

THIRTY-FIRST

# ANNUAL REPORT

*of the*

BOARD OF GOVERNORS OF THE  
FEDERAL RESERVE SYSTEM



COVERING OPERATIONS FOR  
THE YEAR

1944

### 1. Purchase by Federal Reserve Banks of Treasury Bills at Posted Discount Rate.

Upon motion duly made and seconded, the following direction to the Federal Reserve Banks was approved by unanimous vote, with the understanding that resales of Treasury bills held under option would be for immediate delivery when so requested by the option holder:

"Until otherwise directed by the Federal Open Market Committee, the twelve Federal Reserve Banks are directed to purchase all Treasury bills that may be offered to such Banks on a discount basis at the rate of  $\frac{3}{8}$  per cent per annum, any such purchases to be upon the condition that the Federal Reserve Bank, upon the request of the seller before the maturity of the bills, will sell to him Treasury bills of like amount and maturity at the same rate of discount. All bills purchased under this direction are to be held by the purchasing Federal Reserve Bank in its own account and prompt reports of all such purchases are to be made to the Manager of the System Open Market Account."

This was the first meeting of the Federal Open Market Committee attended by the representatives of the Federal Reserve Banks who were elected for a term of one year beginning March 1, 1944. Because of the change in the membership of the committee, it was agreed that it would be desirable to review and renew the above direction, which was in the same form as the direction issued by the Committee on June 28, 1943. It was approved unanimously for substantially the same reasons as prompted the earlier action.

### 2. Authority to Effect Transactions in System Account.

Upon motion duly made and seconded and by unanimous vote, the following direction was approved:

"That the executive committee be directed, until otherwise directed by the Federal Open Market Committee, to arrange for such transactions for the System open market account, either in the open market or directly with the Treasury (including purchases, sales, exchanges, replacement of maturing securities, and letting maturities run off without replacement), 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, or for the purpose of maintaining an adequate supply of funds in the market; provided that the aggregate amount of securities held in the account at the close of this date (other than (1) bills purchased outright in the market on a discount basis at the rate of  $\frac{3}{8}$  per cent per annum and bills redeemed at maturity and (2) special short-term certificates of indebtedness purchased from time to time for the temporary accommodation of the Treasury) shall not be increased or decreased by more than \$1,500,000,000.

"That the executive committee be further directed, until otherwise directed by the Federal Open Market Committee, to arrange for the purchase for the System open market account direct from the Treasury of such amounts of special short-term certificates of indebtedness as may be necessary from time to time for the temporary accommodation of the Treasury; provided that the amount of such certificates held in the account at any one time shall not exceed \$1,500,000,000."

The policy of the Federal Reserve System of facilitating the Treasury program of war financing by assuring the existence at all times of an ample supply of member bank reserves, and of exerting an influence toward the maintenance of conditions in the Government security market that would be satisfactory from the standpoint of the Government's requirements, continued during the year 1943 to be the all-important factor in the System's open market operations. The borrowings of the Government to finance the war continued to be large and it was necessary for the Federal Reserve System, largely through open market purchases, to make funds available to the banks for required reserves against increased deposits resulting from bank purchases of Government securities as well as to enable the banks to meet an increase in the volume of currency in circulation and a reduction in the monetary gold stock of this country.

This was the situation when this meeting of the Federal Open Market Committee was held and it was the unanimous decision of the Committee that the open market policies followed during the previous year should be continued for substantially the reasons stated in connection with the adoption of these policies. The direction set forth above was issued in furtherance of that purpose. It differed from the direction previously in effect in that it exempted from the limitation in the direction the redemption of maturing Treasury bills held in the System account. The redemption of such bills and the purchase of a like amount of new bills in the market amounted, in effect, to the replacement of maturing securities in the System account, and for that reason it was felt that there was no need to include these redemptions in the limitation imposed by the direction.

### MEETING ON MAY 4, 1944

Members present: Mr. Eccles, Chairman; Mr. Sproul, Vice Chairman; Mr. Szymczak, Mr. McKee, Mr. Draper, Mr. Evans, Mr. Leach, Mr. Young, Mr. Davis, Mr. Peyton.

### 1. Authority to Effect Transactions in System Account.

Upon motion duly made and seconded, the following direction to the executive committee was approved by unanimous vote:

"That the executive committee be directed, until otherwise directed by the Federal Open Market Committee, to arrange for such transactions for the System open market account, either in the open market or directly with the Treasury (including purchases, sales, exchanges, replacement of maturing securities, and letting maturities run off without replacement), 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, or for the purpose of maintaining an adequate supply of funds in the market; provided that the aggregate amount of securities held in the account at the close of this date (other than (1) bills purchased outright in the market on a discount basis at the rate of  $\frac{3}{8}$  per cent per annum and bills redeemed at maturity and (2) special short-term certificates of indebtedness purchased from time to time for the temporary accommodation of the Treasury) shall not be increased or decreased by more than \$1,500,000,000.

"That the executive committee be further directed, until otherwise directed by the Federal Open Market Committee, to arrange for the purchase for the System open market account direct from the Treasury

of such amounts of special short-term certificates of indebtedness as may be necessary from time to time for the temporary accommodation of the Treasury; provided that the amount of such certificates held in the account at any one time shall not exceed \$1,500,000,000."

The discussions of open market policy at this meeting were in the light of the announced plans of the Treasury for the Fifth War Loan Drive and it was agreed that there should be no change in the existing policies of the Committee. Therefore, the above direction was in the same form as the direction approved at the meeting of the Federal Open Market Committee on March 1, 1944, and was issued for substantially the same reasons as the earlier direction.

#### MEETING ON SEPTEMBER 21, 1944

Members present: Mr. Eccles, Chairman; Mr. Sproul, Vice Chairman; Mr. McKee, Mr. Ransom, Mr. Draper, Mr. Evans, Mr. Leach, Mr. Young, Mr. Davis, Mr. Peyton.

##### 1. Authority to Effect Transactions in System Account.

Upon motion duly made and seconded, and by unanimous vote, the following direction to the executive committee was approved:

"That the executive committee be directed, until otherwise directed by the Federal Open Market Committee, to arrange for such transactions for the System open market account, either in the open market or directly with the Treasury (including purchases, sales, exchanges, replacement of maturing securities, and letting maturities run off without replacement), 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, or for the purpose of maintaining an adequate supply of funds in the market; provided that the aggregate amount of securities held in the account at the close of this date (other than (1) bills purchased outright in the market on a discount basis at the rate of  $\frac{3}{8}$  per cent per annum and bills redeemed at maturity and (2) special short-term certificates of indebtedness purchased from time to time for the temporary accommodation of the Treasury) shall not be increased or decreased by more than \$1,500,000,000.

"That the executive committee be further directed, until otherwise directed by the Federal Open Market Committee, to arrange for the purchase for the System open market account direct from the Treasury of such amounts of special short-term certificates of indebtedness as may be necessary from time to time for the temporary accommodation of the Treasury; provided that the amount of such certificates held in the account at any one time shall not exceed \$1,500,000,000."

Since the last meeting of the Federal Open Market Committee on May 4, 1944, there had been no change in the monetary and credit situation that called for any revision of the open market policies adopted by the Federal Open Market Committee. It also appeared that the plans for the Sixth War Loan Drive would be best served by the continuation of the existing policies. The Committee decided, therefore, that these policies should be continued for the reasons previously stated and the above direction, which was in the same form as the directions issued at the meetings on March 1 and May 4, 1944, was issued for that purpose.

#### MEETING ON DECEMBER 11, 1944

Members present: Mr. Eccles, Chairman; Mr. Sproul, Vice Chairman; Mr. Szymczak, Mr. McKee, Mr. Draper, Mr. Evans, Mr. Leach, Mr. Young, Mr. Davis, Mr. Peyton.

##### 1. Authority to Effect Transactions in System Account.

Upon motion duly made and seconded, and by unanimous vote, the following direction to the executive committee was approved:

"That the executive committee be directed, until otherwise directed by the Federal Open Market Committee, to arrange for such transactions for the System open market account, either in the open market or directly with the Treasury (including purchases, sales, exchanges, replacement of maturing securities, and letting maturities run off without replacement), 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, or for the purpose of maintaining an adequate supply of funds in the market; provided that the aggregate amount of securities held in the account at the close of this date (other than (1) bills purchased outright in the market on a discount basis at the rate of  $\frac{3}{8}$  per cent per annum and bills redeemed at maturity and (2) special short-term certificates of indebtedness purchased from time to time for the temporary accommodation of the Treasury) shall not be increased or decreased by more than \$1,500,000,000.

"That the executive committee be further directed, until otherwise directed by the Federal Open Market Committee, to arrange for the purchase for the System open market account direct from the Treasury of such amounts of special short-term certificates of indebtedness as may be necessary from time to time for the temporary accommodation of the Treasury; provided that the amount of such certificates held in the account at any one time shall not exceed \$1,500,000,000."

The reasons which formed the basis for the current open market policies of the System continued to exist when this meeting was held and the above direction, which was in the same form as the directions issued to the executive committee at the earlier meetings of the Committee during 1944, was adopted in order to continue these policies in effect.