

Meeting of Federal Open Market Committee

September 16, 1975

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, September 16, 1975, at 9:30 a.m.

PRESENT: Mr. Burns, Chairman
Mr. Volcker, Vice Chairman
Mr. Baughman
Mr. Bucher
Mr. Coldwell
Mr. Eastburn
Mr. Holland
Mr. Jackson
Mr. MacLaury
Mr. Mayo
Mr. Mitchell
Mr. Wallich

Messrs. Balles, Black, Francis, and Winn,
Alternate Members of the Federal Open
Market Committee

Messrs. Clay, Kimbrel, and Morris, Presidents
of the Federal Reserve Banks of Kansas City,
Atlanta, and Boston, respectively

Mr. Broida, Secretary
Mr. Altmann, Deputy Secretary
Mr. Bernard, Assistant Secretary
Mr. O'Connell, General Counsel
Mr. Partee, Senior Economist
Mr. Axilrod, Economist (Domestic Finance)
Mr. Gramley, Economist (Domestic Business)
Mr. Solomon, Economist (International Finance)
Messrs. Boehne, Davis, Green, Kareken,
Reynolds, and Scheld, Associate Economists

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Mr. Holmes, Manager, System Open Market Account
Mr. Pardee, Deputy Manager for Foreign
Operations

Mr. Sternlight, Deputy Manager for Domestic
Operations

Mr. Coyne, Assistant to the Board of
Governors

Mr. Keir, Adviser, Division of Research and
Statistics, Board of Governors

Mr. Gemmill, Adviser, Division of International
Finance, Board of Governors

Mrs. Farar, Economist, Open Market Secretariat,
Board of Governors

Mrs. Ferrell, Open Market Secretariat
Assistant, Board of Governors

Messrs. Eisenmenger and Doll, Senior Vice
Presidents, Federal Reserve Banks of
Boston and Kansas City, respectively

Messrs. Hocter, Snellings, Brandt, and Balbach,
Vice Presidents, Federal Reserve Banks of
Cleveland, Richmond, Atlanta, and St. Louis,
respectively

Mr. Keran, Director of Research, Federal Reserve
Bank of San Francisco

Mr. Meek, Monetary Adviser, Federal Reserve Bank
of New York

By unanimous vote, the minutes of actions taken at the meeting
of the Federal Open Market Committee on August 19, 1975, were approved.

The memorandum of discussion for the meeting of the Federal
Open Market Committee on July 15, 1975, was accepted.

By unanimous vote, the System open market transactions in
foreign currencies during the period August 19 through September 15,
1975, were approved, ratified, and confirmed.

By unanimous vote, renewal for further periods of 3 months of System drawings on the National Bank of Belgium, maturing on October 17 and 24, 1975, was authorized.

By unanimous vote, the open market transactions in Government securities, agency obligations, and bankers' acceptances during the period August 19 through September 15, 1975, 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 domestic policy directive:

The information reviewed at this meeting suggests that output of goods and services--which had turned up in the second quarter--is increasing appreciably further in the current quarter. In August industrial production and nonfarm payroll employment expanded at a faster pace than in July, and the average workweek in manufacturing continued to lengthen. The unemployment rate remained at 8.4 per cent, as the civilian labor force increased about as much as total employment. Retail sales apparently declined slightly, following 4 months of large gains. The index of wholesale prices of industrial commodities rose somewhat more in August than in July, chiefly because of increases in prices of energy products; prices of farm and food products declined slightly. The advance in average wage rates over recent months has been somewhat less rapid than in 1974 and early 1975.

In recent weeks the exchange value of the dollar against leading foreign currencies has risen somewhat further. In July the U.S. foreign trade surplus declined from the very high second-quarter level, as imports rose

sharply. Bank-reported capital movements showed a net inflow, in contrast to the net outflows of earlier months, while U.S. liabilities to foreign official agencies, which earlier had been rising, declined.

Expansion in M_1 picked up somewhat in August from the low July rate. Growth in M_2 and M_3 slowed further, however, as inflows of consumer-type time and savings deposits to banks and to nonbank thrift institutions continued to moderate, reflecting in part the increased attractiveness of alternative investments. Interest rates on short-term securities and on longer-term Treasury and corporate securities have shown little net change in recent weeks, except that longer-term yields adjusted upward following the Treasury's September 10 announcement of its sizable borrowing requirements over the rest of this year. Yields on State and local government securities rose to new highs in early September, as a result of widespread concern about possible repercussions of New York City's financial crisis; on September 9 a State program to assist the City was enacted.

In light of the foregoing developments, it is the policy of the Federal Open Market Committee to foster financial conditions conducive to stimulating economic recovery, while resisting inflationary pressures and contributing to a sustainable pattern of international transactions.

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

It was agreed that the next meeting of the Committee would be held on October 21, 1975, at 9:00 a.m.

The meeting adjourned.


Secretary