

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 Thursday, June 19, 1952, at 12:15 p.m.

PRESENT: Mr. Martin, Chairman  
Mr. Sproul, Vice Chairman  
Mr. Hugh Leach  
Mr. Powell  
Mr. Vardaman

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

Mr. Riefler, Secretary  
Mr. Vest, General Counsel  
Mr. Thomas, Economist  
Mr. Ralph A. Young, Associate Economist  
Mr. Rouse, Manager, System Open Market Account  
Mr. Sherman, Assistant Secretary, Board of Governors  
Mr. Youngdahl, Chief, Government Finance Section, Division of Research and Statistics, Board of Governors  
Mr. Ralph F. Leach, Economist, Division of Research and Statistics, Board of Governors  
Mr. Willis, Securities Department, Federal Reserve Bank of New York

Upon motion duly made and seconded, and by unanimous vote, the transactions in the System open market account for the period since similar action of the executive committee on June 6, 1952, were approved, ratified, and confirmed.

Mr. Riefler stated that, in order to make effective the authorization given at the meeting of the full Committee this morning regarding purchases of special certificates of indebtedness of the United States in connection with week-end transactions, the executive committee should issue a

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similar authorization for each Federal Reserve Bank to effect such purchases in accordance with the general authorization approved by the full Committee.

Thereupon, upon motion duly made and seconded, and by unanimous vote, the executive committee approved the following authorization:

Pursuant to the authorization of the Federal Open Market Committee on June 19, 1952, each Federal Reserve Bank, until further action of the executive committee, may purchase special certificates of indebtedness of the United States, under arrangements made with the Federal Reserve Bank of New York, directly from the Treasury, from another Federal Reserve Bank, or from the System open market account, when such purchases will facilitate the handling of the Treasury's balances on Saturdays or holidays when the Federal Reserve Bank of New York is closed and another Federal Reserve Bank or branch is open, provided that the amount of such special certificates held by all of the Federal Reserve Banks for their own account as a result of such purchases, together with the amount of such special certificates purchased directly from the Treasury and held in the System open market account, shall not exceed at any one time the total amount of such special certificates authorized to be held under the then current authorization of the executive committee to the Federal Reserve Bank of New York for the System account.

Mr. Sproul suggested that in issuing a direction to the Federal Reserve Bank of New York it be understood that the executive committee would continue to carry out the general open market policy of neutrality, as discussed at the meeting of the full Committee earlier today. He also suggested that the limitation relating to purchases direct from the Treasury of special certificates of indebtedness be reduced from \$2 billion to \$1 billion.

Thereupon, upon motion duly made and seconded, the executive committee voted unanimously to direct the Federal Reserve Bank of New York until otherwise directed by the executive committee:

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(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 current and prospective economic conditions and the general credit situation of the country, with a view to exercising restraint upon inflationary developments, to maintaining orderly conditions in the Government security market, to relating the supply of funds in the market to the needs of commerce and business, and to the practical administration of the account; 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 (including purchases made in connection with week-end transactions under the special authorization of the Federal Open Market Committee dated June 19, 1952) shall not exceed \$1 billion.

In taking this action it was understood (1) that the limitations contained in the direction include commitments for purchases and sales of securities for the System account, and (2) that if the authority contained in Section 14(b) of the Federal Reserve Act to purchase securities directly from the Treasury were not extended beyond June 30, 1952, the authority contained in paragraph (2) of this direction would terminate on that date.

Mr. Sproul referred to the amendment to section 8 of the regulation of the Federal Open Market Committee concerning bankers' acceptances approved at the full Committee meeting this morning and to the action of the full Committee in fixing, at this time, a minimum buying

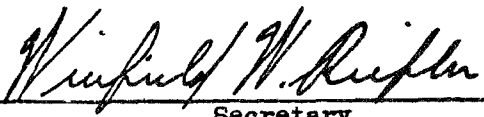
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rate of one and three-quarters per cent on prime eligible bankers' acceptances purchased by a Federal Reserve Bank in the open market, and he suggested that the executive committee note that such rate had been set, subject to change from time to time in order to carry out the policies that may be adopted by the full Committee.

It was understood that the next meeting of the executive committee would be subject to call by the Chairman.

Thereupon the meeting adjourned.

  
Secretary.