

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 Monday, December 13, 1937, at 10:00 a.m.

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

Mr. Morrill, Secretary
Mr. Wyatt, General Counsel
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. Piser, Senior Economist in the Division of Research and Statistics of the Board of Governors of the Federal Reserve System

Reference was made to the action of the members of the executive committee on December 8, 1937, in increasing the authority of the Federal Reserve Bank of New York to make shifts of securities in the System open market account by an amount not to exceed \$50,000,000 of purchases and a like amount of sales or redemptions. It was stated that the shifts which were found to be desirable in connection with the replacement of the System holdings of notes maturing on February 1, 1938, for which new securities were being offered by the Treasury, were in excess of the \$100,000,000 authorized at the meeting of the executive committee on December 1, and that, therefore, it was felt that additional authority to make shifts was essential for the practical administration of the System account.

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Upon motion duly made and seconded, and by unanimous vote, the action of the members of the executive committee in granting the additional authority to the Federal Reserve Bank of New York was approved, ratified and confirmed.

Mr. Burgess reviewed the transactions in the System open market account since the meeting of the executive committee on November 30 and up to and including December 11, 1937.

Upon motion duly made and seconded, and by unanimous vote, the transactions in the account during the period covered by Mr. Burgess' review were approved, ratified and confirmed.

There followed a consideration, in the light of the discussions at the meeting of the Federal Open Market Committee on November 29-December 1, 1937, of the question whether the executive committee should direct the Federal Reserve Bank of New York to make further open market purchases in moderate amounts during the present and the succeeding weekly statement period when the seasonal demand for currency was expected to reach its peak, and it was agreed that, in view of conditions now existing in the money market and the Government securities market, additional purchases should not be made during the current statement week; that the question whether purchases should be made during the next statement week should be determined on the basis of developments during the period; and that, therefore, the only action required at this time was the adoption of the usual resolution directing the Federal Reserve Bank of New York to make shifts and replacements of securities in the account.

Thereupon, upon motion duly made and seconded, and by unanimous vote, the executive committee directed the Federal Reserve Bank of New York, until the adjournment of the next meeting of the executive committee and superseding all directions and authorizations given prior to this meeting,

(1) To replace maturing securities in the System open market account by purchases of like amounts of Treasury bills or Treasury notes maturing within two years;

(2) To make such other shifts of securities in the account (which may be accomplished when desirable through replacement of maturing securities) as may be necessary in the practical administration of the account, up to an aggregate of \$100,000,000 of purchases and a like amount of sales or redemptions;

(3) To increase or decrease temporarily the amount of securities in the account between weekly statement dates by not more than \$25,000,000 when necessary in making replacements or shifts pursuant to the above provisions of this resolution, provided that the amount of securities in the account as of any weekly statement date shall not be changed from that of the preceding weekly statement date except in accordance with the following clause of this resolution; and

(4) Upon approval by a majority of the members of the executive committee, which may be obtained by telephone, telegraph, or mail, to make such other shifts or such purchases or sales (which would include authority to allow maturities to run off without replacement) for the account as may be found to be desirable within the limits of the authority granted to the executive committee by the Federal Open Market Committee.

A discussion of the shifts of securities in the account that might be made by the Federal Reserve Bank of New York under the above authority between now and the next meeting of the executive committee indicated a feeling on the part of some of the members of the committee that, in the event such action could be taken without adversely affecting the market, System holdings of the new 2-1/2% bonds might be reduced to approximately \$50,000,000 this statement week, and some of the other long-term bonds in the account might be sold when market conditions make it desirable to do so, and replaced by available Treasury bills and notes.

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Upon motion duly made and seconded, and by unanimous vote, the minutes of the meeting of the executive committee held on November 30-December 1, 1937, were approved unanimously.

Thereupon the meeting adjourned.

Charles Morier
Secretary.

Approved:

W. C. Lewis
Chairman.