

Meeting of Federal Open Market Committee

January 11, 1972

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, January 11, 1972, at 9:30 a.m.

PRESENT: Mr. Burns, Chairman
Mr. Hayes, Vice Chairman
Mr. Brimmer
Mr. Clay
Mr. Daane
Mr. Kimbrel
Mr. Maisel
Mr. Mayo
Mr. Mitchell
Mr. Morris
Mr. Robertson
Mr. Sheehan

Messrs. Goldwell and Swan, Alternate
Members of the Federal Open Market
Committee

Messrs. Heflin, Francis, and MacLaury,
Presidents of the Federal Reserve Banks
of Richmond, St. Louis, and Minneapolis,
respectively

Mr. Holland, Secretary
Mr. Broida, Deputy Secretary
Messrs. Bernard and Molony, Assistant
Secretaries
Mr. Hexter, Assistant General Counsel
Mr. Partee, Economist
Messrs. Axilrod, Eisenmenger, Scheld,
Solomon, Taylor, and Tow, Associate
Economists
Mr. Holmes, Manager, System Open Market
Account

1/11/72

-2-

Mr. Altmann, Assistant Secretary, Office of
the Secretary, Board of Governors
Mr. Chase, Associate Director, Division of
Research and Statistics, Board of
Governors
Messrs. Wernick and Williams, Advisers,
Division of Research and Statistics,
Board of Governors
Messrs. Keir and Pierce, Associate Advisers,
Division of Research and Statistics,
Board of Governors
Mr. Bryant, Associate Adviser, Division of
International Finance, 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
Mrs. Rehanek, Secretary, Office of the Secretary,
Board of Governors

Messrs. Willes and MacDonald, First Vice Presidents,
Federal Reserve Banks of Philadelphia and
Cleveland, respectively
Messrs. Link, Parthemos, Andersen, and Craven,
Senior Vice Presidents, Federal Reserve
Banks of New York, Richmond, St. Louis, and
San Francisco, respectively
Messrs. Bodner, Hocter, and Green, Vice Presidents,
Federal Reserve Banks of New York, Cleveland,
and Dallas, respectively
Mr. Kareken, Economic Adviser, Federal Reserve
Bank of Minneapolis
Mr. Kaminow, Research Officer and Economist,
Federal Reserve Bank of Philadelphia
Mr. Sandberg, Securities Trading Officer,
Federal Reserve Bank of New York

By unanimous vote, the action of members of the Federal
Open Market Committee on December 20, 1971, amending the second
paragraph of the current economic policy directive issued
December 14, 1971, by the addition of the words "while taking account

1/11/72

-3-

of international developments" at the end of the last sentence, was ratified.

With Mr. Robertson dissenting, the action of members of the Federal Open Market Committee on December 23, 1971, suspending until close of business on the day of the next meeting of the Committee the lower limit on interest rates on repurchase agreements specified in paragraph 1(c) of the continuing authority directive, was ratified.

By unanimous vote, the open market transactions in Government securities, agency obligations, and bankers' acceptances during the period December 14, 1971, through January 10, 1972, were approved, ratified, and confirmed.

With Messrs. Hayes, Brimmer, and Kimbrel 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 output of goods and services increased more rapidly in the fourth quarter than it had in the third quarter, but the unemployment rate remained high. In recent weeks wage and price developments have reflected some increases that had been deferred under the 90-day freeze. The narrowly defined money stock, which had not grown on balance from August to November, rose somewhat in December, while both the broadly defined money stock and the bank credit proxy increased substantially. Market interest rates, particularly short-term rates, have declined in recent weeks. After international agreement was reached in December on new central

1/11/72

-4-

exchange rates and on wider margins of permissible variation, market exchange rates for major foreign currencies against the dollar initially moved to levels a little above their new lower limits. The volume of capital reflows to the United States has been modest, however, and the underlying U.S. balance of payments remains in deficit. In light of the foregoing developments, it is the policy of the Federal Open Market Committee to foster financial conditions consistent with the aims of the new governmental program, including sustainable real economic growth and increased employment, abatement of inflationary pressures, and attainment of reasonable equilibrium in the country's balance of payments.

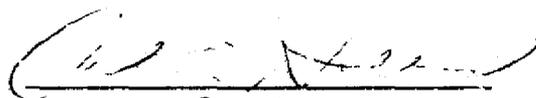
To implement this policy, while taking account of international developments and the forthcoming Treasury financing, the Committee seeks to promote the degree of ease in bank reserve and money market conditions essential to greater growth in monetary aggregates over the months ahead.

By unanimous vote, the System open market transactions in foreign currencies during the period December 14, 1971, through January 10, 1972, were approved, ratified, and confirmed.

By unanimous vote, renewal of the nine System drawings on the National Bank of Belgium maturing in the period February 4-25, 1972, was authorized.

It was agreed that the next meeting of the Federal Open Market Committee would be held on Tuesday, February 15, 1972, at 9:30 a.m.

The meeting adjourned.


Secretary