

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 Thursday, September 28, 1950, at 4:13 p.m.

PRESENT: Mr. McCabe, Chairman  
Mr. Sproul, Vice Chairman  
Mr. Eccles  
Mr. Evans  
Mr. C. S. Young

Mr. Morrill, Secretary  
Mr. Carpenter, Assistant Secretary  
Mr. Vest, General Counsel  
Mr. Thomas, Economist  
Mr. Rouse, Manager, System Open Market Account  
Mr. Thurston, Assistant to the Board of Governors  
Mr. Riefler, Assistant to the Chairman, Board of Governors  
Mr. Sherman, Assistant Secretary, Board of Governors  
Mr. Ralph A. 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. R. F. Leach, Economist, Board of Governors  
Mr. Arthur Willis, Special Assistant, Securities Department, Federal Reserve Bank of New York

Reference was made to the general direction to be issued to the Federal Reserve Bank of New York for transactions in the System account in the light of the action taken at the meeting of the full Committee earlier today and Mr. Rouse suggested that the existing direction be continued without change.

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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 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 current and prospective economic conditions and the general credit situation of the country, with a view to exercising restraint upon inflationary developments, to maintaining orderly conditions in the Government security market, to relating the supply of funds in the market to the needs of commerce and business, and to the practical administration of the account; 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 billion 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.

There was unanimous agreement that in replacing maturing Treasury bill holdings in the System account the Federal Reserve Bank of New York would be guided by what would be required in the light of current conditions in the money market to carry out the general credit policy of the Open Market Committee.

During a discussion of ranges of rates at which short-term Treasury securities should be purchased for the System account, it was

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suggested that, until after Chairman McCabe and Mr. Sproul had met with Secretary of the Treasury Snyder early next week in accordance with the agreement at the meeting of the full Committee earlier today, the present understanding with respect to such rates should continue unchanged.

Thereupon, upon motion duly made and seconded, and by unanimous vote, the Federal Reserve Bank of New York, operating under the general direction issued earlier during this meeting, was authorized to purchase and sell Treasury bills within the range of 1.16-1.36 per cent and Treasury certificates and notes maturing within twelve months within a range of 1.20-1.36 per cent, it being understood that the yield on Treasury securities on a one-year basis would be allowed to adjust to a level of 1-3/8 per cent as rapidly as market conditions indicated.

It was also understood that, pending the meeting of Chairman McCabe and Mr. Sproul with the Secretary of the Treasury next week, transactions in long-term securities should be continued on the same basis as authorized at the meeting of the executive committee on August 18, 1950, i.e., the System should not be an active seller, but it should purchase or sell such Government securities with a view to maintaining orderly market conditions and that pending further instructions from the executive committee the price on the longest restricted issue should not be permitted to decline below a range of 100-1/2 and 100-3/4.

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It was understood that the executive committee would meet next week following the meeting of Chairman McCabe and Mr. Sproul with the Secretary of the Treasury.

Thereupon the meeting adjourned.

Chester Morice  
Secretary.

Approved:

Thomas B. McCabe  
Chairman.