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CONFIDENTIAL

FIN.

TENTATIVE DRAFT SUBJECT TO CHANGE

MINUTES OF THE MEETING OF THE  
EXECUTIVE COMMITTEE OF THE  
FEDERAL OPEN MARKET COMMITTEE  
HELD AT WASHINGTON, D. C.  
June 7, 1935.

333.3-a-1  
Final minutes  
6/7/35

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

Governor Harrison, chairman, Governors Young and Seay, and  
Deputy Governor Burgess, secretary.

The secretary reported that Mr. Schaller and Mr. Fleming had been unable  
to come because of other commitments.

There was general discussion of the Treasury offering of bonds for  
tenders just completed. The secretary reported messages from the Chicago and  
Cleveland banks, indicating that the banks in those districts had not generally  
reacted favorably to this method of financing.

There was a general discussion of the effects of a proposed Treasury  
offering of four or five year notes on June 15 in exchange for June 15 and August  
1 maturities upon the portfolio of the Reserve banks, which included \$185,000,000  
of these maturities. The exchange of these maturities for four to five year  
notes would have the effect of lengthening the maturities in the System account  
somewhat.

The secretary reported that in accordance with proposals at the meeting  
of the Federal Open Market Committee on May 27 the Federal Reserve Bank of  
Minneapolis had taken \$5,000,000 and the Federal Reserve Bank of Richmond  
\$3,153,000 of government securities from the System participation of the Chicago  
bank.

At 11:30 the meeting adjourned to the office of Under Secretary Coolidge  
in the Treasury, Mr. Coolidge and Governor Eccles also being present. There en-  
sued an informal discussion of the results of the trial on June 5 of the offering  
of bonds for tenders as a method of Treasury financing. There was also discussion  
of proposals for June 15 financing.

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At 12:00 o'clock the meeting adjourned to the Secretary of the Treasury's office and in addition to those listed above the following were present:

Secretary Morgenthau, Mr. Bell, Mr. Haas, and Mr. Upham.

After a further discussion there was general agreement that a five year note at an interest rate of 1 1/2 per cent would be appropriate for the refunding of June and August maturities on June 15. There followed a full discussion of the methods which the Treasury might use to obtain new funds between June 15 and September 15. The governors present reported the reactions in their districts from the method of offering bonds for tenders, and the secretary of the committee reported the information on this subject received from the Federal reserve banks of Cleveland and Chicago. While the majority of those present felt that the method of inviting tenders might well be established as a possible method to be used from time to time, Governor Harrison and Mr. Burgess expressed the view that the traditional plan of borrowing money by the Treasury has on the whole worked satisfactorily, the country is accustomed to it, and the Treasury has by that plan successfully and profitably financed itself during recent difficult years. In those circumstances there is some question of the advisability of adopting a new method as a principal means of securing new money just at this time when the Treasury financing program is progressing so satisfactorily and when the reports from various districts indicate considerable dissatisfaction with the new method not only on the part of dealers but by banks both large and small.

However, it was agreed that no final decision was necessary at the moment on this question, and that the committee would meet again with the Secretary in about two weeks.

The meeting adjourned at 12:30 p. m.

W. Randolph Burgess

Secretary