

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 on Monday, March 1, 1948, at 10:45 a.m.

PRESENT: Mr. Eccles, Chairman
Mr. Sproul, Vice Chairman
Mr. Clayton
Mr. Draper
Mr. Evans
Mr. Gilbert
Mr. Leedy
Mr. Szymczak
Mr. Vardaman
Mr. Williams
Mr. Young

Mr. Morrill, Secretary
Mr. Carpenter, Assistant Secretary
Mr. Vest, General Counsel
Mr. Thomas, Economist
Mr. Rouse, Manager of the System Open
Market Account
Mr. Thurston, Assistant to the 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. Irons, Vice President of the Federal
Reserve Bank of Dallas

Mr. McCabe, Chairman designate, Board of
Governors

The Secretary reported that advices of the election, for a period of one year commencing March 1, 1948, of members and alternate members of the Federal Open Market Committee representing the Federal Reserve Banks had been received, that each newly elected member and alternate member had executed the required oath of

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office, and that it was the opinion of the Committee's Counsel, on the basis of the advices received, that the following members and alternate members were legally qualified to serve:

Allan Sproul, President of the Federal Reserve Bank of New York, with L. R. Rounds, First Vice President of the Federal Reserve Bank of New York, as alternate member;

Alfred H. Williams, President of the Federal Reserve Bank of Philadelphia, with Hugh Leach, President of the Federal Reserve Bank of Richmond, as alternate member;

C. S. Young, President of the Federal Reserve Bank of Chicago, with Ray M. Gidney, President of the Federal Reserve Bank of Cleveland, as alternate member;

R. R. Gilbert, President of the Federal Reserve Bank of Dallas, with W. S. McLarin, Jr., President of the Federal Reserve Bank of Atlanta, as alternate member;

H. G. Leedy, President of the Federal Reserve Bank of Kansas City, with C. E. Earhart, President of the Federal Reserve Bank of San Francisco, as alternate member.

Mr. Sproul suggested that, pending the designation of Mr. McCabe as Chairman of the Board of Governors, Mr. Eccles be elected Chairman of the Federal Open Market Committee.

Inasmuch as the President had indicated his intention to designate Mr. Thomas B. McCabe as Chairman of the Board of Governors and Mr. Eccles as Vice Chairman, and in the meantime Mr. Eccles was serving as Chairman pro tempore of the Board, upon motion duly made and seconded, and by unanimous vote, Mr. Eccles was elected Chairman of the Federal Open Market Committee to

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serve as such until the date when Mr. McCabe takes office, and the latter was elected to serve as Chairman of the Federal Open Market Committee beginning on that date and until the election of his successor at the first meeting of the Committee after February 28, 1949.

Upon motions duly made and seconded, and by unanimous votes, the following additional officers of the Federal Open Market Committee were elected to serve until the election of their successors at the first meeting of the Committee after February 28, 1949. In connection with the election of Mr. Morrill, it was agreed unanimously that the bylaws of the Federal Open Market Committee, which provide that the Secretary of the Board of Governors shall be Secretary of the Committee should not be changed, but that Mr. Morrill should continue to serve as Secretary notwithstanding the applicable provision of the bylaws:

Allan Sproul, Vice Chairman
Chester Morrill, Secretary
S. R. Carpenter, Assistant Secretary
George B. Vest, General Counsel
J. Leonard Townsend, Assistant General Counsel
Woodlief Thomas, Economist
Karl R. Bopp, Watrous H. Irons,
John K. Langum, T. Bruce Robb,
and John H. Williams, Associate Economists

In taking the above actions it was understood that in the event of the discontinuance of their official connection with the Board or a Federal Reserve Bank, as the case might be, the individuals elected would cease to have any official connection with the Federal Open Market Committee.

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Upon motion duly made and seconded, and by unanimous vote, the Federal Reserve Bank of New York was selected to execute transactions for the System open market account until the adjournment of the first meeting of the Committee after February 28, 1949.

Mr. Sproul stated that the board of directors of the Federal Reserve Bank of New York had selected Mr. Rouse as Manager of the System Open Market Account, subject to the selection of the Federal Reserve Bank of New York by the Federal Open Market Committee as the Bank to execute transactions for the System account and his approval by the Federal Open Market Committee.

Upon motion duly made and seconded, and by unanimous vote, the selection of Mr. Rouse as Manager of the System Open Market Account was approved.

Upon motions duly made and seconded, and by unanimous votes, the following were selected to serve with the Chairman of the Federal Open Market Committee (who, under the provisions of the bylaws, is also Chairman of the executive committee) as members and alternate members of the executive committee until the selection of their successors at the first meeting of the Federal Open Market Committee after February 28, 1949:

Members

*Marriner S. Eccles
M. S. Szymczak
Allan Sproul
Alfred H. Williams

Alternates

R. M. Evans
J. K. Vardaman, Jr.
Ernest G. Draper
(To serve in the order named
as alternates for the mem-
bers selected from the Board
of Governors.)

*When Mr. McCabe takes
office.

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Alternates

C. S. Young

R. R. Gilbert

(To serve in the order named
as alternates for Messrs.
Sproul and Williams.)

Chairman Eccles referred to the resolution adopted on November 20, 1936, authorizing the Federal Reserve Banks, subject to the provisions of section 14 of the Federal Reserve Act, as amended, and regulations, conditions, and limitations of the Board of Governors prescribed thereunder, but without further direction or authorization from the Federal Open Market Committee, to purchase and sell at home or abroad cable transfers and bills of exchange and bankers' acceptances payable in foreign currencies to the extent that such purchases and sales might be deemed to be necessary or advisable in connection with the establishment, maintenance, operation, increase, reduction, or discontinuance of accounts of Federal Reserve Banks in foreign countries. The resolution was last considered at the meeting of the Committee on March 1, 1947, at which time it was indicated that the purpose of this action was to simplify the procedure in connection with the handling of accounts with foreign central banks which were subject to such supervision of the Board of Governors of the Federal Reserve System under section 14 of the Federal Reserve Act.

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Mr. Sproul stated that three accounts were presently being maintained by the Federal Reserve Bank of New York with foreign banks, namely, the Bank of Canada, the Bank of England, and the Bank of France, that the amounts in these accounts continued to be small, totalling only \$95,000, and that, for reasons previously stated, it was desirable that the authority be continued.

There was unanimous agreement that no action should be taken to terminate or amend the resolution at this time.

Reference was made to an excerpt from the minutes of the meeting of the Committee on November 30, 1937, in which it was stated that the Committee would interpose no objection to Federal Reserve Banks holding securities which they acquired in settlement of claims against closed banks or to the sale of such securities whenever deemed desirable by the holding Bank, since the volume of such securities would be so small as to be unimportant from the standpoint of credit control.

There was a brief discussion of the need for this authority and it was agreed unanimously that no action should be taken at this time to terminate or amend the authority.

There was a further discussion of the recommendations to be made to the Treasury with respect to Treasury financing and debt management during which Chairman Eccles stated that in accordance with the action taken at the meeting on Friday, February

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27, 1948, a letter covering the recommendations that had been agreed upon would be prepared and submitted to the members of the executive committee for approval. He suggested that, in view of the changes in the membership of the full Committee, it would be desirable at this meeting to confirm the authority to the executive committee to send the proposed letter.

Upon motion duly made and seconded, and by unanimous vote, the executive committee was authorized to prepare and present to the Treasury recommendations with respect to Treasury financing and debt management in accordance with the discussion as recorded in the minutes of the meeting of the Federal Open Market Committee on February 27, 1948.

Mr. Carpenter read the direction issued to the executive committee at the meeting of the Federal Open Market Committee on December 9, 1947, authorizing the executive committee to arrange for transactions in the System open market account. In a discussion of desirable changes in the wording of the direction, it was agreed that the words "more closely" should be omitted from a clause in the first paragraph of the direction which would then read as follows: "for the purpose of relating the supply of funds in the market to the needs of commerce and business".

There was also a discussion of the authority that would be needed by the executive committee during the next few weeks in view of the probable large volume of security purchases by the

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Federal Reserve Banks growing out of pressure upon the reserve position of banks because of income tax collections. At the conclusion of the discussion Chairman Eccles stated that, should such action be desirable, additional authority could be granted to the executive committee by telephone approval of the members of the full Committee, and he suggested that the authority of the executive committee be continued with the same limitations as to amounts as were fixed at the meeting on December 9.

Upon motion duly made and seconded, and by unanimous vote, the following direction to the executive committee was approved, 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 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 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,

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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.

At Chairman Eccles' request, Mr. Rouse reviewed the discussion at the meeting of the executive committee on February 26, 1948, concerning the complaint of dealers who were not qualified to do business with the System open market account that they were being forced out of business because the Federal Reserve Banks had been the principal buyers of Government securities in recent weeks and because they could not qualify to do business with the System account under the terms established by the Committee in 1944. During a discussion of the matter along the lines set forth in the minutes of the executive committee meeting referred to, views were expressed to the effect that a careful study of the situation should be made, particularly with respect to the position of the smaller dealers, to determine whether the present rules should be modified to enable additional dealers to qualify to transact business directly with the System account.

Mr. Sproul stated that the New York Bank had been asked to make a comprehensive report to the executive committee, which would reexamine the matter and report to the full Committee.

Chairman Eccles stated that the executive committee, at its meeting on February 26, considered again the desirability of making

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a special report to Congress of the kind referred to at the October meeting of the Federal Open Market Committee with respect to the monetary and credit problems with which the Committee had to deal, and that the executive committee had agreed unanimously that in view of the events that had transpired since last October there would be no point in making the report, and that such a recommendation should be made to the full Committee. He outlined the reasons for the recommendation, and Mr. Sproul added that, while the Committee might again wish to consider the matter, he felt there was no basis for making a report at this time.

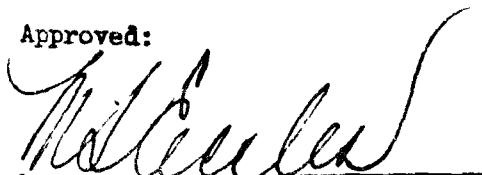
Following a discussion, the recommendation of the executive committee was approved unanimously.

The date for the next meeting of the Federal Open Market Committee was set tentatively for Thursday and Friday, May 20 and 21, 1948, with the understanding that a meeting of the Presidents' Conference would be held in Washington on May 18 and 19, 1948, and that the details of the program for the week would be worked out by the Secretaries of the Committee and the Presidents' Conference.

Thereupon the meeting adjourned.


Secretary.

Approved:


Chairman.