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, Cramley, Hersey,
Hocter, Parthemos, Jones, and Solomon,
Associate Economists
Mr. Holmes, Manager, System Open Market
Account
By unanimous vote, the minutes of actions taken at the meeting of the Federal Open Market Committee held on August 18, 1970, were approved.
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 Gov-
ernment 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 accor-
dance 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
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.

[Signature]
Secretary