

Meeting of Federal Open Market Committee

December 16, 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, December 16, 1975, at 9:30 a.m.

PRESENT: Mr. Burns, Chairman  
Mr. Volcker, Vice Chairman  
Mr. Baughman  
Mr. Coldwell  
Mr. Eastburn  
Mr. Holland  
Mr. Jackson  
Mr. MacLaury  
Mr. Mayo  
Mr. Mitchell  
Mr. Wallich

Messrs. Balles, Black, Francis, 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. Bernard, Assistant 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, Davis, Green, Kareken,  
Reynolds, and Scheld, Associate Economists

Mr. Holmes, Manager, System Open Market Account  
Mr. Pardee, Deputy Manager for Foreign Operations  
Mr. Sternlight, Deputy Manager for Domestic Operations  
  
Mr. Coyne, Assistant to the Board of Governors  
Mr. Keir, Adviser, Division of Research and Statistics, Board of Governors  
Mr. Gemmill, Adviser, Division of International Finance, Board of Governors  
Mrs. Farar, Economist, Open Market Secretariat, Board of Governors  
Mrs. Ferrell, Open Market Secretariat Assistant, Board of Governors  
  
Messrs. Eisenmenger, Parthemos, Doll, and Sims, Senior Vice Presidents, Federal Reserve Banks of Boston, Richmond, Kansas City, and San Francisco, respectively  
Messrs. Hocter, Brandt, and Balbach, Vice Presidents, Federal Reserve Banks of Cleveland, Atlanta, and St. Louis, respectively  
Mr. Sandberg, Assistant Vice President, Federal Reserve Bank of New York

By unanimous vote, the minutes of actions taken at the meeting of the Federal Open Market Committee on November 18, 1975, were approved.

By unanimous vote, the memorandum of discussion for the meeting of the Federal Open Market Committee on October 21, 1975, was accepted.

By unanimous vote, the System open market transactions in foreign currencies during the period November 18 through December 15, 1975, were approved, ratified, and confirmed.

By unanimous vote, an adjustment in the exchange rate on the System's outstanding Swiss franc swap debt, to reflect the December 1971 Smithsonian realignment of currency values and the February 1973 devaluation of the dollar, was authorized.

By unanimous vote, the open market transactions in Government securities, agency obligations, and bankers' acceptances during the period November 18 through December 15, 1975, 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 in the System Account in accordance with the following domestic policy directive:

The information reviewed at this meeting suggests that output of goods and services--which had increased very sharply in the third quarter--is expanding more moderately in the current quarter. In November the rise in industrial production and in nonfarm payroll employment slowed further. The dollar volume of retail sales rose again, however, and residential construction activity expanded, reflecting recent substantial increases in private housing starts. The unemployment rate--which had risen 0.3 percentage points to 8.6 per cent in October--fell back to 8.3 per cent in November, reflecting a sizable decline in the civilian labor force. The

increase in average wholesale prices of industrial commodities, although below that in October, was still relatively large; prices of farm products declined appreciably, following 2 months of large increases. The advance in average wage rates in November was again substantial.

The exchange value of the dollar against leading foreign currencies has risen somewhat since mid-November. The net outflow of bank-reported private capital appears to have declined from the high rate reported for October. In October the U.S. foreign trade surplus remained substantial.

$M_1$ --which had declined in October--rose sharply in November. Growth in  $M_2$  and  $M_3$  was substantial, as inflows of consumer-type time and savings deposits to banks strengthened while inflows to nonbank thrift institutions remained relatively favorable. Long-term interest rates have fluctuated in a narrow range in recent weeks, while short-term market rates have risen somewhat.

In light of the foregoing developments, it is the policy of the Federal Open Market Committee to foster financial conditions that will encourage continued economic recovery, while resisting inflationary pressures and contributing to a sustainable pattern of international transactions.

To implement this policy, while taking account of developments in domestic and international financial markets, the Committee seeks to maintain prevailing bank reserve and money market conditions over the period immediately ahead, provided that monetary aggregates appear to be growing at about the rates currently expected.

By unanimous vote, transfer to the National Archives of the FOMC memoranda of discussion for 1970, on the basis described in memoranda from the Secretariat dated December 4, 1975, was authorized.

12/16/75

-5-

It was agreed that the next meeting of the Committee  
would be held on January 20, 1976.

The meeting adjourned.

  
Arthur L. Bivida  
Secretary