

Meeting of Federal Open Market Committee

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 15, 1973, at 9:30 a.m.

PRESENT: Mr. Burns, Chairman
Mr. Hayes, Vice Chairman
Mr. Balles
Mr. Brimmer
Mr. Bucher
Mr. Daane
Mr. Francis
Mr. Mayo
Mr. Morris
Mr. Sheehan

Messrs. Clay, Eastburn, Kimbrel, and Winn,
Alternate Members of the Federal Open
Market Committee

Messrs. MacLaury and Coldwell, Presidents
of the Federal Reserve Banks of
Minneapolis and Dallas, respectively

Mr. Holland, Secretary
Mr. Broida, Deputy Secretary
Messrs. Altmann and Bernard, Assistant
Secretaries
Mr. Hackley, General Counsel
Mr. O'Connell, Assistant General Counsel
Mr. Partee, Senior Economist
Mr. Axilrod, Economist (Domestic Finance)
Messrs. Andersen, Bryant, Eisenmenger,
Hersey, Reynolds, Scheld, and Sims,
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. Coyne, Assistant to the Board of
Governors
Mr. O'Brien, Special Assistant to the Board
of Governors
Messrs. Keir, Pierce, Wernick, and Williams,
Advisers, Division of Research and
Statistics, Board of Governors
Mr. Gemmill, Adviser, Division of International
Finance, Board of Governors
Mr. Ettin, Assistant Adviser, Division of
Research and Statistics, Board of
Governors
Mr. Wendel, Chief, Government Finance Section,
Division of Research and Statistics,
Board of Governors
Mrs. Peters, Secretary, Office of the Secretary,
Board of Governors
Mrs. Stanier, Secretary, Office of the
Secretary, Board of Governors

Mr. Black, First Vice President, Federal
Reserve Bank of Richmond
Messrs. Link, Boehne, Parthemos, Taylor, and
Doll, Senior Vice Presidents, Federal
Reserve Banks of New York, Philadelphia,
Richmond, Atlanta, and Kansas City,
respectively
Messrs. Hocter and Green, Vice Presidents,
Federal Reserve Banks of Cleveland and
Dallas, respectively
Mr. Kareken, Economic Adviser, Federal
Reserve Bank of Minneapolis
Mr. Sandberg, Manager, Acceptance and
Securities Departments, Federal Reserve
Bank of New York

By unanimous vote, the minutes of actions taken at the
meetings of the Federal Open Market Committee on March 19-20 and
April 17, 1973, were approved.

The memoranda of discussion for the meetings of the Federal Open Market Committee on March 19-20 and April 17, 1973, were accepted.

By unanimous vote, the System open market transactions in foreign currencies during the period April 17 through May 14, 1973, were approved, ratified, and confirmed.

By unanimous vote, the open market transactions in Government securities, agency obligations, and bankers' acceptances during the period April 17 through May 14, 1973, 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, to execute transactions for the System Account in accordance with the following domestic policy directive:

The information reviewed at this meeting suggests that growth in real output of goods and services is likely to moderate somewhat in the current quarter from an exceptionally rapid pace in the two preceding quarters. Over the first 4 months of this year, employment rose considerably but the unemployment rate remained about 5 per cent. Retail prices of foods continued upward at an extraordinary pace in March, and in April average wholesale prices of consumer foods rose further. Increases in wholesale prices of industrial commodities were large and widespread in April, as in the two preceding months. In foreign exchange markets, which had been relatively quiet since mid-March, speculative pressures have developed in recent days and exchange rates for major European currencies have appreciated

against the dollar. The U.S. merchandise trade balance improved considerably in the first quarter, reflecting in part an especially large increase in agricultural exports.

In April growth in the narrowly defined money stock picked up from its low first-quarter rate, and growth in the broadly defined money stock also increased. Growth in business loans at banks slowed, and banks reduced the pace at which they issued large-denomination CD's; consequently, the bank credit proxy expanded somewhat less than in other recent months. In recent weeks Federal Reserve Bank discount rates have been increased in two steps of one-quarter point to 6 per cent by May 11. Most short-term market interest rates, which had risen sharply earlier, have advanced slightly further. Interest rates on long-term market securities have been relatively stable.

In light of the foregoing developments, it is the policy of the Federal Open Market Committee to foster financial conditions conducive to abatement of inflationary pressures, a more sustainable rate of advance in economic activity, and progress toward equilibrium in the country's balance of payments.

To implement this policy, while taking account of international and domestic financial market developments, the Committee seeks to achieve bank reserve and money market conditions consistent with somewhat slower growth in monetary aggregates over the months immediately ahead than occurred on average in the past 6 months.

By unanimous vote, paragraphs (a) and (d) of Section 4 of the Committee's Rules of Organization were amended, effective June 1, 1973, to read as follows:

SEC. 4. Staff. (a) Selection of staff officers. At its first meeting on or after March 1 of each year, the Committee selects, from among the officers and employees of the Board and the Federal Reserve Banks, the following staff officers to serve until the first meeting on or after March 1 of the next following year: Secretary,

Deputy Secretary, and one or more Assistant Secretaries; General Counsel, Deputy General Counsel, and one or more Assistant General Counsel; and Economists, one or more of whom may be designated as Senior or Associate Economists or given titles reflecting their areas of particular specialization.

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(d) General Counsel and Deputy and Assistant General Counsel. The General Counsel furnishes such legal advice as the Committee may require. In the absence of the General Counsel, the Deputy General Counsel or an Assistant General Counsel acts as General Counsel pro tem.

By unanimous vote, Thomas J. O'Connell, Edward G. Guy, and John Nicoll were elected General Counsel, Deputy General Counsel, and Assistant General Counsel, respectively, of the Federal Open Market Committee, effective June 1, 1973, to serve until the election of their successors at the first meeting of the Committee after February 28, 1974, with the understanding that in the event of the discontinuance of their official connection with the Board of Governors or with a Federal Reserve Bank, as the case might be, they would cease to have any official connection with the Federal Open Market Committee.

It was agreed that the next meeting of the Federal Open Market Committee would be held on Monday and Tuesday, June 18-19, 1973, beginning on the afternoon of June 18.

The meeting adjourned.


 Deputy Secretary