

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 Tuesday, July 6, 1937, at 2:45 p.m.

PRESENT: Mr. Eccles, Chairman
Mr. Harrison, Vice Chairman
Mr. Broderick
Mr. Ransom (alternate for Mr. McKee)
Mr. Sinclair

Mr. Morrill, Secretary
Mr. Wyatt, General Counsel
Mr. Goldenweiser, Economist
Mr. Williams, Associate Economist
Mr. Burgess, Manager of the System Open
Market Account
Mr. Carpenter, Assistant Secretary of
the Board of Governors of the Federal
Reserve System
Mr. Edmiston, Junior Economist of the
Board of Governors of the Federal
Reserve System

Upon motion duly made and seconded and by unanimous vote, the minutes of the meetings of the executive committee held on June 9 and 15, 1937, were approved.

Mr. Burgess referred to the weekly reports sent by the Federal Reserve Bank of New York to the members of the Federal Open Market Committee since the last meeting of the committee with respect to transactions in the System open market account and he outlined briefly, for the information of the members of the committee, the transactions which had been effected in the account since June 30, 1937, the last weekly statement date, and up to and including July 3, 1937.

Upon motion duly made and seconded and by unanimous vote, the transactions in the account since the period covered by similar action taken

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by the executive committee at its meeting on June 15, 1937, up to and including July 3, 1937, were approved, ratified and confirmed.

Mr. Burgess stated that under the authority granted by the executive committee at its meeting on June 15, 1937, the New York bank, in addition to replacing maturing securities with other securities maturing within two years, had made shifts of securities in the System open market account in the total amount of \$61,850,000, and it was suggested that the authority granted at the last meeting of the executive committee be renewed.

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 Treasury bills or Treasury 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 in the practical administration of the account, up to an aggregate of \$100,000,000 of purchases and a like amount of sales or redemptions;

(3) To increase or decrease temporarily the amount of securities in the account between weekly statement dates by not more than \$25,000,000 when necessary in making replacements or shifts pursuant to the above provisions of this resolution, provided that the amount of securities in the account as of any weekly statement date shall not be changed from that of the preceding weekly statement date except in accordance with the following clause of this resolution; 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 or such purchases or sales (which would include authority to allow maturities to run off without replacement) for the account as may be found to be desirable within the limits of the authority granted to the executive committee by the Federal Open Market Committee.

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Reference was then made to the informal action taken by the members of the executive committee on June 29, 1937, in directing the Federal Reserve Bank of New York to make a quarterly readjustment as of July 1, 1937, in the participations of the Federal reserve banks in the System open market account using the same plan as that followed in the readjustment which was made as of April 1, 1937, and to the subsequent informal action of the members of the committee on June 30, 1937, which was taken in view of a request by President Young of the Federal Reserve Bank of Boston that the readjustment be postponed for thirty days so that the basis for such readjustment might be given further consideration. The latter action rescinded the directions given to the Federal Reserve Bank of New York on June 29 and deferred the readjustment of participations pending consideration of the matter by the Federal Open Market Committee at its meeting on August 5, 1937, and the issuance of further instructions to the executive committee.

The informal actions taken by the members of the executive committee on June 29 and June 30, 1937, were approved, ratified and confirmed by unanimous vote, and it was understood that the Secretary would advise President Young that it would be helpful if he would meet with the Federal Open Market Committee on August 5 when the question of readjustment of participations will be brought up for consideration, or, if he could not be present at that time, if he would send to the Secretary a memorandum outlining his views on the matter.

At the request of Chairman Eccles, Mr. Goldenweiser outlined the progress which had been made in assembling material for the executive committee to consider in connection with the preparation of the report requested by the Federal Open Market Committee on a plan for purchases

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of Treasury bills by the Federal reserve banks. He stated that he proposed to draft a tentative report for submission to the members of the executive committee not later than July 17, 1937, which would afford the members of the committee an opportunity to consider the matter and take such further steps as might be necessary for the preparation of the final report to be submitted by the committee to the Federal Open Market Committee at its meeting on August 5, 1937.

The procedure suggested by Mr. Goldenweiser was discussed and approved unanimously.

Chairman Eccles stated that the Secretary of the Treasury had requested that the members of the executive committee meet with him at 11:00 o'clock on the morning of July 7, 1937, for the purpose of discussing the Treasury bill program. There ensued a discussion of the Treasury bill market and various questions having a bearing on the Treasury bill program.

Thereupon the meeting adjourned.

Chester Morris
Secretary.

Approved:

W. A. Eccles
Chairman.