

The meeting of the executive committee of the Federal Open Market Committee was reconvened in the offices of the Board of Governors of the Federal Reserve System in Washington on Wednesday, June 21, 1939, at 1:05 p.m.

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

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. Piser, Senior Economist in the Division of Research and Statistics of the Board of Governors

Reference was made to the resolutions adopted by the Federal Open Market Committee today and there was a discussion of the nature of the instructions which should be given by the executive committee to the Federal Reserve Bank of New York with respect to the reduction in Treasury bill holdings contemplated by the action of the full Committee.

Mr. Sproul stated that replacements of the Treasury bills maturing this week had already been provided for so that a reduction in the amount of the System portfolio would not take place this week and that it would be necessary to consider the matter not later than next Tuesday with respect to the Treasury bills which would mature next week. It was agreed that the executive committee and the Federal

6/21/39

-2-

Reserve Bank of New York should proceed very carefully from week to week and that before a reduction is actually made next week the matter should be discussed over the telephone with the members of the executive committee and such action taken only upon approval of a majority of the members.

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) Whenever market conditions warrant, to allow all or part of the maturing Treasury bills in the System open market account to mature without replacement, provided that if such bills be allowed to mature without replacement the total amount of securities in the account be not decreased by more than \$250,000,000;

(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 account be not increased or decreased by more than \$100,000,000;

(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;

(4) In the event that armed conflict or political developments threatening armed conflict abroad result in serious disturbance to the Government securities market in this country, to make such outright purchases for the account as may be necessary, for the purpose of exercising an influence toward maintaining orderly market

6/21/39

-3-

conditions, provided that the total amount of securities in the account be not increased by more than \$250,000,000; and

(5) 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.

Chester Morris
Secretary.

Approved:

W. H. Wood
Chairman.