

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, December 13, 1949, at 12:57 p.m.

PRESENT: Mr. McCabe, Chairman
Mr. Sproul, Vice Chairman
Mr. Eccles
Mr. Draper (alternate for Mr. Vardaman)
Mr. Leach

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

Upon motion duly made and seconded and by unanimous vote, the minutes of the meeting of the executive committee held on November 18, 1949, were approved.

Upon motion duly made and seconded and by unanimous vote, the action of the members of the executive committee on November 30, 1949, in reaching the understanding that rates on the longest bills and certificates would be held at their then existing levels and not allowed to increase further, was approved, ratified, and confirmed.

Upon motion duly made and seconded and by unanimous vote, the transactions in the System account, as reported at the meeting of the Federal Open Market Committee immediately preceding this meeting, for the period November 18, 1949, to December 12, 1949, inclusive, were approved, ratified, and confirmed.

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In response to a question, Mr. Rouse suggested that the limitations in the direction for executing transactions for the System account, given by the executive committee to the New York Bank, be changed to \$1,000,000,000 in the first paragraph and \$,00,000,000 in the second paragraph.

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 committee:

(1) To make such purchases, sales, or exchanges (including replacement of maturing securities and allowing maturities to run off without replacement) for the System account, either in the open market or directly from, to, or with the Treasury, as may be necessary, in the light of 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 total amount of securities in the account at the close of this date shall not be increased or decreased by more than \$1 billion exclusive of special short-term certificates of indebtedness purchased for the temporary accommodation of the Treasury pursuant to paragraph (2) of this direction;

(2) To purchase direct from the Treasury for the System open market account such amounts of special short-term certificates of indebtedness as may be necessary from time to time for the temporary accommodation of the Treasury; provided that the total amount of such certificates held in the account at any one time shall not exceed \$,000 million.

In taking this action it was understood that the limitations contained in the direction include commitments for purchases and sales of securities for the System account.

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It was agreed unanimously that, in view of the decision at the meeting of the Federal Open Market Committee today, no change should be made in the understanding reached at the meeting of the executive committee on November 18, 1949, with respect to the replacement of Treasury bills in the System account.

Mr. Rouse stated that it seemed probable that until the end of the year it would be desirable to replace maturing bills in full and to buy bills on balance in order to help banks to meet seasonal demands for funds, but that after the turn of the year, the situation would call for substantial redemptions of maturing bills as well as sales from the System account.

There was a discussion of the authority granted to the executive committee by the full Committee to fix the exact ranges at which bills and certificates were to be purchased and sold for the System open market account and, upon motion duly made and seconded and by unanimous vote, these ranges were fixed for the time being at 1.04-1.12 on Treasury bills and 1.08-1.12 on certificates.

It was also understood that the Federal Reserve Bank of New York would be guided in the sale of long-term securities from the System account by the discussion and action on this subject at the meeting of the Federal Open Market Committee today.

It was suggested that the next meeting of the executive committee should be set tentatively for Friday, January 6, 1950,

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at 10:30 a.m. and this suggestion was agreed to by all of the members present.

Thereupon the meeting adjourned.

Chester Morrie
Secretary.

Approved:

Thomas B. Lee, Jr.
Chairman.