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Meeting of Federal Open Market Committee

September 21, 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, September 21, 1976, at 9:30 a.m.

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

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)
Messrs. Brandt, Davis, Keran, Kichline,
Parthemos, Reynolds, and Zeisel,
Associate Economists

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Mr. Holmes, Manager, System Open Market Account

Mr. Pardee, Deputy Manager for Foreign Operations

Mr. Sternlight, Deputy Manager for Domestic Operations

Mr. Coyne, Assistant to the Board of Governors

Mr. Keir, Assistant 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. Burns, Vice President, Federal Reserve Bank of Dallas

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

Mr. Hall, Economist, Federal Reserve Bank of Cleveland

Mr. Hill, Senior Economist, Open Market Operations, Federal Reserve Bank of New York

By unanimous vote, the minutes of actions taken at the meeting of the Federal Open Market Committee held on August 17, 1976, were approved.

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

Renewal for further periods of 3 months of drawings on the System by the Bank of England, maturing on September 23 and 30, 1976, was noted without objection.

By unanimous vote, System open market transactions in Government securities, agency obligations, and bankers' acceptances during the period August 17 through September 20, 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 has remained moderate in the current quarter. In August industrial production continued to expand at about the average rate in the preceding 4 months. Retail sales apparently rose vigorously, after having changed little on balance since April. Payroll employment in nonfarm establishments rose appreciably further, but according to household survey data, the unemployment rate edged up from 7.8 to 7.9 per cent. The wholesale price index for all commodities was about unchanged in August, as a substantial decline in average prices of farm products and foods offset another large increase in average prices of industrial commodities. So far this year the advance in the index of average wage rates has been somewhat below the rapid rate of increase during 1975.

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The average value of the dollar against leading foreign currencies has remained relatively steady in recent weeks, declining somewhat against most of these currencies but rising against the pound sterling. The Mexican peso was allowed to depreciate on September 1 and in recent days has been about 37 per cent below its old value against the dollar. In July the U.S. foreign trade deficit increased sharply.

M_1 and M_2 grew at moderate rates in August. Inflows of the ¹time and savings deposits included in M_2 were relatively strong, although they slackened from the high rate in July. Inflows of deposits to nonbank thrift institutions accelerated, however, and growth in M_3 remained rapid. Most market interest rates have declined somewhat 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 meeting of the Committee would be held on October 19, 1976, at 9:30 a.m.

The meeting adjourned.