

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, D. C., on Tuesday, June 28, 1949, at 2:30 p.m.

PRESENT: Mr. McCabe, Chairman
Mr. Sproul, Vice Chairman
Mr. Clayton
Mr. Draper
Mr. Earhart
Mr. Eccles
Mr. Evans
Mr. Gidney
Mr. Leach
Mr. McLarin
Mr. Szymczak
Mr. Vardaman

Mr. Morrill, Secretary
Mr. Vest, General Counsel
Mr. Rouse, Manager of the System
Open Market Account
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, Associate Director,
Division of Research and Statistics,
Board of Governors
Mr. Smith, Economist, Government Finance
Section, Division of Research and
Statistics, Board of Governors
Mr. Arthur Willis, Special Assistant,
Securities Department, Federal
Reserve Bank of New York

Mr. Raisty, Economist, Federal Reserve
Bank of Atlanta

Upon motion duly made and seconded,
and by unanimous vote, the minutes of the
meeting of the Federal Open Market Com-
mittee held on May 3, 1949, were approved.

Upon motion duly made and seconded,

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and by unanimous vote, the actions of the executive committee of the Federal Open Market Committee as set forth in the minutes of the meetings of the executive committee held on May 3 and June 3, 1949, were approved, ratified, and confirmed.

Mr. Rouse then read and discussed a report of open market operations prepared by the Federal Reserve Bank of New York, covering the period from May 3, 1949, to June 23, 1949, inclusive. He also presented a supplementary report covering commitments executed on June 24 and June 27, 1949. Copies of both reports have been placed in the files of the Federal Open Market Committee.

Particular attention was called by Mr. Rouse to the purchase of special Treasury certificates on June 15 and the rate of 1/4 percent per annum charged the Treasury in that connection. Mr. Rouse referred to the history of this rate, including the discussion and approval of the same rate at the meeting of the executive committee on August 6, 1947. There was general approval of the continuance of the 1/4 percent rate.

Upon motion duly made and seconded, and by unanimous vote, the transactions in the System account for the period May 3, 1949, through June 27, 1949, inclusive, were approved, ratified, and confirmed.

Chairman McCabe referred to discussions of open market policy at previous meetings and to conversations which he and Mr. Sproul had had during the past year with the Secretary of the Treasury concerning the policy of supporting the Government securities market, stating

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that last week he and Mr. Sproul called upon Secretary Snyder at which time they discussed a possible change in the present support program. Chairman McCabe then called upon Mr. Sproul to report on the conversation with Secretary Snyder and in this connection referred to a letter dated June 17, 1949, from Mr. Stevens, Chairman of the Board of the Federal Reserve Bank of New York, to the Board of Governors, copies of which, he said, had been sent to all Federal Reserve Banks. The letter outlined the views of the Board of the New York Bank with respect to the present economic situation and discussed a program for monetary policy.

Mr. Sproul stated that he and Chairman McCabe presented to the Secretary of the Treasury the view that declines in business in recent months had gone faster than had been considered likely at the beginning of this year, that further declines appeared probable, and that the policy which allowed the market to determine when it could obtain Federal Reserve credit was no longer appropriate. In outlining to Secretary Snyder a possible change in policy, he said, there was presented a program which contemplated the release of the Federal Reserve from maintenance of the relatively fixed structure of prices or interest rates in the Government securities market. It was pointed out that under present circumstances the market tends to invest any available funds in Government securities which the Federal Reserve Banks supply and to keep excess reserves as low as practicable. This takes funds out of the market when we wish to put them in. Now

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the time has come for an affirmative credit policy in the light of the developing business situation, which would have significance to the market, the banking system, and ourselves. Mr. Sproul added that he and Chairman McCabe expressed the view that the present when pressures on Government securities prices were upwards and on rates downward might be the time for the change in policy. It was suggested that, with the Treasury's July 1st financing out of the way, the Federal Open Market Committee might begin to govern its operations with regard to the general business and credit situation as well as to the maintenance of orderly conditions in the Government securities market, without attempting to maintain the relatively fixed structure of prices and rates. This would contemplate, he said, increasing availability of reserve funds, leading to buoyancy in the short-term market including some further decline in rates. With respect to long-term rates, Mr. Sproul said that the main risk perhaps would be that the Treasury would take advantage of the favorable rate situation to issue securities which later would not hold their place in the market and the System would again be called upon to "support a rate" or to protect par quotations. Mr. Sproul made the further statement that Secretary Snyder was receptive to the approach which suggested a decline in interest rates rather than an increase, and that he said he saw no objection to the program but would like to consider it further and would get in touch with Chairman McCabe later.

Chairman McCabe stated that in subsequent conversations,

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Secretary Snyder again indicated he was favorably disposed to the program outlined but that he would prefer that there be no public announcement of a change in policy. In this connection, Chairman McCabe referred to three memoranda prepared in the Board's Division of Research and Statistics under dates of June 26 and 27, 1949, with respect to The Current Economic Situation and Outlook, Need for Positive Program of Credit Policy to Counteract Deflation, and Management of the Bill Market Under a Program of Credit Policy to Counteract Deflation. The memoranda had been distributed to Committee members before this meeting and copies have been placed in the files of the Federal Open Market Committee.

In connection with a question raised by Mr. Leach as to whether the program would remove the peg on long-term Government securities, Chairman McCabe expressed the opinion that there was no need to meet that problem before it arose, that there should be some uncertainty, and that it was not desirable for banks to feel that long-term bonds were demand obligations. He suggested that consideration be given to a draft of a proposed press statement which had been prepared in the Board's offices in the light of the conversations with Secretary Snyder. Copies of the draft were then distributed.

During an extended discussion, the wording of the statement was revised and at the request of Chairman McCabe members of the Committee expressed their views as to its significance and the policy

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they felt should be followed.

Mr. Earhart stated the view that the Committee had been waiting for a suitable time to get away from a pegged market and that in his opinion now was the time to do so.

Mr. Gidney said that the meaning of the statement was not clear and that he would want it to be more definite and positive. He also said that he would be glad to get away from a pegged long-term bond market and would prefer to make that clear in any announcement of policy issued by the Committee, adding, however, that the action taken rather than the statement issued would be the important factor determining the reaction of the market and the general public to a change in policy.

Mr. Szymczak stated that he felt the statement should make it clear that the policy of the Committee would be to have orderly market conditions but that it should not refer to Government bonds in such a way as to commit the Committee needlessly to support of the long-term bonds, that in the present situation long-term securities were selling well above par and would continue to do so for the indefinite future, that the Committee did not and could not know at this time what the future would hold, and that, since there was no likelihood at this time that long-term bonds would sell below par to yield more than 2-1/2 percent, it was undesirable for the Committee to commit itself to support that rate.

Mr. Leach stated that he would like to make it clear to

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everybody that the Committee was no longer supporting the long-term rate of 2-1/2 percent.

Mr. McLarin stated that, on the basis of the statement proposed, he could not be sure whether the Committee intended to abandon the long-term peg, but that, if there was to be a definite change of policy in that respect, it would be desirable to state the change in such a manner that the public could understand it.

Mr. Sproul said that understanding of the proposed action would come more through subsequent actions in the market than from any statement the Committee might issue and for that reason he would not place too great importance on the statement. He also said that he felt the Federal Reserve was in a dilemma with respect to the statement in that it did not wish to abandon permanently any idea that it might have to come to the support of the Government securities market subsequently, but that on the other hand at this moment it wanted to abandon the policy of supporting a fairly rigid structure of interest rates and that it desired the market to move as freely as possible except for the necessity of maintaining orderly conditions in the market. He suggested that the Committee issue a statement in a form which he outlined which he felt should come as close as possible to the statement for the policy record that would be required to be published under Section 10 of the Federal Reserve Act.

Mr. Evans made the comment that he had difficulty in understanding a policy under which when reserve requirements were lowered,

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the Committee absorbs the resulting reserves by selling securities. He felt it was unwise to allow the public to believe that lowered reserve requirements meant easier money conditions, when in actuality the Committee was not allowing the reserves to be effective because they absorbed them through sales from the System portfolio; that this policy was, in effect, putting a peg under interest rates, and since Congress, against the Board's expressed desire, had turned these reserves loose, they should be free to exert any influence they might have wherever they were used. In his opinion the Federal Reserve program of supporting the Government bond market and in not permitting it to break par, was one of the major accomplishments of the postwar period and had, in his opinion, profoundly affected the course of events in this and less fortunate countries.

Mr. Sproul stated in response to Mr. Evans' first comment that the actions of the Committee were governed by the policy of supporting the rate pattern. He felt it wholly unlikely that the action which the Committee proposed to take would have the effect of causing a loss of confidence on the part of investors, that it contemplated permitting the additional reserve funds to become fully available to the market, which would have the effect of increasing demand for Government securities, but that if the situation Mr. Evans described should arise he assumed the Committee would then be meeting and would be desirous of doing what seemed appropriate under all the circumstances. Mr. Sproul said that, while he would object strenuously to

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issuance of a statement that the long-term 2-1/2 percent rate would be maintained for all time in the future, he would approve a statement in the form proposed which indicated that the confidence of investors would be maintained but which left some doubt as to just what would be done with respect to the long-term peg.

Mr. Evans reiterated the view that the announcement should include a statement that the 2-1/2 percent rate on long-term Government bonds would be maintained in the future, but that he would approve a statement along the lines of the one under discussion so long as it was clearly understood that the Committee's action did not contemplate abandoning support of that rate.

Chairman McCabe then raised the question whether any announcement of the proposed policy should be issued, in view of Secretary Snyder's preference that the proposed change in policy not be announced but that it become evident by the actions taken in the market. It was the consensus of the members of the Committee that a statement should be issued along the lines of the one under discussion, so that all concerned would have an equal opportunity to be informed as to the Committee's action.

Chairman McCabe then stated that he had also given some consideration to issuance of an additional statement jointly by himself and Secretary Snyder, explaining in greater detail the change in policy. One of the principal reasons for doing so, he said, would be to obtain a clear understanding in advance with Secretary Snyder of

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the interpretation of the action. There was a discussion of such a statement, during which Chairman McCabe read portions of a draft he had prepared, and it was the consensus of the members of the Committee that it would be preferable to stand on the Committee's official announcement of policy and that there should be no supplementary or explanatory statements.

Chairman McCabe stated that in their discussions, Secretary Snyder raised the question, in view of the size of future refunding operations and possible new financing needs, whether there would be any change in the policy of the Federal Open Market Committee in supporting the Treasury in its future financing, and Chairman McCabe read a draft of letter for his signature to Secretary Snyder, as follows:

"In connection with our recent discussions of System policy, you asked me whether you could count on complete support from the Federal Reserve System in future refunding and new money financing.

"I think our record of the past is clear. There has been maximum support on the part of the Board of Governors of the Federal Reserve System and of the Federal Open Market Committee in your debt management problems.

"I am confident that our close and cordial relationship will continue in the future as it has in the past. I am not aware of any disposition to deviate from this relationship which is so essential in enabling the Treasury and the Reserve System to carry out their responsibilities. We all agree, I am sure, that the programs and policies to be pursued would be decided upon after full discussion and mutual understanding."

There followed a discussion of the draft, during which Mr. Earhart asked whether Secretary Snyder felt that under the proposed change in policy the Federal Reserve System was committed to support

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of long-term Government bonds at par.

Chairman McCabe said that he did not think Secretary Snyder felt the System was committed, but that he did feel it would be catastrophic if long-term Government bonds were allowed to drop below par.

Mr. Sproul stated that he felt it had been made clear to Secretary Snyder that the Federal Reserve System would retain the obligation and the opportunity to consider that situation when and if it arose, and that the proposed letter to Secretary Snyder contemplated that there would be mutual understanding of policy and decision by those who had responsibility under the statutes.

Thereupon, upon motion duly made and seconded, the foregoing letter to Secretary Snyder, prepared for Chairman McCabe's signature, was approved unanimously.

The discussion then returned to consideration of the statement of policy to be issued by the Federal Open Market Committee, during which various drafts and changes were considered. Mr. Riefler questioned whether the new policy would preclude a change in bill operations, for example, a change so that the System would not replace maturing bills.

Mr. Sproul stated that it was clear to him that such a change would not be precluded by the proposed statement.

Mr. Eccles said that he agreed with this interpretation, adding that, as he interpreted the proposed policy, if the Federal Open

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Market Committee also wished to replace maturing bills by bidding a little higher for new bills, it would be permissible to do so. The main point, he said, was to permit the reserves that would go into the market as a result of the expiration of the supplemental reserve requirements authority on June 30, 1949, to have their full effect without interference by the System.

In response to an inquiry from Mr. Riefler, Mr. Vest expressed the opinion that there was no legal question involved in the proposed statement.

Mr. Clayton suggested and it was agreed that the statement as proposed would not preclude either of the courses of action described by Messrs. Eccles and Riefler.

Thereupon, upon motion duly made and seconded, the following statement of policy was approved unanimously with the understanding that it would be given to the press today for immediate release:

"The Federal Open Market Committee, after consultation with the Treasury, announced today that with a view to increasing the supply of funds available in the market to meet the needs of commerce, business, and agriculture it will be the policy of the Committee to direct purchases, sales, and exchanges of Government securities by the Federal Reserve Banks with primary regard to the general business and credit situation. The policy of maintaining orderly conditions in the Government security market and the confidence of investors in Government bonds will be continued. Under present conditions the maintenance of a relatively fixed pattern of rates has the undesirable effect of absorbing reserves from the market at a time when the availability of credit should be increased."

Chairman McCabe then asked for an informal expression of views

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of the members of the Committee who were Presidents of Reserve Banks as to changes that should be made in reserve requirements of member banks, particularly as to whether reserves should be further reduced by the Board by an amount in addition to the release of about \$800 million of reserves that would result from expiration on June 30, 1949, of the authority for supplemental reserves.

Mr. McLarin stated that he felt reserve requirements of banks should be lowered, that reserve city banks were keeping most of their funds invested, and that banks in nonreserve cities were selling securities in order to make seasonal agricultural loans. The first reduction, he felt, should go to banks in nonreserve cities. In response to a request from Mr. McLarin, Mr. Raisty said that, on the basis of a recent survey in the Atlanta district, it was evident that the smaller banks definitely desired reductions in reserve requirements, that this was the season of heavy demand for loans, that they were selling securities to obtain reserves for use in making loans, and that some of them also felt a further reduction in security margin requirements to 25 per cent would be helpful, feeling that a great many stocks with long dividend records would then become available for collateral for bank loans.

Mr. Leach stated that while a reduction in reserve requirements would have the advantage of lessening the competitive advantages of nonmember banks over member banks, he did not think a substantial reduction at this time would be desirable from the standpoint of monetary

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policy. It was his opinion that the System should make sufficient funds available to create a favorable climate for bank lending with some reduction in interest rates, but that it would not be desirable to take action that would force rates down substantially. He said he would, however, favor reducing reserve requirements of central reserve city banks by 2 percentage points at the same time that the supplemental reserve requirements were lifted from reserve and non-reserve city banks.

Messrs. Earhart and Gidney stated they thought it would be appropriate to take no action beyond letting the requirements decrease by reason of the expiration of the statutory authority for supplemental reserve requirements until there had been an opportunity to observe the effects in the market of the resulting addition of \$800 million of reserves. They felt that this was a substantial amount.

Mr. Eccles said that he felt that there was a question as to the advisability of further reducing reserve requirements in central reserve cities at this time. He pointed out that the Federal Reserve Act provided for a basic requirement of 7 percent at nonreserve city banks, 10 percent at reserve city banks and 13 percent at central reserve city banks and a maximum of double those percentages; that the reserve requirements in central reserve cities were already 2 percentage points less than the statutory limit of 26 percent, whereas in all other banks the requirements were at the

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statutory limit; and that, unless there was a very good case for a reduction at central reserve cities, consideration would have to be given to the psychological effect on the other banks. He stated that the money market is extremely easy in New York and Chicago, that loans in those cities have gone off to a substantial extent; not because of any desire on the part of the bankers but because borrowers are not seeking additional loans and are paying off existing loans, and that, consequently, funds have been added to the reserves in the money market with the result that rates are going down, and money market banks are beginning to look for term loans again. He added that banks outside central reserve cities can not use their funds quite as effectively as the central reserve city banks which are able to keep fully invested, and that a large part of the \$800 million that would be released by expiration of the supplemental reserve requirements authority on June 30 would flow quickly into central reserve city banks. Therefore, he thought that it would be a mistake at this time to reduce the requirements at central reserve cities although at some later time it might prove to be desirable to reduce reserve requirements on demand deposits 2 percentage points at all member banks.

Mr. Sproul said that, in terms of the amount of reserve funds needed in the market, he felt the addition of \$800 million would be sufficient, but that there was the factor of location of reserves, that central reserve city banks were not supplied with

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excess reserves, and that in terms of the psychology of the banks with respect to their loans and investments there was something to be said for placing those banks in a position and creating for them a climate for credit expansion. If the funds released to reserve and nonreserve city banks by expiration of the supplemental reserve authority would flow into the money market as quickly as Mr. Eccles believed, this argument might fall, and he would not want to keep on piling up excess reserves.

In response to a question from Mr. Evans as to the volume of excess reserves that Mr. Sproul thought would be desirable the latter said that he thought the aggregate volume created by the release of the \$800 million on June 30 would be sufficient at this time.

The discussion again returned to the question of the action that might be taken in carrying out the policy adopted by the Committee as set forth in the statement approved for release to the press.

Mr. Riefler said that the economic situation had deteriorated to a point where positive action on the part of the Federal Reserve System to ease conditions was justified, and that the maintenance of a volume of active excess reserves of around \$500 million seeking investment would influence banks to increase their financing. Since the market has shown itself willing to hold up to about \$1,000 million excess reserves without active pressure on lending

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patterns, this policy would imply the maintenance on a statistical basis of \$1,500 million excess reserves, or about the amount that would be present in the market as a result of the release of \$800 millions on June 30. He stated that the problem before the System was how it could maintain this volume of excess reserves without at the same time actively bidding short rates down and further accentuating the present distorted pattern of interest rates. This problem grew out of the peculiarities of the auction system of marketing bills. The System would be able to roll over its certificates at whatever rate was set by the Treasury in view of the market. It could not roll over its bill holdings, however, without actively bidding against the market to replace bills as they matured. He said that in his view an ideal situation would be one in which the influence of the System would be neutral with respect to the rate for any particular maturity and was confined solely to the responsibility for the maintenance of excess reserves. These would themselves, of course, produce easier rates throughout the market. However, if the System desired to hold its total portfolio constant in order to maintain the volume of excess reserves that were in prospect, it would have to bid actively in the bill auction each week to roll over its maturities. This would involve active competition with market bids at a time when excess reserves were active. It would force a disproportionate drop in rates at the short end of the market and would perpetuate and accentuate the present distortion in the interest

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rate structure as between the long and the short end. The problem, in theory, could be met by allowing the bills to run off as they matured and by replacing them in the System portfolio by equivalent purchases of certificates and bonds. The trouble with this solution is that it would involve the System in open market purchases at a time when there would exist independently a bull market for Treasury certificates and bonds. To buy in such a market to maintain the System portfolio would be unsound and might have serious effects on prices. In view of this dilemma, he felt the logical solution led inexorably to a policy in which the System would put in no bids for bills as present holdings matured, and in which reserve requirements would be reduced progressively to permit the bills from the System account to be acquired by the market. Out of this, he felt, would come a different pattern of interest rates than now existed, one that would not be so much affected by Federal Reserve purchases of securities, and one which would leave the System in a more flexible position when it may be faced with rising yields in the Government securities market at a time of business revival. He suggested that if present holdings of bills of about \$4,000 millions were allowed to run off and reserves were reduced to make it possible for the market to take them up, it might mean a reduction in reserve requirements of as much as 6 percentage points by the end of this calendar year.

Mr. Riefler further explained that he was not interested in

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lower short-term interest rates as such during the period immediately ahead. He was prepared to accept them, however, as an inevitable consequence of bank reserve positions that would put banks under some pressure as lenders. He felt that conditions would change as business recession was succeeded by revival and at that stage rates would rise. The System, if it were out of the bill market at that time, could more easily follow policies to move short-rates up.

In a comment on Mr. Riefler's remarks, Mr. Sproul said he felt the System faced a problem of choices, that, regardless of how it did it, the System would be the active agent in pushing interest rates downward, and that the question whether it was better to reduce reserve requirements than to bid in the market for bills was something that would have to be worked out in practice. He went on to say that he would prefer to roll over the present bill holdings and see how the market responded rather than to adopt at this moment a policy of reducing reserve requirements to enable banks to take the bills.

Mr. Rouse stated that the Treasury might have a need for cash financing in the immediate future, perhaps in July, that the rate to be bid on bills would come into the picture very promptly, and that he would like to have a clear understanding of the procedure to be followed.

Mr. Sproul suggested that the Committee have a general

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understanding that it would be the policy to maintain about \$1,500 million of excess reserves in the market and that the way in which that would be done would depend on developments after the \$800 million of reserves was released at the end of June by expiration of the supplemental requirements. No disagreement with this suggestion was indicated by any of the members of the Committee.

Chairman McCabe again invited the members of the Committee who were Presidents of Reserve Banks to express their informal views as to action that should be taken with respect to reserve requirements in the light of the foregoing discussion, and each of them indicated that he would favor letting the supplemental authority expire without additional reductions at this time, Mr. McLarin adding that he was glad to know that consideration was being given to a possible further reduction, and, therefore, in view of the apparent intention of taking prompt action when considered advisable he would not urge further reduction immediately.

Mr. Sproul commented that although he felt there was some basis for reducing reserve requirements of central reserve city banks at this time, he felt such action could wait until it could be observed whether the reserves released to reserve and nonreserve city banks would flow quickly into the money market.

At this time a memorandum from Messrs. Young and Smith dated June 28, 1949, with respect to Treasury requirements for the fiscal year 1950 was distributed. A copy of the memorandum has been placed

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in the files of the Federal Open Market Committee.

Question was raised as to whether, if the Treasury should need to obtain additional cash during July and August, the Committee would wish to make a recommendation as to the means for obtaining such funds.

Mr. Rouse stated that the Treasury would probably contemplate the issuance of additional bills at least during July and August, that it might need to raise as much as $\$1\frac{1}{2}$ or \$2 billion over the near-term future, and that he would like to see an issue of 4 to 5 year notes, maturing in March 1954.

Several members of the Committee expressed the view that it would be desirable to recommend to the Treasury that it draw down its cash balance during the next few weeks while the effects of the changed policy were becoming apparent, and that when the Treasury needed new money it be obtained through the issuance of an intermediate term obligation, probably a 4 to 5 year note, at whatever rate was indicated by the market at the time it was issued.

Mr. Clayton suggested that the full Committee make no formal recommendation to the Treasury at this time but that it authorize the executive committee to make such recommendation to the Treasury as seemed desirable in the light of developments over the next few weeks and of the view of the full Committee that new money should be raised by the Treasury through the issue of intermediate

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securities of the type referred to in the foregoing discussion.

Mr. Clayton's suggestion was approved unanimously.

During the discussion of the recommendation to be made on Treasury financing, question was raised as to the date for the next meeting of the Federal Open Market Committee which had been tentatively set for August 29, 1949, at the meeting on May 3, 1949. Chairman McCabe suggested that the date be left subject to call, and this suggestion was approved.

Consideration was then given to the direction to be issued to the executive committee to arrange for transactions in the System open market account and to the question whether any changes in the wording of the direction should be made because of the changed policy adopted at this meeting. Reference was made particularly to the part of the first sentence which directed the executive committee to arrange for transactions "for the maintenance of stable and orderly conditions in the Government security market," and Mr. Sproul suggested that the words "stable and" be deleted. He pointed out that, while the objective under the new policy was to maintain orderly conditions, there might well be some decline in rates under the new policy, and it was agreed that the change should be made.

In a discussion of the extent of authority to be given the executive committee, it was suggested that the existing \$3 billion limit in the first paragraph of the direction and the \$1.5 billion limit in the second paragraph be continued.

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Thereupon, upon motion duly made and seconded, the following direction to the executive committee was approved unanimously, with the understanding that the limitations contained in the direction would include commitments for the System open market account:

The executive committee is 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 light of changing economic conditions and the general credit situation of the country, for the practical administration of the account, for the maintenance of orderly conditions in the Government security market, and for the purpose of relating the supply of funds in the market to the needs of commerce and business; provided that the aggregate amount of securities held in the account at the close of this date other than 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 \$3,000,000,000.

The executive committee is 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 total amount of such certificates held in the account at any one time shall not exceed \$1,500,000,000.

Thereupon the meeting adjourned.

Chester Morrill
Secretary

Approved:

Thomas B. McCall
Chairman.