

A meeting 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, June 20, 1939, at 3:30 p.m.

PRESENT: Mr. Eccles, Chairman
Mr. Harrison, Vice Chairman
Mr. Szymczak
Mr. McKee
Mr. Ransom
Mr. Davis
Mr. Draper
Mr. Fleming
Mr. Leach
Mr. Martin
Mr. Hamilton

Mr. Morrill, Secretary
Mr. Wyatt, General Counsel
Mr. Goldenweiser, Economist
Mr. Williams, Associate Economist
Mr. Dreibelbis, Assistant General Counsel
Mr. Sproul, Manager of the System Open Market Account
Mr. Thurston, Special Assistant to the Chairman of the Board of Governors
Mr. Piser, Senior Economist in the Division of Research and Statistics of the Board of Governors

Upon motion duly made and seconded, and by unanimous vote, the minutes of the meetings of the Federal Open Market Committee held on March 6-7, March 20 and April 19, 1939, were approved.

Upon motion duly made and seconded, and by unanimous vote, the actions of the executive committee of the Federal Open Market Committee as set forth in the minutes of the meetings of the executive committee on April 13-14 and 19, 1939, were approved, ratified and confirmed.

Mr. Sproul distributed copies of a report prepared by the Federal Reserve Bank of New York of operations in the System open

6/20/39

-2-

market account since the last meeting of the Federal Open Market Committee on April 19, 1939, up to and including June 16, 1939, stating that there had been no transactions since the latter date, following which there was a brief discussion.

Upon motion duly made and seconded, and by unanimous vote, the transactions in the System open market account for the period since that covered by similar action at the last meeting of the Federal Open Market Committee on April 19, 1939, to and including June 19, 1939, were approved, ratified and confirmed.

Reference was made to the fact that at the meeting of the Board of Governors with the Presidents of the Federal Reserve Banks preceding this meeting, at which all of the members of the Federal Open Market Committee were present, Messrs. Goldenweiser and Williams, as economists for the Federal Open Market Committee, reviewed business and credit conditions. Summaries of their statements have been placed in the files of the Federal Open Market Committee.

Chairman Eccles then presented for discussion the question whether any action should be taken at this time by the Committee with a view to a reduction in the amount of Treasury bills held in the System account and, if such action should be taken, whether there should be issued a public announcement of such action and the reasons therefor. In the course of the Chairman's remarks and the subsequent general discussion reference was made to the action taken by the Committee on December 30, 1938, the announcement issued by the Committee in that

6/20/39

-3-

connection, the subsequent replacements of Treasury bills in the System account, the fact that for some time past Treasury bills had been purchased for the System account at or near a no-yield basis, the difficulty at times of replacing maturing bills due to the fact that the supply of such bills had not always been equal to the market demand, the increasing volume of excess reserves, and the substantial rise which had taken place in prices of Government securities in recent months and the consequent decline in yields. Questions were raised and discussed as to whether it would serve any useful purpose in relation to open market policy to continue the full replacement of maturing Treasury bills, whether the present would be a suitable time to reduce the holdings of Treasury bills, and what might be the effect of such action upon the general credit situation. References were also made to a statement which had been submitted to the Board of Governors by the Federal Advisory Council at its last meeting with the Board of Governors on June 6, 1939, and, at the suggestion of Mr. Harrison and the request of the Chairman, the Committee's Secretary read the statement. A copy of the statement is contained in the files of the Federal Open Market Committee. The discussion developed the feeling that it would be desirable to have placed before the Committee a draft of a tentative statement indicating the reasons for the reduction if made, which might be considered before determining what action should be taken, and, thereupon, at 6:10 p.m. a recess was taken until the morning of June 21, with the understanding

6/20/39

-4-

that during the recess such a statement would be drafted by Messrs.
Sproul, Thurston, Goldenweiser, and Williams.

Oliver Morris
Secretary.

Approved:

W. Sproul
Chairman.