

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 Wednesday, December 13, 1939, at 10:00 a.m.

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

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

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

Messrs. Young, Sinclair, Parker, Schaller,  
Peyton, Gilbert and Day, Presidents of  
the Federal Reserve Banks of Boston,  
Philadelphia, Atlanta, Chicago, Minne-  
apolis, Dallas and San Francisco, re-  
spectively

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  
November 6, 1939, were approved.

Before the meeting there had been distributed to the members  
of the Federal Open Market Committee copies of a report prepared at the  
Federal Reserve Bank of New York covering open market operations dur-  
ing the period from September 18 to December 10, 1939, inclusive,

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and Mr. Sproul discussed the important points in the report. It was stated that there had been no transactions in the System account since the period covered by the report.

Mr. McKee raised the question whether the present procedure of showing profits from the sale of securities in the System account as additions to current net earnings should be continued or whether, instead, such profits should be used to reduce the carrying values of the unsold securities, and said that, while he had reached no conclusion on the question, he thought it desirable to have it considered. Various phases of the question were discussed but no action was taken.

During this discussion Mr. Smead, Chief of the Division of Bank Operations of the Board of Governors, entered the room and withdrew at its conclusion.

Upon motion duly made and seconded, and by unanimous vote, the transactions in the System open market account for the period since that covered by similar action at the meeting of the executive committee on November 6, 1939, to and including December 12, 1939, were approved, ratified and confirmed.

The meeting then recessed and reconvened following the adjournment of the meeting of the Federal Open Market Committee at 1:00 p.m. with the same attendance as at the earlier session of the executive committee.

In accordance with the discussion at the meeting of the Federal Open Market Committee, it was voted unanimously to direct the Federal Reserve Bank of New York to exchange the \$161,705,000 of March 15, 1940, Treasury notes held in the System account

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for \$100,000,000 of the 2-1/4% bonds and \$61,705,000 of the 1% notes being offered by the Treasury in exchange for the March 15 notes.

It was agreed that there was no reason at this time for changing the existing instructions to the Federal Reserve Bank of New York with respect to purchases, sales, and shifts of securities in the System account.

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 make such 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 in making such shifts the total amount of bonds held in the account be not increased or decreased by more than \$100,000,000;

(2) To make such outright purchases or sales for the System account as may be necessary for the purpose of exercising an influence toward maintaining orderly market conditions, provided that the total amount of securities in the account be not increased or decreased through operations under this paragraph by more than \$100,000,000; and

(3) 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

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may be found to be desirable within the limits of the authority granted to the executive committee by the Federal Open Market Committee.

Thereupon the meeting adjourned.

Chester Morris  
Secretary.

Approved:

W. E. Carter  
Chairman.