

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

REC'D IN RECORDS SECTION
JUN 14 1974
FOMC: General
Date May 17, 1974

Office Correspondence

To Board Members (individually
addressed)
From Arthur L. Broida

Subject: _____

Attached is a copy of a telegram being sent today to the President-Members of the FOMC. If you concur in the Chairman's recommendation, please indicate by initialing below and returning this memorandum to my office.

Attachment

DATE^{AM} COPY

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CONFIDENTIAL (FR)

- BLACK - RICHMOND
- MAYO - CHICAGO
- KIMBREL - ATLANTA
- MACLAURY - MINNEAPOLIS
- EASTBURN - PHILADELPHIA
- FRANCIS - ST. LOUIS
- BALLES - SAN FRANCISCO

For your information, the following wire was sent today to FOMC members;

"Latest information indicates that growth in M_1 and M_2 for April-May period are within Committee's range of tolerance while RPD's are well above upper limit. The Federal funds rate has remained above 11 per cent upper limit of Committee's range of tolerance in recent days, despite the Desk's efforts to achieve a lower rate. In latest statement week rate has averaged 11.46 per cent. Major member banks have apparently preferred bidding in the Federal funds market to borrowing at the discount window. In addition, technical market shortage of collateral for repurchase agreements has hampered efforts to provide reserves. In any event, it would have been difficult to bring funds rate back to 11 per cent without providing nonborrowed reserves through open market operations on a scale so large as to risk market misinterpretation of System's policy intent.

"Chairman Burns recommends that Committee take note of difficulties faced by Desk in recent period.

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"Also, in view of the likelihood that these conditions may persist over the next few days, the Chairman feels that it would be appropriate to change the ceiling guideline for the funds rate from 11 to 11-1/4 per cent.

"Please advise promptly whether you concur."

11 Committee members (including alternates for 2 Presidents who were absent from their Banks) indicated that they concurred. Governor Holland did not concur.

BROIDA

ALB:ck

DATE FILE

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Board Members (individually addressed)

Arthur L. Broda

In reply to the telegram sent to the FOMC this morning concurrences have been received from 11 Committee members, including alternates for 2 Presidents who were absent from their Banks. As you know Governor Holland did not concur.

0 ALB:ck

XXXXXX

DATE FILE