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 Monday, November 27, 1950, at 1:00 p.m.

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

Mr. Morrill, Secretary
Mr. Carpenter, Assistant Secretary
Mr. Thomas, Economist
Mr. Vest, General Counsel
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. Wurts, Assistant Vice President, Federal Reserve Bank of New York
Mr. Youngdahl, Chief, Government Finance Section, Division of Research and Statistics, Board of Governors
Mr. Leach, Economist, 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, the transactions in the System open market account, as reported to the members of the executive committee for the period November 16, 1950, to November 26, 1950, inclusive, were approved, ratified, and confirmed.

Mr. Sproul suggested that the existing general direction issued by the executive committee to the Federal Reserve Bank of New York be continued without change in the present limitations.

Thereupon, upon motion duly made and seconded, the executive committee voted unanimously to direct the Federal Reserve Bank of New York, until other wise 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 the understandings set forth in the minutes of the meeting of the executive committee on November 17 with respect to (1) ranges within which short-term

Treasury securities would be purchased and sold for the System account, (2) the replacement of maturing Treasury bills held in the System open market account, and (3) transactions in long-term Government securities, would continue unchanged. It was agreed, however, that in effecting transactions in short-term securities for the System account, consideration should be given by the New York Bank to the discussion at the meeting of the full Committee today of the desirability of a wider spread between the buying and selling rates on Treasury bills.

Mr. Eccles expressed the view that in the present period when the Federal Reserve was trying to avoid putting funds into the market, it was difficult to explain why the System was continuing to purchase small amounts of bonds (which would aggregate large amounts over a period of 30 to 60 days) at a point substantially above par. It was his view that it would be preferable to allow market prices on the longest-term restricted bonds to move down quickly to slightly above par. While he did not ask for a change in the existing understanding on this point, he felt that the matter should be watched so that the prices on the longest restricted issue could be allowed to move down as rapidly as possible in accordance with the existing understanding of the executive committee.

It was understood that the date for the next meeting of the committee would be subject to call by the Chairman.

Thereupon the meeting adjourned.

Chester Morrill
Secretary.