

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, April 19, 1938, at 2:30 p.m.

PRESENT: Mr. Eccles, Chairman
Mr. Harrison, Vice Chairman
Mr. Szymczak
Mr. Davis
Mr. Sinclair

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

Mr. Morrill, Secretary
Mr. Carpenter, Assistant Secretary of the
Federal Open Market Committee
Mr. Wyatt, General Counsel
Mr. Goldenweiser, Economist
Mr. Dreibelbis, Assistant General Counsel
Mr. Burgess, Manager of the System Open
Market Account
Mr. Piser, Senior Economist in the Division
of Research and Statistics of the Board of
Governors of the Federal Reserve System

Upon motion duly made and seconded, and by unanimous vote, the minutes of the meeting of the executive committee of the Federal Open Market Committee held on February 28 and March 1, 1938, were approved.

It was stated for the record that on March 31 and again on April 16, 1938, the members of the executive committee increased the authority granted to the Federal Reserve Bank of New York to make shifts of securities in the system open market account by \$100,000,000 of purchases and a like amount of sales or redemptions, which resulted in an increase to \$400,000,000 in the aggregate of the authority granted to the Federal Reserve Bank of New York by the executive committee to make shifts in the system account. It was also stated that since the last meeting of the executive committee on March 1, 1938, a total of \$318,000,000 of shifts

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had been made in the account pursuant to the policy of making such shifts as were necessary in the practical administration of the account and that the additional authority granted by the members of the executive committee was for the purpose of authorizing these shifts. It was stated further that on April 1, 1938, the authority granted to the New York bank to increase or decrease temporarily the amount of securities in the system account between weekly statement dates was increased from \$25,000,000 to \$50,000,000 in order to allow the bank greater flexibility of action in handling the large volume of shifts being made.

Upon motion duly made and seconded, and by unanimous vote, the actions of the members of the executive committee in granting additional authority to the Federal Reserve Bank of New York, as set forth above, were approved, ratified and confirmed.

Mr. Burgess presented a report prepared by the Federal Reserve Bank of New York for submission at this meeting covering open market operations for the system account for the period from February 28 to April 16, 1938, inclusive, and he outlined briefly the transactions which had taken place in the account yesterday.

Upon motion duly made and seconded, and by unanimous vote, the transactions in the account during the period covered by Mr. Burgess' review, up to and including April 18, 1938, were approved, ratified and confirmed.

There ensued a discussion of the recently announced program of the Administration which included a reduction in reserve requirements by the Board of Governors and the discontinuance of the inactive gold account of the Treasury which together, when fully effected, would increase excess reserves of member banks to approximately \$3,900,000,000.

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It was stated that the Treasury was considering the use of the proceeds of the inactive gold account to retire a portion of the weekly maturities of Treasury bills as well as the tax bills falling due in June as a means of increasing excess reserves more promptly than would be the case if the funds were paid out only to meet current net expenditures. It was agreed by all of the members present that at the meeting of the members of the executive committee with the Secretary of the Treasury tomorrow the opinion should be expressed that this action would not be desirable since it would reduce the total amount of available short-term Government securities with resulting price rises which would be disturbing to the market and the reduction in available securities would also make it difficult to make replacements of maturing securities in the system open market account.

In connection with consideration of the authority to be granted to the Federal Reserve Bank of New York to execute transactions in the system open market account pending another meeting of the executive committee it was felt that, because of the large volume of transactions which it was believed might be desirable for the purpose of maintaining an orderly market for Government securities, authority to make shifts of securities in the account up to an aggregate of \$200,000,000 should be granted and that the existing authority to increase or decrease temporarily the amount of securities in the system account between weekly statement dates by not more than \$50,000,000 should be continued.

Upon motion duly made and seconded, and by unanimous vote, the executive committee directed the Federal Reserve Bank of New York until otherwise directed by the executive committee,

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(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 \$200,000,000 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 \$50,000,000 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.

Thereupon the meeting adjourned.

Approved:


Chairman.


Secretary.