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333.-6-2  
Final Minutes

Minutes of the Meeting of the  
Open Market Investment Committee  
Held in Washington, Wednesday, July 18, 1928.

7/18/28

The meeting was called to order in the offices of the  
Federal Reserve Board at 10:10. There were present -

Deputy Governor Case, Acting Chairman  
Governor McDougal  
Governor Fancher  
Deputy Governor Hutt  
and Mr. Burgess, Acting Secretary

The meeting considered the memorandum presented by the chairman concerning the method of distributing purchases of bills and securities during the second half year. In view of the fact that the estimates indicated that all of the banks would have sufficient earnings to take care of expenses, dividends, and charge-offs, the question was raised in the memorandum whether it was desirable to make allowance for earnings from other sources before determining the ratios of distribution of assets purchased by the Open Market Committee. It was moved and carried that earnings should be distributed to each bank, in accordance with the ratio of its estimated expenses, dividends and charge-offs, without regard to its probable earnings from other sources.

The meeting then considered the preliminary memorandum on the credit situation, submitted by the chairman. After a discussion of this memorandum and related matters the following resolution was adopted:

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The committee has considered the preliminary memorandum submitted by the chairman and other features of the current credit situation.

The committee recommends that no open market action be taken at present, or until the moderately high level of money rates has continued long enough to provide a testing of the credit situation, which may have the effect of checking unsound uses of credit.

The committee believes, however, that the present amount of member bank borrowing at the Reserve Banks and present money rates would not be wholesome if continued over an extended period and believes the Reserve System should be prepared, if and when conditions warrant, to exercise its influence to modify these conditions. The committee believes this situation should have careful, continuous study, and would expect to meet again for its consideration within a few weeks.

At 11:30 the committee met with the Federal Reserve Board and there were present, in addition to the committee, -

Vice Governor Platt  
Mr. Miller  
Mr. Hamlin  
Mr. James

and Messrs. Goldenweiser, Eddy, and Carpenter

The members of the board present were given copies of the chairman's memorandum on the credit situation, which was then read aloud. There ensued an extended discussion based upon the questions raised by the

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memorandum. Since the committee's resolution did not call for any action, no vote was taken as to the matter of policy, but as suggested by members of the Federal Reserve Board it was agreed by those present that it would be desirable to have another meeting on August 13, or thereabouts.

The meeting adjourned at 1:30 p. m.

W. Randolph Burgess,  
Acting Secretary.