

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, June 23, 1954, at 4 p.m.

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

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

Mr. Riefler, Secretary  
Mr. Thurston, Assistant Secretary  
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  
Mr. Miller, Economist, Government Finance Section, Division of Research and Statistics, Board of Governors

Upon motion duly made and seconded, and by unanimous vote, the minutes of the meetings of the executive committee of the Federal Open Market Committee held on May 26, 1954 and June 8, 1954 were approved.

Upon motion duly made and seconded, and by unanimous vote, approval was given to the action of the members of the executive committee on June 11, 1954, authorizing that the reports of audit of the System open market account made at the time of the examination of the Federal Reserve Bank of New York

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for the five years 1949-1953 be sent to the Chairman of the House Banking and Currency Committee along with reports of examination of the Federal Reserve Bank of New York and of other Federal Reserve Banks for the same period.

Upon motion duly made and seconded, and by unanimous vote, transactions in the System account during the period June 8 to 22, 1954, inclusive, were approved, ratified, and confirmed.

There was a discussion of operations to be carried on in pursuit of the policy of active ease, approved at the meeting of the full Committee immediately preceding this meeting. Mr. Sproul stated that during May free reserves had been around \$500 to \$600 million and for the first two weeks of June, they were nearer \$800 million, but the increase was a result of market factors, which had diverged from the estimates, and was not the result of policy action. It was Mr. Sproul's suggestion that the executive committee follow the same program it had been following for some time past which would mean that, on the basis of projections of reserves in the market, it would allow holdings of Treasury bills to run off until the next meeting of the executive committee, and it would sell bills to the extent deemed necessary to maintain about the range of free reserves that had been maintained in the market, i.e., in the \$400 - \$700 million range. This would be a general program to be followed, however, recognizing the possibility of departures from the fixed figures at times as had been the case in the past two weeks.

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There was unanimous agreement with this suggestion.

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 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 \$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.

It was agreed that the next meeting of the executive committee should be held on Wednesday, July 7, 1954, at 10:45 a.m.

Thereupon the meeting adjourned.

  
Secretary