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Final Minutes

MINUTES OF THE MEETING OF THE FEDERAL OPEN MARKET COMMITTEE

3/5/34

HELD AT

WASHINGTON, D. C., MARCH 5, 1934

The meeting was called to order at 4:00 p. m., there being present;

Governors Young, Norris, Seay, Schaller, Martin, Geery,
Hamilton, McKinney, and Calkins,
Acting Governor Johns, and
Deputy Governors Fleming and Burgess, secretary.

In the absence of Governor Harrison, Governor Calkins was elected chairman pro tem.

The preliminary memorandum and report of the operations were distributed.

There ensued a discussion of the maturities of securities held in the System Account. It was pointed out that approximately \$150,000,000 of the holdings would mature on March 15, and that at that time the Treasury would probably issue in exchange a Treasury note of several years' maturity.* // It was further pointed out that in view of the scarcity of short term Treasury obligations available in the market it would be very difficult to replace any considerable amount of the maturity with short term securities from the market without disturbing the market and forcing rates very low.// *(The question was therefore raised whether the System should be prepared to reduce its holdings of nearby maturities by exchanging the maturing issue for the new notes. It was noted in this connection that nearby holdings had been built up to an unusually large figure in view of the uncertainties of the recent period.) In the course of this discussion the opinion was expressed by a number of those present that the exchange suggested should not be considered a precedent to be followed so far as to reduce below a round amount the nearby maturities in the account. It was agreed that it would be desirable to continue to maintain a large amount of very short issues, so as to be prepared

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to dispose of securities rapidly if the occasion should arise. In view of market conditions and with the understanding that no precedent was created it was then

VOTED to convert the whole or any part, as might be determined by the executive committee, of the \$150,000,000 of March maturities into any new note offering which might be offered by the Treasury.

It was then pointed out that the System held \$59,000,000 of Fourth 4 1/4 Liberty bonds which had been called for redemption on April 15 next, and in view of the possibility that a bond issue might be offered by the Treasury in replacement of these maturing bonds the System's policy with respect to maintaining its bond holdings might be considered. After discussion it was

VOTED that the executive committee be given authority to replace the whole or any part of the Fourth 4 1/4s called for redemption on April 15 with securities of such maturities as the committee may determine.

The secretary reported that, in view of considerable difficulty that was being experienced in replacing current maturities of Treasury bills with short obligations, the executive committee had agreed when necessary to replace a small portion of the maturities with longer term issues.

In view of the fact that the amount of holdings in the System Account had not been changed for some weeks and in view of the very large and increasing excess of reserves of member banks question was raised as to continuation of authority for purchases remaining in the hands of the executive committee, and after consideration it was

VOTED that the authorization to the executive committee for the purchase of government securities, renewed last on October 10, be reduced to \$100,000,000.

The meeting adjourned at 5:00 p. m.

W. Randolph Burgess,
Secretary.