A meeting of the Federal Open Market Committee was held in the offices of the Board of Governors of the Federal Reserve System in Washington on Monday, November 29, 1937, at 2:30 p.m.

PRESENT: Mr. Eccles, Chairman
Mr. Harrison, Vice Chairman
Mr. Szymczak
Mr. McKee
Mr. Ransom
Mr. Davis
Mr. Sinclair
Mr. McKinney
Mr. Martin
Mr. Day

Mr. Morrill, Secretary
Mr. Wyatt, General Counsel
Mr. Goldenweiser, Economist
Mr. Williams, Associate Economist
Mr. Dreibelbis, Assistant General Counsel
Mr. Burgess, Manager of the System Open Market Account
Mr. Carpenter, Assistant Secretary of the Board of Governors of the Federal Reserve System
Mr. Thurston, Special Assistant to the Chairman of the Board of Governors of the Federal Reserve System

Chairman Eccles suggested that the Committee hear first the reports of Messrs. Goldenweiser and Williams on the business and credit situation.

Mr. Williams reviewed the circumstances which attended the development of the present business recession and stated that the decline in business activity, which was expected in the summer following the abnormal activity in the spring, did not appear until August because of the fact that production was maintained chiefly on orders for inventory accumulation and forward buying, which had been relatively larger than was realized at the time. The delay in the recession, he said, made it more severe than if it had come somewhat sooner and it was aggravated by the major decline in security prices which was quite unexpected and which caused everyone to wonder whether the country was facing another depression.

He then compared the present basic economic situation with conditions existing in 1929 and expressed the opinion that such a comparison was highly favorable to the present for the following reasons: (1) The relatively small amount of construction during the last eight years had resulted in a large accumulated demand for housing; (2) while the future needs of the utilities were uncertain because of the political situation, the demand for utility equipment would be larger and perhaps more pressing than for housing if the uncertainties in the industry could be removed; (3) much railroad equipment was obsolete and, except for the unsatisfactory economic position of the industry, there would be a substantial demand for equipment, in connection with which Mr. Williams expressed the opinion that, unless there was an increase in traffic or some specific action was taken to improve the position of the railroads, which were suffering from rising wages, tax costs, and fixed rates, it was difficult to see how the industry could make any major contribution to recovery; (4) there had been a period of approximately eight years during which, with the possible exception of the last one or two, there had been installed less than a normal amount of new general plant equipment, which, together with the rise of wages which had occurred in recent years, should create a considerable impetus toward demands for improved plant equipment when the outlook is clearer than at the present time; (5) there had been much less speculation during the current period than in 1929 either in securities or real estate; (6) the position of banking was better, with much less possibility of hoarding because of deposit insurance and with many of the weaker banks out of the picture. In the light of these conditions, he regarded the conclusion as warranted that the present trend could not go beyond a minor depression.

He referred, however, to some elements in the present situation which were different from the conditions existing in 1929 and which rendered difficult any forecast at the present time. He stated that there never had been a period of recovery during which there had existed, as in the present situation, continued monetary ease throughout the period, and that, for that reason, a policy of monetary ease could not be counted on as a major corrective. Another important thing, he said, was the Government fiscal policy, in that this was a year of transition from public spending to a balanced budget which it was anticipated would effect a reduction in the national income of from $2,500,000,000 to $3,000,000,000 and which presented the question whether the transition from a program of public spending could safely be effected with such rapidity and whether the transition should not have been begun earlier. The third question, he said, was the relation between the administration and the business community arising out of the reform and recovery program of the former, and he expressed the opinion that it would be possible to make some adjustments without abandoning the major reform objectives contemplated by the program. He felt that, if something more than a minor depression should develop, the reasons therefor would lie in the field of these three questions.

Mr. Williams then stated that the conclusion was quite clear that those in authority should not sit back and do nothing, that the program of Government spending should not be revived, but that steps should be taken to devise a means of encouraging private investment. He said that it was unwise to do nothing on the supposition that the situation would work itself out, and that the prudent thing to do would be to take affirmative action to help the situation along.

In connection with the question of the revival of Government spending, he expressed the opinion that the limits on the time and magnitude of a Government spending program had about been reached and that it would be better to continue the policy of balancing the budget than to abandon that policy. Resumption of public spending, he said, would tend to create an unstable banking and business situation and further uncertainty. He preferred to see the transition from public spending to a revival of private investment effected with as little complication by outside influence as possible, and, therefore, since the primary causes of the recession were non-monetary, he would put the emphasis on the program of private investment and first and foremost on a policy of reviving the construction industry where the most obvious gap existed. In this connection, he felt encouraged by the fact that since a diagnosis of the existing circumstances indicated that the situation did not need to get out of hand or result in anything more than a minor depression, there was a favorable atmosphere in which to work out a program of private investment.

Whether a minor monetary program should be fitted into the major program, in his opinion, was a secondary question. With reference to the question of taxes in the program, he felt that there should be a careful exploration of the undistributed profits tax, capital gains tax, and surtax, to determine whether some adjustment should be made in these fields.

Mr. Goldenweiser stated that, while no reference could be made to concrete changes, it was believed that the situation had improved somewhat over two weeks ago with some improvement in sentiment. He said that there was no previous record of a simultaneous decline in security prices and industrial production that had been as sharp and large as the present one, that this movement was accompanied by a psychological reaction which was widespread, and that it had resulted in a feeling of resentment and almost of despair as well as uncertainty as to the prospects of recovery. While this feeling was still present, he said, there had been a sufficient change in the atmosphere so that the situation could be considered a little more clearly at the present time than was the case a few weeks ago.

He then stated that the rapid rise in business activity in the spring resulted from everyone wanting to get materials before prices advanced further and plant capacity was exceeded and that after these orders had been filled new orders were not adequate and the recession, which was greater and much sharper than anyone had anticipated, was the result.

In connection with the System's position in that situation, Mr. Goldenweiser referred to the policy of monetary ease which had been followed since the early months of 1932, which had been effectuated through open market operations, devaluation of gold, large gold imports, reduction in rates on time deposits, and generally liberal policies, as well as Government spending. He stated that, when the Board of Governors in July, 1936, increased reserve requirements of member banks, the action was taken as a means of preventing future unfavorable developments and not as a reversal of the existing policy. He also said that it was, however, the first move that was not in the direction of further ease and was followed in December by sterilization of gold by the Treasury and in January, effective in March and May, by further increases in reserve requirements. He added that, while these actions had been referred to as causes of the recession, in his opinion, the recession was the result of non-monetary causes which were more fundamental. He concurred in a position which had been taken by Mr. Williams that it would have been better if the last increases in reserve requirements could have been made effective sooner, before long time interest rates had declined quite so low and before boom psychology had developed.

He then expressed the definite opinion that the action in raising reserve requirements was a correct action although somewhat late and that, if the policy adopted by the Federal Open Market Committee last spring of increasing the System portfolio had been put into effect earlier and more vigorously, regardless of whether it would have resulted in any different situation from what exists today, the System would have been in a stronger position the next time action was taken.

The question before the System, Mr. Goldenweiser said, was whether it should take any action at this time. He felt it was important that the System maintain a flexible attitude and be prepared to avoid the mistake of taking desirable action too late. He was also of the opinion that the recent purchases of securities by the System were helpful as indicating a lack of rigidity and that, if, after the Treasury financing was past, there were the slightest indication that open market action would be desirable, such action should be taken, not with the thought that it would cure the situation, but rather with the knowledge that there was practically no danger in a policy of further ease at the present time.

He stated that he was of the opinion that the present situation did not call for desterilization of gold by the Treasury on monetary grounds as there was an abundance of reserves which was likely to continue, and that if a shortage of reserves should develop it would be better for the System to act through the open market rather than for the Treasury to desterilize gold. He felt, however, that if the present business situation continued and the Treasury believed it was desirable greatly to increase its expenditures without increasing the public debt, the System reasonably could not interpose any objection to the desterilization of gold.

Mr. Goldenweiser then presented a chart showing the estimated cash income and expenditures of the Treasury for recent years and pointed out that, according to budget estimates, Treasury operations for the fiscal year 1938 on a cash basis would actually take in more money than would be paid out, whereas during the previous fiscal year approximately $2,000,000,000 was paid out in excess of the amount taken in. He expressed the opinion that, if actually carried out, this would be an unprecedented drop in Treasury expenditures and possibly more than the country's economy could sustain. He added that, if the Treasury should feel it necessary to desterilize gold in order to meet expenditures, the System later might be faced with a difficult situation for the reason that if it should be necessary to absorb a substantial amount of excess reserves through allowing maturities in the System portfolio to run off, there would result a situation where the System would be left with a small portfolio of securities with relatively long maturities which would be inadequate to meet future problems of credit control. In this connection, he said, any large addition to required reserves to enable the System to manage the situation would only accentuate the problem of how to maintain membership in the System.

He also referred to the fact that the seasonal increase in the demand for currency and credit this year had been very much less than usual and had resulted in the banks having larger excess reserves than there had been any reason to expect. This situation, he felt, was not entirely due to the smaller demands for currency and credit resulting from reduced business activity and lower prices but also to the use at this time to meet seasonal requirements of funds paid out as bonus payments last year. He did not anticipate that the further increase in currency between now and the end of the year would carry the amount of currency outstanding to a figure above that at the peak of demand last year.

He said he saw no occasion for any major monetary action at this time, but he felt that minor monetary adjustments might be made in pursuance of a liberal policy in the present situation.

In response to an inquiry with respect to the relation of prices of farm products and buying power to the recovery movement, Mr. Goldenweiser said that the farmers' buying power was an important factor in sustaining economic activity; that the prospects for prices of farm crops next year were not encouraging; and that, therefore, it was all the more necessary that something be done to encourage private financing in industry and to sustain the industrial demand for agricultural products as much as possible.

There followed a general discussion of existing conditions, during which Chairman Eccles suggested that, in order to clarify the problem before the Committee, a statement be drafted which would review the present situation and the steps that might be taken with a view to counteracting the present downward trend of business activity. The other members of the Committee concurred in the suggestion and it was understood that Messrs. Goldenweiser, Williams and Thurston would prepare a draft of statement along the lines proposed by Chairman Eccles for consideration at another session of the meeting to be held on Tuesday.

Thereupon the meeting recessed with the understanding it would reconvene on Tuesday, November 30, at 10:30 a.m.

Chester Morrill
Secretary.

Approved: M S Eccles
Chairman.

The meeting of the Federal Open Market Committee was reconvened in the offices of the Board of Governors of the Federal Reserve System in Washington on November 30, 1937, at 10:40 a.m.

PRESENT: Mr. Eccles, Chairman
Mr. Harrison, Vice Chairman
Mr. Szymczak
Mr. McKee
Mr. Ransom
Mr. Davis
Mr. Sinclair
Mr. McKinney
Mr. Martin
Mr. Day

Mr. Morrill, Secretary
Mr. Wyatt, General Counsel
Mr. Dreibelbis, Assistant General Counsel
Mr. Burgess, Manager of the System Open Market Account
Mr. Carpenter, Assistant Secretary of the Board of Governors of the Federal Reserve System

ALSO PRESENT: Mr. Young, President of the Federal Reserve Bank of Boston
Mr. Smead, Chief of the Division of Bank Operations of the Board of Governors of the Federal Reserve System

Reference was made to the request of the Presidents' Conference at its meeting on June 7, 1937, that Messrs. Smead and Burgess continue their studies to determine whether a more satisfactory formula for the adjustment of participations of Federal reserve banks in the System open market account could be devised, and to the understanding reached at the meeting of the executive committee of the Federal Open Market Committee on July 6 that President Young of the Federal Reserve Bank of Boston would be invited to meet with the

Federal Open Market Committee for the purpose of outlining his views with respect to the formula used for the reallocation of participations in the System account.

Mr. Burgess read a report which had been prepared by him and Mr. Smead for consideration by the Committee and which recommended the continuation of the present formula (based on the principle that the security holdings should be divided among the Federal reserve banks in relation to their need for earnings to meet expenses, regular charge-offs, prior service contributions, and dividends) with one minor change which would provide that profits and losses on transactions in the System account would be allocated among the reserve banks on the basis of their average holdings in the account since July 1, 1936, rather than on the basis of average holdings in the twelve months preceding any transaction. The report stated that consideration had been given to a proposal for distributing securities, after needs for expenses and dividends had been met, in such manner as to gradually bring about and then maintain a uniform relationship of surplus and reserves for contingencies to paid-in capital at the reserve banks; that, since earnings of the Federal reserve banks may be substantially in excess of expense and dividend requirements, a distribution of securities in such manner as to bring about substantial relative equality among the Federal reserve banks in their ability to absorb extraordinary losses without impairment of capital is, of course, desirable; but that such a formula had not yet been perfected.

The proposed accounting system for handling transactions in accordance with the suggested formula was as follows:

"1. As securities are purchased or sold the New York bank will charge or credit the cost of proceeds of all purchases or sales to accounts carried on its books as follows:
'A' System Open Market Account (par value only)
'B' Premium on Securities
'C' Discount on Securities
'D' Interest Accrued

"2. The (a) par amount, (b) premium, (c) discount, and (d) interest accrued on all securities purchased or sold will be prorated by the New York bank to each reserve bank on percentages based on the formula given in paragraph 10 below; and settlement therefor will be made with each reserve bank through the inter-district settlement fund.

"3. Each Reserve bank will carry on its books the following accounts:
'A' Participation in System Open Market Account (par value only)
'B' Premium on Securities
'C' Discount on Securities
'D' Interest Accrued
and on its balance sheet form 34, the par value of its participation will be carried under caption 'Participation in System Open Market Account,' the premium and interest accrued under caption 'Miscellaneous Assets,' and the discount under caption 'Miscellaneous Liabilities.'

"4. Adjustments in participation will be made at book values, settlement being made with the New York bank through the inter-district settlement fund in the same manner as for purchases and sales.

"5. The New York bank will maintain memorandum bookkeeping records showing (1) the amount of premium, discount, and interest accrued daily on each issue of securities held in the Account, (2) for the entire account the total amount of premium, discount, and interest accrued (separately), and each reserve bank's pro rata share of the total of each of these three items. (Premium is amortized to earliest callable date and discount to maturity.)

"6. The New York bank will figure the accruals of earnings each day on the entire amount of holdings in the System Open Market Account and each reserve bank's pro rata share, and will advise each bank by telegram the amounts of (1) Premium Amortization, (2) Discount Accrual, (3) Interest Accrued, and (4) Interest Earned on U. S. Government Direct Obligations, on its "participation. Each reserve bank will accrue earnings on its books daily on this basis. (In order to facilitate handling the System Account, this information will be furnished one day late, except on the last day of the month when two days' earnings will be accrued.) Upon the collection of coupons on interest payment dates, the New York bank will credit each bank through the inter-district settlement fund with its pro rata share of such payments, and each bank will credit this amount in its Accrued Interest Account.

"7. Profits or losses on sales of securities will be distributed among the reserve banks as they occur on the basis of daily average holdings in the Account since July 1, 1936. (The amount of profit or loss on a sale is determined by the difference between the book value and the sale price at the time of sale.)

"8. When purchases and sales are made in other districts, cash settlement in full will be made with the New York bank and the operation will be carried through in the same manner as though it had been made in New York in the first instance.

"9. Securities purchased for the Account, or vault receipts in case the securities are held by other Federal reserve banks, will be retained at the New York bank. The securities will be lodged in a vault compartment apart from all other securities of the bank, except that on proper authority amounts will be held in joint custody of the Federal Reserve Bank and the Federal Reserve Agent as security for note issues.

"10. Adjustments in participations of the several Federal Reserve banks in the System Open Market Account will be made quarterly as of January 1, April 1, July 1, and October 1 of each year in accordance with the following formula:

A. Expenses
    1. Estimated current expenses during year
    2. Prior service contribution
    3. Total
B. Earnings
    1. Current earnings to date of allocation
    2. Estimated for remainder of year (exclusive of earnings on Govts.)
    3. Net profit on Govts. sold to date
    4. Total
C. Excess of A-3 over B-4
D. Allocation required (on basis of current annual rate of earnings on Govts.) to furnish earnings equal to 'C'

"E. Estimated Dividend requirements (a)
F. Allocation of remainder of System Account in proportion to 'E'
G. Total allocation (D + F)
(a) Accrued dividends to date plus 6 percent per annum on current paid-in capital for remainder of year."

The report suggested that the plan be sent to the Federal reserve banks for their comments and suggestions and that when these have been received and met as fully as possible, so that a large majority of the reserve banks shall have approved the plan, the plan be put into effect by the Federal Open Market Committee requesting the banks to make the necessary adjustments as of January 1, 1938, and quarterly thereafter, subject to the understanding that each reserve bank would be free at any time to ask for a reconsideration of the plan.

Chairman Eccles then invited Mr. Young to express his views. Mr. Young stated that in his opinion Section 12A of the Federal Reserve Act, as amended by the Banking Act of 1935, provides that authority over open market operations by the Federal reserve banks rests exclusively with the Federal Open Market Committee, but that he felt certain that the Committee would not take any action under that authority that was inequitable or unreasonable. He said that the Federal Reserve Bank of Boston had accepted the law and the regulations of the Federal Open Market Committee on that basis and the directors of the bank had been advised that the responsibility for purchases and sales of securities and shifts of securities in the System account was with the Federal Open Market Committee and that, therefore, the Federal Reserve Bank of Boston need not approve or disapprove such transactions. He added that he had not declined to participate in any open market transactions engaged in by the Federal reserve banks but he had protested against the use of a formula for the allocation of securities which would require his bank to take securities at a higher price than they could be purchased for in the open market, that originally he had asked authority from the board of directors of the bank to put through transactions when directed to do so by the Federal Open Market Committee, and that when the question arose whether the action of the Committee with respect to reallocation of securities in the account was in the nature of a direction or a request to his bank he felt that the matter should be definitely determined before further reallocations were effected. He also said that if the Federal Reserve Bank of Boston were directed to accept a larger participation in the System open market account at appreciably higher prices than the securities could be purchased for in the open market his bank would probably accept the participation but only under vigorous protest.

Reference was made during the ensuing discussion to the questions which had been raised as to the authority of the Federal Open Market Committee to make allocations and reallocations of securities in the System open market account and to require the Federal reserve banks to execute such allocations and reallocations. In this connection there was presented a memorandum prepared by Mr. Wyatt under date of November 26, 1937, in which it was stated that the Federal Open Market Committee had the legal power to continue to allocate the System open market account among all Federal reserve banks, to require each Federal reserve bank to accept its pro rata participation, and from time to time to reallocate such account and require some Federal reserve banks to relinquish part of their participations and others to accept increased participations, all in substantial accordance with the practices which had been in effect since 1929, whereby such allocations and reallocations are based on the current needs of each Federal reserve bank for earnings and whereby transfers of participations are made on the basis of the book value of the securities in the account instead of the current market price.

Mr. Harrison suggested that, in the light of Counsel's opinion, Messrs. Smead and Burgess consider the desirability of amending their report to provide that, after the comments and suggestions of the Federal reserve banks had been received, the formula recommended in the report be put into effect by the Federal Open Market Committee directing, instead of requesting, that the Federal reserve banks make the necessary adjustments as of January 1, 1938, and quarterly thereafter, it being understood that each Federal reserve bank would be free at any time to ask for a reconsideration of the present plan or to make suggestions or criticisms of any later plan which might be proposed. Messrs. Smead and Burgess stated that they would be willing to amend their report as suggested.

Thereupon Messrs. Young and Smead withdrew from the meeting.

Upon motion duly made and seconded, it was voted unanimously that, in view of the opinion

> of Counsel referred to above, the report submitted by Messrs. Smead and Burgess be adopted and that the Committee direct that, after the report and Mr. Wyatt's opinion had been submitted to the Federal reserve banks and the comments and suggestions with respect to the proposed formula had been received and met as fully as possible, so that a large majority of the reserve banks shall have approved the plan, the Federal reserve banks, upon receipt of advice from the Secretary of the Federal Open Market Committee, make adjustments in their participations as provided in the formula as of January 1, 1938, and quarterly thereafter.
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> Upon motion duly made and seconded, and by unanimous vote, the minutes of the meeting of the Federal Open Market Committee on September 11-12, 1937, were approved.
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> Upon motion duly made and seconded, and by unanimous vote, the actions of the executive committee as set forth in the minutes of the meetings of the executive committee on September 11-12 and November 9, 1937, were approved, ratified and confirmed.

Prior to this meeting Mr. Burgess had sent to each member of the Federal Open Market Committee a report prepared by the Federal Reserve Bank of New York as of November 24, 1937, covering the open market operations conducted by the bank for the System open market account since the meeting of the Federal Open Market Committee on September 11-12, 1937. At this meeting Mr. Burgess reviewed the transactions in the account since November 24, 1937, up to and including November 29, and stated that the report prepared by the New York bank should be changed to show that, as the result of an agreement over the telephone by members of the executive committee since the meeting of the Committee on November 9, purchases totaling only $37,825,000 were made under the direction given at that meeting.

Upon motion duly made and seconded, and by unanimous vote, the transactions in the System open market account since the previous meeting of the Federal Open Market Committee and up to and including November 29, 1937, were approved, ratified and confirmed.

Reference was made to the fact that the Federal Reserve Banks of Boston and Richmond were holding in "Miscellaneous Assets Acquired in Settlement of Claims Account Closed Banks" $6,325 and $52,800, respectively, of bonds of the Home Owners Loan Corporation and the Federal Farm Mortgage Corporation and that it would be necessary for the Committee to decide as to the action to be taken by it in connection with the retention or disposition of the securities by the banks in question.

Upon motion duly made and seconded, and by unanimous vote, it was decided that, in view of the fact that securities acquired by the Federal reserve banks in settlement of claims against closed banks will be in such small amounts as to be unimportant from the standpoint of credit control, the Committee, until otherwise directed by it, would interpose no objection to a Federal reserve bank holding any such securities acquired by the bank, or to the sale of such securities whenever such sale is deemed to be advisable by the holding bank. The Secretary was requested to advise the banks accordingly.

Mr. Ransom recommended that, in view of the changed situation since the appointment of the special committee (Messrs. Ransom, Davis and Sinclair) for the purpose of considering the forms of resolutions adopted by the Federal Open Market Committee, the special committee be discharged until such time as the Federal Open Market Committee might wish to take the matter up again.

Upon motion duly made and seconded, Mr. Ransom's recommendation was approved by unanimous vote.

Reference was made to discussions at previous meetings of the question as to the desirability of granting authority to the members of the Committee to disclose to alternate members of the Committee and to other Presidents and to directors of their own Federal reserve banks information with respect to the actions taken by the Federal Open Market Committee. Attention was also called to the suggestion made to Mr. Szymczak recently by President Fleming of the Federal Reserve Bank of Cleveland, that the Committee advise the Presidents by telegram of actions taken with respect to which announcements are made to the press. In this connection the representative members of the Committee expressed the feeling that it would be distinctly helpful if they could discuss such matters with their respective alternates and that such a procedure was desirable particularly in order that each alternate might be familiar with the problems of the Committee in the event he was called upon to serve in the absence of a regular member. Mr. Harrison said that he believed the directors as well as the Presidents of all Federal reserve banks should be kept advised of the actions of the Committee.

Upon motion by Mr. Harrison which was duly seconded, it was voted unanimously to request the Chairman to appoint a special committee to consider and submit a recommendation to the full Committee as to the position to be taken with respect to the extent, if any, to which the Presidents and boards of directors of the Federal reserve banks should be advised of discussions and actions of the Federal Open Market Committee.

In accordance with this action, the Chairman appointed Messrs. Szymczak, McKee and Sinclair as members of the special committee.

At 1:20 p.m. the meeting recessed and reconvened at 2:45 p.m. with the same attendance as at the conclusion of the morning session except that Messrs. Goldenweiser, Williams and Thurston were also in attendance.

There were submitted copies of a draft of statement which had been prepared by Messrs. Goldenweiser, Williams and Thurston in accordance with the understanding at the meeting of the Committee yesterday afternoon and the statement was discussed.

At the conclusion of the discussion the meeting recessed with the understanding that, as the executive committee of the Federal Open Market Committee was to meet with the Secretary of the Treasury Wednesday morning, December 1, 1937, for the purpose of discussing December 15 Treasury financing, the Federal Open Market Committee would reconvene at 2:30 p.m. Wednesday afternoon.

Chester Morrill
Secretary.

Approved: M S Eccles
Chairman.

The meeting of the Federal Open Market Committee was reconvened in the offices of the Board of Governors of the Federal Reserve System in Washington on December 1, 1937, at 2:30 p.m.

PRESENT: Mr. Eccles, Chairman
Mr. Harrison, Vice Chairman
Mr. Szymczak
Mr. McKee
Mr. Ransom
Mr. Davis
Mr. Sinclair
Mr. McKinney
Mr. Martin
Mr. Day

Mr. Morrill, Secretary
Mr. Wyatt, General Counsel
Mr. Goldenweiser, Economist
Mr. Williams, Associate Economist
Mr. Dreibelbis, Assistant General Counsel
Mr. Burgess, Manager of the System Open Market Account
Mr. Carpenter, Assistant Secretary of the Board of Governors of the Federal Reserve System
Mr. Thurston, Special Assistant to the Chairman of the Board of Governors of the Federal Reserve System

There was presented for consideration by the full Committee the recommendation of the executive committee of the Federal Open Market Committee that, in view of the fact that circumstances had changed very considerably since the meeting of the Federal Open Market Committee on June 9, 1937, when the executive committee was requested to study the proposed plan for purchases of Treasury bills by Federal reserve banks, the entire matter be laid on the table.

Upon motion duly made and seconded, and by unanimous vote, the recommendation of the executive committee was approved.

At this point Mr. Piser, Senior Economist in the Division of Research and Statistics of the Board of Governors of the Federal Reserve System, entered the room.

In view of the discussions which had taken place during the meeting the Committee agreed unanimously upon the following statement for the minutes:

The Committee gave full consideration to general business and credit developments which had taken place since its last meeting in September, 1937, and to the reviews of the economic situation presented by Dr. Williams and Dr. Goldenweiser. The Committee also discussed the effects of the various actions taken under authority of the Committee and by the Board of Governors during this period.

It was the general opinion in the Committee that the existing volume of excess reserves and of supplies of private capital is abundant at this time at low rates for continuance of easy credit conditions and for meeting all credit requirements of commerce, business and agriculture.

In the light of existing business and credit conditions, the Committee felt that effective action to meet and overcome the present business recession should be taken outside the field of the System's various monetary powers and that the System could best contribute to the furtherance of economic recovery by being prepared to meet promptly any developments in the credit situation which might require a further exercise of its authority.

In order to place the System in position to meet such developments in business and credit conditions as might require further open-market operations in accordance with the System's policy during the period before another meeting of the full Committee, it was decided to continue the authority of the executive committee to engage in open-market operations.

> Accordingly, upon motion duly made and seconded, the following resolution was adopted by unanimous vote:
>
> RESOLVED, That, until the adjournment of the next meeting of the Committee, the executive committee is authorized to direct the purchase in the open market from time to time of sufficient amounts of Treasury bills or other short-term Treasury obligations to provide funds to meet seasonal withdrawals of currency from the banks and other requirements of commerce, business and agriculture by keeping at member banks an aggregate volume of excess reserves adequate for the continuation of the System's policy of maintaining credit conditions conducive to economic recovery; and the executive committee is authorized from time to time to direct a reduction of the holdings of such obligations to the extent that their retention is found to be unnecessary for the purposes of this resolution. It is understood that the executive committee, in the exercise of this authority, shall not increase or decrease by more than $300,000,000 the amount of securities now in the System open market account.
>
> Upon motion duly made and seconded, it was agreed unanimously that a meeting of the Federal Open Market Committee should be held in Washington on January 10-11, 1938.

The members of the Committee agreed that the authority granted to the executive committee at the last meeting of the full Committee to replace maturing securities and to make shifts in the System open market account should be continued for the same reasons as prompted the existing authority.

> Upon motion duly made and seconded, and by unanimous vote, the Committee instructed the executive committee to direct the replacement of

maturing securities in the System open market account with other Government securities and to make such shifts between maturities in the account as may be necessary in the proper administration of the account, 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 having maturities in excess of five years be not over $850,000,000 nor less than $500,000,000.

Thereupon the meeting adjourned.

Chester Morrill
Secretary.

Approved: M S Eccles
Chairman.