

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 on Thursday, September 24, 1953, at 12:45 p.m.

PRESENT: Mr. Martin, Chairman
Mr. Sproul, Vice Chairman
Mr. Erickson
Mr. Evans
Mr. Mills

Messrs. Robertson, Szymczak, and Vardaman, Members
of the Federal Open Market Committee

Mr. Riefler, Secretary
Mr. Thurston, Assistant Secretary
Mr. Vest, General Counsel
Mr. Thomas, Economist
Mr. R. A. Young, Associate Economist
Mr. Sherman, Assistant Secretary, Board of
Governors
Mr. Youngdahl, Assistant Director, Division of
Research and Statistics, Board of Governors
Mr. Gaines, Securities Department, Federal Reserve
Bank of New York

Upon motion duly made and seconded, and by unanimous vote, the minutes of the meeting of the executive committee of the Federal Open Market Committee held on September 8, 1953 were approved.

Upon motion duly made and seconded, and by unanimous vote, the transactions in the System open market account for the period September 8 to September 23, 1953, inclusive, were approved, ratified, and confirmed.

Chairman Martin stated that, as implied in the statement Mr. Thomas had made at the meeting of the full Committee earlier today, the Treasury planned to use the "free" gold in its cash balance in the approximate amount of \$1 billion for the purpose of reducing the public debt. He

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stated that he and Mr. Sproul were to discuss the matter with Treasury officials this afternoon.

Mr. Riefler noted that to the extent reserves were to be supplied by the Treasury through use of the "free" gold, the program with respect to open market operations would be affected in carrying out the general policy agreed upon at the meeting of the full Committee. He felt that the timing of the Treasury's use of the gold was of primary importance, in considering the instructions to be given by the executive committee for carrying on operations in the System account.

Mr. Sproul stated that he would assume that the total amount of reserves that would be needed by the market this fall would be the same whether the Treasury used the gold or not; to the extent the Treasury did use the gold, System open market operations would be reduced, and the timing of System purchases might be affected.

In a further discussion of the timing of the use of the gold and its possible effect on open market operations, it was suggested that the next meeting of the executive committee be held on October 6, 1953, at which time more information as to the Treasury's plans for use of the gold might be available.

In a discussion of the directive to be issued to the New York Bank, Mr. Mills suggested that the limitation in the first paragraph be increased from \$500 to \$750 million. It was also suggested that the wording of clause (b) be changed in line with the change made in the corresponding

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clause of the directive from the full Committee at its meeting today, so that it would read that purchases for the System account should be with a view "to avoiding deflationary tendencies".

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 in the open market or, in the case of maturing securities, by direct exchange 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 (a) to relating the supply of funds in the market to the needs of commerce and business, (b) to avoiding deflationary tendencies, and (c) to the practical administration of the account; provided that the total amount of securities in the System account (including commitments for the purchase or sale of securities for the account) at the close of this date shall not be increased or decreased by more than \$750 million;

(2) To purchase direct from the Treasury for the account of the Federal Reserve Bank of New York (with discretion, in cases where it seems desirable, to issue participations to one or more Federal Reserve Banks) 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 at any one time by the Federal Reserve Banks shall not exceed in the aggregate \$500 million.

Thereupon the meeting adjourned.

Secretary's note: At the meeting of the Federal Open Market Committee held earlier today, unanimous approval was given to a recommendation of the special committee appointed at the meeting of the executive committee on June 11, 1953, to consider a proposed revision in the directives of the Federal Open Market Committee and its

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executive committee. This recommendation, which was presented by Chairman Martin on behalf of Mr. Sproul and himself, was that, for the reasons stated on page 3 of the minutes of the full Committee meeting held today, the Committee approve the continued use of the existing forms of directives, with changes being made by the respective committees from time to time as special circumstances may indicate.


Secretary.