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Final Minutes
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MINUTES OF THE MEETING OF THE
FEDERAL OPEN MARKET COMMITTEE
HELD AT WASHINGTON, D. C.
DECEMBER 17, 1934

The meeting was called to order at 10:30 a. m., the following being present:

Governors, Young, Norris, Seay, Fancher, Geery, and Martin.
Deputy Governors Burgess, Johns, and McKay

On motion Governor Young was elected chairman pro tem.

The secretary's report of operations was distributed and after discussion it was

VOTED that the report be accepted and placed on file.

It was

VOTED to ratify the action of the executive committee in replacing Treasury notes which matured on December 15, with other issues, this action having previously received telegraph approval of all governors.

After discussion the following action was taken with respect to maturities in the portfolio which might have to be dealt with prior to another meeting of the committee.

VOTED that the Executive Committee be given authority to replace the Treasury notes maturing on March 15 and the maturities of called 4th 4 1/4% Liberty Bonds in System Account either in the market or with any securities which the Treasury may offer in exchange.

There was a brief discussion of the desirability of the System's being prepared to make shifts between maturities in the System portfolio, if that should appear desirable as an aid to maintaining stability in the government security market, either in connection with Treasury financing operations or at other times.

It was then

VOTED that the Executive Committee be given authority to make exchanges between maturities in the System Account up to a total of \$100,000,000.

DECLASSIFIED
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The members of the Federal Reserve Board were then invited to join the meeting, and at 11 o'clock they entered the room, the following being present in addition to the committee:

From the Federal Reserve Board:

Governor Eccles and Messrs. Hamlin, James, Szymczak, and Thomas

From the Federal Reserve Board staff:

Messrs. Goldenweiser, Morrill, Smead, Wyatt, Bethea, Carpenter, and Walters

Governor Eccles discussed with those present certain aspects of the banking situation and of the function of the Federal Reserve System under present conditions.

In the course of the discussion Governor Eccles raised the question whether it would not be a mistake for the Federal Reserve System to confine its purchases solely to short term government securities and whether it would not be wise in the interest of public confidence for the Reserve System to exercise leadership by some further *purchases of long time Government bonds on appropriate occasions* shifts in the portfolio from short to long time government bonds on appropriate occasions.

Governor Eccles also suggested the desirability of a broadening of the eligibility provisions of the Federal Reserve Act which would encourage the private banking system to support the markets for longer term credit.

In reply to questions Governor Eccles said he did not have any specific suggestions to make at this time with respect to the relationship of the Federal Reserve System to the government security markets, but believed that the Reserve System should be prepared if and when necessary to support this market vigorously and independently without waiting for a request from the Treasury.

There was extended general discussion in the course of which Governor Young reported to the members of the Federal Reserve Board the action which had been taken by the Open Market Committee. The meeting adjourned at 12:50 p. m.

DECLASSIFIED
Authority *Ex Order 13256*

The meeting reconvened at 3:45 p. m. following a meeting of the committee on legislative program. Mr. Coolidge was present in addition to the members of the committee, and Governor Eccles entered the meeting later.

There followed an informal discussion of Treasury financing including a discussion of means of avoiding padding of subscriptions, Federal reserve policy in purchasing long time government securities, etc.

In the course of this discussion Under Secretary Coolidge stated his belief that the Federal Reserve System had done all that was necessary to insure proper absorption of government bond issues, though he suggested that in the future the Federal Reserve System might give consideration to making purchases for its own account rather than for various Treasury accounts in easing off the market at times of violent breaks, with the thought that readjustments of maturities might perhaps be made later through purchases by the Treasury for its investment accounts from the Federal reserve banks.

The meeting adjourned at 5:15 p. m.

W. Randolph Burgess,
Secretary.