

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 Monday, April 19, 1937, at 10:30 a.m.

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

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

Mr. Morrill, Secretary  
Mr. Wyatt, General Counsel  
Mr. Goldenweiser, Economist  
Mr. Williams, Associate Economist  
Mr. Carpenter, Assistant Secretary of the  
Board of Governors  
Mr. Piser, Senior Economist, Division of  
Research and Statistics of the Board of  
Governors

Mr. Harrison stated that he had just talked over the telephone with First Vice President Sproul of the Federal Reserve Bank of New York, who reported that the tone of the Government security market this morning was quiet, with prices slightly higher and that the Treasury bill market was in better condition than it had been for the past several days. Mr. Harrison said that since the close on April 14, 1937, of the last statement week the New York bank had sold approximately \$7,000,000 of bonds and notes from the System open market account, and that it would be his suggestion that no bills be purchased today to replace the securities sold, with the understanding that the \$7,000,000

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would be used tomorrow primarily in taking up any bills then overhanging the market.

There ensued a discussion of the factors which might affect the market for Treasury bills and of the question whether the executive committee should direct the Federal Reserve Bank of New York to effect any transactions for the System account today. During the course of this discussion, Mr. Harrison said that he had already instructed Mr. Sproul to purchase any Treasury bills that might be overhanging the market this morning and also to indicate to the dealers in his talks with them this morning that the reserve bank would be prepared during the week to make shifts in maturities of bills, if necessary, to facilitate the placement of unsold bills.

At 11:20 a.m. Mr. Harrison left the room to talk with Mr. Sproul over the telephone and upon his return stated that Mr. Sproul had reported that the bond market was still somewhat above Saturday's close, that the dealers had no bills for sale, that other than possibly \$2,000,000 or \$3,000,000, there appeared to be no bills overhanging the market, and that it was now the prevailing opinion that the discounts bid on Treasury bills being offered today would be somewhat lower than was forecast at the opening of the day. Mr. Harrison said that Mr. Sproul and Mr. Matteson, Assistant Vice President of the Federal Reserve Bank of New York, both felt that there was nothing in the technical position of the market which would call for affirmative

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action today in the System open market account, but that, if action were taken it should be in the form of a purchase of bills. Mr. Harrison added that, in addition to the \$7,000,000 of bonds and notes referred to above as having been sold from the System account since the close of the previous statement week, Mr. Sproul had just reported that the bank had sold today \$5,000,000 of notes, making a total of \$12,000,000 of securities to be replaced before the end of the current statement week.

Chairman Eccles stated that he would prefer to purchase \$12,000,000 of bills today for delivery prior to the close of the statement week as a step in a program looking toward preventing the rate on Treasury bills from advancing to an unjustified level because of unsettled market conditions during the period of adjustment to the May 1 increase in reserve requirements. Mr. Harrison commented that the difficulty with this was that there seemed to be only \$2,000,000 or \$3,000,000 of bills at the most which might be picked up in the market today, and that the System probably could not buy as much as \$12,000,000 today without artificially dislodging bills that were not being offered on the market.

At the conclusion of a discussion, Mr. Harrison moved that the executive committee authorize the Federal Reserve Bank of New York to purchase for the System open market account either today, tomorrow, or Wednesday not less than \$5,000,000 and not more than \$10,000,000 of existing Treasury bills.

Mr. Harrison's motion, having been duly seconded, was put by the chair and lost, Messrs. Harrison and Sinclair voting "aye", Messrs.

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Eccles, Broderick and McKee voting "no".

Mr. Broderick moved that the executive committee direct the Federal Reserve Bank of New York to purchase for the System open market account \$12,000,000 of Treasury bills for delivery on or before Wednesday, April 21, 1957, to replace bonds and notes sold from the account since Wednesday, April 14, 1957.

This motion, having been duly seconded, was put by the chair and carried, Chairman Eccles voting "no".

Chairman Eccles stated that he voted "no" on both motions for the reason that he felt the bank should be directed to place orders today, although the orders might call for delivery on or before April 21, 1957.

At 11:58 a.m. Mr. Harrison left the room to advise Mr. Sproul over the telephone of the action taken by the executive committee. Upon his return he said that he had advised Mr. Sproul that the executive committee had directed the bank to purchase today, tomorrow or Wednesday a total of \$12,000,000 of Treasury bills for delivery during this statement week to replace bonds and notes sold from the account since April 14, and that it was the feeling of the majority of the executive committee that the bank should purchase as many of the bills as it could acquire today without disorganizing the market and that preference should be given to bills of the longer maturities. He also said that he had told Mr. Sproul that if any orders were placed today they should not be for bills offered by the Treasury this afternoon.

Thereupon the meeting recessed to reconvene tomorrow morning

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at 11:00 a.m.

Chester Morie  
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 20, 1937, at 11:25 a.m.

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

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

Mr. Morrill, Secretary  
Mr. Wyatt, General Counsel  
Mr. Goldenweiser, Economist  
Mr. Williams, Associate Economist  
Mr. Carpenter, Assistant Secretary of the  
Board of Governors  
Mr. Piser, Senior Economist, Division of  
Research and Statistics of the Board of  
Governors

Mr. Harrison stated that he had just talked over the telephone with Mr. Sproul, First Vice President of the Federal Reserve Bank of New York, who advised that the market received the news item in this morning's papers regarding the President's budget message somewhat unfavorably and that the Government securities market opened from 1 to 5/32 below yesterday's closing prices. The Treasury bill offering yesterday, Mr. Harrison said, had been fairly well received but the dealers still had on hand today a substantial block of the longer term bills.

There followed a discussion of the authority to be granted to

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the Federal Reserve Bank of New York to effect transactions for the System open market account. During the discussion Messrs. Ransom and Davis left the meeting.

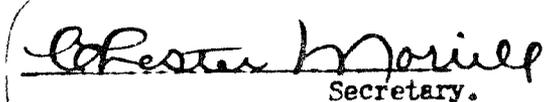
Upon motion duly made and seconded, and by unanimous vote, the executive committee directed the Federal Reserve Bank of New York, until the adjournment of the next meeting of the executive committee and superseding all previous directions and authorizations, (1) to replace maturing securities in the 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 (which may be accomplished when desirable through replacement of maturing securities) as may be necessary or desirable in the administration of the account, up to an aggregate of \$100,000,000, (3) to make purchases and sales in the market of Government securities for the System account, provided that the securities held in the account be not increased as of any weekly statement date to an amount exceeding \$2,530,000,000, 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 last preceding weekly statement date, and (4) upon approval by a majority of the members of the executive committee, which may be obtained by telephone, telegraph or mail, to make such other shifts, purchases, or sales for the System account as may be found to be desirable and advisable within the limits of the authority granted to the executive committee by the Federal Open Market Committee.

At 12:30 p.m. Mr. Morrill advised Mr. Sproul by telephone of the action taken by the executive committee.

There followed a discussion of matters relating to the Treasury bill market, at the conclusion of which the meeting adjourned.

Approved:

  
Chairman.

  
Secretary.