

Meeting of Federal Open Market Committee

January 9, 1968

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, January 9, 1968, at 9:30 a.m.

PRESENT: Mr. Martin, Chairman^{1/}
Mr. Hayes, Vice Chairman
Mr. Brimmer
Mr. Daane^{1/}
Mr. Francis
Mr. Maisel
Mr. Mitchell
Mr. Robertson^{1/}
Mr. Scanlon
Mr. Sherrill
Mr. Swan
Mr. Wayne

Messrs. Ellis, Hickman, and Patterson, Alternate Members of the Federal Open Market Committee

Messrs. Bopp, Clay, and Irons, Presidents of the Federal Reserve Banks of Philadelphia, Kansas City, and Dallas, respectively

Mr. Holland, Secretary
Mr. Kenyon, Assistant Secretary
Mr. Broida, Assistant Secretary
Mr. Molony, Assistant Secretary
Mr. Hackley, General Counsel
Mr. Brill, Economist
Messrs. Baughman, Craven, Hersey, Partee,
and R. Solomon,^{2/} Associate Economists
Mr. Holmes, Manager, System Open Market Account

^{1/} Entered the meeting at the point indicated.

^{2/} Withdrew from the meeting at the point indicated.

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Mr. Coombs, Special Manager, System Open
Market Account

Mr. Fauver, Assistant to the Board

Mr. F. Solomon, Director, Division of
Examinations, Board of Governors^{1/}

Messrs. Axilrod and Williams, Advisers,
Division of Research and Statistics,
Board of Governors

Mr. Reynolds, Associate Director, Division
of International Finance, Board of
Governors

Miss Eaton, General Assistant, Office of the
Secretary, Board of Governors

Miss McWhirter, Analyst, Office of the
Secretary, Board of Governors

Messrs. Heflin and Strothman, First Vice
Presidents of the Federal Reserve Banks
of Richmond and Minneapolis, respectively

Messrs. Eisenmenger, Link, Eastburn, Mann,
Brandt, Andersen, and Tow, Vice
Presidents of the Federal Reserve Banks
of Boston, New York, Philadelphia,
Cleveland, Atlanta, St. Louis, and
Kansas City, respectively

Messrs. Geng and Snellings, Assistant Vice
Presidents of the Federal Reserve Banks
of New York and Richmond, respectively

Mr. Kareken, Consultant, Federal Reserve
Bank of Minneapolis

By unanimous vote, the minutes of actions taken at the
meetings of the Federal Open Market Committee held on November 27
and December 12, 1967, were approved.

The memoranda of discussion for the meetings of the Federal
Open Market Committee held on November 27 and December 12, 1967,
were accepted.

^{1/} Withdrew from the meeting at the point indicated.

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By unanimous vote, the action taken by members of the Federal Open Market Committee on December 14, 1967, increasing the swap arrangement with the Bank for International Settlements providing for System drawings in Swiss francs, and the arrangement with the Swiss National Bank, each from \$250 million to \$400 million equivalent, effective immediately, and approving the corresponding changes in paragraph 2 of the authorization for System foreign currency operations, was ratified.

The reports of audit of the System Open Market Account and of foreign currency transactions, made by the Board's Division of Examinations as at the close of business September 22, 1967, submitted by the Chief Federal Reserve Examiner under date of October 31, 1967, and distributed to the Committee under date of December 8, 1967, were accepted.

Messrs. Frederic Solomon and Robert Solomon withdrew from the meeting.

By unanimous vote, the System open market transactions in foreign currencies during the period December 12, 1967, through January 8, 1968, were approved, ratified, and confirmed.

Chairman Martin and Mr. Robertson entered the meeting.

By unanimous vote, the open market transactions in Government securities, agency obligations, and bankers' acceptances during the period December 12, 1967, through January 8, 1968, were approved, ratified, and confirmed.

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Mr. Daane entered the meeting.

By unanimous vote, the Federal Reserve Bank of New York was authorized and directed, until otherwise directed by the Committee, to execute transactions in the System Account in accordance with the following current economic policy directive:

The information reviewed at this meeting indicates that over-all economic activity has been expanding vigorously, with both industrial and consumer prices continuing to rise at a substantial rate, and that prospects are for further rapid growth and persisting inflationary pressures in the period ahead. The imbalance in U.S. international transactions worsened further in late 1967, but the new program announced by the President should result in a considerable reduction in the deficit this year. Following announcement of the program, foreign purchases of gold slackened abruptly and the dollar strengthened in foreign exchange markets. Long-term bond yields have declined in recent weeks but some short-term interest rates have risen further. Bank credit has changed little on balance recently as banks have disposed of Government securities to accommodate strengthened loan demands. Growth in the money supply has slackened and flows into time and savings accounts at bank and nonbank financial intermediaries have continued to moderate. In this situation, it is the policy of the Federal Open Market Committee to foster financial conditions conducive to resistance of inflationary pressures and progress toward reasonable equilibrium in the country's balance of payments.

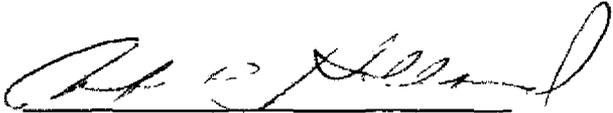
To implement this policy, System open market operations until the next meeting of the Committee shall be conducted with a view to maintaining the somewhat firmer conditions that have developed in the money market in recent weeks, partly as a result of the increase in reserve requirements announced to become effective in mid-January; provided, however, that operations shall be modified as needed to moderate any apparently significant deviations of bank credit from current expectations.

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It was agreed that the next meeting of the Committee would be held on Tuesday, February 6, 1968, at 9:30 a.m.

The meeting adjourned.



Secretary