

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, January 31, 1951, at 6:10 p.m.

PRESENT: Mr. McCabe, Chairman
Mr. Sproul, Vice Chairman
Mr. Eccles
Mr. Evans
Mr. C. S. Young

Mr. Carpenter, 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. R. A. Young, Director, Division of Research and Statistics, Board of Governors
Mr. Youngdahl, Chief, Government Finance Section, Division of Research and Statistics, Board of Governors
Mr. Leach, Economist, Division of Research and Statistics, Board of Governors.

Upon motion duly made and seconded, and by unanimous vote, the minutes of the meeting of the executive committee held on December 27, 1950, were approved.

Upon motion duly made and seconded, and by unanimous vote, the transactions in the System open market account as reported to the members of the Committee for the period November 26, 1950, to January 30, 1951, inclusive, were approved, ratified, and confirmed.

Mr. Sproul suggested that the existing general direction issued by the executive committee to the Federal Reserve Bank of New York be continued in its present form but that the amount in the first paragraph be reduced from \$2 billion to \$1 billion.

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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, either in the open market or directly from, to, or 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 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 total amount of securities in the account at the close of this date shall not be increased or decreased by more than \$1 billion exclusive of special short-term certificates of indebtedness purchased for the temporary accommodation of the Treasury pursuant to paragraph (2) of this direction;

(2) To purchase direct from the Treasury for the System open market account 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 \$750 million.

In taking this action it was understood that the limitations contained in the direction include commitments for purchases and sales of securities for the System account.

Chairman McCabe also suggested that no change be made at this time in the understandings set forth in the minutes of the executive committee of November 17 and 27 and which were continued without change at the meeting on December 27, 1950, with respect to (1) ranges within which short-term Treasury securities would be purchased and sold for the System account, (2) the replacement of maturing Treasury bills held in the

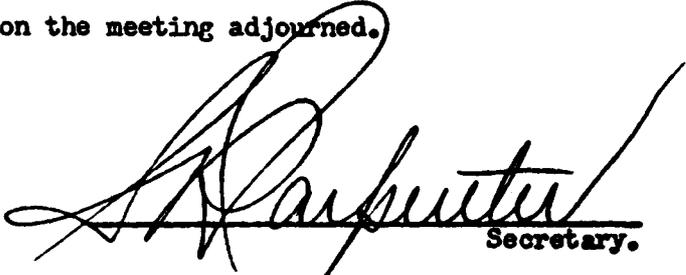
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System open market account, and (3) transactions in long-term Government securities.

This suggestion was approved
unanimously.

Thereupon the meeting adjourned.)


Secretary.