

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 Saturday, March 1, 1952, at 10:25 a.m.

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

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

Upon motion duly made and seconded, and by unanimous vote, Mr. Sproul was re-elected Vice Chairman of the executive committee to serve until the election of his successor at the first meeting of the committee after February 28, 1953.

Upon motion duly made and seconded, and by unanimous vote, the minutes of the meeting of the executive committee held on February 11, 1952, were approved.

Upon motion duly made and seconded, and by unanimous vote, the transactions in the System open market account for the period February 9, 1952, to February 28, 1952, inclusive, were approved, ratified, and confirmed.

Mr. Rouse recommended that, for the reasons stated at the meeting of the full Committee, the executive committee increase from \$1 to \$2 billion the limitation in the second paragraph of the direction to be

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issued to the Federal Reserve Bank of New York authorizing the purchase directly from the Treasury for the System open market account of special short-term certificates of indebtedness for the temporary accommodation of the Treasury, which was the full amount of the authority granted by the full Committee to the executive committee.

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:

(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 shall not exceed \$2 billion.

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.

Chairman Martin stated that as part of the program for bringing about closer working relations between members of the Board's staff and

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the Federal Reserve Bank of New York he contemplated having Mr. Youngdahl spend a period of perhaps three months at the Federal Reserve Bank of New York in the near future.

Mr. Sproul stated that he felt this would be an excellent idea and that the Federal Reserve Bank of New York would be glad to cooperate in working out such an arrangement.

Chairman Martin stated that he felt it would be desirable for the operations of the System open market account to be directed in a manner which would smooth out as far as possible fluctuations in the money market over the March 15 tax payment date, and Mr. Sproul stated that he concurred in this view with the thought that any funds that were put into the market during that particular period should be taken out as promptly as possible thereafter.

Mr. Rouse stated that the 2-3/8 per cent bonds issued by the Treasury in connection with its March refinancing had been well received, that the market reaction was that they were properly priced, but that a secondary market for the securities had not developed with the result that a number of dealers were holding them in substantial amounts. He stated that he felt it would be desirable from the standpoint of open market operations as opportunities developed to encourage a more active secondary market in these securities, that this would involve paying a somewhat higher commission to dealers in order to enable them to stimulate such a market, and that he would recommend that the present limitation on commissions of

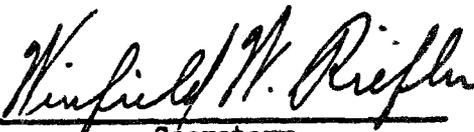
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1/64 of a point be changed to permit the payment of a commission of as much as 1/32 of a point on transactions in the 2-3/8 per cent bonds on an agency basis for the System account.

Upon motion duly made and seconded, and by unanimous vote, this suggestion was approved with the understanding that Mr. Rouse would report at the next meeting of the executive committee on the extent to which this authority had been used.

Thereupon, the meeting adjourned.


Secretary.