

Meeting of Federal Open Market Committee

November 19-20, 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 Monday and Tuesday, November 19-20, 1973, beginning at 4:00 p.m. on Monday.

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 MacLaury, Presidents of the
Federal Reserve Banks of Richmond and
Minneapolis, respectively

Mr. Broida, Secretary
Mr. Altmann, Assistant Secretary
Mr. O'Connell, General Counsel
Mr. Partee, Senior Economist
Mr. Axilrod, Economist (Domestic Finance)
Messrs. Andersen, Bryant, Gramley, Reynolds,
Scheld, and Sims, Associate Economists

Mr. Holmes, Manager, System Open
Market Account

Mr. Coombs, Deputy Special Manager,
System Open Market Account

Mr. Melnicoff, Managing Director for
Operations and Supervision,
Board of Governors

Mr. Feldberg, Secretary, Board of
Governors

Mr. Coyne, 1/ Assistant to the Board
of Governors

Mr. Pierce, Associate Director,
Division of Research and Statistics,
Board of Governors

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

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

Mr. Zeisel, 2/ Associate Adviser, Division of
Research and Statistics, Board of Governors

Messrs. Ettin and Taylor, 2/ Assistant Advisers,
Division of Research and Statistics,
Board of Governors

Mrs. Junz 2/ and Messrs. Fieleke 2/ and Henry, 2/
Assistant Advisers, Division of International
Finance, Board of Governors

Messrs. Kichline 2/ and Wendel, Chiefs, Capital
Markets and Government Finance Sections,
respectively, Division of Research and
Statistics, Board of Governors

Mrs. Smelker 2/ and Mr. Peret, 2/ Senior Econo-
mists, Division of Research and Statistics,
Board of Governors

Mr. Roxon, 2/ Senior Economist, Division of
International Finance, Board of Governors

Messrs. Beeman, 2/ Enzler, 2/ and Wyss, 2/
Economists, Division of Research and
Statistics, Board of Governors

Miss Morisse 2/ and Mr. Smith, 2/ Economists,
Division of International Finance,
Board of Governors

1/ Attended Tuesday session only.

2/ Attended Monday session only.

Miss Pruitt, Economist, Open Market
Secretariat, Board of Governors
Mrs. Ferrell, Open Market Secretariat
Assistant, Board of Governors

Mr. Plant, First Vice President, Federal
Reserve Bank of Dallas

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

Messrs. Davis, Hocter, and Green, Vice
Presidents, Federal Reserve Banks of
New York, Cleveland, and Dallas,
respectively

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

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

Mr. McNees, Economist, Federal Reserve
Bank of Boston

Secretary's Note: All of the actions listed
below were taken on Tuesday, November 20, 1973.

By unanimous vote, the minutes of actions taken at the
meeting of the Federal Open Market Committee held on October 16,
1973, were approved.

The memoranda of discussion for the meetings of the Federal
Open Market Committee held on October 2, 10, and 16, 1973, were
accepted.

By unanimous vote, the System open market transactions in
foreign currencies during the period October 16 through November
19, 1973, were approved, ratified and confirmed.

By unanimous vote, the Committee approved the renewal, for further periods of one year, of the following swap arrangements having the indicated amounts and maturity dates:

<u>Foreign bank</u>	<u>Amount of arrangement (millions of dollars equivalent)</u>	<u>Term (monthly)</u>	<u>Maturity date</u>
Austrian National Bank	250	12	December 3, 1973
National Bank of Belgium	1,000	12	December 21, 1973
Bank of Canada	2,000	12	December 28, 1973
National Bank of Denmark	250	12	December 3, 1973
Bank of England	2,000	12	December 3, 1973
Bank of France	2,000	12	December 28, 1973
German Federal Bank	2,000	12	December 14, 1973
Bank of Italy	2,000	12	December 31, 1973
Bank of Japan	2,000	12	December 3, 1973
Bank of Mexico	180	12	December 3, 1973
Netherlands Bank	500	12	December 28, 1973
Bank of Norway	250	12	December 3, 1973
Bank of Sweden	300	12	December 3, 1973
Swiss National Bank	1,400	12	December 3, 1973
Bank for International Settlements:			
Dollars against			
Swiss francs	600	12	December 3, 1973
Dollars against other			
authorized European currencies	1,250	12	December 3, 1973

By unanimous vote, the open market transactions in Government securities, agency obligations, and bankers' acceptances during the period October 16 through November 19, 1973, were approved, ratified, and confirmed.

With Mr. Morris 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 economic activity in the fourth quarter is likely to remain at about the moderate rate of the third quarter, but curtailment of oil supplies from abroad has generated considerable uncertainty about subsequent prospects. In October total nonfarm employment expanded substantially further, and the unemployment rate dropped from 4.8 to 4.5 per cent. The advance in wage rates has remained relatively rapid, and unit labor costs have been increasing at a fast pace. Wholesale prices of industrial commodities rose sharply in October, reflecting in part large increases for petroleum products; although farm and food prices declined considerably further, they remained well above the pre-freeze level of early June. In foreign exchange markets, the dollar appreciated against major foreign currencies following announcement in late October of a large surplus in the U.S. merchandise trade balance, and the dollar strengthened markedly further in early November as expectations grew that the developing oil crisis would create particularly severe problems for Western Europe and Japan. In the third quarter and in October, the balance of payments on an official settlements basis was in substantial surplus.

The narrowly defined money stock, which had declined in August and September, rose moderately in October. The more broadly defined money stock expanded sharply as a result of large net inflows at banks of consumer-type time deposits. Net deposit inflows at nonbank thrift institutions improved somewhat further. Bank credit expansion remained moderate in October, reflecting in part a lack of growth in business loans as borrowers shifted to the commercial paper market. The outstanding volume of large-denomination CD's, which had begun to decline in late September, fell substantially further. Short-term market interest rates, while fluctuating widely, rose on balance from mid-October to mid-November. Rates on most types of long-term market securities also advanced somewhat.

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 equilibrium in the country's balance of payments.

To implement this policy, while taking account 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 Federal Open Market Committee would be held on Tuesday, December 18, 1973, at 9:30 a.m.

The meeting adjourned.


Arthur L. Brinda
Secretary