Totals</u>
Treasury Bills	\$ 0	\$501,456	\$ 501,456
" Notes	693,935	708,864	1,402,799
" Bonds	0	124,000	124,000
Liberty Loan Bonds	<u>194,894</u>	<u>0</u>	<u>194,894</u>
Totals	<u>\$888,829</u>	<u>\$1,334,320</u>	<u>\$2,223,149</u>

Attached to this report are the following exhibits:

"A" - Statement showing the maturity distribution of government securities in the System Special Investment Account at the end of each month 1932, 1933, 1934, January and February 1, 1935.

"B" - Statement showing the classification of issues held in the System Account on January 30, 1935, and the percentage of each issue held in the Account as compared with the amount of the respective issue outstanding.

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- "C" - Statement showing (1) participation by Federal Reserve Banks in the System Special Investment Account and (2) total holdings of government securities by Federal Reserve Banks January 30, 1935, and the amount of (1) and (2) over or short of pro rata share based on ratio of each bank's expenses, dividends and charge-offs for 1934 to the total for the System.
- "D" - Chart showing weekly average earning rate on holdings of United States Government securities in System Special Investment Account and average yield on outstanding United States Treasury bonds and Treasury notes, 1934, and 1935 to February 2.
- "E" - Chart showing average hourly sale prices on New York Stock Exchange of 3 and 3 1/8 per cent United States Treasury bonds, January 7 to February 2, 1935.
- "F" - Chart showing daily average closing prices of United States Treasury notes carrying the gold clause and Treasury notes without the gold clause, and daily change in spread between average prices of United States Treasury notes carrying the gold clause and Treasury notes without the gold clause, January 2 to February 2, 1935.

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Exhibit "B"

CLASSIFICATION OF ISSUES HELD IN THE SYSTEM ACCOUNT ON JANUARY 30, 1955 AND THE PERCENTAGE OF EACH ISSUE IN THE ACCOUNT AS COMPARED WITH THE AMOUNT OF THE RESPECTIVE ISSUE OUTSTANDING
(OOO Omitted)

<u>TREASURY BILLS</u>					System Account Holdings	Amount Respective Issue Outstanding	Percentage of Issues Held to Amount Outstanding
U. S. Treasury Bills due Feb.	6,	1935		\$ 21,535	\$ 75,527	28.59%	
" " " " " "	13,	1935		17,932	75,320	23.81%	
" " " " " "	20,	1935		16,650	75,090	22.17%	
" " " " " "	27,	1935		19,040	75,065	25.36%	
" " " " " Mar.	6,	1935	(a)	22,650	75,290	30.08%	
" " " " " "	13,	1935		17,880	75,365	23.72%	
" " " " " "	20,	1935		24,800	75,041	55.05%	
" " " " " "	27,	1935		27,700	75,023	36.92%	
" " " " " Apr.	3,	1935		13,250	75,038	17.66%	
" " " " " "	10,	1935		14,532	75,360	19.28%	
" " " " " "	17,	1935	(b)	20,240	75,248	26.90%	
" " " " " "	24,	1935		18,703	75,102	24.90%	
" " " " " May	1,	1935		22,250	75,015	29.66%	
" " " " " "	8,	1935		19,440	75,075	25.89%	
" " " " " "	15,	1935		24,287	75,045	32.36%	
" " " " " "	22,	1935		16,875	75,168	22.45%	
" " " " " "	29,	1935		20,700	75,287	27.49%	
" " " " " June	5,	1935		23,203	75,139	30.88%	
" " " " " "	19,	1935		19,230	75,020	25.63%	
" " " " " "	26,	1935		20,000	75,300	26.56%	
" " " " " July	3,	1935		27,399	75,150	36.46%	
" " " " " "	10,	1935		18,750	75,185	24.94%	
" " " " " "	17,	1935		23,200	75,079	30.90%	
" " " " " "	24,	1935		21,200	75,129	28.22%	
" " " " " "	31,	1935		10,010	75,106	13.33%	
TOTALS				\$ 501,456	\$ 1,878,967	26.69%	
<u>TREASURY NOTES</u>							
2 1/2% Treasury Notes	Mar.	15,	1935	\$ 74,350	\$ 528,102	14.08%	
3 % " " " "	June	15,	1935 (g)	130,395	416,603	31.30%	
1 5/8% " " " "	Aug.	1,	1935	85,723	353,865	24.22%	
2 1/2% " " " "	Dec.	15,	1935	73,621	418,291	17.60%	
2 7/8% " " " "	Apr.	15,	1936 (g)	157,385	558,819	28.16%	
1 1/8% " " " "	June	15,	1936	50,200	686,673	7.28%	
3 1/4% " " " "	Aug.	1,	1936 (g)	79,042	364,138	21.71%	
1 1/2% " " " "	Sept.	15,	1936	58,967	514,066	11.47%	
2 3/4% " " " "	Dec.	15,	1936 (g)	99,368	357,921	27.76%	
3 % " " " "	Feb.	15,	1937	65,685	428,730	15.32%	
3 % " " " "	Apr.	15,	1937 (g)	84,175	502,362	16.76%	
3 1/4% " " " "	Sept.	15,	1937 (g)	84,750	817,483	10.37%	
2 5/8% " " " "	Feb.	1,	1938 (g)	58,820	276,680	21.26%	
3 % " " " "	Mar.	15,	1938	97,099	455,175	21.33%	
2 7/8% " " " "	June	15,	1938	53,500	618,057	8.66%	
2 1/2% " " " "	Sept.	15,	1938	80,481	596,405	13.49%	
2 1/8% " " " "	June	15,	1939	69,438	1,294,000	5.37%	
TOTALS				\$ 1,402,799	\$ 9,187,370	15.27%	
<u>LIBERTY LOAN AND TREASURY BONDS</u>							
3 1/2% 1st L/L Bds of 1932-47	(g)	\$ 25,025	\$ 1,398,228	1.79%			
4 1/4% 1st " " " 1932-47	(g)	29,000	535,982	5.41%			
4 1/4% 4th " " " called 4/15/35	(g)	84,668	1,870,000	4.53%			
4 1/4% 4th " " " of 1935-38	(g)	56,201	1,245,578	4.51%			
3 1/4% Treas. Bonds of 1941		20,000	834,474	2.40%			
3 1/4% " " " 1943-45		25,000	1,400,570	1.78%			
3 1/4% " " " 1944-46		39,000	1,518,858	2.57%			
3 % " " " 1946-48		40,000	824,508	4.85%			
TOTALS		\$ 318,894	\$ 9,628,198	3.31%			
GRAND TOTALS		\$ 2,223,149	\$20,694,585	10.74%			

Total of all issues of Treasury Bills, Notes, Liberty Loan and Treasury Bonds outstanding unmatured. \$26,472,526
Percentage held in System Account. 8.40%

(a) includes \$2,000,000 purchased temporarily
(b) " 1,990,000 " "
(g) contains gold clause

EXHIBIT "C"

(1) PARTICIPATION BY FEDERAL RESERVE BANKS IN THE SYSTEM SPECIAL INVESTMENT ACCOUNT AND (2) TOTAL HOLDINGS OF GOVERNMENT SECURITIES BY FEDERAL RESERVE BANKS JANUARY 30, 1935 AND THE AMOUNT OF (1) AND (2) OVER OR SHORT OF PRO RATA SHARE BASED ON RATIO OF EACH BANK'S EXPENSES, DIVIDENDS AND CHARGE-OFFS FOR 1934 TO THE TOTAL FOR THE SYSTEM

(000 Omitted)

	Participations in System Account	Ratio of Holdings in System Account	Ratio of Expenses, Dividends & Charge-offs Year 1934	Participations (+) Over or (-) Short of Pro Rata Share Based on Ratios in Col. C	Total holdings (Portfolio and Participation in System Account)	Ratio of Total Holdings	Total holdings (+) Over or (-) Short of pro rata Share based on Ratios in Col. C
	(A)	(B)	(C)	(D)	(E)	(F)	(G)
BOSTON	\$ 156,982	7.06%	6 3/4%	\$ 6,919+	\$ 157,671	6.50%	\$ 6,216-
NEW YORK	655,818	29.50%	28 %	33,336+	776,115	31.97%	96,285+
PHILADELPHIA	163,734	7.37%	9 %	36,349-	167,120	6.88%	51,397-
CLEVELAND	213,025	9.58%	9 3/4%	3,732-	213,024	8.77%	23,702-
RICHMOND	103,562	4.66%	5 1/4%	13,153-	103,562	4.27%	23,906-
ATLANTA	94,209	4.24%	4 %	5,283+	94,228	3.88%	2,891-
CHICAGO	365,601	16.44%	11 1/2%	109,939+	428,343	17.64%	149,127+
ST. LOUIS	92,700	4.17%	4 3/4%	12,900-	93,200	3.84%	22,128-
MINNEAPOLIS	58,054	2.61%	3 3/4%	25,314-	65,154	2.68%	25,895-
KANSAS CITY	91,659	4.12%	5 1/4%	25,056-	91,741	3.78%	35,727-
DALLAS	61,475	2.77%	3 3/4%	21,893-	71,475	2.94%	19,574-
SAN FRANCISCO	166,330	7.48%	8 1/4%	17,080-	166,331	6.85%	33,976-
TOTALS	\$2,223,149	100 %	100 %	\$155,477 Adj.	\$2,427,964	100 %	\$245,412 Adj.

NOTE: Charge-offs do not include reserves for possible losses, Self Insurance Reserve or abnormal real estate depreciation.

Authority Ex Order 13256

DECLASSIFIED

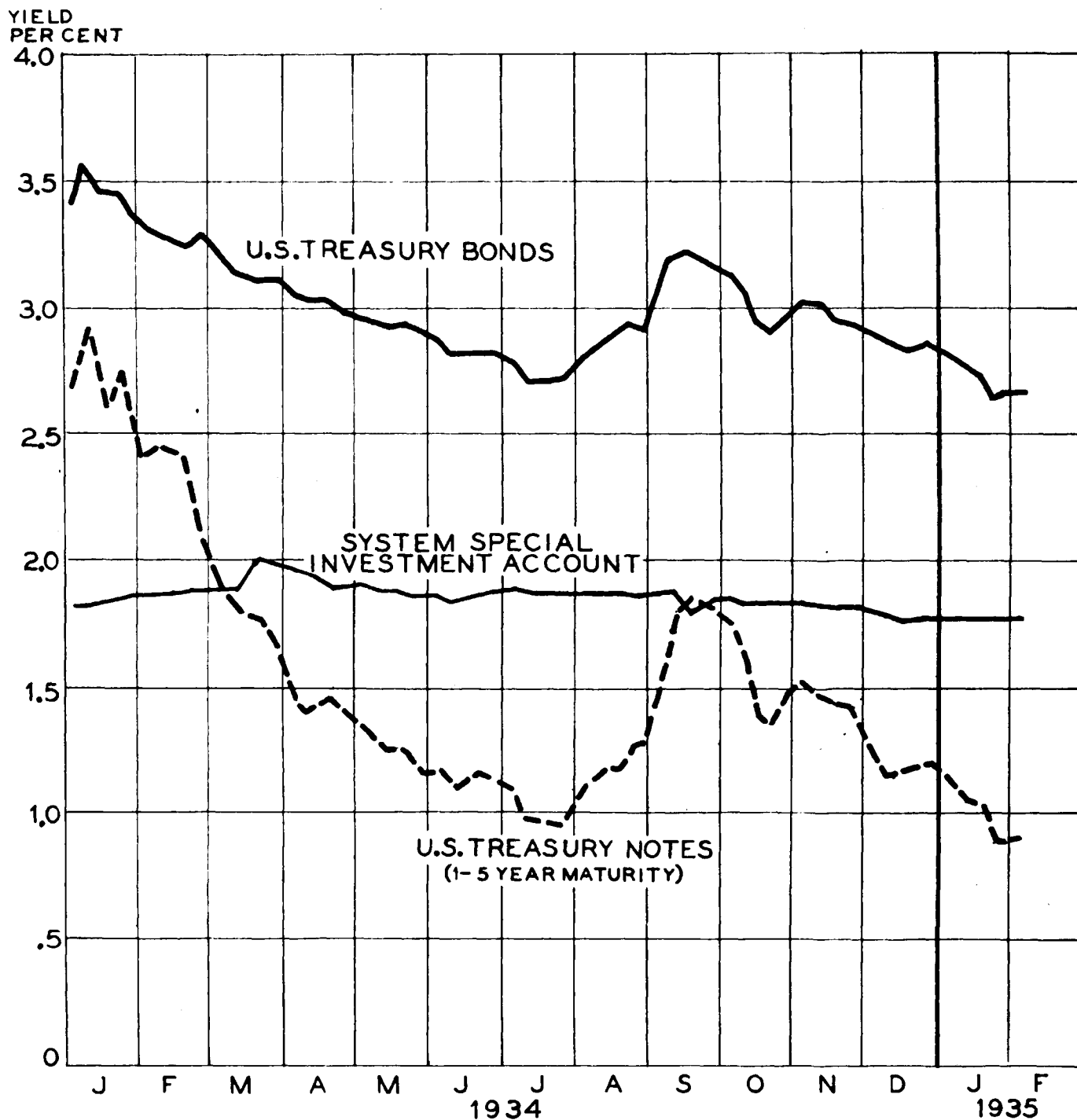
DECLASSIFIED

Authority *Ex Order 13256*

Federal Reserve Bank
of New York
Reports Department
FEB 2, 1935.

2826

Exhibit "D"



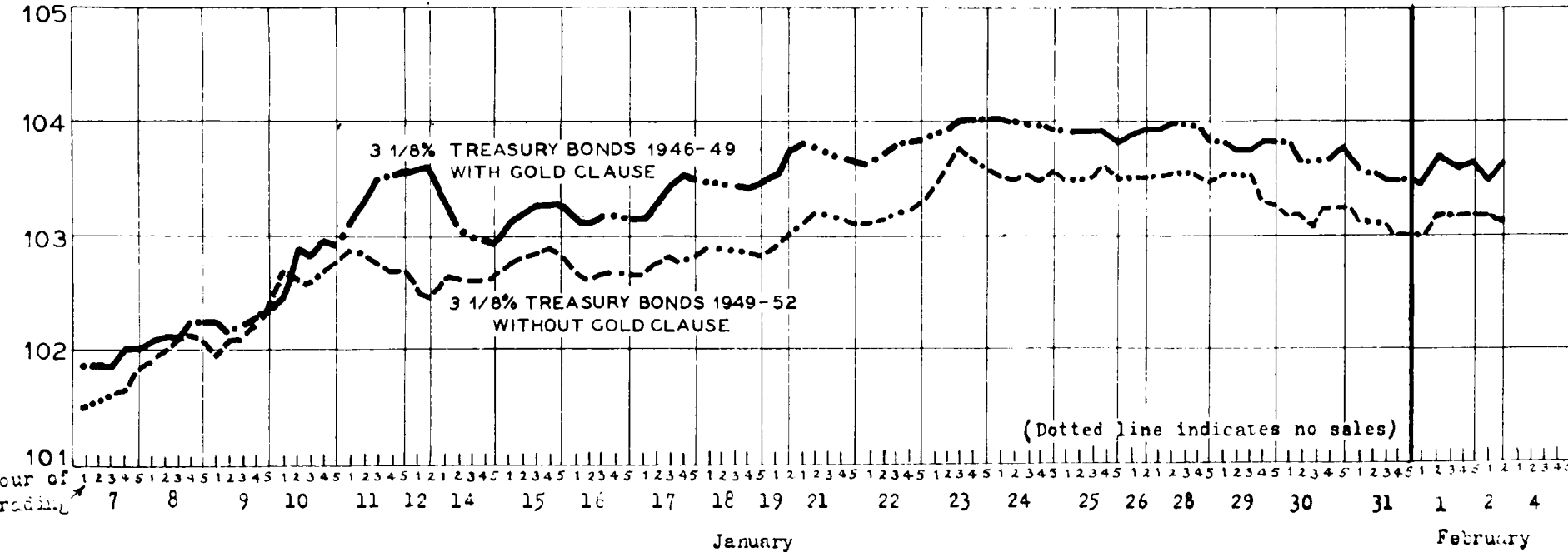
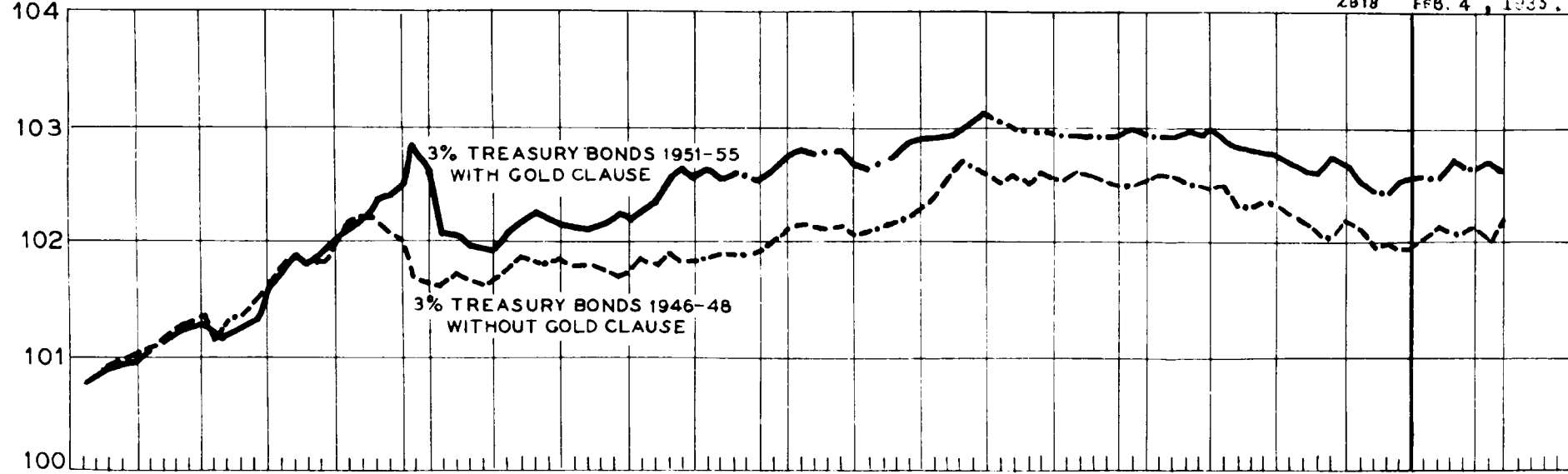
Average Earning Rate on Holdings of U. S. Government Securities
in System Special Investment Account and Average Yield on Outstanding
U. S. Treasury Bonds and Treasury Notes

DECLASSIFIED
Authority Ex Order 13856

Federal Reserve
of New York
Reports Department
2018 FEB. 4, 1935.

Exhibit "E"

PRICE AVERAGE



(Dotted line indicates no sales)

Average Hourly Sale Prices on New York Stock Exchange of 3 and 3 1/8 per cent U. S. Treasury Bonds

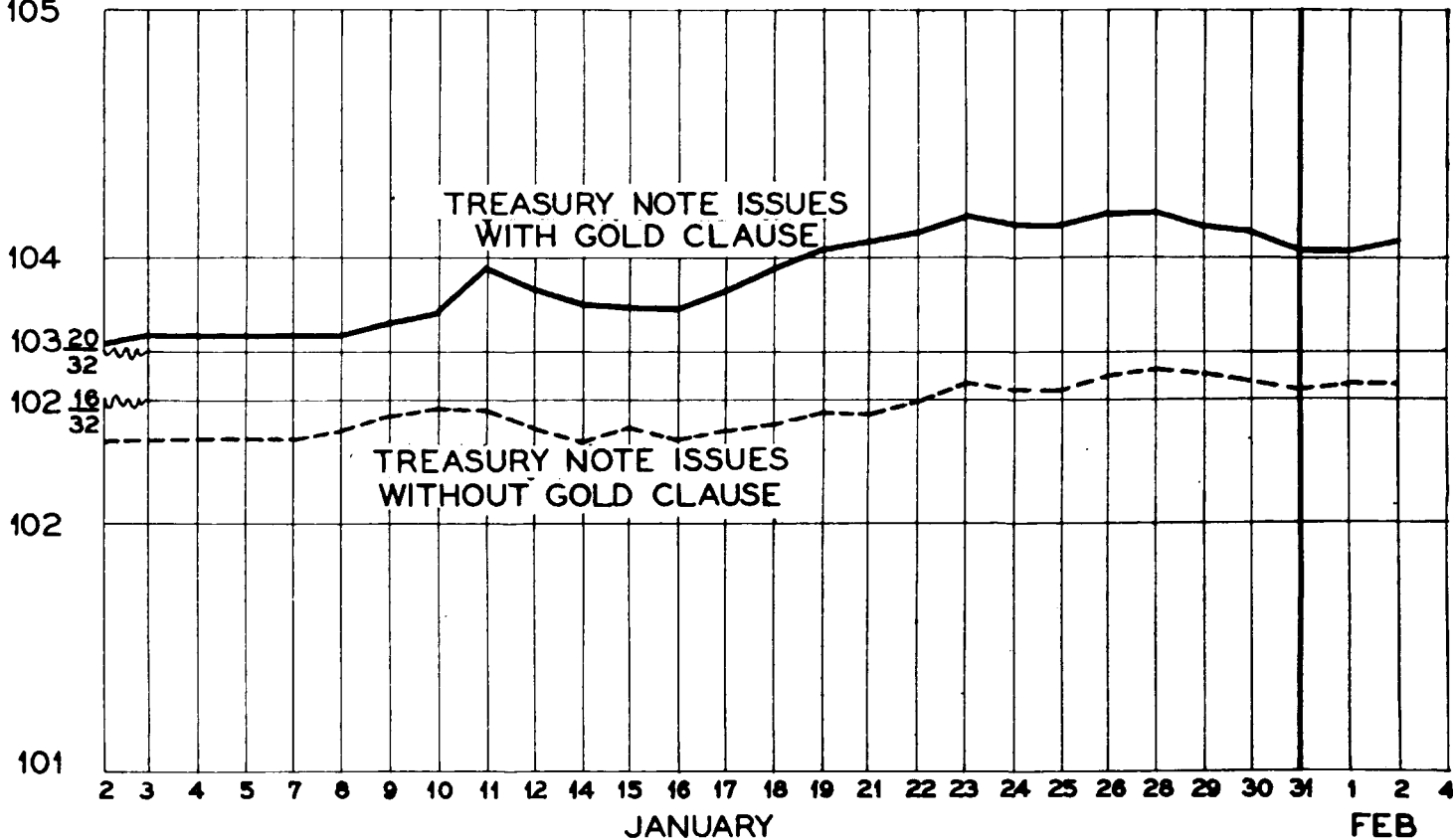
DECLASSIFIED

Authority *Ex Order 12256*

Federal Reserve Bank
of New York
Reports Department
JAN 24, 1935.
2817

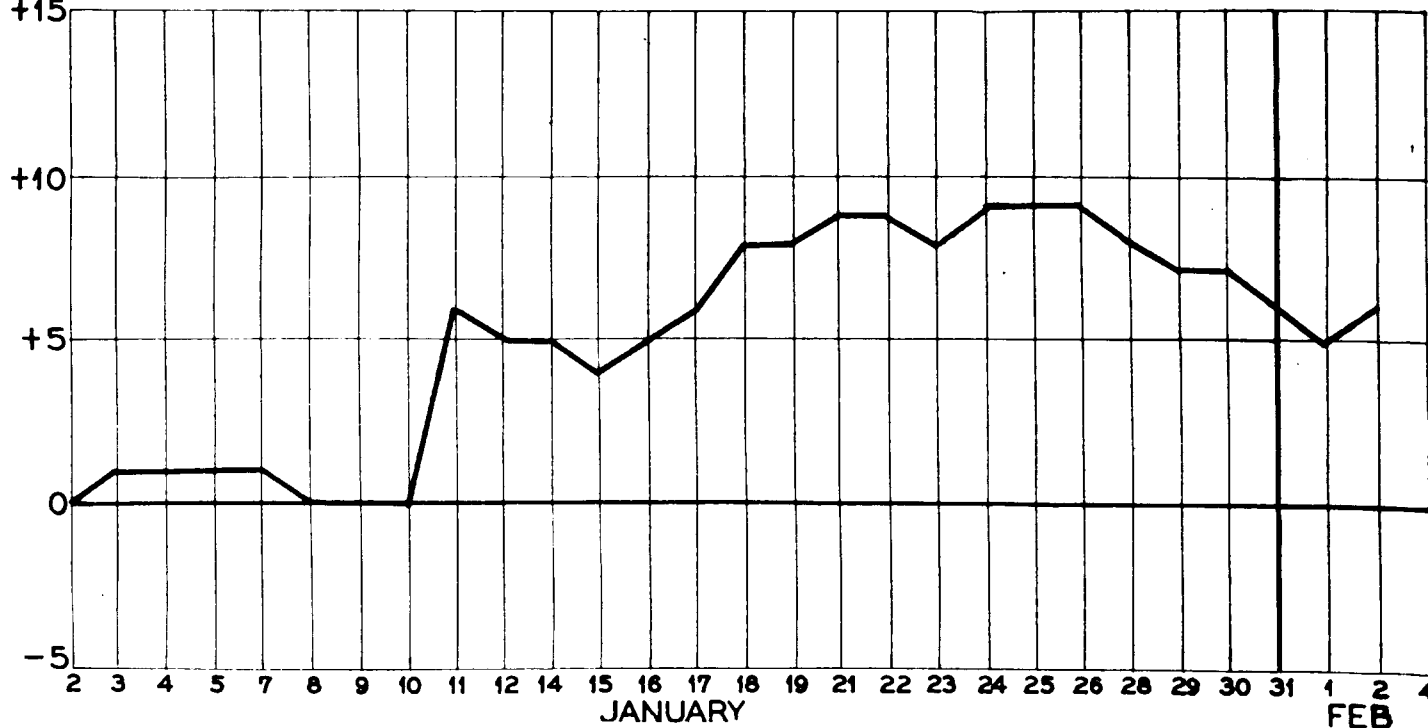
Exhibit "F"

PRICE AVERAGE
105



Daily Average Closing Prices of U. S. Treasury Notes Carrying Gold Clause and Treasury Notes Without Gold Clause

32 NDS. OF A POINT
+15



Daily Change in Spread Between Average Prices of U. S. Treasury Notes Carrying Gold Clause and Treasury Notes Without Gold Clause

DECLASSIFIED
Authority Ex Order 12356

333.3-a-1

Voted -

Subject to the approval of the Fed. Res. Bd, and superseding previous 7/5/35 VOTED -

That the ^{Carded} executive committee be authorized Subject to the approval of the Federal Reserve Board, and superseding previous ^{between maturities} authorizations, that the executive committee be authorized to buy, sell, or make shifts between maturities of government securities up to \$250,000,000 and be further authorized to buy, sell, or make shifts between maturities of an additional \$250,000,000 on telegraphic approval of a majority of the open market committee in case of emergency requiring action before a meeting of the full committee could be arranged. ^{of a majority of the open market} Comm. in case of emergency requiring action before a meeting of the full comm could be arranged

see telegram 7/6/35 filed 333.3-a

DECLASSIFIED

Authority: E.O. Order 12956

Voted, -

Subject to the approval of the Fed. Res. Bd, and superseding previous authorizations, that the executive committee be authorized to buy, sell, or make shifts between maturities of govt securities up to \$250,000,000 and be further authorized to buy, sell, or make shifts between maturities of an additional \$250,000,000 on telegraphic approval of a majority ~~of the committee~~ of the open market Comm. in case of emergency requiring action before a meeting of the full Comm. could be arranged.

DECLASSIFIED
Authority *Ex Order 12956*

333.3-a-1

FEDERAL RESERVE BANK
OF NEW YORK

February 7, 1935.

Dear Governor Eccles:

Enclosed herewith is a tentative draft of
the minutes of the meeting of the Federal Open Market
Committee held at Washington on February 5.

*See 2-5-35 filed 333.3-a-1
Final
minutes*

Very truly yours,

W. Randolph Burgess

W. Randolph Burgess
Secretary, Federal
Open Market Committee

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

WRB.H

FOR CIRCULATION

-
- Mr. Hamilton
- Mr. Miller
- Mr. James
- Mr. Thomas
- Mr. Szymanski
- Mr.
- Mr.
- Mr. Merrill
- Mr. E. A. Tamm
- Mr. Clegg
- Mr. Glavin
- Mr. Ladd
- Mr. Nichols
- Mr. Rosen
- Mr. Tracy
- Mr. Carson
- Mr. Egan
- Mr. Gurnea
- Mr. Harbo
- Mr. Hendon
- Mr. Pennington
- Mr. Quinn
- Mr. Nease
- Mr. Gandy

Please note --- check
and return to
Mr. Carson

[Handwritten initials and signatures]

[Handwritten initials]

see ans. 2/11/35

DECLASSIFIED
Authority *Ex Order 12956*

333.3-a-1

February 11, 1935.

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

Dear Dr. Burgess;

Governor Eccles has asked me to acknowledge receipt of your letter of February 7 and the tentative draft ^{*see 2/5/35 file*} *333.3-a-1* inclosed therewith of the *7 final minutes* minutes of the meeting of the Federal Open Market Committee held at Washington on February 5.

Very truly yours,

(Signed) Chester Morrill

Chester Morrill,
Secretary.

CM:agh

cur

FILE COPY

DECLASSIFIED
 Authority *Ex Order 12956*

COPY

333.3-a-1

FEDERAL RESERVE BANK
 OF NEW YORK

June 7, 1935.

Dear Sir:

Enclosed please find the minutes, etc., which are *Final Minutes* missing from your files. *2/5/35 filed 333.3-a-1.*

Will you please remove the words "Tentative draft Subject to Change" from the minutes of February 5 and February 27. No changes were made in these minutes, so they stand as final copies.

I am listing below the records you should have:

Minutes	Preliminary Memorandum	Report Operations
Feb. 5 Final draft	yes	yes
" 20 Final draft	no	yes
" 27 Final draft	no	no
Mar. 15 Tentative	no	no
Apr. 17 Tentative	no	yes
May 27 No	yes	yes

Very truly yours,

(Signed) R. A. Holmes

(Secretary to Dr. Burgess)

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

orig filed meeting 6/7/35 - 333.3-a-1

TELEGRAM

FEDERAL RESERVE SYSTEM

(LEASED WIRE SERVICE)

333-3-a-1

RECEIVED AT WASHINGTON, D. C. 1935 JAN 28 AM 10 13

13bfa

Boston 950a Jan 28

Eccles

Washn

1/26/35

In reply to Trans 2209 I advise that I will attend open market meeting in Washington on February fifth at ten thirty AM.

Young

1012am

TELEGRAM

FEDERAL RESERVE SYSTEM

(LEASED WIRE SERVICE)

333,3-a-1

RECEIVED AT WASHINGTON, D. C.

139bmr

New York 130p Jan 28

1935 JAN 28 PM 1 35

Eccles

Washington

Trans 2209

Your telegram January 26 I shall be glad to attend meeting of
Federal Open market committee to be held in Washington tuesday
February 5

Harrison

135pm

TELEGRAM

T. W. Carpenter

FEDERAL RESERVE SYSTEM

(LEASED WIRE SERVICE)

333,3-a-1

RECEIVED AT WASHINGTON, D. C.

1935 JAN 28 AM 9 58

2 c m

Phiba 955a Jan 28

Eccles

FRB Washn

Will expect to attend meeting of open market committee on

February 5th

Norris

958a

see Trans 2209 - 1/26/35

TELEGRAM

FEDERAL RESERVE SYSTEM

(LEASED WIRE SERVICE)

333.3-a-1

14dea

RECEIVED AT WASHINGTON, D. C.

Cleveland 955a jan 28

Eccles

1935 JAN 28 AM 10 00

Washington.

1/26/35

Twill 2209 I will attend meeting open market committee tuesday

February 5th.

Fleming

10am

TELEGRAM

FEDERAL RESERVE SYSTEM

(LEASED WIRE SERVICE)

333.3-a-1

RECEIVED AT WASHINGTON, D. C.

1935 JAN 28 AM 11 30

13rhbb

Richmond 1124a Jan 28

Governor Eccles

Washington

Trans 7209-1/26/35

Responding to your wire will attend open market conference fifth
February

Seay

1128am

TELEGRAM

FEDERAL RESERVE SYSTEM

(LEASED WIRE SERVICE)

333.3-a-1

18fu

RECEIVED AT WASHINGTON, D. C.

Atlanta 928a Jan 28

1935 JAN 28 AM 10 29

Eccles

Washn

1/26/35

Twill your number 2209 will attend meeting Federal Open Market
Committee on February fifth

Newton

1029a

TELEGRAM

FEDERAL RESERVE SYSTEM

(LEASED WIRE SERVICE)

333, 3-a-1

112gb

RECEIVED AT WASHINGTON, D. C.

Chicago Jan 28 ~~10~~ 1052am

1935 JAN 28 AM 11 57

Eccles

Washn

Will attend meeting of Federal Open Market Committee to be held
tuesday february fifth in Washington

Schaller

1158am

TELEGRAM

333.3-a-1

FEDERAL RESERVE SYSTEM

(LEASED WIRE SERVICE)

181gb

RECEIVED AT WASHINGTON, D. C.

Stlouis Jan 28 1229p

Eccles

1935 JAN 28 PM 1 37

Washn

Will be present at meeting of Federal Open Market Committee on
Tuesday February 5

Martin

137p

TELEGRAM

FEDERAL RESERVE SYSTEM

(LEASED WIRE SERVICE)

333.3-a-1

42gb

Minneapolis Jan 28 930am

RECEIVED AT WASHINGTON, D. C.

Eccles

Washington.

1935 JAN 28 AM 10 45

Will be present at meeting February fifth

Geery

1047am

see trans 2209 - 1/26/35

TELEGRAM

FEDERAL RESERVE SYSTEM

(LEASED WIRE SERVICE)

333.3-a-1

RECEIVED AT WASHINGTON, D. C.

145gmrl6

1935 JAN 28 PM 12 38

Kansas City Jan 28-1117a

Eccles

Washington.

Twill 2209 1/26/35

Shall attend meeting of Federal Open Market Committee

Tuesday, February 5.

Hamilton

1238p

TELEGRAM

FEDERAL RESERVE SYSTEM

(LEASED WIRE SERVICE)

333.3-a-1

44gb 16

RECEIVED AT WASHINGTON, D. C.

Dallas 923am Jan 28

1935 JAN 28 AM 10 47

Eccles

Washn

1/26/35

Twill 2209 will be present at Open Market Committee meeting
on February 5

McKinney

1048am

TELEGRAM

FEDERAL RESERVE SYSTEM

(LEASED WIRE SERVICE)

333,3-a-1

RECEIVED AT WASHINGTON, D. C.

B S G Y

Sanfrancisco Jan 28 203p ¹⁹³⁵ JAN 28 PM 5 43

Eccles

Washn

Will attend meeting Federal Open Market Committee Tuesday

February fifth though Friday eighth would suit better

Calkins

542p

see ans 1/30/35

see trans 2209 - 1/26/35

333.3-a-1

CONFIDENTIAL

REPORT OF OPEN MARKET OPERATIONS TO MEETING OF THE
EXECUTIVE COMMITTEE OF THE FEDERAL OPEN MARKET COMMITTEE
HELD IN WASHINGTON ON FEBRUARY 20, 1935

The present holdings of United States Government securities in the System Special Investment Account amount to - - - - - \$2,223,149,500.

There has been no change in this amount since November 8, 1933.

Transactions in Government securities in the System Account since the last meeting of the Federal Open Market Committee on February 5, 1935, were as follows:

(1) Redemption at maturity of \$39,467,000 Treasury bills which were replaced by purchases in the market of other Treasury bills.

(2) Transfer of the following participations within the account:

\$7,500,000 to St. Louis from New York's participation
7,500,000 " " " " Chicago's "

This increase in participation by the Federal Reserve Bank of St. Louis was effected at its request for the purpose of improving its earning position.

There were no purchases of bankers acceptances during the period February 5, 1935 - February 13, 1935. Maturities of \$35,000 during this period left the System without any holdings of bankers acceptances.

Attached are exhibits showing the following:

Exhibit "A" - Maturity Distribution of Holdings of Government Securities in the System Account At The End of Each Month 1932, 1933, 1934 and on February 19, 1935.

Exhibit "B" - Classification of Issues Held in the System Account on February 19, 1935, and the Percentage of Each Issue Held in the Account as Compared With the Amount of the Respective Issue Outstanding.

MATURITY DISTRIBUTION OF HOLDINGS IN SYSTEM ACCOUNT
END OF EACH MONTH - 1932-33-34-35

(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	Other 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.	860*	39	1,257	57	1,443	66	498**	23	252	11	-	-	2,193
Nov.	845*	43	1,235	56	1,435	65	511**	23	252	11	25	1	2,223
Dec.	887*	40	1,216	55	1,426	64	520**	24	252	11	25	1	2,223
<u>1934</u>													
Jan.	887*	40	1,216	55	1,426	64	520**	24	252	11	25	1	2,223
Feb.	987*	44	1,190	54	1,415	64	531**	24	252	11	25	1	2,223
Mar.	799*	36	1,034	47	1,287	58	659**	30	252	11	25	1	2,223
Apr.	730*	33	1,008	45	1,476	67	488**	21	195	9	64	3	2,223
May	717*	32	991	44	1,475	66	489**	22	195	9	64	3	2,223
June	765*	34	972	44	1,354	61	550**	24	195	9	124	6	2,223
July	732*	33	939	42	1,321	59	583**	26	195	9	124	6	2,223
Aug.	705*	32	1,018	46	1,365	61	539**	24	195	9	124	6	2,223
Sept.	654	29	868	39	1,258	56	646**	29	195	9	124	6	2,223
Oct.	749*	34	964	43	1,342	60	647**	29	110	5	124	6	2,223
Nov.	752*	34	968	43	1,349	60	640**	29	110	5	124	6	2,223
Dec.	794*	36	953	43	1,405	63	584**	26	110	5	124	6	2,223
<u>1935</u>													
Jan.	790*	35	950	43	1,394	62	595**	27	110	5	124	6	2,223
Feb. 8	876*	39	950	43	1,394	62	595**	27	110	5	124	6	2,223
" 19	876*	39	950	43	1,460	65	529**	24	110	5	124	6	2,223

*Includes Fourth Liberties "called"

**Does not include Fourth Liberties "uncalled" maturing October 1938.

CLASSIFICATION OF ISSUES HELD IN THE SYSTEM ACCOUNT ON FEBRUARY 19, 1935 AND THE PERCENTAGE OF EACH ISSUE IN THE ACCOUNT AS COMPARED WITH THE AMOUNT OF THE RESPECTIVE ISSUE OUTSTANDING
(000 Omitted)

				System Account Holdings	Amount Re-spective Issue Outstanding	Percentage of Issues Held to Amount Outstanding
TREASURY BILLS						
U. S. Treasury Bills due	Feb.	20, 1935		\$ 16,650	\$ 75,090	22.17%
" " " "	"	27, 1935		19,040	75,065	25.56%
" " " "	Mar.	6, 1935		20,650	75,290	27.45%
" " " "	"	15, 1935		17,880	75,365	23.72%
" " " "	"	20, 1935		24,800	75,041	33.05%
" " " "	"	27, 1935		27,700	75,023	36.92%
" " " "	Apr.	3, 1935		13,250	75,038	17.66%
" " " "	"	10, 1935		14,532	75,560	19.28%
" " " "	"	17, 1935		18,250	75,248	24.25%
" " " "	"	24, 1935		18,703	75,102	24.90%
" " " "	May	1, 1935		22,250	75,015	29.66%
" " " "	"	8, 1935		19,440	75,075	25.89%
" " " "	"	15, 1935		24,287	75,045	32.36%
" " " "	"	22, 1935		16,875	75,168	22.45%
" " " "	"	29, 1935		20,700	75,287	27.49%
" " " "	June	5, 1935		23,203	75,159	30.88%
" " " "	"	19, 1935		19,230	75,020	25.63%
" " " "	"	26, 1935		20,000	75,300	26.56%
" " " "	July	3, 1935		27,399	75,150	36.46%
" " " "	"	10, 1935		18,750	75,185	24.94%
" " " "	"	17, 1935		23,200	75,079	30.90%
" " " "	"	24, 1935		21,200	75,129	28.22%
" " " "	"	31, 1935		10,010	75,106	13.33%
" " " "	Aug.	7, 1935		25,525	75,185	33.95%
" " " "	"	14, 1935		17,932	75,112	23.87%
		TOTALS		\$ 501,456	\$ 1,878,617	26.69%
TREASURY NOTES						
2 1/2% Treasury Notes	Mar.	15, 1935		\$ 74,350	\$ 528,102	14.08%
3 % " "	June	15, 1935 (g)		130,395	416,603	31.30%
1 5/8% " "	Aug.	1, 1935		85,723	353,865	24.22%
2 1/2% " "	Dec.	15, 1935		73,621	418,291	17.60%
2 7/8% " "	Apr.	15, 1936 (g)		157,395	558,819	28.16%
1 1/8% " "	June	15, 1936		50,000	686,673	7.28%
3 1/4% " "	Aug.	1, 1936 (g)		79,042	364,138	21.71%
1 1/2% " "	Sept.	15, 1936		58,967	514,066	11.47%
2 3/4% " "	Dec.	15, 1936 (g)		99,368	357,921	27.76%
3 % " "	Feb.	15, 1937		65,685	428,730	15.32%
3 % " "	Apr.	15, 1937 (g)		84,175	502,362	16.76%
3 1/4% " "	Sept.	15, 1937 (g)		84,750	817,483	10.37%
2 5/8% " "	Feb.	1, 1938 (g)		58,820	276,680	21.26%
3 % " "	Mar.	15, 1938		97,099	455,175	21.33%
2 7/8% " "	June	15, 1938		55,500	618,057	8.66%
2 1/2% " "	Sept.	15, 1938		80,481	596,405	13.49%
2 1/8% " "	June	15, 1939		69,438	1,294,000	5.37%
		TOTALS		\$1,402,799	\$ 9,187,370	15.27%
LIBERTY LOAN AND TREASURY BONDS						
3 1/2% 1st L/L Bds of 1932-47			(g)	\$ 25,025	\$ 1,398,228	1.79%
4 1/4% 1st " " " 1932-47			(g)	29,000	535,982	5.41%
4 1/4% 4th " " " Called 4/15/35			(g)	84,668	1,870,000	4.53%
4 1/4% 4th " " " of 1933-38			(g)	56,201	1,245,578	4.51%
3 1/4% Treas. Bonds of 1941				20,000	834,474	2.40%
3 1/4% " " " 1944-46				39,000	1,518,858	2.57%
3 1/4% " " " 1943-45				25,000	1,400,570	1.78%
3 % " " " 1946-48				40,000	824,508	4.85%
		TOTALS		\$ 318,894	\$ 9,628,196	3.51%
		GRAND TOTALS		\$2,225,149	\$20,694,185	10.74%

Total of all issues of Treasury Bills, Notes, Liberty Loan and Treasury Bonds outstanding unmatured. \$26,472,178
Percentage held in System Account. 8.40%

(g) contains gold clause

DECLASSIFIED
Authority *Ex Order 12956*

333.3-a-1

CONFIDENTIAL

TENTATIVE DRAFT - SUBJECT TO CHANGE

MINUTES OF THE MEETING OF THE EXECUTIVE COMMITTEE
OF THE FEDERAL OPEN MARKET COMMITTEE
HELD AT WASHINGTON, D. C.
FEBRUARY 20, 1935.

The meeting was called to order at 10:15 a. m., there being present
Governors Harrison, chairman, Fleming, Seay, and Schaller
Deputy Governors Paddock and Burgess, secretary.

The secretary's report on open market operations was distributed and
ordered accepted and placed on file. There ensued an informal discussion of
banking legislation and of Treasury financing.

At eleven o'clock the meeting adjourned to the office of the Secretary
of the Treasury, there being present in addition to the members of the committee

Secretary Morgenthau, Governor Eccles, Under Secretary Coolidge,
Messrs. Bell, Haas, Upham, of the Treasury.

The Secretary discussed with the committee proposals for Treasury
financing, including the suggestion that the Treasury might issue nine months
discount bills in addition to six months bills and gradually increase the total
amount of bills outstanding and including also problems of financing operations
on March 15.

The committee was asked to meet again with the Secretary on Wednesday,
February 27, for further discussion of March financing.

At 11:50 a. m. the committee adjourned to the offices of the Federal
Reserve Board, and after general informal discussion adjourned at 1:30 p. m.

W. Randolph Burgess

Secretary

DECLASSIFIED
Authority EX Order 12956

333.3-a-1

FEDERAL RESERVE BANK
OF NEW YORK

Marriner

February 26, 1935.

Dear Governor Eccles:

2-20-35

Enclosed herewith is a tentative draft of the minutes of the meeting of the executive committee of the Federal Open Market Committee held at Washington on February 20, 1935, together with the report of open market operations.

Will you please let me know if you have any suggestions as to changes in the minutes.

Very truly yours,

W. Randolph Burgess

W. Randolph Burgess
Secretary, Federal
Open Market Committee

MSB

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

WRB:H
encl.

See memo. 3/1/35

DECLASSIFIED
Authority *Ex Order 12956*

333.3-a-1

FEB 1 1935

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

Dear Mr. Burgess:

Governor Eccles has asked me to acknowledge receipt of your letter of February 26 and the tentative draft inclosed therewith of the minutes of the meeting of the executive committee of the Federal Open Market Committee held at Washington on February 20, 1935, together with the report of open market operations. Governor Eccles has no suggestions to offer as to changes in the minutes.

Very truly yours,

Charles Merrill
Secretary.

CM yd

CW

FILE COPY

DECLASSIFIED
Authority *Ex Order 12956*

COPY

333.3-a-1

FEDERAL RESERVE BANK
OF NEW YORK

June 7, 1955.

Dear Sir:

Enclosed please find the minutes, etc., which are *Final minutes* missing from your files. *2/20/65 filed 333.3-a-1*

Will you please remove the words "Tentative draft Subject to Change" from the minutes of February 5 and February 27. No changes were made in these minutes, so they stand as final copies.

I am listing below the records you should have:

Minutes	Preliminary Memorandum	Report Operations
Feb. 5 Final draft	yes	yes
" 20 Final draft	no	yes
" 27 Final draft	no	no
Mar. 15 Tentative	no	no
Apr. 17 Tentative	no	yes
May 27 No	yes	yes

Very truly yours,

(Signed) R. A. Holmes

(Secretary to Dr. Burgess)

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

orig filed 333.3-a-1 meeting 6/7/55

COPY

333.3-a-1

FEDERAL RESERVE BANK
OF NEW YORK

June 7, 1955.

Dear Sir:

Enclosed please find the minutes, etc., which are Final minutes missing from your files. *2/27/35 filed 333.3-a-1*

Will you please remove the words "Tentative draft Subject to Change" from the minutes of February 5 and February 27. No changes were made in those minutes, so they stand as final copies.

I am listing below the records you should have:

Minutes	Preliminary Memorandum	Report Operations
Feb. 5 Final draft	yes	yes
" 20 Final draft	no	yes
" 27 Final draft	no	no
Mar. 15 Tentative	no	no
Apr. 17 Tentative	no	yes
May 27 No	yes	yes

Very truly yours,

(Signed) R. A. Holmes

(Secretary to Dr. Burgess)

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

orig filed 333.3-a-1 meeting 6/7/35

333.3-a-1

MAR 11 1935

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

Dear Mr. Burgess:

Governor Eccles has asked me to acknowledge receipt of your letter of March 2 and the tentative draft inclosed therewith of the minutes of the executive committee meeting held on Wednesday, February 27. Governor Eccles offers no suggestions as to any changes in the minutes.

Very truly yours,

Secretary.

CM-yd

Om

FILE COPY

~~W. Randolph Burgess~~
333.3-a-1

FEDERAL RESERVE BANK
OF NEW YORK

March 2, 1935.

Dear Governor Eccles:

Enclosed herewith is a tentative draft of
the minutes of the executive committee meeting held
on Wednesday, February 27.

See 2-27-35 filed
333.3-a-1
Final minutes

Will you please let me know any suggestions
you may have as to changes.

Very truly yours,

W. Randolph Burgess

W. Randolph Burgess
Secretary, Federal Open
Market Committee

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

WRB:H
encl.

- FOR CIRCULATION
- Gov. Eccles ✓
 - Mr. Boardman ✓
 - Mr. E. A. Tamm ✓
 - Mr. Clegg ✓
 - Mr. Glavin ✓
 - Mr. Ladd ✓
 - Mr. Nichols ✓
 - Mr. Rosen ✓
 - Mr. Tracy ✓
 - Mr. Carson ✓
 - Mr. Egan ✓
 - Mr. Gurnea ✓
 - Mr. Harbo ✓
 - Mr. Hendon ✓
 - Mr. Pennington ✓
 - Mr. Quinn ✓
 - Mr. Nease ✓
 - Mr. Gandy ✓

Please
and
MSE

see ans. 3/11/35

333.3-a-1

FEDERAL RESERVE BANK
OF NEW YORK

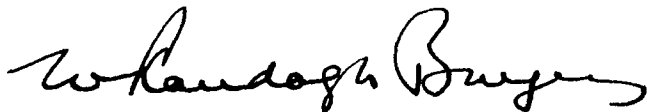
March 15, 1935.

Dear Governor Eccles:

Enclosed herewith is a tentative draft of the minutes ³⁻¹³⁻³⁵ of the meeting of the Executive Committee held in Washington on Wednesday, March 13.

There are also enclosed revised final drafts of the minutes of the Executive Committee meetings of January 25 and February 20. Since no changes have been suggested in the tentative drafts of the minutes of February 5 and February 27, these drafts which you now have may be considered as final. ^{3/13/35 filed 333.3-a-1 Final Minutes}

Very truly yours,



W. Randolph Burgess
Secretary, Federal
Open Market Committee

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

WRB.H
encl.

CONFIDENTIAL

333.3-a-1

TENTATIVE DRAFT - SUBJECT TO CHANGE

MINUTES OF THE MEETING OF THE EXECUTIVE COMMITTEE
OF THE FEDERAL OPEN MARKET COMMITTEE
HELD AT WASHINGTON, D. C.
MARCH 13, 1935.

The meeting was convened at 10:40 a. m. at the offices of the Federal Reserve Board, there being present

Governors Young, Fleming, Seay, and Schaller, and
Deputy Governor Burgess, secretary.

In the absence of Governor Harrison, Governor Young was elected chairman pro tem.

Mr. Burgess reported that in accordance with the agreement of the members of the committee by telephone, and under authority of the resolution adopted by the Federal Open Market Committee on February 4 to buy, sell, or shift up to \$250,000,000 of government securities, one half of the called Fourth 4 1/4 per cent Liberty bonds held in the System open market account had been delivered to the Treasury for conversion into the new 2 7/8 per cent bonds, and that there was still held in System account \$42,367,700 of these bonds. While the committee had authorized the sale of these bonds in the market when possible, (with corresponding purchases of other maturities) the market for Fourths had not been strong enough to carry out the operation without interfering with the conversion. Mr. Burgess reported that the Federal Reserve Bank of New York had followed the same procedure as the committee with respect to its holdings of \$12,000,000 of Fourth 4 1/4 per cent Liberty bonds.

After discussion it was agreed that the remainder of these bonds in the System account should be sold in the market if it could be done without depressing the market and thus interfering with the conversion. If this was not possible it was agreed that they should be converted into the new 2 7/8 per cent bonds with

the understanding that an attempt would be made later to shift into other maturities a sufficient amount to avoid relatively excessive holdings of a single bond issue.

Mr. Burgess also reported that under the agreement of the committee to buy up to \$25,000,000 of bonds in order to maintain an orderly market, the following purchases had been made:

For System Account

\$ 750,000	- 3	% Treasury bonds 1951-55
775,000	- 3	1/2% Treasury bonds 1949-52
4,050,000	-	Fourth Libertys, for later delivery
1,100,000	- 3	% Treasury bonds of 1951-55 for later delivery
2,240,000	- 3	1/8% Treasury bonds 1949-52 for later delivery

System holdings of Treasury bills had been reduced by an amount corresponding to the amounts of the above purchases actually delivered. As the market improved it might be possible to resell to the market some of the bonds delivery of which had not yet been taken. He also reported that the Treasury had now undertaken to make purchases of called Fourths for its own account in order that the System might not be loaded up with too large an amount of this maturity in view of its already large holdings.

There was then a brief discussion of the question whether the Treasury should call for redemption on June 15 any or all of the First Liberty Loan Bonds now outstanding.

At 11:00 a. m. the committee adjourned to the office of the Secretary of the Treasury, there being present in addition to the committee,

Secretary Morgenthau, Under Secretary Coolidge, and Messrs. Bell, Haas, and Upham.

Governor Young reported the action of the committee with respect to its holdings of called Fourth 4 1/4 per cent Liberty Bonds, and with respect to

purchases of bonds in the market to maintain an orderly market. There ensued a discussion of the proper function of the Federal Reserve System with respect to the government security market, in the course of which there was pointed out the necessity for a bank of issue to maintain a large proportion of its assets in short term securities which can be liquidated rapidly at a time when it becomes the duty of the bank to exercise restraint.

There followed an extended informal discussion on the question of whether the Treasury should call for redemption on June 15 the first Liberty Loan bonds. All the members of the executive committee with the exception of Governor Seay recommended that the First 4 1/4 per cent bonds be called, but that the First 3 1/2 per cent bonds should not be called at this time. Governor Seay recommended that both issues should be called.

At about twelve o'clock the meeting adjourned briefly to Under Secretary Coolidge's office where the discussion was continued.

At 12:20 p. m. the committee returned to the Federal Reserve Board offices.

After a brief further informal discussion of general matters, the meeting adjourned at 12:45 p. m.

W. Randolph Burgess,
Secretary.

333.3-a-1

March 27, 1935.

Dr. W. Randolph Burgess,
Secretary, Federal Open Market Committee,
c/o Federal Reserve Bank of New York,
New York, New York.

Dear Dr. Burgess:

I have read over the tentative drafts of the minutes of the Executive Committee of the Open Market Committee held February 5th, February 27th and March 16th, and also the revised final drafts of the minutes of the meetings of the referred to committee held on January 25th and February 20th.

All of these minutes seem to me to be correct reports of the meetings and meet with my approval.

Sincerely yours,

M. S. Eccles,
Governor.

WRS:VH:gb

COPY

333.3-a-1

FEDERAL RESERVE BANK
OF NEW YORK

June 7, 1955.

Dear Sir:

Enclosed please find the minutes, ^{3/3/35 filed 333.3-a-1,} etc., which are Final Minutes missing from your files.

Will you please remove the words "Tentative draft Subject to Change" from the minutes of February 5 and February 27. No changes were made in these minutes, so they stand as final copies.

I am listing below the records you should have:

Minutes	Preliminary Memorandum	Report Operations
Feb. 5 Final draft	yes	yes
" 20 Final draft	no	yes
" 27 Final draft	no	no
<u>Mar. 15 ^{Final} tentative</u>	no	no
Apr. 17 Tentative	no	yes
May 27 No	yes	yes

Very truly yours,

(Signed) R. A. Holmes

(Secretary to Dr. Burgess)

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

orig. filed 333.3-a-1 meeting 6/7/35

COPY

333.3-a-1

FEDERAL RESERVE BANK
OF NEW YORK

June 14, 1935.

Dear Governor Eccles:

Enclosed is a tentative draft of the minutes of the meeting of the executive committee held in Washington on Friday, June 7.

Since no changes have been suggested in the tentative drafts of the minutes of March 13 and April 17, these drafts which you now have may be considered as final.

*3/13/35 filed 333.3-a-1
Final minutes*

Sincerely yours,

(Signed) W. Randolph Burgess

W. Randolph Burgess
Secretary, Federal
Open Market Committee

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

WRB.H
encl.

orig filed 333.3-a-1 meeting 6/7/35

February 4, 1935.

333.3-a-1

PRELIMINARY MEMORANDUM ON MONEY MARKET AND CREDIT CONDITIONS
FOR THE FEDERAL OPEN MARKET COMMITTEE,
FEBRUARY 5, 1935.

Since the September meeting of the Committee, total reserves of all member banks have increased approximately \$600,000,000 further to a new high level which, as the diagram at the end of this memorandum indicates, is nearly double the average level in 1929. Despite a substantial increase in reserve requirements during this period, excess reserves have increased approximately \$500,000,000, and for all member banks are now around \$2,200,000,000. Of this amount, at least \$850,000,000 is in New York City, reflecting in part deposits of idle funds of banks in various parts of the country with their New York City correspondents. In addition to large New York balances, member banks in other parts of the country now hold reserves which on the average are double their reserve requirements.

The principal factor in the increase in excess reserves for member banks in general has been the further large increase in the monetary gold stock of the United States, due to the heavy gold import movements of November, December, and January. The increase in the gold stock since the middle of last September has been more than \$400,000,000, and during the past year has amounted to approximately \$1,500,000,000, exclusive of the increase due to revaluation of previous holdings of monetary gold. In addition there has been an increase of more than \$100,000,000 in the amount of silver currency outstanding, and substantial net disbursements by the Treasury of other funds. ✓

The continued increase in excess bank reserves has been reflected to some extent in a further decline in short term money rates to new low levels, but even more in a further reduction in yields on long term securities, especially those of the highest grade. Changes since last September and during the past year in short term money rates and bond yields are shown in the following table:

	<u>Jan. 31,</u> <u>1934</u>	<u>Sept. 29,</u> <u>1934</u>	<u>Jan. 31,</u> <u>1935</u>
Stock Exchange call loans	1	1	1
Open market commercial paper	1 1/4-1 1/2	3/4-1	3/4
90 day acceptances	1/2	3/16	1/8
Direct commercial loans (New York City average)	2.46	2.08	1.75
Treasury securities			
Bills (average rate on latest sale)			
91 day	1.72	-	-
182 day	-	0.29	0.14
Certificates or notes maturing in 11 months	1.67	0.27	no yield
Long term bonds (average yield)	3.35	3.18	2.67
Other bonds			
Municipals (average yield on 15 high grade)	4.59	3.81	3.43
Corporation bonds			
Aaa (average yield on 30 bonds)	4.25	3.96	3.76
Baa (" " " 30 ")	6.47	6.48	5.99

The rapid accumulation of excess reserves in member banks has tended to obscure the fact that bank funds have been employed in very large volume. Reserve requirements of all member banks have increased approximately \$130,000,000 since last September and at least \$500,000,000 since the middle of 1933, reflecting the most rapid expansion of bank deposits since 1924. In the principal New York City banks, net demand deposits are now higher than at any previous time with the exception of one week at the time of the break in the security markets in the autumn of 1929, and for reporting member banks in other principal cities, net demand deposits now are probably close to the highest levels ever reached. In the smaller localities deposits remain substantially below the levels of 1930 and a few years preceding, reflecting a decrease in the number of banks through bank failures. The whole group classified as "country" banks shows, however, a very large increase in deposits since the middle of 1933.

Part of the increase in deposits has been due to the same factor as the increase in bank reserves, namely the large increase in gold stock, but a larger part has been due to credit expansion. Thus far there has not been much

evidence of an expansion in ordinary commercial loans, except for a substantial seasonal increase last autumn, but this is in keeping with the developments following other periods of depression, when a rise in commercial loans has usually lagged considerably behind the upturn in business. Liquidation of security loans has proceeded further, accompanying erratic fluctuations in the market for the more speculative securities.

The great expansion thus far has been in Government security holdings. The increase in holdings of such securities, including Government guaranteed securities, during the past few years is reviewed in the following table:

U. S. Government Security Holdings of Member Banks

End of Year	<u>Amount in millions of dollars</u>				<u>Per cent of total loans & investments</u>			
	<u>New York City</u>	<u>Other Reserve Cities</u>	<u>"Country" banks</u>	<u>All Members</u>	<u>New York City</u>	<u>Other Reserve Cities</u>	<u>"Country" banks</u>	<u>All Members</u>
1930	1,239	1,726	1,159	4,125	14	13	9	12
1931	1,768	2,132	1,418	5,319	24	18	13	17
1932	2,603	2,462	1,474	6,540	35	23	15	24
1933	2,362	3,209	1,683	7,254	34	32	21	29
1934	3,524	4,904	2,456	10,885	45	42	28	39

U. S. Government Security Holdings of Federal Reserve Banks

<u>End of Year</u>	<u>Amount in Millions of dollars</u>	<u>Per cent of total loans & investments</u>
1930	729	53.9
1931	817	44.8
1932	1,855	87.2
1933	2,437	91.3
1934	2,430	98.9

As this table indicates, the Government security holdings of member banks in New York City and in other Reserve cities including Chicago have nearly tripled,

and in "country" banks Government security holdings have more than doubled, during the past four years. For all member banks the Government security holdings have increased from 12 per cent of total loans and investments to 39 per cent.

Comparable data on the Government security holdings of non-member banks are not available, but it is clear that their participation in financing the national debt is nothing like proportionate to the participation of member banks. Mutual savings banks in New York State, for instance, had about 8 per cent of their funds invested in Government securities on June 30, 1934, as compared with more than 33 per cent for all member banks on that date, and non-member banks that are insured in the Federal Deposit Insurance Corporation had less than 15 per cent of their funds in Government securities on the same date.

Forty-nine of the principal life insurance companies increased their holdings of Government securities from \$421,000,000 at the end of 1932 to \$1,468,000,000 at the end of 1934. Such holdings increased from about 2 per cent of the total assets of these companies to somewhat over 7 per cent. Despite this large increase, however, their holdings of Government securities remain small relative to those of member banks. Other holders of Government securities evidently have not increased their holdings in anything like the same proportion as have member banks and life insurance companies.

<u>End of Year</u>	<u>Interest Bearing Gov't Debt</u>	<u>U. S. Securities Held by Member and F.R. Banks*</u>	<u>U. S. Securities Held by Others</u>	<u>Percentage of Gov't Debt Held By-</u>	
				<u>Member and F. R. Banks</u>	<u>Others</u>
(In millions of dollars)					
1930	15,774	4,854	10,920	31	69
1931	17,528	6,136	11,392	35	65
1932	20,448	8,395	12,053	41	59
1933	23,450	9,691	13,759	41	59
1934	27,944	12,326	15,618	44	56

*Exclusive of Government guaranteed bonds.

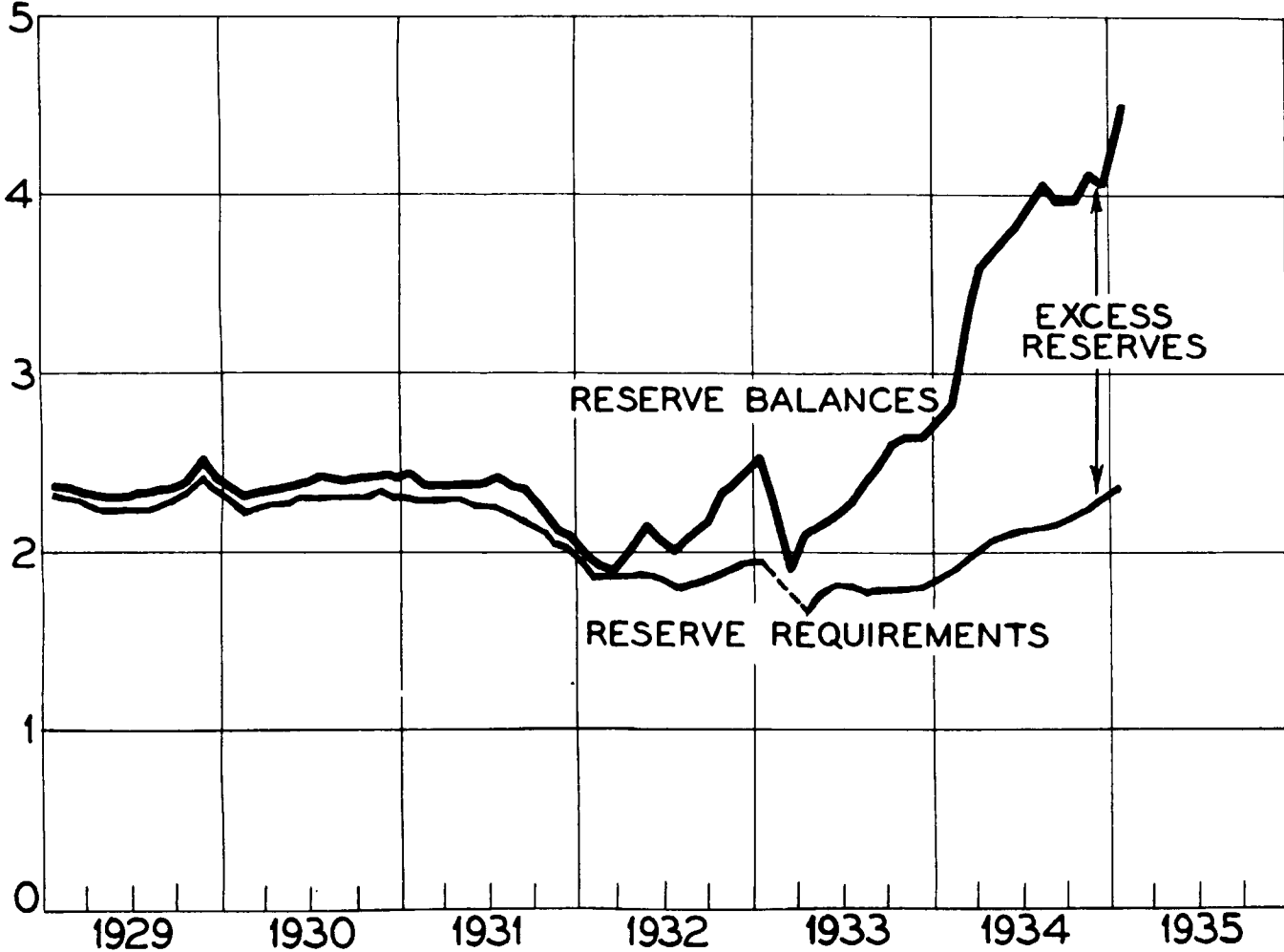
In England the holdings of Government securities by the London clearing banks at the end of 1934 amounted to 11 per cent of the national debt, and their holdings together with those of the Bank of England accounted for only about 15 1/2 per cent of the national debt, as compared with 44 per cent for member and Federal Reserve Banks in the United States.

It seems clear that the great accumulation of excess reserves in member banks has been a very large factor, if not the principal factor, in the strong market for Government securities which has been reflected in the reduction in yields on long term Government bonds to the lowest levels in many years, despite an increase of approximately \$4,500,000,000 in the gross debt of the Government during the past year.

It should be noted at the same time, however, than even if there were no further increase in excess bank reserves, the basis has been provided for a tremendous expansion in bank credit and bank deposits far in excess of any amounts that are likely to be needed to finance business recovery. Assuming the same ratio to total deposits to total reserves as at present, the present volume of reserves held by the banks would support an expansion of bank credit which would raise deposits to something like \$81,000,000,000, as compared with an average of approximately \$55,000,000,000 of deposits in 1929 and about \$42,000,000,000 at present, exclusive of inter-bank deposits.

Federal Reserve Bank
St. Louis
Reports Department
JAN. 29, 1935
2

BILLIONS
OF DOLLARS



Reserve Balances, Reserve Requirements, and Excess Reserves of All Member Banks

Form 148b

ELEGRAM

**FEDERAL RESERVE BOARD
WASHINGTON**

333.3-a-1

January 30, 1955.

Calkins - San Francisco

Your wire twentyeighth STOP Wires have been received from all the other Governors indicating their intention to be present on fifth and in view of other engagements previously made for eighth Governor Eccles feels that it is better not to change the date from February fifth

Morrill (Signed) Chester Morrill



CM-yd

FILE COPY

Form No. 131

FEDERAL RESERVE BOARD

Office Correspondence

Date January 29, 1935

To Governor Eccles

Subject: _____

From Mr. Carpenter

FEDERAL RESERVE BOARD FILE

330-1

16-002

Trans 2209

The replies received to your telegram of January 28, 1935, calling a meeting of the Federal Open Market Committee in Washington on Tuesday, February 5, at 10:30 a. m., indicate that the following will be present at the meeting:

- | | |
|-------------------|---------------|
| Governor Young | Boston |
| Governor Harrison | New York |
| Governor Norris | Philadelphia |
| Governor Fleming | Cleveland |
| Governor Seay | Richmond |
| Governor Newton | Atlanta |
| Governor Schaller | Chicago |
| Governor Martin | St. Louis |
| Governor Geery | Minneapolis |
| Governor Hamilton | Kansas City |
| Governor McKinney | Dallas |
| Governor Calkins | San Francisco |

333.3-a-1

~~Trans~~ 2209 - Date: 1/26/35

FOR ANSWERS SEE:

1. 1/28/35
2. 1/28/35
3. 1/28/35
4. 1/28/35
5. 1/28/35
6. 1/28/35
7. 1/28/35
8. 1/28/35
9. 1/28/35
10. 1/28/35
11. 1/28/35
12. 1/28/35

see memo 1/29/35

Form 148b

TELEGRAM

**FEDERAL RESERVE BOARD
WASHINGTON**

January 26, 1935.

Young - Boston
Harrison - New York
Norris - Philadelphia
Fleming - Cleveland
Seay - Richmond
Newton - Atlanta

Schaller - Chicago
Martin - St. Louis
Geery - Minneapolis
Hamilton - Kansas City
McKinney - Dallas
Calkins - San Francisco

Trans 2209

A meeting of the Federal Open Market Committee is hereby called to be held at Washington at the offices of the Federal Reserve Board beginning on Tuesday February fifth at ten thirty a. m. STOP It will be appreciated if you will advise me by wire as to your attendance

M. S. Eccles

OM-yd

Handwritten initials: CWL MLL

FILE COPY

333.3-a-1

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
January 28, 1935, addressed to Governor Eccles, and
inclosing a copy of the tentative draft of the minutes
of the meeting of the executive committee of the Fed-
eral Open Market Committee held in Washington on
January 25, 1935.

*See 1/25/35
filed 333.3-a-1
Final Minutes*

Governor Eccles has requested me to advise
you that he has no changes to suggest in the draft
of the minutes.

Very truly yours,

(signed) Chester Morrill

Chester Morrill,
Secretary.

SRG/acw
cm

FILE COPY

333.3-a-1

FEDERAL RESERVE BANK
OF NEW YORK

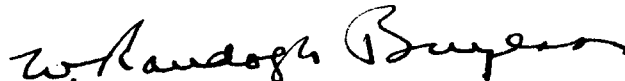
January 26, 1935.

Dear Governor Eccles:

Enclosed herewith is a tentative draft of the minutes of the executive committee held yesterday in Washington and mentioned in my telegram of to-day, also a copy of the secretary's report of operations.

*See 1-25-35 filed 333.3-a-1
Final Minutes*

Very truly yours,



W. Randolph Burgess
Secretary, Federal
Open Market Committee

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

WRB.H
encl.

Have you any changes to suggest?

333.3-a-1
1/25/35

VOTED that a wire be sent to all members of the Federal Open Market Committee to request them subject to the approval of the Federal Reserve Board to authorize the executive committee, pending a meeting of the full committee in the near future, to make purchases or sales or shifts between maturities in the System Account up to a total of \$250,000,000. This authorization is in addition to the authorization to make shifts between maturities up to 100 million dollars voted at the December 17 meeting. This authorization is desired primarily to place the System in position to use its influence towards preventing any possible disturbances in the market pending a meeting of the full committee.

see telegram 1/26/35 - filed 333.3-a

333.3-a-1

CONFIDENTIAL

TENTATIVE DRAFT - SUBJECT TO CHANGE

MINUTES OF THE MEETING OF THE EXECUTIVE COMMITTEE
OF THE FEDERAL OPEN MARKET COMMITTEE
HELD AT WASHINGTON, D. C., JAN. 25, 1935

The meeting was called to order at 10:45 a. m. in the offices of the Federal Reserve Board, there being present

Governor Eccles,
Governors Young, Fleming and Schaller, and
Deputy Governors Burgess and Hutt.

In the absence of Governor Harrison, Governor Young was elected chairman pro tem.

Governor Eccles stated that the Treasury had been concerned over the extremely rapid rise in government bond prices, and raised the question whether the Reserve banks could not operate in the market to exercise some restraining influence on either excessively rapid rises or declines in prices of government securities in order that the market might be maintained in sound condition in anticipation of government financing in March.

It was the view of the Treasury that this was more logically the business of the Reserve banks than of the Treasury, involving as it does the regulation of the money market. While a certain amount of influence over the market could be exerted by making shifts between maturities in the System Account the question had been raised whether the purpose could not be accomplished better by some changes in the total portfolio of securities held by the Reserve banks. On other grounds there was, moreover, a considerable argument for greater flexibility in the portfolio.

There ensued general discussion of the implications of this course including the question of the possible adverse reaction of the public and the market to any sale of government securities by the Reserve banks. There was

also discussion of the recent effect on the market of anticipation of action by the Supreme Court.

At 11 o'clock the meeting adjourned to reconvene in a few minutes in the office of the Secretary of the Treasury. The Secretary and the Under Secretary were present in addition to those listed above.

The Secretary raised the question of flexibility in the System Account as had previously been outlined by Governor Eccles.

Governor Eccles pointed out that if the System Account were to show any reduction it would be necessary to issue a carefully prepared statement giving the reasons for the change.

After further discussion of recent and possible market conditions it was

VOTED that a wire be sent to all members of the Federal Open Market Committee to request them subject to the approval of the Federal Reserve Board to authorize the executive committee, pending a meeting of the full committee in the near future, to make purchases or sales or shifts between maturities in the System Account up to a total of \$250,000,000. This authorization is in addition to the authorization to make shifts between maturities up to 100 million dollars voted at the December 17 meeting. This authorization is desired primarily to place the System in position to use its influence towards preventing any possible disturbances in the market pending a meeting of the full committee.

After some informal discussion of Treasury financing the meeting adjourned at twelve o'clock and returned to the Federal Reserve Board offices where it reconvened.

After discussion the motion given above was put in its final form and there was an informal discussion of possible operations under this motion in which the dangers of adverse public reaction which might arise from fluctuations in the portfolio were emphasized and a number of those present

expressed the hope that it might not be necessary to show any change in the total of the account in the near future.

The meeting adjourned at 12:25 p. m.

The meeting reconvened at 3:30 p. m. There was an informal general discussion of Treasury and Federal reserve problems.

The meeting adjourned at 4:25 p. m.

W. R. Burgess,

Secretary.

DECLASSIFIED
 Authority *EX Order 12956*

333.3-a-1

CONFIDENTIAL

REPORT OF OPEN MARKET OPERATIONS TO MEETING OF THE
EXECUTIVE COMMITTEE OF THE FEDERAL OPEN MARKET COMMITTEE
HELD IN WASHINGTON ON JANUARY 25, 1935

The present holdings of United States Government securities in the System Special Investment Account amount to - - - - - \$2,223,149,500. There has been no change in this amount since November 8, 1933.

Transactions in Government securities in the System Account since the last meeting of the Federal Open Market Committee on December 17, 1934, were as follows:

- (1) Redemption at maturity of \$103,779,000 Treasury bills which were replaced by purchases in the market of other Treasury bills.
- (2) Sales in the market of \$56,000,000 miscellaneous short-term issues and replacement purchases in the market of like amount of other short-term issues consisting largely of bills.

These sales included \$4,200,000 Treasury bills to the Federal Reserve Bank of Kansas City for the account of the State Treasurer of Oklahoma and \$10,000,000 Treasury bills to the Federal Reserve Bank of Chicago for the account of a member bank.

The profit realized on sales of Government securities in the System Account during 1934 amounted to \$7,387,665.84. This profit was distributed to the various banks on December 31, 1934 as follows:

Boston	\$ 521,657.86	Chicago	\$1,226,899.22
New York	2,215,309.80	St. Louis	308,050.89
Philadelphia	544,101.59	Minneapolis	192,914.12
Cleveland	707,893.53	Kansas City	297,301.84
Richmond	327,207.11	Dallas	201,690.66
Atlanta	291,908.84	San Francisco	552,730.38

DECLASSIFIED
Authority *Ex Order 12256*

2

The table below gives a comparison of the amount and the distribution according to groups of the appreciation on United States Government securities as held in the System Account on December 12, 1934 and January 23, 1935 as represented by the difference between market bid prices and book values:

	<u>Dec. 12, 1934</u>	<u>Jan. 23, 1935</u>
Certificates of Indebtedness	\$ 0	\$ 0
Liberty Loan and Treasury Bonds	7,905,876.22	9,861,736.21
Treasury Notes	23,594,201.92	31,299,314.91
Treasury Bills	<u>0</u>	<u>0</u>
Totals	<u>\$31,500,078.14</u>	<u>\$41,161,051.12</u>

The following table shows, by classification, the holdings in the System Account of United States Government securities with and without the gold clause:

(000 Omitted)

<u>Classification of Securities</u>	<u>With Gold Clause</u>	<u>Without Gold Clause</u>	<u>Totals</u>
Treasury Bills	\$ 0	\$ 505,144	\$ 505,144
" Notes	694,935	704,176	1,399,111
" Bonds	0	124,000	124,000
Liberty Loan Bonds	<u>194,894</u>	<u>0</u>	<u>194,894</u>
Totals	<u>\$889,829</u>	<u>\$1,333,320</u>	<u>\$2,223,149</u>

There were no purchases of bankers acceptances during the period December 17, 1934 - January 23, 1935. Maturities of \$148,000 during this period reduced the System's holdings of bankers acceptances to \$35,000 on January 23.

Attached are statements showing the following:

Exhibit "A" - Maturity Distribution of Holdings of Government Securities in the System Account at The End of Each Month 1932, 1933, 1934, and on January 23, 1935.

Exhibit "B" - Classification of Issues Held in the System Account on January 23, 1935, and the Percentage of Each Issue Held in the Account as Compared With the Amount of the Respective Issue Outstanding.

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Exhibit "C" - Chart Showing Comparison of Average Hourly Sale Prices on the New York Stock Exchange of United States Government 3 Per Cent and 3 1/8 Per Cent Treasury Bonds January 7 to 24, 1935.

Exhibit "D" - Chart Showing Comparison of Daily Average Closing Prices of United States Treasury Notes With Gold Clause and Treasury Notes Without Gold Clause, and Daily Change in Spread Between the Average Price of Gold Clause Treasury Notes and Treasury Notes Without Gold Clause.

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EXHIBIT "A"

MATURITY DISTRIBUTION OF HOLDINGS IN SYSTEM ACCOUNT
 END OF EACH MONTH - 1932-33-34-35

(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	Other 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
1933													
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.	860*	39	1,257	57	1,443	66	498**	23	252	11	-	-	2,193
Nov.	845*	43	1,235	56	1,435	65	511**	23	252	11	25	1	2,223
Dec.	887*	40	1,216	55	1,426	64	520**	24	252	11	25	1	2,223
1934													
Jan.	887*	40	1,216	55	1,426	64	520**	24	252	11	25	1	2,223
Feb.	987*	44	1,190	54	1,415	64	531**	24	252	11	25	1	2,223
Mar.	799*	36	1,034	47	1,287	58	659**	30	252	11	25	1	2,223
Apr.	730*	33	1,008	45	1,476	67	488**	21	195	9	64	3	2,223
May	717*	32	991	44	1,475	66	489**	22	195	9	64	3	2,223
June	765*	34	972	44	1,354	61	550**	24	195	9	124	6	2,223
July	732*	33	939	42	1,321	59	583**	26	195	9	124	6	2,223
Aug.	705*	32	1,018	46	1,365	61	539**	24	195	9	124	6	2,223
Sept.	654	29	868	39	1,258	56	646**	29	195	9	124	6	2,223
Oct.	749*	34	964	43	1,342	60	647**	29	110	5	124	6	2,223
Nov.	752*	34	968	43	1,349	60	640**	29	110	5	124	6	2,223
Dec.	794*	36	953	43	1,405	63	584**	26	110	5	124	6	2,223
1935													
Jan. 16	792*	36	951	43	1,403	63	586**	26	110	5	124	6	2,223
" 23	794*	36	953	43	1,399	63	590**	26	110	5	124	6	2,223

*Includes Fourth Liberties "called"

**Does not include Fourth Liberties "uncalled" maturing October 1938.

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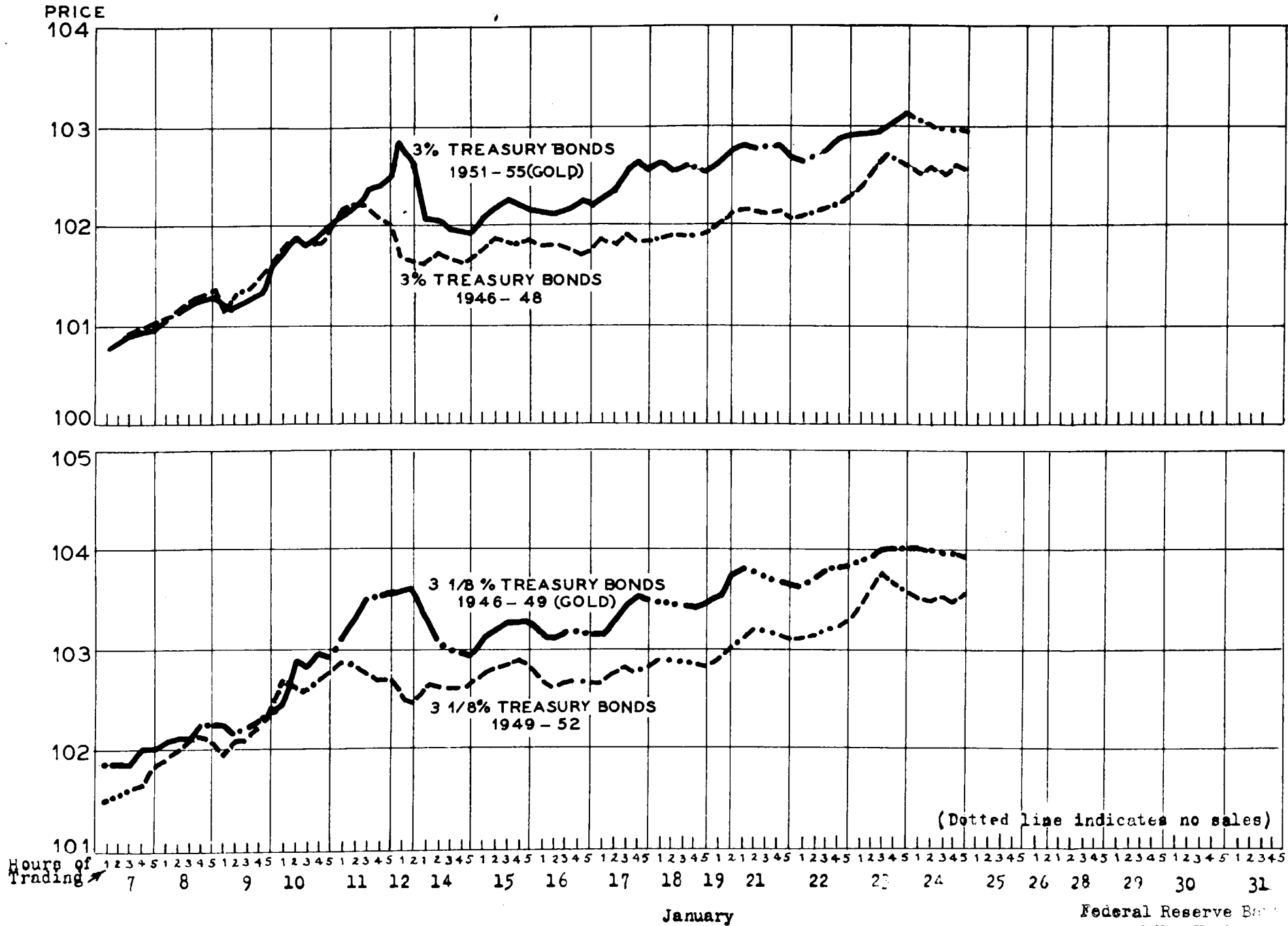
EXHIBIT "B"

CLASSIFICATION OF ISSUES HELD IN THE SYSTEM ACCOUNT ON JANUARY 1, 1935 AND THE PERCENTAGE OF EACH ISSUE IN THE ACCOUNT AS COMPARED WITH THE AMOUNT OF THE RESPECTIVE ISSUE OUTSTANDING
(000 Omitted)

				System Account Holdings	Amount Re- spective Issue Outstanding	Percentage of Issues Held to Amount Outstanding
TREASURY BILLS						
U. S. Treasury Bills due				\$ 17,688	\$ 75,025	23.58%
" " " " "	Jan.	30,	1935			
" " " " "	Feb.	6,	1935	21,535	75,327	28.59%
" " " " "	"	13,	1935	17,932	75,320	23.81%
" " " " "	"	20,	1935	16,650	75,090	22.17%
" " " " "	"	27,	1935	19,040	75,065	25.36%
" " " " "	Mar.	6,	1935	20,650	75,290	27.43%
" " " " "	"	13,	1935	17,880	75,365	23.72%
" " " " "	"	20,	1935	24,800	75,041	33.05%
" " " " "	"	27,	1935	27,700	75,023	36.92%
" " " " "	Apr.	3,	1935	18,250	75,038	24.32%
" " " " "	"	10,	1935	19,532	75,360	25.92%
" " " " "	"	17,	1935	18,250	75,248	24.55%
" " " " "	"	24,	1935	18,703	75,102	24.90%
" " " " "	May	1,	1935	22,250	75,015	29.66%
" " " " "	"	8,	1935	19,440	75,075	25.89%
" " " " "	"	15,	1935	24,287	75,045	32.36%
" " " " "	"	22,	1935	16,875	75,168	22.45%
" " " " "	"	29,	1935	20,700	75,287	27.49%
" " " " "	June	5,	1935	23,203	75,139	30.88%
" " " " "	"	19,	1935	19,230	75,020	25.63%
" " " " "	"	26,	1935	20,000	75,300	26.56%
" " " " "	July	3,	1935	27,399	75,150	36.46%
" " " " "	"	10,	1935	18,750	75,185	24.94%
" " " " "	"	17,	1935	13,200	75,079	17.58%
" " " " "	"	24,	1935	21,200	75,129	28.22%
TOTALS				\$ 505,144	\$ 1,878,886	26.89%
TREASURY NOTES						
2 1/2% Treasury Notes	"	Mar.	15, 1935	\$ 74,350	\$ 528,102	14.08%
3 % " " "	"	June	15, 1935	130,395	416,603	31.30%
1 5/8% " " "	"	Aug.	1, 1935	85,723	353,865	24.22%
2 1/2% " " "	"	Dec.	15, 1935	73,621	418,291	17.60%
2 7/8% " " "	"	Apr.	15, 1936	157,385	558,819	28.16%
1 1/8% " " "	"	June	15, 1936	50,000	686,673	7.28%
3 1/4% " " "	"	Aug.	1, 1936	79,042	364,138	21.71%
1 1/2% " " "	"	Sept.	15, 1936	58,967	514,066	11.47%
2 3/4% " " "	"	Dec.	15, 1936	100,568	357,921	28.04%
3 % " " "	"	Feb.	15, 1937	64,185	428,730	14.97%
3 % " " "	"	Apr.	15, 1937	84,175	502,362	16.76%
3 1/4% " " "	"	Sept.	15, 1937	84,750	817,483	10.37%
2 5/8% " " "	"	Feb.	1, 1938	58,820	276,680	21.26%
3 % " " "	"	Mar.	15, 1938	96,099	455,175	21.11%
2 7/8% " " "	"	June	15, 1938	53,000	618,057	8.58%
2 1/2% " " "	"	Sept.	15, 1938	80,481	596,405	13.49%
2 1/8% " " "	"	June	15, 1939	67,750	1,294,000	5.24%
TOTALS				\$ 1,399,111	\$9,187,370	15.23%
LIBERTY LOAN AND TREASURY BONDS						
3 1/2% 1st L/L Bds of 1932-47				\$ 25,025	\$ 1,398,228	1.79%
4 1/4% 1st " " " 1932-47				29,000	535,982	5.41%
4 1/4% 4th " " " called 4/15/35				84,668	1,870,000	4.55%
4 1/4% 4th " " " of 1933-38				56,201	1,245,578	4.51%
3 1/4% Treas. Bonds of 1941				20,000	834,474	2.40%
3 1/4% " " " 1943-45				25,000	1,400,570	1.78%
3 1/4% " " " 1944-46				39,000	1,518,858	2.57%
3 % " " " 1946-48				40,000	824,508	4.85%
TOTALS				\$ 318,894	\$ 9,628,198	3.31%
GRAND TOTALS				\$ 2,225,149	\$20,694,454	10.74%

Total of all issues of Treasury Bills, Notes, Liberty Loan and Treasury Bonds outstanding unmatured. \$26,472,445
Percentage held in System Account. 8.40%

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Comparison of Average Hourly Sale Prices on New York Stock Exchange of United States Government 3 and 3 1/8 per cent Treasury Bonds

Federal Reserve Bank of New York

Reports Department

Jan 24, 1957

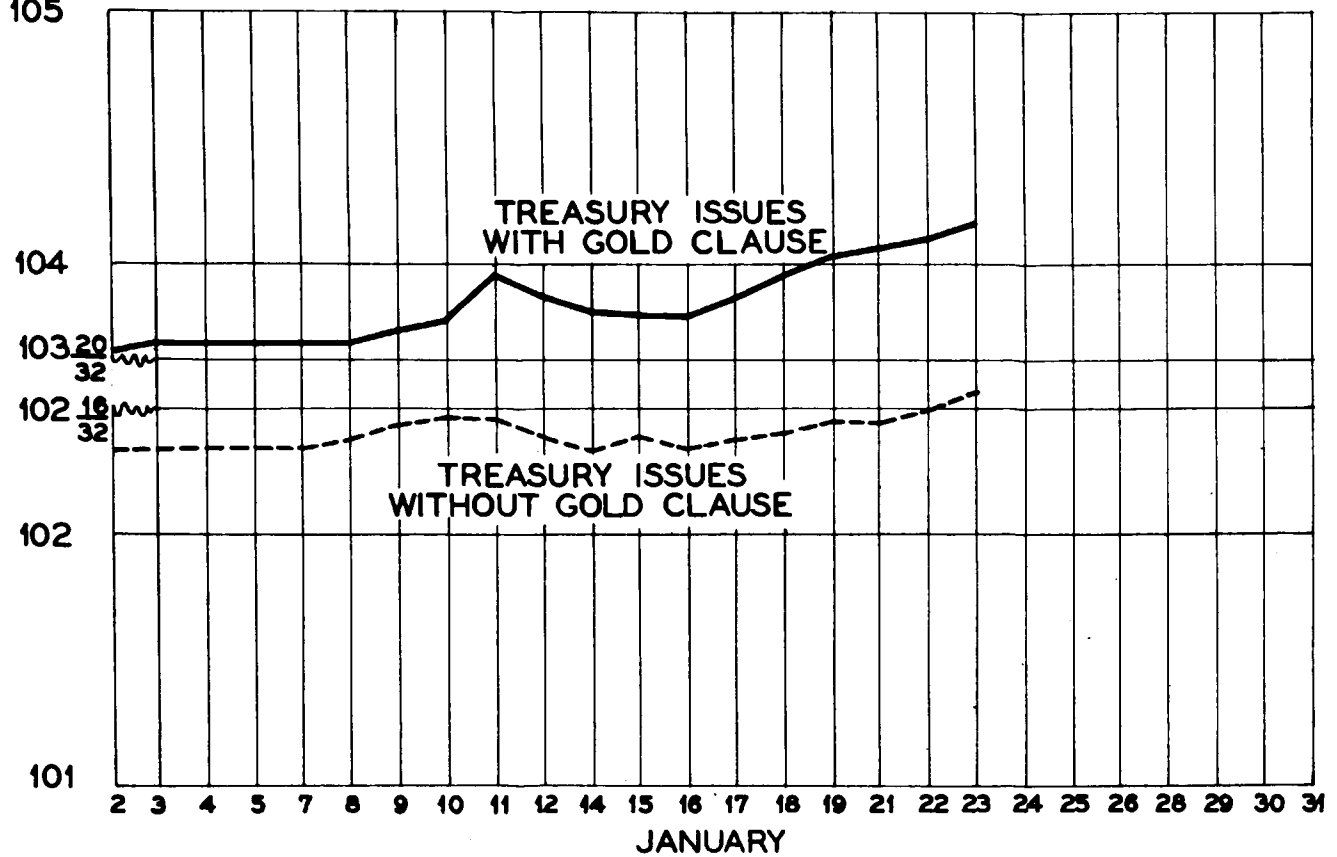
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Federal Reserve Bank
 of New York
 Reports Department
 JAN 24, 1935.
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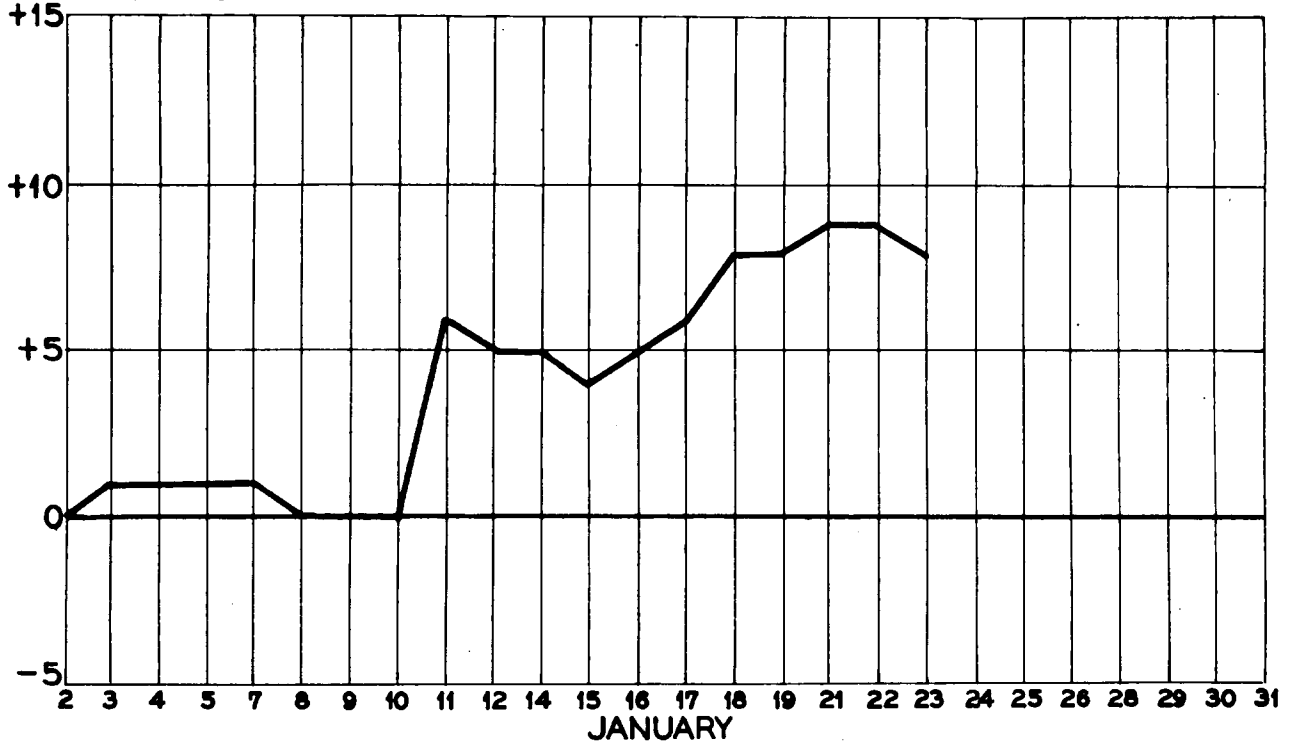
Exhibit "C"

PRICE AVERAGE



Comparison of Daily Average Closing Prices (Mid Point Between Bid and Ask Quotations) of Treasury Note Issues with Gold Clause and those Without Gold Clause

32 NDS. OF A POINT



Daily Change in Spread Between Average Price of Gold Clause Treasury Note Issues and Treasury Note Issues Without Gold Clause