

A meeting 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 4:45 p.m.

PRESENT: Mr. Eccles, Chairman
Mr. Harrison, Vice Chairman
Mr. Broderick
Mr. Szymczak
Mr. McKee
Mr. Ransom
Mr. Davis
Mr. Fleming
Mr. McKinney
Mr. Schaller
Mr. Hamilton

Mr. Morrill, Secretary
Mr. Wyatt, General Counsel
Mr. Dreibelbis, Assistant 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
Mr. Thurston, Special Assistant to the Chairman of the Board of Governors

Reference was made to the fact that earlier in the day there had been a meeting of members of the Board of Governors and Presidents of Federal Reserve Banks, including all the members of the Federal Open Market Committee, during which Messrs. Goldenweiser and Williams had discussed various phases of the present recovery movement as well as credit and monetary conditions and the problems presented in the field of credit control by the inflow of foreign funds which resulted in the importation of gold. Mr. Goldenweiser had referred to the excess reserves of member banks and stated that the question was presented whether the time had come when the Board of Governors should reverse its easy money policy or,

11/19/36

-2-

if not, whether it should take further action to reduce the excess reserves which had accumulated since August 15, 1936, when increased reserve requirements went into effect. In connection with the latter question he had suggested that, if and when action became necessary, it would be more desirable to increase reserve requirements than to reduce the System portfolio.

Following Mr. Goldenweiser's statement Mr. Williams referred to the steps which had been taken to stimulate recovery and expressed the opinion that further stimulation would be unnecessary; that while the time had not come to reverse the easy money policy, care should be taken to prevent any maladjustment of the economic structure from possible over-stimulation; and that any action taken by the System should be in the form of a further increase in reserve requirements to offset gold imports, reserving open market operations for internal control of credit when the necessity for such control arises.

In response to an inquiry by the Chairman, Messrs. Goldenweiser and Williams said that there were no additional comments that they desired to offer at this time.

A draft of the minutes of the meeting of the Federal Open Market Committee held on May 25, 1936, was considered and reviewed.

After discussion, upon motion duly made and seconded, and by unanimous vote, the minutes were approved.

The attention of the Committee was directed to the informal actions taken by the members of the Federal Open Market Committee in June 1936 with reference to the postponements to June 23 and June 30 of the

11/19/36

-5-

effective date for transfers to the System Open Market Account of Government securities held in the individual accounts of the Federal reserve banks, and the reallocation of securities held in such account, and with reference to the adoption of "Plan No. 2" for such transfers and reallocations, which were made effective June 30, 1936.

Upon motion duly made and seconded, and by unanimous vote, these actions were approved, ratified and confirmed.

Upon motion duly made and seconded, and by unanimous vote, the quarterly readjustment of the participations of the Federal reserve banks in the System Open Market Account as of October 1, 1936, in accordance with the plan followed as of June 30, 1936, was approved, ratified and confirmed.

In connection with the foregoing action it was stated that the executive committee at its meeting this morning had voted 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 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, 1937, will be submitted to the Federal reserve banks for any comments that they may desire to make.

Upon motion duly made and seconded, and by unanimous vote, the foregoing recommendation of the executive committee was approved.

Mr. Burgess stated that before this meeting of the Federal Open Market Committee he had sent to the members of the Committee and its Secretary a summary report of the open market operations since the last meeting of the Committee on May 25, 1936, which had been reported in

11/19/56

-4-

detail in the usual weekly reports, including the transactions covered by the report submitted to the executive committee on September 2, 1956. Various features of the report were reviewed briefly by Mr. Burgess.

Upon motion duly made and seconded, and by unanimous vote, the transactions set forth in the report as submitted by Mr. Burgess were approved, ratified and confirmed.

Reference was made to the fact that the resignation of Mr. Morrison as a member of the Board had resulted in a vacancy in the position held by him as an alternate member of the executive committee of the Federal Open Market Committee, and that this vacancy had not been filled.

Upon motion by Mr. McKee which was duly seconded, and by unanimous vote, Mr. Davis was appointed to succeed Mr. Morrison as an alternate member of the executive committee of the Federal Open Market Committee.

Thereupon the meeting adjourned with the understanding that the Committee would meet again at 9:30 a.m. on Friday, November 20, 1956.

Chester Morise
Secretary.

Approved:

W. C. Davis
Chairman.