

A meeting of the Federal Open Market Committee was held in the offices of the Board of Governors of the Federal Reserve System in Washington on Saturday, March 1, 1947, at 10:10 a.m.

PRESENT: Mr. Eccles, Chairman
Mr. Sproul, Vice Chairman
Mr. Draper
Mr. Evans
Mr. Vardaman
Mr. Clayton
Mr. Whittmore
Mr. Gidney
Mr. Davis
Mr. Peyton

Mr. Morrill, Secretary
Mr. Carpenter, Assistant Secretary
Mr. Thomas, Economist
Mr. Vest, General Counsel
Mr. Rouse, Manager of the System Open Market Account
Mr. John H. Williams, Associate Economist
Mr. Sherman, Assistant Secretary to the Board of Governors
Mr. Musgrave, Chief, and Mr. Smith, Economist, Government Finance Section, Division of Research and Statistics of the Board of Governors

Messrs. Alfred H. Williams and Gilbert, alternate members of the Federal Open Market Committee

Mr. Stead, Vice President of the Federal Reserve Bank of St. Louis

The Secretary reported that advices of the election for a period of one year commencing March 1, 1947, of members and alternate members of the Federal Open Market Committee representing the Federal Reserve Banks had been received, that each newly elected

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member and alternate member had executed the required oath of office, and that it was the opinion of the Committee's Counsel, on the basis of the advices received, that the following members and alternate members were legally qualified to serve:

Allan Sproul, President of the Federal Reserve Bank of New York, with L. R. Rounds, First Vice President of the Federal Reserve Bank of New York, as alternate member; Laurence F. Whittimore, President of the Federal Reserve Bank of Boston, with Alfred H. Williams, President of the Federal Reserve Bank of Philadelphia, as alternate member;

Ray M. Gidney, President of the Federal Reserve Bank of Cleveland, with C. S. Young, President of the Federal Reserve Bank of Chicago, as alternate member;

Chester C. Davis, President of the Federal Reserve Bank of St. Louis, with R. R. Gilbert, President of the Federal Reserve Bank of Dallas, as alternate member; and

J. N. Peyton, President of the Federal Reserve Bank of Minneapolis, with H. G. Leedy, President of the Federal Reserve Bank of Kansas City, as alternate member.

Upon motion duly made and seconded, and by unanimous votes, the following officers of the Federal Open Market Committee were elected to serve until the election of their successors at the first meeting of the Committee after February 29, 1948, with the understanding that in the event of the discontinuance of their official connection with the Board or a Federal Reserve Bank, as the case might be, they would cease to have any official connection with the Federal Open Market Committee. In connection with the election of Mr. Morrill, it was agreed unanimously that the bylaws of the Federal Open Market Committee which provide that the Secretary of the Board of Governors shall be Secretary of the Committee should not be changed, but that Mr. Morrill should continue to serve as Secretary notwithstanding the applicable provision of the bylaws:

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Marriner S. Eccles, Chairman
Allan Sproul, Vice Chairman
Chester Morrill, Secretary
S. R. Carpenter, Assistant Secretary
Woodlief Thomas, Economist
John H. Williams, Alfred C. Neal,
Donald S. Thompson, William H.
Stead, and Paul W. McCracken,
Associate Economists
George B. Vest, General Counsel
J. Leonard Townsend, Assistant Gen-
eral Counsel

Upon motion duly made and seconded,
and by unanimous vote, the Federal Reserve
Bank of New York was selected to execute
transactions for the System open market
account until the adjournment of the first
meeting of the Committee after February
29, 1948.

Mr. Sproul stated that the Board of Directors of the Federal
Reserve Bank of New York had selected Mr. Rouse as Manager of the Sys-
tem Open Market Account, subject to the selection of the Federal Re-
serve Bank of New York by the Federal Open Market Committee as the
Bank to execute transactions for the System account and his approval
by the Federal Open Market Committee.

Upon motion duly made and seconded,
and by unanimous vote, the selection of
Mr. Rouse as Manager of the System Open
Market Account was approved.

Upon motion duly made and seconded,
and by unanimous votes the following were
selected to serve with the Chairman of
the Federal Open Market Committee (who,
under the provisions of the bylaws, is
also Chairman of the executive committee)

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as members and alternate members of the executive committee until the selection of their successors at the first meeting of the Federal Open Market Committee after February 29, 1948:

Members

Ernest G. Draper
James K. Vardaman, Jr.

Alternate Members

M. S. Szymczak
Lawrence Clayton
R. M. Evans
(To serve in the order named as alternates for Messrs. Eccles, Draper, and Vardaman, except that upon Mr. Ransom's return, he will serve as the first alternate in the absence of Chairman Eccles and as the third alternate in the absence of Messrs. Draper and Vardaman.)

Allan Sproul
Chester C. Davis

Ray M. Gidney
J. N. Peyton
(To serve in the order named as alternates for Messrs. Sproul and Davis.)

Mr. Carpenter stated that the existing authority for distribution of the weekly open market report prepared by the Federal Reserve Bank of New York did not include Mr. Roelse, as Vice President in charge of the Research Department, and that it was suggested that the authority be changed to include that position.

In accordance with this suggestion, upon motion duly made and seconded, and by unanimous vote, the distribution of the weekly report to the following was approved:

1. The members of the Board of Governors.

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2. The Presidents of the 12 Federal Reserve Banks.
3. The Secretary, the Economist, and the Associate Economists of the Federal Open Market Committee.
4. The Secretary of the Treasury.
5. The Under Secretary of the Treasury.
6. The Fiscal Assistant Secretary of the Treasury.
7. The Chief of the Division of Bank Operations of the Board of Governors.
8. Mr. Rounds, alternate member of the Federal Open Market Committee; the Assistant Vice President of the Federal Reserve Bank of New York working under the Manager of the System Account; the Manager of the Securities Department of the New York Bank; the Vice President in charge, and the Manager, of the Research Department of the New York Bank; and the confidential files of the New York Bank as agent for the Federal Open Market Committee.

Reference was made to the resolution adopted by the Federal Open Market Committee on November 20, 1936, authorizing the Federal Reserve Banks, subject to the provisions of section 14 of the Federal Reserve Act as amended and the regulations, conditions, and limitations of the Board of Governors prescribed thereunder, but without further direction or authorization from the Federal Open Market Committee, to purchase and sell at home or abroad cable transfers and bills of exchange and bankers' acceptances payable in foreign currencies to the extent that such purchases and sales might be deemed to be necessary or advisable in connection with the establishment, maintenance, operation, increase, reduction, or discontinuance of accounts of Federal Reserve Banks in foreign countries. As stated at the meeting of the Committee on March 1, 1946,

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when this resolution was last considered, the purpose of this action was to simplify the procedure in connection with the handling of accounts with foreign central banks which were subject to special supervision by the Board of Governors of the Federal Reserve System under section 14 of the Federal Reserve Act.

Mr. Sproul stated that accounts were maintained by the Federal Reserve Bank with the Bank of Canada, the Bank of England, and the Bank of France, that the amounts in these three accounts were relatively very small, totaling at present about \$102,000, and that the need for continuance of the authority which would permit purchases and sales necessary to the maintenance of these accounts still existed, unless it was desired that specific approval of the Federal Open Market Committee be obtained covering small transactions executed in the management of the accounts.

There was unanimous agreement that
no action should be taken with respect to
the resolution at this time.

Mr. Carpenter read an excerpt from the minutes of the meeting of the Committee on November 30, 1937, in which it was stated that since securities acquired by Federal Reserve Banks in settlement of claims account closed banks would be so small as to be unimportant from the standpoint of credit control, the Committee would interpose no objection to Federal Reserve Banks holding such securities

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or to the sale of such securities whenever deemed to be desirable by the holding Bank.

Chairman Eccles asked whether there was any need for continuing the authority or whether it would be better to allow it to lapse and, if conditions arose which might make such authority desirable again, to consider the question at that time.

Mr. Gidney stated that the conditions had not changed since consideration was given to termination of the authority on March 1, 1946, that it had not been used for a considerable period of time, that its use was not anticipated, but that if a condition arose where the use of such authority might be desirable, the necessity for quick action to protect the interests of a Federal Reserve Bank would make it desirable to have the authority in effect.

It was agreed unanimously that no action should be taken at this time to terminate or amend the authority.

There were then distributed copies of a memorandum dated February 25, 1947, on the outlook for the debt retirement program. It appeared from the information contained in the memorandum that a substantial Treasury balance would be available for continuing the debt retirement program during April and perhaps during June and July, and there was a discussion of the recommendation to be made to the Treasury upon receipt of the usual request for the Committee's views in

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connection with the certificates maturing on April 1. Consideration was given to the suggestion that the Treasury retire \$1.5 billion of the April 1 maturity and whether anything should be said at this time with respect to retirements in June and July. It was the consensus that because of the uncertainty regarding Treasury balances the Committee should recommend the retirement of only \$1 billion of the April maturities and that recommendations with respect to June and July maturities should be deferred until later when it would be apparent whether the high level of Treasury receipts was being maintained.

At the conclusion of the discussion, upon motion duly made and seconded, and by unanimous vote, it was agreed that upon receipt of the usual request from Mr. Bartelt, the following letter should be sent to the Secretary of the Treasury:

"In response to Mr. Bartelt's request, I am transmitting to you the recommendations of the Federal Open Market Committee with respect to April financing. The Committee recommends that one billion dollars of April 1 certificates be retired, in order to continue the program of orderly debt reduction which has been so successfully followed in the recent past, and to obtain the modest interest saving involved.

"Because receipts have been and appear likely to be considerably higher than had been expected, it is now estimated that the Treasury balance at the end of March will be over 5 billion dollars, including the 800 million of free gold derived from Monetary Fund transactions. It is also estimated that the balance at the end of April will be at least 3.8 billion, assuming one billion of April 1 certificates are retired, and will not be less than 3 billion on June 30 despite the expected excess of expenditures during the last quarter of the fiscal year.

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"It will be possible to finance the March 15 and the proposed April 1 retirements out of the Treasury balances with the Federal Reserve Banks plus a call on war loan deposits of 500 to 800 million dollars on March 15. A call of approximately this amount at this time would be desirable to reduce the easing of the money market that will result from the March 15 payment of maturing notes."

In connection with the direction issued by the Federal Open Market Committee on March 1, 1945, with respect to purchases and sales of bills by the Federal Reserve Banks, Chairman Eccles stated that it did not appear that there was any action to be taken toward changing the direction until the question of future policy with respect to Treasury bills had been more fully determined.

Upon motion duly made and seconded, and by unanimous vote, it was agreed that no action should be taken at this time to change the direction issued at the meeting of the Federal Open Market Committee on March 1, 1945, with respect to the purchase of Treasury bills by the twelve Federal Reserve Banks.

In connection with the authority to be granted to the executive committee to execute transactions for the System open market account, it was suggested that because of the somewhat reduced size of Treasury operations in connection with the program for the retirement of the public debt, the limitation on the authority of the executive committee to increase or decrease the total amount of securities in the System account should be fixed at \$1,500,000,000 instead of \$2,000,000,000.

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Thereupon, upon motion duly made and seconded and by unanimous vote, the following direction to the executive committee was approved, with the understanding that the limitations contained in the direction would include commitments for purchases and sales of securities for the System open market account:

The executive committee be directed, until otherwise directed by the Federal Open Market Committee, to arrange for such transactions for the System open market account, either in the open market or directly with the Treasury (including purchases, sales, exchanges, replacement of maturing securities, and letting maturities run off without replacement), as may be necessary in the practical administration of the account or for the purpose of maintaining an orderly market in Treasury securities and a general level of prices and yields of Government securities which will support the Treasury issuing rates of $7/8$ per cent for one-year certificates and $2-1/2$ per cent for 27-year bonds restricted as to ownership; provided that the aggregate amount of securities held in the account at the close of this date (other than (1) bills purchased outright in the market on a discount basis at the rate of $3/8$ per cent per annum and bills redeemed at maturity and (2) special short-term certificates of indebtedness purchased from time to time for the temporary accommodation of the Treasury) shall not be increased or decreased by more than \$1,500,000,000.

That the executive committee be further directed, until otherwise directed by the Federal Open Market Committee, to arrange for the purchase for the System open market account direct from the Treasury of 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 amount of such certificates held in the account at any one time shall not exceed \$1,500,000,000.

It was tentatively agreed that the next meeting of the Federal Open Market Committee would be held during the week beginning June 2, 1947.

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Thereupon the meeting adjourned.

Chester Morrie
Secretary.

Approved:

W. C. ...
Chairman.