

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 Monday, June 22, 1942, at 10:00 a.m.

PRESENT: Mr. Eccles, Chairman  
Mr. Sproul, Vice Chairman  
Mr. Szymczak  
Mr. Draper  
Mr. Alfred H. Williams

Mr. Morrill, Secretary  
Mr. Carpenter, Assistant Secretary  
Mr. Wyatt, General Counsel  
Mr. Goldenweiser, Economist  
Mr. John H. Williams, Associate Economist  
Mr. Dreibelbis, Assistant General Counsel  
Mr. Rouse, Manager of the System Open Market Account  
Mr. Piser, Chief, Government Securities Section, Division of Research and Statistics of the Board of Governors  
Mr. Berntson, Clerk in the Office of the Secretary of the Board of Governors

Messrs. McKee, Ransom, Evans, Gilbert, Young, and Leedy, members of the Federal Open Market Committee

Messrs. Paddock, Fleming, McLarin, Davis, and Day, alternate members of the Federal Open Market Committee

Messrs. Leach and Peyton, Presidents of the Federal Reserve Banks of Richmond and Minneapolis, respectively.

Mr. Clayton, Assistant to the Chairman of the Board of Governors

Mr. Sienkiewicz, Secretary of the Presidents' Conference

Mr. Edmiston, Assistant Vice President of the Federal Reserve Bank of St. Louis

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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 May 8, 1942, were approved.

Copies of a report prepared at the Federal Reserve Bank of New York covering open market operations during the period from May 8 to June 17, 1942, inclusive, were distributed and Mr. Rouse discussed briefly the more important sections of the report. He also reported the transactions effected for the System account during the period from June 18 to 20, 1942, inclusive. In connection with his report, Mr. Rouse stated that he had been advised early last week by Mr. Bell, Under Secretary of the Treasury, that the Treasury might find it necessary to issue special one- or two-day certificates of indebtedness to prevent overdrafts in the Treasury account with the Federal Reserve Banks sometime this week, but that on Tuesday, June 16, 1942, unexpected withdrawals from the Federal Reserve Banks exhausted Treasury funds on deposit at the Federal Reserve Bank of New York, and that in order to prevent an overdraft it was necessary for the Treasury to issue a 1/4 per cent special certificate of indebtedness in the amount of \$58,000,000 which was redeemed by the Treasury on the following day. Because the procedure for the allotment to the Federal Reserve Banks of participations in such special certificates had not been worked out at that time, Mr. Rouse said, after consultation with the available members of the executive committee and Mr. Morrill, the special certificate was taken for the account of the Federal Reserve Bank of New York, but certificates in the amount of \$70,000,000 issued by the Treasury as of June 19, and in the amount of \$47,000,000 issued as of June 20, 1942, were taken for the System account and participated among the Federal Reserve

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Banks on the basis of the ratio of each Bank's proportion of the holdings in the System account to the total securities held in the account. Mr. Rouse made the further statement that it was expected that additional special certificates would be issued as of today and possibly tomorrow to prevent overdrafts at the Federal Reserve Bank of New York on these days and that, if approved by the Committee, participations in these and any future certificates would be allotted on the basis referred to above.

Upon motion duly made and seconded, and by unanimous vote, the purchase by the New York Bank as of June 16, 1942, of the special certificate of indebtedness in the amount of \$58,000,000 and the handling for the System account in the manner outlined by Mr. Rouse of the special certificates subsequently purchased were approved, ratified, and confirmed.

Upon motion duly made and seconded, and by unanimous vote, the transactions in the System account during the period from May 8 to June 20, 1942, inclusive, were approved, ratified, and confirmed.

Thereupon, the meeting recessed to reconvene following the meeting of the Federal Open Market Committee.

Robert Morrie  
Secretary.

Approved:

W. H. ...  
Chairman.

The meeting of the executive committee of the Federal Open Market Committee was reconvened in the offices of the Board of Governors of the Federal Reserve System in Washington on Monday, June 22, 1942, at 5:10 p.m.

PRESENT: Mr. Eccles, Chairman  
Mr. Sproul, Vice Chairman  
Mr. Szymczak  
Mr. Draper  
Mr. Alfred H. Williams

Mr. Morrill, Secretary  
Mr. Carpenter, Assistant Secretary  
Mr. Wyatt, General Counsel  
Mr. Goldenweiser, Economist  
Mr. John H. Williams, Associate Economist  
Mr. Rouse, Manager of the System Open Market Account  
Mr. Piser, Chief, Government Securities Section, Division of Research and Statistics of the Board of Governors

It was stated that the suggestion had been made that it was no longer necessary to continue authority in the New York Bank to make shifts, as such, in the System open market account, that the necessary authority for the Bank would be included in the direction to execute purchases, sales, and exchanges for certain purposes, and that provision should be made for the purchase of special short-term certificates of indebtedness for the temporary accommodation of the Treasury. Question was raised as to the limitation to be imposed by the direction issued to the New York Bank on special certificates of indebtedness purchased from the Treasury, and there was general agreement that the authority with respect to such certificates should be in addition to the authority to effect other transactions in the account.

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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 purchases, sales, or exchanges (including replacement of maturing securities and allowing maturities to run off without replacement) for the System account, either in the open market or directly from, to, or with the Treasury, as may be necessary in the practical administration of the account or for the purpose of maintaining about the present general level of prices and yields of Government securities, of maintaining an adequate supply of funds in the market, or of granting temporary accommodation to the Treasury; provided (a) that the total amount of securities in the account at the close of this date shall not be increased or decreased by more than \$200,000,000 (exclusive of special short-term certificates of indebtedness purchased for the temporary accommodation of the Treasury), (b) that the amount of such short-term certificates in the account at any one time shall not exceed \$300,000,000, and (c) that this paragraph shall not limit the amount of Treasury bills purchased pursuant to the direction of the Federal Open Market Committee issued under date of April 30, 1942, or the redemption of such bills; and

(2) 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 purchases, sales, or exchanges 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.

Thereupon the meeting adjourned.

Robert H. Morris  
Secretary.

Approved:

W. H. Wood  
Chairman.