

Meeting of Federal Open Market Committee

May 23, 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, May 23, 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. Mitchell  
Mr. Sheehan  
Mr. Winn

Mr. Mayo, Alternate Member 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  
Mr. Altmann, Assistant Secretary  
Mr. Hackley, General Counsel  
Mr. Partee, Senior Economist  
Mr. Axilrod, Economist (Domestic Finance)  
Mr. Solomon, Economist (International Finance)  
Messrs. Boehne, Bryant, Gramley, Green, Hersey, Hocter, Kareken, and Link, Associate Economists  
Mr. Holmes, Manager, System Open Market Account  
Mr. Coombs, Special Manager, System Open Market Account

Mr. Melnicoff, Deputy Executive Director,  
Board of Governors  
Mr. Cardon, Assistant to the Board of  
Governors  
Mr. Coyne, Special Assistant to the 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. Black, Leonard, and Merritt, First Vice  
Presidents, Federal Reserve Banks of  
Richmond, St. Louis, and San Francisco,  
respectively

Messrs. Eisenmenger, Parthemos, Scheld, Andersen,  
Tow, and Craven, Senior Vice Presidents,  
Federal Reserve Banks of Boston, Richmond,  
Chicago, St. Louis, Kansas City, and  
San Francisco, respectively

Messrs. Debs and Brandt, Vice Presidents,  
Federal Reserve Banks of New York and  
Atlanta, respectively

By unanimous vote, the minutes of actions taken at the meet-  
ings of the Federal Open Market Committee on March 21 and April 17,  
1972, were approved.

The memoranda of discussion for the meetings of the Federal  
Open Market Committee on March 21 and April 17, 1972, were accepted.

By unanimous vote, the System open market transactions in  
foreign currencies during the period April 18 through May 22, 1972,  
were approved, ratified, and confirmed.

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 the repayment of the System's swap debt to the Bank of England.

It was agreed that the subcommittee indicated above should be authorized to act on behalf of the Committee with respect to repayments on the System's Swiss franc swap debt.

By unanimous vote, the Committee approved the renewal for further periods of six months of the following swap arrangements, having the indicated amounts and maturity dates:

<u>Foreign bank</u>	<u>Amount of arrangement (millions of dollars equivalent)</u>	<u>Maturity date</u>
Bank of France	1,000	June 28, 1972
German Federal Bank	1,000	June 15, 1972
Bank of Italy	1,250	June 30, 1972
Netherlands Bank	300	June 30, 1972

By unanimous vote, the open market transactions in Government securities, agency obligations, and bankers' acceptances during the period April 18 through May 22, 1972, were approved, ratified, and confirmed.

By unanimous vote, the Federal Reserve Bank of New York was authorized and directed, until otherwise directed by the Committee,

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to execute transactions in the System Account in accordance with the following current economic policy directive:

The information reviewed at this meeting, including recent data for such measures of business activity as industrial production and employment, suggests that real output of goods and services may be growing at a faster rate in the current quarter than in the two preceding quarters, but the unemployment rate remains high. In April wholesale prices of farm and food products changed little--after having declined in March--but the rise in prices of industrial commodities remained substantial. The consumer price index, which had been stable in March, increased somewhat. Wage rates continued to rise at a substantial pace. The U.S. balance of payments on the official settlements basis has been in small surplus since mid-March, but the payments balance on the net liquidity basis has apparently remained in deficit. In March merchandise imports continued to be considerably in excess of exports.

Growth in both the narrowly and broadly defined money stock slowed in April from the rapid rates in February and March. Inflows of savings funds to nonbank thrift institutions also slowed, but they remained at a relatively advanced pace. Reflecting a further increase in U.S. Government deposits and a rise in the outstanding volume of large-denomination CD's, the bank credit proxy continued to expand at a rapid rate. In recent weeks, market interest rates have fluctuated in a narrow range.

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.

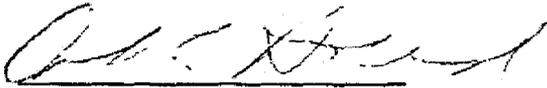
To implement this policy, while taking account of capital market developments and possible Treasury refunding, the Committee seeks to achieve bank reserve and money market conditions that will support somewhat slower growth in monetary aggregates over the months ahead.

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It was agreed that the next meetings of the Federal Open Market Committee would be held on Monday and Tuesday, June 19-20, 1972.

The meeting adjourned.

  
Secretary