

Meeting of Federal Open Market Committee

April 18, 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, April 18, 1972, at 9:30 a.m.

PRESENT: Mr. Burns, Chairman  
Mr. Hayes, Vice Chairman  
Mr. Brimmer  
Mr. Coldwell  
Mr. Daane  
Mr. Eastburn  
Mr. MacLaury  
Mr. Maisel  
Mr. Mitchell  
Mr. Robertson  
Mr. Sheehan  
Mr. Winn

Messrs. Francis, Heflin, Mayo, and Swan,  
Alternate Members of the Federal Open  
Market Committee

Messrs. Morris, Kimbrel, and Clay, Presidents  
of the Federal Reserve Banks of Boston,  
Atlanta, and Kansas City, respectively

Mr. Holland, Secretary  
Mr. Broida, Deputy Secretary  
Messrs. Altmann and Bernard, Assistant  
Secretaries  
Mr. Hackley, General Counsel  
Mr. Hexter, Assistant General Counsel  
Mr. Partee, Senior Economist  
Mr. Axilrod, Economist (Domestic Finance)  
Mr. Solomon, Economist (International Finance)  
Messrs. Boehne, Bryant, Gramley, Green, Hersey,  
and Hocter, Associate Economists  
Mr. Holmes, Manager, System Open Market Account

Mr. Melnicoff, Deputy Executive Director,  
Board of Governors  
Mr. O'Connell, General Counsel, Board of  
Governors  
Mr. Chase, Associate Director, Division of  
Research and Statistics, Board of Governors  
Messrs. Keir, Pierce, Wernick, and Williams,  
Advisers, Division of Research and Statistics,  
Board of Governors  
Mr. Pizer, 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. Parthemos, Taylor, Scheld, Andersen,  
Tow, and Craven, Senior Vice Presidents,  
Federal Reserve Banks of Richmond, Atlanta,  
Chicago, St. Louis, Kansas City, and  
San Francisco, respectively

Messrs. Bodner and Nelson, Vice Presidents,  
Federal Reserve Banks of New York and  
Minneapolis, respectively

Mr. Garvy, Economic Adviser, Federal Reserve  
Bank of New York

Mr. Sandberg, Manager, Securities and Acceptance  
Departments, Federal Reserve Bank of New York

Mrs. Greenwald, Economist, Federal Reserve Bank  
of Boston

By unanimous vote, the minutes of actions taken at the meeting  
of the Federal Open Market Committee held on February 15, 1972, were  
approved.

The memorandum of discussion for the meeting of the Federal  
Open Market Committee on February 15, 1972, was accepted.

By unanimous vote, the System open market transactions in  
foreign currencies during the period March 21 through April 17, 1972,  
were approved, ratified, and confirmed.

4/18/72

-3-

By unanimous vote, renewal for further periods of three months of the eight System drawings on the National Bank of Belgium maturing in the period May 4-25, 1972, was approved.

By unanimous vote, renewal for further periods of three months of the three System drawings on the Swiss National Bank maturing in the period May 10-18, 1972, was approved.

By unanimous vote, renewal for further periods of three months of the three System drawings on the German Federal Bank maturing on May 30, 1972, was approved.

It was agreed that a subcommittee, consisting of the Chairman and Vice Chairman of the Committee and the Vice Chairman of the Board of Governors, or designated alternates, should be authorized to act on behalf of the Committee with respect to terms of settlement of the outstanding System drawings on the German Federal Bank.

By unanimous vote, the Federal Reserve Bank of New York was authorized, for a period up to one week from the date of this action, to employ the procedures for establishing rates on repurchase agreements that were in effect prior to the amendment on April 17, 1972, of paragraph 1(c) of the continuing authority directive with respect to domestic open market operations.

By unanimous vote, the open market transactions in Government securities, agency obligations, and bankers' acceptances during the period March 21 through April 17, 1972, were approved, ratified, and confirmed.

4/18/72

-4-

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 suggests that real output of goods and services grew in the first quarter at about the stepped-up rate attained in the fourth quarter of 1971. Most measures of business activity have shown strength recently and demands for labor have improved further, but the unemployment rate remains high. The rise in wholesale prices slowed in March as some farm and food products declined sharply, but the rise in prices of industrial commodities remained substantial. Wage rates also rose substantially in March and over the first quarter as a whole. The dollar has strengthened somewhat in exchange markets in recent weeks, and the over-all U.S. balance of payments deficit on the official settlements basis has been small. In January and February merchandise imports continued to be considerably in excess of exports.

The narrowly defined money stock expanded rapidly in February and March, bringing the annual rate of growth over the past 6 months to about 5-1/4 per cent. Inflows of consumer-type time and savings deposits to banks have been strong thus far this year, although they moderated as the first quarter progressed; inflows to nonbank thrift institutions remained very large. Mainly reflecting swings in U.S. Government deposits, a modest increase in the bank credit proxy in February was followed by a large increase in March. Market interest rates generally have continued to rise 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 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 capital market developments and the forthcoming Treasury financing, the Committee seeks to achieve bank reserve and money market conditions that will support somewhat more moderate growth in monetary aggregates over the months ahead.

4/18/72

-5-

It was agreed that the next meeting of the Federal Open  
Market Committee would be held on Tuesday, May 23, 1972, at 9:30 a.m.

The meeting adjourned.

  
Secretary