

Meeting of Federal Open Market Committee

October 16, 1973

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 16, 1973, at 9:30 a.m.

PRESENT: Mr. Burns, Chairman
Mr. Hayes, Vice Chairman
Mr. Balles
Mr. Brimmer
Mr. Bucher
Mr. Daane
Mr. Francis
Mr. Holland
Mr. Mayo
Mr. Mitchell
Mr. Morris
Mr. Sheehan

Messrs. Clay, Eastburn, Kimbrel, and Winn,
Alternate Members of the Federal Open
Market Committee

Messrs. Black and Coldwell, Presidents of
the Federal Reserve Banks of Richmond
and Dallas, respectively

Mr. Broida, Secretary
Messrs. Altmann and Bernard, Assistant
Secretaries
Mr. Guy, Deputy General Counsel
Mr. Nicoll, Assistant General Counsel
Mr. Partee, Senior Economist
Mr. Axilrod, Economist (Domestic Finance)
Messrs. Andersen, Bryant, Eisenmenger,
Reynolds, and Scheld, Associate
Economists

Mr. Holmes, Manager, System Open Market Account

Mr. Coombs, Special Manager, System Open Market Account

Mr. Melnicoff, Deputy Executive Director, Board of Governors

Mr. Feldberg, Secretary to the Board of Governors

Mr. O'Brien, Special Assistant to the Board of Governors

Messrs. Keir, Pierce, Wernick, and Williams, Advisers, Division of Research and Statistics, Board of Governors

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

Mr. Ettin, Assistant Adviser, Division of Research and Statistics, Board of Governors

Mr. Wendel, Chief, Government Finance Section, Division of Research and Statistics, Board of Governors

Miss Pruitt, Economist, Office of the Secretary, Board of Governors

Mrs. Ferrell, Open Market Secretariat Assistant, Office of the Secretary, Board of Governors

Mrs. Peters, Secretary, Office of the Secretary, Board of Governors

Mr. Strothman, First Vice President, Federal Reserve Bank of Minneapolis

Messrs. Boehne, Doll, and Taylor, Senior Vice Presidents, Federal Reserve Banks of Philadelphia, Kansas City, and Atlanta, respectively

Messrs. Hocter, Green, and Sims, Vice Presidents, Federal Reserve Banks of Cleveland, Dallas, and San Francisco, respectively

Messrs. Garvy and Kareken, Economic Advisers, Federal Reserve Banks of New York and Minneapolis, respectively

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

Mr. McTeer, Assistant Vice President, Federal Reserve Bank of Richmond

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By unanimous vote, the minutes of actions taken at the meeting of the Federal Open Market Committee on September 18, 1973, were approved.

The memorandum of discussion for the meeting of the Federal Open Market Committee held on September 18, 1973, was accepted.

By unanimous vote, the System open market transactions in foreign currencies during the period September 18 through October 15, 1973, 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 2-16, 1973, was authorized.

By unanimous vote, the open market transactions in Government securities, agency obligations, and bankers' acceptances during the period September 18 through October 15, 1973, were approved, ratified, and confirmed.

It was agreed that the authorization for the lending of Government securities from the System Open Market Account should be retained at this time.

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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 in the fourth quarter is likely to remain at about the moderate rate indicated for the third quarter. In recent months manufacturing employment has leveled off and total non-farm employment has expanded less rapidly than earlier; the unemployment rate has remained at 4.8 per cent. The advance in wage rates has been somewhat faster than earlier. In September wholesale prices of industrial commodities rose appreciably; farm and food prices declined, but by far less than they had risen in August. The U.S. merchandise trade balance weakened slightly in August. Net foreign purchases of U.S. stocks continued large, however, and the balance of payments on an official settlements basis was in surplus in both August and September. Exchange rates for the dollar against most foreign currencies have changed little since mid-August.

The narrowly defined money stock, which had risen sharply during the second quarter, declined in September for the second successive month. The more broadly defined money stock expanded slightly in September as a result of net inflows at banks of consumer-type time deposits. The deposit experience at nonbank thrift institutions improved somewhat in September following a period of sizable outflows. Bank credit--which had been expanding rapidly--increased little as business loan growth slowed markedly, and after mid-September the outstanding volume of large-denomination CD's declined substantially. Short-term market interest rates fell sharply from mid-September to early October, partly as a result of a shift in market expectations regarding monetary policy, and rates on long-term market securities declined moderately further.

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In light of the foregoing developments, it is the policy of the Federal Open Market Committee to foster financial conditions conducive to abatement of inflationary pressures, a sustainable rate of advance in economic activity, and continued progress toward equilibrium in the country's balance of payments.

To implement this policy, while taking account of the forthcoming Treasury financing and of international and domestic financial market developments, 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 19-20, 1973, beginning at 4 p.m. on November 19.

The meeting adjourned.


Arthur L. Swida
Secretary