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 Wednesday, February 15, 1956, at 10:45 a.m.

PRESENT: Mr. Martin, Chairman
Mr. Sproul, Vice Chairman
Mr. Balderston
Mr. Fulton
Mr. Irons
Mr. Leach
Mr. Mills
Mr. Robertson
Mr. Shepardson
Mr. Szymczak
Mr. Vardaman
Mr. Powell, Alternate for Mr. Earhart

Messrs. Erickson and Johns, Alternate Members of the Federal Open Market Committee

Messrs. Williams, Bryan, and Leedy, Presidents, Federal Reserve Banks of Philadelphia, Atlanta, and Kansas City, respectively

Mr. Riefler, Secretary
Mr. Thurston, Assistant Secretary
Mr. Vest, General Counsel
Mr. Solomon, Assistant General Counsel
Mr. Thomas, Economist
Messrs. Daane, Hostetler, Rice, Roelse, Wheeler, and R. A. Young, Associate Economists
Mr. Rouse, Manager, System Open Market Account
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. Marsh, Manager, Securities Department, Federal Reserve Bank of New York

Upon motion duly made and seconded, and by unanimous vote, the minutes of the meeting of the Federal Open Market Committee held on January 24, 1956, were approved.

Before this meeting there had been distributed to the members of the Committee a report prepared at the New York Bank covering open market operations January 24-February 8, 1956, and at this meeting a supplementary report covering commitments executed February 9-14, 1956, inclusive, was distributed. Copies of both reports have been placed in the files of the Committee.

Mr. Rouse referred to the forthcoming Treasury refunding and said that in informal discussions with Treasury representatives, he had indicated the desirability of offering Treasury bills in exchange for System holdings of approximately $1 billion of the 1-1/2 per cent notes due April 1, 1956. These notes were acquired by the System in 1951 when it converted $1 billion of its holdings of the 2-3/4 per cent convertible bonds of 1975-80, which had been issued at the time of the accord, into five-year 1-1/2 per cent notes dated April 1, 1951. Subsequently, the System had converted an additional $500 million of the bonds into notes dated October 1, 1951, another $500 million into notes dated April 1, 1952, and some $700 million into five-year 1-1/2 per cent notes dated October 1, 1952.

Upon motion duly made and seconded, and by unanimous vote, the open market transactions during the period January 24 to February 14, 1956, inclusive, were approved, ratified, and confirmed.

A staff memorandum dated February 10, 1956, reviewing economic and financial developments had been distributed prior to this meeting, and at this time Mr. Young summarized the economic situation as follows:

The present economic situation is characterized by more diversity of tendency than at any point since the revival in activity took hold after mid-1954. Observers committed to a mechanistic 42-month cyclical hypothesis for business fluctuations are disposed to diagnose the current position as one of cyclical topping, implying that, after perhaps a few months further of sidewise movement, downward adjustment will be dominant. A more optimistic view is that, after a year and a half of rapid climb, the economy is undergoing a period of necessary realignment in activities, as those that have gained most rapidly gear themselves to more sustainable levels of demand and as other activities that have been slower to revive and expand, pick up in momentum and penetrate new high ground. With many industries at very advanced levels of output, this view must obviously recognize that further expansion in aggregate supply and demand can only be at a much slower pace. In support of the more optimistic view, it can be said that it is hard to perceive in the conjuncture of available economic indicators a formation that would definitely spell downturn.

The arrangement of materials in the staff report makes clear that the appearance of some easing of the labor market is perhaps the leading item of economic news. This is indicated by some extraseasonal decline in manhours worked, a modest reduction in weekly earnings in manufacturing, a moderate decline of employment in a number of durable and nondurable manufacturing lines, a small increase in temporary layoffs at factories, a counter seasonal rise in claims for unemployment compensation, and a sharp increase in new jobless persons.

Preliminary estimates of industrial production for January result in an index of 144, about the same as in other recent months. Final data for January may put the index down to 143. Activity in most lines has been stable, with a few lines rising and a few receding. At the same time, output of basic materials such as steel, paperboard, and fuels continues very strong as does output of producers' goods, while output of consumer nondurable goods remains well maintained at the very high autumn levels. Except where work stoppages have been important, declines in output have been most marked in the area of consumer durable goods, where production of household durables has declined since autumn and auto output, beginning in late December, has been cut back fairly sharply.

Consumer durable goods markets have been showing a mixed picture. New car sales in January were off about 5 per cent from a year ago, and, even with reduced output, dealer stocks rose further to new high levels. On the other hand, used car sales in January ran around 6 per cent more than last year, with little change in stocks. Used car prices have apparently firmed significantly since mid-December. Sales of household durables at department stores in January were well above a year ago.

Over-all retail sales continue at the high autumn level. The Board's index of department store sales for January came to 125 per cent of the 1947-49 average, compared with 122 for the three preceding months.

Consumer instalment credit continues to rise though at a slackening pace. While competition among lenders as to contract maturities appears to have stabilized, competitive liberalization of downpayments still seems to continue. With heavy automobile inventories, dealers are under stronger pressure than at any time to move passenger cars on a liberal downpayment and maturity basis. Delinquencies on instalment paper have risen somewhat over the past two months, but the level remains low by prewar standards and not high by postwar standards.

In the real estate construction area, value of construction was off further in January, reflecting declines in residential construction activity. Contract awards in eastern states continue at an unusually high level, but data for western states (which are construction permits data) are down. Housing starts in January were about at the December annual seasonally adjusted rate, suggesting a halt in the decline in residential building. Field reports indicate a readier availability of construction and mortgage money and a general clearing up of the congestion that has characterized this credit area. Applications for VA and FHA underwriting were up sharply in January.

Inventory accumulation picked up in the fourth quarter, but at least a third of the sizable increase reflected the effects of price increases. For the year inventory rose about $5 billion or about 7 per cent. This was less than the rise in sales, so that inventory-sales ratios at the year end were still at relatively low levels from an historical viewpoint.

Over-all, industrial prices have continued to rise this year, though at a slackened pace. Farm prices have recovered somewhat from their seasonal lows. Price adjustments since the year end for primary industrial materials and products have been closely related to adjustments in activity. Most recently, changes have been towards firmness or upward. This has been true of metals, building materials, textiles, crude and fuel oil, and a few other products. Industry reports indicate that a general rise in steel prices is still under active consideration by the industry; also that a further rise in crude and fuel oil may take place.

Abroad, economic activity continues at close to capacity rates. It is still rising in most European countries, but in recent months the rate of rise has slowed down considerably. European metal markets appear to maintain strength. In a number of countries, restraints on credit expansion have been significantly tightened in recent months.

The latest information for U. S. foreign trade (for December) shows that exports and imports have continued at the high levels reached early last year.

Mr. Sproul commented that Mr. Young's report conveyed the impression of a changing tone in the economy, from one of strength to one of letting-up on expansion; the mixed picture was what might be expected in a period of topping-out a rise. He also said that comments from the building industry tended to give the impression that it was being hurt more than was actually the case by the decline in private housing starts; in reality, the picture was not a weak one, as some comments from the industry seemed to indicate.

Mr. Young agreed that the picture was a mixed one although he felt that on balance it showed more in the way of strength than of weakness. The picture for the building industry definitely is not one of weakness either in housing or industrial construction, he said; it is characterized by critical shortages of some materials with a good many price pressures.

Mr. Williams said that on the basis of discussions held during the past few days with economists from several important industrial firms and commercial banks in the Philadelphia District, the picture presented was one of optimism regarding the outlook for at least the first half or three-quarters of this year.

Mr. Leach noted Mr. Young's comment that there was weakening in the labor market and inquired whether this came largely from the automobile industry.

Mr. Young responded that the weakening was more general, although the automobile industry was the largest element with its cutbacks in employment and working hours both by automobile manufacturers and parts suppliers. Some nondurable goods lines also were showing easing.

Mr. Thomas said that the review presented by Mr. Young and the picture brought out by the questions asked by Messrs. Sproul, Williams, and Leach might be taken as indicating that activity had reached a ceiling and was leveling off as a result of internal adjustments. It seemed probable that the danger of a push through the roof, with a subsequent fall to the ground, had been averted at least for the present. The prospect of staying close to the ceiling was promising, however. The downward adjustment in automobile production and sales, together with at least a leveling off of building activity, was releasing resources that might be absorbed in other industries sufficiently to keep a high level of activity but still prevent it becoming too high. Mr. Thomas expressed the view that a general decline may be avoided, but it was necessary to be alert to the possibility of such a development in case the automobile situation were to become more serious than was now expected, or in case it should lead to declines in other areas.

Mr. Thomas went on to say that the leveling off in economic activity had been reflected in the credit situation. He presented figures showing that total bank credit and the money supply had shown about the customary decline for this time of year and that the decline had been somewhat larger than a year ago. The money supply is now only about 1-1/2 per cent above a year ago. Commercial loan contraction this year has resulted largely from refunding finance company paper, taking it out of banks and placing it privately with insurance companies. Business loans in nonseasonal industries this year have continued to rise more than last year, indicating some continued business demand for funds during recent weeks.

After commenting on the increased offerings of new capital issues after a period of slack and on recent stock market fluctuations, Mr. Thomas pointed out that money rates had declined somewhat, despite a tightening in bank reserve positions since the year-end. This paradox may be explained by the strong nonbank demand for securities, together with the reduced holdings of short-term securities by banks, which are more inclined to borrow rather than sell their longer issues. After pointing out that current reserve projections indicated the likelihood of some increase in net borrowed reserves, Mr. Thomas said that in the light of information available with respect to the economy, there seemed to be no need for increasing the degree of restraint at the present time. If such a need should develop, restraint might be effected by increasing the discount rate, rather than by making it necessary for banks to borrow more reserves. On the other hand, Mr. Thomas said, developments might indicate a need for less restraint than at the present time, but market behavior indicates that the current level of member bank borrowing is not putting too much pressure on the market. Net borrowed reserves of around $400 million or less with the existing discount rate might provide a position which would be appropriate for a high level of economic activity without ebullience.

Mr. Balderston noted that Mr. Thomas had not mentioned the forthcoming Treasury financing, to which comment Mr. Thomas responded that the Treasury financing was scheduled for sometime early in March and that this would be one of the reasons why the Committee might not wish to have the reserve pressures built up as much as the projections indicated they would be in the absence of action by the Committee.

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

> 1. This seems to be a period of cross currents in economic activity, and of some healthy readjustment where the upward surge of 1955 carried production beyond presently sustainable levels. The economy as a whole still appears to be strong, however, with neither inflationary nor deflationary forces in the ascendant.
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> 2. It is in this kind of period that the time lags in our statistical data, added to the gaps which always exist in such data, make us more than usually dependent on what people actually in business are hearing and seeing--in other words, the "feel" of the situation among businessmen and bankers, and among their customers. The directors of Reserve Banks should be able to make a special contribution to policy formation under these circumstances.
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> 3. As we see it at New York business plans for capital expenditures are still impressively strong and consumers are continuing to buy goods and services at a pretty fast clip,

although consumer instalment credit may be less of a prop to consumer purchasing power than it was in 1955. Employment is high for the season, and the presence of a considerable number of marginal workers in the labor force provides some cushion against an increase in real unemployment. Inventories have grown somewhat, but so large a part of the increase has been in automobiles as to make interpretation of the figures dependent upon what happens in the automobile business this spring, a story which won't be told for another month or two. Prices are showing some of the same cross currents as business. There is the possibility of another cost-price push upward as the new minimum wage goes into effect, and as labor contracts in important industries are rewritten, but these influences may be balanced by reduced pressure of demand for some materials and curtailment of overtime working schedules. The agricultural situation is not expected to be more of a depressant than it has been, and the effects of our foreign trade and of Government spending upon the domestic economy do not seem likely to change markedly. There is no evidence, as yet, of any general slackening of demand for bank credit. In the aggregate the banking figures are behaving about as might be expected at this season of the year, with some repayment of business loans and a substantial decline in total loans and investments. Finally the Federal cash budget is in a period of substantial surplus this half year, which means that bank credit will not be drawn into the economy in support of a Federal deficit.

4. This sort of estimate of the situation, which parenthetically seems to be supported by the action of the stock market, suggests to me that this is not the time for a major credit policy move, in either direction, whether of open market operations or discount rate. Both the data we have and our "feel" of the situation confirm me in the opinion, however, that we were right in our modest move toward slightly less restraint in the directive we issued at our last meeting. We no longer need the pressure of increasing resistance to strong expansionary forces, and inflationary developments, which moulded credit policy in 1955. At the same time the immediate course of the economy is not clear enough to justify more than this minor move toward relaxation of pressure, particularly since market anticipations of an easier credit policy are already beginning to outrun the facts. If we add further action to market anticipations right now, we could quickly have more ease than we desire.

5. Such a policy would seem to fit in with the Treasury's immediate financing needs which will involve the refunding of about $9 1/2 billion of securities maturing March 15 and April 1. Only $4 1/2 billion of these maturities are held away from the

Federal Reserve Banks, but a relatively large part of these holdings are in the hands of nonbank investors. If a large proportion of these holders want cash at maturity, we shall need a firm "rights" and "when issued" market in order to avoid a situation such as that which caused an attrition problem last November-December. We are likely to have it, if the general business and credit situation and our policy are not such as to create apprehension about the future course of interest rates and the availability of funds, and if the prospective reduction in the supply of short Governments during the March-June period brings in a considerable nonbank demand for the new issue. That, plus the fact that the Treasury's cash position is now more comfortable than it was in December, should mean that we would not have to face the dilemma of conflicting aspirations and needs which we had to face at the time of the last financing. I would like to reinforce, here, what Mr. Rouse said about the possibility of the Treasury issuing a strip of bills in exchange for the 1 1/2 per cent notes of April 1, 1956 of which we hold the bulk. So long as we are committed to the present practice of dealing only in Treasury bills, except on special occasions, I think our portfolio of bills is getting pretty small, not just in the aggregate but in terms of the various maturities we hold for trading purposes.

6. I would suggest an open market program, operating under our present directive, which aims at the maintenance of our present position. That involves somewhat less restraint than in the fall of 1955 and means that we should seek definitely to prevent serious and continued stringency in the money market. As rough guides to such a policy, along with the feel of the market, net borrowed reserves of $200-400 million, average member bank borrowing in the $750 million to $1 billion range, and Treasury bill rates an eighth to a quarter below the discount rate would seem acceptable. Just as we let seasonal increases in demand for credit press against the supply, and thus stiffen restraint in the autumn, we have now let a seasonal slackening in demand for credit show up in some lessening of restrictive pressure.

7. We shall have to be ready, of course, to meet whatever kind of situation which might arise as a consequence of announcement by the President of his political intentions, but that we cannot anticipate now.

Mr. Erickson said that conditions still remained good in the Boston District. Nonagricultural employment was up in December from November. Construction awards in January were 27 per cent ahead of last year even though residential awards were down 7 per cent. Retail sales in January were not good because of weather but more recently had been ahead of last year. As to credit, Mr. Erickson cited a recent comment by a representative of a large bank in New England to the effect that that bank's condition was tighter at present than at any time in 1953. It was Mr. Erickson's view that there should be no change in the discount rate and no change in the Committee's directive at this time. He would not go as far as Mr. Sproul in suggesting net borrowed reserves down to $200 million; but he would go to around the $400 million level.

Mr. Irons said that conditions in the Dallas District were mixed, but he had the impression the plus signs outbalanced the negative signs. The petroleum industry was strong and there had been an increase in construction awards in January, particularly in new housing. Other industries were operating about as fully as they had been for several months. Most employment changes were seasonal in nature. Retail trade had been running about the same as a year ago, having leveled off. However, it was difficult to judge trade activity closely because some shopping days probably had been lost recently as a result of storms. There was probably a little more optimism in the agricultural area as a result of the recent 15 to 18 inch snow fall in the Panhandle section of Texas. In a recent series of meetings over the State of Texas, demand for bank loans had been described as being as strong as at any time, if not stronger. Bankers were keeping this in check only by careful and regular selection of loans on their part, plus the credit restraint policy of the Federal Reserve which was having an effect. Discounts at the Reserve Bank were running fairly high and were tending to be continuous with the pressure from loan demands. City banks were trying to make adjustments in their reserve positions at the discount window. On the whole, Mr. Irons said that he would lean a little to the plus side and would hope the Committee could keep about the degree of pressure that it has maintained. He would not now favor any change in discount rate or open market operations. Like Mr. Erickson, he would lean a little more to the higher side of Mr. Sproul's suggested range of $200-400 million of net borrowed reserves than to the lower side of the range. He would hope that money rates and bill rates would continue to have about the present relationship to the discount rate.

Mr. Powell noted that the Ninth District was still having midwinter weather. There was no evidence at this time of which way business would move during the coming year. He had no reason to suggest any change in Committee policy from that recently followed and would cast his vote for continuing operations without much change one way or the other.

Mr. Leedy said that the elements of strength in the economy still may outweigh slightly the elements of weakness. Accordingly, there appeared to be no reason for relaxing the degree of pressure the Committee had been attempting to apply in the market. Certainly there was no reason for any change in discount rate. Mr. Leedy said he felt that, to be entirely on the safe side, the Committee might insert in its instructions to the Manager of the System Account the requirement that if errors were made, they be made on the side of relaxing pressure a bit. However, reports of the performance of the stock market this morning following the announcement of doctors that the President could be a candidate for reelection provided no reason to be leaning in that direction. Mr. Leedy thought the immediate reaction to this report might indicate that difficulties would be built up for the Committee if an announcement came promptly that the President had decided not to be a candidate. It was too early to decide on Committee action in that event, but Mr. Leedy said that he would apprehend the need for some fast and extensive footwork at that time. The general policy to which he would subscribe at the present time was to continue operations as carried on since the preceding meeting of the Committee.

Mr. Leach said that there was ample evidence in the Fifth District of continued economic strength. At the meeting of the Board of Directors of the Richmond Bank last Thursday, two directors (one from the head office and one from the Charlotte Branch) who were leaders in the furniture industry reported that the industry is sold ahead as far as midyear and that production for the year is expected to run substantially above 1955. Similarly, another director reported that the cotton textile industry as a whole is sold ahead well into the second quarter, that the industry is continuing to operate on a three-shift six-day basis, and that the cotton textile business generally is the best it has been since Korea. Other leading industries in the district also show strength. Employment continues high, and trade--other than automobiles--continues at record levels. The national economic situation as pictured in the staff review presented this morning appears to be more mixed than the situation in the Fifth District, Mr. Leach said. Nevertheless, he was not in favor of further lessening of restraint at this time. Now that the unusual demand in the market resulting largely from the Ford and Illinois Turnpike financing is over he would expect interest rates to be above recent levels. Mr. Leach said that he would think that the desired degree of restraint could be maintained with net borrowed reserves somewhat less than the recent average of $400 million.

In response to a question from Mr. Thomas as to how much the high levels of activity in Fifth District industries reflected the imminent increase on the minimum wage rate, Mr. Leach said that he thought this had had its influence last fall but that he did not think it explained current high levels of activity, and it was not a reason for lessening the degree of restraint at the present time.

In response to a question from Mr. Vardaman as to whether the high levels of furniture production were based on firm, noncancellable orders, Mr. Leach said that orders for furniture could be cancelled.

The high level of operations reflected the current views of leaders of the industry who, he said, were quite optimistic. They think they will get business which otherwise might be going into purchases of automobiles. With the furniture industry and cotton textile industry at high level operations (synthetic textiles are not operating at as high levels relatively speaking) and with coal mining and cigarette manufacturing activities up, Mr. Leach could see no reason from the standpoint of the Fifth District for a policy of credit ease. He could see a mixed situation in the country as a whole but would not suggest a program of ease at the present time.

Mr. Vardaman said he would go along strongly with the idea that the Committee not make any outward change in wording of its directive. He would like to emphasize what Mr. Sproul had said, particularly about the anticipations which seemed to be abroad that the Committee was going to lessen its restraints. To encourage that idea by any overt action or word would be unfortunate. However, in view of the forthcoming Treasury financing and the political situation resulting from the President's decision, Mr. Vardaman said that he would also emphasize what Mr. Sproul had said about the necessity of the Reserve Bank presidents and directors keeping a close feel of the situation, and of the need for "playing our hunches" by ear. Mr. Vardaman thought that if the President announced he would be a candidate for reelection there would be a terrific resurgence in the economy and the Committee should be alert to preventing the inflation which might result from such an announcement. On the other hand, if the President announced that he would not run, there would probably be a deep sag temporarily, but that such a sag would also be followed by a strong upswing and the Committee should also be prepared to prevent the inflation which might result from that resurgence. For the moment, he would play along with about the present reserve situation, but would not want it made any tighter. In detail, he would suggest net negative reserves of between $200-300 million.

Mr. Mills made a statement substantially as follows:

> It seems to me that we have come far enough into the year to pick up the color of the business community's thinking. Even after taking account of the conflicting economic data which have been presented and which are essentially historical, the color of thinking in the financial and business world as well as economic prospects, as I see them, are not as bright as they were. If that is the case, we should consider adapting System policy to the community's thinking and to the planning and decisions likely to stem therefrom. Stronger prices for United States Government, municipal, and corporate securities have seemingly developed from a genuine investment demand, an investment demand that should be welcomed and not discouraged. Therefore, it would be a mistake to interfere with the tendency of bond prices to rise. To do so would risk losing track of the availability-of-credit factor in the present credit outlook. Mr. Erickson mentioned the tight loan position of a bank in his district, and I gather there are many similar cases throughout the banking world. If the present degree of credit pressure--which is signified by a level of negative free reserves approximating $400 million--was thought to be appropriate, I believe that we should have deplored rather than have felt equanimity at the temporary increase above that level, even though accidental. Moreover, on the basis of current estimates, negative free reserves may rise again to the $500 million level. With that prospect in mind a good case can be made for supplying some new reserves. As one way to do so, reserves released through reductions in required reserves might no longer be absorbed as they have been until now. Put in another way, if bank loans contract further

along with a reduction in bank deposits, any leeway in the marginal repayment of loans could reasonably be allowed to serve as a foundation for making new bank loans whose creation would be further supported by the reserves made available through the lower required reserves referred to. In that connection it appears from the reports made around this table that, by and large, loan demands are for legitimate purposes. If those loan demands are made with the help of adequate reserves simultaneously with a strong market for United States Government securities backed by a genuine investment demand, the combined result should be to improve the actual liquidity as well as the sense of liquidity of the commercial banks at a time that such encouragement is desirable. It seems to me that we should let well enough alone and bring negative free reserves by very gradual and almost imperceptible steps to the $300 million level, or possibly lower. In doing so, neither control of the market nor an appropriate degree of credit restraint need be sacrificed.

Mr. Robertson said that it seemed to him that, since the last meeting, money market conditions had been easier than he had contemplated they would be and easier than most of the members of the Committee contemplated at that meeting. The Committee had given the Manager a free hand to operate as he saw fit and no member of the Committee was in a position to criticize the Manager, and he did not intend to do so even though he disagreed with some of the operations carried out since the meeting.

With respect to the future, Mr. Robertson said that it seemed to him that the economy was showing some weaknesses at the moment. However, there still were indications of price rises and of possibilities of inflationary pressures. In his view, during the next three weeks the Committee should direct the Manager of the System Account to maintain at least the present degree of pressure in the market. He would not measure this by a single indicator such as the volume of free reserves but would include such factors as changes in interest rates and the general tone of the market. The Manager should be directed to take appropriate steps to see that interest rate levels did not decline but, if anything, rise slightly. Mr. Robertson said that he felt the Committee should maintain a position of firmness now, not only because of economic conditions but because of the Treasury refunding which was in the offing and which might be announced before the next meeting. He would hope that the April 1 maturities would be replaced with bills although that was a decision that rested with the Treasury. He felt that the Committee should now move to tighten the market rather than to wait until one or two days before the Treasury made a decision as to what its announcement would be. He would make no change in the discount rate at this time or in margin requirements, nor would he change the Committee's general directive in any respect.

Mr. Robertson went on to say that he felt the Committee should go further than this in view of the Treasury refunding that would occur shortly and take appropriate steps to notify the Treasury (1) that it hopes there will be no occasion during the next refunding for a repetition of the November support actions; (2) that the Treasury cannot count on us for support of that nature save in exceptional circumstances; and (3) that in the Committee's opinion attrition in a refunding is to be expected and that even a large amount does not necessarily denote a failure but merely indicates the need for other steps to complete the financing, e.g., by the auction of additional bills to make up the dif-

In response to an inquiry from Mr. Vardaman as to whether he (Mr. Robertson) felt that the Committee should now increase the degree of tightness in the market, Mr. Robertson responded in the affirmative, stating that he personally thought that the degree of tightness now was on the low side. It was his view that the Committee should now start to raise the level of firmness, if it felt increased firmness would be appropriate, and not wait to do so until shortly before the Treasury decided upon its financing.

Mr. Shepardson said that the picture was a mixed one. His feeling, he said, was in line with that expressed by Messrs. Erickson and Irons as to the position he would look forward to in the period ahead.

Mr. Fulton said that the Cleveland District was still enjoying a very high level of economic activity and expected no particular slump. Some layoffs have occurred in the automobile industry, and deliveries of some orders for steel and components have been pushed back. These, however, were not cancellations. For the latter part of the year, expectations for the automobile industry were high; the coal industry also was very active with the largest coal mining company reporting that its production was sold out for this entire year. There should be no relaxation at this time in the existing degree of pressure, he said, adding that a little more relaxation may have taken place since the Committee met on January 24 than was intended. The Committee should not let the market gain the impression that it was easing the situation.

Mr. Williams noted that the Committee was making policy for only three weeks. There have been some misgivings as to whether the turn has come, and there is some evidence of softening in the economy, but it is still a strong economy. For the present, he felt no change should be made in the Committee's policy.

Mr. Bryan said there was nothing in the Atlanta District's economy or financial picture that would indicate a judgment different from that already expressed as to the outlook. His feeling was that this was not the time for an overt policy decision. Mr. Bryan said that he too was influenced by the fact that the Committee was making decisions for brief intervals. We may have a situation in which the economy is softening. If that proves to be true, he thought the evidence of the softening would be found in employment and related figures perhaps as quickly as anywhere. Accordingly, he would watch employment figures very carefully. If unemployment begins consistently to pile up, he would revert to a policy of supplying reserves on the basis of some growth factor that was calculated as rationally related to a full employment economy.

Mr. Bryan also said that he was impressed with Mr. Thomas' comment on the small growth of the money supply over the past year. He felt that a radical slackening in the rate of growth of the money supply would, if it has not already done so, restrain the economy.

Mr. Johns said that he was quite well satisfied with the Committee's failure to get the degree of restraint it had last November. He did not think the Committee had stopped too far from that level. Until the next meeting of the Committee, he would continue as at present. He said he had not conceived the program for the next three weeks as being one of progressive easing.

Mr. Johns also referred to a telegram which he and some of the other Reserve Bank Presidents had received from Mr. Balderston last Friday asking for information with respect to collection of accounts of implement and other merchants in agricultural areas, and he stated that he was prepared to comment on it.

Chairman Martin indicated that he was not familiar with this inquiry. Mr. Mills described the reason for the request, stating that Mr. Hauge of the White House Staff had met with a farm group a few days ago and that the group had informed him that collection of retail accounts was slow in agricultural communities. The group also represented that bank accommodations were becoming difficult to obtain, not only on the part of individuals but also on the part of merchants who were experiencing slow collection of their receivables. Mr. Mills said that Mr. Hauge felt that this was in the area of the System's credit responsibilities and that telegrams were sent to a number of the Reserve Banks last Friday asking that they be prepared to report on this situation at today's meeting.

Mr. Johns said that he had found nothing in the Eighth District to support the charge that collections were slowing down significantly. In southern parts of the District--Arkansas, for example--collections by merchants were reflecting the fact that farmers have more money than is customary at this time of year because they had extraordinarily good crops last year. Even in northern parts of the District there is no indication of any significant decline in collections. Where collections are reported to be off a little, reporters were quick to point out that this was not because farmers were not paying their bills. Mr. Johns concluded his statement by saying that he could find no evidence of failure on the part of banks to accommodate merchants in agricultural areas according to usual standards.

Mr. Irons stated that the situation in the Dallas District was substantially the same as that described by Mr. Johns.

Mr. Leedy said that while collections from farmers had slowed a little in the Tenth District, this was in areas where income had fallen severely. In most cases income and other liquid assets have been such as to confirm the general picture given by Mr. Johns.

Mr. Szymczak said that it was apparent there were forces going in both directions in the economy at the present time. During the next few weeks, he would follow a policy slightly less restrictive than the one the Committee was following last November. He suggested that net borrowed reserves might be in the $200-$300 million range.

Mr. Balderston said he hoped the Committee might urge the Treasury informally to issue another billion dollars of bills in its forthcoming financing. As to the Committee's directive to the New York Bank, Mr. Balderston was puzzled as to how the desk could learn the consensus of this Committee if it abstained from any figures, as had been urged by Mr. Robertson. He shared the feeling, he said, that no single figure is reliable enough to reflect the consensus; on the other hand, words alone would not seem adequate. Mr. Balderston said that his thinking was that the present position should be held through the Treasury's financing, unless an announcement by the President forced a departure from that. He would like to see a bill rate slightly below the discount rate. He did not know what level of negative free reserves would be compatible with that objective although he expected a minus $400 million would reflect his view. He had no figure of member bank borrowings to suggest. He did feel, however, that the Committee lacked an adequate means of communication with the desk that was sufficiently concrete to give the desk a clear indication of the Committee's decisions. He had no suggestions to offer as to language that would accomplish this.

Chairman Martin said that he thought it obvious from the discussion that no member of the Committee really wished to change the wording of the directive that was adopted at the January 24 meeting. He had great sympathy with the desk, as he had pointed out previously, he said. He did not believe the Committee could use figures or estimates as measures of tone or color. Chairman Martin went on to say that the Committee seemed to be more or less evenly divided, with a fine degree separating most of the views. He did not think this a very important degree. His own view of the discussion at the last meeting was that the Committee then agreed that the trend of operations should be in the direction of ease rather than of restraint. He thought this had been so imperceptible that it was only a shading the Committee was talking about. His judgment was that this was the best posture for the System to be in at this particular juncture, the Chairman said, adding that it might wish to reverse its position very drastically and take overt action. For the present, Chairman Martin believed that the best position for the Committee to be in was to be trending in the direction of ease. He recognized that this view was not the same as that suggested by Mr. Robertson. Chairman Martin expressed the thought that, since the last meeting, the program had worked out well on the whole. He regretted the anticipations that had appeared in the newspapers of an easing of System policy; perhaps he had contributed to this by his testimony before the Joint Committee on the Economic Report with his comments regarding "feel" of the situation. Chairman Martin said that it was difficult to answer some of the questions that had been presented to him in such a way as to avoid repercussion. He did the best he could at the time. He recognized that the interpretation that would be put on any remarks that might be made would depend on what the writer wished to say.

Summing up, Chairman Martin said that for the next few weeks he would favor moving in the direction of $200 million of negative free reserves and whatever tone developed out of that. The $200-$400 million level Mr. Sproul had suggested was entirely agreeable to him.

He would not worry if negative free reserves got up to $400 million or, for that matter, to $500 million if the tone and shading of market developments showed a trend in the direction he had indicated. Chairman Martin concluded by suggesting that the Committee renew the directive to the New York Bank without change in the language from that approved at the preceding meeting, and that it assume the Manager of the System Open Market Account would do the best he could to carry out that instruction. He did not think a vote on this would be useful but thought that we should try to operate with no significant change and with no overt action in either direction, but to let the tone of the market develop pretty much on its own within the limit of this general directive. He then asked that Mr. Rouse comment on the program as he contemplated it would work out from an instruction such as he had outlined.

Mr. Rouse said that it seemed to him a majority of the Committee was distinctly of a mind to continue the situation as it has existed. In looking ahead, there was a temptation to lean against the expectations in the market. Mr. Rouse thought that the expectations now in the market would bring about the easier situation Messrs. Martin and Sproul had spoken of. In the past three weeks an attitude had developed which had resulted in a trend toward an easier situation and this might come about again even though the figures of negative free reserves were to rise to the $500-$600 million level.

Mr. Vardaman said he would emphasize comments by Messrs. Leach, Fulton, and Sproul regarding orders on the order books. These could be most deceiving and should be watched most carefully. He also agreed with Mr. Bryan's suggestion that figures of unemployment should be observed closely.

Mr. Robertson said that if he were in the position of the Manager of the System Account, he would have some doubt as to what it was the Committee wished. He thought Chairman Martin over-stated the consensus by giving the impression that the trend should be on the easier side. Mr. Robertson did not believe that this represented the general thinking of the Committee, and he did not think Mr. Rouse should be in a position of uncertainty as to the Committee's views. Mr. Robertson said he thought the majority view of the Committee was that the same degree of firmness be maintained during the next three weeks that had existed during the past three weeks.

Mr. Rouse said that he had gotten the impression that the majority of the Committee would wish negative free reserves around the $400 million level. Chairman Martin had expressed the idea of a trend toward a somewhat lower level, and Mr. Sproul had suggested the $200-$400 million range. Most other comments indicated a continuance of about the same level, Mr. Rouse thought. However, most of the comments recognized that over the past three weeks there had been a tendency toward an easier atmosphere, and Mr. Rouse believed a similar situation would be brought about again over the next three-week period.

Mr. Robertson suggested that the Manager of the Account could lean against the market's expectations of ease.

Mr. Rouse responded by stating that if net borrowed reserves were constant at around $400 million, he would think the matter of expectations would be fairly well taken care of.

Chairman Martin stated that he wished to make certain that the record differentiated his personal views from what he thought appeared to be the consensus of the Committee. It was his personal position that he was referring to when he suggested net borrowed reserves at the $200 million level. He doubted whether any purpose would be served by taking a vote on the question of whether a $200 million or a $400 million net borrowed reserve level was desired, or on whether the Committee wanted operations to lean against the expectations of the market. The Manager would have to judge from day to day how operations should lean at the time, and it would only confuse him if the Committee tried at this time to pinpoint any particular course of operations.

Mr. Robertson said he was not advocating that the Committee pinpoint operations to a specific figure, but he was advocating that it pinpoint operations to a degree of firmness without any relaxation. He thought the Committee should have a preconceived notion of what it expected in the way of tone in the market. He did not advocate $400 million or $300 or $200 million or any other figure of net borrowed reserves.

Mr. Vardaman stated that he interpreted Mr. Robertson's remarks as suggesting a policy of stiffness in operations, to which Mr. Robertson responded that he felt the Committee should maintain at least the same degree of firmness that it had before and, if anything, he would move to greater tightness. He recognized that in taking this position he differed from the views expressed by others.

Mr. Vardaman stated that as far as he could recall, the consensus of the meeting was to continue about where we are now without permitting any greater tightness.

Mr. Robertson indicated concurrence except that there should be nothing on the side of relaxation.

Mr. Bryan said that he would like to comment on the point that had been raised by Messrs. Robertson and Balderston, that is, the matter of conveying instructions of the Committee to the Manager of the System Account in terms that would be understandable as policy directives. While he did not believe it was too important at this particular time because the differences indicated were minor in shading, he suggested that the time would come when there would be differences of opinion in the Committee which were important, and if an instruction could not be given to the Manager of the System Account in clear terms the Committee would find itself in real difficulty.

Chairman Martin stated that he would not disagree with this general statement, adding that this was a problem that the Committee had been struggling with for at least four years. He knew of no way of defining tone. He welcomed any suggestions as to how to make clearer the intentions or wishes of the Committee, and he was glad Mr. Robertson had expressed himself on this point. He then suggested that unless there were further comments, the Committee renew its directive to the New York Bank without change and with emphasis on the point that there should be no significant change in policy.

Thereupon, upon motion duly made and seconded, the 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 open market 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 restraining inflationary developments in the interest of sustainable economic growth while taking into account any deflationary tendencies in the economy, and (c) to the practical administration of the account; provided that the aggregate amount of securities held in the System account (including commitments for the purchase or sale of securities for 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 $1 billion;

(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 $500 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.

No suggestion was made for change in the repurchase authority or in the statement of conditions previously in effect.

Thereupon, the following authorization was approved by unanimous vote:

The Federal Reserve Bank of New York is hereby authorized to enter into repurchase agreements with nonbank dealers in United States Government securities subject to the following conditions:

1. Such agreements
   (a) In no event shall be at a rate below whichever is the lower of (1) the discount rate of the Federal Reserve Bank on eligible commercial paper, or (2) the average issuing rate on the most recent issue of three-month Treasury bills;
   (b) Shall be for periods of not to exceed 15 calendar days;
   (c) Shall cover only Government securities maturing within 15 months; and
   (d) Shall be used as a means of providing the money market with sufficient Federal Reserve funds to avoid undue strain on a day-to-day basis.
2. Reports of such transactions shall be included in the weekly report of open market operations which is sent to the members of the Federal Open Market Committee.
3. In the event Government securities covered by any such agreement are not repurchased by the dealer pursuant to the agreement or a renewal thereof, the securities thus acquired by the Federal Reserve Bank of New York shall be sold in the market or transferred to the System open market account.

Chairman Martin referred to the action taken by the Committee on November 30, 1955 authorizing the purchase of not to exceed $400 million of 2-5/8 per cent Treasury certificates on a when-issued basis and to the suggestion that this subject be considered prior to the next Treasury financing in terms of the general policy that the Committee wished to follow.

Mr. Robertson suggested that steps be taken to re-establish an understanding of the Committee's policy on whether it should purchase securities involved in a Treasury financing. In his view, the Committee should advise the Treasury along the lines suggested in his statement earlier in this meeting. He felt that some such statement was necessary because of the implications of recent statements by Secretary of the Treasury Humphrey and Under Secretary of the Treasury Burgess in which they indicated an expectation of support from the Federal Reserve in connection with debt management problems.

Chairman Martin described discussions which he and Mr. Balderston had had with the Secretary of the Treasury recently in which the subject referred to by Mr. Robertson had been reviewed. Chairman Martin added the comment that in his view Secretary Humphrey's testimony before the Joint Committee on the Economic Report regarding the relationship between debt management and monetary policy was very satisfactory.

Mr. Balderston noted that Secretary Humphrey had commented in his testimony that he could subscribe 100 per cent to the views expressed by Chairman Martin at the time he appeared before the Senate Banking and Currency Committee in connection with his renomination as a member of the Board.

Chairman Martin said that he thought the problem before the Committee was to make certain whether there had been any basic change in the Committee's operating policy, and he called upon Mr. Sproul for comments.

Mr. Sproul then made a statement substantially as follows:

1. It seems to me that Governor Roberston's memorandum on our purchases of when-issued securities in connection with the December financing of the Treasury, reverts to the pronouncements of the Ad Hoc Subcommittee report instead of to the action which was actually taken by the Federal Open Market Committee on this subject, and oversimplifies the specific experience with which it deals.

2. I make the first statement because his memorandum left out the concluding and saving clause in the action of the Federal Open Market Committee "that this policy be followed until it is superseded or modified by further action of the Federal Open Market Committee." Whether or not such supersession or modification was permanent or temporary, and I took it to be temporary in November, this clause and subsequent statements had, I thought, removed the idea that the commandment had been chiselled in stone and could only be sandblasted out.

3. I make the second statement because the November incident cannot be considered in isolation, but should be considered as the cumulative result of a situation in which the Treasury had had to come to the market frequently for refunding and for new money, while we were pursuing a policy of increasing credit restraint.

4. During 1955 the Treasury--and it is a Treasury as fully committed to the maximum possible separation of debt management and credit policy as we are likely to get--found it necessary to make substantial and increasing underwriting purchases out of its own funds to aid in the market digestion of its offerings. There was no pegging of prices, but underwriting assistance was needed, as I think it must always be when the market has to attempt to make adjustments to such large offerings in the space of a few days. No dealer group can provide such underwriting nor does it have the necessary incentives to do so in the case of a Treasury financing.

Nor did we stand aside in the earlier financing of 1955. We regularly adopted a policy of maintaining an "even keel" immediately before, during and after a Treasury financing even though it might mean a temporary halt in a policy of tightening credit which we intended to pursue. There was coordination of debt management and credit policy on an ad hoc basis, although our rules of operation prevented advance planning of a concerted approach.

5. Governor Robertson seems to say all right, let the Treasury handle its own underwriting problems, and if attrition on its offerings is too great, it can make it up by a quick resort to additional cash financing, with perhaps an intermediate dip into direct borrowing from the Federal Reserve Banks. There are at least two major risks involved in this attitude:

(a) One of these risks is that a less cooperative Treasury might acquire a bad habit of stage managing the market for its offerings, with possible or probable outright collisions with credit policy. I do not think we want to push the Treasury too far in that direction, lest we find we have abdicated a central banking responsibility and been saddled with Treasury dominance. Consultation and coordination is better.

(b) The second risk rises out of the fact that credit policy itself is at stake in these operations and may be jeopardized by Treasury attempts to do the job alone under all circumstances. At times, when the System has been following a policy of increasing credit restraint for a period of months, and when a major cause of market uncertainty is market doubt over the timing and the severity of further System action, credit policy is involved in helping the market to establish sustainable equilibrium levels of trading at a time of Treasury financing. We, as well as the Treasury, had a responsibility in November to provide some resistance to a deterioration of market psychology which could have gone far beyond the bounds of intended credit policy. Subsequent action of the market for the securities offered in December indicates that we had a temporary aberration on our hands, not a longer term trend and not a price miscalculation by the Treasury.

6. The alternatives to what actually was done are not too alluring. They were to buy Treasury bills in whatever amounts might have been needed to change the tone and anticipations of the market, or arrange with the Treasury to run down its balances and then to borrow directly from the Federal Reserve Banks. We had some experience with trying to turn a market around, with purchases of bills, when expectations have gotten out of hand as in May 1953, and I think that in November 1955 such purchases in the amounts which might have been needed would have thrown our credit policy much further out of whack than what we did in the when-issued market.

The second alternative would similarly have run the risk of putting an excessive amount of reserve funds in the market, but would have left it to the Treasury to determine the amount and to do the actual buying. That is not a real solution. But if nothing had been done, and if the attrition had been allowed to run up unchecked, we could have had a further deterioration of market psychology, with an enlarged need for Treasury cash borrowing, which in turn might have run into difficulties, and made it even more difficult to maintain credit policy. Even after our purchase of "when-issued" certificates, large purchases of bills, and assurances of repurchase facilities, the cash offering of $1.5 billion of Tax Anticipation Bills on December 8 was threatened with a very sour reception and it was deemed necessary to encourage bidding by the banks. The eventual results looked handsome but without concerted System effort there might have been a deadlock in the market with serious repercussions on credit policy. The Treasury would have gotten its money, but we might have had a fright mentality to contend with over the difficult year-end period.

7. My own view is that we faced a difficult situation in November, which involved both the Treasury and the System, and that since we were going to have to provide reserves to the market as a matter of credit policy, we could well afford to depart from our general rule and provide some of these reserve funds through purchases of when-issued securities, thus coordinating our operations with those of the Treasury in performing an appropriate underwriting function for a large issue, brought out at the right price but under unusually difficult circumstances. It is not fair to say that the Treasury was concerned solely with the surface aspects of a large attrition. It was concerned with the whole state and behavior of the Government security market during a Treasury borrowing operation, and with the consequences of a failure of that operation on future borrowing and on all security markets. We shared these concerns.

8. I do not want to seem to imply that I think everything the Treasury did and we did in November was perfect, but I think that, so far as we are concerned, improvement of our performance would have to rest on a fundamental re-examination of the rules the Committee adopted in 1953 for its general and ordinary guidance at times of Treasury financing. These rules have become the "status quo." They should be re-examined in the light of our experience with them, and of a re-appraisal of the facts, assuming that the findings of the ad hoc subcommittee are not to be considered complete and final for all time, thus relieving us of further thought about and discussion of the problem. To proceed to such a re-examination in a constructive way, and to prepare for further conversations with the Treasury about the

coordination of debt policy and credit management on a longer term basis, I think the Federal Open Market Committee should have a study made by a representative System committee of the highest caliber, and preferably made up of men who do not seem to have adopted rigid positions on the question at issue. I would have in mind, for purposes of illustration not exclusion, such men as Mr. Miller at the Board and Messrs. Neal, Roelse, Bopp, Daane, Mitchell and Deming at the Banks. Such a committee could review the experience of the past four years, and analyze all aspects of the problem for our consideration. I would hope and expect that they would avail themselves of the testimony of those who have had the responsibility for carrying out the directives of the Federal Open Market Committee during this period, so that their views would not be crystallized into findings before such testimony had been heard. In this way we may arrive at some agreed conclusions, representing a fair compromise of whatever divergent views may exist. Meanwhile, I cannot subscribe to Governor Robertson's view that a so-called principle was thrown out the window in November no matter how attractive that disposition of such a principle might be to me. Nor would I want to make further representations to the Treasury now, as he has suggested, as to what we shall or shall not do under all circumstances in the future.

In response to a question from Mr. Robertson, Mr. Sproul said that he thought the rule against purchases of securities involved in a Treasury financing was still the will of the Committee, and he also thought the Treasury knew this to be the case. He would not wish to go to the Treasury with a statement that the Federal Open Market Committee would do nothing to assist in the next Treasury financing, although he did not think the problem would arise in March in the way it did last November.

Mr. Robertson stated that, as his earlier statement indicated, he was not suggesting any such absolute statement, admitting of no exceptions. He was interested, however, in knowing whether the policy of the Committee today was the same as before the action taken last

November, or whether the action taken at that time superseded the Committee's policy.

Mr. Sproul said that there was no doubt in his mind at the time of the Committee's action on November 30 that the action represented an exception to policy rather than a change in policy, and he still thought that to be the case.

Chairman Martin commented that he thought this was agreed to by the Committee. It could reaffirm now the view that its action on November 30, 1955 represented an exception to the general rule it had been following since 1953. Chairman Martin said that Mr. Sproul had done the Committee a service in presenting his statement and in proposing a re-examination of the policy. He proposed that Mr. Sproul's memorandum be made available to all members of the Committee and that further discussion of his suggestion for a re-examination of the Committee's policy be deferred until the next meeting of the Committee, which he suggested be held on Tuesday, March 6, 1956. There was agreement with these suggestions.

Mr. Robertson inquired whether Chairman Martin felt that any further steps should be taken to reiterate to the Treasury the Committee's views regarding Committee operations during periods of Treasury financing, and Chairman Martin responded that in his judgment no more formal steps were needed.

Chairman Martin noted the proposal of the International Monetary Fund to invest $200 million in United States Treasury bills, and he raised the question as to what Committee operations should be in the light of such investment.

Mr. Rouse stated that it was expected that the investment by the Fund in bills would take place over a period of time and that the amount invested in any one week might run from $10 to $20 million. It was his view that System operations could be adapted to these investments without difficulty.

Mr. Sproul suggested that in executing orders for the Fund it should be understood that they would be fitted into the policy of the Open Market Committee in the best way available at the time, and there was general concurrence in this suggestion.

Mr. Mills recalled the operating policy of the Federal Reserve Bank of New York adopted in 1953 whereby transactions for foreign accounts in Treasury bills might be at the convenience of the Federal Reserve Bank of New York and in such a manner as not to interfere with open market policy. He suggested that the same understanding would apply in the case of investments for the Fund along the lines suggested by Messrs. Rouse and Sproul.

Mr. Sproul agreed with Mr. Mills, and Mr. Rouse stated that the International Monetary Fund understood that this procedure would be followed.

Mr. Riefler stated that members of the Committee and its staff would shortly receive a volume of excerpts covering open market investment policy during the years 1923-28 and that later on similar excerpts covering the years 1929 to mid-1931 would be sent to them.

Chairman Martin said that these excerpts had been prepared in a form in which Committee members could refer to them conveniently because he had had an opportunity to examine them recently and thought that it would be helpful to review the discussions of policy in those years.

Thereupon the meeting adjourned.

Winfield W. Riefler
Secretary.