

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 Tuesday, March 29, 1955, at 10:45 a.m.

PRESENT: Mr. Martin, Chairman  
Mr. Sproul, Vice Chairman  
Mr. Leach  
Mr. Mills  
Mr. Vardaman

Messrs. Balderston, Fulton, Irons, and Szymczak,  
Members of the Federal Open Market Committee.

Mr. Riefler, Secretary  
Mr. Thurston, Assistant Secretary  
Mr. Vest, General Counsel  
Mr. Thomas, Economist  
Messrs. Daane and Young, Associate Economists  
Mr. Carpenter, Secretary, Board of Governors  
Mr. Sherman, Assistant Secretary, Board of  
Governors  
Mr. Koch, Assistant Director, Division of  
Research and Statistics, Board of Governors  
Mr. Miller, Chief, Government Finance Section,  
Division of Research and Statistics, Board  
of Governors  
Mr. Roosa, Assistant Vice President, Federal  
Reserve Bank of New York  
Mr. Gaines, Securities Department, Federal  
Reserve Bank of New York

Before this meeting there had been sent to the members of the committee a report of open market operations covering the period March 15 to March 24, 1955, inclusive, and at this meeting there was distributed a supplementary report covering commitments executed March 25-28, 1955, inclusive. Copies of these reports have been placed in the files of the Federal Open Market Committee.

Upon motion duly made and  
seconded, and by unanimous vote,

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the open market transactions during the period March 15 to March 28, 1955, inclusive, were approved, ratified, and confirmed.

Mr. Young made a statement with respect to recent economic developments concerning which a staff memorandum had been sent to the members of the committee under date of March 25, 1955. Mr. Young summarized the situation by stating that during recent weeks additional data becoming available supported earlier evidence of vigorous and broadly based expansion in the United States economy. Production has risen further, unemployment is declining, and buying by consumers and businesses is strong. Inventory accumulation has not yet developed on an important scale—probably because final sales have been larger than anticipated. Average wholesale prices declined slightly from mid-February to early March, but since then have recovered as prices on farm products have advanced and prices of some industrial materials have risen. Average consumer prices have continued stable. Fluctuations in stock prices have been large in recent weeks, Mr. Young said, but investor and business confidence appears little affected. Abroad, expansion continues in Western Europe with no evidence that the strong monetary actions taken in Great Britain are having abrupt repercussions on industrial activity.

In response to a question from Mr. Vardaman, Mr. Young stated that unfilled orders had been rising since September of 1954 and that there now was a backlog of around \$50 billion, compared with a total of unfilled

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orders of around \$75 billion at the peak in 1953. Mr. Young expressed the view that while the current backlog was 1/3 below the 1953 peak, it was a very substantial volume in terms of its economic significance.

Mr. Sproul inquired regarding the quality of current figures or estimates of unemployment, and Mr. Young stated that the present method of obtaining information on this phase of economic activity was definitely strengthened over methods in use prior to a few months ago. He felt that the figures being made available today were better in quality although all the difficulties inherent in measuring this kind of activity had not been overcome. Also, he believed that comparisons of current figures with those for a few months ago were fairly well adjusted so as to indicate significant changes in unemployment or whether unemployment had ceased to rise, but he did not feel that too much reliance could be placed on total estimates of unemployed, for example, whether the total was closer to 3 million or to 4 million persons. Mr. Young also said, in response to a question from Mr. Vardaman, that part-time work schedules in major industries had been reduced, that the average hours of work per week was now about 40-1/2, and that on the whole it appeared that industry was operating pretty much on a full time schedule.

Mr. Balderston inquired whether turnover of unemployed had been increasing or decreasing, to which Mr. Young responded that he thought it had been decreasing in terms of the average period of time that individuals now unemployed have been out of work. This reflected the fact that

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additions to the number of unemployed have been decreasing. He also said that separations of workers in industry have been decreasing and hirings of new workers have been increasing since last September.

Mr. Thomas stated that the securities markets and the credit situation had been affected during the past month by several special factors which had brought about erratic movements, some of which were seasonal and some of which were associated with the tax payment period. An important development has been a much larger Treasury balance at the Federal Reserve Banks than had been expected. Issues of new securities have been large, although smaller recently than earlier in the month. Corporate bond yields have levelled out after reaching higher levels early in March. Government bond yields declined during most of the month.

Mr. Thomas stated that bank credit and monetary supply factors have been affected by tax and other temporary influences during March. Loans generally have increased more, while holdings of Government securities have declined more this year than last. The changes this year have been more nearly like those of the same period in 1953. Business loans in the four weeks ending March 23 increased about \$500 million at reporting city banks whereas last year the increase was less than \$400 million. Loans on securities and on real estate and other loans also increased more this year than last, although security loans declined sharply during the latest week for which figures were available. During the four weeks ending March 23 this year the decrease in demand deposits at reporting city banks was

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somewhat less than in the same period last year—a difference that may reflect merely the fact that with a one-day earlier report date fewer tax checks have been debited against the account.

Mr. Thomas also commented on figures given on a sheet which was distributed containing projections of reserve changes during January-May 1955. He stated that in the absence of Federal Reserve action it appeared that, chiefly because of an unusually large Treasury balance at the Reserve Banks, there would be negative free reserves during the week ending March 30, which would continue during the following week, reflecting in part higher required reserves resulting from tax and loan account credits in connection with the new Treasury tax certificate issue. Except for the third week of April, negative free reserves might continue for a period of several weeks, in the absence of System operations. On the other hand, Mr. Thomas said the New York money market has not been as tight recently as had been anticipated. New York banks have been borrowing relatively little, but substantial borrowings have taken place in Chicago and at reserve city banks. These banks appear to be rather complacent about their borrowings, Mr. Thomas said, and do not seem to be under great pressure, but this may be a temporary attitude. In sum, Mr. Thomas felt that there were all the elements for a tight money market during the next few weeks.

In response to a question by Chairman Martin, Mr. Sproul stated that the estimates of free reserves for the current statement week and the two following weeks prepared at the Federal Reserve Bank of New York were

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reasonably close to the estimates prepared in the Board's offices. Mr.

Sproul then made a statement substantially as follows:

1. There is clearly continued vigorous improvement in the business situation, and the improvement is broadening out—not just automobiles and housing and their immediate derivatives, although these continue to move forward at a rapid—perhaps too rapid—pace.
2. At the same time there are no clear and present signs of broadening out of speculative influences in the economy. There are still question marks about the performance of the automobile and steel industries over the year as a whole, as to whether housing has gone too far too fast, as to what agricultural income may be, and as to whether expansion of the economy will be large enough to avoid worsening of unemployment. These question marks are not so big as they were, but they are probably still helpful in preventing a boom psychology.
3. There is virtually no change in price indexes at any level or stage of the process of production and distribution.
4. On bank credit expansion, commercial loans have gone up a little between end of year and the March 15 tax date, when seasonally there is usually no change and last year there was a decline. The increase this year was to be expected, however, as a reflection of continued recovery from recession, and it gives little or no indication of undue use of credit. The continued rise of real estate loans and consumer loans is disturbing. But perhaps the most significant aspect of the data on bank credit is that total loans and investments of weekly reporting banks are down \$1.6 billion in the first eleven weeks of this year, whereas they declined only 500 million in the same period last year.
5. The Treasury has just completed a successful borrowing of \$3 billion, plus, to be paid for April 1. It will probably need to borrow another \$1.5 billion sometime before the middle of May and then, in the last half of the calendar year, it will again be a heavy borrower—perhaps for \$10 or \$11 billion.
6. During the past week "free reserves" have been negative as often as they have been positive, but signs of credit stringency have not developed in the money market. This has been partly due to the better mobilization of available funds from all parts of the country. As one consequence of firmer

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but not stringent money conditions, the Treasury bill rate, at the auction, has come up to 1-3/8 per cent, so that the discount rate is now in touch with market rates, and member bank borrowing has become more active. These are desirable developments at this stage of economic recovery.

7. After a temporary run-up of reserves between now and April 1 (the payment date for the new Treasury certificates), it looks as if there will be a lean period for about two weeks, or until the middle of April, with "free reserves" in a negative position most of the time, and then another lean period of two or three weeks after the middle of April.
8. Would like to test and probe the situation during the next two weeks by seeking to allow the market to work out its own adjustments as far as possible. Day-to-day decisions as to whether or not relief action is desirable should take into account the apparent adequacy of reserves, the level of member bank borrowing, changes in the level of money market rates of interest, particularly the Treasury bill rate, and the prevailing tone of confidence or uncertainty.
9. If temporary situations develop which need to be relieved, repurchase agreements can be employed. If the pressure seems to be getting too great, between now and mid-April, some outright purchases may be necessary. But I would prefer to hold back on outright purchases as long as seems prudent—to see if repurchase agreements and increased use of the borrowing privilege won't get us over the hump. That, it seems to me, would be a proper extension of the policy we have been following in the light of the developing economic situation.

Mr. Vardaman stated that he had no comments to add to those made by Mr. Sproul.

Mr. Leach stated that there had been a slight change in his appraisal of the situation since the meeting two weeks ago. There had been an increased regard for the strength of the recovery reflecting a number of factors including the continued strength of consumer purchases, some evidence of increases in inventories, and data on plans for increased equipment and plant outlays during the second quarter of this year.

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Residential building continued very strong in spite of some reluctance on the part of lenders with respect to thirty-year mortgage commitments. Mr. Leach felt that on the basis of the instructions from the full Committee and the developing economic situation, the executive committee should not be concerned if interest rates moved a little higher and borrowings at the Federal Reserve Banks rose a little more. Mr. Leach added that he would not like to see interest rates rise a great deal, however he would hope there would be more discounting if conditions got as tight as now appear likely. If more reserves were needed, he would favor resorting to repurchase agreements. He would much prefer the use of repurchase agreements to outright purchases of securities partly because they terminate themselves and partly because they have less effect on the market since over a period of time they offset themselves. Also, and more important, repurchase agreements and their subsequent termination have less psychological effect in the market than outright purchases and sales of securities. Summing up, Mr. Leach would like to have the market get somewhat tighter than it is but he would hope that discounting would take care of the situation, after which repurchase agreements would be made available, with outright purchases of securities to be used only if the other two means of providing reserves failed to take care of the situation.

Chairman Martin then called upon Mr. Mills who made a statement substantially as follows:



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It seems to me that we have a very difficult situation, with a strong business background and strains in residential building mortgage credit and possibly in consumer credit and the securities market, but with a very difficult problem of how to restrain overoptimism in those areas at a later date. Mr. Sproul's discussion would seem to point at tactics. Perhaps we might also look at the strategic area of policy. At the last two meetings, there has been passing comment at the lag that takes place between a positive System action and results that stem out of that action, and the bearing those results have on the economy. Messrs. Young and Thomas referred to the fact that there are points of similarity between 1953 and the immediate 1955 period that we are moving through. To carry that back against the lag between cause and effect, is there not a case that in 1953 at the beginning of the year, System policy was a policy of neutrality, in that the major restrictive effects on credit were coming from a very rapid growth in commercial bank credit at the time. The restrictions the Committee made effective at the beginning of 1953 may not have flowered into results until the climactic events which confronted the Committee in May, when the market was undoubtedly distressed and credit became unavailable. If history is repeating itself, with contractive effects of withdrawals of reserves during January and February, as we come into mid-May and June of this year it may be that for the first time the committee will realize the effects of its previous policy. If those effects and the stringency inherent in the earlier action should come at a time when we have an automobile industry strike, or when the bloom would have gone off the real estate market, we might have invited a difficult problem during the summer and later, if it then becomes necessary to encourage business activity through an easier credit policy.

Looking back to 1953, the System moved promptly in May and June in providing reserves and in reducing reserve requirements in July. But those actions did not have their effect until the fall and later, while in that period we drifted into a lower level of economic activity. If we should move through a similar sequence of events through the later spring and summer, we might find that resuscitating action we might take would lose some of the benefits intended. It is remotely possible that we will have added exuberance to an already active business situation, but it would seem that the committee should keep a very careful eye on developments and on the

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reserve position in order to prevent a stringency that is latent in the actions it has taken already this year.

To that end, where in 1953 we wisely led the situation by providing reserves in advance of need to stimulate the economy, perhaps in this period we have led economic developments with a tightness that might be embarrassing later on, and we might be wise from this time on to follow rather than to lead in putting pressure on the market—let the market put on the pressure rather than have positive System action.

I find myself in quite complete agreement with Mr. Sproul that we should proceed on "feel", but that should be so sensitive that we should come promptly to the assistance of the market, and positively, if the occasion should suggest such action. I would differ from Mr. Leach with respect to his view that aid should not be through direct purchases of bills. I would prefer, if the projections of free reserves are borne out by developments, not to have a deficiency in reserves over a period of time. But I would agree with Mr. Leach, however, that when and if we might put in reserves through direct purchases, it should be on the basis that those reserves would be allowed to remain in the market, rather than for us to "fidget back and forth" in the market.

Mr. Sproul said that in terms of historic analogy, there was a difference between 1953 and 1955. 1953 came after 1952, and the System was then building up a policy of credit restraint during a period when economic activity was expanding at levels above those of a previous active period. 1955 follows 1954, and while currently activity is approaching the peak of 1953, the economy is still recovering from the recession that started in that year and may be said not to have recovered the growth that was lost during the recession period. Mr. Sproul thought the committee should not be too concerned with either the high level of activity that had been reached, or with the possibility of letting pressures exert themselves in the market in accordance with policy followed recently.

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Chairman Martin suggested that in a rising picture, the rising pressure on credit was actually helpful rather than a hindrance. In late 1953, the committee thought that \$100 million was quite a substantial level of free reserves, but the figure had been running much higher during recent months. In Chairman Martin's judgment, some of the "froth" in the present picture was due to "easy money." He did not think that any one could accuse the committee of having pursued a "tight" money policy during the recent period.

Mr. Irons said that his impression of the situation was that there was evidence of growing strength in the economy. There was a marked increase in confidence among leading business men in the Dallas district regarding the strength of the recovery, if "recovery" was still the proper word to describe developments--the situation might be getting close to the point where "recovery" no longer applied. Mr. Irons added the comment that he agreed with Mr. Sproul's statement as to credit policy and would not be disturbed if there were some firming in the market.

Mr. Balderston said that it seemed to him that the committee had two problems to consider: the immediate and what may obtain in the future. As to the immediate situation, it seemed to him that the committee might preserve the status quo as to its own actions, letting the market tighten of its own accord. That meant he would prefer not to see any dramatic action with respect to the discount rate or margin requirements at the moment. But looking forward to the summer and fall, the committee faced

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two possible situations: (a) an absence of war, and (b) the existence of a shooting war. In the absence of war, Mr. Balderston said that he would like to see the mortgage expansion abated somewhat by another long-term bond if the Treasury could discover an appropriate way of issuing one. And if ebullience continued, under that situation he supposed the committee would find some change in margin requirements and upping of the discount rate advisable. Looking to the other possibility, if a shooting war should come this spring, then we are faced with an entirely new set of circumstances.

Mr. Fulton said he agreed basically with Mr. Sproul's summation of the situation. This so-called recovery is pretty solid, he said, and he did not think it so tender that it would be disturbed by a little tightness in the market. He would like to see banks make adjustments in their reserve position at the discount window, with any wider swings of a temporary nature being taken care of through repurchase agreements.

Chairman Martin called for other comments and, in their absence, he said there appeared to be general agreement that we should continue about what the committee has been doing. None of the members of the committee disagreed with this statement.

In response to Chairman Martin's question, Mr. Sproul said that he thought no change was needed in the directive to be issued to the Federal Reserve Bank of New York at this time.

Thereupon, upon motion duly made and seconded, the executive committee voted

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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 fostering growth and stability in the economy by maintaining conditions in the money market that would encourage recovery and avoid the development of unsustainable expansion, 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 \$750 million;

(3) To sell direct to the Treasury from the System account for gold certificates such amounts of Treasury securities maturing within one year as may be necessary from time to time for the accommodation of the Treasury; provided that the total amount of such securities so sold shall not exceed in the aggregate \$500 million face amount, and such sales shall be made as nearly as may be practicable at the prices currently quoted in the open market.

Chairman Martin stated that, for the information of the committee, he wished to report a telephone call which he received yesterday from Mr. Erickson, President of the Federal Reserve Bank of Boston, in which Mr. Erickson said that from the point of view of the Nation's over-all

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economy, he and the directors of the Boston Bank would favor an increase in the discount rate in the near-term, but that they thought the Boston Bank should not lead in making an increase since conditions in that District reflected nothing of a special nature to call for such action. Chairman Martin went on to say that he had replied to Mr. Erickson that he would mention these views at this meeting today, particularly since Mr. Erickson also said that the directors of his Bank felt that a little tighter money market position in the near future would be desirable. Chairman Martin also said that he pointed out to Mr. Erickson that in view of the payment for the Treasury's tax anticipation certificates coming due next week, this was not an opportune time for a recommendation on the discount rate.

Chairman Martin then referred to the draft of resolution with respect to bankers' acceptances as tentatively approved in form by the executive committee at its meeting on March 15, and to the proposed authorization to be issued by the executive committee to the Federal Reserve Bank of New York which would carry out the principles approved by the Federal Open Market Committee at its meeting on March 2, 1955 regarding bankers' acceptances, namely, that the System acquire a portfolio of bankers acceptances, that it discontinue the procedure approved on June 19, 1952 under which a minimum buying rate on bankers' acceptances was established by the full Committee with authority for the Manager of the System Open Market Account to specify effective buying rates, and that the authorization for such

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purchases of bankers' acceptances include authorization for entering into repurchase agreements. Copies of the resolution of the full Committee and of the proposed authorization to be given by the executive committee had been sent to all members of the full Committee and to all other Reserve Bank Presidents on March 21. Chairman Martin went on to say that unless there were suggestions for change in the form of the resolution of the full Committee, as tentatively agreed upon at the meeting of the executive committee on March 15, 1955, pursuant to the request of the full Committee on March 2 that the executive committee consider the wording and form of resolution to carry out the policy approved on March 2 by the full Committee, he would suggest that the resolution now be formally approved by the executive committee on behalf of the full Committee, to become effective today.

Thereupon, upon motion duly made and seconded, unanimous approval was given to the following resolution, approved in principle by the Federal Open Market Committee on March 2, 1955, with the understanding that it would become effective when formally approved as to wording by the executive committee:

(1) That the authority granted by the Federal Open Market Committee at its meeting on June 19, 1952 and thereafter amended from time to time with respect to the purchase in the open market of prime eligible bankers' acceptances, including the authority to the Manager of the System Open Market Account to specify currently effective rates at which such purchases shall be made, be and the same hereby is cancelled;

(2) That the executive committee, until otherwise directed by the Federal Open Market Committee, is hereby

authorized to direct any Federal Reserve Bank to buy from and sell to acceptance dealers, for the account of such Federal Reserve Bank, prime bankers' acceptances of the kinds designated in the regulations of the Federal Open Market Committee, at such times and in such amounts as the executive committee may deem advisable and consistent with the general credit policies and instructions of the Federal Open Market Committee;

(3) That purchases and sales pursuant to the foregoing authorization shall be made by the Federal Reserve Banks at market rates of discount;

(4) That the executive committee, until otherwise directed by the Federal Open Market Committee, is hereby authorized to direct any Federal Reserve Bank to enter into repurchase agreements with nonbank dealers in bankers' acceptances at such times, in such amounts, and at such rate (or rate ranges) as the executive committee shall prescribe, covering prime bankers' acceptances of the kinds designated in the regulations of the Federal Open Market Committee, subject to the same conditions on which the executive committee is now or may hereafter be authorized from time to time to direct the Federal Reserve Banks to enter into repurchase agreements in United States Government securities, except that the maturities of such bankers' acceptances at the time of entering into such repurchase agreements shall not exceed six months, and except that in the event of the failure of the seller to repurchase, such acceptances shall continue to be held by the Federal Reserve Bank or shall be sold in the open market.

Chairman Martin then inquired whether there were suggestions regarding the draft of authorization to be issued by the executive committee, specifically, whether the authorization should be to the Federal Reserve Bank of New York only or whether it should run to all Federal Reserve Banks.

Mr. Leach suggested that, for reasons which he stated, it would be preferable for the authorization to be given to the Federal Reserve Bank of New York only for the time being.

In a further discussion of the limitation to be placed on the amount of bankers' acceptances to be acquired, it was suggested that a



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limit of \$25 million be specified at this time and that the rate on repurchase agreements covering bankers' acceptances be set at the same level as the rate applicable to repurchase agreements covering U. S. Government securities, presently 1-1/2 per cent in accordance with the action of the executive committee on November 23, 1954.

Thereupon, upon motion duly made and seconded, and by unanimous vote, the executive committee approved an authorization as follows, with the understanding that it would be effective until superseded by further action of the committee.

Pursuant to authority granted by the Federal Open Market Committee, effective March 29, 1955, the executive committee hereby authorizes the Federal Reserve Bank of New York for its own account to buy from and sell to acceptance dealers, at market rates of discount, prime bankers' acceptances of the kinds designated in the regulations of the Federal Open Market Committee, at such times and in such amounts as may be advisable and consistent with the general credit policies and instructions of the Federal Open Market Committee, provided that the aggregate amount of such acceptances held at any one time by the Federal Reserve Bank of New York shall not exceed \$25 million.

The executive committee further authorizes the Federal Reserve Bank of New York to enter into repurchase agreements with nonbank dealers in bankers' acceptances covering prime bankers' acceptances of the kinds designated in the regulations of the Federal Open Market Committee, subject to the conditions provided in the authorization as to repurchase agreements covering bankers' acceptances granted by the Federal Open Market Committee, effective March 30, 1955. Such agreements shall be at the same rate as that applicable, at the time of entering into such agreements, to repurchase agreements on U. S. Government securities.

At this point Messrs. Bethea, Director, Division of Administrative Services, and Leonard, Director, Division of Bank Operations, entered the meeting.

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At Chairman Martin's request, Mr. Riefler made a statement with respect to meetings which he had attended recently at the office of the Director of Mobilization concerning plans for emergency operations. Mr. Riefler said that he had attended these meetings on behalf of the Chairman in connection with the general program for emergency planning that has been under way for some time. At the recent meetings, it had been brought out that because of the uncertainties of the existing Far Eastern situation, the Office of Defense Mobilization was checking up on the planning for carrying on operations of Government, including the issuance of any special orders, if an emergency arose. Mr. Riefler stated that as announced in the daily press, it was planned to have a full-dress dispersal exercise in June under which representatives of the different Government agencies would go to relocation centers for a period of several days. While there was nothing for the Federal Reserve to do that had not been done, he mentioned that it would be necessary for the Treasury and the Federal Reserve to get together and decide what monetary and credit and tax policies would be appropriate in the event of such an emergency. The Treasury would, of course, have to devise appropriate tax measures on the basis of whatever the tax situation was at the moment. Consideration would also have to be given to whether measures for the regulation of consumer and real estate credit would seem necessary and if so, the manner in which such regulatory measures should be taken.

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Mr. Bethea then described the arrangements that had been made for relocating the Board's operations at the Federal Reserve Bank of Richmond under the plan that had been adopted some time ago. Mr. Bethea stated that the dispersal exercise to which Mr. Riefler referred was scheduled to take effect from June 15 to 17, inclusive, and that it was contemplated that the first two days of the exercise would be concerned also with Civil Defense planning. He noted that the Richmond Bank some time ago had provided quarters for a nucleus of about 75 persons who were scheduled to proceed from the Board's offices to Richmond in the event of an emergency, and that the Bank was prepared to make additional space available if necessary. Mr. Bethea stated that while it was contemplated that there would be a period of activation from May 1 to June 15, 1955, the plans for such period were not yet known.

Mr. Leonard stated that the emergency plan to be activated in case of an attack on the U. S. was being currently reviewed in order to bring the various provisions up to date. This general plan contemplated the issuance of an executive order by the President, as well as the issuance of regulations by the Secretary of the Treasury and by the Board of Governors. Drafts of the executive order and of the regulations to be issued by the Treasury and the Board had been prepared, Mr. Leonard said, the essence of the regulations being to eliminate so far as possible the legal restrictions on banks that now existed, to give to the managements of the banks responsibility for taking appropriate action, and to provide legal protection for

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actions the banks might take in good faith pursuant to the regulations. The dominant tone of discussions at current meetings, Mr. Leonard said, was one of seriousness, and it was the feeling that the June test should be a real working test to bring out the manner in which operations of the various agencies might be carried out from the relocation center.

Chairman Martin stated that while there was nothing new in the comments regarding the meetings currently being held, he felt it desirable to have them reported at this meeting in order to indicate the thinking of some of the responsible persons in Washington regarding the need for such plans. It was very important for the Open Market Committee and the executive committee to be aware of the possibilities in the situation, he said, and to be thinking of problems that might be involved in terms of general credit controls and all other facets of controls the System might wish to invoke in the event of what he hoped might be a local disturbance.

Mr. Vardaman commented that while this was probably not the appropriate place to raise the question and while he felt that without question Richmond was the logical place to have the exercise in June, he still felt that Richmond did not represent a nontarget area and that some other location such as Cincinnati or Louisville might be preferable.

Chairman Martin agreed that this was not the place to discuss the matter, but that it should have careful consideration at an appropriate time.

Mr. Vardaman and Mr. Carpenter withdrew from the meeting at this point.

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Mr. Sproul said he assumed that if communications were in existence after an emergency, the Federal Open Market Committee could quickly get a site for its operations. He also assumed that in such an event the situation would be interpreted as one coming within a definition of a "disorderly situation" for whatever action was necessary to be taken to prevent the Committee's policies from deteriorating.

Mr. Leach stated that the scheduled days for the dispersal exercises, June 15-17, would come within the period tentatively scheduled for the next meeting of the Federal Open Market Committee, the week beginning June 13, and that this might necessitate a rescheduling of the latter.

It was agreed that the next meeting of the executive committee would be held at 10:45 a.m., Tuesday, April 12.

Thereupon the meeting adjourned.

  
Secretary