

A meeting of the Federal Reserve Board was held in the office of the Federal Reserve Board on Wednesday, June 22, 1927 at 11:30 a.m.

PRESENT: The Chairman
Governor Crissinger
Mr. Hamlin
Mr. Miller
Mr. James
Mr. Cunningham
Mr. Eddy, Secretary
Mr. McClelland, Asst. Secretary

Governor Crissinger stated that the meeting had been called for the purpose of discussing with Governor Strong in further detail the matters referred to in his letters to the Board of June 9th, 16th and 20th. The Board, with Governor Strong, then made an extended review of present and prospective conditions. Governor Strong reported upon the money markets, at home and abroad, and on the gold and exchange situation. During the discussion, it was brought out that if money rates should firm or rise it would be desirable to give relief to the situation through purchase of securities in the open market. The opinion was expressed by some members of the Board that authority to the Open Market Investment Committee to make such purchases up to \$100,000,000 already exists under the action taken by the Board on May 13th, as the \$100,000,000 of securities purchased since that time to offset gold exported to the Bank of France should not be considered as having been purchased under the Board's authority referred to. This opinion was not concurred in by all members of the Board.

Following the discussion, Mr. Hamlin submitted and moved adoption of the following:

"After hearing a report upon the money markets, at home and abroad, and of the gold and exchange situation, the Board authorize the Governor of the Board to advise the Open Market Investment Committee that it does not consider

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"the \$100,000,000 of securities purchased by the Committee since May 13, 1927 as forming part of the authority granted to the Committee by the Board on that date."

Mr. Hamlin's motion being put by the Chair was carried, the members voting as follows:

The Chairman, "aye"
 Governor Crissinger, "aye"
 Mr. Hamlin, "aye"
 Mr. James, "aye"
 Mr. Miller, "no"
 Mr. Cunningham, "no"

In explanation of his negative vote, Mr. Miller stated that his view was already, in part, set out in the drafts of letters he had submitted for the consideration of the Board as the basis of a reply to Governor Strong's letters of June 9th, 16th and 20th.

He added, in further explanation, that open market purchases and sales of securities for System account were becoming the most important operating instrumentality of the Federal Reserve System for influencing the credit situation and he thought it very important, therefore, that the action of the Open Market Investment Committee should never rest upon inferential or implied authority, but that every considerable increase or diminution of the System account should be considered as a separate matter by the Board, and made the subject of positive action.

With regard to the prospective credit situation, Mr. Miller said that he thought it not improbable that the later months of the year would show a tendency toward hardening of money rates. Should such prove to be the case he thought it would probably be advisable action for the Federal Reserve System, through open market purchases, to ease the credit situation; but he added that the true position of the money market has not yet disclosed itself and appropriate policy cannot be determined at this time.

For these reasons, he stated, he voted "no" on Mr. Hamlin's resolution.

The meeting adjourned at 1:15 p.m.

Approved:

A. W. Mellon

Chairman.

[Signature]

Secretary.