

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 Wednesday, December 18, 1940, at 11:00 a.m.

PRESENT: Mr. Eccles, Chairman  
Mr. Harrison, Vice Chairman  
Mr. Szymczak  
Mr. Sinclair  
Mr. Draper (alternate for Mr. Davis)

Mr. Carpenter, Assistant Secretary  
Mr. Wyatt, General Counsel  
Mr. Rouse, Manager of the System Open Market Account

Messrs. McKee, Parker, Schaller, and Day,  
Members of the Federal Open Market Committee

Messrs. Young, Fleming, Leach, Martin, and  
Peyton, Alternate Members of the Federal  
Open Market Committee

Messrs. Hamilton and Gilbert, Presidents of  
the Federal Reserve Banks of Kansas City  
and Dallas, respectively

Mr. Kimball, Secretary of the Conference of  
Presidents

Mr. Clayton, Assistant to the Chairman of the  
Board of Governors

Mr. Bethea, Assistant Secretary of the Board  
of Governors

Chairman Eccles said that Mr. Davis was attending a meeting of the National Defense Advisory Commission and for that reason could not be present at this meeting.

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

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meeting of the executive committee of the Federal Open Market Committee held on November 1, 1940, were approved.

Reference was made to action taken by members of the executive committee of the Federal Open Market Committee on November 15, under the authority of paragraph numbered 3 of the resolution adopted at the meeting of the committee on November 1, 1940, in authorizing the Federal Reserve Bank of New York, when market conditions permitted, to make such outright sales of securities from the System open market account as might be effected without adversely affecting the market, provided that the total amount of securities in the account be not decreased through operations under paragraph numbered 2 of the resolution adopted at the meeting of the committee on November 1 by more than \$100,000,000 in addition to the authority already granted by that paragraph. It was stated that the additional authority was granted for the reason that through November 14 the bank had sold \$86,200,000 of securities under the November 1 authorization and it was believed that the additional authority to make sales from the account was justified in the light of the prevailing market conditions.

Upon motion duly made and seconded, and by unanimous vote, the action of the members of the executive committee in granting the additional authority to the New York Bank was approved, ratified, and confirmed.

Reference was made to the weekly reports of operations in the System account which had been submitted to the members of the committee

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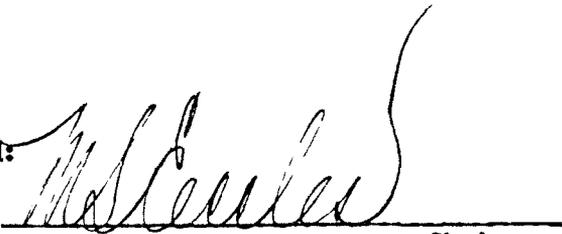
by the Federal Reserve Bank of New York, including the report for the period ended December 11, 1940, and it was stated that there had been no transactions in the account since that date.

Upon motion duly made and seconded, and by unanimous vote, the transactions in the System open market account for the period since that covered by similar action taken by the executive committee on November 1, 1940, to and including December 17, 1940, were approved, ratified, and confirmed.

Thereupon the meeting recessed to reconvene following the meeting of the Federal Open Market Committee.

  
Assistant Secretary.

Approved:

  
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 Wednesday, December 18, 1940, at 4:15 p.m.

PRESENT: Mr. Eccles, Chairman  
Mr. Harrison, Vice Chairman  
Mr. Szymczak  
Mr. Davis  
Mr. Sinclair

Mr. Morrill, Secretary  
Mr. Carpenter, Assistant Secretary  
Mr. Wyatt, General Counsel  
Mr. Goldenweiser, Economist  
Mr. Williams, Associate Economist  
Mr. Rouse, Manager of the System Open Market Account  
Mr. Piser, Senior Economist in the Division of Research and Statistics of the Board of Governors

The question of the directions to be given to the Federal Reserve Bank of New York to execute transactions in the System open market account was considered in the light of the discussion at the meeting of the Federal Open Market Committee just preceding this meeting and it was agreed that the resolution adopted at the meeting of the executive committee on November 1, 1940, should be renewed except that paragraph numbered 2 should be amended so as to limit the authority to make purchases and sales from the System account to transactions for the purpose of exercising an influence toward maintaining orderly market conditions.

Thereupon, upon motion duly made and seconded, and by unanimous vote, the executive committee directed the Federal Reserve

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Bank of New York, until otherwise directed by the executive committee,

(1) 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 or for the purpose of exercising an influence toward maintaining orderly market conditions, up to an aggregate of \$200,000,000 of purchases and a like amount of sales or redemptions, provided that in making such shifts the total amount of bonds held in the account be not increased or decreased by more than \$100,000,000;

(2) To make such outright purchases or sales for the System account as may be necessary for the purpose of exercising an influence toward maintaining orderly market conditions, provided that the total amount of securities in the account be not increased or decreased through operations under this paragraph by more than \$100,000,000; and

(3) 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.

Thereupon the meeting adjourned.

Chester Morris  
Secretary.

Approved:

W. C. C. C.  
Chairman.