

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 Wednesday, March 1, 1944, at 11:40 a.m.

PRESENT: Mr. Eccles, Chairman  
Mr. Sproul, Vice Chairman  
Mr. McKee  
Mr. Szymczak (alternate for Mr. Draper)  
Mr. Leach

Mr. Morrill, Secretary  
Mr. Carpenter, Assistant Secretary  
Mr. Wyatt, General Counsel  
Mr. Rouse, Manager of the System Open Market Account

Chairman Eccles read a paragraph from a memorandum dated February 29, 1944, from Mr. Piser which was to the effect that, while a large portion of original issues of Treasury certificates was purchased by nonbank investors, largely corporations, these holders tended to reduce their holdings in the first few months after issuance, principally for the purpose of subscribing for the new issue in the succeeding drive, and that commercial banks purchased the securities during this period and thereafter tended to sell as they needed reserves, which offerings were purchased by the System.

There was a discussion of the usefulness of certificates as a medium of providing the market with necessary reserves and their effect on the pattern of rates. Mr. Sproul stated that the existing situation confirmed the position taken by the System's representatives that the short-term rate on Government securities should be increased

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and that certificates should not be included in war loan drives.

Mr. McKee inquired whether the best solution of the problem would be a posted rate on certificates, and Chairman Eccles responded that it would not be possible to get Treasury agreement to such an arrangement at this time.

Mr. Rouse stated that the practice being followed by the New York Bank in connection with certificate purchases apparently was satisfactory to the Treasury, and that the System had a commitment to maintain a semblance of a pattern of rates in this area of the market. He suggested that before any change was made the matter should be discussed with the Treasury and an agreement reached.

Chairman Eccles concurred in this suggestion but expressed the opinion that the System was not committed indefinitely to maintain the pattern of rates in the area between  $3/8$  and  $7/8$  per cent.

Mr. Sproul said that the New York Bank had operated in this area in a flexible manner without maintaining a fixed pattern of rates and suggested that Mr. Rouse be requested to continue on that basis, with the understanding that when the members of the executive committee met with the Treasury they should point out that the existing rate structure was creating a profit for purchasers of certificates which was not desirable in the interest of the whole pattern of rates nor of Treasury financing through nonbank investors.

Upon motion duly made and seconded,  
and by unanimous vote, Mr. Sproul's suggestion was approved.

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Upon motion duly made and seconded, and by unanimous vote, Mr. Sproul was re-elected Vice Chairman of the executive committee to serve until the election of his successor at the first meeting of the Federal Open Market Committee after March 1, 1945.

Upon inquiry as to the form in which the direction of the executive committee should be issued to the New York Bank to execute transactions for the System account, Mr. Rouse stated that he would prefer to make bills purchased in the market at the 3/8 per cent rate and the redemption of such bills subject to the limitations of the direction, and that this could be accomplished by the renewal of the direction issued at the meeting of the Federal Open Market Committee on October 18, 1943.

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) To make such purchases, sales, or exchanges (including replacement of maturing securities and allowing maturities to run off without replacement) for the System account, either in the open market or directly from, to, or with the Treasury, as may be necessary in the practical administration of the account, or for the purpose of maintaining about the present general level of prices and yields of Government securities, or of maintaining an adequate supply of funds in the market; provided (a) that the total amount of securities in the account at the close of March 1, 1944, shall not be increased or decreased by more than \$750,000,000 (exclusive of special short-term certificates of indebtedness purchased for the temporary accommodation of the Treasury pursuant to paragraph (2) of this direction), and (b) that this paragraph shall not limit the amount of Treasury

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bills purchased pursuant to the directions of the Federal Open Market Committee issued under dates of June 28, 1943, and March 1, 1944, or the redemption of such bills;

(2) To purchase direct from the Treasury for the System open market account such amounts of special short-term certificates of indebtedness as may be necessary from time to time for the temporary accommodation of the Treasury; provided that the total amount of such certificates held in the account at any one time shall not exceed \$750,000,000; 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 purchases, sales, or exchanges 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.

In taking this action, it was understood that the limitations contained in the direction included commitments for purchases or sales of securities for the System account.

Thereupon the meeting adjourned.

Robert M. Mowbray  
Secretary.

Approved:

W. H. H. H. H.  
Chairman.