

The meeting of the executive committee of the Federal Open Market Committee was reconvened in the offices of the Board of Governors of the Federal Reserve System in Washington on Tuesday, April 6, 1937, at 10:10 a.m.

PRESENT: Mr. Eccles, Chairman  
Mr. Harrison, Vice Chairman  
Mr. Broderick  
Mr. McKee  
Mr. Sinclair

Messrs. Ransom and Davis, Members of  
the Federal Open Market Committee

Mr. Morrill, Secretary  
Mr. Carpenter, Assistant Secretary of  
the Board of Governors

As was the case yesterday, this session of the meeting was held in the Chairman's office in order to afford a means of communicating directly by telephone with Mr. Burgess.

Mr. Harrison stated that at three minutes past ten he had talked to Mr. Sproul, First Vice President of the Federal Reserve Bank of New York, on the telephone who had advised that the Government security market had reacted adversely to the statement made by the Treasury yesterday with respect to the necessity for borrowing additional new money and that he (Mr. Harrison) had advised Mr. Sproul that the bank should continue under the same procedure in following the market down as had been authorized by the executive committee on April 5, 1937.

Upon motion duly made and seconded, and by unanimous vote, the instructions given to the New York bank by Mr. Harrison were approved, ratified and confirmed.

4/6/37

-2-

Mr. Harrison called Mr. Burgess on the telephone and the latter advised that the market had declined on an average to approximately one-quarter of a point above Saturday's close and that the New York bank had placed orders following exactly the same procedure as had been used yesterday. Mr. Burgess was advised of the ratification by the executive committee of the instructions given the New York bank by Mr. Harrison.

Mr. Burgess raised a question as to what action should be taken with respect to bills and stated that the dealers had approximately \$31,000,000 of bills on hand, that he had suggested that if inquiries for bills were made by other buyers the dealers sell to them, and that it would be his suggestion that the bank be authorized to take up to \$15,000,000 of bills during the day depending on the amount remaining in the market. Mr. Burgess was told that the Committee would consider the suggestion and that he would be advised within an hour.

At this point Mr. Szymczak joined the meeting.

There followed a discussion of the suggestion made by Mr. Burgess with respect to the purchase of bills.

Upon motion duly made and seconded, the Federal Reserve Bank of New York was given discretionary authority to purchase today up to \$15,000,000 of Treasury bills, it being understood that the amount purchased would depend upon the amount of bills in the dealers' portfolios which they are today unable to dispose of readily in the market, and upon the possible effect of these holdings upon the general market for Government securities.

4/6/37

-3-

There was a general discussion of the interpretation to be placed on the authority granted to the executive committee by the Federal Open Market Committee to increase or decrease the total amount of securities held in the System portfolio — whether it was limited solely to action having the objective of preventing a disorderly market or whether it included authority to increase excess reserves regardless of the condition of the market.

At 10:55 a.m. Mr. Burgess called on the telephone and was advised of the action taken by the committee with respect to the purchase of up to \$15,000,000 of bills. He stated that the market had declined somewhat from yesterday's close and that the bank had purchased \$10,000,000 of securities, some of which would be used to replace other securities sold from the System account. Mr. Burgess was advised that the committee would be in session this morning and this afternoon and would be available should it be felt that the New York bank needed additional authority.

At the conclusion of a further discussion the meeting recessed and reconvened at 2:20 p.m. with Messrs. Eccles, Harrison, Broderick, McKee, Sinclair, Davis, Morrill and Carpenter present.

It was agreed that it would be necessary to give the Federal Reserve Bank of New York such authority as would enable it to continue the existing procedure under which purchases are made in a declining market.

Upon motion duly made and seconded, and by unanimous vote, the executive committee directed

4/6/37

-4-

the Federal Reserve Bank of New York until the next meeting of the executive committee and subject to the provisions of the resolution adopted by the Committee on April 4, to make purchases and sales in the market of Government securities for the System open market account in accordance with the procedure followed by the New York bank since that resolution was adopted, provided that the aggregate amount of securities held in the System open market account be not increased as of any weekly statement date to an amount exceeding \$2,530,000,000 nor decreased as of any weekly statement date below \$2,455,000,000, and provided further that the amount of securities held in the account be not reduced as of any weekly statement date below the amount of securities held in the account as of the previous weekly statement date.

In connection with the above action, it was understood that the Committee might take such further action within the limits of the authority granted to it by the Federal Open Market Committee as might be agreed upon unanimously by telephone, telegraph or mail without another meeting of the executive committee, but that a meeting of the Committee should be held at any time at the request of any member of the Committee, and that upon the request of any member of the Federal Open Market Committee the Chairman would call a meeting of the full Committee for the purpose of reviewing the situation.

At 3:25 p.m. Mr. Eccles called Mr. Burgess and advised him of the adoption of the resolution and of the understanding referred to above. Mr. Burgess stated that the bank had purchased during the day approximately \$10,000,000 of bonds and \$26,000,000 of bills, taking all of the unsold bills from the dealers' portfolio, that

4/6/37

-5-

some of these purchases would replace securities sold from the System account, and that the account would show a net increase for the week of approximately \$29,000,000.

Thereupon the meeting adjourned.

Christa H. Jones  
Secretary.

Approved:

W. H. ...  
Chairman.