

Meeting of Federal Open Market Committee

May 26, 1970

MINUTES OF ACTIONS

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, D. C., on Tuesday, May 26, 1970, at 9:30 a.m.

PRESENT: Mr. Burns, Chairman
Mr. Hayes, Vice Chairman
Mr. Brimmer
Mr. Daane
Mr. Francis
Mr. Hickman
Mr. Maisel
Mr. Mitchell
Mr. Robertson
Mr. Sherrill
Mr. Swan
Mr. Morris, Alternate for Mr. Heflin

Messrs. Galusha and Kimbrel, Alternate Members of the Federal Open Market Committee

Messrs. Eastburn and Coldwell, Presidents of the Federal Reserve Banks of Philadelphia and Dallas, respectively

Mr. Holland, Secretary
Mr. Broida, Deputy Secretary
Messrs. Kenyon and Molony, Assistant Secretaries
Mr. Hexter, Assistant General Counsel
Mr. Partee, Economist
Messrs. Axilrod, Craven, Gramley, Hersey, Hocter, Jones, Parthemos, and Solomon, Associate Economists
Mr. Holmes, Manager, System Open Market Account
Mr. Bernard, Assistant Secretary, Office of the Secretary, Board of Governors
Mr. Cardon, Assistant to the Board of Governors

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Mr. Coyne, Special Assistant to the Board of
Governors
Messrs. Wernick and Williams, Advisers,
Division of Research and Statistics,
Board of Governors
Mr. Keir, Associate Adviser, Division of
Research and Statistics, Board of
Governors
Mr. Baker, Economist, Government Finance
Section, Division of Research and
Statistics, Board of Governors
Miss Ormsby, Special Assistant, Office of the
Secretary, Board of Governors
Miss Eaton, Open Market Secretariat Assistant,
Office of the Secretary, Board of Governors

Messrs. Black, Fossum, and Baughman, First
Vice Presidents, Federal Reserve Banks
of Richmond, Atlanta, and Chicago,
respectively
Messrs. Eisenmenger, Link, Taylor, and Tow,
Senior Vice Presidents, Federal Reserve
Banks of Boston, New York, Atlanta, and
Kansas City, respectively
Messrs. Bodner, Scheld, and Green, Vice
Presidents, Federal Reserve Banks of
New York, Chicago, and Dallas, respectively
Messrs. Gustus and Kareken, Economic Advisers,
Federal Reserve Banks of Philadelphia and
Minneapolis, respectively
Mr. Sandberg, Securities Trading Officer,
Federal Reserve Bank of New York

By unanimous vote, the minutes of actions taken at the meeting
of the Federal Open Market Committee held on May 5, 1970, were
approved.

The memorandum of discussion for the meeting of the Federal
Open Market Committee held on May 5, 1970, was accepted.

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By unanimous vote, the System open market transactions in foreign currencies during the period May 5 through 25, 1970, were approved, ratified, and confirmed.

By unanimous vote, the open market transactions in Government securities, agency obligations, and bankers' acceptances during the period May 5 through 25, 1970, were approved, ratified, and confirmed.

By unanimous vote, the Federal Reserve Bank of New York was authorized and directed, until otherwise directed by the Committee, to execute transactions in the System Account in accordance with the following current economic policy directive:

The information reviewed at this meeting indicates that real economic activity declined more than previously estimated in the first quarter of 1970, but little further change is projected in the second quarter. Prices and costs generally are continuing to rise at a rapid pace, although some components of major price indexes recently have shown moderating tendencies. Since early May most long-term interest rates have remained under upward pressure, partly as a result of continued heavy demands for funds and possible shifts in liquidity preferences, and prices of common stocks have declined further. Attitudes in financial markets generally are being affected by the widespread uncertainties arising from recent international and domestic events, including doubts about the success of the Government's anti-inflationary program. Both bank credit and the money supply rose substantially from March to April on average; in May bank credit appears to be changing little while the money supply appears to be expanding rapidly. The overall balance of payments continued in considerable deficit in April and early May. In light of the foregoing developments, it is the policy of the Federal Open Market Committee to foster financial conditions conducive to orderly reduction in the rate of inflation, while encouraging the resumption of sustainable economic

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growth and the attainment of reasonable equilibrium in the country's balance of payments.

To implement this policy, in view of current market uncertainties and liquidity strains, open market operations until the next meeting of the Committee shall be conducted with a view to moderating pressures on financial markets, while, to the extent compatible therewith, maintaining bank reserves and money market conditions consistent with the Committee's longer run objectives of moderate growth in money and bank credit.

It was agreed that the next meeting of the Federal Open Market Committee would be held on Tuesday, June 23, 1970, at 9:30 a.m.

The meeting adjourned.


Secretary