

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

Office Correspondence

Date October 28, 1976

To Board Members

Subject: _____

From Arthur L. Broida *ALB*

STRICTLY CONFIDENTIAL (FR)
CLASS I FOMC

Attached is a copy of a telegram being sent today to the President-Members of the FOMC. As noted in the wire, Chairman Burns has asked that any comments you might have concerning his advice to the Manager be forwarded promptly to me.

Attachment

T E L E G R A M

FEDERAL RESERVE COMMUNICATIONS SYSTEM

**BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
WASHINGTON**

October 28, 1976

STRICTLY CONFIDENTIAL (FR)
CLASS I FOMC

**VOLCKER - NEW YORK
BLACK - RICHMOND
KIMBREL - ATLANTA
MAYO - CHICAGO
BALLES - SAN FRANCISCO**

Latest data on monetary aggregates continue to suggest unexpected strength in October-November period; projections now indicate growth of M_1 at a rate somewhat above upper limit, and of M_2 at the upper limit, of Committee's ranges.

In response to an inquiry from Manager concerning appropriate interpretation of Committee's instructions, Chairman Burns noted that at October meeting, against background of latest economic developments, Committee as a whole had agreed upon a policy course that contemplated a slight easing of money market conditions, and that the objective for the funds rate would have been reduced to 4-7/8 per cent had there not been subsequent indications of surprising strength in aggregates. Accordingly, Chairman has advised Manager that in his judgment any significant increase now in funds rate from prevailing level of about 5 per cent would be inconsistent with Committee's intent. Chairman is also inclined to agree with the Manager's

T E L E G R A M

FEDERAL RESERVE COMMUNICATIONS SYSTEM

**BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
WASHINGTON**

-2-

view that after the next few days, in light of the Treasury's mid-November refunding, any substantial change in money market conditions would be undesirable for a while, absent other overriding considerations.

Chairman Burns has asked that any comments you might have concerning his advice to Manager be forwarded promptly to me.

BROIDA

OMB

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

Office Correspondence

Date October 29, 1976

To Board Members

Subject: _____

From Arthur L. Broida *ALB*

In response to my wire of yesterday, no member of the Committee has indicated that he did not agree with the Chairman's advice to the Manager. President Mayo responded as alternate for President Winn. Governor Jackson was not available.

T E L E G R A M

FEDERAL RESERVE COMMUNICATIONS SYSTEM

**BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
WASHINGTON**

October 29, 1976

STRICTLY CONFIDENTIAL (FR)
CLASS I FOMC

**VOLCKER - NEW YORK
BLACK - RICHMOND
KIMBREL - ATALTN
MAYO - CHICAGO
BALLES - SAN FRANCISCO**

In response to my wire of yesterday, no member of the Committee has indicated that he did not agree with the Chairman's advice to the Manager. President Mayo responded as alternate for President Winn. Governor Jackson was not available.

BROIDA



T E L E G R A M

FEDERAL RESERVE COMMUNICATIONS SYSTEM

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
WASHINGTON

October 29, 1976

STRICTLY CONFIDENTIAL (FR)
CLASS I FOMC

MORRIS - BOSTON
EASTBURN - PHILADELPHIA
WINN - CLEVELAND
ROOS - ST. LOUIS
GUFFEY - KANSAS CITY
MACLAURY - MINNEAPOLIS
BAUGHMAN - DALLAS

For your information the following message was transmitted to FOMC members (including Mr. Mayo, alternate for Mr. Winn) late yesterday:

"Latest data on monetary aggregates continue to suggest unexpected strength in October-November period; projections now indicate growth of M_1 at a rate somewhat above upper limit, and of M_2 at the upper limit, of Committee's ranges.

"In response to an inquiry from Manager concerning appropriate interpretation of Committee's instructions, Chairman Burns noted that at October meeting, against background of latest economic developments, Committee as a whole had agreed upon a policy course that contemplated a slight easing of money market conditions, and that the objective for the funds rate would have been reduced to 4-7/8 per cent had there not been subsequent indications of surprising strength in aggregates. Accordingly, Chairman has advised Manager

T E L E G R A M

FEDERAL RESERVE COMMUNICATIONS SYSTEM

**BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
WASHINGTON**

-2-

that in his judgment any significant increase now in funds rate from prevailing level of about 5 per cent would be inconsistent with Committee's intent. Chairman is also inclined to agree with the Manager's view that after the next few days, in light of the Treasury's mid-November refunding, any substantial change in money market conditions would be undesirable for a while, absent other overriding considerations.

Chairman Burns has asked that any comments you might have concerning his advice to Manager be forwarded promptly to me."

No member of the Committee has indicated that he did not agree with the Chairman's advice to the Manager. Mr. Jackson was not available.

BROIDA

