

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 Thursday, April 13, 1939, at 3:10 p.m.

PRESENT: Mr. Eccles, Chairman
Mr. Harrison, Vice Chairman
Mr. McKee
Mr. Draper

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

Mr. Carpenter, Assistant Secretary of
the Federal Open Market Committee

Chairman Eccles stated that for the past three days he and Mr. Goldenweizer had attended meetings at the Treasury which had been called by the Secretary and had been attended by Commissioners Douglas and Frank of the Securities and Exchange Commission, the Secretary of Agriculture and another representative from the Department of Agriculture, and representatives of the Treasury Department for the purpose of discussing what action might be taken by the Government to meet the shock to business and the markets in this country which would result from a major armed conflict in Europe. He said that yesterday Messrs. Harrison and Knoke of the Federal Reserve Bank of New York, and Mr. Bartlett, Chairman of the Board of Governors of the New York Stock Exchange, were requested to come to Washington for further consideration of the matter today, and that at the meeting this morning the Secretary inquired what action the System was

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prepared to take to maintain orderly conditions in the Government security market.

Chairman Eccles said that he made it clear that the System would not approve any transactions for the purpose of pegging the market but undoubtedly would be willing to take action for the purpose of attempting to maintain orderly market conditions and that he would take the matter up with the members of the executive committee of the Federal Open Market Committee who were in Washington. The Secretary stated, Chairman Eccles said, that he would appreciate it if he could have an answer by 4:00 p.m. today for the reason that he desired to be in a position to advise the President of the program that had been agreed upon.

Chairman Eccles then referred to the draft of press statement that had been prepared in the Board's offices last September which it was contemplated might be issued by the Board in the event of war and said that a recent redraft of the statement was read at the meeting at the Treasury Department yesterday, that he suggested that instead of the Board of Governors issuing a separate statement, it would be more satisfactory if a single statement were issued covering the entire field of the action to be taken by the Government, and that the Secretary of the Treasury agreed with this suggestion.

At the meeting at the Treasury, Chairman Eccles stated, there were discussions of three things that the System might do; (1) participate with the Treasury in the purchase of Government

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securities for the purpose of stabilizing the Government securities markets, (2) announce that the Federal Reserve banks were prepared to loan on Government securities at par to member banks, nonmember banks and possibly others, and (3) reduce margin requirements on loans made for the purpose of purchasing or carrying securities. He stated that the first step was a matter for consideration by the Federal Open Market Committee and that this meeting of the executive committee had been called to consider the question.

It was agreed unanimously (1) that the executive committee should ask the Federal Open Market Committee for authority, in the event of serious disturbance in the Government securities market resulting from armed conflict abroad, to direct the Federal Reserve banks to participate with the Treasury in outright purchases of securities and in that connection to increase the System portfolio by not to exceed \$500,000,000, with the understanding that in making such purchases it might become necessary to exceed the \$900,000,000 limitation on bonds having maturities over five years contained in the second resolution adopted at the meeting of the Federal Open Market Committee on March 20, 1939, and (2) to advise the Secretary of the Treasury that the executive committee had agreed to request the full Committee for that authority, it being understood that a meeting of the full Committee would be held on Monday or Tuesday of next week to ratify the action.

Messrs. Szymczak, Ransom and Davis stated that they were in agreement with the action of the executive committee.

In view of the fact that there was not sufficient time before this meeting was called to notify Mr. Leach and afford him an opportunity to come to Washington to attend the meeting, the Assistant Secretary was requested to

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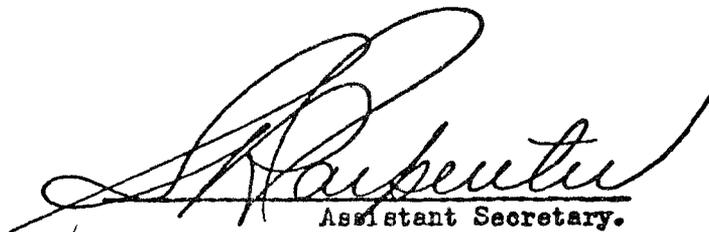
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call Mr. Leach and advise him of the action taken and ascertain whether he concurred in the action.

Chairman Eccles stated that it was necessary for him and Mr. Harrison to return to the Treasury for a further conference with the Secretary and that he would suggest that, if agreeable to the other members of the executive committee, this meeting recess until 10:30 a.m. tomorrow when the committee would meet again for a further discussion.

Thereupon the meeting recessed to reconvene at 10:30 a.m. tomorrow.

(Secretary's note: In accordance with the request of the executive committee, the Assistant Secretary called Mr. Leach on the telephone at 5:10 p.m. and advised him of the committee's action. Mr. Leach stated that he had felt that in the event of hostilities abroad the Federal Open Market Committee would have to take action along the lines contemplated and that he was in agreement with the executive committee's action. He also stated he would attend the meeting of the executive committee tomorrow.)


Assistant Secretary.

Approved:


Chairman.