

Meeting of Federal Open Market Committee

February 17 - 18, 1976

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 and Wednesday, February 17-18, 1976, beginning at 4:00 p.m. on Tuesday.

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

Messrs. Balles, 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. Bernard, Assistant Secretary
Mr. O'Connell, General Counsel
Mr. Axilrod, Economist (Domestic Finance)
Mr. Gramley, Economist (Domestic Business)
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
Messrs. Kichline and Zeisel,^{1/} Associate
Directors, Division of Research and
Statistics, Board of Governors
Mr. Keir, Adviser, Division of Research
and Statistics, Board of Governors
Mr. Gemmill,^{1/} 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

Mr. Leonard, First Vice President, Federal
Reserve Bank of St. Louis

Messrs. Eisenmenger,^{2/} Parthemos, Balbach, and
Doll, Senior Vice Presidents, Federal Reserve
Banks of Boston, Richmond, St. Louis, and
Kansas City, respectively
Messrs. Brandt and Keran, Vice Presidents,
Federal Reserve Banks of Atlanta and
San Francisco, respectively
Ms. Tschinkel, Adviser, Open Market Operations,
Federal Reserve Bank of New York
Mr. Hall, Economist, Federal Reserve Bank of
Cleveland

Secretary's note: All of the following actions
were taken on Wednesday, February 18, 1976.

By unanimous vote, the minutes of actions taken at the
meeting of the Federal Open Market Committee on January 20, 1976,
were approved.

^{1/} Attended Wednesday session only.

^{2/} Attended Tuesday session only.

By unanimous vote, the System open market transactions in foreign currencies during the period January 20, 1976, through February 17, 1976, were approved, ratified, and confirmed.

By unanimous vote, paragraph 6 of the Authorization for Foreign Currency Operations was amended to read as follows:

6. The Foreign Currency Subcommittee is authorized to act on behalf of the Committee when it is necessary to enable the Federal Reserve Bank of New York to engage in foreign currency operations before the Committee can be consulted. The Foreign Currency Subcommittee consists of the Chairman and Vice Chairman of the Committee, the Vice Chairman of the Board of Governors, and such other member of the Board as the Chairman may designate (or in the absence of members of the Board serving on the Subcommittee, other Board Members designated by the Chairman as alternates, and in the absence of the Vice Chairman of the Committee, his alternate). All actions taken by the Foreign Currency Subcommittee under this paragraph shall be reported promptly to the Committee.

By unanimous vote, the open market transactions in Government securities, agency obligations, and bankers' acceptances during the period January 20, 1976, through February 17, 1976, 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:

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The information reviewed at this meeting suggests that output of goods and services is continuing to expand at a moderate rate in the current quarter. In January retail sales remained at an advanced level and recovery in industrial production continued. Gains in nonfarm employment were large and widespread and the unemployment rate dropped from 8.3 per cent to 7.8 per cent. Average wholesale prices of industrial commodities increased somewhat less than in the preceding 2 months, and average prices of farm products and foods declined appreciably further. The index of average wage rates advanced substantially in January, but a significant part of the rise reflected an increase in the minimum wage on the first of the month.

The trade-weighted value of the dollar has changed little over the past 4 weeks. There have been disturbances in foreign exchange markets affecting primarily European currencies, and rates for several currencies have moved considerably. In December the foreign trade surplus was substantial, although not as large as in other recent months, and bank-reported private capital movements shifted to a net outflow.

M_1 , which had declined in December, increased only a little in January, but M_2 and M_3 rose considerably. At commercial banks and nonbank thrift institutions, inflows of time and savings deposits other than large-denomination CD's expanded substantially. Inflows into savings accounts were especially large in January, as short-term market interest rates continued to decline early in the month and fell below Regulation Q ceiling rates on such accounts. In recent weeks, interest rates on both short- and long-term securities have changed little, while mortgage interest rates have declined 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.

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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.

It was agreed that the next meeting of the Committee would be held on Tuesday, March 16, 1976.

The meeting adjourned.


Secretary