

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 Friday, May 23, 1952, at 10:30 a.m.

PRESENT: Mr. Martin, Chairman
Mr. Hugh Leach
Mr. Powell
Mr. Mills, Alternate for Mr. Vardaman
Mr. C. S. Young, Alternate for Mr. Sproul

Messrs. Evans, Robertson, and Szymczak, Members
of the Federal Open Market Committee

Mr. Riefler, Secretary
Mr. Thurston, Assistant Secretary
Mr. Vest, General Counsel
Mr. Thomas, Economist
Mr. Ralph A. Young, Associate Economist
Mr. Rouse, Manager, System Open Market Account
Mr. Sherman, Assistant Secretary, Board of Governors
Mr. Ralph F. Leach, Economist, Division of Research
and Statistics, Board of Governors
Mr. Youngdahl, Acting Manager, Securities Department,
Federal Reserve Bank of New York
Mr. Willis, Securities Department, Federal Reserve
Bank of New York
Mr. Robert H. Craft, Technical Consultant

Upon motion duly made and seconded, and by unanimous vote, the minutes of the meeting of the executive committee held on May 9, 1952, were approved.

Before this meeting, there was sent to each member of the committee a report prepared at the Federal Reserve Bank of New York covering open market operations during the period May 9 to May 20, 1952, inclusive. At this meeting, Mr. Rouse presented a supplementary report covering operations on May 21 and 22, 1952. Copies of both reports have been placed in the files of the Federal Open Market Committee.

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Upon motion duly made and seconded, and by unanimous vote, the transactions in the System open market account for the period May 9, 1952, to May 22, 1952, inclusive, were approved, ratified, and confirmed.

Chairman Martin referred to the study to be made of the Government securities market by an ad hoc subcommittee consisting of himself, Mr. Malcolm Bryan, and Mr. Abbott L. Mills, Jr., and to the discussion at the meeting on May 9 of suggested changes in the outline for the study which had been submitted in accordance with the understanding at the meeting on April 21, at which time the outline had first been presented to the executive committee. Chairman Martin then called upon Mr. Craft who, on the basis of the outline for the study, had prepared a draft of a list of questions to be addressed by the subcommittee to dealers in Government securities. A copy of the list of questions had been handed to each member of the executive committee before this meeting.

In response to Chairman Martin's request, Mr. Craft reviewed the draft of questions. He noted that the term "questionnaire" had been used at first but that it was contemplated that the list of questions would be described as an "outline" when it was sent to dealers. It had been hoped, Mr. Craft said, that the questions could be disseminated within the next week so that the subcommittee could start its discussions with the dealers as soon as possible. He felt it would be advisable to make the questions available to the press at the same time they were sent to the dealers and

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others who would receive them and that the questions should be accompanied by a general transmittal letter which would explain the purposes of the study. Mr. Craft said it was contemplated that the questions would be sent not only to dealers in Government securities but to certain bankers and to various national trade associations as well as to firms which formerly had been dealers in Government securities but which were not now carrying on such business and to firms which had contemplated entering the Government securities business but which for one reason or another had not done so. It would also seem desirable, Mr. Craft said, to indicate that interested persons who did not receive the list of questions in the regular course could obtain them upon request.

With respect to responses, Mr. Craft said that he assumed some firms would wish to submit statements in writing but that it would be especially desirable to have certain of the dealers come to Washington to discuss the questions in person in order to obtain the greatest amount of information from their comments. In order to bring this about he felt it would be desirable for Chairman Martin to write a special letter to this group of firms. Mr. Craft also said that it was intended to include in the general transmittal letter a statement making it clear that the study had nothing to do with debt management policy or open market policy, except in the sense of appraising the possibilities of improvement in the mechanism through which such policies are executed.

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Following Mr. Craft's statement, Chairman Martin said that the subcommittee would be glad to receive any comments or suggestions as to the content of the list of questions, the coverage of firms and organizations to which it should be sent, the method of distributing the questions, and the conduct of the discussions to be held with dealers or others. He added that the purpose of the study was to elicit as much significant information as was possible concerning the Government securities market and that in his opinion the most effective way of carrying on discussions with dealers would be for the subcommittee and Mr. Craft to meet informally with them since the dealers would be likely to talk more freely with a small group than if a larger number of persons was present. The Chairman also said that a stenographic record of the discussions would be available. In response to a question from Mr. Rouse, the Chairman said that he had discussed the study fully with Secretary of the Treasury Snyder but had not talked with him regarding the proposed press statement although he would be glad to do so.

There followed a general discussion during which Chairman Martin emphasized that the meetings which the subcommittee would have with dealers would not be formal but would be carried forward in an atmosphere of informality conducive to bringing out the greatest amount of information having a bearing on the study. Chairman Martin also said that it was important that all members of the executive committee and of the full Committee be kept abreast of the work of the ad hoc subcommittee as it progressed

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and that with this in mind he felt it would be desirable to have another meeting of the executive committee on Friday, June 6, 1952.

It was understood that any suggestions which the members of the committee or the staff wished to make concerning the list of questions would be submitted to Mr. Craft promptly in order that he might be in a position to submit a revised draft to the subcommittee as soon as possible and thus to enable it to proceed with sending out the questions to dealers and others in accordance with the discussion at this meeting.

Chairman Martin then called upon Mr. Thomas who made a statement with respect to the economic situation. Copies of a memorandum prepared by Mr. Thomas and Mr. Ralph A. Young under date of May 22, 1952, on current economic and financial conditions and prospects had been distributed before this meeting, and a copy has been placed in the Federal Open Market Committee files.

Following a brief discussion of Mr. Thomas' remarks, Chairman Martin asked Mr. Rouse for any suggestions he wished to make in connection with the general direction to be issued to the Federal Reserve Bank of New York. Mr. Rouse suggested that in view of the Treasury financing and tax collection dates in June it would seem desirable to increase the authority in the second paragraph of the general direction relating to the purchase of special certificates of indebtedness from the Treasury from the present figure of \$1 billion to \$2 billion.

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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 current and prospective economic conditions and the general credit situation of the country, with a view to exercising restraint upon inflationary developments, to maintaining orderly conditions in the Government security market, to relating the supply of funds in the market to the needs of commerce and business, and to the practical administration of the account; 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 billion 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 \$2 billion.

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

Thereupon the meeting adjourned.



Secretary.