

Meeting of Federal Open Market Committee

November 19, 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 Tuesday, November 19, 1974, at 9:30 a.m.

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

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

Messrs. Balles, Eastburn, and Francis, 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  
Mr. O'Connell, General Counsel  
Mr. Guy, Deputy General Counsel  
Mr. Partee, Senior Economist  
Mr. Axilrod, Economist (Domestic Finance)  
Messrs. Brandt, Doll, Hocter, Parthemos,  
and Reynolds, Associate Economists

Mr. Holmes, Manager, System Open Market Account  
Mr. Coombs, Special Manager, System Open Market Account

Mr. Coyne, Assistant to the Board of Governors  
Mr. Wonnacott, Associate Director, Division of International Finance, Board of Governors  
Mr. Keir, Adviser, 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

Mr. Plant, First Vice President, Federal Reserve Bank of Dallas  
Messrs. Eisenmenger, Boehne, and Scheld, Senior Vice Presidents, Federal Reserve Banks of Boston, Philadelphia, and Chicago, respectively  
Mr. Garvy, Vice President and Senior Adviser, Federal Reserve Bank of New York  
Messrs. Jordan and Green, Vice Presidents, Federal Reserve Banks of St. Louis and Dallas, respectively  
Mr. Kareken, Economic Adviser, Federal Reserve Bank of Minneapolis  
Mr. Keran, Director of Research, Federal Reserve Bank of San Francisco  
Mr. Cooper, Assistant Vice President, Federal Reserve Bank of New York

By unanimous vote, the action by Committee members on November 11, 1974, increasing from \$500 million to \$1 billion the limit (specified in paragraph 1(b) of the Authorization for Domestic Open Market Operations) on holdings of bankers' acceptances by the Federal

Reserve Bank of New York, pending further review at the next FOMC meeting, was ratified.

It was agreed that the \$1 billion limit on holdings of bankers' acceptances should be retained.

By unanimous vote, the minutes of actions taken at the meeting of the Federal Open Market Committee held on October 15, 1974, were approved.

The memorandum of discussion for the meeting of the Federal Open Market Committee held on October 15, 1974, was accepted.

By unanimous vote, the System open market transactions in foreign currencies during the period October 15 through November 18, 1974, were approved, ratified, and confirmed.

By unanimous vote, the Committee approved the renewal for further periods of up to one year 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>Term (months)</u>	<u>Maturity date</u>
Austrian National Bank	250	12	December 3, 1974
National Bank of Belgium	1,000	9	December 20, 1974
Bank of Canada	2,000	12	December 27, 1974

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<u>Foreign bank</u>	Amount of arrangement (millions of dollars equivalent)	Term (months)	<u>Maturity date</u>
National Bank of Denmark	250	12	December 27, 1974
Bank of England	3,000	12	December 3, 1974
Bank of France	2,000	12	December 27, 1974
German Federal Bank	2,000	12	December 27, 1974
Bank of Italy	3,000	12	December 31, 1974
Bank of Japan	2,000	12	December 3, 1974
Bank of Mexico	180	12	December 3, 1974
Netherlands Bank	500	12	December 27, 1974
Bank of Norway	250	12	December 3, 1974
Bank of Sweden	300	12	December 3, 1974
Swiss National Bank	1,400	12	December 3, 1974
Bank for International Settlements:			
Dollars against Swiss francs	600	12	December 3, 1974
Dollars against other authorized European currencies	1,250	12	December 3, 1974

By unanimous vote, the open market transactions in Government securities, agency obligations, and bankers' acceptances during the period October 15 through November 18, 1974, 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 real output of goods and services is falling significantly further in the current quarter while price and wage increases are continuing large. In October industrial production declined--after having changed little since May--and the unemployment rate increased further, from 5.8 to 6.0 per cent.

In recent weeks sizable cutbacks in automobile production have been announced, and claims for unemployment insurance have continued to increase. There are major uncertainties concerning the duration of the coal strike; a lengthy shut-down would have substantial effects on other industries. The October rise in wholesale prices of industrial commodities, although substantial, remained well below the extraordinarily rapid rate in the first 8 months of the year; prices of farm products and foods increased sharply.

In recent weeks the dollar has declined further against leading foreign currencies. In the third quarter the U.S. foreign trade deficit was substantially larger than in the second quarter, but U.S. banks sharply reduced their foreign lending.

Growth of the narrowly defined money stock picked up from the slow pace of the third quarter to an annual rate of about 5 per cent in October. Net inflows of consumer-type time and savings deposits at banks and at nonbank thrift institutions also improved in October, and the money supply measures more broadly defined expanded appreciably. Bank credit outstanding changed little, and banks reduced their borrowing through Euro-dollars and large-denomination CD's. Since mid-October markets for short- and long-term securities have improved, despite heavy Treasury financing and a large volume of corporate security issues. Interest rates on market securities in general have declined further, and mortgage yields also have fallen somewhat. On November 13 the Board of Governors announced a restructuring of member bank reserve requirements, which will have the effect of releasing reserves to the banking system in the week beginning December 12.

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.

