

THIRTY-EIGHTH

# ANNUAL REPORT

*of the*

BOARD OF GOVERNORS OF THE  
FEDERAL RESERVE SYSTEM



COVERING OPERATIONS FOR  
THE YEAR

1951

issue of 3-month Treasury bills, and be for the purpose of aiding temporary money market adjustments.

Votes for this action: Messrs. Martin, Chairman, Sproul, Vice Chairman, Gidney, Gilbert, Leedy, Norton, Powell, Szymczak, and Williams. Votes against this action: none.

This authority had been granted to the Federal Reserve Banks prior to this date, but it had been used relatively infrequently and had not been regarded as a matter of important policy. It appeared, however, that the use of repurchase agreements was becoming increasingly important as one of the mechanisms available to the System in executing open market policy and that the authority within the limits set forth above should be available to each Federal Reserve Bank so that it could be used in the interest of orderly conditions in the Government securities market. It was considered that such authority would enable dealers to absorb as much of the buying and selling in the market as possible and to carry the necessary inventory of securities to provide a market, leaving the System as only a residual buyer.

NOVEMBER 14, 1951

#### 1. Authority to Effect Transactions in System Account.

The following direction to the executive committee, which was in the same form as the direction issued at the meeting on October 4, 1951, was approved:

The executive committee is directed, until otherwise directed by the Federal Open Market Committee, to arrange for such transactions for the System open market account, either in the open market or directly with the Treasury (including purchases, sales, exchanges, replacement of maturing securities, and letting maturities run off without replacement), 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 aggregate amount of securities held in 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 2 billion dollars.

The executive committee is further directed, until otherwise directed by the Federal Open Market Committee, to arrange for the purchase for the System open market account direct from the Treasury of 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 1 billion dollars.

Votes for this action: Messrs. Martin, Chairman, Sproul, Vice Chairman, Gidney, Gilbert, Leedy, Norton, Powell, Szymczak, Vardaman, and Williams. Votes against this action: none.

There had been no basic change in the underlying conditions with respect to inflationary pressures or money rates since the meeting on October 4. The System had reduced its holdings of short-term securities by approximately the additional amounts acquired in September in aiding Treasury re-funding. The above direction was adopted in the same form and with the same limitations as the earlier direction since it was felt that no change in existing objectives of credit policy was needed. It was agreed that in maintaining orderly market conditions the System would permit prices of securities to reflect market forces so long as the market was an orderly one.