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Final Minutes

MINUTES OF THE MEETING OF THE EXECUTIVE COMMITTEE OF THE
FEDERAL OPEN MARKET COMMITTEE
HELD AT WASHINGTON, D. C.
NOVEMBER 27, 1934.

11/27/34

The meeting was called to order at 10:40 a. m., in the offices of the Federal Reserve Board, the following being present:

Governors Young, Norris, Fancher, and Schaller, and Deputy Governor Burgess.

Governor Black was also present.

In the absence of Governor Harrison, Governor Fancher was elected chairman pro tem.

The report of operations was distributed and reviewed, and there was a preliminary discussion of the problems presented by December 15 financing.

At 11 o'clock the committee left the offices of the Federal Reserve Board and met with the Secretary and Under Secretary of the Treasury at the Treasury Department, Governor Eccles also being present. There ensued an extended discussion of the problem of Treasury financing in December, and various proposals were explored. At 12:45 the meeting left the Secretary's office and met briefly with the Under Secretary in his office where the discussion was continued.

The meeting adjourned at 1:10.

The meeting reconvened at 2:00 in the offices of the Federal Reserve Board, there being present the above mentioned members of the executive committee.

After discussion of the position which the Federal Reserve Banks should take with respect to December 15 operations, the committee

VOTED to telegraph all members of the Federal Open Market Committee requesting approval for exchanging the maturing issues in System Account either by exchange subscription or by operations in the market, the policy of the committee in carrying out exchanges to be determined by the needs of the market as related to the Treasury program and the maintenance of a proper distribution of securities in the System Account.

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The committee also

VOTED to request approval for effecting exchanges between maturities in the System Account up to a total of \$100,000,000 if it appears desirable in furtherance of the purposes noted above, with the understanding that there would be no increase in the total portfolio other than a temporary one.

There then ensued a discussion of the disposition of the reserves of \$4,112,611 set up by the Federal reserve banks at the close of 1933 against depreciation in government securities in System Account, and the disposition of \$6,600,000 of realized profits on sales of government securities during 1934 now held in suspense account. In view of the very large holdings of government securities in the Federal Reserve System, many of which are entered on the books at relatively high prices, and in view of the possibility at some time of losses on sales of government securities, the committee

VOTED That if a satisfactory accounting procedure could be arranged it did not favor distribution to the different Reserve banks of profits realized on sales of government securities this year, and now held in suspense account, and that it favored continuing as reserves the amounts set aside at the end of 1933 as reserves against depreciation.

At 2:45 Governor Black and Under Secretary Coolidge and later Governor Eccles entered the meeting and there ensued a further discussion of the Treasury financing program.

At 3:30 those present, with the exception of Governor Norris, adjourned to the Treasury Department where discussions of Treasury financing problems were continued with Secretary Morgenthau.

At 4:15 the committee returned to the Federal Reserve Board offices and the members of the committee discussed informally with Dr. Goldenweiser and Mr. Stark the program of the System committee on legislation.

The meeting adjourned at 4:45 p. m.

W. Randolph Burgess,
Secretary.