

Meeting of Federal Open Market Committee

July 15, 1975

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, July 15, 1975, at 9:30 a.m.

PRESENT: Mr. Burns, Chairman  
Mr. Baughman  
Mr. Bucher  
Mr. Coldwell  
Mr. Eastburn  
Mr. Holland  
Mr. Jackson  
Mr. MacLaury  
Mr. Mayo  
Mr. Wallich  
Mr. Debs, Alternate for Mr. Hayes

Messrs. Bailes, Black, and Winn, Alternate  
Members of the Federal Open Market Committee

Messrs. Clay, Kimbrel, and Morris, Presidents  
of the Federal Reserve Banks of Kansas City,  
Atlanta, and Boston, respectively

Mr. Broida, Secretary  
Mr. Altmann, Deputy Secretary  
Mr. O'Connell, General Counsel  
Mr. Partee, Senior Economist  
Mr. Axilrod, Economist (Domestic Finance)  
Mr. Gramley, Economist (Domestic Business)  
Mr. Solomon, Economist (International Finance)  
Messrs. Boehne, Bryant, Davis, Green,  
Reynolds, and Scheld, Associate Economists

Mr. Holmes, Manager, System Open Market Account  
Mr. Sternlight, Deputy Manager for Domestic  
Operations  
Mr. Pardee, Deputy Manager for Foreign Operations

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Mr. Coyne, Assistant to the Board of  
Governors  
Mr. Keir, Adviser, Division of Research  
and Statistics, Board of Governors  
Mr. Wendel, Assistant Adviser, Division  
of Research and Statistics, Board of  
Governors  
Mrs. Farar, Economist, Open Market Secretariat,  
Board of Governors  
Miss Klaput, Open Market Secretariat, Board  
of Governors  
  
Mr. Leonard, First Vice President of the  
Federal Reserve Bank of St. Louis  
  
Messrs. Eisenmenger, Parthemos, Jordan, and  
Doll, Senior Vice Presidents, Federal  
Reserve Banks of Boston, Richmond,  
St. Louis, and Kansas City, respectively  
Messrs. Hocter and Brandt, Vice Presidents,  
Federal Reserve Banks of Cleveland and  
Atlanta, respectively  
Mr. Duprey, Senior Economist, Federal Reserve  
Bank of Minneapolis  
Mr. Keran, Director of Research, Federal  
Reserve Bank of San Francisco  
Mr. Ozog, Manager, Securities and Acceptances  
Department, Federal Reserve Bank of New York

By unanimous vote, the minutes of actions taken at the  
meeting of the Federal Open Market Committee on June 16-17, 1975,  
were approved.

The memorandum of discussion for the meeting of the Federal  
Open Market Committee on May 20, 1975, was accepted.

By unanimous vote, the System open market transactions in  
foreign currencies during the period June 17 through July 14, 1975,  
were approved, ratified, and confirmed.

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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 from August 5 through 14, 1975, was authorized.

By unanimous vote, the open market transactions in Government securities, agency obligations, and bankers' acceptances during the period June 17 through July 14, 1975, were approved, ratified, and confirmed.

With Mr. Holland dissenting, the Federal Reserve Bank of New York was authorized and directed, until otherwise directed by the Committee, to execute transactions in 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 leveled off in the second quarter of the year, as consumer spending continued to strengthen. Activity in residential real estate markets has picked up in recent months. In June industrial production rose slightly, following 8 months of decline. The calculated unemployment rate declined substantially, but this was attributed mainly to problems of seasonal adjustment. Average wholesale prices of industrial commodities rose somewhat more in June than in the preceding 3 months, chiefly because of increases in prices of petroleum products, but prices of farm and food products declined appreciably. From the first to the second quarter of the year, the advance in average wage rates continued to moderate.

In recent weeks the average exchange value of the dollar against leading foreign currencies has risen considerably, as interest rates on U.S. dollar assets increased relative to rates on foreign currency assets after mid-June. In May the U.S. foreign trade balance

registered a substantial surplus, as imports dropped more sharply than exports. U.S. banks reported a sizable increase in claims on foreigners, while liabilities to foreigners were reduced slightly.

Growth in  $M_1$ ,  $M_2$ , and  $M_3$ --which was substantial in May--was extremely rapid in June, in part because of Federal income tax rebates and of supplementary social security payments; beginning late in the month, after completion of such payments, the aggregates weakened. Business demands for short-term credit remained unusually weak both at banks and in the commercial paper market, while demands in the long-term market continued exceptionally strong. Market interest rates in general have risen appreciably 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 stimulating economic recovery, while resisting inflationary pressures and working toward equilibrium in the country's balance of payments.

To implement this policy, while taking account of the forthcoming Treasury financing and of developments in domestic and international financial markets, the Committee seeks to maintain about the prevailing bank reserve and money market conditions over the period immediately ahead, provided that growth in monetary aggregates appears to be slowing substantially from the buige during the second quarter.

It was agreed that the next meeting of the Committee would be held on Tuesday, August 19, 1975.

The meeting adjourned.

  
Secretary