

A meeting of the Federal Reserve Board was held in the office of the Federal Reserve Board on Tuesday, September 24, 1929 at 2:30 p.m.

PRESENT: The Chairman  
Governor Young  
Mr. James  
Mr. Cunningham  
Mr. Pole  
Mr. McClelland, Asst. Secretary

PRESENT ALSO: Messrs. Harrison, Harding, McDougal, Norris,  
Members of the Open Market Investment  
Committee.  
Mr. Burgess, Secretary, Open Market Investment  
Committee.  
Dr. Goldenweiser, Director of the Division of  
Research and Statistics.  
Mr. Smead, Chief of the Division of Bank  
Operations.

Governor Harrison, Chairman of the Open Market Investment Committee, stated that the Committee had been in session and had considered a preliminary memorandum regarding credit conditions and developments since the meeting of the Governors of all Federal Reserve banks held in Washington on August 7th and 8th. He referred to the program for relaxation of Federal Reserve credit incident to the fall requirements, which was adopted by the Governors and later approved by the Federal Reserve Board, and stated that the increase in the discount rate of the Federal Reserve Bank of New York, as a part of the program, has made possible a policy of bill purchases with greater safety than would otherwise have attended. He stated that the total volume of Federal Reserve credit has coincided with seasonal expansion, bill purchases having been in excess of normal requirements but discounts having gradually declined, due to the effectiveness of the discount rate of the New York bank. He then read the following report adopted by the Committee:

"The Committee has reviewed a preliminary memorandum and current credit conditions. During the past eighteen months interest rates in

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"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 threaten 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, facilitating 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 care to 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."

He stated that the Committee prefers to carry out the program previously agreed upon through the purchase of acceptances, but pointed out that whereas three weeks ago the bill portfolio of the System increased \$40,000,000, last week it increased only \$20,000,000 and so far this week only \$6,000,000. The Committee, he stated, feels that rather than force member banks to get necessary credit during the fall through rediscounts and undo what has already been accomplished in the reduction of rediscounts, the System should buy bills, if they can be gotten rapidly enough, and should be prepared, in the event bills

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can not be secured, to purchase short term governments.

The members of the Open Market Investment Committee then withdrew from the meeting and, after some further discussion, at the suggestion of the Governor it was voted to take the report of the Committee under review pending the return of some of the absent members of the Board."

The meeting adjourned at 4:00 p.m.

C. W. Mc Clelland  
Assistant Secretary.

Approved:

A. W. Nelson

Chairman.

OK Hall