

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 on Thursday, March 5, 1953, at 2:35 p.m.

PRESENT: Mr. Martin, Chairman
Mr. Sproul, Vice Chairman
Mr. Erickson
Mr. Evans
Mr. Mills

Mr. Robertson, Member of the Federal Open Market Committee

Mr. Riefler, Secretary
Mr. Thurston, Assistant Secretary
Mr. Vest, General Counsel
Mr. Thomas, Economist
Mr. R. A. Young, Associate Economist
Mr. Rouse, Manager, System Open Market Account
Mr. Sherman, Assistant Secretary, Board of Governors
Mr. Youngdahl, Assistant Director, Division of Research and Statistics, Board of Governors
Mr. R. F. Leach, 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, 1954.

Upon motion duly made and seconded, and by unanimous vote, the minutes of the meeting of the executive committee held in Washington on February 10, 1953, were approved.

Upon motion duly made and seconded, and by unanimous vote, the transactions in the System open market account for the period February 10 to March 3, 1953, inclusive, were approved, ratified, and confirmed.

Chairman Martin stated that in issuing the general direction to the Federal Reserve Bank of New York, a change in wording of the first paragraph

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should be made in accordance with the action at the meeting of the full Committee immediately preceding this meeting to eliminate the phrase which provides for maintaining orderly conditions in the Government securities market, and to substitute therefor an authorization to intervene when necessary with a view "to correcting a disorderly situation in the Government securities market". With respect to other changes which might be necessary as a result of actions taken at the full Committee meeting in connection with the report of the ad hoc committee to study the Government securities market, Chairman Martin suggested that the staff be requested to prepare any changes in instructions that might be necessary in order to implement the ad hoc committee report along the lines agreed upon.

In response to a question from Chairman Martin, Mr. Rouse stated that he would suggest that the limit on the authority to be given to the Federal Reserve Bank of New York in the general direction relating to securities held in the System account other than special short-term certificates of indebtedness be continued at \$1 billion, but that the authority for direct purchases from the Treasury of special short-term certificates of indebtedness be set at \$2 billion inasmuch as it was difficult at this time to know just what the need for this authority might be during the March income tax collection period. Mr. Rouse added the statement that the Treasury anticipated making little or no use of this authority at this time although it might issue such certificates to an amount of one-half billion dollars.

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 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 to exercising restraint upon inflationary developments, to correcting a disorderly situation in the Government securities 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 System account (including commitments for the purchase or sale of securities for the account) at the close of this date 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 \$2 billion.

It was agreed that the next meeting of the executive committee would be held at 10:30 a.m. on Tuesday, March 24, 1953.

Thereupon the meeting adjourned.


Secretary