

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 Thursday, February 27, 1947, at 9:40 a.m.

PRESENT: Mr. Eccles, Chairman
Mr. Sproul, Vice Chairman
Mr. Draper
Mr. Evans
Mr. Leach

Mr. Morrill, Secretary
Mr. Carpenter, Assistant Secretary
Mr. Vest, General Counsel
Mr. Thomas, Economist
Mr. Rouse, Manager of the System Open
Market Account
Mr. Musgrave, Chief, and Mr. Smith,
Economist, Government Finance Section,
Division of Research and Statistics,
Board of Governors

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
February 17, 1947, were approved.

Mr. Rouse presented and there has been placed in the files of the Federal Open Market Committee a written report covering transactions in the System account for the period from January 10, 1947, to February 24, 1947, inclusive, and he discussed the transactions which had been effected since the latter date. He also said that there was nothing to report to the executive committee at this time with respect to the relations of the Federal Reserve Bank of New York with dealers, that the year-end statements of qualified dealers had been received, and that a report would be submitted to the executive committee shortly. He also

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said that weekly meetings with the executive committee of the dealer group had been scheduled in the past but that regular meetings had not been held, but that an informal meeting had been held on February 21, 1947, with the committee at which he told the members of the committee that while he did not see any further need of scheduling frequent regular meetings the Federal Open Market Committee would continue to have, with the dealers, a common interest in the market and in the effort to improve trading practices. It was decided, Mr. Rouse said, that meetings with the executive committee of the dealer group would be held at least quarterly.

There was a general discussion of conditions in the Government security market at the present time and developments that might be expected during March as a result of income tax payments and debt retirement.

Upon motion duly made and seconded,
and by unanimous vote, transactions in
the System account during the period from
January 10 to February 26, 1947, in-
clusive, were approved, ratified, and con-
firmed.

Chairman Eccles referred to a recent discussion which he had had with Mr. Bartelt, Fiscal Assistant Secretary of the Treasury, during which the latter took the position that he was interested for the present in arranging only for the direct replacement of maturing Treasury bills, and did not want to reach a decision at this time with respect to eliminating the posted rate on bills or what the policy should be with respect to a change in the short-term rate. A memorandum prepared by Mr. Musgrave under date of February 25, 1947, which sets forth in greater detail Mr. Bartelt's current thinking on this matter has been placed in

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the files of the Federal Open Market Committee. There was a discussion of the special 3/8 per cent certificate being considered by Mr. Bartelt which would have a one-year maturity and be payable on demand or on some specified period of notice and it was felt that such an issue would not be effective in making the bill a real market instrument or in solving any of the other problems involved.

There was a discussion of various steps that might be taken in connection with Treasury bills but no conclusions were reached.

Chairman Eccles suggested that he and Mr. Sproul meet with Mr. Bartelt at luncheon today for the purpose of discussing further with him the suggestions contained in the memorandum with respect to Treasury bills which was used as a basis for discussion at the Treasury on February 17, 1947, and it was agreed that such a meeting would be desirable.

Reference was then made to the question whether Federal Reserve Banks should conduct, for their own account, stabilization operations in securities issued or guaranteed by the International Bank for Reconstruction and Development. This question was presented in a memorandum submitted by the staff group on foreign interests dated May 1, 1946, and was on the docket for discussion at the meeting of the full Committee today.

Messrs. Eccles and Sproul, as members of the policy group on foreign interests, expressed the opinion that the Federal Reserve Banks should not be authorized to conduct such operations for the reasons that the purposes of open market operations were to affect member bank reserves and to stabilize the market for Government securities, that if the Federal Reserve Banks were authorized to engage in stabilization operations in securities of the International Bank there would be

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pressure for similar operations in other securities, that in any event the securities of the International Bank should find their place in the market on the basis of risk, yield, etc., that the securities could be successfully sold without the support of the Federal Reserve Banks, and that if such support were provided it might weaken rather than strengthen the position of the securities in the market. The other members of the executive committee concurred in this position.

Thereupon the meeting adjourned.

Chester Morrie
Secretary.

Approved:

W. H. C. C.
Chairman.