

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 Saturday, February 28, 1942, at 10:30 a.m.

PRESENT: Mr. Eccles, Chairman  
Mr. Sproul, Vice Chairman  
Mr. Szymczak  
Mr. McKee  
Mr. Ransom  
Mr. Draper  
Mr. Leach  
Mr. Davis  
Mr. Peyton  
Mr. Alfred H. Williams (alternate for Mr. Fleming)

Mr. Morrill, Secretary  
Mr. Carpenter, Assistant Secretary  
Mr. Wyatt, General Counsel  
Mr. Goldenweiser, Economist  
Mr. John H. Williams, Associate Economist  
Mr. Rouse, Manager of the System Open  
Market Account  
Mr. Piser, Chief, Government Securities  
Section, Division of Research and  
Statistics of the Board of Governors  
Mr. Clayton, Assistant to Chairman Eccles  
Mr. Thurston, Special Assistant to Chairman  
Eccles  
Mr. Berntson, Clerk in the Office of the  
Secretary of the Board of Governors

Messrs. Gilbert, C. S. Young, and Leedy, alternate members of the Federal Open Market Committee

Messrs. McLarin and Day, Presidents of the Federal Reserve Banks of Atlanta and San Francisco, respectively

Messrs. Paddock and Zurlinden, First Vice Presidents of the Federal Reserve Banks of Boston and Cleveland, respectively

Mr. Sienkiewicz, Secretary of the Presidents' Conference

2/28/42

-2-

Upon motion duly made and seconded, and by unanimous vote, the minutes of the meeting of the Federal Open Market Committee held on December 12, 1941, 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 meeting of the executive committee on December 12, 1941, were approved, ratified, and confirmed.

Mr. Rouse read a report prepared at the Federal Reserve Bank of New York covering operations in the System open market account during the period from December 12, 1941, to February 25, 1942, both dates inclusive, and discussed the important features of the report. He also referred to the transactions in the System account on February 27, as reported by him at the meeting of the executive committee just prior to this meeting.

Upon motion duly made and seconded, and by unanimous vote, the transactions in the System account during the period from December 12, 1941, to February 27, 1942, both dates inclusive, were approved, ratified, and confirmed.

On January 14, 1942, the Board's Examiner in Charge submitted to the Secretary of the Federal Open Market Committee a copy of the report of examination of the System account made at the close of business on October 25, 1941, by the examiners of the Board of Governors as part of the regular examination of the Federal Reserve Bank of New York, and copies of this report were sent to the members of the Federal Open Market

2/28/42

-3-

Committee under date of January 20, 1942.

It was stated that there was nothing in the report that required action by the Federal Open Market Committee at this time, and, upon motion duly made and seconded and by unanimous vote, the report was received and ordered filed.

Statements were then made by Messrs. John H. Williams and Goldenweiser in which they discussed questions arising out of the problem of war financing. At the request of the members of the Committee, Mr. Williams agreed to prepare a comprehensive memorandum covering the matters referred to in his statement with the understanding that when completed the memorandum would be sent to Mr. Morrill who would forward copies to the members of the Board and the Presidents of the Federal Reserve Banks. A summary of Mr. Goldenweiser's comments has been placed in the files of the Federal Open Market Committee.

A discussion ensued of questions raised by Messrs. Goldenweiser and Williams in their statements, of the place the Federal Reserve System should occupy in the war and post-war periods, and of the part the System should play in the war financing program.

At the request of Chairman Eccles, there were distributed to the Presidents copies of (1) the statement of a suggested program of Treasury financing which was sent to the Secretary of the Treasury under date of January 28, 1942, with the comment that the statement expressed the unanimous view of the members of the Board and Messrs. Sproul, Leach, Alfred H. Williams, Goldenweiser, John H. Williams, Rouse, and Piser,

2/28/42

-4-

and (2) a memorandum prepared by Mr. Piser under date of February 23, 1942, summarizing discussions relating to a war financing program at a meeting of members of the executive committee of the Federal Open Market Committee with representatives of the Treasury on February 20. Chairman Eccles suggested that the members of the Board and the Presidents read the two memoranda over the week end as a preliminary to a discussion of Treasury financing at the meeting of the Federal Open Market Committee on Monday, March 2, 1942, and that because of the confidential character of the memoranda the copies handed to the Presidents be returned at that meeting.

Mr. Rouse reported that, although the market had shown a firmer tone this morning, the 2 per cent bonds of 51-55 were in supply and it was necessary to purchase an additional \$600,000 of this issue.

Upon motion duly made and seconded, and by unanimous vote, this purchase was approved, ratified, and confirmed. Earlier in this meeting the Federal Open Market Committee ratified all transactions in the System account through February 27, so that, with ratification of the purchase today, all transactions in the System account were approved by the Committee.

Thereupon the meeting adjourned.

Robert Rouse  
Secretary.

Approved:

W. H. Eccles  
Chairman.