

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 Wednesday, March 1, 1950, at 12:10 p.m.

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

Mr. Morrill, Secretary
Mr. Carpenter, Assistant Secretary
Mr. Rouse, Manager of the System Open Market Account
Mr. Thomas, Economist
Mr. Sherman, Assistant Secretary, Board of Governors
Mr. Young, Director, Division of Research and Statistics, Board of Governors
Mr. Youngdahl, Chief, Government Finance Section, Division of Research and Statistics, Board of Governors
Mr. Arthur Willis, Special Assistant, Securities Department, Federal Reserve Bank of New York

Upon motion duly made and seconded, and by unanimous vote, Mr. Sproul was reelected Vice Chairman of the executive committee to serve until the election of his successor at the first meeting of the committee after February 28, 1951.

Upon motion duly made and seconded, and by unanimous vote, the minutes of the meeting of the executive committee held on February 6, 1950, were approved.

There were then distributed copies of a report prepared at the Federal Reserve Bank of New York of open market operations covering the period from February 6 to February 27, 1950, inclusive.

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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 February 4 to February 28, 1950, inclusive, were approved, ratified, and confirmed.

Reference was made to the general direction to be issued to the Federal Reserve Bank of New York to effect transactions for the System account. It was suggested by Mr. Rouse that the authority in the first paragraph of the direction be continued at \$1 billion, the same as at present, but that the authority in the second paragraph with respect to the amounts of special short-term certificates that might be purchased direct from the Treasury be increased from \$500 million to \$750 million in order to place the New York Bank in a position to meet conditions that probably would develop in the money market during the March tax payment period.

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 \$1 billion

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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 million.

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

In a discussion of the ranges at which the Federal Reserve Bank of New York would be authorized to buy and sell bills and certificates for the System open market account, there was agreement that short-term market rates would have to be held at substantially their present levels until the April financing was completed. There was a question, therefore, whether action to increase the existing ranges (1.06-1.14 on bills and 1.09-1.17 on certificates) should be deferred or whether some increase might be approved at this meeting with the understanding that existing rates would not be permitted to move higher until the financing was completed.

The latter procedure was agreed to, and upon motion duly made and seconded and by unanimous vote, and with the understanding that short-term rates would be held at substantially their present levels until the April financing was out of the way, the Federal Reserve Bank of New York, operating under the general direction issued earlier during this meeting, was

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authorized to purchase and sell Treasury bills within a range of 1.10-1.17 and certificates within a range of 1.12-1.24.


Turning to a discussion of transactions in long-term securities and to the understanding at the meeting of the full Committee earlier this morning, it was suggested that it be understood that within the limits imposed by the terms of Treasury financing and by the necessity of avoiding loss of confidence in the long-term Government securities market, the Federal Reserve Bank of New York was authorized to sell long-term securities from the System open market account unless and until there was a change in the business and credit situation which made it undesirable to pursue that policy.

The foregoing suggestion was approved unanimously.

It was also agreed unanimously that no change should be made in the existing understanding of the executive committee with respect to the replacement of maturing Treasury bills held in the System account.

It was agreed that the date for the next meeting of the executive committee should be set tentatively for the week beginning April 3, 1950.

Thereupon the meeting adjourned.


Secretary.

Approved:


Vice Chairman.