

A meeting of the Federal Reserve Board with the Federal Open Market Committee was held in Washington on Monday, December 17, 1934, at 11:00 a. m.

PRESENT: Mr. Eccles, Governor  
Mr. Thomas, Vice Governor  
Mr. Hamlin  
Mr. James  
Mr. Szymczak

Mr. Morrill, Secretary  
Mr. Bethea, Assistant Secretary  
Mr. Carpenter, Assistant Secretary  
Mr. Wyatt, General Counsel  
Mr. Smead, Chief of the Division of  
Bank Operations  
Mr. Goldenweiser, Director of the Division of Research and Statistics

ALSO PRESENT: Messrs. Young, Norris, Fancher, Seay, Martin, and Geery, Governors of the Federal Reserve Banks of Boston, Philadelphia, Cleveland, Richmond, St. Louis, and Minneapolis, respectively.  
Mr. Burgess, Deputy Governor of the Federal Reserve Bank of New York, and Secretary of the Federal Open Market Committee.  
Messrs. Johns and McKay, Deputy Governors of the Federal Reserve Banks of Atlanta and Chicago, respectively.

Governor Eccles stated that there was no particular necessity for calling this meeting except the statutory requirement that four meetings of the committee be held each year, and, as only three meetings had been held previously during the year, it was felt that there was no choice other than to call the meeting.

He referred to the rapidly changing conditions in the financial and economic situation in the United States, and stated his views as to the functions of the Federal Reserve System under present

12/17/34

-2-

conditions. His statement included the suggestion that consideration might be given to the advisability of including in the Federal reserve banks' holdings of Government securities a larger proportion of long term securities in order that the Federal reserve banks may take the leadership in indicating confidence in the Government security market. He also suggested that consideration might be given to the advisability of making a public announcement of the policy of the Federal reserve banks of lending to member banks on Government securities at par, and stated that he felt it was necessary that the eligibility provisions of the Federal Reserve Act be broadened so that eligible paper would not be restricted to short term self-liquidating obligations.

Upon inquiry from Governor Young as to whether he had anything to suggest in regard to how the Federal reserve banks could more effectively cooperate with the Treasury Department, Governor Eccles stated that he had nothing specific to suggest, but felt that, instead of waiting for the Treasury Department to make requests, the Federal reserve banks should study the problems of Government financing and credit and be prepared to advise the Treasury Department with regard thereto.

After a discussion of certain of the matters referred to by Governor Eccles, Governor Young stated that, at a meeting of the Federal Open Market Committee this morning, motions were adopted authorizing the executive committee to make such exchanges in the

12/17/34

-3-

System's holdings of Government securities up to \$100,000,000 as will fit into the Government program, and, in addition, to replace maturing securities held in the System account.

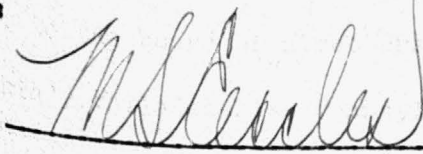
Governor Eccles stated that it should be understood that in his statement at this meeting he was not making any recommendations to the committee, but was speaking in very general terms in order that the Governors might be familiar with his attitude on the various subjects discussed.

Governor Young said that the Federal Open Market Committee had considered at its meeting this morning the advisability of authorizing the executive committee to increase the System's portfolio of Government securities, but had decided that such action would not be advisable at this time particularly as another meeting of the Federal Open Market Committee could be called at any time in the event of a situation arising which would make it desirable to consider the purchase of additional securities.

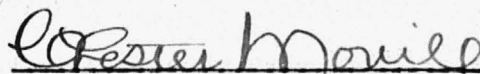
Further discussion indicated agreement among those present that the provisions of section 10(b) of the Federal Reserve Act should be made a permanent part of the law.

At the conclusion of the discussion, the meeting adjourned.

Approved:



Governor.

  
Secretary.