

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 Tuesday, December 7, 1954, at 12:02 p.m.

PRESENT: Mr. Martin, Chairman
Mr. Sproul, Vice Chairman
Mr. Robertson
Mr. Szymczak
Mr. Williams

Mr. Balderston, Member of the Federal Open Market Committee

Mr. Riefler, Secretary
Mr. Vest, General Counsel
Mr. Solomon, Assistant General Counsel
Mr. Thomas, Economist
Mr. Young, Associate Economist
Mr. Rouse, Manager, System Open Market Account
Mr. Carpenter, Secretary, Board of Governors
Mr. Sherman, Assistant Secretary, Board of Governors
Mr. Miller, Economist, Government Finance Section, Division of Research and Statistics, Board of Governors
Mr. Gaines, Securities Department, Federal Reserve Bank of New York

Upon motion duly made and seconded, and by unanimous vote, the minutes of the meetings of the executive committee of the Federal Open Market Committee held on November 9 and November 23, 1954, were approved.

Upon motion duly made and seconded, and by unanimous vote, transactions in the System account during the period November 23 to December 6, 1954, inclusive, were approved, ratified, and confirmed.

There was a discussion of the procedures to be followed in carrying out open market operations between now and the next meeting of the

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executive committee and, at Chairman Martin's suggestion, it was agreed that the existing directive to the Federal Reserve Bank of New York should be changed to delete the word "actively" from clause (b) of the first paragraph of the directive in line with the change made in the directive from the full Committee to the executive committee at its meeting earlier today. It was also understood that open market operations should be carried out in line with the general understanding at the meeting of the full Committee earlier today, that is, that it would be desirable to have in mind a volume of free reserves ranging somewhat lower than had existed recently but that operations should not be modified so as to bring about a condition of restraint, and should be continued in a manner to provide ease in the market.

Mr. Rouse mentioned that free reserves during the balance of December might average around the middle to the upper half of the reserve range but funds in this volume probably would be necessary to facilitate the mid-December and end-of-the-year adjustments in the money market.

Chairman Martin commented that it was the normal practice to facilitate the year-end adjustments to which Mr. Rouse referred, and none of the members of the committee indicated disagreement with having a volume of reserves such as Mr. Rouse suggested might be necessary.

Further to facilitate the year-end adjustments, Mr. Rouse indicated that repurchase agreements might have to be used. However, he stated that he would not suggest a rate lower than the 1-1/2 per cent

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prescribed in the existing authorization to the Federal Reserve Banks to enter into repurchase agreements with nonbank dealers in United States Government securities.

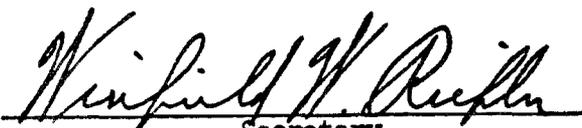
Thereupon, upon motion duly made and seconded, the executive committee voted unanimously to direct the Federal Reserve Bank of New York until otherwise directed by the executive committee:

(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 in the open market or, in the case of maturing securities, by direct exchange 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 (a) to relating the supply of funds in the market to the needs of commerce and business, (b) to promoting growth and stability in the economy by maintaining a condition of ease in the money market, and (c) to the practical administration of the account; provided that the total amount of securities in the System account (including commitments for the purchase or sale of securities for the account) at the close of this date shall not be increased or decreased by more than \$750 million;

(2) To purchase direct from the Treasury for the account of the Federal Reserve Bank of New York (with discretion, in cases where it seems desirable, to issue participations to one or more Federal Reserve Banks) 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 at any one time by the Federal Reserve Banks shall not exceed in the aggregate \$500 million.

It was agreed that the next meeting of the executive committee would be held on Tuesday, December 28, at 10:45 a.m.

Thereupon the meeting adjourned.


Secretary