

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 Monday, October 6, 1947, at 9:30 a.m.

PRESENT: Mr. Eccles, Chairman  
Mr. Sproul, Vice Chairman  
Mr. Draper  
Mr. Vardaman  
Mr. Davis

Mr. Morrill, Secretary  
Mr. Carpenter, Assistant Secretary  
Mr. Vest, General Counsel  
Mr. Thomas, Economist  
Mr. Rouse, Manager of the System Open Market Account  
Mr. Thurston, Assistant to the Chairman, Board of Governors  
Mr. Smith, Economist, Government Finance Section, Division of Research and Statistics, Board of Governors  
Mr. Arthur Willis, Special Assistant, Securities Department, Federal Reserve Bank of New York.

Upon motion duly made and seconded, and by unanimous vote, the minutes of the meeting of the executive committee of the Federal Open Market Committee held on August 6, 1947, were approved.

Upon motion duly made and seconded, and by unanimous vote, the transactions in the System account as reported to the members of the executive committee for the period August 6 to October 4, 1947, inclusive, were approved, ratified, and confirmed.

Upon motion duly made and seconded, and by unanimous vote, the actions of the members of the executive committee on

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September 4 and 29, 1947, increasing from \$1 billion to \$1.5 billion and from \$1.5 billion to \$1.75 billion, respectively, the authority of the Federal Reserve Bank of New York as contained in the first paragraph of the direction authorized at the meeting of the executive committee on August 6, 1947, were approved, ratified and confirmed.

Reference was then made to the decision reached at the meeting of the executive committee on February 17, 1947, that at a meeting in the fall the executive committee would ask the full Committee to consider suggestions to be made to the Treasury relating to policy in 1948 in connection with the offering of a special security to encourage holders of maturing savings bonds to reinvest the proceeds of such bonds in the special issue. At the time of the February meeting consideration was being given to a draft of a letter to the Treasury which would suggest that the individual holders of maturing savings bonds be given the option to invest in new Series E bonds or a special non-marketable 10-year issue which would carry a rate of 2-3/4 per cent, payable annually, and would be redeemable at any time after one year.

Mr. Sproul stated that this matter had been discussed at the meeting of the Presidents' Conference held last week but that, having in mind that the subject was on the agenda for this meeting, no resolution or specific action had been taken in connection with it, although it was the general feeling that it might be

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desirable to send to the Treasury the recommendation contained in the draft of letter referred to above. It was Mr. Sproul's view that the offering of some encouragement for reinvestment by maturing bondholders was more desirable this year than last because of the importance of keeping as many funds as possible from going into the spending stream and he saw no reason why, if the Treasury was going to offer some special inducement later on to the holders of maturing savings bonds, that inducement should not be given now.

Chairman Eccles questioned the desirability of offering a 2-3/4 per cent security for the reason that it would leave little or no inducement for holders of maturing savings bonds to reinvest in new Series E bonds which if held for ten years would give a return of 2.9 per cent. He felt that 2-1/2 per cent would be more effective in achieving the desired objectives and would be more in line with the return on funds placed in other forms of savings. He also felt that the suggestion of a 2-3/4 per cent security would not be acceptable to the Treasury.

Upon suggestion by Mr. Sproul, it was agreed unanimously to suggest to the full Committee that a recommendation be sent to the Treasury that individual holders of maturing savings bonds be permitted to invest funds received in payment for such bonds in (1) new Series E bonds without regard to the annual limit of

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\$3,750, or (2) a special non-marketable  
10-year issue which would carry a 2-1/2  
per cent coupon and be redeemable at any  
time after one year.

Thereupon the meeting recessed to reconvene following the  
meeting of the full Committee.

Chester Morrill  
Secretary.

Approved:

W. C. ...  
Chairman.