

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 Monday, April 5, 1937, at 10:30 a.m.

PRESENT: Mr. Eccles, Chairman  
Mr. Harrison, Vice Chairman  
Mr. Broderick  
Mr. McKee  
Mr. Sinclair

Mr. Martin, Member of the Federal Open  
Market Committee

Mr. Morrill, Secretary  
Mr. Carpenter, Assistant Secretary of the  
Board of Governors

This session of the meeting of the executive committee was held in the Chairman's office where it was possible to talk directly by telephone with Mr. Burgess at New York and, through a loud speaking device, for the members of the executive committee to hear what Mr. Burgess said.

Chairman Eccles called Mr. Burgess on the telephone, who advised that it was yet too early to determine what the condition of the market would be but that it appeared that the statement of the Federal Open Market Committee had been received favorably.

At the conclusion of the conversation with Mr. Burgess there ensued a discussion of various factors which should be taken into consideration in determining what additional instructions should be given to the Federal Reserve Bank of New York and at 11:30 a.m. Chairman Eccles called Mr. Burgess again, who expressed the opinion that, in view of the apparent trend of the Treasury bill market, it would be advisable for the

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bank to purchase today up to \$5,000,000 of existing bills. He also stated that, while the present market quotations were above Saturday's close, he felt that if the market should decline the bank should follow past practice of following the market down by putting bids in at slightly under the market.

Upon motion duly made and seconded, it was voted that the Federal Reserve Bank of New York be directed to buy today \$5,000,000 of existing Treasury bills.

On this action Mr. Harrison voted "no" for the reason that with the market as strong as it was this morning he saw no reason to buy bills.

Upon motion duly made and seconded, and by unanimous vote, the Federal Reserve Bank of New York was directed, in the event that there should be a declining market in Government securities today, to pursue the practice of following the market down by placing bids for pivotal issues of Government securities at prices slightly under the market, beginning at from  $1/4$  to  $1/8$  of a point above the closing bid prices for such securities on Saturday, April 3, 1937.

At 11:55 a.m. Chairman Eccles called Mr. Burgess and advised him of the adoption of the resolutions referred to above.

At 12:00 noon a recess was taken and the meeting was reconvened at 2:20 p.m. with the same attendance as at the morning session, except that Mr. Martin was not present and Mr. Ransom was in attendance.

Chairman Eccles called Mr. Burgess on the telephone who reported that, while the market had receded from the morning position, it had not dropped to a point where the bank had found it necessary to purchase any substantial amount of securities, and that in the later period there had been some recovery to around one-half point above Saturday's close. He

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added that the bank had purchased \$5,000,000 of bills this morning and \$600,000 of 4 1/4% Treasury bonds which had declined to a little less than 1/4 of a point above Saturday's close. Mr. Burgess agreed with a suggestion by Chairman Eccles that it would not be necessary to take any further action with respect to Treasury bills today. He added that the interpretation placed upon the statement issued by the Federal Open Market Committee was generally favorable.

During the conversation with Mr. Burgess, Mr. Szymczak joined the meeting.

After the conversation with Mr. Burgess there was a further discussion of factors entering into a decision as to action to be taken in the present situation and at 3:12 p.m. Mr. Eccles called Mr. Burgess again, who advised that the New York Bank had bought an additional \$500,000 of bonds for the System account and something in excess of \$1,000,000 for the account of the Treasury. He stated that the average bid by the New York market for the bills offered by the Treasury today was .58 for the short bills and .667 for the long bills.

There was then a discussion of the procedure which should be followed in the event of a further decline in the market. During this discussion, Mr. Davis entered the room.

At the conclusion of the discussion, Mr. Harrison moved that the meeting adjourn to meet again at 10:00 a.m. tomorrow for the purpose of conferring with Mr. Burgess as to the condition of the market and issuing such additional instructions to the New York bank as may be desirable in the light of conditions then existing.

Carried unanimously.

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Thereupon a recess was agreed upon with the understanding that the meeting would be reconvened on April 6, 1957.

Oreston Moore  
Secretary.

Approved:

W. S. ...  
Chairman.