

The meeting of the executive committee of the Federal Open Market Committee was reconvened in the offices of the Board of Governors of the Federal Reserve System in Washington on Wednesday, November 14, 1951, at 12:30 p.m.

PRESENT: Mr. Martin Chairman
Mr. Sproul, Vice Chairman
Mr. Szymczak
Mr. A. H. Williams
Mr. Powell, Alternate Member

Mr. Carpenter, Secretary
Mr. Sherman, Assistant Secretary
Mr. Thomas, Economist
Mr. Vest, General Counsel
Mr. Rouse, Manager, System Open Market Account
Mr. Youngdahl, Chief, Government Finance Section,
Division of Research and Statistics, Board
of Governors
Mr. Ralph F. Leach, Economist, Division of
Research and Statistics, Board of Governors

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 \$1 billion exclusive of special short-term certificates of indebtedness purchased for the temporary accommodation of the Treasury pursuant to paragraph (2) of this direction;

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(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 basis upon which purchases and sales of short-term securities would be made for the System open market account, reference was made to the understanding at the meeting of the executive committee on October 4 on this point.

Mr. Sproul stated that it was his understanding of the discussion at the meeting of the Federal Open Market Committee this morning that, within the limitations of the direction issued by the full Committee, the executive committee was under instructions to carry on operations in both short-term and long-term Treasury securities for the purpose of maintaining an orderly market and that the points previously fixed below which long- and short-term issues would not be allowed to decline had been abandoned. The other members of the committee concurred unanimously in this view and it was understood that in carrying on operations for the System account, pursuant to the direction set forth above, the Federal Reserve Bank of New York would be guided accordingly.

In a discussion of operations during the next few weeks, it was suggested that it might be possible for the System account to sell

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certificates and to replenish its bill portfolio. It was agreed unanimously that the committee would not wish to have sales of certificates offset by purchases of bills just for the sake of having bills in the account, that if certificates could be sold without buying bills that course should be followed, but that if it became necessary for the System to buy short-term securities in order to maintain orderly market conditions, it might be preferable to give such support through purchases of bills rather than certificates.

In a discussion of the recommendation to be made to the Secretary of the Treasury in connection with refunding approximately \$1,100,000,000 of 2-1/4 per cent bonds maturing on December 15, 1951, Mr. Sproul suggested that the committee might recommend that they be refunded into an additional issue of the outstanding August 15 or September 1 certificates at whatever rate was indicated by the market at the time the announcement was made.

Chairman Martin suggested that inasmuch as a recommendation need not be made until toward the end of this month and since another meeting of the executive committee was not contemplated before the end of the year, it be understood that the decision on the refunding recommendation would be made by telephone. This suggestion was agreed to.

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


Secretary.