A meeting of the executive committee of the Federal Open Market Committee was held in the offices of the Board of Governors of the Federal Reserve System in Washington on Tuesday, March 7, 1939, at 11:25 a.m.

PRESENT: Mr. Eccles, Chairman
Mr. Harrison, Vice Chairman
Mr. McKee
Mr. Draper
Mr. Leach

Messrs. Fleming, Martin and Hamilton, Members of the Federal Open Market Committee

Mr. Carpenter, Assistant Secretary of the Federal Open Market Committee
Mr. Wyatt, General Counsel
Mr. Goldenweiser, Economist
Mr. Williams, Associate Economist
Mr. Dreibelbis, Assistant General Counsel
Mr. Sproul, Manager of the System Open Market Account

Upon motion duly made and seconded, and by unanimous vote, Mr. Harrison was elected Vice Chairman of the executive committee of the Federal Open Market Committee to serve until the election of his successor at the first meeting of the executive committee after March 1, 1940.

Upon motion duly made and seconded, and by unanimous vote, the minutes of the meeting of the executive committee of the Federal Open Market Committee held on December 30, 1938, were approved.

Upon motion duly made and seconded, and by unanimous vote, the transactions in the System open market account for the period from December 30, 1938, to March 6, 1939, inclusive, were approved, ratified and confirmed.

It was agreed that the existing authority of the New York bank to execute transactions for the System account should be renewed.

Thereupon, upon motion duly made and seconded, and by unanimous vote, the executive committee directed the Federal Reserve Bank of New York until otherwise directed by the executive committee,

(1) To replace maturing Treasury bills in the System open market account by purchases of like amounts of Treasury bills or Treasury notes with the understanding that the total amount of securities in the account maturing within two years shall not be reduced below $1,000,000,000; or, from time to time, to allow such bills to mature without replacement or pending subsequent replacement (a) when market conditions are such as to make it impossible to procure other bills or notes without paying a premium over a no-yield basis, or (b) when such notes are not obtainable without undue disturbance to the market, provided that if Treasury bills in the account are allowed to mature without replacement the total amount of securities in the account be not decreased by more than $100,000,000;

(2) To make such other shifts of securities in the account (which may be accomplished when desirable through replacement of maturing securities) as may be necessary in the practical administration of the account, up to an aggregate of $200,000,000 of purchases and a like amount of sales or redemptions, provided that the total amount of securities in the account maturing within two years be not reduced below $1,000,000,000 and that the total amount of bonds held in the account be not reduced below $700,000,000 and that the total amount of bonds in the account having maturities over five years be not increased above $850,000,000;

(3) To increase or decrease temporarily the amount of securities in the account between weekly statement dates by not more than $50,000,000 when necessary in making replacements or shifts pursuant to the above provisions of this resolution, provided that the amount of securities in the account as of any weekly statement date shall not be changed from that of the preceding weekly statement date except pursuant to the other provisions of this resolution; and

(4) Upon approval by a majority of the members of the executive committee, which may be obtained by telephone, telegraph, or mail, to make such other shifts or such purchases or sales (which would include authority to allow maturities to run off without replacement) for the account as may be found to be desirable within the limits of the authority granted to the executive committee by the Federal Open Market Committee.

At this point Mr. Piser, Senior Economist in the Division of Research and Statistics of the Board of Governors, joined the meeting.

Chairman Eccles stated that in connection with the March 15 Treasury financing, the Treasury Department was offering to exchange for the outstanding June 15, 1939, Treasury notes, 1 1/8% Treasury notes of December 1943, 2 1/2% bonds of 1950-52, and 2 3/4% bonds of 1960-65 and he suggested that the executive committee consider what amounts of these three issues should be accepted in exchange for the $85,197,000 of the June 15 notes held in the System account. Messrs. Sproul and Piser discussed points to be considered in determining the question presented by Chairman Eccles.

After discussion, upon motion duly made and seconded, and by unanimous vote, the executive committee directed the Federal Reserve Bank of New York to exchange the System's holdings of the June 15, 1939, Treasury notes for $15,000,000 of the 1 1/8% notes, $30,000,000 of the 2 1/2% bonds and $40,197,000 of the 2 3/4% bonds.

In taking this action it was understood that the authority granted to the New York bank to effect these exchanges was in addition to the authority contained in the resolution set forth above.

Inquiry was made as to what securities, in addition to governments, might be purchased for the System account in the event it should be found desirable to include other securities in the account. It was understood that the Assistant Secretary would send to all members of the Federal Open Market Committee for their information in connection with the consideration of this matter, a list prepared by Mr. Wyatt of the securities that under existing law may be taken into the account.

Thereupon the meeting adjourned.

S R Carpenter
Assistant Secretary.

Approved: M S Eccles
Chairman.