

10/19/76

Meeting of Federal Open Market Committee

October 19, 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, October 19, 1976, at 9:30 a.m.

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

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

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

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

Mr. Pardee, Deputy Manager for Foreign  
Operations

Mr. Sternlight, Deputy Manager for  
Domestic Operations

Messrs. Coyne and Keir, Assistants to  
the Board of Governors

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

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

Mrs. Deck, Staff Assistant, Open Market  
Secretariat, Board of Governors

Messrs. Balbach, Boehne, Doll, Eisenmenger,  
and Scheld, Senior Vice Presidents,  
Federal Reserve Banks of St. Louis,  
Philadelphia, Kansas City, Boston,  
and Chicago, respectively

Mr. Green, Vice President, Federal  
Reserve Bank of Dallas

Mr. Sandberg, Assistant Vice President,  
Federal Reserve Bank of New York

Mr. Kareken, Economic Adviser, Federal  
Reserve Bank of Minneapolis

Mr. Hall, Economist, Federal Reserve  
Bank of Cleveland

By unanimous vote, the minutes of actions taken at the  
meeting of the Federal Open Market Committee held on September 21,  
1976, were approved.

By unanimous vote, the System open market transactions in  
foreign currencies during the period September 21 through October 18,  
1976, were approved, ratified, and confirmed.

By unanimous vote, System open market transactions in Government securities, agency obligations, and bankers' acceptances during the period September 21 through October 18, 1976, 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 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 slowed somewhat further in the third quarter. In September retail sales changed little, following a sizable increase in August. Industrial production was unchanged in September; in the latter half of the month output of automobiles and trucks was curtailed by a strike at plants of a major producer. Payroll employment in nonfarm establishments rose further; according to household survey data, the unemployment rate edged down from 7.9 to 7.8 per cent, as total employment and the civilian labor force both declined. The wholesale price index for all commodities rose sharply in September; average prices of farm products and foods increased, after 2 months of substantial declines, and average prices of industrial commodities rose somewhat more than in other recent months. The advance in the index of average wage rates has remained somewhat below the rapid rate of increase during 1975.

The average value of the dollar against leading foreign currencies has remained relatively steady in recent weeks, declining somewhat against the German mark and associated European currencies but rising against the pound sterling and the French franc. On October 18 the mark was revalued by an average of 3 per cent against the associated European currencies. In August

the U. S. foreign trade deficit remained larger than the monthly average in the second quarter; over all, the current account had been in surplus in the second quarter.

M1 was about unchanged in September. However, M2 and M3 grew substantially, as inflows of the time and savings deposits included in these broader aggregates were exceptionally strong. Market interest rates generally have declined further in recent weeks.

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 expansion, 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 regular meeting of the Committee would be held on November 16, 1976, at 9:30 a.m.

The meeting adjourned.

Secretary's Note: At its meeting on September 21, 1976, the Committee had unanimously approved the following special authorization:

The Federal Open Market Committee authorizes and directs the Federal Reserve Bank of New York to arrange for repayment of the System's outstanding swap commitments to the Swiss National Bank (concurrent with repayment by the U. S. Treasury of Treasury notes denominated

10/19/76

- 5 -

in Swiss francs and held by the Swiss National Bank), within a 3-year period by means of quarterly payments on a schedule that is mutually satisfactory to the Swiss National Bank, the U. S. Treasury, and the Federal Reserve. This authorization shall become effective upon final approval of technical details by the Chairman of the Federal Open Market Committee.

Chairman Burns approved the technical details of the arrangement on October 26, 1976, so that the special authorization became effective on that date.

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Secretary