

Meeting of Federal Open Market Committee

April 14-15, 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 Monday and Tuesday, April 14 and 15, 1975, beginning at 4:00 p.m. on Monday.

PRESENT: Mr. Burns, Chairman
Mr. Hayes, Vice Chairman
Mr. Baughman
Mr. Bucher^{1/}
Mr. Coldwell
Mr. Eastburn
Mr. Holland
Mr. MacLaury
Mr. Mayo
Mr. Mitchell
Mr. Wallich

Messrs. Balles, Black, Francis, 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. Guy,^{2/} Deputy General Counsel
Mr. Partee, Senior Economist
Mr. Axilrod, Economist (Domestic Finance)

^{1/} Left meeting at point indicated.

^{2/} Attended Tuesday session only.

Mr. Gramley, Economist (Domestic Business)
Mr. Solomon, Economist (International Finance)
Messrs. Boehne, Bryant, Davis, Green, Kareken,
Pierce,^{1/} Reynolds, and Scheld, Associate
Economists

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

Mr. Coyne, Assistant to the Board of
Governors
Mr. Rippey,^{1/} Assistant to the Board of
Governors
Mr. Keir,^{2/} 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

Messrs. Parthemos, Jordan, and Doll, Senior
Vice Presidents, Federal Reserve Banks of
Richmond, St. Louis, and Kansas City,
respectively

Messrs. Fieleke, Hocter, and Brandt, Vice
Presidents of Boston, Cleveland, and
Atlanta

Mr. Keran, Director of Research, Federal
Reserve Bank of San Francisco

Ms. Tschinkel, Manager, Securities Department,
Federal Reserve Bank of New York

Secretary's note: The actions listed immediately
below were taken on Monday, April 14, 1975.

By unanimous vote, the minutes of actions taken at the
meeting of the Federal Open Market Committee held on March 18, 1975,
were approved.

The memorandum of discussion for the meeting of the Federal
Open Market Committee held on February 19, 1975, was accepted.

1/ Attended Monday session only.

2/ Attended Tuesday session only.

Secretary's note: All of the actions listed below were taken on Tuesday, April 15, 1975.

By unanimous vote, the System open market transactions in foreign currencies during the period March 18 through April 14, 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 May 5 through 14, 1975, was authorized.

By unanimous vote, the System open market transactions in Government securities, agency obligations, and bankers acceptances, during the period March 18 through April 14, 1975, were approved, ratified, and confirmed.

Mr. Bucher left the meeting prior to the following action.

With Mr. Eastburn 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 real output of goods and services fell sharply in the first quarter. However, retail sales strengthened during the quarter, and the rate of decline in over-all activity has slowed in recent weeks. In March industrial production and employment declined less than they had on average in the preceding 4 months, but the unemployment rate increased from 8.2 to 8.7 per cent, as the civilian labor force grew. Average wholesale prices of industrial

commodities rose little in March and prices of farm and food products declined sharply. The advance in average wage rates during the first quarter was large, but it was still below the increases of last spring and summer.

The prospect of an upturn in economic activity has been strengthened by enactment of the Tax Reduction Act of 1975, which will be adding soon to growth in disposable personal income.

The foreign exchange value of the dollar has risen since early March, as short-term interest rates abroad have declined further and market attitudes toward the dollar have continued to improve. In January-February the U.S. foreign trade balance was in surplus, as agricultural exports reached a new high and the volume of imports other than fuels declined. Net outflows of funds through banks continued large in February but appear to have diminished in March. In early April reserve requirements on foreign borrowings by member banks were reduced from 8 to 4 per cent.

The narrowly defined money stock rose moderately on balance over the first quarter, while broader measures of the money stock expanded more rapidly. Growth was substantial in March, apparently in part because of the effects of accelerated tax refunds on deposits at banks and nonbank thrift institutions. Business demands for short-term credit remained weak, both at banks and in the commercial paper market, while demands in the long-term market continued exceptionally strong. Since mid-March short-term market interest rates have increased somewhat and longer-term yields have risen considerably further.

In light of the foregoing developments, it is the policy of the Federal Open Market Committee to foster financial conditions conducive to stimulating economic recovery, while resisting inflationary pressures and working toward equilibrium in the country's balance of payments.

To implement this policy, while taking account of the forthcoming Treasury financing and of developments in domestic and international financial markets, the Committee seeks to achieve bank reserve and money market conditions consistent with somewhat more rapid growth in monetary aggregates over the months ahead than has occurred on average in recent months.

It was agreed that the authorization for the lending of Government securities from the System Open Market Account, contained in paragraph 3 of the Authorization for Domestic Open Market Operations, should be retained at this time, subject to annual review.

By unanimous vote, the Committee approved the changes in the terms and conditions for lending securities from the System Open Market Account recommended by the Manager in a memorandum dated March 7, 1975.

It was agreed that the next meeting of the Committee would be held on Tuesday, May 20, 1975.

The meeting adjourned.


Secretary