

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 Monday, April 19, 1937, at 10:30 a.m.

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

Messrs. Ransom, Davis and Szymczak,
Members of the Federal Open Market Committee

Mr. Morrill, Secretary
Mr. Wyatt, General Counsel
Mr. Goldenweiser, Economist
Mr. Williams, Associate Economist
Mr. Carpenter, Assistant Secretary of the
Board of Governors
Mr. Piser, Senior Economist, Division of
Research and Statistics of the Board of
Governors

Mr. Harrison stated that he had just talked over the telephone with First Vice President Sproul of the Federal Reserve Bank of New York, who reported that the tone of the Government security market this morning was quiet, with prices slightly higher and that the Treasury bill market was in better condition than it had been for the past several days. Mr. Harrison said that since the close on April 14, 1937, of the last statement week the New York bank had sold approximately \$7,000,000 of bonds and notes from the System open market account, and that it would be his suggestion that no bills be purchased today to replace the securities sold, with the understanding that the \$7,000,000

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would be used tomorrow primarily in taking up any bills then overhanging the market.

There ensued a discussion of the factors which might affect the market for Treasury bills and of the question whether the executive committee should direct the Federal Reserve Bank of New York to effect any transactions for the System account today. During the course of this discussion, Mr. Harrison said that he had already instructed Mr. Sproul to purchase any Treasury bills that might be overhanging the market this morning and also to indicate to the dealers in his talks with them this morning that the reserve bank would be prepared during the week to make shifts in maturities of bills, if necessary, to facilitate the placement of unsold bills.

At 11:20 a.m. Mr. Harrison left the room to talk with Mr. Sproul over the telephone and upon his return stated that Mr. Sproul had reported that the bond market was still somewhat above Saturday's close, that the dealers had no bills for sale, that other than possibly \$2,000,000 or \$3,000,000, there appeared to be no bills overhanging the market, and that it was now the prevailing opinion that the discounts bid on Treasury bills being offered today would be somewhat lower than was forecast at the opening of the day. Mr. Harrison said that Mr. Sproul and Mr. Matteson, Assistant Vice President of the Federal Reserve Bank of New York, both felt that there was nothing in the technical position of the market which would call for affirmative

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action today in the System open market account, but that, if action were taken it should be in the form of a purchase of bills. Mr. Harrison added that, in addition to the \$7,000,000 of bonds and notes referred to above as having been sold from the System account since the close of the previous statement week, Mr. Sproul had just reported that the bank had sold today \$5,000,000 of notes, making a total of \$12,000,000 of securities to be replaced before the end of the current statement week.

Chairman Eccles stated that he would prefer to purchase \$12,000,000 of bills today for delivery prior to the close of the statement week as a step in a program looking toward preventing the rate on Treasury bills from advancing to an unjustified level because of unsettled market conditions during the period of adjustment to the May 1 increase in reserve requirements. Mr. Harrison commented that the difficulty with this was that there seemed to be only \$2,000,000 or \$3,000,000 of bills at the most which might be picked up in the market today, and that the System probably could not buy as much as \$12,000,000 today without artificially dislodging bills that were not being offered on the market.

At the conclusion of a discussion, Mr. Harrison moved that the executive committee authorize the Federal Reserve Bank of New York to purchase for the System open market account either today, tomorrow, or Wednesday not less than \$5,000,000 and not more than \$10,000,000 of existing Treasury bills.

Mr. Harrison's motion, having been duly seconded, was put by the chair and lost, Messrs. Harrison and Sinclair voting "aye", Messrs.

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Eccles, Broderick and McKee voting "no".

Mr. Broderick moved that the executive committee direct the Federal Reserve Bank of New York to purchase for the System open market account \$12,000,000 of Treasury bills for delivery on or before Wednesday, April 21, 1957, to replace bonds and notes sold from the account since Wednesday, April 14, 1957.

This motion, having been duly seconded, was put by the chair and carried, Chairman Eccles voting "no".

Chairman Eccles stated that he voted "no" on both motions for the reason that he felt the bank should be directed to place orders today, although the orders might call for delivery on or before April 21, 1957.

At 11:58 a.m. Mr. Harrison left the room to advise Mr. Sproul over the telephone of the action taken by the executive committee. Upon his return he said that he had advised Mr. Sproul that the executive committee had directed the bank to purchase today, tomorrow or Wednesday a total of \$12,000,000 of Treasury bills for delivery during this statement week to replace bonds and notes sold from the account since April 14, and that it was the feeling of the majority of the executive committee that the bank should purchase as many of the bills as it could acquire today without disorganizing the market and that preference should be given to bills of the longer maturities. He also said that he had told Mr. Sproul that if any orders were placed today they should not be for bills offered by the Treasury this afternoon.

Thereupon the meeting recessed to reconvene tomorrow morning

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at 11:00 a.m.

Chester Morie
Secretary.

Approved:

W. S. ...
Chairman.