A meeting of the Federal Open Market Committee was held in the offices of the Board of Governors of the Federal Reserve System in Washington, D. C., on Friday, August 5, 1949, at 10:10 a.m.

PRESENT: Mr. McCabe, Chairman
Mr. Sproul, Vice Chairman
Mr. Clayton
Mr. Draper
Mr. Earhart
Mr. Eccles
Mr. Gidney
Mr. Leach
Mr. McLarin

Mr. Morrill, Secretary
Mr. Carpenter, Assistant Secretary
Mr. Vest, General Counsel
Mr. Thomas, Economist
Messrs. Thompson and Williams, Associate Economists
Mr. Rouse, Manager of the System Open Market Account
Mr. Riefler, Assistant to the Chairman, Board of Governors
Mr. Leonard, Director of the Division of Bank Operations, Board of Governors
Mr. Young, Associate Director of the Division of Research and Statistics, Board of Governors
Mr. Miller, Assistant Vice President, Federal Reserve Bank of New York
Mr. Smith, Economist, Government Finance Section, Division of Research and Statistics, Board of Governors
Mr. Raisty, Economist, Federal Reserve Bank of Atlanta

Upon motion duly made and seconded, and by unanimous vote, the minutes of the meeting of the Federal Open Market Committee held on June 28, 1949, were approved.

Upon motion duly made and seconded, and by unanimous vote, the action of the executive committee of the Federal Open

Market Committee, as set forth in the minutes of the meeting of the executive committee held on June 28, 1949, were approved, ratified, and confirmed.

Mr. Rouse then read the important sections of a report of open market operations prepared by the Federal Reserve Bank of New York, covering the period June 28 to August 2, 1949, inclusive. He also presented a supplemental report covering commitments executed on behalf of the System account on August 3 and 4, 1949. In submitting these reports, Mr. Rouse called attention to the fact that leading banks in the country in their current publications had interpreted the action of the Federal Open Market Committee on June 28 as the termination of the policy of maintaining a fixed pattern of rates for Government securities and of the close relationship of System open market policies to Treasury financing policies that had existed during and since the war and as an important forward step.

Upon motion duly made and seconded, and by unanimous vote, the transactions in the System account for the period June 28 to August 4, 1949, inclusive, were approved, ratified, and confirmed.

Mr. Morrill stated that recently, because of the absence of members and alternate members of the executive committee of the Federal Open Market Committee, it had been necessary to call on Mr. Szymczak, who was not an alternate member of the committee, in connection with consideration of some of the problems coming before the committee even though he did not have a vote, and that Mr. Szymczak had suggested that consideration be given by the Federal Open Market

Committee, either at this meeting or at the organization meeting in March of next year, to the desirability of amending the by-laws so that every member of the Federal Open Market Committee would be a principal or alternate member of the executive committee. Mr. Morrill also said that, if this suggestion were approved, Section 1 of Article III of the by-laws might be amended to read as follows:

"ARTICLE III. EXECUTIVE COMMITTEE

"Section 1. How constituted - The Committee at its first meeting after March 1 of each calendar year shall select from its own members an Executive Committee of five members, including the Chairman of the Committee who shall be Chairman of the Executive Committee. The Executive Committee shall consist of three members of the Board of Governors of the Federal Reserve System and two representatives of the Federal Reserve banks. At any duly called meeting, a majority of the Executive Committee shall constitute a quorum for the transaction of business. Four alternates to serve in the absence of members of the Board and three to serve in the absence of representatives of the Federal Reserve banks shall be selected at the same time and in the same manner as members of the Executive Committee and they shall serve during such absences in the order prescribed at the time of their selection."

Inasmuch as the by-laws provided that they could be amended at any meeting of the Committee by a vote of the majority of the members of the entire Committee, upon motion duly made and seconded, it was voted unanimously to adopt the amendment as set forth above, effective immediately.

Thereupon, upon motion duly made and seconded, and by unanimous vote, Mr. Szymczak was elected to serve until the selection of his successor at the first meeting of the Federal Open Market Committee after February 28, 1950, as the fourth alternate for Messrs. McCabe, Eccles, and Vardaman as members of the executive committee, and Mr. Earhart was selected to serve until the selection of his successor at the first meeting of the Federal Open Market Committee after February 28, 1950, as the third alternate for Messrs. Sproul and Leach as members of the executive committee.

Chairman McCabe reviewed important developments since the meeting of the Committee on June 28, 1949, and the reception and effect of the announcement following that meeting. He also said that he and Mr. Sproul had not conferred with the Secretary of the Treasury since that meeting and, therefore, had not had an opportunity to discuss the problem of refunding of issues of Government securities maturing during the balance of this year, but that in preparation for this meeting there had been several discussions by members of the Board and the staff, including a conference in Washington last week attended by Mr. Rouse and members of the Board's staff, for the purpose of discussing the problem of reserve requirements of member banks and their relationship to open market operations and other instruments of credit control, so that the Federal Open Market Committee would be in a position to determine what action should be taken with respect to open market policy at this meeting.

In that connection, he stated that at a meeting of the Board yesterday the members present were of the opinion that, if the Federal Open Market Committee should be willing to act to allow the System's holding of Treasury securities to go into the market in amounts sufficient to absorb the reserves that would be released by a reduction in reserve requirements, the Board should reduce reserve requirements by 2 percent of demand deposits of all member banks, to become effective for central reserve and reserve cities at the rate of 1/2 percentage point each on August 11, August 18, August 25, and September 1, 1949, and for nonreserve city banks at the rate of 1 percentage point each on August 1 and August 16, 1949.

The Chairman also said that, in the discussions of the effect of this reduction on the Government securities market, the suggestion had been made, having in mind that maturing certificates might be refunded at 1-1/8 percent, that the range of yields at which bills should be purchased and sold by the System account might be in the neighborhood of .95 to 1.05, with the exact range to be determined from time to time by the executive committee to meet changing conditions, it being understood that, as the yield moves away from the average of the range, purchases or sales, as the case may be, would be made in increasing amounts. It had also been suggested, Chairman McCabe said, that a desirable range for certificate yields might be from 1.08 to 1.12.

He made the further statement that it was the view of the Board that action to reduce the discount rates now in effect at the Federal Reserve Banks might well be deferred until shortly after the first of September when the matter could be considered again.

There was a general discussion of the reasons that might be advanced for and against a reduction in reserve requirements at this time. It was the unanimous view that developments since the meeting on June 28 had clearly demonstrated that it was not possible to keep a stated amount of excess reserves in the market, in addition to operating requirements as determined by the market, without substantially lowering short-term rates, and that a reduction in reserve requirements should not be made for that purpose. It was agreed that a reduction was not necessary for the purpose of affecting the level of interest rates in the market as that could be brought about by open market transactions, that for the purposes of present policy the existing multiple credit factor of bank reserves need not be increased, and that changes in reserve requirements should not be used to effect short-term credit policies but should be reserved to meet fundamental changes in the economy and the financial situation. There was also agreement that a reduction should be made only with the understanding that the reserves thus released would be absorbed by allowing securities in the System account to go into the market so that there would be no material decline in interest rates as the result of the reduction. It was pointed out that money rates had been at a low level during and since the war, that the action of the Committee on June 28, 1949, had resulted in a reduction of approximately one-eighth of 1 percent in short-term rates, and that there was no need, in carrying out the System's policy of monetary ease, to allow short-term rates to go lower.

Some members of the Committee questioned whether a reduction could be justified at the present time. It was suggested that a period of freedom from frequent changes would be welcomed, even though no bank would object to a reduction in its requirements, and that such action could well be deferred until some future date when it would meet a real need for funds. Others felt that a reduction should be made now in order to emphasize the reversal of our anti-inflationary policy which had led to increases in reserve requirements last year, to bring reserve requirements to a level from which they could be raised in the event of a return of inflationary conditions, to offset the decline in banks' earnings that would result from lower interest rates, to relieve the System account of the necessity of bidding each week to replace the System's holdings of maturing bills and thereby work toward a freer bill market, to take advantage of the present favorable conditions, and (as an incidental reason not associated with credit policy) to place member banks on a more favorable competitive basis with nonmembers which are subject to lower reserve requirements.

During the discussion, Chairman McCabe referred to a letter which he received from Mr. Rounds, First Vice President of the Federal Reserve Bank of New York, under date of July 26, 1949, with respect to the present low prices of bank stocks in relation to book values and suggested that all members of the Committee read the letter.

It was agreed that as long as the condition of declining economic activity continued the System should see to it that a condition of monetary ease and low money rates was maintained as a means of encouraging business activity, and that, because of the importance of the American economy in the world picture and the danger to the rest of the world of a serious depression in this country, every effort should be made to prevent such a condition from concurring. On the other hand, it was felt that the decline of approximately one-eighth of 1 percent in short-term rates since the June 28 action of the Committee was an important indication of the effectiveness of the easy money policy now being followed by the Committee and that it would be desirable to maintain yields at about the present level with a view to a rate of 1-1/8 percent on the next issue of certificates.

Mr. Gidney felt that, regardless of whether a reduction of reserve requirements was made, the Federal Reserve Banks should undertake to get member banks to utilize more fully their existing excess reserves in order to improve their earnings. He felt that this could be done without affecting existing market rates in any way or bringing about a tight money market. He also felt that steps should be taken by the System to obtain more complete information relative to earnings of nonmember banks than is now available to the System and which he believed would show that the earning record for member banks is much more favorable in comparison with nonmember banks than it has been represented or is generally supposed to be.

Reference was made during the discussion to a staff memorandum on the framework for System credit operations under peacetime conditions. A draft of the memorandum had been sent to all members of the Federal Open Market Committee on July 29, 1949, and copies of a revision of the memorandum, prepared in the light of comments made in connection with the earlier draft, were distributed at this meeting.

Mr. Sproul in commenting upon the memorandum said that he did not think it possible to have a free bill market while the rest of the market is being controlled and that the entire market was interrelated. He said the fact that we are working with rates in all sections of the market, as a measure of central bank influence, was demonstrated by the reaction of the market following the action of the Committee on June 28. He also expressed the view that, as long as present conditions continued, the System should not lose contact with the bill market; that, while there should be flexibility in that market and a willingness on the part of the System to buy and sell bills at a range of rates, it was not desirable for the System to divorce itself from contact with any part of the market. Mr. Eccles agreed with Mr. Sproul's view on this point.

Messrs. Leach, Gidney, and Earhart felt that statements in the memorandum implied a departure from the long-established System policy under which member banks obtain advances from the Federal

Reserve Banks for temporary periods and on a day-to-day basis in order to meet unforeseen or seasonal needs and that it contemplated a policy under which the banks hereafter would be permitted to use the rediscount privilege only in very unusual cases and as a last resort. They felt that it would be very disturbing to member banks if such a change in policy were advocated or adopted and this became known because the banks had been told repeatedly that the Federal Reserve Banks would take care of their reasonable credit needs both for ordinary operations and in times of difficulty, and that any departure from this policy would be contrary to the intent of the Federal Reserve Act and would have a seriously adverse effect upon the attractive ness of membership in the Federal Reserve System.

Messrs. Thomas and Riefler in commenting on the above statements made it clear that this was not the intention of the memorandum and that it was believed that the differences indicated by the statements were differences of interpretation rather than of principle. It was agreed that the questions raised by the statements should be discussed at a later point in the meeting.

Mr. Rouse inquired whether consideration had been given to reducing reserve requirements on time deposits as well as on demand deposits, and suggested that, if the reduction was to be made in recognition of a fundamental change in the situation and as a step
get back to a point from which the System could again increase

reserve requirements to meet inflationary conditions, it would appear to be logical to effect some reduction in reserve requirements on time deposits which were now at the maximum authorized by the law. This point was discussed and there was general agreement that it should have consideration by the Board of Governors.

During a discussion of discount rates in relation to short-term rates it was the consensus that there was no need for a reduction in discount rates at the Federal Reserve Banks at this time but that such action might be taken in September as a further indication of the System's policy of maintaining easy money market conditions. In his comment on this point Mr. Earhart called attention to the fact that developments over the past several years have tended to influence banks to adjust their reserves by transactions in the New York market rather than through the local Federal Reserve Bank, that in the earlier period the local banks not only rediscounted with the Federal Reserve Banks for the purpose of obtaining needed reserves, but that there was also a local banker's acceptance market and the Federal Reserve Banks financed the dealers in acceptances through repurchase agreements and the banks bought and sold acceptances as a means of adjusting their reserves.

Mr. Rouse stated that he had talked with Mr. Bartelt this morning regarding new money borrowings of the Treasury, that because of the unusually large sales of tax savings notes it would not be necessary for the Treasury to borrow any additional new funds until December, but that apparently the Treasury had decided to increase the weekly offerings of Treasury bills to build up Treasury balances. He also said that Mr. Bartelt had stated that no use would be made of the $1 billion of free gold held by the Treasury without consultation with representatives of the System.

He made the further statement that if reserve requirements were reduced along the lines discussed it would be necessary in the interest of an orderly market for the Federal Reserve Bank of New York to sell bills, certificates, notes and bonds, that during this period there probably would be a tendency on the part of the banks, at least the money market banks, to over-invest, which after the transition period would result in a tighter condition in the market, and that the System's buying rate would be the effective rate on bills. He added that with the increase in weekly offerings of Treasury bills it might be necessary for the Federal Reserve Bank of New York, as fiscal agent of the Treasury, to arrange with the dealers to see that there were sufficient bids to cover the offerings.

Referring to the earlier discussion of a change in discount rates at the Federal Reserve Banks, Mr. Rouse suggested that if the discount rate were not to be reduced at this time consideration be given to amending the authority granted to the Federal Reserve Banks by the executive committee on January 20, 1948, pursuant to action by the full Committee on December 9, 1947, to authorize the Federal Reserve Banks to enter into repurchase agreements with dealers in

United States Government securities (other than dealer banks), who are qualified to transact business with the System open market account, at rates slightly below the discount rate on advances under sections 13 and 13a of the Federal Reserve Act, so that these dealers could carry short-term securities during the current period if the bank lending rates to dealers should get out of line in relationship to market rates on short-term Government issues.

Turning to the range at which bills should be purchased and sold for System account Mr. Rouse suggested that there should be some leeway in the operation of the range, as it would be necessary for the Federal Reserve Bank of New York to do some experimenting in the interest of effective operation. He raised the question also whether, as we moved toward a period during the fall of increased currency circulation, increased business borrowing, and increased need for reserves arising from Treasury deficit financing, it would be the policy of the System to allow the influence of these factors to be reflected in the market. In the discussion of this latter point it was suggested that the answer to Mr. Rouse's question would have to depend on the situation at the time.

Further reference was made to the dates upon which the proposed reduction of reserve requirements (which if it included a reduction of 1 per cent of time deposits would total approximately $1.8 billion) should be made effective, and it was agreed that the timing should be such as to have as little market effect as possible and so that the released reserves could be absorbed as much as possible by allowing the System's holdings of maturing bills to run off. During the discussion, the members of the Committee indicated that if the Board of Governors should act to reduce reserve requirements by the amount proposed they would favor action to reduce the System's holdings of securities to absorb the released reserves so that the reduction would not result in a further lowering of short-term rates. The members of the Board of Governors stated that action to reduce reserve requirements would be taken this afternoon.

With respect to the rates at which the Federal Reserve Bank of New York would buy and sell Treasury bills, it was agreed unanimously that the Bank should sell securities vigorously until the transition to the lower reserve requirements had been made. During the discussion Mr. Miller stated that a desire on the part of the Committee for flexibility within an agreed range would determine the policy with respect to purchases and sales within the range. He pointed out that substantial sales as the rate moved up or down would reduce the flexibility of the market and would make it possible for banks and others to invest their surplus funds without as great a risk of having to sell at a loss. On the other hand, he said, if the market were allowed to move freely within the range the greatest degree of flexibility would be obtained. Mr. Miller added that conditions might be such that the System might wish to ease the market, in which case it might be desirable to buy bills at something less than the maximum of the range, which would also affect the flexibility of the market. If the objective, he said, was to discourage banks from maintaining a fully invested position, sales and purchases of bills should be made largely at the maximum and minimum of the range.

Consideration was also given to the question raised by Mr. Rouse as to the desirability of allowing the market to go below or above the outside limits of the range and then operating vigorously in the market to bring the rate back within the range.

All of the various aspects of operations under an agreed upon range within which bills would be purchased and sold were considered. In connection with a comment by Mr. Eccles that in the present period of recession the System's operations should be in short-term securities only, Mr. Rouse expressed the view that the System holdings of bonds should not become static as had been the case for a long period in the thirties, that it would be desirable to make some change in the System's total holdings for the sake of change, and that there would be ample opportunity through shifts of issues to bring about such a change without altering materially the total holdings in the System account. He also suggested that occasion might arise in which it would be easier to increase or decrease bank reserves through bond sales or purchases than to effect the operation through short-term securities.

The consensus was reached that the suggestion that under certain conditions the bill market be allowed to move two or three points above or below an agreed upon range with the understanding that it would be promptly brought back within the range through market operations should not be followed and that all purchases and sales of bills should be within the authorized range.

At the conclusion of the discussion, upon motion duly made and seconded, and by unanimous vote the following understanding with respect to operations in Treasury bills and certificates was approved:

"Having in mind the desirability of rates in the short-term market which would call for the refunding of maturing October certificates at 1-1/8 per cent, the range of yields at which bills would be purchased and sold for the System account should be in the neighborhood of .94 to 1.06 with the exact range to be determined from time to time by the executive committee to meet changing conditions, it being understood that as the yield moved from the average toward the maximum or minimum of the range purchases or sales, as the case might be, would be made in increasing amounts. It was also agreed that a desirable range for certificate yields would be 1.06-1.12 for the time being."

This action was taken with the understanding that pending action by the executive committee all bill transactions would be within the range of .94-1.06.

Mr. Rouse stated that he understood what was intended to be accomplished by the above understanding and that the New York Bank would do its best to carry it out, but that the situation in which it would operate would be a difficult one.

There was a further discussion of the suggestion by Mr. Rouse that the Federal Reserve Banks be authorized to enter into repurchase agreements on Government securities at less than the discount rate with nonbank dealers pending a decision to reduce the discount rate at Federal Reserve Banks. He stated that while it was not expected that the authority for such agreements would be used immediately it would be desirable to have it available for use in the case of need. In response to an inquiry he suggested that the Committee authorize the agreements at a rate of 1-3/8 percent.

There was a question whether the Committee should act to approve the repurchase arrangement at this time or whether the executive committee should be authorized to approve it if a need therefor should arise. There was agreement, however, that the full Committee should act at this meeting to grant the authority.

Thereupon, upon motion duly made and seconded, it was voted unanimously to authorize each Federal Reserve Bank temporarily, until such time as action was taken to reduce the discount rates now in effect at the Federal Reserve Banks under sections 13 and 13a of the Federal Reserve Act, to enter into repurchase agreements with nonbank dealers in United States Government securities who are qualified to transact business with the System open market account, provided that (1) such agreements (a) are at rates not below 1-3/8 percent, (b) are for periods of not to exceed 15 calendar days, (c) cover only short-term Government securities selling at a yield of not more than the issuing rate for one-year Treasury obligations, (d) are used only in periods of strain, with care and discrimination, as a means of last resort in the special types of situations and conditions reviewed in Mr. Rouse's memorandum of January 2, 1948, which was considered at the meeting of the executive committee on January 20, 1948, and (e) that reports of such transactions shall be made to the Manager of the System Open Market Account to be included in the weekly report of open market operations which is sent to the Federal Open Market Committee, and (2) in the event Government securities covered by such an agreement are not repurchased by the dealer pursuant to the agreement or a renewal thereof, the securities will be sold in the market or transferred to the System open market account.

In taking this action it was understood that after the effective date of action reducing the existing discount rates at the Federal Reserve Banks under sections 13 and 13a of the Federal Reserve Act, the existing authority with respect to repurchase agreements with dealers would again apply.

At this point Chairman McCabe left the meeting to keep another important appointment.

At Mr. Thomas' suggestion copies of memoranda relating to (1) economic situation and prospects, and (2) rates on savings notes, were distributed. The latter memorandum recommended that the Committee take the position in its advice to the Treasury that no change in the rates on savings notes is advisable for the time being.

In connection with the second memorandum, Mr. Rouse stated that he had suggested to Mr. Bartelt that, while the sales of tax savings notes had increased very materially because of the attractive rate, no change should be made in the rates on the notes for the reason that there would be a substantial Treasury deficit and they afforded a means of financing from nonbank sources at a rate which was attractive to the Treasury. Mr. Rouse added that since he first talked with Mr. Bartelt the latter had indicated a desire to make no changes in the rates on savings notes and that the matter might be discussed with the American Bankers Association Committee on Government Borrowings later in the month and with representatives of the savings banks and insurance companies if the Treasury should meet with them.

Mr. Young summarized the information contained in the memorandum on the economic situation and prospects and his statement was followed by a brief comment by Mr. Williams on the British exchange situation and the problem of devaluation of the British pound.

> There was unanimous agreement among the members of the Committee that in discussions with the Treasury the recommendation should be made that the rates on tax savings notes should not be changed for the time being.

The question what comments or recommendations should be made to the Treasury with respect to September financing was considered in the light of the action of the Committee at the meeting on June 28, 1949, at which time it authorized the executive committee to make such recommendations to the Treasury as seemed desirable in the light of developments over the next few weeks and of the view of the full Committee that new money should be raised by the Treasury through the issuance of an intermediate security, probably a four- or five-year note.

It was the consensus that the issuance of an intermediate security for the September refunding would still be desirable although there was considerable doubt whether the Treasury would be willing to follow that course. It was understood that the executive committee would consider the matter further and make its recommendations to the Treasury in the light of the comments at this meeting.

Mr. Sproul stated that it was too early to reach any decision at this time with respect to the refunding of the October and December maturities.

Reference was then made to the study being made by members of the staff of the program of long-term debt management and copies of a further memorandum prepared by Messrs. Rouse, Thomas, and Riefler on this subject under date of August 4, 1949, were distributed.

Mr. Riefler reviewed the memorandum and the reasons for the recommendations contained therein (1) that the Federal Open Market Committee, in its discussions with the Treasury on future financing, take the position that fully marketable issues be confined to maturities of ten years or less, and (2) that the executive committee be authorized to explore with the Treasury and outside the feasibility of a long-term tap issue ineligible for ownership by banks, such an instrument to be shiftable but with limited marketability and either of the G type or of the instalment retirement type now under analysis by the staff committee.

In the discussion of the first recommendation Mr. Eccles stated that bank eligible securities should have a maturity of less than ten years and Mr. Riefler stated that the recommendation contemplated that ten years would be an absolute maximum.

> After a brief discussion, upon motion duly made and seconded, the recommendations contained in the memorandum were approved unanimously with the understanding that the Open Market Committee was not making any commitment with respect to the securities contemplated in the second recommendation but was approving the recommendation as a basis for discussion.

In accordance with the action at a previous meeting of the Committee there were on the agenda for further consideration at this meeting the questions (1) whether savings bonds, particularly series E bonds, should be made eligible as collateral for bank loans, and (2) whether further inducements should be provided to holders of E bonds to reinvest in savings bonds. Because of the pressure of time it was agreed that these subjects should be continued on the agenda for a later meeting.

Further reference was made to the revised memorandum on the framework for System credit operations under peacetime conditions, and approval was given to a suggestion by Mr. Thomas that the memorandum be discussed at a meeting of System economists to be held during the latter part of September, and that comments be prepared on the criticisms made of the memorandum at this meeting which would be sent to the members of the Committee and other Presidents of the Federal Reserve Banks with the understanding that the memorandum would be considered at the next meeting of the full Committee. It was understood that in the meantime if any of the members of the Committee had any suggestions or comments with respect to the memorandum they would send them in.

Mr. Rouse stated that, in view of the proposed action by the Board of Governors to reduce reserve requirements of member banks by approximately $1.8 billion, the direction issued by the Committee to the executive committee covering operations in the System account should renew the authority of the executive committee to reduce the securities in the account by $3 billion pending another meeting of the Committee.

Thereupon, upon motion duly made and seconded, the following direction to the executive committee was approved unanimously with the understanding that the limitations contained in the direction would include commitments for the System open market account:

The executive committee is 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 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 aggregate amount of securities held in the account at the close of this date other than 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 $3,000,000,000.

The executive committee is 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 total amount of such certificates held in the account at any one time shall not exceed $1,500,000,000.

There was unanimous agreement that the next meeting of the Committee should be subject to call of the Chairman, it being understood that it might be desirable to have another meeting before the meeting of the Presidents of the Federal Reserve Banks which is to take place in San Francisco during the early part of November.

Thereupon the meeting adjourned.

Chester Morrill
Secretary.

Approved:

Thomas B. McCabe
Chairman.