

CONFIDENTIAL

MINUTES OF MEETINGS OF OPEN MARKET INVESTMENT COMMITTEE
HELD IN WASHINGTON, D. C., DURING WEEK OF GOVERNORS'
CONFERENCE, COMMENCING MAY 9, 1927

333.-6-2
Final Minutes
5/9/27

The Open Market Investment Committee held a meeting in Washington, D. C., at the office of the Federal Reserve Board, Monday, May 9, 1927, at 9 o'clock.

Present:

Governor Strong, Chairman
Governors Harding, Norris, McDougal
and Fancher
Mr. Harrison, Acting Secretary

The secretary read the preliminary draft of the memorandum of matters to be considered by the Open Market Investment Committee prior to the preparation and submission of a report and recommendations. After discussing the preliminary memorandum it was the opinion of the committee that copies of it with suggested amendments should be submitted by the chairman of the committee to the Federal Reserve Board for its consideration in order to familiarize the Board with the factors which would be in the minds of the committee later in preparing its report.

The Open Market Investment Committee adjourned at 10 o'clock.

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The Open Market Investment Committee reconvened on Monday, May 9, 1927, at 12:30 o'clock.

Present:

Governor Strong, Chairman
Governors Harding, Norris, McDougal
and Fancher
Mr. Harrison, Acting Secretary

The committee considered a redraft of the preliminary memorandum containing the amendments agreed to at the earlier meeting. With these amendments, the chairman was requested to transmit seven copies of the memorandum to Governor Crissinger for the members of the Board, with the advice of the committee that the committee would be glad to meet with the Board to discuss the memorandum at any time suitable to its convenience. These copies of the report were

transmitted to Governor Crissinger at 1:15 o'clock, when the Open Market Investment Committee adjourned.

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The Open Market Investment Committee met with the Federal Reserve Board on Monday, May 9, 1927, at 4:10 o'clock.

Present:

Governor Crissinger
Messrs. Platt, Miller, James, Hamlin,
Cunningham of the Federal Reserve Board
Governors Strong, Harding, Norris, McDougal
and Fancher
Dr. Goldenweiser
Mr. Harrison, Acting Secretary

There was a long discussion by various members of the committee and the Federal Reserve Board of the preliminary memorandum previously distributed among the members of the committee and the Federal Reserve Board. Governor Strong explained that this preliminary memorandum did not embody any recommendations but merely raised points for discussion with the Reserve Board which would enable the committee later to file a report with definite recommendations. In connection with the consideration of the memorandum and problems before the committee, Dr. Goldenweiser gave his statement of the present business situation with particular reference to the price level.

The meeting adjourned at 5:45 o'clock, with the understanding that the Open Market Investment Committee would submit its final report to the Federal Reserve Board later on in the week.

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The Open Market Investment Committee reconvened on Wednesday afternoon, May 11, 1927, at 12:30 o'clock.

Present:

Governor Strong, Chairman
Governors Harding, Norris, McDougal
and Fancher
Mr. Harrison, Acting Secretary

The committee considered a draft of report prepared by the committee at lunch on Tuesday, May 10, as modified by the chairman on Wednesday morning before the meeting. Upon consideration, it was

VOTED to approve the report as amended, and the secretary was requested to have it retyped, with the understanding that the preliminary memorandum as finally revised should be mimeographed to be substituted for the first draft distributed among the committee and the members of the Federal Reserve Board on May 9. The preliminary memorandum as revised May 11 is attached hereto. The report of the committee as finally approved by the committee and the Governors' Conference is as follows:

"The Open Market Committee, after considering the attached memorandum, and after discussion with the Federal Reserve Board, submits the following recommendations of policy for the period ending August 1 next:

"(1) That no further sales of System securities be made in order to offset arrivals of gold from abroad now known or anticipated.

"(2) That it shall be the policy of the committee between now and August 1 next, gradually to acquire, if possible to do so without undue effect upon the money market, sufficient additional short-time government obligations to bring the total of the committee's investment account up to \$250,000,000. In interpreting the expression "undue effect upon the money market," the committee would expect to keep in mind any changes which might occur in the general level of money rates, as well as the extent to which these purchases might effect a reduction in the amount of borrowings by member banks.

"While this policy is not directed towards bringing about a reduction in discount rates by any Federal reserve bank, nor is that immediately anticipated, it is recognized that some lowering of market rates for money might nevertheless justify such a reduction later in the year, especially at the principal financial centers. The recommendation in paragraph two is also made after consideration of the fact that somewhat lower interest rates ordinarily operate to check gold imports; in fact, that was one of the effects of purchases of securities made in 1924.

"The committee further expects to continue studies of those methods set out in the preliminary memorandum by which increases in the System's portfolio might be brought about without increasing the amount of Federal reserve credit in the market. It expects to discuss with the Treasury Department those methods with which the Treasury is concerned, and requests that the Federal Reserve Board give consideration to those particular items, such as reserves on time deposits, which relate to the regulations of the Federal Reserve Board."

Meeting of the Open Market Investment Committee
with the Federal Reserve Board
10:30 Thursday morning, May 12

Present:

Honorable A. W. Mellon, Chairman
Governor Crissinger, and Messrs. Platt,
Hamlin, Miller, James, Cunningham,
McIntosh of the Federal Reserve Board
Governors Strong, Harding, Norris, McDougal,
Fancher
Mr. Harrison, Acting Secretary
Dr. Goldenweiser and Mr. Eddy

The Acting Secretary distributed copies of the report of the Open Market Investment Committee dated May 11, together with mimeograph copy of the preliminary memorandum relative to open market policies dated May 9, 1927, and revised May 11.

After each member of the Board had had opportunity to read the report, Governor Strong explained that the report had been prepared by the committee, after thorough consideration of all the factors referred to in the preliminary memorandum, with a view to outlining a policy for the next few months for approval by the Board and the committee, with the understanding that the responsibility for the execution of the recommendations would rest with the committee. He also explained that the report had been studied by the Governors' Conference and that it was unanimously approved by that conference. After a thorough discussion of the report concerning which various views were expressed by the different members of the Board, Mr. Hamlin made a motion that the report be approved. Before action was taken on this motion, Dr. Miller moved as a substitute that the report be received and made a special order for some later time to be fixed by Secretary Mellon and Governor Crissinger. After discussion this substitute motion was passed and the meeting adjourned at 12:10 o'clock p. m.

George L. Harrison,
Acting Secretary.