

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, August 5, 1949, at 1:30 p.m.

PRESENT: Mr. Sproul, Vice Chairman  
Mr. Eccles  
Mr. Draper (Alternate for Mr. McCabe)  
Mr. Clayton (Alternate for Mr. Vardaman)  
Mr. Leach

Mr. Morrill, Secretary  
Mr. Carpenter, Assistant Secretary  
Mr. Vest, General Counsel  
Mr. Thomas, Economist  
Mr. Rouse, Manager of the System Open Market Account  
Mr. Riefler, Assistant to the Chairman, Board of Governors  
Mr. Miller, Assistant Vice President of the Federal Reserve Bank of New York  
Mr. Smith, Economist, Government Finance Section, Division of Research and Statistics, Board of Governors

Upon motion duly made and seconded, and by unanimous vote, the minutes of the meetings of the executive committee held on June 3 and June 28, 1949, were approved.

Upon motion duly made and seconded, and by unanimous vote, the action of the members of the committee on July 18, 1949, increasing from \$1 billion to \$1.5 billion the limitation contained in the first paragraph of the direction issued at the meeting of the executive committee on June 28, 1949, was approved, ratified, and confirmed.

Upon motion duly made and seconded, and by unanimous vote, the transactions in the System account as reported to the members of the committee for the period June 3 to August 4, 1949, inclusive, were approved, ratified, and confirmed.

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In a discussion of the authority to be granted by the committee to the Federal Reserve Bank of New York to effect transactions for the System account it was recognized that the account might be reduced by approximately \$1.8 billion following the proposed reduction in reserve requirements of member banks. It was agreed that the limitation on the authority of the Bank to increase or decrease the total securities in the account should be set at \$2 billion with the understanding that if additional authority were required before another meeting of the committee was held such authority could be granted by the members of the committee in accordance with the procedure followed in such cases in the past.

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 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 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 total amount of securities in the account at the close of this date shall not be increased or decreased by more than \$2,000,000,000 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

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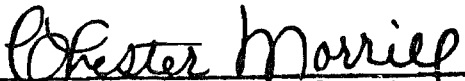
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"time to time for the temporary accommodation of the Treasury; provided that the total amount of such certificates held in the account at any one time shall not exceed \$1,000,000,000.

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

There was a discussion of the date for the next meeting of the executive committee and it was agreed that it should be held on a date sufficiently in advance of the announcement of September Treasury refunding to enable the committee to consider and make a recommendation to the Treasury with respect to the refunding.

Thereupon the meeting adjourned.

  
Secretary.

Approved:

  
Vice Chairman.