

Meeting of Federal Open Market Committee

September 15, 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, September 15, 1970, at 9:30 a.m.

PRESENT: Mr. Burns, Chairman
Mr. Hayes, Vice Chairman
Mr. Brimmer
Mr. Daane
Mr. Francis
Mr. Heflin
Mr. Hickman
Mr. Maisel
Mr. Robertson
Mr. Sherrill
Mr. Swan

Messrs. Galusha, Kimbrel, Mayo, and Morris,
Alternate Members of the Federal Open
Market Committee

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

Mr. Holland, Secretary
Messrs. Kenyon and Molony, Assistant
Secretaries
Mr. Hackley, General Counsel
Mr. Partee, Economist
Messrs. Axilrod, Craven, Gramley, Hersey,
Hocter, Parthemos, Jones, and Solomon,
Associate Economists
Mr. Holmes, Manager, System Open Market
Account

Messrs. Bernard and Leonard, Assistant Secretaries, Office of the Secretary, Board of Governors
Mr. Cardon, Assistant to the Board of Governors
Mr. Coyne, Special Assistant to the Board of Governors
Mr. Wernick, Adviser, 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
Miss Orr, Secretary, Office of the Secretary, Board of Governors

Mr. Plant, First Vice President, Federal Reserve Bank of Dallas
Messrs. Eisenmenger, Link, and Taylor, Senior Vice Presidents, Federal Reserve Banks of Boston, New York, and Atlanta, respectively
Messrs. Bodner, Scheld, Doll, and Green, Vice Presidents, Federal Reserve Banks of New York, Chicago, Kansas City, and Dallas, respectively
Messrs. Gustus and Kareken, Economic Advisers, Federal Reserve Banks of Philadelphia and Minneapolis, respectively
Mr. Meek, Assistant Vice President, 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 August 18, 1970, were approved.

9/15/70

-3-

The memorandum of discussion for the meeting of the Federal Open Market Committee held on August 18, 1970, was accepted.

By unanimous vote, the System open market transactions in foreign currencies during the period August 18 through September 14, 1970, were approved, ratified, and confirmed.

By unanimous vote, the open market transactions in Government securities, agency obligations, and bankers' acceptances during the period August 18 through September 14, 1970, were approved, ratified, and confirmed.

With Mr. Hayes 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 edged up slightly in the second quarter, is expanding somewhat further in the third quarter, led by an upturn in residential construction. Wage rates generally are continuing to rise at a rapid pace, but improvements in productivity appear to be slowing the rise in costs, and some major price measures are rising less rapidly than before. Interest rates declined in the last half of August, but most yields turned up in early September, as credit demands in securities markets have continued heavy; existing yield spreads continue to suggest concern with credit quality. The money supply rose rapidly in the first half of August but moved back down through early September. Bank credit expanded sharply further in August as banks continued to issue large-denomination CD's at a relatively rapid rate, while reducing their reliance on the commercial paper market after the Board of Governors acted to impose reserve requirements on bank funds obtained from that source. The balance of payments deficit on the liquidity basis diminished

9/15/70

-4-

somewhat in July and August from the very large second-quarter rate, but the deficit on the official settlements basis remained high as banks repaid Euro-dollar liabilities. In light of the foregoing developments, it is the policy of the Federal Open Market Committee to foster financial conditions conducive to orderly reduction in the rate of inflation, while encouraging the resumption of sustainable economic growth and the attainment of reasonable equilibrium in the country's balance of payments.

To implement this policy, the Committee seeks to promote some easing of conditions in credit markets and moderate growth in money and attendant bank credit expansion over the months ahead. System open market operations until the next meeting of the Committee shall be conducted with a view to maintaining bank reserves and money market conditions consistent with that objective.

It was agreed that the next meeting of the Federal Open Market Committee would be held on Tuesday, October 20, 1970, at 9:30 a.m.

The meeting adjourned.


Secretary