

A meeting of the executive committee of the Federal Open Market Committee was held in the offices of the Board of Governors of the Federal Reserve System in Washington on April 4, 1937, at 6:35 p.m.

PRESENT: Mr. Eccles, Chairman
Mr. Harrison, Vice Chairman
Mr. Broderick
Mr. McKee
Mr. Sinclair

Messrs. Martin and Peyton, Members of
the Federal Open Market Committee

Mr. Morrill, Secretary
Mr. Goldenweiser, Economist
Mr. Williams, Associate Economist
Mr. Wyatt, General Counsel
Mr. Burgess, Manager of the System Open
Market Account
Mr. Carpenter, Assistant Secretary of
the Board of Governors
Mr. Thurston, Special Assistant to the
Chairman of the Board of Governors

Upon motion by Mr. Broderick which was duly seconded, and by unanimous vote, Mr. Harrison was elected vice chairman of the executive committee of the Federal Open Market Committee to serve until March 1, 1938.

It was suggested that the authority previously granted by the executive committee to the Federal Reserve Bank of New York to replace maturing securities, to make shifts of securities in the System open market account and to permit fluctuations in the account between statement dates, be renewed and that, in accordance with the resolution adopted by the Federal Open Market Committee directing the purchase of not less than \$25,000,000 of securities during the week beginning

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April 5, 1937, the executive committee direct the New York bank to purchase \$25,000,000 of Government securities during the week.

Upon motion duly made and seconded, and by unanimous vote, the executive committee directed the Federal Reserve Bank of New York, until the next meeting of the executive committee, superseding all previous authorizations, (1) to replace maturing securities in the System open market account by purchases of like amounts of bills or of notes maturing within two years, (2) to make such shifts of securities in the account as may be necessary in the proper administration of the account, up to an aggregate of \$50,000,000, into other Government securities having maturities within a range of one year from those of the securities sold, (3) to make such other shifts (which may be accomplished when desirable through replacement of maturing securities) of securities in the account as may be necessary in the proper administration of the account, up to an aggregate of \$100,000,000, into other Government securities having maturities which are not within a range of one year from those of the securities sold, (4) upon approval by a majority of the members of the executive committee, which might be obtained by telephone, telegraph or mail, to make such other shifts as might be found to be desirable and advisable within the limits of the authority granted to the executive committee by the Federal Open Market Committee, (5) to permit such fluctuations, up to a limit at any one time of \$25,000,000, in the amount of holdings of Government securities in the System open market account between weekly statement dates as may be desirable for the practical administration of the account in making shifts between and replacement of securities pursuant to the authority granted by the executive committee, and (6) to purchase during the week beginning April 5, 1937, Government securities in the aggregate amount of \$25,000,000.

The above action was taken with the understanding that the executive committee would remain in Washington and would reconvene tomorrow to consider, in the light of then existing conditions, what additional instructions should be given to the New York bank to conduct

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transactions in the System open market account.

Thereupon a recess was agreed upon with the understanding that the meeting would be reconvened on April 5, 1937, at 10:15 a.m.

Robert Moriel
Secretary.

Approved:

M. Seales
Chairman.

The meeting of the executive committee of the Federal Open Market Committee was reconvened in the offices of the Board of Governors of the Federal Reserve System in Washington on Monday, April 5, 1937, at 10:30 a.m.

PRESENT: Mr. Eccles, Chairman
Mr. Harrison, Vice Chairman
Mr. Broderick
Mr. McKee
Mr. Sinclair

Mr. Martin, Member of the Federal Open
Market Committee

Mr. Morrill, Secretary
Mr. Carpenter, Assistant Secretary of the
Board of Governors

This session of the meeting of the executive committee was held in the Chairman's office where it was possible to talk directly by telephone with Mr. Burgess at New York and, through a loud speaking device, for the members of the executive committee to hear what Mr. Burgess said.

Chairman Eccles called Mr. Burgess on the telephone, who advised that it was yet too early to determine what the condition of the market would be but that it appeared that the statement of the Federal Open Market Committee had been received favorably.

At the conclusion of the conversation with Mr. Burgess there ensued a discussion of various factors which should be taken into consideration in determining what additional instructions should be given to the Federal Reserve Bank of New York and at 11:30 a.m. Chairman Eccles called Mr. Burgess again, who expressed the opinion that, in view of the apparent trend of the Treasury bill market, it would be advisable for the

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bank to purchase today up to \$5,000,000 of existing bills. He also stated that, while the present market quotations were above Saturday's close, he felt that if the market should decline the bank should follow past practice of following the market down by putting bids in at slightly under the market.

Upon motion duly made and seconded, it was voted that the Federal Reserve Bank of New York be directed to buy today \$5,000,000 of existing Treasury bills.

On this action Mr. Harrison voted "no" for the reason that with the market as strong as it was this morning he saw no reason to buy bills.

Upon motion duly made and seconded, and by unanimous vote, the Federal Reserve Bank of New York was directed, in the event that there should be a declining market in Government securities today, to pursue the practice of following the market down by placing bids for pivotal issues of Government securities at prices slightly under the market, beginning at from $1/4$ to $1/8$ of a point above the closing bid prices for such securities on Saturday, April 3, 1937.

At 11:55 a.m. Chairman Eccles called Mr. Burgess and advised him of the adoption of the resolutions referred to above.

At 12:00 noon a recess was taken and the meeting was reconvened at 2:20 p.m. with the same attendance as at the morning session, except that Mr. Martin was not present and Mr. Ransom was in attendance.

Chairman Eccles called Mr. Burgess on the telephone who reported that, while the market had receded from the morning position, it had not dropped to a point where the bank had found it necessary to purchase any substantial amount of securities, and that in the later period there had been some recovery to around one-half point above Saturday's close. He

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added that the bank had purchased \$5,000,000 of bills this morning and \$600,000 of 4 1/4% Treasury bonds which had declined to a little less than 1/4 of a point above Saturday's close. Mr. Burgess agreed with a suggestion by Chairman Eccles that it would not be necessary to take any further action with respect to Treasury bills today. He added that the interpretation placed upon the statement issued by the Federal Open Market Committee was generally favorable.

During the conversation with Mr. Burgess, Mr. Szymczak joined the meeting.

After the conversation with Mr. Burgess there was a further discussion of factors entering into a decision as to action to be taken in the present situation and at 3:12 p.m. Mr. Eccles called Mr. Burgess again, who advised that the New York Bank had bought an additional \$500,000 of bonds for the System account and something in excess of \$1,000,000 for the account of the Treasury. He stated that the average bid by the New York market for the bills offered by the Treasury today was .58 for the short bills and .667 for the long bills.

There was then a discussion of the procedure which should be followed in the event of a further decline in the market. During this discussion, Mr. Davis entered the room.

At the conclusion of the discussion, Mr. Harrison moved that the meeting adjourn to meet again at 10:00 a.m. tomorrow for the purpose of conferring with Mr. Burgess as to the condition of the market and issuing such additional instructions to the New York bank as may be desirable in the light of conditions then existing.

Carried unanimously.

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Thereupon a recess was agreed upon with the understanding that the meeting would be reconvened on April 6, 1957.

Oreston Moore
Secretary.

Approved:

W. S. ...
Chairman.

The meeting of the executive committee of the Federal Open Market Committee was reconvened in the offices of the Board of Governors of the Federal Reserve System in Washington on Tuesday, April 6, 1937, at 10:10 a.m.

PRESENT: Mr. Eccles, Chairman
Mr. Harrison, Vice Chairman
Mr. Broderick
Mr. McKee
Mr. Sinclair

Messrs. Ransom and Davis, Members of
the Federal Open Market Committee

Mr. Morrill, Secretary
Mr. Carpenter, Assistant Secretary of
the Board of Governors

As was the case yesterday, this session of the meeting was held in the Chairman's office in order to afford a means of communicating directly by telephone with Mr. Burgess.

Mr. Harrison stated that at three minutes past ten he had talked to Mr. Sproul, First Vice President of the Federal Reserve Bank of New York, on the telephone who had advised that the Government security market had reacted adversely to the statement made by the Treasury yesterday with respect to the necessity for borrowing additional new money and that he (Mr. Harrison) had advised Mr. Sproul that the bank should continue under the same procedure in following the market down as had been authorized by the executive committee on April 5, 1937.

Upon motion duly made and seconded, and by unanimous vote, the instructions given to the New York bank by Mr. Harrison were approved, ratified and confirmed.

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Mr. Harrison called Mr. Burgess on the telephone and the latter advised that the market had declined on an average to approximately one-quarter of a point above Saturday's close and that the New York bank had placed orders following exactly the same procedure as had been used yesterday. Mr. Burgess was advised of the ratification by the executive committee of the instructions given the New York bank by Mr. Harrison.

Mr. Burgess raised a question as to what action should be taken with respect to bills and stated that the dealers had approximately \$31,000,000 of bills on hand, that he had suggested that if inquiries for bills were made by other buyers the dealers sell to them, and that it would be his suggestion that the bank be authorized to take up to \$15,000,000 of bills during the day depending on the amount remaining in the market. Mr. Burgess was told that the Committee would consider the suggestion and that he would be advised within an hour.

At this point Mr. Szymczak joined the meeting.

There followed a discussion of the suggestion made by Mr. Burgess with respect to the purchase of bills.

Upon motion duly made and seconded, the Federal Reserve Bank of New York was given discretionary authority to purchase today up to \$15,000,000 of Treasury bills, it being understood that the amount purchased would depend upon the amount of bills in the dealers' portfolios which they are today unable to dispose of readily in the market, and upon the possible effect of these holdings upon the general market for Government securities.

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There was a general discussion of the interpretation to be placed on the authority granted to the executive committee by the Federal Open Market Committee to increase or decrease the total amount of securities held in the System portfolio — whether it was limited solely to action having the objective of preventing a disorderly market or whether it included authority to increase excess reserves regardless of the condition of the market.

At 10:55 a.m. Mr. Burgess called on the telephone and was advised of the action taken by the committee with respect to the purchase of up to \$15,000,000 of bills. He stated that the market had declined somewhat from yesterday's close and that the bank had purchased \$10,000,000 of securities, some of which would be used to replace other securities sold from the System account. Mr. Burgess was advised that the committee would be in session this morning and this afternoon and would be available should it be felt that the New York bank needed additional authority.

At the conclusion of a further discussion the meeting recessed and reconvened at 2:20 p.m. with Messrs. Eccles, Harrison, Broderick, McKee, Sinclair, Davis, Morrill and Carpenter present.

It was agreed that it would be necessary to give the Federal Reserve Bank of New York such authority as would enable it to continue the existing procedure under which purchases are made in a declining market.

Upon motion duly made and seconded, and by unanimous vote, the executive committee directed

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the Federal Reserve Bank of New York until the next meeting of the executive committee and subject to the provisions of the resolution adopted by the Committee on April 4, to make purchases and sales in the market of Government securities for the System open market account in accordance with the procedure followed by the New York bank since that resolution was adopted, provided that the aggregate amount of securities held in the System open market account be not increased as of any weekly statement date to an amount exceeding \$2,530,000,000 nor decreased as of any weekly statement date below \$2,455,000,000, and provided further that the amount of securities held in the account be not reduced as of any weekly statement date below the amount of securities held in the account as of the previous weekly statement date.

In connection with the above action, it was understood that the Committee might take such further action within the limits of the authority granted to it by the Federal Open Market Committee as might be agreed upon unanimously by telephone, telegraph or mail without another meeting of the executive committee, but that a meeting of the Committee should be held at any time at the request of any member of the Committee, and that upon the request of any member of the Federal Open Market Committee the Chairman would call a meeting of the full Committee for the purpose of reviewing the situation.

At 3:25 p.m. Mr. Eccles called Mr. Burgess and advised him of the adoption of the resolution and of the understanding referred to above. Mr. Burgess stated that the bank had purchased during the day approximately \$10,000,000 of bonds and \$26,000,000 of bills, taking all of the unsold bills from the dealers' portfolio, that

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some of these purchases would replace securities sold from the System account, and that the account would show a net increase for the week of approximately \$29,000,000.

Thereupon the meeting adjourned.

Christa H. Jones
Secretary.

Approved:

W. H. C. Jones
Chairman.