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Final Minutes

CONFIDENTIAL

11/13/28

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

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

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

Before adjournment, the committee discussed the matter of a possible adjustment of buying rates for bankers acceptances. While it was realized by the committee that it has no formal jurisdiction over the matter of bill rates, nevertheless each governor present expressed the opinion that it might be advisable for the Federal Reserve Bank of New York to increase its buying rates for bills of all maturities by $1/8$ of 1% in the near future. 11

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

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

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

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

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

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

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

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

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

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

The meeting adjourned at 2:25 p. m.

George L. Harrison,
Acting Secretary.