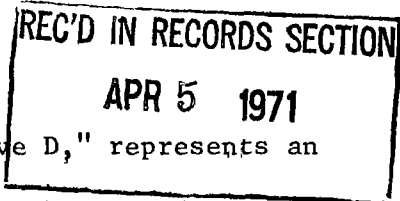


CONFIDENTIAL (FR)

April 5, 1971

To: Federal Open Market Committee

From: The Staff



The language shown below, labeled "alternative D," represents an endeavor to offer the Committee another choice for the second paragraph of the directive which would call for some firming action by the Desk, but would constrain the degree of firming in order to limit the amount of upward pressure that would be placed on interest rates--particularly long-term rates. The associated specifications for money market conditions and monetary and credit aggregates (given on the attached page) are intermediate to those shown in the blue book for alternatives A and B.

Alternative D.

"To implement this policy, System open market operations until the next meeting of the Committee shall be conducted with a view to ~~maintaining-prevailing~~ ATTAINING SOMEWHAT FIRMER money market conditions, while ~~accommodating-any-downward-movements-in-long-term-rates~~ CONTINUING TO MEET SOME PART OF RESERVE NEEDS THROUGH PURCHASES OF COUPON ISSUES IN THE INTEREST OF PROMOTING ACCOMMODATIVE CONDITIONS IN LONG-TERM CREDIT MARKETS, AND TAKING ACCOUNT OF THE TREASURY FINANCING THE TERMS OF WHICH ARE TO BE ANNOUNCED LATE IN THE PERIOD; provided that money market conditions shall be modified if it appears that the monetary and credit aggregates are deviating significantly from the growth paths expected."

Attachment

DIRECTIVE ALTERNATIVE D

Paths of Key Monetary Aggregates Monthly and Quarterly  
(Seasonally Adjusted in Billions of Dollars)

	<u>Concepts of Money</u>		<u>Adj. Credit</u>	<u>Total</u>
	<u>M1</u>	<u>M2</u>	<u>Proxy</u>	<u>Reserves</u>
<u>1971</u>				
February	217.3	430.8	337.7	30.5
March	219.0	437.2	340.1	30.7
April	220.7	442.1	343.5	30.8
May	222.7	446.6	344.6	31.2
June	223.4	449.3	346.1	31.1

Per Cent Annual Rates of Growth

March	9.4	17.8	8.5	8.5
April	9.5	13.8	12.0	3.5
May	11.0	12.0	4.0	16.0
June	4.0	7.5	5.5	- 3.5
1st Q. 1971	8.2	17.4	10.7	11.0
2nd Q. 1971	8.0	11.0	7.0	5.5

Paths of Key Monetary Aggregates--Weekly  
(Alternative D)

March	24p	219.3	438.5	338.9	30.5
	31e	220.5	440.4	340.2	31.0
April	7	220.6	441.0	342.4	30.6
	14	221.6	442.6	343.4	30.6
	21	219.6	441.3	343.9	31.0
	28	221.1	443.4	343.9	31.0
May	5	221.0	444.2	344.7	31.2

Money Market Specifications for Alternative D

Federal funds rate	3-3/4--4-1/4
Member bank borrowing	300--400
Net reserves	-50 to -250

p -- Preliminary.  
e -- Estimate.

April 5, 1971.