

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 Wednesday, December 7, 1938, at 11:00 a.m.

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

Messrs. Ransom, McKee 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. Dreibelbis, Assistant General Counsel  
Mr. Piser, Senior Economist in the Division  
of Research and Statistics of the Board  
of Governors

As a preface to a discussion of the direction to be given to the Federal Reserve Bank of New York with respect to the exchange of the System's holdings of March 15, 1939, Treasury notes for new securities being offered by the Treasury, Mr. Harrison reviewed briefly conditions in the Government securities market and the reaction of the market to the new Treasury offerings. Mr. Harrison's statement was followed by a discussion of various factors having a bearing on the selection of the securities to be taken into the system account in exchange for the \$83,566,000 of March 15, 1939 Treasury notes held in the account.

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

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directed the Federal Reserve Bank of New York to exchange the System's holdings of March 15, 1939 Treasury notes for \$30,000,000 of the new notes, \$35,000,000 of the 2% 1947 bonds, and \$18,566,000 of the 2 3/4% 1960-65 bonds.

Upon motion duly made and seconded and by unanimous vote, the minutes of the meetings of the executive committee of the Federal Open Market Committee held on September 15 and September 21, 1938, were approved.

Upon motion duly made and seconded and by unanimous vote, the transactions in the system open market account during the period from September 21 to December 6, 1938, inclusive, were approved, ratified and confirmed.

The members of the committee agreed that, in addition to the direction to the Federal Reserve Bank of New York referred to above, the authority granted to the bank at the last meeting of the committee to effect transactions in the system open market account should be continued.

Thereupon, 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,

(1) To replace maturing securities in the system open market account by purchases of like amounts of Treasury bills or Treasury notes provided such purchases can be made without paying a premium above a no-yield basis;

(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, provided that the total amount of bonds held in the

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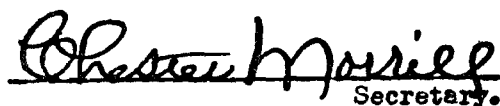
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account be not reduced below \$700,000,000 and that the total amount of bonds in the account, having maturities over five years be not increased above \$850,000,000;

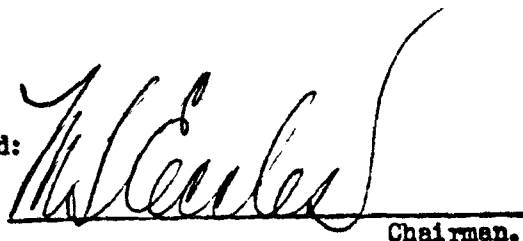
(3) To increase or decrease temporarily the amount of securities in the account between weekly statement dates by not more than \$50,000,000 when necessary in making replacements or shifts pursuant to the above provisions of this resolution, provided that the amount of securities in the account as of any weekly statement date shall not be changed from that of the preceding weekly statement date except pursuant to the other provisions 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.

  
Secretary.

Approved:

  
Chairman.