

The meeting of the Federal Open Market Committee was reconvened in the offices of the Board of Governors of the Federal Reserve System in Washington on September 12, 1937, at 11:00 a. m.

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

Mr. Morrill, Secretary  
Mr. Wyatt, General Counsel  
Mr. Goldenweiser, Economist  
Mr. Williams, Associate Economist  
Mr. Dreibelbis, Assistant General Counsel  
Mr. Burgess, Manager of the System Open  
Market Account  
Mr. Carpenter, Assistant Secretary of  
the Board of Governors of the Federal  
Reserve System  
Mr. Thurston, Special Assistant to the  
Chairman of the Board of Governors of  
the Federal Reserve System

Chairman Eccles stated that he had talked over the telephone with Mr. Wayne Taylor, Assistant Secretary of the Treasury, and Secretary Morgenthau with respect to the program of action suggested at the meeting of the Federal Open Market Committee yesterday afternoon and had stated that the Committee and the Board of Governors were of the opinion that, while the System could meet the situation by acting alone through the open market, it was also felt that the most desirable action would be the proposed joint action by the System and the Treasury. Chairman

9/12/37

-2-

Eccles said that Secretary Morgenthau stated that the Treasury would be glad to cooperate in a program along the lines suggested and that he would take the necessary steps to release gold from the inactive account to the extent of \$300,000,000 upon being advised of the adoption of the proposed program.

During the discussion of the proposed program there were presented the following resolutions:

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 desterilization of approximately \$300,000,000 of gold out of the Treasury

9/12/37

-3-

inactive account, the time and method of such desterilization to be determined by the Secretary of the Treasury in consultation and cooperation with the executive committee of the Federal Open Market Committee.

Upon motion duly made and seconded, the foregoing resolutions were adopted by unanimous vote.

The meeting then recessed with the understanding that the Board of Governors would convene to consider the request of the Federal Open Market Committee that the Board request the Treasury to desterilize \$300,000,000 of gold.

Following this recess the Committee reconvened with the same attendance as at the earlier session and the Chairman stated that the Board of Governors had voted unanimously to act in accordance with the request of the Federal Open Market Committee.

Thereupon consideration was given to the form of statement to be issued to the press regarding the action taken by the System, and the following statement was approved unanimously for release in the morning papers of September 13, 1937, with the understanding that before such release the Chairman would ascertain that the Secretary of the Treasury approved the portion of the statement regarding the agreement on his part to release gold from the inactive account:

"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

9/12/37

-4-

"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."

The members of the Committee concurred in the opinion that the reasons for the authority previously granted to the executive committee to replace maturing securities and to make shifts of securities in the System open market account were still present and that the authority granted at the meeting of the Committee on June 9, 1937, should be renewed.

Upon motion duly made and seconded, and by unanimous vote, the Committee instructed the executive committee to direct the replacement of maturing securities in the System open market ac-

9/12/37

-5-

count 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 \$850,000,00 nor less than \$500,000,000.

Reference was made to the question of quarterly readjustments of participations of the Federal reserve banks in the securities held in the System open market account and to the consideration which had been given to the matter by the executive committee since the meeting of the full Committee on June 9, 1937.

It was agreed unanimously that further consideration of the matter by the Federal Open Market Committee should be deferred until the next meeting of the committee.

The Chairman withdrew from the meeting at this point to advise the Secretary of the Treasury of the action taken by the Federal Open Market Committee and the Board of Governors with respect to the desterilization of gold and by the Committee with respect to the purchase of Government securities to offset seasonal influences. Upon his return, the Chairman stated that he had read to the Secretary of the Treasury the proposed press statement and that the Secretary had stated that it was very satisfactory to him and that he would deposit at once with the Federal reserve banks gold certificates in the amount of \$300,000,000, with the expectation that the funds would be withdrawn from the Reserve banks in the course of the next two or three weeks and used to meet Treasury

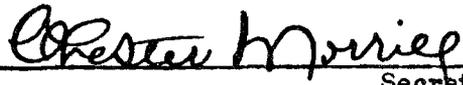
9/12/37

-6-

expenditures. In the circumstances, Chairman Eccles said, the Secretary suggested that it would not be necessary for the executive committee to confer with him regarding the matter.

The procedure outlined by the Secretary of the Treasury was approved unanimously.

Thereupon the meeting adjourned.

  
Secretary.

Approved:

  
Chairman.