

Meeting of Federal Open Market Committee

May 18, 1976

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 18, 1976, at 9:00 a.m.

PRESENT: Mr. Burns, Chairman
Mr. Volcker, Vice Chairman
Mr. Balles
Mr. Black
Mr. Coldwell
Mr. Gardner
Mr. Jackson
Mr. Kimbrel
Mr. Partee
Mr. Wallich
Mr. Winn

Messrs. Baughman, Guffey, Mayo, and Morris,
Alternate Members of the Federal Open
Market Committee

Messrs. MacLaury and Roos, Presidents of
the Federal Reserve Banks of Minneapolis
and St. Louis, respectively

Mr. Broida, Secretary
Mr. Altmann, Deputy Secretary
Mr. Bernard,^{1/} Assistant Secretary
Mr. O'Connell, General Counsel
Mr. Axilrod, Economist (Domestic Finance)
Mr. Gramley,^{1/} Economist (Domestic Business)
Messrs. Brandt,^{1/} Hocter,^{1/} Keran,^{1/} Kichline,^{1/}
Parthemos,^{1/} Reynolds,^{1/} and Zeisel,^{1/}
Associate Economists

^{1/} Entered meeting at point indicated.

Mr. Holmes, Manager, System Open Market Account
Mr. Pardee,^{1/} Deputy Manager for Foreign
Operations

Mr. Sternlight,^{1/} Deputy Manager for Domestic
Operations

Mr. Coyne, Assistant to the Board of Governors
Mr. Keir,^{1/} Adviser, Division of Research and
Statistics, Board of Governors

Mr. Gemmill,^{1/} Adviser, Division of International
Finance, Board of Governors

Mrs. Farar,^{1/} Economist, Open Market Secretariat,
Board of Governors

Mrs. Deck,^{1/} Staff Assistant, Open Market
Secretariat, Board of Governors

Mr. Willes,^{1/} First Vice President of the
Federal Reserve Bank of Philadelphia

Messrs. Boehne^{1/} and Doll,^{1/} Senior Vice
Presidents, Federal Reserve Banks of
Philadelphia and Kansas City, respectively

Messrs. Balbach,^{1/} Burns,^{1/} and Davis,^{1/} Vice
Presidents, Federal Reserve Banks of St.
Louis, Dallas, and New York, respectively

Mrs. Nichols^{1/} and Mr. Kareken,^{1/} Economic
Advisers, Federal Reserve Banks of Chicago
and Minneapolis, respectively

Mr. McNees,^{1/} Assistant Vice President, Federal
Reserve Bank of Boston

Mr. Hill,^{1/} Senior Economist, Federal Reserve
Bank of New York

With Mr. Coldwell dissenting, the Committee approved
a motion that the memorandum of discussion be discontinued after
the memorandum for the meeting of March 15-16, 1976.

With Mr. Coldwell abstaining, the Committee approved a
motion that the record of policy actions for each meeting of the
Committee be released to the public shortly after the next regularly
scheduled meeting.

^{1/} Entered meeting at point indicated.

By unanimous vote, the Committee amended Section 271.5(a) of its Rules Regarding the Availability of Information to delete the sentence reading "For example, the Committee's domestic policy directive adopted at each meeting of the Committee is published in the Federal Register approximately 45 days after the date of its adoption; and no information in the records of the Committee relating to the adoption of any such directive is made available for public inspection or copying before it is published in the Federal Register or is otherwise released to the public by the Committee."

With this amendment, Section 271.5(a) read as follows:

(a) Deferred availability of information.-- In some instances, certain types of information of the Committee are not published in the Federal Register or made available for public inspection or copying until after such period of time as the Committee may determine to be reasonably necessary to avoid the effects described in paragraph (b) of this section or as may otherwise be necessary to prevent impairment of the effective discharge of the Committee's statutory responsibilities.

Staff members who were not present at the outset entered the meeting prior to the following actions.

By unanimous vote, the minutes of actions taken at the meeting of the Federal Open Market Committee held on April 20, 1976, were approved.

By unanimous vote, the System open market transactions in foreign currencies during the period April 20 through May 17, 1976, were approved, ratified, and confirmed.

By unanimous vote, System open market transactions in Government securities, agency obligations, and bankers' acceptances, during the period April 20 through May 17, 1976, were approved, ratified, and confirmed.

With Mr. Coldwell, 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 growth in real output of goods and services is continuing at a vigorous pace in the current quarter. In April recovery in industrial production continued, and gains in employment were large and widespread. However, the civilian labor force also increased substantially, and the unemployment rate continued at 7.5 per cent. Retail sales remained at the March level. The wholesale price index for all commodities rose appreciably in April, reflecting a sharp increase in average prices of farm products and foods and a modest increase in prices of industrial commodities. Over recent months, the index of average wage rates has advanced moderately.

The average value of the dollar against leading foreign currencies has been relatively steady in recent weeks. During the first quarter, there was a sizable U.S. foreign trade deficit, in contrast to the large surpluses in the preceding four quarters.

M_1 , which had expanded moderately in February and March, increased sharply in April, reflecting in part a drop in U.S. Government deposits. Inflows of time and savings deposits other than negotiable CD's were

strong at banks and nonbank thrift institutions, and M_2 and M_3 increased substantially. In recent weeks, both short- and long-term market interest rates have risen.

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 period ahead.

It was agreed that the next meeting of the Committee would be held on June 22, 1976.

The meeting adjourned.

Secretary