

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 Wednesday, March 3, 1954, at 12:50 p.m.

PRESENT: Mr. Martin, Chairman  
Mr. Sproul, Vice Chairman  
Mr. Robertson  
Mr. Szymczak  
Mr. Williams

Mr. Riefler, Secretary  
Mr. Thurston, Assistant Secretary  
Mr. Vest, General Counsel  
Mr. Solomon, Assistant General Counsel  
Mr. Thomas, Economist  
Mr. R. A. Young, Associate Economist  
Mr. Rouse, Manager, System Open Market Account  
Mr. Carpenter, Secretary, Board of Governors  
Mr. Sherman, Assistant Secretary, Board of Governors  
Mr. Youngdahl, Assistant Director, Division of Research and Statistics, Board of Governors  
Mr. Gaines, Securities Department, Federal Reserve Bank of New York.

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, 1955.

Upon motion duly made and seconded, and by unanimous vote, the minutes of the meeting of the executive committee held in Washington on February 17, 1954, were approved.

Chairman Martin called attention to the action of the members of the executive committee on February 24, 1954 authorizing the transmission of a tabulation for the use of a member of the Joint Committee on the Economic Report giving certain unpublished information relating to open market transactions. Following Mr. Williams' statement that he was not familiar

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with the action since he was not then a member of the committee, Chairman Martin said that the request had originated with Representative Patman of Texas who had asked for a statement showing purchases and sales of Government securities (including securities acquired under repurchase agreements) pursuant to authorizations of the Federal Open Market Committee, by days, during April and May 1953. He stated that the request had been brought to the attention of all members of the executive committee at that time, that with their approval, the information had been furnished for Representative Patman's use, and that a copy had been sent to Mr. Wolcott, Chairman of the House Banking and Currency Committee.

Thereupon, the action in furnishing the information described was approved, ratified, and confirmed.

Chairman Martin went on to say that another request had been received from Representative Patman who desired a report which would show the number of dealers with whom the Federal Open Market Committee dealt in 1953; the aggregate volume of purchases and sales by or through each dealer, with a breakdown showing bills, certificates, notes, and bonds; and the cost "to the Government" in commissions to dealers on account of the transactions. Chairman Martin stated that he had brought this request to the attention of some of the members of the executive committee who felt that to comply with the request might disclose confidential information and that it had been decided that the additional information dealing with customer relations should not be made available except on formal request of Congress or of a Congressional committee.

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Mr. Robertson suggested that the committee might inform Representative Patman that no commissions were paid during the year 1953. He felt that some response along this line might indicate the willingness of the committee to provide information that could be furnished without disclosing a confidential relationship.

Chairman Martin expressed the view that it would be desirable to disclose whatever information properly could be given out, and Mr. Szymczak raised the question why it would not be proper to furnish information showing transactions with individual dealers in addition to responding to the inquiry regarding commissions paid.

Mr. Robertson felt that whenever a dealer in United States Government securities had transactions with the System open market account, it was taken for granted that such dealings would represent a confidential relationship, just as transactions of individual borrowers with a commercial bank would be considered to be confidential.

Mr. Williams felt that care should be used in giving a list of names of dealers with whom transactions were carried on, inasmuch as it might enable Representative Patman to obtain information relating to the volume of business carried on with individual dealers.

Mr. Sproul expressed the view that it would be satisfactory to furnish information which would not violate a confidential relationship although he could not say just what information might properly be given in response to the request to which Chairman Martin had referred. Mr. Sproul felt that there was a question how far the committee should go in providing

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an individual member of Congress with unpublished information. His inclination would be to avoid seeming to hold back unnecessarily, but he felt that it would not be appropriate to give an individual member of Congress as much information as might properly be given to a Congressional committee.

Mr. Szymczak expressed the view that the time had come to distinguish between requests received from an individual member of Congress and a chairman of a committee. At the same time, he felt there should be a review of the current request to determine why it would not be appropriate to furnish the names of dealers with whom the System account had transactions during 1953 and the amounts of transactions with each dealer. If it were decided that it would not be proper to give such information, there should be a clearly stated reason why the information should not be furnished.

Mr. Vest stated that as a legal matter it was not necessary for the committee to comply with a request of an individual member of Congress and that it need not comply with a request from a committee of Congress until a subpoena was issued. He noted that a Congressional committee could subpoena information whereas an individual member of Congress could not do so. During the discussion it was suggested that any information furnished an individual member of Congress should also be transmitted to the chairman of the committee concerned.

Chairman Martin then suggested that Messrs. Riefler and Rouse be requested to look into the question of what material might legitimately and properly be supplied in connection with this request and it was understood that this procedure would be followed.

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Upon motion duly made and seconded, and by unanimous vote, the transactions in the System open market account for the period since that covered by similar action of the executive committee on February 17, 1954, were approved, ratified, and confirmed.

In a discussion of the directive to be issued by the executive committee to the Federal Reserve Bank of New York, Mr. Rouse stated that at the time of heavy income tax collections during March the Treasury might wish to make considerable temporary use of the second paragraph of the directive authorizing the purchase direct from the Treasury for the account of the Federal Reserve Bank of New York of special short-term certificates of indebtedness. He suggested, therefore, that the limitation in that paragraph be increased to \$1 billion in place of the existing \$500 million limitation, adding the comment, however, that the actual use made of it might be well below \$500 million.

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 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 promoting growth and stability in the economy by actively maintaining a condition of ease in the money market, and (c) 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

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increased or decreased by more than \$500 million;

(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 \$1 billion;

(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 practical at the prices currently quoted in the open market.

It was agreed that the next meeting of the executive committee would be held at 10:45 a.m. on Tuesday, March 16, 1954.

Thereupon the meeting adjourned.

  
Secretary