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*Final minutes
(see letter 6-7-35)*

~~MINUTIVE REPORT - SUBJECT TO CHANGE~~

2/5/35

MINUTES OF THE MEETING OF THE
FEDERAL OPEN MARKET COMMITTEE
HELD AT WASHINGTON, D. C.
FEBRUARY 5, 1935.

The meeting was called to order at 10:40 a. m., there being present Governor Harrison, chairman, Governors Norris, Fleming, Seay, Newton, Schaller, Martin, Geery, Hamilton, McKinney, and Calkins Deputy Governors Paddock and Burgess, secretary.

In accordance with the regulations governing the organization of the Federal Open Market Committee which provide that the election of chairman, secretary, and executive committee for the ensuing year should take place at the first meeting in each calendar year, the following were on motion elected to these positions:

- Chairman, Governor Harrison
- Secretary, Deputy Governor Burgess
- Members of executive committee, representatives of the Federal Reserve Banks of Boston, New York, Cleveland, Richmond, and Chicago.

It was further

VOTED that the chairman of the full committee be chairman of the executive committee.

After discussion it was

VOTED that the action of the executive committee on January 25 which had been approved by all members of the full committee by telegraph, and by the Federal Reserve Board, be ratified.

There ensued a discussion of the responsibility of the Federal Reserve System for the status of the government security market in view of the fact that under recent conditions the government security market had become a dominating factor in the money market. There was also discussion of the possible effects upon the government security market and the money market of different possibilities

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of action by the Supreme Court with respect to gold clause legislation.

In the course of this discussion it was generally agreed that it was neither possible nor desirable to peg prices of government securities at any point, but that it might be desirable in certain conditions to ease movements in either direction.)

There was also some discussion of the probable results of any reductions in System holdings of government securities which would appear in the weekly statement, and it was the general opinion that under present conditions the results of sales might be seriously adverse to the position of the government bond market.

The report of operations and the preliminary memorandum on money market conditions were distributed and some time was taken for those present to review the two documents. It was then

VOTED that the report of operations and the preliminary memorandum be received and placed on file.

There was a brief general discussion of the formulae which should be used in determining the participations of the several banks in any purchases or sales which might be made. It was thereupon

- VOTED (1) that the several banks should participate in sales in accordance with the ratio of their holdings in the System account to the total account.
(as shown in Column B in Exhibit C of the report of operations.)
- (2) that banks should participate in any purchases in accordance with the ratio of their requirements for expenses, dividends, and chargeoffs to the System total.
(as shown under Column C in Exhibit C of the report on operations.)
- (3) Special requirements of individual banks should be adjusted by the executive committee.
- (4) The basis of participation should be reconsidered at any time that a change in conditions appeared to make such reconsideration desirable.

There followed a discussion of future program pending a further meeting of the full committee, and it was

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VOTED that subject to the approval of the Federal Reserve Board, and superseding previous authorizations, the executive committee be authorized to buy, sell, or make shifts between maturities of government securities up to \$250,000,000 and that it be further authorized to buy, sell, or make shifts between maturities of an additional \$250,000,000 on telegraphic approval of a majority of the open market committee in case of emergency requiring action before a meeting of the full committee could be arranged.

There ensued an informal general discussion of banking legislation, in the course of which Governor Harrison reported the activities of the legislative committee.

The meeting adjourned at 12:20 p. m.

The meeting reconvened at 12:30 p. m., the following being present from the Federal Reserve Board in addition to members of the Federal Open Market Committee:

From the Federal Reserve Board
Governor Eccles, and Messrs. Hanlin, Miller, James, Thomas
and Szymczak.

From the Board's staff
Messrs. Morrill and Clayton.

Governor Harrison reported the action of the committee and summarized briefly their discussions.

After a brief general discussion the meeting adjourned at 1:15 p. m.

W. Randolph Burgess,
Secretary.