

A meeting of the Federal Open Market Committee was held in the offices of the Board of Governors of the Federal Reserve System in Washington on Wednesday, February 28, 1945, at 10:15 a.m.

PRESENT: Mr. Eccles, Chairman
Mr. Sproul, Vice Chairman
Mr. Szymczak
Mr. McKee
Mr. Ransom
Mr. Draper
Mr. Evans
Mr. Leach
Mr. Young
Mr. Davis
Mr. Peyton

Mr. Morrill, Secretary
Mr. Carpenter, Assistant Secretary
Mr. Goldenweiser, Economist
Messrs. John H. Williams, Kincaid, and
Edmiston, Associate Economists
Mr. Wyatt, General Counsel
Mr. Rouse, Manager of the System Open
Market Account
Messrs. Piser and Kennedy, Chief and As-
sistant Chief, respectively, of the
Government Securities Section, Divi-
sion of Research and Statistics of
the Board of Governors

Messrs. Alfred H. Williams, Gidney, Gilbert,
and Leedy, alternate members of the Federal
Open Market Committee

Messrs. Flanders and McLarin, Presidents of
the Federal Reserve Banks of Boston and
Atlanta, respectively

Mr. Clerk, First Vice President of the Federal
Reserve Bank of San Francisco

Mr. Dolley, Director of Research and Statistics,
Federal Reserve Bank of Dallas

Upon motion duly made and seconded,
and by unanimous vote, the minutes of the

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meeting of the Federal Open Market Committee held on December 11, 1944, were approved.

Upon motion duly made and seconded, and by unanimous vote, the actions of the executive committee of the Federal Open Market Committee as set forth in the minutes of the meeting of the executive committee on December 11, 1944, were approved, ratified, and confirmed.

Mr. Rouse distributed copies of a report prepared at the Federal Reserve Bank of New York covering open market operations during the period from December 11, 1944, to February 23, 1945, inclusive. He also presented a supplemental report covering operations in the account on February 24-27, 1945, and discussed the important points covered by the two reports. Copies of the reports have been placed in the files of the Federal Open Market Committee.

The reports stated among other things that, since the previous meeting of the Federal Open Market Committee, the New York Bank had sold from the System account a total of \$111 million of taxable bonds. Upon inquiry as to the effect of these sales on the market, Mr. Rouse repeated the statement contained in the report first referred to that these sales had had little influence on the upward trend other than to maintain orderly conditions in the market.

Chairman Eccles raised the question whether, in view of the large sales that might have to be made from the System account following the war to offset gold imports and the return of currency from

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circulation and the possible effects of such sales on the earnings of the Federal Reserve Banks, it was desirable for the System to continue to sell its longer-term securities.

At the conclusion of a brief discussion of the point raised by Chairman Eccles, upon motion duly made and seconded and by unanimous vote, the transactions in the System account during the period from December 11, 1944, to February 27, 1945, inclusive, were approved, ratified, and confirmed.

Chairman Eccles then referred to the letter received by him, as Chairman of the Federal Open Market Committee, under date of December 22, 1944, from Secretary of the Treasury Morgenthau requesting that the Federal Open Market Committee take appropriate steps, over a suitable period of time, to bring the yields of Treasury certificates of indebtedness back to approximately their September 1, 1944, levels. He also referred to the interim reply to Secretary Morgenthau's letter which was made by Mr. Sproul on December 27, 1944, and to the subsequent discussion of the matter with the Secretary and others at the Treasury on January 10, 1945, at which time the position was taken by him (Chairman Eccles) and Mr. Sproul that the situation in the certificate market was secondary in importance to a review of the entire program of Treasury financing. No conclusions were reached during the discussion with the Secretary, Chairman Eccles said, but it was understood that members of the staff of the Board of Governors and the Treasury would confer with a view to preparing a draft of a suggested financing program

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that might be agreed upon and that another meeting with Under Secretary of the Treasury Bell and other Treasury representatives should be held on January 16, 1945.

Messrs. Eccles and Sproul reviewed the important matters discussed at the January 16 meeting as well as at a subsequent meeting on February 9.

Mr. Sproul outlined briefly the important matters relating to Treasury financing which were discussed with Under Secretary of the Treasury Bell when he met with the Presidents on February 26, and with Secretary of the Treasury Morgenthau when he met with the Presidents yesterday afternoon for the purpose of discussing steps to be taken in connection with the policing of subscriptions to Government securities during war loan drives.

Attention was then turned to the recommendations that might be made by the Federal Open Market Committee to the Treasury in connection with the program for the Seventh War Loan Drive. While this discussion was in progress the meeting recessed and reconvened at 2:15 p.m. with the same attendance as at the morning session except that Mr. Goldenweiser was not present.

At the conclusion of the discussion it was understood that Messrs. Rouse, Piser, and Kennedy would prepare a draft of memorandum setting forth the conclusions reached at this meeting, that the memorandum would be presented for discussion and approval at the meeting

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of the Federal Open Market Committee to be held tomorrow, and that when Messrs. Eccles and Sproul met with Secretary Morgenthau tomorrow afternoon at 3:00 p.m. the memorandum would be presented as the recommendation of the Federal Open Market Committee.

Thereupon the meeting adjourned.


Secretary.

Approved:


Chairman.