BOARD OF GOVERNORS

FEDERAL RESERVE SYSTEM

Office Correspondence

To Board Members (individually addressed)

Subject:

Date MAR 2 1975 1975

FONC: General

From Arthur L. Broida CMS

Attached is a copy of a telegram being sent today to the President-Members of the FOMC. If you concur in the Chairman's recommendation, please indicate by initialing below and returning this memorandum to my office.

DATE COPY

#LB: OK

TELEGRAM

FEDERAL RESERVE COMMUNICATIONS SYSTEM

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEMFOMC; QUE

February 5, 1975

CONFIDENTIAL (FR)
CLASS II-FOMC

DEBS - NEW YORK
BLACK - RICHMOND
WINN - CLEVELAND
KIMBREL - ATLANTA
CLAY - KANSAS CITY

According to estimates prepared last week, in January M₁ declined at about a 7 per cent annual rate and M₂ grew at a rate of less than 3.5 per cent. Growth rates for January-February period appeared to be well below the lower limits of Committee's ranges of tolerance. Latest incoming data indicate further weakening in these monetary aggregates, wholly reflecting the behavior of demand deposits; growth in consumer-type time deposits remains relatively strong. Desk is currently aiming at Federal funds rate of 6-1/2 per cent, the lower limit of its range of tolerance.

In light of these developments and of the reduction in discount rates effective today, Chairman Burns recommends that lower limit of funds rate constraint be reduced to 6-1/4 per cent at this time.

Please advise promptly whether you concur in Chairman's recommendation.

Date M/ File

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BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

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Omc	e Correspondence		Responses to wire on
То	Chairman Burns	Subject:	Responses to wire on

rom Arthur L. Broida () funds rate

All members of the FOMC concur in your recommendation to reduce the lower limit of the funds rate constraint to 6-1/4 per cent except Governor Sheehan.

Governor Sheehan's reason for not concurring was as follows:
"6-1/4 per cent is inadequate as a lower limit. I prefer 6 now and
5-3/4 shortly if the aggregates continue their growth below the
range limits specified at the last Committee meeting."

In addition, three Board members, all of whom concurred in the recommendation, added comments as follows:

Governor Mitchell: "But I prefer 6 per cent."

Governor Bucher: "Would strongly prefer reducing to 6 per cent."

Governor Holland: "But I would much prefer that the limit be lowered to 6 per cent, and I urge that the bottom be dropped to 6 per cent as soon as Friday, February 7. Keeping the bottom of the range above 6 per cent, in my view, is inconsistent with the behavior of the aggregates, the displayed attitude of banks, the 1/2 point reduction in the discount rate, and the tenor of discussion at the Board meeting on Tuesday, February 4."

DATE COPY

ALB:CK

Authorized for public release by the FOMC Secretariat on 2/3/2021

BOARD OF GOVERNORS

FEETRAL RESERVE SYSTEM

correspondence

CONFIDENTIAL (FR)

From

To Board Members (individually addressed)

Arthur L. Broida

Subject:

In reply to yesterday's telegram, all Committee members except Governor Sheehan have concurred in Chairman Burns' recommendation for a reduction in the lower limit of the Federal funds rate constraint to 6-1/4 per cent. Mr.Debs responded as alternate for Mr. Hayes.

Governor Sheehan did not concur because he considers 6-1/4 per cent inadequate; his preference would be for a lower limit of 6 per cent now and 5-3/4 per cent shortly if the aggregates remain below the ranges specified at the last meeting. Governors Bucher, Holland, and Mitchell, while concurring, also would have preferred reducing the lower limit to 6 per cent.

Authorized for public release by the FOMC Secretariat on 2/3/2021

CONFIDENTIAL (FR)
CLASS II - FOMC

BOARD OF GOVERNORS

FERRAL RESERVE SYSTEM

Subject:

Office Correspondence

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Date_	February 6, 1975	1
	MAR 2 0 1975	
Date_	MAR 2 0 1975	

FOMC:

To_____

From Arthur L. Broida

For your information attached is a telegram sent yesterday to FOMC members. All Committee members except Governor Sheehan have concurred in Chairman Burns' recommendation for a reduction in the lower limit of the Federal funds rate constraint to 6-1/4 per cent. Mr. Debs responded as alternate for Mr. Hayes.

Governor Sheehan did not concur because he considers 6-1/4 per cent inadequate; his preference would be for a lower limit of 6 per cent now and 5-3/4 per cent shortly if the aggregates remain below the ranges specified at the last meeting. Governors Bucher, Holland, and Mitchell, while concurring, also would have preferred reducing the lower limit to 6 per cent.

Attachment

ce: Mesers. Altmann
Bernerd
O'Connell
Coyne
R. Solomon
Keir
Bryant
Hrs. Ferer

ALB:CK

DATEDROPY

TELEGRAM

FEDERAL RESERVE COMMUNICATIONS SYSTEM

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTE WASHINGTON

WAR 20 1975 | Fonc: General

February 6, 1975

CONFIDENTIAL (FR) CLASS II-FOMC

MORRIS - BOSTON HAYES - NEW YORK EASTBURN - PHILADELPHIA MAYO - CHICAGO FRANCIS - ST. LOUIS MACLAURY - MINNEAPOLIS BAUGHMAN - DALLAS BALLES - SAN FRANCISCO

For your information, the following wire was sent yesterday to FOMC members:

"According to estimates prepared last week, in January M_1 declined at about a 7 per cent annual rate and M_2 grew at a rate of less than 3.5 per cent. Growth rates for January-February period appeared to be well below the lower limits of Committee's ranges of tolerance. Latest incoming data indicate further weakening in these monetary aggregates, wholly reflecting the behavior of demand deposits; growth in consumer-type time deposits remains relatively strong. Desk is currently aiming at Federal funds rate of 6-1/2 per cent, the lower limit of its range of tolerance.

"In light of these developments and of the reduction in discount rates effective today, Chairman Burns recommends that lower limit of funds rate constraint be reduced to 6-1/4 per cent at this time.

"Please advise promptly whether you concur in Chairman's recommendation."

DATE ON COPY

TELEGRAM

WAR 2 0 1975

FEDERAL RESERVE COMMUNICATIONS SYSTEM

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM WASHINGTON

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Governor Sheehan did not concur because he considers 6-1/4 per cent inadequate; his preference would be for a lower limit of 6 per cent now and 5-3/4 per cent shortly if the aggregates remain below the ranges specified at the last meeting. Governors Bucher, Holland, and Mitchell, while concurring, also would have preferred reducing the lower limit to 6 per cent.

BROIDA

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