

A meeting 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 10:00 a.m.

PRESENT: Mr. Martin, Chairman
Mr. Sproul, Vice Chairman
Mr. Bryan
Mr. Earhart
Mr. Evans
Mr. Leach
Mr. Mills
Mr. Powell
Mr. Robertson
Mr. Szymczak
Mr. Vardaman
Mr. C. S. Young

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

Mr. Carpenter reported that advices of the election for a period of one year commencing March 1, 1952, of members and alternate members of the Federal Open Market Committee representing the Federal Reserve Banks had been received, that each newly elected member and alternate member had executed the required oath of office, and that it was the opinion of the Committee's Counsel, on the basis of advices received, that the following members and alternate members were legally qualified to serve:

Allan Sproul, President of the Federal Reserve Bank of New York, with William F. Treiber, First Vice President of the Federal Reserve Bank of New York, as alternate member;

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Hugh Leach, President of the Federal Reserve Bank of Richmond, with J. A. Erickson, President of the Federal Reserve Bank of Boston, as alternate member;

C. S. Young, President of the Federal Reserve Bank of Chicago, with Ray M. Gidney, President of the Federal Reserve Bank of Cleveland, as alternate member;

Malcolm Bryan, President of the Federal Reserve Bank of Atlanta, with Delos C. Johns, President of the Federal Reserve Bank of St. Louis, as alternate member;

C. E. Earhart, President of the Federal Reserve Bank of San Francisco, with J. N. Peyton, President of the Federal Reserve Bank of Minneapolis, as alternate member.

Chairman Martin referred to section 2 of article II of the by-laws of the Federal Open Market Committee, as amended August 5, 1949, which provides that the Secretary of the Board of Governors of the Federal Reserve System shall be the Secretary of the Committee, stating that in order to divide the work of members of the staff at the Board of Governors more effectively, he would recommend that the by-laws of the Committee be amended to provide that at its first meeting on or after March 1 of each year the Committee shall elect a Secretary and an Assistant Secretary to serve until the first meeting on or after March 1 of the next year. He went on to say that if this change were made he would suggest that Mr. Riefler, presently Assistant to the Chairman of the Board of Governors, be elected Secretary and that Mr. Thurston, presently Assistant to the Board of Governors, be elected Assistant Secretary, to serve until the first meeting on or after March 1, 1953.

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At the Chairman's request, Mr. Carpenter read drafts of changes that might be made in sections 2 and 6 of article II and section 2 of article III of the by-laws in order to carry out Chairman Martin's suggestion. The revised sections as read by Mr. Carpenter are as follows:

ARTICLE II. OFFICERS

Section 2. Secretary and Assistant Secretary. At its first meeting on or after March 1 of each year the Committee shall elect a Secretary and an Assistant Secretary to serve until the first meeting on or after March 1 of the next year. It shall be the duty of the Secretary to keep minutes of all meetings of the Committee and a complete record of the action taken by the Committee upon all questions of policy relating to open market operations and he shall record the votes taken in connection with the determination of open market policies and the underlying reasons assigned therefor. He shall have custody of such minutes and records and shall perform such other duties as the Committee may require. In the absence of the Secretary of the Committee, the Assistant Secretary shall act as Secretary pro tem.

Section 6. Filling Vacancies. At any meeting the Committee may fill any vacancy in the office of Chairman, Vice Chairman, Secretary, Assistant Secretary, Economist, Associate Economist, General Counsel, or Assistant General Counsel.

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ARTICLE III. EXECUTIVE COMMITTEE

Section 2. Secretary. The Secretary of the Federal Open Market Committee shall act as the Secretary of the Executive Committee and it shall be his duty to keep minutes of all meetings of the Executive Committee, furnish copies thereof to the members of the Executive Committee, and perform such other duties as may be required. In the absence of the Secretary, the Assistant Secretary of the Federal Open Market Committee shall act as Secretary pro tem.

Upon motion duly made and seconded, and by unanimous vote, amendments to the by-laws of the Federal Open Market Committee as set forth above were adopted, effective immediately.

Thereupon, upon motions duly made and seconded, and by unanimous votes, the following officers of the Federal Open Market Committee were elected to serve until the election of their successors at the first meeting of the Committee after February 28, 1953, with the understanding that in the event of the discontinuance of their official connection with the Board of Governors or a Federal Reserve Bank, as the case might be, they would cease to have any official connection with the Federal Open Market Committee:

Wm. McC. Martin, Jr.
Allan Sproul
Winfield W. Riefler
Elliott Thurston
George B. Vest
Woodlief Thomas
George W. Mitchell, Earle L. Rauber,
Oliver P. Wheeler, Charles W.
Williams, John H. Williams, and
Ralph A. Young

Chairman
Vice Chairman
Secretary
Assistant Secretary
General Counsel
Economist
Associate Economists

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Upon motion duly made and seconded, and by unanimous vote, the Federal Reserve Bank of New York was selected to execute transactions for the System open market account until the adjournment of the first meeting of the Committee after February 28, 1953.

Mr. Sproul stated that the Board of Directors of the Federal Reserve Bank of New York had selected Mr. Rouse as Manager of the System Open Market Account, subject to the selection of the Federal Reserve Bank of New York by the Federal Open Market Committee as the Bank to execute transactions for the System account and his approval by the Federal Open Market Committee.

Upon motion duly made and seconded, and by unanimous vote, the selection of Mr. Rouse as Manager of the System Open Market Account was approved.

Upon motion duly made and seconded, and by unanimous vote, the following were selected to serve with the Chairman of the Federal Open Market Committee (who under the provisions of the by-laws is also Chairman of the executive committee) as members and alternate members of the executive committee until the selection of their successors at the first meeting of the Federal Open Market Committee after February 28, 1953:

Members

James K. Vardaman, Jr.
Oliver S. Powell

Alternate Members

Abbot L. Mills, Jr.
J. L. Robertson
R. M. Evans
M. S. Szymczak
(To serve in the order
named as alternates for
Messrs. Martin, Vardaman,
and Powell)

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Members
Allan Sproul
Hugh Leach

Alternate Members
C. S. Young
Malcolm Bryan
C. E. Earhart
(To serve in the order
named as alternates for
Messrs. Sproul and Leach)

Reference was made to the resolution adopted by the Federal Open Market Committee on November 20, 1936, authorizing each Federal Reserve Bank to purchase and sell at home and abroad cable transfers and bills of exchange and bankers' acceptances payable in foreign currencies to the extent that such purchases and sales may be deemed to be necessary or feasible in connection with the establishment, maintenance, operation, increase, reduction, or discontinuance of accounts of Federal Reserve Banks in foreign countries. Mr. Sproul stated that, as had been the case for the past several years, accounts were now maintained with the Bank of Canada (\$17,384), the Bank of England (\$10,468), and the Bank of France (\$42.79), and that while its use would be only infrequent if at all he would recommend that the authority be continued in its present form.

Upon motion duly made and seconded, and by unanimous vote, it was agreed that no action should be taken at this time to amend or terminate the resolution of November 20, 1936.

There was a discussion of the action of the Committee on November 30, 1937, as renewed from time to time since then, under which it was agreed that inasmuch as securities acquired by the Federal Reserve Banks in settlement of claims against closed banks would be in such small amounts as to be unimportant from the standpoint of credit control, the Federal

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Open Market Committee would interpose no objection to a Federal Reserve Bank holding such securities or to their sale whenever such sale was deemed advisable by the holding bank. In the discussion, it was stated that the authority had not been used for some years and that it did not seem likely that need for it would arise in the near future. It was suggested, therefore, that the authority be terminated with the understanding that if circumstances arose which made it appear that it would be useful the Committee would consider the matter at that time.

Upon motion duly made and seconded, and by unanimous vote, it was agreed that the authority granted at the meeting of November 30, 1937, should be terminated, effective immediately.

Mr. Sproul referred to the amended authority granted to the Federal Reserve Banks by the Federal Open Market Committee on October 4, 1951, with respect to repurchase agreements covering short-term Treasury obligations with nonbank dealers in United States Government securities qualified to transact business with the System open market account. In response to a question from Chairman Martin, Mr. Rouse stated that the authority was useful as a supplementary market instrument and that he would recommend it be renewed on the same basis as the existing authority.

Upon motion duly made and seconded, and by unanimous vote, it was agreed that no action should be taken at this time to amend the authority granted at the meeting on October 4, 1951.

In a discussion of the procedure for the allocation of securities in the System open market account as approved at the meeting of the

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Committee on March 8, 1951, it was stated that the existing procedure was working satisfactorily, that there had been no suggestions for change, and that in the absence of objections it should be continued without amendment at this time.

Thereupon, upon motion duly made and seconded, and by unanimous vote, it was agreed that no change should be made at this time in the method of allocating securities as approved at the meeting of the Federal Open Market Committee on March 8, 1951.

Chairman Martin then referred to the published terms on which the Federal Reserve Bank of New York transacts business with qualified dealers in United States Government securities for the System open market account, stating that he had no suggestions for a change in the terms at this time.

Upon motion duly made and seconded, and by unanimous vote, it was agreed that no change in the statement of terms should be made at this time.

In a discussion of who should receive copies of the weekly report of open market operations prepared by the Federal Reserve Bank of New York, Mr. Rouse suggested that in addition to changes made necessary by changes in the official status of individuals associated with the Committee, the list be changed to provide that a copy also be sent to Assistant Secretary of the Treasury Overby who would be working with the Committee on debt management and monetary and credit matters.

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Upon motion duly made and seconded, and by unanimous vote, the distribution of the weekly report of open market operations prepared by the Federal Reserve Bank of New York was approved as follows:

1. The members of the Board of Governors.
2. The Presidents of the 12 Federal Reserve Banks.
3. The Secretary, the Economist, and the Associate Economists of the Federal Open Market Committee.
4. The Secretary of the Treasury.
5. The Under Secretary of the Treasury.
6. The Assistant Secretary of the Treasury working on debt management problems.
7. The Fiscal Assistant Secretary of the Treasury.
8. The Chief of the Division of Bank Operations of the Board of Governors.
9. The officer in charge of research at each of the Federal Reserve Banks which is not represented by its President on the Federal Open Market Committee.
10. Mr. Treiber, alternate member of the Federal Open Market Committee; the Assistant Vice President of the Federal Reserve Bank of New York working under the Manager of the System Account; the Manager of the Securities Department of the New York Bank; the Vice President in Charge, and the Manager of the Research Department of the New York Bank; and the confidential files of the New York Bank as agent for the Federal Open Market Committee.

Mr. Carpenter referred to the action taken at the meeting of the Federal Open Market Committee on March 1-2, 1951, authorizing the Chairman of the Committee to appoint a Federal Reserve Bank as agent to operate the System account temporarily in case the Federal Reserve Bank of New York was unable to function. He stated that the

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authorization was given for possible use in the event of a bombing disaster and that it would appear desirable to continue it.

Upon motion duly made and seconded, and by unanimous vote, it was agreed that there should be no change in the authorization given to the Chairman by the action taken at the meeting of the Committee on March 1-2, 1951.

Chairman Martin referred to the action at the meeting of the Federal Open Market Committee yesterday, in which it was agreed that the Secretary of the Treasury should be advised that the Federal Open Market Committee, after considering the memorandum on Government Financing in 1952, agreed that the use of a marketable security would be preferable to a nonmarketable issue in long-term Treasury financing operations later this year. At that meeting it was also agreed unanimously that (1) the question of recommendations to be made to the Treasury concerning the obtaining of new money later this spring and other matters relating to Treasury financing be left to the executive committee and (2) that no change should be made in the Committee's current policy of neutrality in the market under which market forces of supply and demand are permitted to have their effect with a minimum of System intervention except to the extent necessary to promote orderly market conditions.

Upon motion duly made and seconded, and by unanimous vote, these actions of the Committee were reaffirmed and approved.

With respect to the general direction to be issued to the executive committee, Mr. Rouse stated that, in view of the prospect that

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the Treasury might wish to sell short-term securities direct to the Federal Reserve Banks in an amount approximating \$1.25 billion in order to smooth the effect of tax collections on the reserve position of banks over the March tax payment period, he would recommend that the limitation contained in the second paragraph of the direction relating to purchases direct from the Treasury of special short-term securities for the temporary accommodation of the Treasury be increased from the present figure of \$1 billion to \$2 billion.

Thereupon, upon motion duly made and seconded, the following direction to the executive committee was approved unanimously with the understanding that the limitation contained in the direction would include commitments for the System open market account:

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 \$2,000,000,000.

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

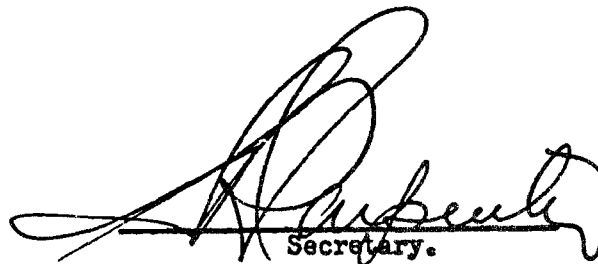
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the temporary accommodation of the Treasury; provided that the total amount of such certificates held in the account at any one time shall not exceed \$2,000,000,000.

In a discussion of a date for the next meeting of the Committee, it was tentatively agreed that it should be held during the week of June 16, 1952, at which time it was expected that there would also be a meeting of the Presidents' Conference and of the Board of Trustees of the Retirement System of the Federal Reserve Banks.

Thereupon the meeting adjourned.



Secretary.