

A meeting of the Open Market Investment Committee was held in *333-bv*
Room 171, Treasury Building, Washington, D. C., at 10:45 a.m. on Tuesday, *Final minute*
November 1, 1927. *11/1/27*

PRESENT: Governor Strong, Chairman
Governors Harding, Norris, Fancher,
McDougal, and Messrs. Harrison and
Burgess.

The Chairman distributed to the members of the committee a brief supplementary report dated October 28, 1927, entitled "Supplementary Note on Gold Earmarking," in addition to three reports which had previously been mailed to the members of the committee as follows:

- (a) Preliminary Memorandum for Open Market Investment Committee dated October 18, 1927.
- (b) Dr. Burgess' Memorandum on the Stock Market dated October 18, 1927.
- (c) Report of Secretary of Open Market Investment Committee dated November 2, 1927.

Upon motion duly seconded, it was

VOTED to send copies of the above mentioned memoranda to the Federal Reserve Board.

Accordingly, the secretary immediately delivered to the Federal Reserve Board seven complete sets of the memoranda in question.

The Chairman reported that since the preparation of the supplementary note on gold earmarking, there had been an indication of further movements of gold. It was thought probable that approximately \$36,000,000 of gold would be exported to Brazil utilizing the proceeds of a loan to that country; that something between \$17,000,000 and \$25,000,000 of gold would be exported to Poland in connection with that country's program for stabilization; and that in addition to these shipments there would probably be some gold movement to Canada in accordance with the usual seasonal tendency.

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After a discussion of the memorandum and the supplementary reports made by the Chairman, upon motion it was

VOTED that the preliminary memorandum for the Open Market Investment Committee dated October 18, 1927, together with the supplementary note on gold earmarking be adopted as a basis for the committee's program for the next few months.

There ensued a discussion of the various questions raised by the memorandum and the other reports.

At one o'clock p.m. the committee adjourned for lunch and reconvened at two o'clock p.m.

After a further discussion the following report was adopted:

"The committee has considered the confidential preliminary memoranda submitted by the Chairman, and upon the basis of the memoranda proposes that the open market policy of the System until March 1st next, unless developments not now anticipated require a further review, shall be: to maintain stable rates for money at about present levels and prevent further imports of gold.

In order to carry out the above policy, the committee would adopt the following program and procedure:

(1) The plan of offsetting gold movements by purchases and sales of securities would be continued as heretofore.

(2) Any considerable advance in rates for money towards the end of the year would be dealt with only if necessary by temporary purchases of securities.

(3) During the return flow of currency which usually occurs in January, sales of securities would be made in amounts sufficient to insure retirement of the seasonal issue and prevent its being added to member bank reserves.

(4) In event of the renewal of a gold movement to the United States, gold may be purchased abroad in London, and possibly in Holland and Switzerland, if necessary, at approximately their gold export points, or exchange on those countries may be purchased, so as to arrest, if possible, a further importation of gold. The limit upon such purchases to be \$100,000,000. Such purchases would also be offset the same as the gold movement. Gold or exchange purchased may be invested in bills or employed at interest, as in the case of the

bank of England account.

(5) The considerations which will guide the committee as to when and for what amounts such transactions shall be made, are:

(a) The amount of borrowings by member banks from the Reserve banks;

(b) The general level of interest rates;

(c) The movement of foreign exchange rates as an indication of possible gold imports.

The committee would expect to be charged with the execution of the program for account of those Reserve banks which approve and participate."

The meeting adjourned at 5 p.m.

George L. Harrison,
Acting Secretary.