

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 on Tuesday, June 28, 1949, at 5:40 p.m.

PRESENT: Mr. McCabe, Chairman  
Mr. Sproul, Vice Chairman  
Mr. Eccles  
Mr. Vardaman  
Mr. Leach

Mr. Morrill, Secretary  
Mr. Vest, General Counsel  
Mr. Rouse, Manager of the System Open Market Account  
Mr. Thurston, Assistant to the Board of Governors  
Mr. Riefler, Assistant to the Chairman, Board of Governors  
Mr. Sherman, Assistant Secretary, Board of Governors  
Mr. Smith, Economist, Government Finance Section, Division of Research and Statistics, Board of Governors  
Mr. Arthur Willis, Special Assistant, Securities Department, Federal Reserve Bank of New York

Reference was made to the action of the Federal Open Market Committee at its meeting this afternoon in revising the direction to the executive committee to arrange for transactions in the System open market account so as to take account of the policy approved by the full Committee at the same meeting, and it was suggested that a corresponding change be made in the direction to be issued to the Federal Reserve Bank of New York. There was also a discussion of the authority that should be given to the New York Bank to make purchases, sales, or exchanges of securities for the System open market

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account, during which Mr. Rouse suggested that the limitation contained in the first paragraph of the direction be reduced from the present figure of 2 billion dollars to 1 billion dollars, and that the amount of 1 billion dollars be continued in the second paragraph of the direction.

Thereupon, upon motion duly made and seconded, the executive committee voted unanimously to direct 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 light of changing economic conditions and the general credit situation of the country, for the practical administration of the account, for the maintenance of orderly conditions in the Government security market, and for the purpose of relating the supply of funds in the market to the needs of commerce and business; provided that the total amount of securities in the account at the close of this date shall not be increased or decreased by more than \$1,000,000,000 exclusive of special short-term certificates of indebtedness purchased for the temporary accommodation of the Treasury pursuant to paragraph (2) of this direction;

(2) To purchase direct from the Treasury for the System open market account 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 total amount of such certificates held in the account at any one time shall not exceed \$1,000,000,000.

In taking this action it was understood that the limitation contained in the direction included commitments for purchases and sales of securities for the System account.

Thereupon the meeting adjourned.

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Chester Morris  
Secretary.

Approved:

Thomas B. L. Calver  
Chairman.