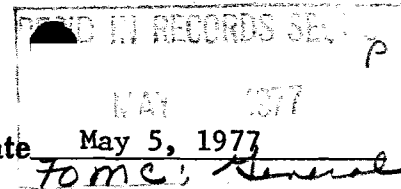


BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM



Office Correspondence

To Board Members (individually addressed)

Date May 5, 1977
FOMC General

Subject: _____

From Arthur L. Broida *ALB*

STRICTLY CONFIDENTIAL (FR)
CLASS I FOMC

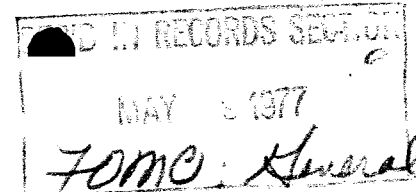
Attached is a copy of a telegram being sent today to the President-Members of the FOMC. If you vote to approve the Chairman's recommendation, please indicate by initialing below and returning this memorandum to my office.

Attachment

T E L E G R A M

FEDERAL RESERVE COMMUNICATIONS SYSTEM

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
WASHINGTON



May 5, 1977

STRICTLY CONFIDENTIAL (FR)
CLASS I FOMC

MORRIS - BOSTON
VOLCKER - NEW YORK
WINN - CLEVELAND
ROOS - ST. LOUIS
GUFFEY - KANSAS CITY

According to nearly final estimates, in April M-1 grew at a record 19.4 per cent annual rate and M-2 at the substantial rate of 13.0 per cent. For April-May period staff projections suggest growth in M-1 at about 12 per cent rate, well above upper limit of 6 to 10 per cent range specified by Committee in next-to-last paragraph of domestic policy directive issued at April meeting. Growth in M-2 in the 2-month period is currently projected at a 9-1/2 per cent annual rate, close to midpoint of Committee's 8 to 12 per cent range.

Federal funds rate averaged about 5.15 per cent in statement week ended yesterday, about 40 basis points above average of 3 preceding weeks. Desk is currently aiming at a funds rate of 5-1/4 per cent, the upper limit of inter-meeting range specified in directive.

Chairman Burns recommends that upper limit of funds rate range be increased to 5-1/2 per cent, on understanding that Desk will use

T E L E G R A M

FEDERAL RESERVE COMMUNICATIONS SYSTEM

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

-2-

additional leeway only if new data becoming available before May meeting suggest that aggregates are strengthening significantly further on balance.

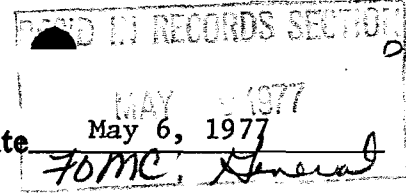
Please advise promptly whether you vote to approve Chairman's recommendation.

BROIDA

A handwritten signature in black ink, appearing to be the initials 'RNB'.

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BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM



Office Correspondence

To Board Members
From Arthur L. Broida *ARB*

Date May 6, 1977
Subject: FOMC General

All Committee members have voted to approve the Chairman's recommendation, transmitted in my wire of yesterday, that the upper limit of the funds rate range be increased to 5-1/2 per cent.

(Mr. Winn voted in his capacity as alternate for Mr. Mayo, who is out of the country.)

Messrs. Coldwell and Partee indicated that, in casting their favorable votes, they placed stress on the understanding specified by the Chairman that the Desk would "use additional leeway only if new data becoming available before May meeting suggest that aggregates are strengthening significantly further on balance." Mr. Winn asked that the record indicate that he would be reluctant at this point to aim for a funds rate above 5-1/2 per cent. He has two basic concerns: (1) he is not sure he fully understands the meaning and significance of recent developments with respect to the monetary aggregates, and (2) he is uncertain about the actual strength of underlying economic conditions.