

March 22, 1939.

Dear Henry:

In accordance with our telephone conversation of yesterday, I am sending you herewith, as you requested, an excerpt from the minutes of the Open Market Committee meeting on Monday, March 20.

With reference to the second point, we would be glad, I know, to cooperate with the Treasury at any time by selecting a committee to study the question and make a report, or by any other procedure that you might prefer.

Sincerely yours,

M. S. Eccles,
Chairman.

Honorable Henry Morgenthau, Jr.,
Secretary of the Treasury,
Washington, D. C.

enclosure

ET:b

EXCERPT FROM MINUTES OF OPEN MARKET COMMITTEE MEETING OF
MONDAY, MARCH 20, 1939.

Mr. Harrison moved that the Chairman, either by telephone or personally, advise the Secretary of the Treasury in reply to his question that (1) the Federal Open Market Committee does not regard the present as a proper time for a reduction in the System open market account by the sale of bonds and that, in view of the change in circumstances that has occurred since his question was presented, the Committee assumes that the Secretary is of the same opinion as indicated by the cancelation of an outstanding order by the Treasury to the Federal Reserve Bank of New York to sell \$10,000,000 of bonds for the account of trusts administered by the Treasury, and (2) that the Committee still feels that the continuing and fundamental problem involved is one of excess reserves, that it is a serious one, and that inasmuch as the Secretary of the Treasury expressed the opinion that the primary responsibility for initiating action with respect to excess reserves rests upon the Federal Reserve System, the Federal Open Market Committee would suggest that representatives of the System consult with the Treasury with a view to determining if a long range attack can be made on that problem.

↗ ↘ ? ↘ ↗ ↘ ↗
 ↑ ↗ 20/39

Mr. Harrison moved that the Chairman, either by tele-
 phone or personally, advise the Secretary of the Treasury
 in reply to his question that (1) the Federal Open Market
 Committee does not regard the present as a proper time
 for a reduction in the System open market account by the
 sale of bonds and that, in view of the change in circum-
 stances that has occurred since his question was presented,
 the Committee assumes that the Secretary is of the same
 opinion as indicated by the cancelation of an outstanding
 order by the Treasury to the Federal Reserve Bank of New
 York to sell \$10,000,000 of bonds for the account of trusts
 administered by the Treasury, and (2) that the Committee
 still feels that the continuing and fundamental problem
 involved is one of excess reserves, that it is a serious
 one, and that inasmuch as the Secretary of the Treasury
 expressed the opinion that the primary responsibility for
 initiating action with respect to excess reserves rests
 upon the Federal Reserve System, the Federal Open Market
 Committee would suggest that representatives of the System
 consult with the Treasury with a view to determining if
 a long range attack can be made on that problem.

In action with 1 phone call I had with
 you I am sending you
 hereinafter as you see

This is
 do not from
 number in

As G (2) to find about how to
 coop with you by dis. the rules
 by selecting a committee to study
 question & make report, or
 by any other procedure you may
 prefer.