

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 Thursday, November 19, 1936, at 10:30 a.m.

PRESENT: Mr. Eccles, Chairman
Mr. Szymczak
Mr. Ransom
Mr. Harrison
Mr. Fleming

Mr. Morrill, Secretary
Mr. Wyatt, General Counsel
Mr. Goldenweiser, Economist
Mr. Williams, Associate Economist
Mr. Burgess, Manager of the System Open Market Account
Mr. Carpenter, Assistant Secretary of the Board of Governors

The Secretary submitted drafts of the minutes of the meetings of the executive committee held in Washington on June 24, 1936, and September 2, 1936.

Upon motion duly made and seconded, the minutes of the meetings referred to were approved unanimously.

Reference was made to the quarterly readjustment of the participations of the Federal reserve banks in the System Open Market Account which had been made on October 1, 1936, in accordance with the plan followed as of June 30, 1936.

Upon motion duly made and seconded, and by unanimous vote, the readjustment referred to was approved, ratified and confirmed.

In connection with this action, it was voted unanimously to recommend to the Federal Open Market Committee that the executive committee be authorized to follow, as of January 1, 1937, the same plan as that followed on October 1, 1936, in

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making readjustments of the participations of the Federal reserve banks in the System Open Market Account; it being understood that before it is actually made the proposed readjustment of participations as of January 1 will be submitted to the Federal reserve banks for any comments that they may desire to make.

Reference was then made to the informal actions taken by agreement of all members of the executive committee (1) on July 15, 1936, authorizing the Federal Reserve Bank of New York to make shifts of securities in the System Open Market Account into other Government securities without limitations as to maturities up to an aggregate of \$50,000,000 in addition to the then existing authority of the Federal Reserve Bank of New York, and (2) on October 27, 1936, authorizing the Federal Reserve Bank of New York to buy up to \$50,000,000 of Treasury bonds for the System Open Market Account against decreases of shorter term holdings in corresponding amounts.

Upon motion duly made and seconded, and by unanimous vote, the actions referred to above were approved, ratified and confirmed.

Mr. Burgess stated that prior to this meeting of the executive committee he had sent to the members of the Federal Open Market Committee a summary report of the open market operations since the last meeting of the Federal Open Market Committee on May 25, 1936, which had been reported in detail in the usual weekly reports, including the transactions covered by the report submitted to the executive committee on September 2, 1936.

Upon motion duly made and seconded, it was voted unanimously to approve, ratify and confirm the transactions covered by the report.

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Mr. Burgess suggested that it was desirable that the Federal Reserve Bank of New York be given authority to allow such fluctuations in the total amount of securities in the system account between weekly statement dates as might be desirable as a matter of practical administration in replacing maturing securities and making shifts in maturities in the account. Mr. Burgess said that it was necessary at times, in order to obtain securities with the proper maturities to replace maturing issues, to purchase such securities a few days in advance of the maturity date of the securities falling due. He stated that it had been the practice, when the New York bank had an investment account of its own, to purchase such securities and place them in the account of the New York bank for transfer to the System Open Market Account on the date the replaced securities matured; that inasmuch as the New York bank no longer had authority to purchase securities in this manner it was necessary to purchase securities for delivery on the date the replaced securities matured; that this procedure was not a satisfactory one; and that the procedure suggested would permit a practical handling of such transactions.

Mr. Burgess also referred to the fact that the previous authority given to the executive committee to replace maturing securities and to make shifts in maturities limited the amount of bonds that might be acquired to not to exceed \$500,000,000; that there were now in the account approximately \$380,000,000 of bonds, but that \$45,000,000 of such bonds will mature within five years; and that it would be desirable to consider whether the limitation on the amount of bonds should be increased and be made to apply only to bonds having maturities in excess of five years.

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In this connection, Mr. Burgess referred to the fact that the holdings in the account include \$92,000,000 of Treasury notes maturing on December 15, 1936, and \$85,000,000 of Treasury notes maturing on February 15, 1937.

These matters were discussed and it was the consensus that appropriate recommendations along the lines suggested should be made to the Federal Open Market Committee.

Upon motion duly made and seconded, it was voted unanimously to recommend to the Federal Open Market Committee that it instruct the executive committee to direct the replacement of maturing securities in the System Open Market Account 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 \$600,000,000.

In connection with the above action, it was pointed out that circumstances might arise which would justify a decrease in the amount of bonds now held in the account and that under the terms of the proposed authorization either a reduction or increase in the amount of bonds now held would be permitted.

Upon motion duly made and seconded, it was voted unanimously to recommend to the Federal Open Market Committee that it authorize the executive committee to permit such fluctuations, within reasonable limits, in the amount of holdings of Government securities in the System Open Market Account between weekly statement dates as may be desirable for the practical administration of the account in making shifts between and replacements of securities pursuant to the general authority granted by the Federal Open Market Committee.

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Upon motion duly made and seconded, it was voted unanimously to recommend to the Federal Open Market Committee that it authorize the executive committee, subject to telegraphic or written approval by a majority of the members of the Federal Open Market Committee, to direct that the present amount of Government securities in the System Open Market Account be increased or decreased by not more than \$250,000,000.

Following these actions, the members of the Committee entered upon a general discussion of questions which had arisen concerning open market operations and reserve requirements of member banks and at the conclusion of the discussion the meeting adjourned.

Cheser Morie
Secretary.

Approved:

W. C. C. C.
Chairman.