

Meeting of Federal Open Market Committee

April 15-16, 1974

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 Monday and Tuesday, April 15-16, 1974, beginning at 4:00 p.m. on Monday.

PRESENT: Mr. Burns, Chairman
Mr. Hayes, Vice Chairman
Mr. Black
Mr. Brimmer
Mr. Bucher
Mr. Clay
Mr. Holland
Mr. Kimbrel
Mr. Mitchell
Mr. Sheehan
Mr. Wallach
Mr. Winn

Messrs. Coldwell, MacLaury, Mayo, and Morris,
Alternate Members of the Federal Open
Market Committee

Mr. Eastburn, President of the Federal Reserve
Bank of Philadelphia

Mr. Broida, Secretary
Mr. Altmann, Deputy Secretary
Mr. Bernard, Assistant Secretary
Mr. O'Connell, General Counsel
Mr. Partee, Senior Economist
Mr. Axilrod, Economist (Domestic Finance)
Messrs. Brandt, Bryant, Davis, Doll, Gramley,^{1/}
Hocter, Parthemos, Pierce, and Reynolds,^{1/}
Associate Economists

^{1/} Attended Tuesday session only.

Mr. Holmes, Manager, System Open Market Account

Mr. Coyne,^{1/} Assistant to the Board of Governors

Mr. O'Brien, Special Assistant to the Board of Governors

Mr. McWhirter,^{2/} Associate Director, Division of Federal Reserve Bank Operations, Board of Governors

Messrs. Keir and Wernick,^{3/} Advisers, Division of Research and Statistics Board of Governors

Mr. Pizer,^{3/} Adviser, Division of International Finance, Board of Governors

Mr. Struble,^{3/} Senior Economist, Division of Research and Statistics, Board of Governors

Miss Pruitt, Economist, Open Market Secretariat, Board of Governors

Mrs. Ferrell, Open Market Secretariat Assistant, Board of Governors

Messrs. Leonard and Williams, First Vice Presidents, Federal Reserve Banks of St. Louis and San Francisco, respectively

Messrs. Boehne, Scheld, and Sims, Senior Vice Presidents, Federal Reserve Banks of Philadelphia, Chicago, and San Francisco, respectively

Messrs. Willey, Jordan, and Green, Vice Presidents, Federal Reserve Banks of New York, St. Louis, and Dallas, respectively

Mr. Poole, Adviser, Federal Reserve Bank of Boston

Mr. Duprey, Senior Economist, Federal Reserve Bank of Minneapolis

Mr. Gillum,^{1/} Economist, Federal Reserve Bank of Philadelphia

Ms. Tschinkel,^{3/} Manager, Securities Department, Federal Reserve Bank of New York

^{1/} Attended Monday session only.

^{2/} Participated in meeting at point indicated.

^{3/} Attended Tuesday session only.

Secretary's Note: The actions listed immediately below were taken on Monday, April 15, 1974.

By unanimous vote, the minutes of actions taken at the meeting of the Federal Open Market Committee held on March 18-19, 1974, were approved.

The memorandum of discussion for the meeting of the Federal Open Market Committee held on March 18-19, 1974, was accepted.

The reports of audit of the System Open Market Account and of foreign currency operations, made by the Board's Division of Federal Reserve Bank Operations as at the close of business March 8, 1974, were accepted.

Mr. McWhirter joined the meeting for the discussion of the foregoing item.

By unanimous vote, the Committee approved the recommendations contained in a memorandum from the System Account Manager dated March 15, 1974, entitled "Proposal to bid for Treasury bills on a noncompetitive basis."

By unanimous vote, the System open market transactions in foreign currencies during the period March 19 through April 15, 1974, were approved, ratified, and confirmed.

By unanimous vote, renewal for further periods of 3 months of System drawings on the National Bank of Belgium, the Swiss National Bank, and the Bank for International Settlements, maturing in the period May 2-15, 1974, was authorized.

By unanimous vote, the open market transactions in Government securities, agency obligations, and bankers' acceptances during the period March 19 through April 15, 1974, were approved, ratified, and confirmed.

Secretary's Note: The following action was taken on Tuesday, April 16, 1974.

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 real output of goods and services declined appreciably in the first quarter and that price increases were exceptionally large. The decline in economic activity reflected mainly the impact of the oil shortage, which is being eased by the ending of the oil embargo. In March industrial production and manufacturing employment receded further, but retail sales strengthened. The unemployment rate changed little, remaining slightly above 5 per cent. Prices of farm and food products declined in March, but increases among industrial commodities were widespread and extraordinarily large. Advances in wage rates were moderate in the first quarter.

In March the dollar depreciated further against leading foreign currencies, and the balance of payments was in deficit on the official settlements basis. The U.S. trade surplus diminished again in February as the cost of imported oil rose sharply.

The narrowly defined money stock increased sharply again in March. Broader measures of the money stock rose more moderately, however, as net inflows of consumer-type time deposits at banks slowed substantially. Business short-term credit demands remained strong, with demands at banks exceptionally large. To help finance loan growth, banks in late March and early April stepped up the issuance of large-denomination CD's and also increased borrowings from abroad. Both short- and long-term market interest rates have risen considerably further 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 resisting inflationary pressures, supporting a resumption of real economic growth, and maintaining equilibrium in the country's balance of payments.

To implement this policy, while taking account of the forthcoming Treasury financing and of international and domestic financial market developments, the Committee seeks to achieve bank reserve and money market conditions that would moderate growth in monetary aggregates over the months ahead.

It was agreed that the next meeting of the Committee would be held on Tuesday, May 21, 1974, at 9:30 a.m.

The meeting adjourned.


Arthur L. Zende
Secretary