

DECLASSIFIED  
Authority *Ex Order 12956*

*333.3-a-1*  
*Final Minutes*  
*6/26/34*

CONFIDENTIAL

MINUTES OF THE MEETING OF THE FEDERAL OPEN MARKET COMMITTEE  
HELD AT  
WASHINGTON, D. C., JUNE 26, 1934

The meeting was called to order at 12:45 p. m., there being present:

Governor Harrison, chairman, Governors Young, Norris,  
Fancher, Seay, Schaller, Martin, Geery, Hamilton,  
McKinney and Calkins, and Acting Governor Johns.

X  
The chairman reported that at the last meeting of the executive committee, held in Washington on May 23, there had been some discussion with the Secretary of the Treasury with respect to the possible utilization of the stabilization fund for the purchase of government securities in the open market. At that time the executive committee had expressed doubt as to the wisdom of such purchases, and the Secretary of the Treasury had advised the committee that he would make no further purchases of government securities out of that fund at least until after June 15. The chairman reported that last week (June 20) the Secretary had advised him that the Treasury Department had no present intention of using the stabilization fund for the purchase of government securities, and that in no event would that fund be used for that purpose in the future without first advising the Chairman of the Federal Open Market Committee and giving him an opportunity to express the Committee's views on the subject.

The chairman then referred to discussions which have taken place from time to time in the past about the possible sale of government securities out of the System account to the Treasury, payment to be made out of the stabilization fund, and stated that on June 20 he had discussed the matter more formally with Treasury officials who expressed considerable interest in the possibility of purchasing up to \$500 million of the System's longer maturities, but felt that in view of the fact that conditions in the government security market are now most satisfactory and in view of the Secretary's prospective absence until August 1, further consideration of the matter should be postponed until his return in August.

DECLASSIFIED  
Authority *Ex Order 12256*

2

The chairman pointed out that in view of the likelihood that we would not have another meeting of the full committee prior to August, it might be appropriate to consider giving the executive committee some authority in the matter. After discussion it was unanimously

VOTED that subject to the approval of Federal Reserve Board the executive committee be authorized to sell up to \$500 million of the System's holdings of government securities to the Treasury, if and when it seems desirable, it being preferred that any securities so sold should be of the longer maturities.

In the course of the discussion of this matter it was pointed out that in determining the amount of any securities so sold to the Treasury, the earning position of the System should be taken into account, and that the position of individual reserve banks might have to be protected by the usual transfers within the System. Any profits from the sale of securities would be allotted among the Federal reserve banks in the usual proportions.

Governor Harrison reported that with the approval of the Federal Reserve Board, he was planning to sail for Europe the end of June to be at Basle during a meeting of the directors of the Bank for International Settlements at Basle on July 9, that he would probably visit Paris and London after that meeting, and expected to be home before the end of July.

The meeting adjourned at 1:30 p. m.

George L. Harrison,  
Chairman.