

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 Friday, May 8, 1942, at 10:00 a.m.

PRESENT: Mr. Eccles, Chairman
Mr. Sproul, Vice Chairman
Mr. Szymczak
Mr. Draper
Mr. Alfred H. Williams

Mr. Morrill, Secretary
Mr. Carpenter, Assistant Secretary
Mr. Wyatt, General Counsel
Mr. Goldenweiser, Economist
Mr. John H. Williams, Associate Economist
Mr. Rouse, Manager of the System Open Market Account
Mr. Piser, Chief, Government Securities Section, Division of Research and Statistics of the Board of Governors
Mr. Berntson, Clerk in the Office of the Secretary of the Board of Governors

Messrs. McKee, Ransom, Evans, Gilbert, Young, and Leedy, members of the Federal Open Market Committee

Messrs. Paddock, Fleming, McLarin, and Day, alternate members of the Federal Open Market Committee

Messrs. Leach and Peyton, Presidents of the Federal Reserve Banks of Richmond and Minneapolis, respectively

Mr. Attebery, Vice President of the Federal Reserve Bank of St. Louis

Mr. Sienkiewicz, Secretary of the Presidents' Conference

Chairman Eccles stated that it was contemplated that a committee representing the Board and the Presidents would meet with representatives

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of the Treasury and a committee representing the investment bankers' group at the Treasury at 1:00 o'clock today for the purpose of formulating recommendations relating to an organization to promote the distribution of Government securities, other than Series E war savings bonds, and that following the meeting of the Federal Open Market Committee this morning there would be a meeting of the Board and the Presidents for a discussion of that matter before the meeting at the Treasury.

Upon motion duly made and seconded, and by unanimous vote, the minutes of the meetings of the executive committee of the Federal Open Market Committee held on February 28 and March 2, 1942, were approved.

As of the close of May 4, 1942, the holdings in the System account had been increased by the net amount of \$169,435,000 through purchases and sales of Government securities under the authority of the resolution adopted at the last meeting of the executive committee, and on May 5, in order that the Federal Reserve Bank of New York might have ample authority to deal with the situation pending another meeting of the executive committee, the members of the committee, in accordance with paragraph (3) of the resolution adopted at the last meeting, authorized an increase from \$200,000,000 to \$400,000,000 in the amount stated in paragraph (2) of the resolution so as to authorize the New York Bank to make such outright purchases or sales (which would include authority to allow maturities to run off without replacement) for the

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System account as might 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 that paragraph by more than \$400,000,000.

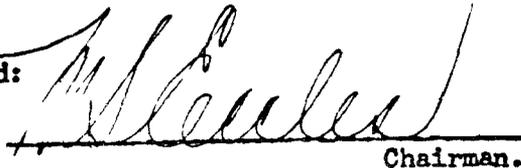
Upon motion duly made and seconded, and by unanimous vote, the action taken by the members of the executive committee to increase the authority granted to the New York Bank to effect transactions in the System account was approved, ratified, and confirmed.

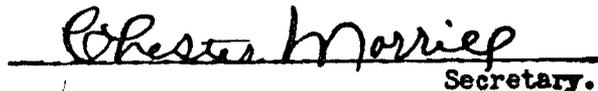
Copies of a report prepared at the Federal Reserve Bank of New York covering open market operations during the period from March 2, 1942, to May 6, 1942, inclusive, were distributed, and Mr. Rouse read the more important sections of the report. He also stated that on May 7, 1942, the New York Bank purchased \$3,170,000 of Treasury bills, and \$4,980,000 of Treasury bills were purchased by two other Reserve Banks for the System account.

Upon motion duly made and seconded, and by unanimous vote, the transactions in the System account during the period from March 2 to May 7, 1942, inclusive, were approved, ratified, and confirmed.

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

Approved:


Chairman.


Secretary.

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 Friday, May 8, 1942, at 4:35 p.m.

PRESENT: Mr. Eccles, Chairman
Mr. Sproul, Vice Chairman
Mr. Szymczak
Mr. Draper
Mr. Alfred H. Williams

Mr. Morrill, Secretary
Mr. Carpenter, Assistant Secretary
Mr. Wyatt, General Counsel
Mr. Rouse, Manager of the System Open Market Account
Mr. Piser, Chief, Government Securities Section, Division of Research and Statistics of the Board of Governors

Messrs. McKee, Ransom, Evans, Gilbert, Young, and Leedy, members of the Federal Open Market Committee

Messrs. Paddock, Fleming, McLarin, and Day, alternate members of the Federal Open Market Committee

Messrs. Leach and Peyton, Presidents of the Federal Reserve Banks of Richmond and Minneapolis, respectively

Mr. Attebery, Vice President of the Federal Reserve Bank of St. Louis

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

Mr. Sienkiewicz, Secretary of the Presidents' Conference

Consideration was given to the directions to be issued to the Federal Reserve Bank of New York to execute transactions for the System

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open market account, and it was agreed that the existing instructions should be revised to conform them to the instructions to the executive committee adopted by the Federal Open Market Committee at its meeting this morning.

Thereupon, upon motion duly made and seconded, and by unanimous vote, the executive committee directed the Federal Reserve Bank of New York, until otherwise directed by the executive committee,

(1) To make such shifts of securities in the System open market 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 purposes stated in paragraph (2) below, up to an aggregate of \$200,000,000 of purchases and a like amount of sales or redemptions;

(2) To make such outright purchases or sales (which would include authority to allow maturities to run off without replacement) for the System account, either in the open market or directly from or to the Treasury, as may be necessary for the purpose of maintaining about the present general level of prices and yields of Government securities or for the purpose of maintaining an adequate supply of funds in the market; provided that the total amount of securities held in the account at the close of this date (other than Treasury bills purchased pursuant to the direction of the Federal Open Market Committee issued under date of April 30, 1942) be not increased or decreased through operations under this paragraph by more than \$200,000,000; 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

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desirable within the limits of the authority granted to the executive committee by the Federal Open Market Committee.

In taking the action set forth above, there was unanimous agreement that, inasmuch as the Federal Open Market Committee had directed the Federal Reserve Banks to purchase for the System account all Treasury bills that might be offered to such Banks on a discount basis at the rate of $3/8$ per cent per annum and no limitation as to amount had been placed on such purchases by the full Committee, the foregoing directions to the New York Bank should be without limitation as to amount of such purchases of Treasury bills.

Thereupon the meeting adjourned.

Chester Morris
Secretary.

Approved:

W. C. C. C.
Chairman.