

A meeting of the Federal Reserve Board with the Open Market Investment Committee for the Federal Reserve System was held in the office of the Federal Reserve Board on Thursday, January 12, 1928, at 11:10 a.m.

PRESENT: The Chairman  
Governor Young  
Mr. Platt  
Mr. Hamlin  
Mr. Miller  
Mr. Cunningham  
Mr. McIntosh  
Mr. Eddy, Secretary  
Mr. McClelland, Asst. Secretary

PRESENT ALSO: Messrs. Case, Harding, Hutt, Fancher and McDougal, members of the Open Market Investment Committee.  
Mr. W. R. Burgess, Acting Secretary of the Open Market Investment Committee.  
Mr. Goldenweiser, Director of the Division of Research and Statistics.  
Mr. Smead, Chief of the Division of Bank Operations.

Mr. Case, Acting Chairman of the Open Market Investment Committee, presented a preliminary memorandum dated January 12, 1928, dealing with the volume and use of credit, the condition of business, the foreign exchanges and gold movement and the present position of the money market. He stated that the Open Market Investment Committee at a meeting just concluded considered the memorandum and also reviewed the operations of the Committee under the program approved by the Board following the last meeting of the Committee on November 1, 1927.

He also presented the following report adopted by the Committee at its meeting this morning:

"The Committee has considered the memorandum submitted by the Chairman and has reviewed the program adopted by the Committee on November 1, 1927 and approved by the Federal Reserve Board. Thereupon, the following conclusions were adopted:

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1. The object of the policy adopted on November 1 has been accomplished.

2. The Committee program should now work towards somewhat firmer money conditions as far as necessary to check unduly rapid further increases in the volume of credit.

3. In order to accomplish this program the Committee would expect to sell further amounts of Government securities and if necessary to deal with gold movements in such manner as necessary to carry out the program.

As outlined in the program of November 1, the Committee would expect to be charged with the execution of this program for the account of those reserve banks which approve and participate and would hope this program might guide the Committee for the present, unless a change of conditions makes further review desirable."

Mr. Case then referred to the action of the Board on January 9th in approving the sale of not to exceed \$50,000,000 of securities from the special investment account if and when deemed advisable by the Committee. He stated that up to the present time \$35,000,000 of securities have been sold and delivered, while the remaining \$15,000,000 authorized for sale are under contract for delivery within the next day or two. He called attention to the fact that this sale removes from the account all of the securities which were purchased by the Committee as an offset against gold exports and earmarkings on the recent movement.

The Governor stated that he thought before the day was over the Board might be asked to act upon an increase in the rediscount rate of one of the Federal Reserve banks, and he inquired whether there had been any discussion of rediscount rates at other Federal Reserve banks and what, if any, views were entertained which the Governors present might feel free to express.

The Governors of the several Federal Reserve banks serving on the Committee expressed opinions as to the attitude of their directors in the matter.

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Mr. Case referred to indications which exist pointing to the possibility of a better business condition, and he expressed the view entertained by certain of the directors of his bank that no action should be taken toward an increase in the discount rate of the Federal Reserve bank of New York until further opportunity has been had to study the apparent beginning of an upward trend in business.

Governor Harding stated that while his directors believe a rate of 4% to be the normal rate for the Eastern Federal Reserve banks they would not care to lead off in any general adjustment of rates. He stated, however, that should the rate of the Federal Reserve Bank of New York be increased, the Boston bank of necessity would have to advance its rate.

Governors Fancher and McDougal referred to an apparent tendency toward improvement in the business situation in their Districts, and in answer to inquiries made statements to the effect that an advance in the discount rate at this time might have the effect of retarding this tendency.

Mr. Hutt stated that the directors of his bank were not so optimistic over the business outlook in the Third District and probably would not change the rate of the Philadelphia bank unless forced to do so by advances at the Federal Reserve Banks of New York, Boston, Cleveland and Chicago. He stated, however, that he did not believe increases in the rates at other Federal Reserve banks would have any effect in the Third District.

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It appeared to be the general consensus of opinion that no immediate increase in the discount rate should be made at any Federal Reserve bank, but that the general business and money market situations should be carefully observed during the course of the next few weeks and that in the interim any correction of money market tendencies should be through operations in the Open Market Investment Account.

Reference was made to the program to be effective until March 1st next, approved by the Board following the November meeting of the Open Market Investment Committee, and it was pointed out that although the operations proposed by the Committee in its present report are in line with action authorized in November, there has been a change in the objective sought to be accomplished.

Question was raised as to the possibility of a situation arising which would call for the purchase of additional securities in the near future and the discussion developed that while such a possibility exists it is more or less remote.

Following the discussion, the members of the Open Market Investment Committee and Messrs. Burgess, Goldenweiser and Smead withdrew from the meeting.

Mr. Platt moved approval of the report submitted by the Committee, as quoted above.

Mr. Hamlin, as a substitute for Mr. Platt's motion, moved that

"The Federal Reserve Board authorizes the Open Market Investment Committee during the next two months to make sales of government securities from time to time, with accompanying authority temporarily to purchase

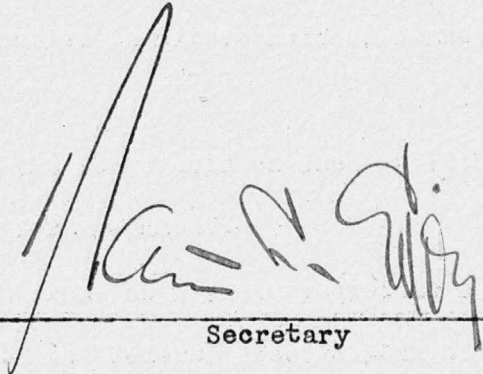
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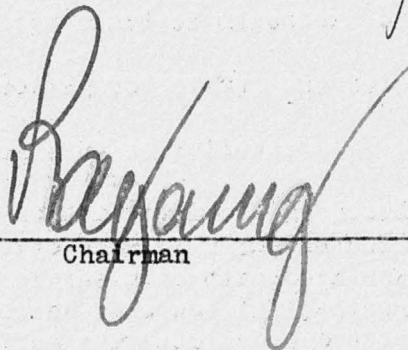
such securities should developments not now in sight require such action."

After discussion, Mr. Hamlin's substitute motion was put by the chair and unanimously carried.

The meeting adjourned at 1:20 p.m.

  
Secretary

Approved:

  
Chairman