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333.3-a-1
Final Minutes
4/2/34

CONFIDENTIAL

MINUTES OF THE MEETING OF EXECUTIVE COMMITTEE OF THE
FEDERAL OPEN MARKET COMMITTEE
HELD AT WASHINGTON, D. C.,
APRIL 2, 1934

The meeting was called to order at 10:35 a. m., there being present:

Governor Harrison, chairman, Governors Young, Norris, and Schaller,
and Deputy Governor Burgess, secretary.

From the Federal Reserve Board
Governor Black

From the Treasury
Secretary Morgenthau, and Messrs. Smith, Coolidge, Bell,
Stark, and Lanston.

The Secretary of the Treasury presented the Treasury problem of financing to be carried through in April, and there ensued a general discussion of the questions of the amount of money to be raised, type of securities to be offered, and the program to be followed with respect to calling a portion of Fourth 4 1/4% Liberty Loan Bonds.

At 12:40 this meeting adjourned, and the committee reconvened without the Treasury representatives, though Secretary Morgenthau, Mr. Coolidge, and Mr. Smith were later present during a part of the meeting.

The report of operations and the preliminary memorandum were distributed to those present and were discussed.

Governor Harrison

It was pointed out that the System held \$59,000,000 Fourth 4 1/4% bonds which were called for redemption on April 15, and also held \$57,000,000 of 3% Treasury notes maturing May 2, and that in case the Treasury made an exchange offering on April 15 for these two issues a decision would have to be reached as to the extent to which the System would exchange its maturing issues for the new offering.

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The intimation having been given that the new issue would probably be of ten-twelve year bonds, there was recognition of the fact that a twelve-year maturity was rather long for Reserve Bank purchase, and that the inclusion of such bonds in the System portfolio would be at variance with previous policy. Governor Harrison suggested, however, that as the System has cooperated so closely with the government in its program of financing it should be careful now to avoid any action which might impede or unnecessarily give the impression of impeding Treasury undertakings. Any attempt by the System suddenly to sell its maturities on a large scale and replace them with shorter obligations might interfere with the success of the Treasury refunding issue. Furthermore, the System has a responsibility for the long term money market, upon the revival of which the return of business prosperity depends in considerable measure.

This sentence is new

Governor Harrison

In the course of discussion it was also pointed out that the earnings problem was likely to be increasingly important for the Reserve banks, and some block of bonds with a good yield might be desirable from that point of view. It appeared that for some time to come the Reserve banks would be dependent for earnings on the yield from their government holdings, which was steadily declining. The System was moreover likely to hold a substantial amount of governments for some time to come, some relatively small part of which might both safely and profitably be composed of longer time higher yield securities.

After extended discussion it was agreed by all those present that in connection with the April 15 financing the System should follow the same procedure that was followed on March 15; that is, if favorable opportunity arises, either in the market or with the Treasury itself, maturing issues should be sold and replaced with short governments to the extent that this can be done without disturbance to the market; and that the balance of the maturities not so disposed of should be offered in exchange for the new Treasury issue.

There ensued a general discussion of pending legislation.

The meeting adjourned at 2:00 p. m.

W. Randolph Burgess,
Secretary.

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Mr. Morrill: *W Carpenter*

Note changes from preliminary draft.
Believe new sentence on page 2 should be
brought to Governor Black's attention.

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Governor Black for initial.

Please note particularly new sentence at top
of page 2 of minutes.
Return to Mr. Carpenter.

Please initial GMB