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 Tuesday, January 20, 1948, at 10:00 a.m.

PRESENT: Mr. Eccles, Chairman
Mr. Sproul, Vice Chairman
Mr. Draper
Mr. Vardaman
Mr. Gidney (alternate for Mr. Davis)

Mr. Morrill, Secretary
Mr. Carpenter, Assistant Secretary
Mr. Vest, General Counsel
Mr. Thomas, Economist
Mr. Rouse, Manager of the System Open Market Account
Mr. Smead, Director of the Division of Bank Operations, Board of Governors
Mr. Smith, Economist, Government Finance Section, Division of Research and Statistics, Board of Governors
Mr. Arthur Willis, Special Assistant, Securities Department, Federal Reserve Bank of New York

Upon motion duly made and seconded and by unanimous vote, the minutes of the meeting of the executive committee on December 9, 1947, were approved.

Upon motion duly made and seconded, the action of the members of the committee on December 30, 1947, increasing from $1 billion to $1.5 billion the limitation contained in the first paragraph of the direction issued at the last meeting of the committee to the Federal Reserve Bank of New York to execute transactions for the System open market account, was approved unanimously.

Mr. Rouse submitted a report of open market operations for the System account for the period December 10, 1947 to January 16, 1948, inclusive, and a supplementary report of such operations on January 19, 1948. He also submitted a review of the market for United States Government securities during the period December 9, 1947 to January 16, 1948, inclusive, which read as follows:

"Additional steps taken during the period under review in the implementation of a program of credit control developed at the full Federal Open Market Committee on October 7, 1947 included further retirement, in part, of Federal Reserve Bank holdings of Treasury bills and certificates of indebtedness and an increase in the discount rate at the Federal Reserve Banks from 1 per cent to 1 1/4 per cent. Market conditions in United States Government securities continued to reflect not only the influence of these developments but also a further demand for long-term capital, uncertainty over the determination with which repressive credit policy would be carried forward and the implications for interest rates.

"In these circumstances prices of all but the shortest maturities of Treasury obligations were under almost continuous and, at times, strong pressure as buyers withdrew from the market and offerings, which reached substantial proportions, went unabsorbed. In the early part of this period, this excess of selling orders came from both bank and nonbank investors, among which savings banks and insurance companies figured prominently. In accordance with the decision reached at the December 9, 1947 meeting of the full Federal Open Market Committee, the Federal Reserve System continued through December 23, 1947, the policy adopted in the week of November 19, 1947 of maintaining an orderly market in medium and long-term Treasury bonds at about the price levels prevailing at the latter date. Under the influence of this support, prices showed very little day-to-day change until December 24 when quotations for partially tax-exempt bonds were left to the free determination of the market and support levels

"for taxable bonds were revised downward to a point better suited to deal with a growing supply and an indicated need for further support during the early months of 1948. This action, which was unexpected by the market, served to reaffirm to the public that the Federal Reserve System was determined to move forward with a definitely restrictive credit policy and was followed by a marked increase in the supply of bonds as a serious question was raised with respect to the compatability of the twin objectives of rate support and credit control. Apart from a significant lack of insurance company selling, at this time, and a large liquidating operation by a money market bank, the supply was, in other respects, broad in its composition and reflected nervousness over future support policy as well as a last-minute effort to make year-end adjustments by taking losses for tax purposes with a view to offsetting earlier gains.

"With the turn of the year, selling tended to abate and the appearance of a modest inquiry for taxable and partially tax-exempt bonds eligible for bank ownership, centering in the shorter maturities and coming in part from some of those banks which earlier were sellers, sufficed to absorb most of the selling and to bring about a temporary tendency toward firmness due to the thinness of the market. Offerings were not readily available from dealers who, having passed the supply to the System Open Market Account, were left only with issues purchased at the higher levels prevailing before the change in support policy. Little demand was in evidence for restricted bonds and the supply of those issues tended to increase in the latter part of this period as insurance company selling was resumed in some size. As the period drew to a close, there was a fairly well-defined tendency on the part of interior banks to shorten the maturities of their holdings of Treasury obligations and for other investors to move from restricted into bank-eligible issues which accounted for the occasional buoyancy and relative firmness at times in quotations for the latter bonds. In spite of these trends the market proved unable to sustain itself completely above the support prices and, with the announcement of an increase in the discount rate and a subsequent slight firming in the rate for three-month Treasury bills

"around the middle of the month, quotations soon settled back to a point at or near the support prices.

"The market for partially tax-exempt bonds followed the same general course as did the taxable issues although trading was exceedingly light and price swings were more extreme in the absence of official support. Markets in those bonds were purely nominal and transactions were handled strictly on an order basis.

"Net purchases of Treasury bonds made on rate supporting operations in the period December 10, 1947 to January 16, 1948 for the System Account comprised $1,049,113,000 Taxable bank eligible issues, $1,274,157,500 restricted issues and $101,532,000 partially tax-exempt issues. In addition a total of $317,144,000 restricted Treasury bonds and $93,448,000 2 1/2 September 1967-72 were made for Treasury accounts between December 10, 1947 and December 19, 1947, inclusive.

"The money market was characterized by alternating periods of ease and tightness with the former condition tending to prevail. As a result, there was a ganerally good bank interest in short Treasury obligations as support purchases of Treasury bonds provided a source of reserve funds to the market and created a reinvestment demand which centered primarily in Treasury bills and in the early maturities of certificates of indebtedness. This bank demand, which was met largely by sales from the System Account, was from time to time enlarged by corporate and other nonbank buying in the case of certificates and notes, which developed on swaps out of longer Treasury obligations.

"Net sales of Treasury bills, certificates of indebtedness and Treasury notes totalling $1,019,512,000 were made from the System Account. These transactions, together with redemptions of Treasury bills and certificates of indebtedness totalling $1,875,552,000, more than offset net purchases of Treasury bonds, with the result that total holdings of United States Government securities in the System Account showed a net decline of $470,261,300.

PRICE CHANGES

"Changes in prices of United States Treasury bonds between December 9, 1947 and January 16, 1948 are shown in the table below:

	"Change for Period
Partially Tax-Exempt	
Due or callable:	
1949 to 1953, incl.	- 8/32 to - 28/32
After 1953	- 1 28/32 to - 4 17/32
Taxable Bank-Eligible	
Due or callable:	
In 1949 to 1950	+ 2/32 to - 2/32
1950 to 1952, incl.	- 7/32 to - 19/32
After 1952	- 2 3/32 to - 2 6/32
Restricted Bonds	- 16/32 to - 1 12/32

"Substantially all the decline in prices shown above occurred on December 24, when the new support level was adopted. Prices of restricted Treasury bonds currently are quoted at the support level, but most of the taxable bank eligible bonds are now 1/32 to 6/32 higher than the System's buying price.

"The yields for Treasury notes, certificates and three month Treasury bills increased slightly which, in some cases, was attributable to minor adjustments in support prices."

Following a discussion of various comments made in the review, upon motion duly made and seconded and by unanimous vote, the transactions in the System account, as reported to the members of the executive committee, for the period December 9, 1947 to January 19, 1948, inclusive, were approved, ratified, and confirmed.

There were then distributed copies of a report prepared by Messrs. Rouse and Smead pursuant to the action taken at the last meeting of the Federal Open Market Committee with respect to the allocation of securities in the System open market account. The report read in part as follows:

"In accordance with the above-mentioned action of the Federal Open Market Committee interest bearing securities in the System Open Market Account were allocated

"among the various Federal Reserve Banks as of January 1 in proportion to estimated expenses and dividends for the calendar year 1948 after deducting estimated earnings other than from Government securities, and Treasury bills in the System Account were likewise allocated except that necessary adjustments were made in the allocation of Treasury bills to prevent the reserve ratio of any Federal Reserve Bank from falling below 35 per cent. Estimated expenses were based on budget figures submitted by the various Federal Reserve Banks to the Board of Governors for the year 1948, and estimated dividends were based on paid-in capital as of the latest date for which the figures were available.

"Adjustments in holdings of the Federal Reserve Banks in interest bearing securities and Treasury bills made necessary by changes in the amount of securities held in the System Open Market Account are made currently in the same ratio as was the allocation of interest bearing securities as of January 1. Adjustments in Treasury bill holdings are being made each Wednesday and are to be made also on month ends, as has been the practice for some time, to raise to the agreed upon minimum of 35 per cent the reserve ratios of any Banks that are below that level and also to restore, in so far as possible without reducing a Bank's reserve ratio below 35 per cent, the full participation in Treasury bills to which it is entitled when its participation has previously been reduced because of a low reserve ratio.

"In accordance with the arrangement approved by the Federal Open Market Committee, profits and losses on interest bearing securities are being allocated on the basis of average daily holdings of interest bearing securities during the preceding five years. Profits and losses on Treasury bills are being allocated in proportion to Treasury bill holdings as of the day the profit or loss is realized which is the basis on which earnings on Treasury bills are accrued.

"Inasmuch as current adjustments in holdings both of interest bearing securities and Treasury bills are being made on the same basis as was the January 1 reallocation, there will be no necessity of any further reallocations of securities in the System Open Market Account during the calendar year 1948 unless it should become evident either that actual expenses and dividends

"are likely to deviate considerably from the estimates used as of January 1 or that earnings other than from the System Open Market Account are likely to be considerably greater than the approximately $3,000,000 estimated as of January 1.

"It is contemplated that this subject will receive further consideration during the remainder of the year with a view to the submission to the Federal Open Market Committee on or before its last meeting in 1948 of a revised formula for use beginning on or before January 1, 1949, in the event that experience indicates that the procedure now being followed is not altogether satisfactory."

The procedure set forth above was approved unanimously, with the understanding that it would be submitted, with a favorable recommendation for ratification of the procedure, at the next meeting of the Federal Open Market Committee.

At this point Mr. Smead left the room.

Before this meeting there had been sent to each member of the executive committee a copy of a memorandum, prepared by Mr. Rouse in accordance with action taken at the last meeting of the Federal Open Market Committee, setting forth reasons for and against action permitting the Federal Reserve Banks to purchase Government securities under resale agreements. At that meeting of the full Committee, the executive committee was authorized to grant authority to the Reserve Banks to make such agreements if, after consideration of the reasons for and against such action, the committee felt at its next meeting that the authority should be given.

In a discussion of the matter as presented in the memorandum, question was raised by Mr. Vardaman whether the authority, if granted, should permit such agreements to be made for not to exceed 15 calendar days or whether they should be limited to 5 or 6 business days. Mr. Rouse expressed the view that it would be desirable to permit agreements up to 15 calendar days in order to handle effectively situations which might arise particularly in connection with the refunding of maturing Government securities.

Chairman Eccles stated that he could see some need for the proposed authority in circumstances in which the market was being permitted to find its own level but he questioned the need while the System continued its present policy of market support. He said that, as long as the System stood ready to buy securities at a price, the dealers would have access to Federal Reserve credit and the market could not be tight, and that he did not see why, under present circumstances, the dealers would be willing to sell securities under a repurchase agreement at what amounted to a penalty rate.

Mr. Rouse responded that, as stated in his memorandum, one of the primary effects of the arrangement would be to keep the commercial banks from increasing unduly their rates to dealers. He also stated that if the dealers are forced to borrow at high rates

from the Banks in order to carry securities, they would be unwilling to hold such securities in their portfolios, and that this was the reason for their present small short-term holdings.

There was a discussion of the extent to which the authority to make repurchase agreements had been used by the Federal Reserve Banks in the past, whether the authority would be helpful at this time, and the extent to which it might be used. Mr. Sproul said that the proposal was not an important matter, but that if the authority were granted it could be used (1) to permit the holding by the dealers over short periods of securities which they might otherwise sell to the Federal Reserve Banks, and (2) to keep the money market banks, by increasing their rates to dealers, from attempting to force short-term rates to a higher level. Since the authority would not be abused and could be revoked at any time, he saw no harm in making the arrangement available as a minor instrument in making adjustments in the market. It was also pointed out that if the differential between the Treasury one year issuing rate and the discount rate should widen beyond the present 1/8 per cent, consideration might be given to a minimum rate, below the discount rate, at which such agreements may be made.

Chairman Eccles agreed that the advantages referred to by Mr. Sproul might justify the granting of the authority even though it might not be widely used.

In response to an inquiry as to whether the authority would be used by any of the Federal Reserve Banks other than New York, there was agreement that it might be used to some extent by the Federal Reserve Bank of Chicago and possibly the Federal Reserve Bank of San Francisco, but that, if granted at all, it should be granted to all of the Banks so that, should a situation arise outside of New York, Chicago, or San Francisco calling for the use of the authority, other Banks would be in a position to act.

At the conclusion of the discussion, upon motion duly made and seconded, it was voted unanimously to authorize each Federal Reserve Bank to enter into repurchase agreements with dealers in United States Government securities who are qualified to transact business with the System open market account, provided that (1) such agreements (a) are at rates not below the rate in effect at the Bank on discounts for and advances to member banks under sections 13 and 13a of the Federal Reserve Act, (b) are for periods of not to exceed 15 calendar days, (c) cover only short-term Government securities selling at a yield of not more than the issuing rate for one-year Treasury obligations, (d) are used only in periods of strain, with care and discrimination, as a means of last resort in the special types of situations and conditions reviewed in Mr. Rouse's memorandum, and (e) that reports of such transactions should be included in the weekly report of transactions furnished the Committee, and (2) in the event Government securities covered by such an agreement are not repurchased by the dealer pursuant to the agreement or a renewal thereof, the securities will be sold in the market or transferred to the System open market account.

Consideration was then given to further action to be taken by the committee pursuant to the understanding reached at the last meeting of the full Committee that, in carrying out the direction of the full Committee with respect to operations in the System account, the executive committee, in consultation with representatives of the Treasury would follow a program of retirement of Federal Reserve Bank held securities, and submit recommendations to the Treasury with respect to the maintenance of Treasury balances in the war loan accounts and with the Federal Reserve Banks which, in the judgment of the executive committee and in the light of conditions as they develop during the period, would be appropriate to keep pressure on the market and utilize to the best advantage the large Treasury cash balances that would be available during the first quarter of 1948.

In connection with this matter, there were distributed copies of a memorandum prepared in the Board's Division of Research and Statistics under date of January 19, 1948, and under the title "Treasury Financing and Bank Credit". The memorandum stated that in the first quarter of 1948 commercial bank reserves would be reduced approximately $7.3 billion by Treasury cash transactions and the sale of savings bonds and notes through war loan accounts and calls on these accounts, and that this reduction would be offset by gold imports

and reductions in currency in circulation, required reserves of member banks, and excess reserves, in the total amount of $2.6 billion, leaving a net amount of approximately $4.8 billion which represented the amount of securities that the System would have to purchase to maintain member bank reserves. Of the latter amount, it was estimated that $2.1 billion might consist of purchases from nonbank investors and $2.7 billion of bank held securities. The memorandum also stated that funds would be available for the retirement of Federal Reserve Bank holdings of certificates and bonds maturing in the first quarter and of bills at the rate of $100 million a week, that, if that program were carried out, the Treasury would still have a balance on March 31 of $4.6 billion on deposit with the Federal Reserve Banks and about $1 billion in the war loan accounts, and that these balances could be reduced by more rapid retirement of bills or could be retained for subsequent retirement of Federal Reserve held debt. The memorandum estimated that in the second quarter of 1948 Treasury cash transactions would put over $1.5 billion of funds back into the market and that, in addition, the Treasury could retire about $1.8 billion of Federal Reserve held securities and still have a cash balance of $2.3 billion at the end of June. It also stated that, since increases in required

reserves and currency would be approximately balanced by continued gold inflow during the quarter, the Federal Reserve Banks would have to sell about $1.5 billion of securities or take other action to keep banks from gaining reserves, and that this amount would be increased to the extent that there were further purchases of securities by the Federal Reserve Banks from nonbank investors.

Chairman Eccles said that the suggestion had been made that war loan accounts could be permitted to increase to an aggregate of $1.8 billion during the first quarter but that it was his view that it would be desirable to make calls during February and March which would hold these balances at approximately $1 billion. He felt that the Treasury's cash position during the first quarter should be used in such manner as to put as much pressure as possible on the reserve position of member banks with the hope that such a program might be effective in counteracting the inflationary trend.

Mr. Rouse suggested that it would be desirable from a market standpoint if, beginning with the issue maturing on February 26, 1948, bills could be retired at the rate of $200 million a week and in one week at the rate of $300 million, which would reduce the Treasury balances at the Federal Reserve Banks at the end of March to $4 billion instead of $4.6 billion.

There was discussion of the effect of purchases of securities by the Treasury for trust accounts and whether it was desirable for

the Treasury to use trust funds for this purpose, or whether it should invest the funds in special issues and use the proceeds to retire Federal Reserve Bank held debt. It was stated that the amount of securities which the System would have to purchase would be reduced by Treasury purchases for trust accounts and that from a market standpoint it did not make any material difference which procedure was used except that if all purchases were made by the System they might be better timed and it would result in (1) a better balanced System open market account and (2) a further reduction in the short term debt outstanding.

Mr. Rouse stated that when the Treasury discontinued purchases for trust accounts in December, it was with the informal understanding that when additional trust funds were available after the first of the year the Treasury would resume support operations.

It was the consensus that it did not make much difference in effect whether purchases were made by the Treasury or all support purchases were made by the Federal Reserve Banks, and that if the Treasury desired to resume its operations there would be no objection. This, however, would make necessary some revision of the figures presented in the memorandum of January 19, 1948.

Mr. Sproul stated that the memorandum on Treasury Financing and Bank Credit raised the question whether it would be desirable to put as much pressure on the market during the first

quarter as Chairman Eccles had suggested or whether it would be better to spread the pressure over the first six months of the year. He questioned whether the program proposed by Chairman Eccles would be effective in stemming the inflationary trend and expressed the view that sufficiently heavy pressure could be maintained in the first quarter to obtain all of the benefits that could be expected from the program and still leave means to continue substantial pressure throughout the second quarter.

Chairman Eccles stated that his view was different from that expressed by Mr. Sproul. He thought that the Treasury cash position during the first quarter presented an opportunity to exert enough pressure on the reserve position of member banks to curb to a substantial extent the volume of capital expansion that otherwise would take place, that such expansion was undesirable at the present time because of the shortage of labor and materials, and that if the demand for capital continued there would be continued pressure on insurance companies and savings banks to sell Government securities to provide such capital, which would ease the credit situation and result in a further expansion of commercial bank credit. It was his belief that if there could be enough pressure on the money market to tip the scales in favor of deferring further expansion plans, it would be of material assistance in relieving the pressure on the capital

markets and on prices for capital goods. He said there were still very large demands for residential, commercial, and municipal construction, in addition to requirements for the Marshall plan, and if the banks could be put in a frame of mind where they would advise against expansion for the time being, it would be very helpful.

He added that, if this plan did not work, he would recommend to the Board of Governors that it make a special report to the Congress pointing out the dangers of the existing situation and stating that the means of correcting the situation were not available in any form other than to abandon the policy of supporting the Government security market which it was felt should not be done. He made the further statement that there had been indications on the part of some members of Congress that the Congress might look with favor on an enlarged authority to increase reserve requirements of member banks as distinguished from the special reserve plan, and that if that authority were granted the effects of further gold imports and System purchases in support of the Government security market could be offset.

With respect to the proposal in the memorandum on Treasury Financing and Bank Credit that calls aggregating $400 million be made on war loan accounts in February and again in March, Mr. Sproul expressed the opinion that a start had already been made in achieving

the objective of restricting further capital expansion and that the additional pressure that would be exerted in the market in February and March by these calls would not make any material difference in furthering that objective. He felt that the proposed program without these calls would keep a sufficient amount of pressure on the market to give any results that could be expected in that direction as long as the banks were able to get reserve funds by the sale of securities to the Federal Reserve Banks, that it would be unfortunate for the System and the Treasury to be in a position where they would be unable to continue pressure on the market in the second quarter, when that could be done readily without diminishing the effects of the program during the first quarter, and that in his opinion Chairman Eccles' proposal should not be adopted merely for the purpose of putting the System in a position to say that it had exhausted all of its powers and that, if further action were to be taken to meet the situation, legislation authorizing such action would have to be passed by the Congress.

In a discussion of the two points of view, Chairman Eccles suggested, and the other members of the committee concurred in the suggestion, that if there should be substantial net sales of bills and certificates to the Federal Reserve Banks before the announcement of the March 1 refunding, the committee could very well propose to the Treasury that a 13-month 1-1/4 per cent note be offered

for the maturing March 1 certificates and a 12-1/2 month 1-1/4 per cent note in exchange for the bonds maturing on March 15. This would be followed, he said, by an offering of a 1-1/4 per cent certificate in exchange for the certificates maturing on April 1. He added that the advantage of such a program, possibly coupled with an increase in reserve requirements of central reserve city banks, would be that it would continue for a few months longer the use of all of the means available to the Federal Reserve System to counteract the inflation, that the effects of the program would be largely psychological, that if results could be obtained through that method rather than by further action by Congress, that would be desirable, but that if the present trends continued he felt the Board should present the situation to Congress in the special report to which he had previously referred.

In a further discussion, it was agreed that the point of difference between Mr. Eccles and Mr. Sproul was the extent to which war loan accounts should be drawn down during February and March and that this point could be left for decision in the light of developments during the interim before the first call would be made in February.

At the conclusion of the discussion, upon motion duly made and seconded and by unanimous vote, it was agreed that a memorandum should be prepared setting forth a

suggested program to be followed during the next few months with respect to debt and money market management and Treasury refunding, and that as soon as the memorandum was in a form satisfactory to the members of the executive committee it should be presented to representatives of the Treasury Department for consideration.

Before this meeting, there had been informal discussions from time to time about the desirability of a new issue of Treasury savings notes, the yields on which would be more in line with existing short-term rates than the present series C issue. Copies of a schedule, prepared by the Federal Reserve Bank of New York, of yields that might be adopted for the new series had been sent to the members of the executive committee with the comment that, if the rate on certificates should be raised above the present rate of 1-1/8 per cent, the yields on savings notes should probably also be higher than those shown in the schedule. All of the members of the committee were of the opinion that any suggestion to the Treasury with respect to the new series should be deferred until a decision had been made on the question whether the certificate rate should be increased to 1-1/4 per cent.

There was unanimous agreement that, in the absence of unforeseen developments, the next meetings of the executive committee should be held at the time of the meetings of the full Committee on February 27 and March 1, 1948, and that the direction issued to

the Federal Reserve Bank of New York to effect transactions for the System open market account should be framed accordingly. It was also suggested that, in view of the large size of anticipated operations in the account between now and March 1, including the retirement of System holdings of maturing securities, it would be desirable to increase the existing authority of the New York Bank to the full extent of the authority that had been granted to the executive committee by the Federal Open Market Committee.

Thereupon, upon motion duly made and seconded, the executive committee voted unanimously to direct the Federal Reserve Bank of New York until otherwise directed by the executive committee:

(1) To make such purchases, sales, or exchanges (including replacement of maturing securities and allowing maturities to run off without replacement) for the System account, either in the open market or directly from, to, or with the Treasury, as may be necessary, in the light of the general credit situation of the country, for the practical administration of the account, for the maintenance of stable and orderly conditions in the Government security market, and for the purpose of relating the supply of funds in the market more closely to the needs of commerce and business; provided that the total amount of securities in the account at the close of December 9, 1947, shall not be increased or decreased by more than $3,000,000,000 exclusive of special short-term certificates of indebtedness purchased for the temporary accommodation of the Treasury pursuant to paragraph (2) of this direction;

(2) To purchase direct from the Treasury for the System open market account such amounts of special short-term certificates of indebtedness as may be necessary from time to time for the temporary accommodation of the Treasury; provided that the total amount of such certificates held in the account at any one time shall not exceed $750,000,000.

Mr. Rouse stated that there was one matter which he wished to bring to the attention of the committee in connection with the prices at which issues of Government securities were being supported. He said that with the passage of time prices for some issues should decline while others should increase in order to keep the yields reasonably in line with the Treasury's issuing rates for one-year obligations and for long-term 2-1/2 per cent bonds. Based on the Treasury's current issuing rate of 1-1/8 per cent for certificates, such price changes during the current calendar year would be required only to the extent of small periodic but infrequent declines in certain bond issues and similar increases in others within a maturity or call period of five years. On the same theory, but over a longer period of time, small price increases would be required with respect to bonds due or callable beyond five years.

It is the plan of the Federal Reserve Bank of New York, he said, at least for the present, to permit such declines from the support prices originally agreed upon to the extent required to maintain existing relationships in yield and to continue unchanged support prices for other Treasury bonds.

Mr. Rouse also said that the New York Bank was trying to keep as nearly as possible a balanced distribution of maturities

of bills in the System account, with the result that there were times when it tried to avoid selling certain issues and to get buyers to take issues of which the Bank had a large supply.

In this connection, Chairman Eccles raised the question whether the rate on Treasury bills was as high as it might be, and Messrs. Sproul and Rouse commented that the rate might well be increased to as much as one per cent, which could be done by the Federal Reserve Bank increasing the rate at which it bid for bills to replace maturing bills held in the System account. All of the members of the committee concurred in the suggestion that it would be well for the New York Bank to move in that direction.

Thereupon the meeting adjourned.

Chester Morrill
Secretary.

Approved:

M S Eccles
Chairman.