

**TWENTY-FOURTH ANNUAL REPORT**

OF THE

**BOARD OF GOVERNORS**

OF THE

**FEDERAL RESERVE SYSTEM**

COVERING OPERATIONS  
FOR THE YEAR 1937



UNITED STATES OF AMERICA  
WASHINGTON: 1938

place maturing securities and to make shifts between maturities within certain reasonable limitations. It was felt, however, that inasmuch as the action authorizing the executive committee to increase the amount of securities held in the account contemplated an immediate increase in the account with a view to preserving an orderly market and facilitating the adjustment of member banks to increased reserve requirements, it would be advisable not to authorize the reduction of the amount of securities held with maturities within two years to less than \$1,000,000,000 (the amount of such securities held in the account at the time was in excess of \$1,100,000,000).

MEETING ON MAY 5, 1937

Members present: Mr. Eccles, Chairman; Mr. Harrison, Vice Chairman; Mr. Broderick, Mr. Szymczak, Mr. McKee, Mr. Ransom, Mr. Davis, Mr. Sinclair, Mr. McKinney, Mr. Martin, Mr. Day.

**1. Authority to Replace Maturing Securities and to Make Shifts of Securities in the System Open Market Account.**

By unanimous vote, the Committee instructed the executive committee to direct the replacement of maturing securities in the System open market account with other Government securities and to make such shifts between maturities in the account as may be necessary in the proper administration of the account, provided that the amount of securities maturing within two years be maintained at not less than \$1,000,000,000 and that the amount of bonds having maturities in excess of five years be not over \$850,000,000 nor less than \$500,000,000.

This action continued authority previously granted to the executive committee to enable it to replace maturing securities and to make shifts between maturities in the System account, including authority to increase or decrease the holdings of bonds with maturities in excess of five years, within the specified limits, in order to meet changing market conditions and to improve the distribution of maturities in the account.

**2. Authority to Increase or Decrease System Account.**

By unanimous vote, the Committee directed the executive committee to make purchases and sales (including authority to allow maturities to run off) of United States Government securities for the System open market account to such extent as may be necessary before the adjournment of the next meeting of the Federal Open Market Committee, for the purpose of preventing disorderly market conditions, provided that the aggregate amount of securities held in the account be not increased to an amount exceeding \$2,680,000,000 nor decreased to an amount less than \$2,180,000,000; the kinds and maturities of the securities acquired or sold to be determined in the light of current market developments.

This action was taken in order that the executive committee might continue to have authority to act promptly when conditions warranted the purchase or sale of Government securities for the System open market account for the purpose of preventing disorderly market conditions.

MEETING ON JUNE 9, 1937

Members present: Mr. Eccles, Chairman; Mr. Harrison, Vice Chairman; Mr. Broderick, Mr. Szymczak, Mr. McKee, Mr. Ransom, Mr. Davis, Mr. Sinclair, Mr. McKinney, Mr. Martin, Mr. Day.

**1. Authority to Replace Maturing Securities and to Make Shifts of Securities in the System Open Market Account.**

By unanimous vote, the Committee instructed the executive committee to direct the replacement of maturing securities in the System open market account with other Government securities and to make such shifts between maturities in the account as may be necessary in the proper administration of the account, provided that the amount of securities maturing within two years be maintained at not less than \$1,000,000,000 and that the amount of bonds having maturities in excess of five years be not over \$850,000,000 nor less than \$500,000,000.

It was agreed that the reasons for the authority granted to the executive committee at the meeting on May 5, 1937, to replace maturing securities and to make shifts between maturities in the System account still applied and that, therefore, such authority should be renewed.

**2. Authority to Increase or Decrease System Account.**

By unanimous vote, the Committee directed the executive committee to make purchases or sales (including authority to allow maturities to run off without replacement) of United States Government securities for the System open market account to such extent as may be necessary before the adjournment of the next meeting of the Federal Open Market Committee for the purpose of preventing disorderly market conditions, provided that the aggregate amount of securities held in the account be not increased or decreased from the amount now held in the account by more than \$250,000,000; the kinds and maturities of securities acquired or sold to be determined in the light of current market developments.

The reason for this action was the same as that which prompted similar action by the Committee at its meeting on May 5, 1937.

MEETING ON SEPTEMBER 12, 1937

Members present: Mr. Eccles, Chairman; Mr. Harrison, Vice Chairman; Mr. Broderick, Mr. Szymczak, Mr. McKee, Mr. Ransom, Mr. Davis, Mr. Sinclair, Mr. McKinney, Mr. Martin, Mr. Day.

**1. Authority to Increase or Decrease System Account and Recommendation that Treasury Be Requested to Desterilize \$300,000,000 of Gold.**

The following resolutions were adopted by unanimous vote:

**"RESOLVED**, that, until the adjournment of the next meeting of the Committee, the executive committee is authorized to direct the purchase in the open market from time to time of sufficient amounts of Treasury bills or other short-term Treasury obligations to provide funds to meet seasonal withdrawals of currency from the banks and

other seasonal requirements, for the purpose of maintaining at member banks an aggregate volume of excess reserves adequate for the continuation of the System's policy of furthering economic recovery through monetary ease; and the executive committee is authorized from time to time to direct a reduction of the holdings of such obligations when the seasonal influences are reversed or if other influences make their retention unnecessary for the purposes of this resolution. It is understood that the executive committee, in the exercise of this authority, will not increase or decrease by more than \$300,000,000 the amount of securities now in the System open market account without another meeting of the Federal Open Market Committee."

"RESOLVED, that, with a view to cooperation in effectuating the policy declared in the above resolution the Committee recommend to the Board of Governors of the Federal Reserve System that it request the Secretary of the Treasury favorably to consider the sterilization of approximately \$300,000,000 of gold out of the Treasury inactive account, the time and method of such sterilization to be determined by the Secretary of the Treasury in consultation and cooperation with the executive committee of the Federal Open Market Committee."

The foregoing resolutions were adopted for the reasons set forth in the following statement which was approved unanimously by the Committee:

"The Federal Open Market Committee met in Washington on September 11 and 12 and reviewed the business and credit situation. In view of the expected seasonal demands on the banks for currency and credit during the coming weeks the Committee authorized its Executive Committee to purchase in the open market from time to time sufficient amounts of short-term U. S. Government obligations to provide funds to meet seasonal withdrawals of currency from the banks and other seasonal requirements. Reduction of the additional holdings in the open market portfolio is contemplated when the seasonal influences are reversed or other circumstances make their retention unnecessary.

"The purpose of this action is to maintain at member banks an aggregate volume of excess reserves adequate for the continuation of the System's policy of monetary ease for the furtherance of economic recovery.

"As a further means of making this policy effective, the Open Market Committee recommended that the Board of Governors of the Federal Reserve System request the Secretary of the Treasury to release approximately \$300,000,000 of gold from the Treasury's inactive account. The Board of Governors acted upon this recommendation and the Secretary of the Treasury agreed to release at once the desired amount of gold. This will place an equivalent amount of funds at the disposal of the banks and correspondingly increase their available reserves.

"This action is in conformity with the usual policy of the System to facilitate the financing of orderly marketing of crops and of autumn trade. Together with the recent reductions of discount rates at the several Federal Reserve banks, it will enable the banks to

meet readily any increased seasonal demands for credit and currency and contribute to the continuation of easy credit conditions."

## 2. Authority to Replace Maturing Securities and to Make Shifts of Securities in the System Open Market Account.

By unanimous vote, the Committee instructed the executive committee to direct the replacement of maturing securities in the System open market account with other Government securities and to make such shifts between maturities in the account as may be necessary in the proper administration of the account, provided that the amount of securities maturing within two years be maintained at not less than \$1,000,000,000 and that the amount of bonds having maturities in excess of five years be not over \$850,000,000 nor less than \$500,000,000.

The members of the Committee concurred in the opinion that the reasons for the authority granted to the executive committee at the meeting of the Committee on May 5, 1937, to replace maturing securities and to make shifts between securities in the System open market account were still present and that, therefore, action renewing the authority was necessary.

### MEETING ON DECEMBER 1, 1937

Members present: Mr. Eccles, Chairman; Mr. Harrison, Vice Chairman; Mr. Szymczak, Mr. McKee, Mr. Ransom, Mr. Davis, Mr. Sinclair, Mr. McKinney, Mr. Martin, Mr. Day.

#### 1. Authority to Increase or Decrease System Account.

The following resolution was adopted by unanimous vote:

"RESOLVED, that, until the adjournment of the next meeting of the Committee, the executive committee is authorized to direct the purchase in the open market from time to time of sufficient amounts of Treasury bills or other short-term Treasury obligations to provide funds to meet seasonal withdrawals of currency from the banks and other requirements of commerce, business and agriculture by keeping at member banks an aggregate volume of excess reserves adequate for the continuation of the System's policy of maintaining credit conditions conducive to economic recovery; and the executive committee is authorized from time to time to direct a reduction of the holdings of such obligations to the extent that their retention is found to be unnecessary for the purposes of this resolution. It is understood that the executive committee, in the exercise of this authority, shall not increase or decrease by more than \$300,000,000 the amount of securities now in the System open market account."

The Committee had given full consideration to general business and credit conditions and it was the general feeling that the existing volume of excess reserves was abundant for the continuance of easy credit conditions and for meeting the credit requirements of commerce, business and agriculture, that in the light of existing business and credit conditions effective action to meet and overcome the present business recession should be taken outside the field of the System's various monetary powers, and that the System could best contribute to the furtherance of eco-