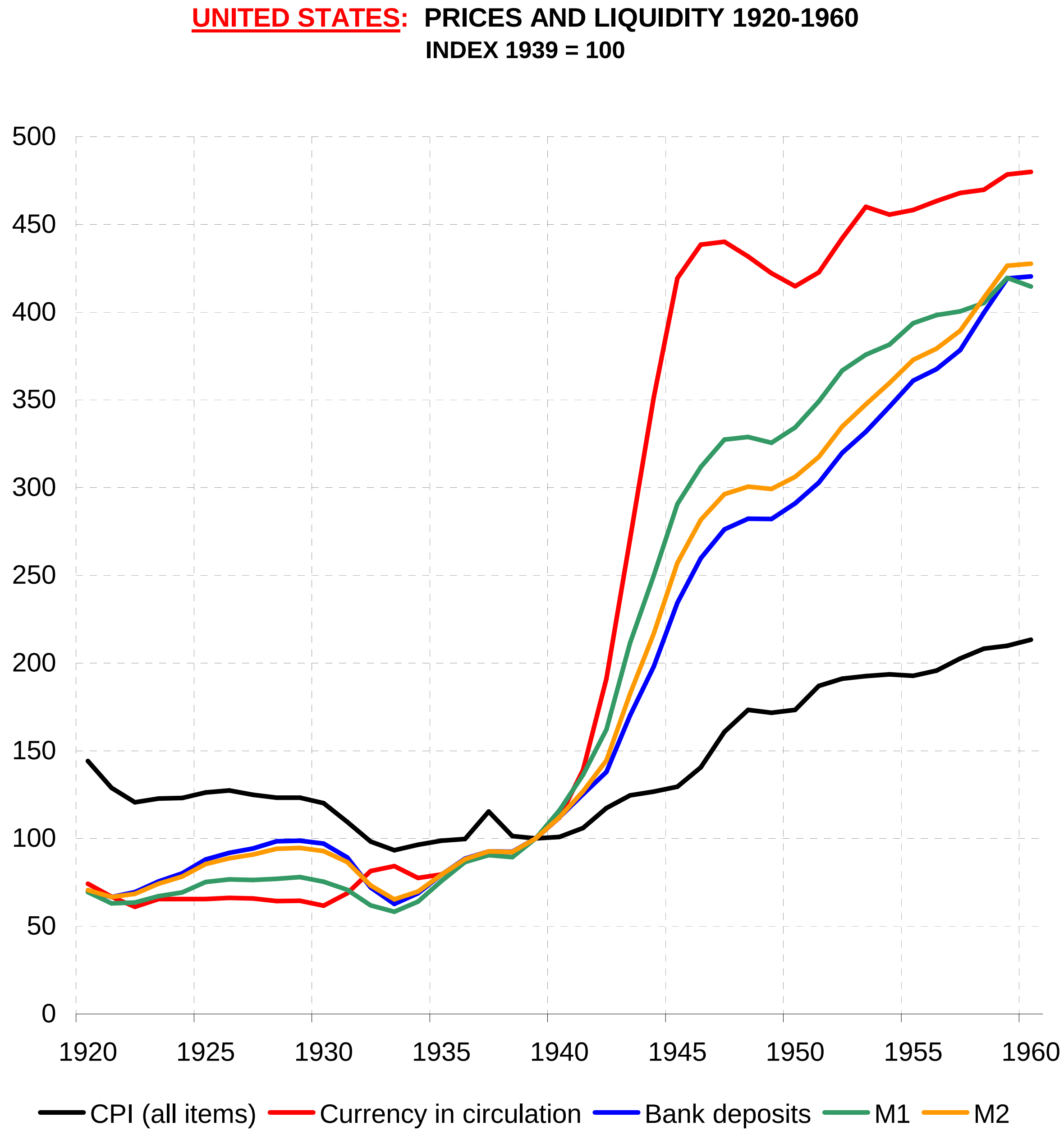
REUTERS



Summer 1941: Limitation (L-) orders restrict output of consumer durables (autos, refrigerators, electrical appliances, trucks for non-military purposes)

Sep 1941: Regulation W imposes controls on consumer credit (min downpayment, max maturity).

Feb 1942: All non-military auto production banned.

Apr 1942: Fed commences Treasury bill control. Rate on 90 day Treas bills fixed at 37.5 basis points a year through unlimited open market operations in either direction. Fed also starts buying longer dated debt to enforce ceilings (but not floors) on the yields. Fed enforces effective ceiling of 2.50% on yields on long-term US Treasury debt.

Sep 1942: Production of most other consumer durables banned.

1942 onward: Fed encourages banks to buy up the whole of the US Treasury debt issue: "The Federal Reserve authorities endeavoured to induce banks to make more complete use of their existing reserves and also supplied them with such reserve funds as they needed from time to time to purchase the Govt securities offered to them" (Fed's *Annual Report* 1942).

1945-46: L orders lifted; durables become available

Jul 1947: Fed discontinues guaranteed support for 90-day Treasury bills.

Aug 1947: Fed starts to progressively lift yield ceilings on other government debt maturities though rapid rise in yields is still restrained.

Nov 1947: Regulation W consumer credit controls terminated by order of Congress.

Jun 1950: Outbreak of Korean War unleashes sharp speculative boom and inflation fears.

Mar 1951: Federal Reserve-Treasury Accord spells out respective responsibilities. Fed gradually free to stop supporting government debt market and focus solely on monetary policy.

Mar-Sep 1953: Fed adopts formal 'bills only' policy. In future open market operations restricted to short term bills rather than long-term government debt

Sources: United States Census Bureau , *Historical Statistics of the United States, Colonial Times to 1970;*
Milton Friedman and Anna Schwartz *A Monetary History of the United States 1867-1960*

Printed: 21/04/2009