

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, December 18, 1940, at 4:15 p.m.

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

Mr. Morrill, Secretary
Mr. Carpenter, Assistant Secretary
Mr. Wyatt, General Counsel
Mr. Goldenweiser, Economist
Mr. Williams, Associate Economist
Mr. Rouse, Manager of the System Open Market Account
Mr. Piser, Senior Economist in the Division of Research and Statistics of the Board of Governors

The question of the directions to be given to the Federal Reserve Bank of New York to execute transactions in the System open market account was considered in the light of the discussion at the meeting of the Federal Open Market Committee just preceding this meeting and it was agreed that the resolution adopted at the meeting of the executive committee on November 1, 1940, should be renewed except that paragraph numbered 2 should be amended so as to limit the authority to make purchases and sales from the System account to transactions for the purpose of exercising an influence toward maintaining orderly market conditions.

Thereupon, upon motion duly made and seconded, and by unanimous vote, the executive committee directed the Federal Reserve

12/18/40

-2-

Bank of New York, until otherwise directed by the executive committee,

(1) To make such 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 or for the purpose of exercising an influence toward maintaining orderly market conditions, up to an aggregate of \$200,000,000 of purchases and a like amount of sales or redemptions, provided that in making such shifts the total amount of bonds held in the account be not increased or decreased by more than \$100,000,000;

(2) To make such outright purchases or sales for the System account as may be necessary for the purpose of exercising an influence toward maintaining orderly market conditions, provided that the total amount of securities in the account be not increased or decreased through operations under this paragraph by more than \$100,000,000; and

(3) 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. C. C. C.
Chairman.