

Meeting of Federal Open Market Committee

MINUTES OF ACTIONS

September 10, 1974

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 10, 1974, at 3:15 p.m.

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

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

Messrs. Eastburn, Francis, and Balle, Presidents
of the Federal Reserve Banks of San Francisco,
Philadelphia, and St. Louis, respectively

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

^{1/} Attended first part of meeting only.

Mr. Coombs,^{1/} Special Manager, System Open Market Account

Mr. Sternlight, Deputy Manager, System Open Market Account

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

Mr. Wonnacott,^{2/} Associate Director, Division of International Finance, Board of Governors

Mr. O'Brien,^{2/} Special Assistant to the Board of Governors

Messrs. Keir^{2/} and Williams^{2/}, Advisers, Division of Research and Statistics, Board of Governors

Mr. Wendel,^{2/} Assistant Adviser, Division of Research and Statistics, Board of Governors

Miss Pruitt,^{2/} Economist, Open Market Secretariat, Board of Governors

Mrs. Ferrell,^{2/} Open Market Secretariat Assistant, Board of Governors

Messrs. Eisenmenger,^{2/} Boehne,^{2/} and Scheld,^{2/} Senior Vice Presidents, Federal Reserve Banks of Boston, Philadelphia, and Chicago, respectively

Mr. Meek,^{2/} Monetary Adviser, Federal Reserve Bank of New York

Mr. Fousek,^{2/} Economic Adviser, Federal Reserve Bank of New York

Mr. Cox,^{2/} Assistant Vice President, Federal Reserve Bank of Atlanta

Mr. Rolnick,^{2/} Economist, Federal Reserve Bank of Minneapolis

^{1/} Entered meeting at point indicated.

^{2/} Attended first part of meeting only.

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By unanimous vote, the open market transactions in Government securities, agency obligations, and bankers' acceptances during the period August 20 through September 9, 1974, were approved, ratified, and confirmed.

The following actions were taken during the part of the meeting in which staff attendance was limited. Messrs. Coombs and Coyne joined the meeting prior to these actions.

By unanimous vote, the System open market transactions in foreign currencies during the period August 20 through September 9, 1974, were approved, ratified, and confirmed.

By unanimous vote, renewal for further periods of 3 months of two System drawings on the National Bank of Belgium, maturing on October 15 and 18, 1974, respectively, was authorized.

With Mr. Hayes dissenting, 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 is changing little in the current quarter, following the first-half decline, and that price and wage increases are continuing large. In August industrial production, according to preliminary indications, remained near the level of recent months, while the unemployment rate edged up to 5.4 per cent. Wholesale prices of farm products rose further, on average, and announcements of increases for industrial commodities continued numerous.

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In recent weeks the dollar has continued to appreciate against leading foreign currencies. U.S. bank lending to foreign borrowers diminished in July and apparently also in August, while inflows from abroad increased. The foreign trade deficit, which had narrowed in June, widened in July.

In August growth of the narrowly defined money stock was above the low pace of July but well below the 6 per cent annual rate of the first half of the year. Net inflows of time deposits other than money market CD's continued at about the July rate, but the performance of passbook savings at banks--and of total deposits at nonbank thrift institutions--remained weak. Although growth in business loans remained relatively strong in August, growth in total bank credit was moderate, and banks reduced their reliance on large-denomination CD's and nondeposit funds. Interest rates on most short-term market instruments have changed little on balance since mid-August, while rates on most types of longer-term securities have risen further. On September 4 the Federal Reserve announced the removal of the 3 per cent marginal reserve requirement on longer-term, large-denomination CD's.

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 achieving equilibrium in the country's balance of payments.

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

It was agreed that the next meeting of the Committee would be on October 15, 1974, at 9:30 a.m.

The meeting adjourned.


Secretary