

TWENTY-NINTH
ANNUAL REPORT

of the
BOARD OF GOVERNORS OF THE
FEDERAL RESERVE SYSTEM



COVERING OPERATIONS FOR
THE YEAR

1942

RECORD OF POLICY ACTIONS FEDERAL OPEN MARKET COMMITTEE

MEETING ON MARCH 2, 1942

Members present: Mr. Eccles, chairman; Mr. Sproul, Vice Chairman; Mr. Szymczak, Mr. McKee, Mr. Ransom, Mr. Draper, Mr. Williams, Mr. Gilbert, Mr. Young, Mr. Leedy.

1. Authority to Effect Transactions in System Account.

Upon motion duly made and seconded, the following direction to the executive committee of the Federal Open Market Committee was approved by unanimous vote:

“That the executive committee be directed until otherwise directed by the Federal Open Market Committee to arrange for such transactions for the System open market account (including purchases, sales, exchanges, replacement of maturing securities, and letting maturities run off without replacement) as in its judgment from time to time may be advisable in the light of existing conditions; provided that the aggregate amount of securities held in the account at the close of this date shall not be increased or decreased by more than \$500,000,000.”

Following the entry of the United States into the war in December, the expansion of the program of national defense increased very greatly the amount of funds required to finance the war effort. The Board of Governors, after consultation with the Presidents of the Federal Reserve Banks, had, on December 8, 1941, issued a statement that the Federal Reserve System was prepared to use its powers to assure that an ample supply of funds was available at all times for financing the war effort and to exert its influence toward maintaining conditions in the Government security market that were satisfactory from the standpoint of the Government's requirements. At this meeting of the Federal Open Market Committee there was a full discussion of open market policy in the light of suggestions that had been made in conferences with representatives of the Treasury with respect to the Treasury's program of war financing. It was agreed that the policy to be followed by the Federal Open Market Committee was so closely related to the financing policies of the Treasury that, pending a further determination by the Treasury of what its program would be, the Federal Open Market Committee should continue the open market policy then in effect under which the executive committee was authorized, within the limits established by the full Committee, to take such action in the market as in the judgment of the executive committee might be required by any conditions that might arise. The direction set forth above, which was in the same form as the direction issued at the meeting of the Federal Open Market Committee on December 12, 1941, was approved for that purpose.

MEETING ON MAY 8, 1942

Members present: Mr. Eccles, Chairman; Mr. Sproul, Vice Chairman; Mr. Szymczak, Mr. McKee, Mr. Ransom, Mr. Draper, Mr. Evans, Mr. Williams, Mr. Gilbert, Mr. Young, Mr. Leedy.