A meeting of the Federal Open Market Committee was held in the offices of the Board of Governors of the Federal Reserve System in Washington on Thursday, September 21, 1944, at 10:15 a.m.

PRESENT: Mr. Eccles, Chairman
Mr. Sproul, Vice Chairman
Mr. McKee
Mr. Ransom
Mr. Draper
Mr. Evans
Mr. Leach
Mr. Young
Mr. Davis
Mr. Peyton

Mr. Morrill, Secretary
Mr. Carpenter, Assistant Secretary
Mr. Goldenweiser, Economist
Messrs. John H. Williams, Kincaid, Langum, Edmiston, and Upgren, Associate Economists
Mr. Wyatt, General Counsel
Mr. Dreibelbis, Assistant General Counsel
Mr. Rouse, Manager of the System Open Market Account
Mr. Thurston, Special Assistant to the Chairman of the Board of Governors
Messrs. Piser and Kennedy, Chief and Assistant Chief, respectively, of the Government Securities Section, Division of Research and Statistics of the Board of Governors

Messrs. L. R. Rounds, Alfred H. Williams, H. G. Leedy, and R. R. Gilbert, alternate members of the Federal Open Market Committee

Messrs. Gidney, McLarin, and Day, Presidents of the Federal Reserve Banks of Cleveland, Atlanta, and San Francisco, respectively

Chairman Eccles stated that he had been informed by Mr. Bell, Under Secretary of the Treasury, that Secretary Morgenthau, who was out of the city, would like to have further discussions with respect to the plans for the next war loan drive and the desirability of increasing the weekly offering of Treasury bills. Chairman Eccles also said he had told Mr. Bell that he and Mr. Sproul were leaving for the West on the evening of September 22 and that Mr. Bell had replied that he would try to arrange a meeting tomorrow.

Upon motion duly made and seconded, and by unanimous vote, the minutes of the meeting of the Federal Open Market Committee held on May 4, 1944, were approved.

Upon motion duly made and seconded, and by unanimous vote, the actions of the executive committee of the Federal Open Market Committee as set forth in the minutes of the meetings of the executive committee held on May 4 and July 28, 1944, were approved, ratified, and confirmed.

At the beginning of the meeting there were distributed copies of a report prepared at the Federal Reserve Bank of New York of open market operations for the System account during the period from May 5 to September 16, 1944, inclusive. Mr. Rouse called attention to the important items in the report as well as in a supplementary report prepared at the Federal Reserve Bank of New York covering transactions for the System account on September 18, 19, and 20, 1944.

Upon motion duly made and seconded, and by unanimous vote, the transactions for the System open market account during the period from May 4 to September 20, 1944, inclusive, were approved, ratified, and confirmed.

Chairman Eccles stated that considerable thought had been given, both in and out of the Federal Reserve System, to the declining reserve ratio of the Federal Reserve Banks, and that at the meeting of the executive committee on July 28 it had been agreed that a decision as to the action to be taken to meet the situation did not have to be made at this time but could be deferred until the prospects were somewhat clarified, that waiting had the advantage that with an early termination of the war the problem might never actively arise, and that in any event it would not become acute until the middle of next year. In these circumstances, Chairman Eccles said, the executive committee voted unanimously to recommend to the full Committee that no action with respect to this matter be taken until after the first of next year, that if action should become necessary at a later date the position be taken that it should be in the form of a reduction by Congress in existing Reserve Bank reserve requirements, and that the executive committee be authorized to make or to join in any public statement or statements that might appear to it to be necessary to counteract any unfavorable comment that might be made on the continuing decline in the reserve ratio. He went on to say that it was the thought of the executive committee in making this recommendation that the System would not discuss the problem unless the matter became one of public discussion and it appeared necessary or desirable to counteract unfavorable comment. He felt that constructive statements had been made in the press and that, as long as these were effective in preventing misunderstanding or concern with respect to the present trend, there was no necessity for the System to comment on the matter.

With respect to the suggestion that should action become necessary it should be in the form of a reduction in existing Federal Reserve Bank reserve requirements, Chairman Eccles said that this proposal had not been discussed with the Treasury and he did not know what the Treasury's reaction to it would be. He also said that, while it might be more logical to meet the problem when action became necessary by issuing Federal Reserve Bank notes under existing authority, such a course might meet greater opposition from the outside and be more difficult to explain.

Mr. Ransom stated that he understood that a subcommittee of the Colmer Committee contemplated asking for an informal discussion of the Federal Reserve Bank reserve ratio problem probably after the national election, and that the meeting of the subcommittee would not be a hearing but an informal discussion of the same type that had taken place with respect to other matters in which persons who were not connected with the Government would be invited to participate. Following the discussion of the desirability of this problem coming before the subcommittee instead of the Banking and Currency Committees, which would have to pass on any legislation in connection with it, there was agreement that, if the subcommittee should ask for information on the matter, it should be furnished.

Mr. McKee stated that it would be necessary for the Board to ask Congress for an extension of the authority to pledge Government securities as collateral for Federal Reserve notes, which expires on June 30, 1945, and that, in view of the position previously taken by the Board that it would have no objection to the repeal of the authority to issue Federal Reserve Bank notes, it perhaps would be easier to get a reduction in Federal Reserve Bank reserve requirements at the same time the authority to pledge Government securities as collateral for Federal Reserve notes was renewed. He also pointed out that if Federal Reserve Bank notes were to be issued to meet the situation it would take some time to have them printed. He went on to say that, while he and the Presidents' Conference Committee on Currency Hoarding were at a meeting at the Treasury on September 19, Mr. Bell said that before any action was taken by the Board in connection with the reserve question it would be well to discuss the matter with the Chairmen of the Banking and Currency Committees, probably sometime after the first of the year.

Mr. Sproul called attention to the fact that the material given by the Treasury to him and Chairman Eccles and to the members of the committee of bankers who were in Washington this week to discuss Treasury financing contained a chapter on the Federal Reserve ratio and money market management through March 31, 1945, which stated that the decline in the reserve ratio should not interfere with full System support to the Government security market, that whatever action might be necessary to meet the decline should be taken well in advance of the immediate necessity for action, but that there would be no need for action until after the first of the year.

Mr. Goldenweiser inquired whether the approval of the recommendation submitted by the executive committee of the Federal Open Market Committee would mean that there should be no articles on the reserve ratio published in the Federal Reserve Bulletin or the bulletins of the Federal Reserve Banks.

Mr. Peyton suggested that the question of publicity be left to the Federal Reserve Banks for decision for the reason that the Banks should be free to discuss the matter with anyone in their respective districts who wanted to talk about it. During the discussion of this suggestion, Mr. Goldenweiser, in response to an inquiry why he had raised the question, stated that the Federal Reserve Bank of Cleveland had prepared an article for publication in its monthly bulletin but before doing so submitted it to the Board's Division of Research and Statistics and was informed that the discussions had indicated the feeling that articles on this subject should not be published. Subsequently, he said, the Federal Reserve Bank of New York published an article on the reserve ratios of foreign central banks and a question arose whether the policy was being uniformly applied. He also said that the Division of Research and Statistics had taken the position that the New York article dealt with foreign central bank conditions which emphasized the favorable monetary position of this country and therefore had a favorable reaction. He added that in view of what had occurred he thought there should be consideration of the extent to which the Board and the Federal Reserve Banks should go in publishing articles dealing with the reserve ratio, recognizing, of course, that under the existing procedure the decision with respect to Bank articles was one for the individual Federal Reserve Banks.

In connection with an inquiry by Mr. Ransom, there was a discussion of whether the executive committee of the Federal Open Market Committee was the proper body to take a position on this subject, which he believed to be a responsibility of the Board of Governors as such. It was stated that the recommendation of the executive committee did not necessarily contemplate that a statement would be made only by it or by the Federal Open Market Committee, but that the Board of Governors could make any statement on the matter that it might wish or could act with the Open Market Committee or the executive committee in issuing a joint statement.

During the course of the discussion, it was moved and seconded that the recommendation of the executive committee be approved, and at the end of the discussion this motion was put by the chair and carried, Mr. Ransom voting "no" for the reason that he did not think the executive committee

was the proper body to make public statements
on this subject.

In a further reference to the question of publicity, Mr. Sproul suggested that the point involved was whether the Federal Reserve Banks should initiate publicity, and in the ensuing discussion there appeared to be general agreement that the Federal Reserve Banks would not initiate any publicity on the subject but would be at liberty to answer or discuss any inquiries or requests that might arise in their respective districts in order to guide the discussion of the problem in the way that it should go.

At this point Mr. Smead, Director of the Division of Bank Operations of the Board of Governors, joined the meeting.

Chairman Eccles informed the Federal Open Market Committee of the discussion at the meeting of the executive committee just before this meeting with respect to the proposed discontinuance of the option accounts at the Federal Reserve Banks and the adoption of a new procedure for the allocation of securities in the System account. He stated that the executive committee had decided to recommend to the full Committee that the option accounts be retained and that the allocation formula submitted on this basis by Messrs. Smead and Rouse at the meeting of the executive committee on July 28, 1944, be adopted.

Mr. Rouse referred to the fact that the allocation procedure mentioned by Chairman Eccles contained a provision that the "portion of

Treasury bills that any Bank or Banks are unable to take, owing to a low reserve ratio, will be allocated to the Bank or Banks having the highest reserve ratio". This statement, he said, meant that these allocations would be made in such amounts as approximately to equalize the reserve ratios of the Banks to which the bills were allocated, and that a footnote would be added to the text of the procedure to that effect.

Mr. Leedy referred to the provision in the proposed procedure which contemplated that any Bank which did not have its pro rata share of Treasury bills in the System account, based on the calculations in the most recent allocation, might restore its participation on any Wednesday whenever its reserve ratio permitted, by contacting the Manager of the System Open Market Account. He stated that in the past all allocations of securities in the System account had been made automatically in accordance with the established formula and that it was his feeling that that arrangement should be continued.

> This point was discussed, and it was agreed that the applicable sentence in the statement of procedure should be changed to read as follows: "Whenever a Bank does not have its pro rata share of the Treasury bills in the System account, its participation will be restored on the succeeding Wednesday or month end to the extent that its reserve ratio permits".
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> Thereupon, upon motion duly made and seconded, it was voted unanimously to adopt the following procedure for the allocation

of securities in the System account, with the understanding that the revised procedure would be put into operation as of October 1, 1944, the next allocation date provided in the procedure:

"ALLOCATION OF SECURITIES HELD IN SYSTEM AND OPTION ACCOUNTS

Reallocations Quarterly in Each Year Until October 1, and Monthly for the Remainder of the Year, and Adjustments of Participations in Treasury Bills in System Account and Option Accounts Weekly or More Often When Necessary to Adjust Reserve Ratios

"1. Interest-Bearing Securities
(a) Allocate a sufficient amount of interest-bearing securities held in System account to each Federal Reserve Bank to cover expenses not already covered by accrued earnings from interest-bearing securities and by estimated earnings from other sources, excluding all Treasury bills.
(b) Allocate a sufficient amount of additional interest-bearing securities to each Federal Reserve Bank to cover dividend requirements.
(c) Allocate any remaining interest-bearing securities to each Federal Reserve Bank on the basis of average daily holdings of interest-bearing securities in System account for the five years ending on the last day of the preceding month.

"2. Treasury Bills
(a) Allocate Treasury bills held in the System account in a manner which will give to each Bank its pro rata share (based on the percentages used for the allocation of interest-bearing securities in Paragraph 1. sub-caption (c)) of estimated earnings on holdings of Treasury bills in both the System account and Option accounts provided that, if the earnings on interest-bearing securities are not sufficient to cover expenses and dividends, the allocation of Treasury bills will first be made in accordance with the formula in Paragraph 1. sub-captions (a) and (b). Treasury bills will not be allocated to any Bank in an amount that would reduce its reserve ratio below the percentage agreed upon from time to time by the Federal Open

"Market Committee and the Banks. The portion of Treasury bills that any Bank or Banks are unable to take, owing to a low reserve ratio, will be allocated to the Bank or Banks having the highest reserve ratio*.

(b) Adjustments when necessary to restore any Bank's reserve ratio to the agreed upon percentage will be made in participations in Treasury bills each Wednesday and on the last day of each month, unless such day is a reallocation date, based on closing figures of the previous day, with allowance for any repurchases. In between the weekly and month-end adjustments any bank desiring to restore its reserve ratio to a level above 40 per cent will sell to a Bank or Banks having the highest reserve ratio or ratios, a participation or participations in Treasury bills held in its Option account for a period of days to expire on the following Wednesday or month end, whichever is earlier, except that such adjustments will be made in the System account in the event that a Bank does not hold sufficient bills in its Option account. Banks will utilize Treasury bills for adjusting reserve positions before selling a participation in interest-bearing securities held in the System account. All adjustments in participations will be handled through the Manager of the System Open Market Account and Banks will advise him promptly of any participations in Treasury bills held in Option accounts they repurchase on days other than Wednesdays and month ends. Whenever a Bank does not have its pro rata share of the Treasury bills in the System account, its participation will be restored on the succeeding Wednesday or month end to the extent that its reserve ratio permits.

"3. Profits and Losses on Sales of Securities

Allocate profits and losses on sales of securities to each Federal Reserve Bank on the basis

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"*Allocations to be made in such amounts as approximately to equalize the reserve ratios of the Banks to which bills are thus allocated."

"of average daily holdings of interest-bearing securities in System account for the five years ending on the last day of the preceding month."

In accordance with paragraph 2(a) of the procedure, it was agreed unanimously that, pending further action by the Federal Open Market Committee, Treasury bills should not be allocated to any Federal Reserve Bank in an amount that would reduce its reserve ratio below 45 per cent.

Mr. Smead left the meeting at this point.

Chairman Eccles made substantially the following statement:

During the last few days Mr. Sproul and I have had several discussions with respect to Treasury financing with representatives of the Treasury and the committee of bankers which was called to Washington by the Treasury for discussions this week. We pointed out to the bankers' committee that if there were further additions to the weekly offering of Treasury bills there would be a further increase in reserves of member banks that did not need reserves, which would make for further speculation in the next drive and banks would not have to sell as many of the securities that were purchased following the last drive, with the result that the prices of these securities would advance further, with an accompanying decline in the long-term rate and a growing difficulty in maintaining the pattern of rates. These points were also presented in our discussions with representatives of the Treasury.

On September 19, 1944, Mr. Fleming, President of the Riggs National Bank of Washington and a member of the bankers' committee told me that the committee was thinking of recommending a public offering on October 15 of between $3 billion and $5 billion of 1-1/4 per cent Treasury notes, and he asked whether there was any question in our minds whether such an offering would be successful. I told him there was none and that we would favor that action as an alternative to the issuance of additional bills, but that we thought the Treasury would be satisfied with an issue of $3 billion. I learned later that the bankers' committee had recommended $2 billion of 1-1/4 per cent notes and an increase of $100 million in the weekly offering of bills for a period of eight weeks.

The position which Mr. Sproul and I took at the Treasury was that there should be no new securities issued before the drive, that the Treasury did not need any additional funds as it could issue bills at any time or borrow directly from the Federal Reserve Banks in the event of an emergency, and that if additional bills were issued they would have to be taken by the Federal Reserve Banks through the dealers, which was at least indirect financing by the Federal Reserve Banks. We also said that if the Treasury insisted on additional funds we would recommend the issuance of not more than $3 billion, and preferably $2 billion, of 1-1/4 per cent notes. We do not know what the decision of the Treasury will be.

I have had prepared a memorandum on the subject of Treasury financing policies which discusses the situation that confronts the Treasury and the System at the present time and the problems that probably will be presented over a longer period in connection with refunding the war debt, high earnings of member banks, and the difficulty of maintaining the pattern of rates. Three other memoranda have also been prepared with respect to (1) estimates of member bank earnings through 1945, (2) bank capital and deposit protection, and (3) criticisms in Congress of bank earnings on the Government debt.

Copies of the four memoranda referred to by Chairman Eccles were distributed and copies have been placed in the files of the Federal Open Market Committee.

Following the reading of the memorandum on Treasury financing policies, Chairman Eccles stated that the memorandum did not call for any action at that time but did attempt to point out the problems with which the Treasury and the System would be faced in the future and which would be much more difficult than the problem of financing the war. He requested that the Presidents have the memoranda studied at their respective Banks and that they come to the next meeting of the Federal Open Market Committee prepared to discuss the whole problem with a view to the System being prepared to make some long-range suggestions to the Treasury before some of the problems became pressing next year.

Chairman Eccles also raised the question whether it would be desirable to send the four memoranda to the Treasury for consideration. There was general agreement that there would be no objection to his sending the memoranda as preliminary statements which had been prepared to point up some of the problems that would have to be met, but which did not necessarily express the views of any individual.

Mr. McKee stated that any discussion of bank earnings would call attention to the large earnings of the Federal Reserve Banks, and in a brief discussion of this point Mr. Sproul suggested that consideration might again be given to proposing to Congress the restoration of the franchise tax.

Reference was then made by Chairman Eccles to the memorandum relating to criticisms in Congress of bank earnings on the Government debt. He expressed the feeling that, if the earnings of the commercial banks on Government securities rose to the level that it appeared they would reach, there would be pressure in Congress during the postwar period, when interest on the Government debt would be a large item in the Federal budget, to reduce the rate of return on securities held by the Banks as representing money created by the banks, without cost to them, for the purpose of financing the war. He felt that the banks should not be permitted to get into that position and that the System should do what it could to prevent the condition from developing.

At Chairman Eccles' request, the memorandum last referred to was read, after which the meeting recessed and reconvened at 2:15 p.m., with the same attendance as at the morning session and in addition Mr. Flanders, President of the Federal Reserve Bank of Boston.

Chairman Eccles called attention to a further memorandum, copies of which were distributed to those present, which he stated was a summary and an analysis of the material sent by the Treasury to the members of the committee of bankers who were in Washington this week and to him and Mr. Sproul.

He then stated that since the submission to the Treasury of the memorandum of August 11, 1944, neither the Board of Governors nor the executive committee of the Federal Open Market Committee had discussed further the sixth war loan drive and the steps that might be taken to curb speculative purchases and indirect purchases by banks during the drive, and that the question before the meeting today was whether the memorandum should be supplemented in any way.

Mr. Day expressed strong dissatisfaction with the situation that existed in his district during the last drive when the banks in some areas complied fully with the rules laid down by the Treasury, while in other areas the violation of Treasury rules was openly urged by members of the War Loan Committees in order to meet their quotas. If that condition continued in the next drive, he said, he proposed to transmit to the member banks in his district the instructions received from the Treasury and, if any question should arise as to what a bank would be permitted to do, he would say that that was a matter for decision by the Treasury Department.

Chairman Eccles stated that it was his understanding that it was the present intention of the Treasury not to announce the program for the next drive until sometime between the 10th and middle of October and that, therefore, any attempt to make specific recommendations at this time as to the securities that should be offered in the drive would be rather difficult.

Mr. McKee inquired whether the Presidents had any suggestions as to how indirect purchases by banks could be avoided in the drive, and Mr. Young expressed the opinion that most of the indirect bank buying could be eliminated by an announcement at the beginning of the drive of an offering of bonds to be sold directly to banks after the drive closed. Chairman Eccles added that if there were also an offering of notes about the middle of October the two issues would go a long way toward eliminating indirect bank buying of securities.

In response to a suggestion by Mr. Davis that Mr. Sproul summarize the discussion which was had of this matter at the Presidents' Conference on September 18-19, 1944, the latter stated that the consensus was that the problem of preventing speculation and indirect purchases of securities was a real one and that the situation would get out of hand in the next drive unless effective preventive action were taken. He also said that it had been suggested that the Treasury enforce the rules that it had laid down, that there be a direct bank offering to be announced at the beginning of the drive, and that a cash down payment of 25 per cent be required on all subscriptions involving bank loans. It was also felt, he said, that if these things were done there would be considerable leeway in the issues that could be included in the basket, but that if they were not put into effect the only alternative means of preventing large speculative and indirect bank purchases would be the undesirable one of excluding from the basket all issues eligible for bank purchase other than Treasury certificates.

There was a discussion of the extent to which corporate funds would be available for investment in the next drive and what the goal for the drive should be if the securities offered consisted largely of restricted issues.

The opinion was expressed by some of the Presidents that it was impossible for the Federal Reserve Banks to police subscriptions made during the drive by anyone other than brokers and dealers and that the Federal Reserve Banks should not be expected to do so unless specific steps were taken by the Treasury which would make it possible to prevent indirect purchases by banks. In this connection, Mr. Leach said that some of the banks in his district which had been offenders in the last drive would welcome a definite policy that would require adherence by all banks to the Treasury rules.

Mr. Sproul stated that with the material given by the Treasury to the members of the bankers' committee and to him and Chairman Eccles was a list of questions which it was understood would be asked when he and Chairman Eccles went to the Treasury for further discussions, and he suggested that these be considered. This was done and there was concurrence in the following conclusions:

1. The goal of the drive should be $12 billion with an offering, to be announced in advance, of $3 billion directly to the banks at the end of the drive.

2. The drive should begin as soon as possible in November.

3. The securities to be included in the basket would depend on steps taken to prevent speculation and indirect bank purchases and whether there was a direct bank offering at the conclusion of the drive.

4. Provision should be made for deferred payments on subscriptions by insurance companies and savings banks.

5. The prevention of "free riding" was believed to be absolutely essential for the reasons previously stated at this meeting.

6. Provision should be made for a 25 per cent down payment on all subscriptions involving bank loans.

7. The withdrawal of demand deposits for the purchase of Government securities should be encouraged, but an attempt to prescribe a formula as to the proportion of a

deposit that should be used for this purpose would be undesirable for the reason that it might result in further hoarding of currency.

8. Permission for banks to purchase restricted securities in an amount not exceeding a stated portion of their savings deposits should be continued as in the last two drives, for the reason that it would permit the smaller banks which have the lowest earnings to increase their investments in the higher yield securities.

9. In order to place dealer banks on the same basis as other dealers in Government securities, such banks should be permitted to deal in restricted issues, provided that they did not hold at any one time an amount of securities in excess of the amount that they would be authorized to subscribe for in relation to their savings deposits.

10. For the reasons previously stated, there should be no increase in the weekly offering of Treasury bills.

During the discussion of the above matters, there was a question on the part of some of the Presidents as to the desirability of the suggestion contained in the memorandum of August 11, 1944, that the use of war loan deposits above a minimum percentage be denied to all depositaries which ignore the Treasury's request concerning speculative loans.

At the conclusion of the discussion of the Treasury questions, attention was turned to the consideration of open market policy, and there was unanimous agreement that, inasmuch as the decision had been reached to continue the option accounts, no change should be made at this time in the direction issued to the Federal Reserve Banks at the meeting of the Federal Open Market Committee on March 1, 1944, with respect to the purchase of Treasury bills at a discount rate of 3/8 per cent per annum.

Upon motion duly made and seconded, and by unanimous vote, the following direction to the executive committee was approved, with the understanding that the limitations contained in the direction would include commitments for purchases and sales of securities for the System account.

"That the executive committee be directed, until otherwise directed by the Federal Open Market Committee, to arrange for such transactions for the System open market account, either in the open market or directly with the Treasury (including purchases, sales, exchanges, replacement of maturing securities, and letting maturities run off without replacement), 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 for the purpose of maintaining an adequate supply of funds in the market; provided that the aggregate amount of securities held in the account at the close of this date /other than (1) 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 (2) special short-term certificates of indebtedness purchased from time to time for the temporary accommodation of the Treasury/ shall not be increased or decreased by more than $1,500,000,000.

"That the executive committee be further directed, until otherwise directed by the Federal Open Market Committee, to arrange for the purchase for the System open market account direct from the Treasury of 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 amount of such certificates held in the account at any one time shall not exceed $1,500,000,000."

Chairman Eccles questioned whether the System account should continue to purchase certificates at a premium. He pointed out that to a considerable extent these securities had taken the place of bills as the instrument used by banks to adjust their reserves, and that corporations, which purchased certificates during the drives for the purpose of enabling their communities to meet their quotas and sold them again so that they could purchase additional certificates in the succeeding drive, were not greatly concerned with the rate of return on the securities. In these circumstances he thought there was little, if any, justification for the System account paying a premium for the certificates purchased by it.

Mr. Rouse stated that the amount of money involved in the premiums paid by the System account was so small that it was not important, and that if Chairman Eccles' suggestion were adopted interest in the certificate market would decline materially with possibly serious effects on the whole method of financing.

Mr. Sproul expressed the opinion that there was a large volume of certificates outstanding which had been purchased on the assumption that the pattern of rates would be maintained and that, if certificates were allowed to decline to par, the market would "play the pattern of rates" in the longer-term issues where the possibility of profits was greater.

During the discussion of the above matter, Chairman Eccles received word from the Treasury that Secretary Morgenthau would not return to Washington before he (Chairman Eccles) and Mr. Sproul left for the West. In these circumstances, there was agreement that the executive committee would be free to supplement the memoranda previously sent to the Treasury to such extent as the committee thought desirable in the light of the discussions at this meeting.

In connection with the discussion of the date for the next meeting of the full Committee, there was a tentative decision that the next meeting should be held on Monday, December 11, 1944.

The meeting then recessed and reconvened on the morning of Friday, September 22, 1944, at 9:30 a.m., with the same attendance as during the morning session on September 21, except that Mr. Davis and Mr. Upgren were not present.

At this session informal statements were made by Messrs. Goldenweiser and John H. Williams, which were supplemented by brief comments by Messrs. Langum, Kincaid, and Edmiston, on the problems which would be faced during and following the reconversion period in the employment, production, and monetary fields.

At the conclusion of a discussion of the questions presented in the economists' statements the meeting adjourned.

Chester Morrill
Secretary.

Approved: M S Eccles
Chairman.