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Minutes of Meeting of Open Market Investment Committee  
Washington, D. C., September 24, 1929

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Final Minute

9/24/29

The meeting was called to order at 10:30 o'clock, there being present Governors Harrison, Harding, McDougal, and Norris, and Mr. Burgess, acting secretary. Governor Fancher was not able to attend on account of illness.

A preliminary memorandum reviewing the credit situation was presented by the chairman and fully discussed. A brief report by the secretary reviewing transactions since the last meeting was also presented.

A full discussion of the credit situation ensued, as a result of which a tentative minute containing recommendations of the Committee was drafted.

At 12:00 o'clock Governor Young joined the meeting and discussed with the Committee proposals made in the tentative draft.

At 12:30 o'clock Dr. Goldenweiser joined the meeting.

Various amendments to the draft recommendation were considered.

At 1:15 the Committee adjourned for lunch and later, prior to meeting with the Federal Reserve Board, the following report of the Committee was unanimously adopted by all members of the Committee present.

"The Committee has reviewed a preliminary memorandum and current credit conditions.

"During the past eighteen months interest rates in this country have gradually risen and money, especially for new undertakings, has become more difficult to obtain. While business continues at a high level, there are some indications of a possible impending recession.

"Rates in many foreign centers have risen even more markedly and the loss of reserves of central banks threatens further increases in rates and probable curtailment of Europe's capacity to buy this country's products.

"In accordance with the System policy adopted on August 8th seasonal requirements for Federal reserve credit have been met by bill purchases, and in fact such purchases have been sufficient to reduce rediscounts to some extent.

"For the purpose of avoiding any increase and, if possible, facilitate some further reduction in the total volume of member bank discounts during the fall season, if this can be done without stimulating unnecessary or abnormal expansion of member bank credit, the Committee favors a further increase of the open market holdings of the Federal reserve banks. It favors an increase of these holdings by the continued purchase of bills if they can be obtained in sufficient amounts to accomplish this purpose. If bills cannot be obtained in sufficient amounts without interfering with the present desirable distribution, it favors the purchase of Government certificates of the short maturities.

"The Committee therefore recommends that it be authorized to purchase not to exceed \$25,000,000 a week of such certificates for account of such banks as ~~can~~ <sup>care to</sup> participate, with the understanding that such purchases be made only under the conditions above stated, and with the further understanding that there be careful current review of the consequences of such purchases, in order that there may be another meeting with the Board at any time that that may seem advisable either to the Board or to the Committee. In any event, the Committee feels that there should be another such meeting not later than November 1st."

The meeting re-convened at 2:30 o'clock with the Federal Reserve Board, there being present in addition to the members of the Committee, Secretary *Governor Young* Mellon, and Messrs. Pole, James, Cunningham, *Goldensizer* Snead, McClelland, and Noell. Secretary Mellon presided.

The preliminary memorandum was first read to the meeting and was followed by discussion of various aspects of the credit situation.

Governor Harrison then presented the report of the Committee and its recommendations to the Board. In presenting these recommendations Governor Harrison indicated that the proposal for a possible purchase of Government securities was made only to provide for the contingency of not being able to secure a sufficient amount of bankers acceptances to meet the seasonal expansion in Federal reserve credit and make some additional provision for reduction in the total of member bank borrowings. The proposal to bring about some reduction in these borrowings was not made with the thought that it would be possible to bring about any substantial ease in the money market under present conditions,

but rather with the thought that some reduction in this indebtedness would be a necessary pre-requisite to any future easing of interest rates generally, as soon as that became possible without the risk of unnecessary or abnormal expansion of member bank credit. He emphasized the fact that money rates both in this and in other countries appeared to have risen continuously toward higher levels, and that the proposed purchase of Government securities, if necessary as a supplement to purchases of bills, might be a helpful influence toward preventing further stringency of money and paving the way in the future for a restoration of more normal monetary conditions throughout the world.

There ensued a discussion of the proposals made. In particular, Mr. Cunningham raised a question whether a further reduction of bill rates might be possible. Upon this point it was the general feeling of the members of the Open Market Committee that a further reduction of these rates at this time would be undesirable, as an artificially low rate and would tend to impede or even undo the distribution of bills.

After further discussion the meeting was adjourned at 3:35. P. M.

W. Randolph Burgess,  
Acting Secretary.