

Meeting of Federal Open Market Committee

December 16, 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, December 16, 1969, at 9:30 a.m.

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

Messrs. Heflin and Hickman, 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, 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. 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. Wendel, Chief, 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. Lewis and Merritt, First Vice
Presidents of the Federal Reserve Banks
of St. Louis and San Francisco, respectively
Messrs. Eisenmenger, Parthemos, Taylor, and
Craven, Senior Vice Presidents of the
Federal Reserve Banks of Boston, Richmond,
Atlanta, and San Francisco, respectively
Mr. Hocter, Vice President, Federal Reserve
Bank of Cleveland
Mr. Kareken, Economic Adviser, Federal
Reserve Bank of Minneapolis
Mr. Davis, Adviser, Federal Reserve Bank
of New York
Mr. Carlson, Assistant Vice President,
Federal Reserve Bank of St. Louis
Mr. Sandberg, Securities Trading Officer,
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 November 25,
1969, were approved.

The memorandum of discussion for the meeting of the Federal
Open Market Committee held on November 25, 1969, was accepted.

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By unanimous vote, the System open market transactions in foreign currencies during the period November 25 through December 15, 1969, were approved, ratified, and confirmed.

By unanimous vote, the open market transactions in Government securities, agency obligations, and bankers' acceptances during the period November 25 through December 15, 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 advanced further in recent weeks partly as a result of expectational factors, including concern about the outlook for fiscal policy. Bank credit rose rapidly in November after declining on average in October, while the money supply increased moderately over the two-month period; in the third quarter, bank credit had declined on balance and the money supply was about unchanged. The net contraction of outstanding large-denomination CD's has slowed markedly since late summer, 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, and there is considerable market concern about the potential size of net outflows expected around the year end. In November the balance of payments deficit on the liquidity basis diminished further and the official settlements balance reverted to surplus, mainly as a result of return

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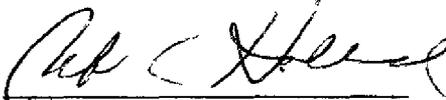
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flows out of the German mark and renewed borrowing by U.S. banks from their foreign branches. In light of the foregoing developments, it is the policy of the Federal Open Market Committee to foster financial conditions conducive to the reduction of 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 the money market; provided, however, that operations shall be modified if bank credit appears to be deviating significantly from current projections or if unusual liquidity pressures should develop.

It was agreed that the next meeting of the Federal Open Market Committee would be held on Tuesday, January 13, 1970, at 9:30 a.m.

The meeting adjourned.


Secretary