

Meeting of Federal Open Market Committee

September 19, 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, September 19, 1972, at 9:30 a.m.

PRESENT: Mr. Burns, Chairman
Mr. Hayes, Vice Chairman
Mr. Brimmer
Mr. Bucher
Mr. Coldwell
Mr. Daane
Mr. Eastburn
Mr. MacLaury
Mr. Mitchell
Mr. Robertson
Mr. Sheehan
Mr. Winn^{1/}

Messrs. Francis, Heflin, and Mayo, 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. 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

^{1/} Left the meeting at the point indicated.

Mr. Coyne, Special Assistant to the Board
of Governors
Mr. Reynolds, Associate Director, Division
of International Finance, Board of
Governors
Messrs. Keir, Pierce, Wernick, and Williams,
Advisers, Division of Research and
Statistics, Board of Governors
Mr. Pizer, Adviser, Division of International
Finance, Board of Governors
Mr. Struble, Economist, Division of Research
and Statistics, Board of Governors
Mrs. Sherman, Secretary, Office of the
Secretary, Board of Governors

Mr. Merritt, First Vice President, Federal
Reserve Bank of San Francisco
Messrs. Eisenmenger, Parthemos, Taylor, Scheld,
Andersen, Tow, and Craven, Senior Vice
Presidents, Federal Reserve Banks of Boston,
Richmond, Atlanta, Chicago, St. Louis,
Kansas City, and San Francisco, respectively
Mr. Cooper, 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 on July 18, 1972, were
approved.

The memorandum of discussion for the meeting of the Federal
Open Market Committee on July 18, 1972, was accepted.

By unanimous vote, the System open market transactions in
foreign currencies during the period August 15 through September 18,
1972, were approved, ratified, and confirmed.

By unanimous vote, renewal for further periods of 3 months
of the 4 System drawings on the National Bank of Belgium maturing
in the period October 3-27, 1972, was authorized.

9/19/72

-3-

By unanimous vote, the open market transactions in Government securities, agency obligations, and bankers' acceptances during the period August 15 through September 18, 1972, were approved, ratified, and confirmed.

Mr. Winn left the meeting prior to the following action.

With Messrs. MacLaury and Robertson dissenting, and with Mr. Mayo voting as alternate for Mr. Winn, the Federal Reserve Bank of New York was authorized and directed, until otherwise directed by the Committee, to execute transactions for the System Account in accordance with the following current economic policy directive:

The information reviewed at this meeting suggests a substantial increase in real output of goods and services in the current quarter, although well below the unusually large rise recorded in the second quarter. In July and August, wages and prices advanced somewhat more rapidly on balance than in the immediately preceding months, while the unemployment rate remained substantial. Foreign exchange market conditions have remained quiet in recent weeks and the central bank reserves of most industrial countries have continued to change little. In July, the large excess of U.S. merchandise imports over exports persisted.

In August on average, growth slowed in the narrowly and broadly defined money stock and in the bank credit proxy, but in recent weeks the money stock has been expanding more strongly. Since mid-August, interest rates on Treasury bills have increased sharply, while yields on most other market securities have advanced more moderately.

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.

9/19/72

-4-

To implement this policy, while taking special account of the effects of possible bank regulatory changes, developments in credit markets, and international developments, the Committee seeks to achieve bank reserve and money market conditions that will support more moderate growth in monetary aggregates over the months ahead.

It was agreed that the next meeting of the Federal Open Market Committee would be held on Tuesday, October 17, 1972, at 9:30 a.m.

Thereupon the meeting adjourned.


Secretary