

Meeting of Federal Open Market Committee

February 10, 1970

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, February 10, 1970, at 9:30 a.m.

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

Messrs. Francis, 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, 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. Bernard, Assistant Secretary, Office of  
the Secretary, Board of Governors  
Mr. Cardon, Assistant to the Board of Governors  
Messrs. Coyne and Nichols, Special Assistants  
to the Board of Governors  
Messrs. Wernick and Williams, Advisers,  
Division of Research and Statistics,  
Board of Governors  
Mr. Keir, Associate Adviser, Division of  
Research and Statistics, Board of Governors  
Mr. Wendel, Chief, Government Finance Section,  
Division of Research and Statistics,  
Board of Governors  
Miss Ormsby, Special Assistant, Office of the  
Secretary, Board of Governors  
Miss Eaton, Open Market Secretariat Assistant,  
Office of the Secretary, Board of Governors

Messrs. Hilkert and Black, First Vice Presidents  
of the Federal Reserve Banks of Philadelphia  
and Richmond, respectively  
Messrs. Eisenmenger, Parthemos, Taylor, Jones,  
and Craven, Senior Vice Presidents of the  
Federal Reserve Banks of Boston, Richmond,  
Atlanta, St. Louis, and San Francisco,  
respectively  
Mr. Hocter, Vice President, Federal Reserve  
Bank of Cleveland  
Mr. Kareken, Economic Adviser, Federal Reserve  
Bank of Minneapolis  
Mr. Cooper, Manager, Securities and Acceptance  
Departments, Federal Reserve Bank of New York

By unanimous vote, Arthur F. Burns was elected Chairman of the  
Federal Open Market Committee to serve until the election of his  
successor at the first meeting of the Committee after February 28,  
1970, with the understanding that in the event of the discontinuance  
of his official connection with the Board of Governors during that  
period, he would cease to have any official connection with the  
Federal Open Market Committee.

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By unanimous vote, the minutes of actions taken at the meeting of the Federal Open Market Committee held on January 15, 1970, were approved.

The memorandum of discussion for the meeting of the Federal Open Market Committee held on January 15, 1970, was accepted.

By unanimous vote, the System open market transactions in foreign currencies during the period January 15 through February 9, 1970, were approved, ratified, and confirmed.

By unanimous vote, the open market transactions in Government securities, agency obligations, and bankers' acceptances during the period January 15 through February 9, 1970, were approved, ratified, and confirmed.

With Messrs. Hayes, Brimmer, and Coldwell dissenting, 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 suggests that real economic activity, which leveled off in the fourth quarter of 1969, may be weakening further in early 1970. Prices and costs, however, are continuing to rise at a rapid pace. Long-term market interest rates recently have fluctuated under the competing influences of heavy demands for funds and shifts in investor attitudes regarding the outlook for monetary policy. Bank credit declined in January but the money supply increased substantially on average; both had risen slightly in the fourth quarter. Flows of time and savings funds at banks and nonbank thrift

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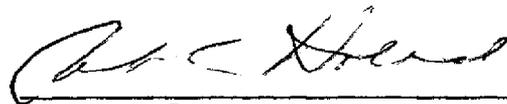
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institutions have remained generally weak since year end, and they apparently have been affected little thus far by the recent increases in maximum rates payable for such funds. The U.S. foreign trade balance improved somewhat in December, as imports fell off. The over-all balance of payments has been in substantial deficit in recent weeks. In light of the foregoing developments, it is the policy of the Federal Open Market Committee to foster financial conditions conducive to the orderly 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, while taking account of the current Treasury refunding, possible bank regulatory changes and the Committee's desire to see moderate growth in money and bank credit over the months ahead, System open market operations until the next meeting of the Committee shall be conducted with a view to moving gradually toward somewhat less firm conditions in the money market; provided, however, that operations shall be modified promptly to resist any tendency for money and bank credit to deviate significantly from a moderate growth pattern.

It was agreed that the next meeting of the Federal Open Market Committee would be held on Tuesday, March 10, 1970, at 9:30 a.m.

The meeting adjourned.

  
Secretary