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Meeting on January 21, 1936.

There were present:

Mr. Harrison, Chairman of the Federal Open Market Committee and Governor of the Federal Reserve Bank of New York; Messrs. Young, Norris, Fleming, Seay, Newton, Schaller, Martin, Geery, Hamilton, McKinney, and Calkins, Governors of the Federal Reserve Banks of Boston, Philadelphia, Cleveland, Richmond, Atlanta, Chicago, St. Louis, Minneapolis, Kansas City, Dallas, and San Francisco, respectively; Mr. Burgess, Secretary of the Federal Open Market Committee and Deputy Governor of the Federal Reserve Bank of New York.

After a review of a preliminary memorandum on credit conditions submitted by the chairman, and the usual report of operations, and after an extended discussion of business and credit conditions and the various courses which the Federal Reserve System might follow in its policy, the committee, by a vote of nine to three, adopted the following resolution:

The Committee has considered the preliminary memorandum and has reviewed the credit situation. It is the sense of the Committee that, so far as business, credit, and banking conditions are concerned, there is nothing in the present situation to prompt the Committee to change its views as expressed in its resolution adopted on December 18, which the Committee respectfully renews.

The Committee recognizes that the risks of action are somewhat increased by the present budgetary situation, but it recognizes also that the longer action is delayed, the greater are the dangers resulting from the combination of inordinately large excess reserves and an unbalanced budgetary position, and the greater will be the difficulty of taking remedial action.

Viewing the situation as a whole, the Committee strongly believes that action looking toward a substantial reduction in excess reserves should be taken as soon as this may be feasible, in the judgment of the Board of Governors of the Federal Reserve System, having in mind the advantages of a coordinated program of recovery.

The vote on this resolution was as follows:

Yes

Governors Harrison
Norris
Fleming
Seay
Schaller
Geery
Hamilton
McKinney
Calkins

No

Governors Young
Newton
Martin

After discussion it was agreed that authority voted to the executive committee of the Federal Open Market Committee at three previous meetings to make shifts of maturities in the System open market account, should be continued, as necessary in the proper administration of the account to enable the executive committee to replace maturities from time to time and to make shifts in maturities to meet changing market conditions. With respect to the amount of authority which the committee should have in shifting from shorter maturities to bonds it was agreed that some limited authority was advisable in order to deal with any market situation that might arise. It was therefore unanimously

VOTED that superseding previous authorizations, the executive committee be authorized to make shifts between maturities of government securities up to \$500,000,000, provided that the amount of securities maturing within two years be maintained at not less than \$1,000,000,000 and that the amount of bonds be not over \$500,000,000.

It was also agreed that authority should be given to the executive committee to buy or sell (which would include authority to allow maturities to run off) securities for System account within limits as to amount, in order that the committee might be in a position to act promptly if circumstances not now foreseen should make action appear desirable before a further meeting of the full committee. It was therefore unanimously

VOTED that the executive committee be authorized to buy or sell up to \$250,000,000 of government securities, subject to telegraphic approval of a majority of the Federal Open Market Committee and the approval of the Board of Governors of the Federal Reserve System.