

Meeting of Federal Open Market Committee

November 25, 1969

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, November 25, 1969, at 9:30 a.m.

PRESENT: Mr. Martin, Chairman
Mr. Hayes, Vice Chairman
Mr. Bopp
Mr. Brimmer
Mr. Clay
Mr. Coldwell
Mr. Daane
Mr. Mitchell
Mr. Robertson
Mr. Scanlon
Mr. Sherrill

Messrs. Francis, Heflin, Hickman, and Swan,
Alternate Members of the Federal Open Market
Committee

Messrs. Morris, Kimbrel, and Galusha, Presidents
of the Federal Reserve Banks of Boston,
Atlanta, and Minneapolis, respectively

Mr. Holland, Secretary
Mr. Broida, Deputy Secretary
Messrs. Kenyon and Molony, Assistant
Secretaries
Mr. Hackley, General Counsel
Mr. Partee, Economist
Messrs. Axilrod, Baughman, Eastburn, Gramley,
Green, Hersey, Link, Reynolds, Solomon,
and Tow, Associate Economists
Mr. Holmes, Manager, System Open Market Account
Mr. Coombs, Special Manager, System Open Market
Account

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Mr. Cardon, Assistant to the Board of Governors
Messrs. Coyne and Nichols, Special Assistants
to the Board of Governors
Mr. O'Connell, Deputy General Counsel, Board of
Governors
Mr. Williams, Adviser, Division of Research and
Statistics, Board of Governors
Messrs. Keir and Wernick, Associate Advisers,
Division of Research and Statistics, Board
of Governors
Mr. Bernard, Special Assistant, Office of the
Secretary, Board of Governors
Mr. Baker, Economist, Government Finance
Section, Division of Research and Statistics,
Board of Governors
Miss Eaton, Open Market Secretariat Assistant,
Office of the Secretary, Board of Governors

Messrs. Eisenmenger, Taylor, and Craven, Senior
Vice Presidents of the Federal Reserve Banks
of Boston, Atlanta, and San Francisco,
respectively
Messrs. Hocter and Snellings, Vice Presidents of
the Federal Reserve Banks of Cleveland and
Richmond, respectively
Mr. Kareken, Economic Adviser, Federal Reserve
Bank of Minneapolis
Mr. Keran, Assistant Vice President, Federal
Reserve Bank of St. Louis
Mr. Cooper, Manager, Securities and Acceptance
Departments, 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 October 28, 1969, were
approved.

The memorandum of discussion for the meeting of the Federal
Open Market Committee held on October 28, 1969, was accepted.

By unanimous vote, the action of Committee members amending
paragraph 1(a) of the continuing authority directive, effective Novem-
ber 14, 1969, to increase the leeway for changes in System Account

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holdings of U.S. Government securities between meetings of the Committee from \$2 billion to \$3 billion, was ratified.

By unanimous vote, the System open market transactions in foreign currencies during the period October 28 through November 24, 1969, were approved, ratified, and confirmed.

By unanimous vote, paragraph 1(a) of the continuing authority directive was amended to reduce the leeway for changes in System Account holdings of U.S. Government securities between meetings of the Committee from \$3 billion to \$2 billion. As amended, paragraph 1(a) read as follows:

To buy or sell U.S. Government securities in the open market, from or to Government securities dealers and foreign and international accounts maintained at the Federal Reserve Bank of New York, on a cash, regular, or deferred delivery basis, for the System Open Market Account at market prices and, for such Account, to exchange maturing U.S. Government securities with the Treasury or allow them to mature without replacement; provided that the aggregate amount of such securities held in such Account at the close of business on the day of a meeting of the Committee at which action is taken with respect to a current economic policy directive shall not be increased or decreased by more than \$2.0 billion during the period commencing with the opening of business on the day following such meeting and ending with the close of business on the day of the next such meeting.

By unanimous vote, the open market transactions in Government securities, agency obligations, and bankers' acceptances during the period October 28 through November 24, 1969, 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 in the System Account in accordance with the following current economic policy directive:

The information reviewed at this meeting indicates that real economic activity has expanded only moderately in recent quarters and that a further slowing of growth appears to be in process. Prices and costs, however, are continuing to rise at a rapid pace. Most market interest rates have again been advancing in recent weeks, in many cases reaching new highs as a result of demand pressures, including heavy Treasury and foreign official bill sales, and a reversal of earlier market expectations partly stemming from growing concern about the outlook for fiscal policy. In October bank credit declined on average and the money supply changed little, but both appear to be increasing relatively rapidly in November. Recently the net contraction of outstanding large-denomination CD's has slowed markedly, apparently reflecting mainly an increase in foreign official time deposits. However, flows of consumer-type time and savings funds at banks and nonbank thrift institutions have remained weak. In the third quarter a small surplus in U.S. foreign trade re-emerged, but there was another very large deficit in the over-all balance of payments on the liquidity basis and the official settlements balance, which had been in surplus earlier, was also in deficit. More recently, return flows out of the German mark have apparently contributed to some short-run improvement in the U.S. payments position. In light of the foregoing developments, it is the policy of the Federal Open Market Committee to foster financial conditions conducive to the reduction of inflationary pressures, with a view to encouraging sustainable economic growth and attaining 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 prevailing firm conditions in money and short-term credit markets; provided, however, that operations shall be modified if bank credit appears to be deviating significantly from current projections or if pressures arise in connection with possible bank regulatory changes.

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By unanimous vote, the following letter was approved:

Mr. John F. Hahn,
3700 Bagley, Apt. 305,
Los Angeles, California. 90034

Dear Mr. Hahn:

In response to your letter of September 19, 1969, and pursuant to section 271.6 of its Rules Regarding Availability of Information, the Federal Open Market Committee has reviewed your request for access to certain Committee records. Your letter requested such review following an earlier exchange of correspondence between you and Charles Molony, and was prompted by Mr. Molony's indication that certain Committee records are not available for public inspection.

The first two items in your appeal (questions 5 and 6 of your inquiry) involve staff memoranda, briefings, and reports in connection with any Committee meeting in 1969 and minutes of discussion at such meetings in 1968 and 1969. With respect to these records, the Committee has sustained the determination reported to you by Mr. Molony. The Committee has adopted procedures intended to inform the public of its actions as fully and as promptly as possible without compromising the effectiveness of those actions. To that end, an extensive summary record of policy actions is published by the Committee, and action minutes are also available for public inspection, with deferrals of generally about 90 days. Disclosure of the materials which you request would unnecessarily inhibit the free discussion essential to a reasoned group judgment, and would also reveal actions considered but deferred or not taken, with possible adverse effects on both public and private interests. For these reasons, the Committee relies upon the exemption from public disclosure provided by 5 U.S.C. 552(b)(5), and declines to make such material available for public inspection.

Your letter also requests a review of the denial of access to data regarding specific securities transactions with individual dealers. You explain that your interest is in determining the amount of profit made by dealers on such transactions, and indicate that, at this time at least, you are not interested in data with respect to any particular dealer. This casts a somewhat different light on the issue, since it was previously understood that you were requesting access to the

records of transactions with individual and specified dealers. The Committee would sustain Mr. Molony's ruling with respect to transactions revealing the identity of individual dealers, but information as to the prices at which securities were purchased and sold in the conduct of System open market operations would be provided, without identification of individual dealers and subject to a reasonable time lag. We should note, however, that this information will in fact shed little light on profits made by dealers on transactions with the Federal Reserve.

It should also be noted that this material, even for a relatively brief time span, would be voluminous, and its assembly would be very time-consuming for our staff and consequently costly to you under the fees chargeable for search time. A compilation very similar to that in which you express an interest was prepared several years ago in response to a Congressional inquiry. While this particular compilation is not current, it could be provided fairly promptly and at little cost; you might therefore wish to inspect it as a first step and make a judgment in that light as to whether, and to what extent, you wish to inquire further into the matter.

Secretary's note: The letter was transmitted over Mr. Holland's signature later in the day.

By unanimous vote, the Committee approved the release with a reasonable time lag to any person on request of certain documents held at the Federal Reserve Bank of New York, described in a staff memorandum of November 12, 1969, in supplementation of the list of such documents that had been approved for release on June 20, 1967.

It was agreed that the next meeting of the Federal Open Market Committee would be held on Tuesday, December 16, 1969, at 9:30 a.m.

The meeting adjourned.



Secretary