

7/20/76

Meeting of Federal Open Market Committee

July 19-20, 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 Monday and Tuesday, July 19-20, 1976, beginning at 6:00 p.m. on Monday.

PRESENT: Mr. Burns, Chairman  
Mr. Volcker, Vice Chairman  
Mr. Balles  
Mr. Black  
Mr. Coldwell  
Mr. Gardner  
Mr. Jackson  
Mr. Kimbrel  
Mr. Lilly  
Mr. Partee  
Mr. Wallich  
Mr. Winn 1/

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

Messrs. MacLaury, Eastburn, and Roos, Presidents  
of the Federal Reserve Banks of Minneapolis,  
Philadelphia, and St. Louis, respectively

Mr. Broida, Secretary  
Mr. Altmann, 1/ Deputy Secretary  
Mr. Bernard, 1/ Assistant Secretary  
Mr. O'Connell, General Counsel  
Mr. Gramley, 1/ Economist (Domestic Business)  
Messrs. Davis, 1/ Keran, 1/ Kichline, 1/  
Parthemos, 1/ Reynolds, 1/ and Zeisel, 1/  
Associate Economists.

1/ Attended Tuesday session only.

Mr. Pardee,1/ Deputy Manager for Foreign Operations  
 Mr. Sternlight,1/ Deputy Manager for Domestic Operations

Mr. Coyne, Assistant to the Board of Governors  
 Mr. Pizer, Advisor, Division of International Finance, Board of Governors  
 Mr. Struble,1/ Chief, Government Finance Section, Division of Research and Statistics, Board of Governors  
 Mrs. Farar,1/ Economist, Open Market Secretariat, Board of Governors  
 Mrs. Deck,1/ Staff Assistant, Open Market Secretariat, Board of Governors

Messrs. Balbach,1/ Boehne,1/ Doll,1/ Eisenmenger,1/ and Scheld,1/ Senior Vice Presidents, Federal Reserve Banks of St. Louis, Philadelphia, Kansas City, Boston, and Chicago, respectively  
 Messrs. Burns1/ and Cox,1/ Vice Presidents, Federal Reserve Banks of Dallas and Atlanta, respectively  
 Mr. Meek,1/ Monetary Adviser, Federal Reserve Bank of New York  
 Mr. Duprey,1/ Senior Economist, Federal Reserve Bank of Minneapolis

With Mr. Coldwell dissenting, and with Mr. Mayo voting as alternate for Mr. Winn, the Committee reaffirmed its decision of May 18, 1976, to discontinue the memorandum of discussion after the memorandum for the meeting of March 15-16, 1976.

Secretary's note: All of the following actions were taken on Tuesday, July 20, 1976.

By unanimous vote, the minutes of actions taken at the meeting of the Federal Open Market Committee held on June 22, 1976, were approved.

1/ Attended Tuesday session only.

7/20/76

-3-

By unanimous vote, the System open market transactions in foreign currencies during the period June 22 through July 19, 1976, were approved, ratified, and confirmed.

By unanimous vote, renewal for further periods of 3 months of System drawings on the National Bank of Belgium and the Swiss National Bank maturing August 13, 1976, was authorized.

By unanimous vote, System open market transactions in Government securities, agency obligations, and bankers' acceptances, during the period June 22 through July 19, 1976, were approved, ratified, and confirmed.

With Mr. Volcker 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 growth in real output of goods and services, which had been vigorous in the first quarter, moderated in the second quarter as a consequence of a smaller advance in consumer spending and little change in the rate of inventory accumulation. In June growth in industrial production slowed and nonfarm payroll employment changed little. The unemployment rate edged up to 7.5 per cent from 7.3 per cent in May, but this increase may have partly reflected seasonal adjustment problems. Retail sales rebounded strongly in June. The rise in the wholesale price index for all commodities remained moderate, as the advance in average prices of farm products and foods slowed further. However, average prices of industrial commodities rose more than in other recent months. The advance in the index of average wage rates slowed considerably in June following a sharp rise in May; over the second quarter as a whole the index rose at about the same rate as in the first quarter.

The average value of the dollar against leading foreign currencies has remained relatively steady in recent weeks. In May there was a small surplus in the U.S. foreign trade balance.

M<sub>1</sub>, which had grown moderately in May, declined slightly in June. From the first to the second quarter, however, M<sub>1</sub> expanded at an 8.4 per cent annual rate because of the exceptional rise in April. Growth in M<sub>2</sub> and M<sub>3</sub> moderated in June, mainly because of the decline in M<sub>1</sub>, although inflows of the time and savings deposits included in the broader aggregates also slowed somewhat. Short-term market interest rates have declined somewhat in recent weeks, and most long-term rates have edged down.

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 expansion, 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 achieve bank reserve and money market conditions consistent with moderate growth in monetary aggregates over the period ahead.

It was agreed that the next meeting of the Committee would be held on August 17, 1976, at 9:30 a.m.

The meeting adjourned.

---

Secretary