

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 Thursday, September 21, 1944, at 4:50 p.m.

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

Mr. Morrill, Secretary  
Mr. Carpenter, Assistant Secretary  
Mr. Wyatt, General Counsel  
Mr. Dreibelbis, Assistant General Counsel  
Mr. Rouse, Manager of the System Open Market Account  
Messrs. Piser and Kennedy, Chief and Assistant Chief, respectively, of the Government Securities Section, Division of Research and Statistics of the Board of Governors

All of the members of the committee were in agreement that the existing direction to the Federal Reserve Bank of New York to execute transactions for the System account should be renewed.

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

9/21/44

-2-

securities in the account at the close of this date shall not be increased or decreased by more than \$750,000,000 [exclusive of bills purchased outright in the market on a discount basis at the rate of  $3/8$  per cent per annum and bills redeemed at maturity, and 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 bills purchased pursuant to the direction of the Federal Open Market Committee issued under date of 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.

The statement was made that Chairman Eccles and Mr. Sproul, Vice Chairman, were leaving for the West tomorrow and that, in the absence of action by the committee, it would be without an acting Chairman. Chairman Eccles suggested that Mr. Ransom, as his alternate on the executive committee, be designated as Chairman pro tem.

In accordance with this suggestion, upon motion duly made and seconded, and by unanimous vote, Mr. Ransom was designated Chairman pro tem to serve during the absence of Messrs. Eccles and Sproul in the West.

9/21/44

-3-

Following a discussion of how the conclusions reached at the meeting of the Federal Open Market Committee today with respect to Treasury financing matters should be transmitted to the Treasury, it was understood that a letter summarizing the conclusions would be prepared and that it would be sent to Under Secretary Bell upon approval by Messrs. Eccles and Sproul.

The letter sent to Mr. Bell on September 22 in accordance with this action read as follows:

"Allan and I reported to the Federal Open Market Committee yesterday our meetings with you and with the bankers' group. The Committee approved all of the memoranda that have been sent to the Treasury since the last meeting of the Committee and also approved the positions that we took at the meetings with you and with the bankers' group. The Committee also discussed fully the various items on the agenda that you prepared for the bankers' group.

"The opinion of the Committee regarding several of the items included in the agenda rests upon the decision that the Treasury makes with respect to free riding during the Sixth War Loan. The Committee believes that unless the Treasury takes strong measures to reduce free riding the situation will become intolerable. The Committee concurs in the various suggestions for meeting this situation that were included in the memorandum of August 11, particularly the suggestion for a down payment of 25 per cent. If the Treasury follows these suggestions, the Committee recommends a goal of 12 billion dollars for the Sixth War Loan, to be followed after the drive by a direct bank financing of 3 billion of certificates, and a basket of securities patterned along the same line as that of the Fifth War Loan. The bank offering should be announced along with the details of the drive.

"Regarding the other items, the Committee recommends (1) that the drive start as early as possible, preferably around November 15, (2) that deferred payments for insurance companies and savings banks be included, (3) that a campaign to encourage the withdrawal of bank deposits for investment in Government securities be undertaken, provided that no attempt is made to specify a formula for such withdrawals, (4) that banks be permitted to subscribe

9/21/44

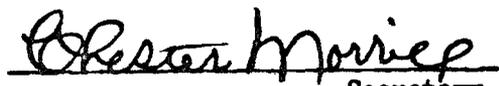
-4-

"for bonds during the drive up to an amount that will bring their total holdings to no more than \$600,000 or 30 per cent of their savings deposits, including their time deposits held by those eligible to hold savings deposits, and (5) that banks be permitted to deal in the restricted issues with no limitation except that their total holdings at no time may exceed \$600,000 or 30 per cent of their savings deposits as above defined.

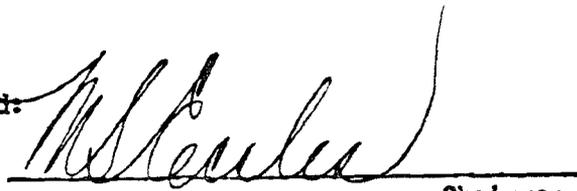
"The Committee is strongly of the opinion, for the reasons set forth in the September 13 memorandum, and which Mr. Sproul and I discussed with you orally, that the Treasury should make no further increase in the weekly bill offering. According to your estimates, the cash balance on November 15 would exceed 5 billion dollars. With access to an additional 5 billion dollars through direct borrowing from the Federal Reserve, the balance would be sufficient to meet any possible emergency. If the Treasury, however, still feels that it needs to raise additional funds before the beginning of the Sixth War Loan, the Committee recommends that the offering consist of 1 1/4 per cent notes or possibly of certificates. If the Treasury decides to increase the weekly offering of bills despite the opposition of the Committee, the Committee believes that the additional offering should not exceed 200 million dollars a week for the seven or eight weeks before the beginning of the drive and that no additional bills should be offered during the drive.

"In my absence, and in the absence of Mr. Sproul as Vice Chairman of the Executive Committee of the Federal Open Market Committee, Mr. Ronald Ransom will be acting chairman and he and technical advisers of the Committee will be available for consultation with the Secretary and you at any time."

Thereupon the meeting adjourned.

  
Secretary.

Approved:

  
Chairman.