

Meeting of Federal Open Market Committee

June 29, 1971

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, June 29, 1971, at 9:30 a.m.

**PRESENT:** Mr. Burns, Chairman  
Mr. Hayes, Vice Chairman  
Mr. Brimmer  
Mr. Clay  
Mr. Daane  
Mr. Maisel  
Mr. Mayo  
Mr. Mitchell  
Mr. Morris  
Mr. Robertson  
Mr. Sherrill  
Mr. Coldwell, Alternate for Mr. Kimbrel

Mr. Swan, Alternate Member of the Federal Open Market Committee

Messrs. Heflin and Francis, Presidents of the Federal Reserve Banks of Richmond and St. Louis, respectively

Mr. Holland, Secretary  
Mr. Broida, Deputy Secretary  
Mr. Molony, Assistant Secretary  
Mr. Hackley, General Counsel  
Mr. Hexter, Assistant General Counsel  
Mr. Partee, Economist  
Messrs. Garvy, Gramley, Hersey, Schold, Taylor, and Tow, Associate Economists  
Mr. Holmes, Manager, System Open Market Account  
Mr. Coombs, Special Manager, System Open Market Account

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Mr. Leonard, Assistant Secretary, Office of  
the Secretary, Board of Governors  
Mr. Cardon, Assistant to the Board of  
Governors  
Mr. O'Brien, 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. Bryant, Associate Adviser, Division of  
International Finance, Board of  
Governors  
Mr. Zeisel, Assistant Adviser, Division of  
Research and Statistics, Board of  
Governors  
Mr. Wendel, Chief, Government Finance  
Section, Division of Research and  
Statistics, Board of Governors  
Miss Eaton, Open Market Secretariat  
Assistant, Office of the Secretary,  
Board of Governors  
Miss Orr, Secretary, Office of the  
Secretary, Board of Governors  
  
Messrs. Melnicoff, MacDonald, Fossum, and  
Strothman, First Vice Presidents,  
Federal Reserve Banks of Philadelphia,  
Cleveland, Atlanta, and Minneapolis,  
respectively  
Messrs. Parthemos and Craven, Senior Vice  
Presidents, Federal Reserve Banks of  
Richmond and San Francisco,  
respectively  
Messrs. Willes, Hocter, Jordan, Nelson, and  
Green, Vice Presidents, Federal Reserve  
Banks of Philadelphia, Cleveland,  
St. Louis, Minneapolis, and Dallas,  
respectively  
Mr. Anderson, Assistant Vice President,  
Federal Reserve Bank of Boston  
Mr. Cooper, Manager, Securities and  
Acceptance Departments, Federal  
Reserve Bank of New York

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By unanimous vote, the System open market transactions in foreign currencies during the period June 8 through 28, 1971, were approved, ratified, and confirmed.

By unanimous vote, renewal if necessary of the three System drawings on the National Bank of Belgium maturing in the period July 26-August 3, 1971, was authorized.

By unanimous vote, the open market transactions in Government securities, agency obligations, and bankers' acceptances during the period June 8 through 28, 1971, were approved, ratified, and confirmed.

By unanimous vote, the dollar limit specified in paragraph 2 of the continuing authority directive, on Federal Reserve Bank holdings of short-term certificates of indebtedness purchased directly from the Treasury, was decreased from \$2 billion to \$1 billion. As amended, paragraph 2 read as follows:

The Federal Open Market Committee authorizes and directs the Federal Reserve Bank of New York, or, if the New York Reserve Bank is closed, any other Federal Reserve Bank, to purchase directly from the Treasury for its own account (with discretion, in cases where it seems desirable, to issue participations to one or more Federal Reserve Banks) 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 rate charged on such certificates shall be a rate 1/4 of 1 per cent below the discount rate of the Federal Reserve Bank of New York at the time of such purchases, and provided further that the total amount of such certificates held at any one time by the Federal Reserve Banks shall not exceed \$1 billion.

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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 suggests that real output of goods and services is expanding moderately in the current quarter and that the unemployment rate has remained high. Wage rates in most sectors are continuing to rise at a rapid pace. The rate of advance in both consumer prices and wholesale prices of industrial commodities has stepped up again recently after moderating earlier in the year. In June, according to tentative estimates, the money stock both narrowly and broadly defined is still growing rapidly on average, although less than in May; growth in the bank credit proxy remains below the first-quarter rate. Interest rates on most types of market securities have increased on balance in recent weeks. The market exchange rate for the German mark has advanced, and a substantial flow of funds from Germany to other markets has occurred in recent weeks. In consequence of a partial reversal of the earlier speculative outflows of short-term capital from the United States and of an increase in Euro-dollar borrowings of U.S. banks, there has been a surplus in the U.S. payments balance on the official settlements basis in this period. The U.S. merchandise trade balance, which had been in small surplus in the first quarter, was in deficit in April and May. In light of the foregoing developments, it is the policy of the Federal Open Market Committee to foster financial conditions conducive to the resumption of sustainable economic growth, while encouraging an orderly reduction in the rate of inflation, moderation of short-term capital outflows, and attainment of reasonable equilibrium in the country's balance of payments.

To implement this policy, the Committee seeks to achieve more moderate growth in monetary aggregates over the months ahead, taking account of developments in capital markets. System open market operations


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until the next meeting of the Committee shall be conducted with a view to achieving bank reserve and money market conditions consistent with those objectives.

It was agreed that the next meeting of the Federal Open Market Committee would be held on Tuesday, July 27, 1971, at 9:30 a.m.

The meeting adjourned.

  
Secretary