

Meeting of Federal Open Market Committee

October 21, 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, October 21, 1975, at 9:00 a.m.

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

Messrs. Balles, Black, 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

Mr. Pardee, Deputy Manager for Foreign
Operations
Mr. Sternlight, Deputy Manager for Domestic
Operations

Mr. Coyne, Assistant to the Board of
Governors
Mr. Zeisel,^{1/} Associate Director, Division
of Research and Statistics, Board of
Governors
Mr. Keir, Adviser, Division of Research and
Statistics, Board of Governors
Mr. Gemmill, Adviser, Division of International
Finance, Board of Governors
Mr. Wendel,^{1/} Associate Adviser, Division of
Research and Statistics, Board of
Governors
Mrs. Farar, Economist, Open Market Secretariat,
Board of Governors
Mrs. Ferrell, Open Market Secretariat
Assistant, Board of Governors

Mr. Leonard, First Vice President, Federal
Reserve Bank of St. Louis

Messrs. Eisenmenger, Parthemos, and Doll,
Senior Vice Presidents, Federal Reserve
Banks of Boston, Richmond, and Kansas City,
respectively
Messrs. Hocter, Brandt, and Balbach, Vice
Presidents, Federal Reserve Banks of
Cleveland, Atlanta, and St. Louis,
respectively
Mr. Keran, Director of Research, Federal
Reserve Bank of San Francisco
Ms. Tschinkel, Adviser, Open Market Operations,
Federal Reserve Bank of New York

^{1/} Joined the meeting at point indicated.

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By unanimous vote, the Committee ratified the action taken by members on October 3, 1975, increasing from \$3 billion to \$4 billion the limit specified in paragraph 1(a) of Authorization for Domestic Open Market Operations, on changes between meetings in System holdings of U.S. Government and Federal agency securities, effective October 3, 1975, through the close of business October 21, 1975.

By unanimous vote, the minutes of actions taken at the meeting of the Federal Open Market Committee on September 16, 1975, were approved.

By unanimous vote, the memoranda of discussion for the meetings of the Federal Open Market Committee on August 19 and September 16, 1975, were accepted.

By unanimous vote, the System open market transactions in foreign currencies during the period September 16 through October 20, 1975, were approved, ratified, and confirmed.

By unanimous vote, the open market transactions in Government securities, agency obligations, and bankers' acceptances during the period September 16 through October 20, 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, the Swiss National Bank, and the Bank for International Settlements, maturing in the period November 5-14, 1975, was authorized.

Messrs. Zeisel and Wendel entered the meeting after the foregoing item and left prior to the following item.

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--increased sharply further in the third quarter. In recent months retail sales have been maintained at the higher levels reached in early summer, and industrial production has strengthened progressively. Nonfarm payroll employment continued to expand in September, and the unemployment rate edged down from 8.4 to 8.3 per cent. In September, as in August, average wholesale prices of industrial commodities rose somewhat faster than earlier in the year, in part because of increases in prices of energy products; prices of farm and food products rose sharply in September. The advance in average wage rates in recent months has remained somewhat less rapid than in 1974 and early 1975.

After rising further in late September, the exchange value of the dollar against leading foreign currencies has declined to about its mid-September level. In August the U.S. foreign trade surplus increased as agricultural exports rose. Bank-reported private capital movements showed a further net inflow, while U.S. liabilities to foreign official agencies declined again.

M_1 rose slightly on the average in September but declined in the latter part of the month and in early October. From the second to the third quarter, however, M_1 grew at a 6.9 per cent annual rate. Inflows of consumer type-time and savings deposits to banks and to

nonbank thrift institutions continued to moderate in September, reflecting in part the attractiveness of alternative investments, and growth in M_2 and M_3 slowed further. Although conditions in markets for State and local government securities continued to be adversely affected by New York's financial problems, most short- and long-term interest rates have declined in recent weeks. On October 15 the Board of Governors announced a reduction of member bank reserve requirements on long-term time deposits.

In light of the foregoing developments, it is the policy of the Federal Open Market Committee to foster financial conditions that will encourage continued 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 November 18, 1975.

The meeting adjourned.


Secretary