

The meeting of the executive committee of the Federal Open Market Committee was reconvened in the offices of the Board of Governors of the Federal Reserve System in Washington on Tuesday, October 7, 1947, at 5:30 p.m.

PRESENT: Mr. Eccles, Chairman
Mr. Sproul, Vice Chairman
Mr. Draper
Mr. Davis
Mr. Szymczak (alternate for Mr. Vardaman)

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

There was a discussion of the authority to be given to the Federal Reserve Bank of New York to execute transactions in the System account pending another meeting of the committee and it was agreed that the existing direction to the New York Bank should be revised to conform to the direction issued by the Federal Open Market Committee to the executive committee at the meeting of the full Committee this morning, and that the limitation contained in the first paragraph of the executive committee's direction should be fixed at \$1 billion.

In the past the direction to the New York Bank had included a third paragraph which stated that upon approval by a majority of the members of the committee, which might be obtained by telephone,

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telegraph, or mail, the New York Bank would be directed to make such other purchases, sales, or exchanges for the System account as might be found to be desirable within the limits of the authority granted to the executive committee by the Federal Open Market Committee. Since it was understood that this procedure would be followed whenever conditions made it desirable, the members of the committee agreed that it would not be necessary to include the paragraph in future directions issued to the Federal Reserve Bank of New York.

Thereupon, upon motion duly made and seconded, the executive committee voted un-animously 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 the general credit situation of the country, for the practical administration of the account, for the maintenance of stable and orderly conditions in the Government security market, and for the purpose of relating the supply of funds in the market more closely 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 \$750,000,000.

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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.

In connection with a discussion of the program as outlined at the meeting of the Federal Open Market Committee this morning and of the recommendations to be made to the Treasury with respect to Treasury financing policy, Mr. Rouse said that he had been talking with Fiscal Assistant Secretary of the Treasury Bartelt who stated that he expected to call Chairman Eccles today and request the views of the committee in connection with the November refunding or payment of the November 1 issue of Treasury certificates.

It was agreed that the memorandum to be sent to the Treasury on Treasury financing should go beyond the decision to be made with respect to the November 1 certificates and should propose the program to be followed through the remainder of 1947, should give the background for the recommendations made, and should outline the program agreed upon at the meeting of the Federal Open Market Committee for dealing with the inflationary situation.

It was also understood that, following their return to New York, Messrs. Sproul and Rouse would prepare a draft of the statement to be sent to the Treasury, that another draft would be prepared in the Board's offices, that the members of the executive committee would meet in Washington on the morning of

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Tuesday, October 14, 1947, to put the memorandum in final form, and that Chairman Eccles would tell Under Secretary of the Treasury Wiggins in general terms what the committee was considering and would undertake to make an appointment to meet with representatives of the Treasury for a discussion on the afternoon of that day.

Mr. Davis stated that he would not be able to meet in Washington on October 14 but that if the draft of statement were sent to him by wire or mail he would communicate his views to the committee before the meeting at the Treasury.

Thereupon the meeting adjourned.

Chester Morris
Secretary.

Approved:

W. A. Eccles
Chairman.