

Meeting of Federal Open Market Committee

October 14-15, 1974

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 Monday and Tuesday, October 14-15, 1974, beginning at 5:30 p.m. on Monday.

PRESENT: Mr. Burns, Chairman  
Mr. Hayes, Vice Chairman  
Mr. Black  
Mr. Bucher  
Mr. Clay  
Mr. Holland  
Mr. Kimbrel  
Mr. Mitchell  
Mr. Sheehan  
Mr. Wallich  
Mr. Winn

Messrs. Coldwell, MacLaury, Mayo, and Morris,  
Alternate Members of the Federal Open  
Market Committee

Mr. Eastburn, President of the Federal Reserve  
Bank of Philadelphia

Mr. Broida, Secretary  
Mr. Altmann,<sup>1/</sup> Deputy Secretary  
Mr. O'Connell, General Counsel  
Mr. Partee,<sup>1/</sup> Senior Economist  
Mr. Axilrod,<sup>1/</sup> Economist (Domestic Finance)  
Mr. R. Solomon,<sup>1/</sup> Economist (International  
Finance)  
Messrs. Brandt,<sup>1/</sup> Bryant,<sup>1/</sup> Doll,<sup>1/</sup> Hocter,<sup>1/</sup>  
Pierce,<sup>1/</sup> and Reynolds,<sup>1/</sup> Associate  
Economists

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<sup>1/</sup> Attended Tuesday session only.

Mr. Holmes,<sup>1/</sup> Manager, System Open Market Account

Mr. Coombs,<sup>1/</sup> Special Manager, System Open Market Account

Mr. Coyne,<sup>1/</sup> Assistant to the Board of Governors

Mr. Wonnacott,<sup>1/</sup> Associate Director, Division of International Finance, Board of Governors

Mr. Keir,<sup>1/</sup> Adviser, Division of Research and Statistics, Board of Governors

Miss Pruitt,<sup>1/</sup> Economist, Open Market Secretariat, Board of Governors

Mrs. Ferrell,<sup>1/</sup> Open Market Secretariat Assistant, Board of Governors

Messrs. Leonard and Williams, First Vice Presidents of the Federal Reserve Banks of St. Louis and San Francisco, respectively

Messrs. Eisenmenger,<sup>1/</sup> Boehne,<sup>1/</sup> and Scheld,<sup>1/</sup> Senior Vice Presidents, Federal Reserve Banks of Boston, Philadelphia, and Chicago, respectively

Mr. Garvy,<sup>1/</sup> Vice President and Senior Adviser, Federal Reserve Bank of New York

Messrs. Snellings,<sup>1/</sup> Jordan,<sup>1/</sup> and Green,<sup>1/</sup> Vice Presidents, Federal Reserve Banks of Richmond, St. Louis, and Dallas, respectively

Mr. Kareken,<sup>1/</sup> Economic Adviser, Federal Reserve Bank of Minneapolis

Mr. Keran,<sup>1/</sup> Director of Research, Federal Reserve Bank of San Francisco

Mr. Sandberg,<sup>1/</sup> Assistant Vice President, Federal Reserve Bank of New York

By unanimous vote, the Committee ratified the action of members on September 25, 1974, authorizing and directing the Federal

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<sup>1/</sup> Attended Tuesday session only.

Reserve Bank of New York, under the provisions of 270.4(e) of the Regulation relating to Open Market Operations of Federal Reserve Banks, to engage in such open market transactions in foreign currencies, including transactions for the System Open Market Account, as may be necessary to carry out the arrangements that have been made by the Federal Reserve Bank of New York, with the concurrence of the Board of Governors of the Federal Reserve System, for the disposition of assets and liabilities of the Franklin National Bank.

By unanimous vote, the minutes of actions taken at the meetings of the Federal Open Market Committee held on August 20 and September 10, 1974, were approved.

The memoranda of discussion for the meetings of the Federal Open Market Committee held on August 20 and September 10, 1974, were accepted.

By unanimous vote, the System open market transactions in foreign currencies during the period September 10 through October 14, 1974, were approved, ratified, and confirmed.

By unanimous vote, renewal for further periods of 3 months of System drawings on the National Bank of Belgium, the Swiss National Bank, and the Bank for International Settlements, maturing in the period November 4 through 15, 1974, was authorized.

By unanimous vote, the open market transactions in Government securities, agency obligations, and bankers' acceptances during the period September 10 through October 14, 1974, were approved, ratified, and confirmed.

With Mr. Clay dissenting, the Federal Reserve Bank of New York was authorized and directed, until otherwise directed by the Committee, to execute transactions for the System Account in accordance with the following domestic policy directive:

The information reviewed at this meeting suggests that real output of goods and services declined somewhat further in the third quarter and that price and wage increases continued large. In September industrial production increased somewhat, reflecting settlement of work stoppages that had reduced output in August. An upsurge in the labor force, following several months of relatively slow growth, raised the unemployment rate from 5.4 to 5.8 per cent. The rise in wholesale prices of industrial commodities moderated, although it remained substantial, and prices of farm products and foods declined after having increased sharply in July and August.

On October 8 the President recommended a program to combat inflation and to mitigate the impact of monetary and fiscal restraint on certain sectors of the economy. The tax and expenditure proposals included in the program would, on balance, have approximately a neutral effect on the size of the Federal deficit.

In recent weeks the dollar has declined against leading foreign currencies. The U.S. foreign trade deficit increased substantially in August, as imports of petroleum and industrial materials rose while exports held steady.

The narrowly defined money stock rose slightly in September and grew at an annual rate of about 2 per cent over the third quarter, compared with a rate of 6 per cent in the first half of the year. The money supply measure more broadly defined to include bank time and savings deposits other than money market CD's--as well as the measure that includes deposits at other thrift institutions--also rose only slightly in September. Over-all business credit demands slackened last month, and outstanding business loans at banks leveled off. Since early September interest rates on short-term market instruments have fallen considerably, while yields on Treasury and State and local government bonds have declined modestly. Yields on corporate bonds have risen somewhat further, on balance, reflecting the large volume of offerings in prospect.

In light of the foregoing developments, it is the policy of the Federal Open Market Committee to foster financial conditions conducive to resisting inflationary pressures, supporting a resumption of real economic growth, and achieving equilibrium in the country's balance of payments.

To implement this policy, while taking account of the forthcoming Treasury financing and of developments in domestic and international financial markets, the Committee seeks to achieve bank reserve and money market conditions consistent with resumption of moderate growth in monetary aggregates over the months ahead.

It was agreed that the next meeting of the Committee would be held on November 19, 1974, at 9:30 a.m.

The meeting adjourned.

  
Arthur L. Brinkley  
Secretary