

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, October 17, 1945, at 9:30 a.m.

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

Mr. Morrill, Secretary
Mr. Carpenter, Assistant Secretary
Mr. Wyatt, General Counsel
Mr. Vest, Assistant General Counsel
Mr. Rouse, Manager of the System
Open Market Account
Mr. Thomas, Associate Economist of the
Federal Open Market Committee
Messrs. Piser and Kennedy, Chief and
Assistant Chief, respectively, of
the Government Securities Section,
Division of Research and Statistics
of the Board of Governors
Mr. Connell, General Assistant,
Office of the Secretary of the
Board of Governors

Upon motion duly made and seconded,
and by unanimous vote, the minutes of the
meeting of the executive committee of the
Federal Open Market Committee held on June
20, 1945, were approved.

During August and September the Federal Reserve Bank of New York, in carrying out the direction issued by the executive committee, purchased large amounts of securities for the purpose of supplying funds to the market and on August 22, September 12, and September 28, 1945, the members of the executive committee approved increases,

10/17/45

-2-

each in the amount of \$500 million, in the limitation on the authority granted to the Reserve Bank as contained in the first paragraph of the direction issued at the meeting of the executive committee on June 20, 1945, which advanced the limitation to \$2 billion.

Upon motion duly made and seconded, and by unanimous vote, the actions of the members of the executive committee on August 22, September 12, and September 28, 1945, were approved, ratified, and confirmed.

Upon motion duly made and seconded, and by unanimous vote, the transactions in the System account during the period from June 20, 1945, to October 16, 1945, inclusive, as reported to the individual members of the executive committee, were approved, ratified, and confirmed.

Upon motion duly made and seconded, and by unanimous vote, the letter addressed by Chairman Eccles to Secretary Morgenthau under date of July 9, 1945, enclosing a memorandum on Treasury financing which was prepared following a conference of the members of the executive committee and discussions with representatives of the Treasury on July 6, 1945, was approved, ratified, and confirmed.

Consideration was then given to whether the executive committee should undertake at this meeting to formulate any recommendations, with respect to future System open market policy and Treasury financing policy, for submission at the meeting of the Federal Open Market Committee which was to follow this meeting. There was agreement that no change could be made in existing policies until after the close of the pending Victory Drive, but that it should be understood by the full Committee that after the Drive the executive committee would continue

10/17/45

-3-

discussions with the Treasury of policies to be followed during the reconversion and postwar periods.

Chairman Eccles stated that sometime after the Victory Drive inquiry undoubtedly would be made by Congressional committees with respect to the effect on the credit and monetary situation in this country, particularly the effect on bank earnings, of the Treasury financing policies which have been followed during the war period, and that he felt that the Federal Open Market Committee and its staff should continue the studies which were being made with a view to suggesting a practicable solution to the difficult problems in the field of Treasury financing and System credit policies resulting from the high level of the Government debt.

There was unanimous agreement that the views of the executive committee as set forth above should be stated at the meeting of the full Committee to be held this morning.

Further reference was made to the matters set forth in the memorandum addressed to Chairman Eccles by Mr. Piser on February 8, 1945, with respect to brokers and dealers in Government securities, and Chairman Eccles suggested that this item be placed on the agenda for the next meeting of the executive committee which is not held on the same day as a meeting of the full Committee and that at that meeting of the executive committee sufficient time be given to the questions involved so that it will not be necessary to continue to carry the item on the executive committee agenda. This suggestion was approved unanimously.

10/17/45

-4-

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

Chester Morrie
Secretary.

Approved:

W. A. R. [Signature]
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, October 17, 1945, at 3:50 p.m.

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

Mr. Morrill, Secretary
Mr. Carpenter, Assistant Secretary
Mr. Wyatt, General Counsel
Mr. Vest, Assistant General Counsel
Mr. Rouse, Manager of the System Open Market Account
Messrs. Thomas and John H. Williams, Associate Economists of the Federal Open Market Committee
Messrs. Piser and Kennedy, Chief and Assistant Chief, respectively, of the Government Securities Section, Division of Research and Statistics of the Board of Governors
Mr. Connell, General Assistant, Office of the Secretary of the Board of Governors

At the meeting of the Federal Open Market Committee immediately preceding this meeting, the existing direction to the executive committee with respect to transactions for the System account was renewed without change. All of the members of the executive committee were of the opinion that there was no occasion to change the direction issued to the Federal Reserve Bank of New York at the meeting of the committee on June 20, 1945, and that it should be renewed in the same form.

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

10/17/45

-2-

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

(1) To make such purchases, sales, or exchanges (including replacement of maturing securities and allowing maturities to run off without replacement) for the System account, either in the open market or directly from, to, or with the Treasury, as may be necessary in the practical administration of the account, or for the purpose of maintaining about the present general level of prices and yields of Government securities, or of maintaining an adequate supply of funds in the market; provided (a) that the total amount of securities in the account at the close of this date shall not be increased or decreased by more than \$500,000,000 exclusive of bills purchased outright in the market on a discount basis at the rate of 3/8 per cent per annum and bills redeemed at maturity, and special short-term certificates of indebtedness purchased for the temporary accommodation of the Treasury pursuant to paragraph (2) of this direction, and (b) that this paragraph shall not limit the amount of Treasury bills purchased pursuant to the direction of the Federal Open Market Committee issued under date of March 1, 1945, or the redemption of such bills;

(2) To purchase direct from the Treasury for the System open market account such amounts of special short-term certificates of indebtedness as may be necessary from time to time for the temporary accommodation of the Treasury; provided that the total amount of such certificates held in the account at any one time shall not exceed \$500,000,000; and

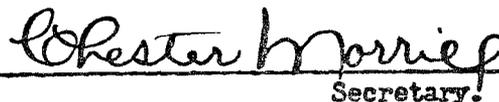
(3) Upon approval by a majority of the members of the executive committee, which may be obtained by telephone, telegraph, or mail, to make such other purchases, sales, or exchanges for the account as may be found to be desirable within the limits of the authority granted to the executive committee by the Federal Open Market Committee.

In taking this action it was understood that the limitations contained in the direction included commitments for purchases or sales of securities for the System account.

Thereupon the meeting adjourned.

Approved:


Chairman.


Secretary.