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Meeting of Federal Open Market Committee

August 17, 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, August 17, 1976, at 9:30 a.m.

PRESENT: Mr. Burns, Chairman
Mr. Volcker, Vice Chairman
Mr. Black
Mr. Coldwell
Mr. Gardner
Mr. Jackson
Mr. Kimbrel
Mr. Lilly
Mr. Partee
Mr. Wallich
Mr. Winn
Mr. Guffey, Alternate for Mr. Balles

Messrs. Baughman, 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, Deputy Secretary
Mr. Bernard, Assistant Secretary
Mr. O'Connell, General Counsel
Mr. Axilrod, Economist (Domestic Finance)
Mr. Gramley, Economist (Domestic Business)
Messrs. Brandt, Keran, Kichline, Parthemos,
and Reynolds, Associate Economists

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Mr. Holmes, Manager, System Open Market
Account

Mr. Pardee, Deputy Manager for Foreign
Operations

Mr. Coyne, Assistant to the Board of
Governors

Mr. Keir, Assistant to the Board of
Governors

Mr. Pizer, Adviser, Division of International
Finance, Board of Governors

Mrs. Farar, Economist, Open Market
Secretariat, Board of Governors

Mrs. Deck, Staff Assistant, Open Market
Secretariat, Board of Governors

Mr. Williams, First Vice President,
Federal Reserve Bank of San Francisco

Messrs. Balbach, Doll, and Eisenmenger,
Senior Vice Presidents, Federal
Reserve Banks of St. Louis, Kansas
City, and Boston respectively

Mr. Green and Kaminow, Vice Presidents,
Federal Reserve Banks of Dallas and
Philadelphia respectively

Mr. Meek, Monetary Adviser, Federal
Reserve Bank of New York

Messrs. Fousek, Kareken, and Mrs. Nichols,
Economic Advisers, Federal Reserve
Banks of New York, Minneapolis, and
Chicago respectively

Mr. Hall, Economist and Director of Domestic
Finance, Federal Reserve Bank of Cleveland

Mr. Ozog, Manager, Acceptances and
Securities Departments, Federal Reserve
Bank of New York

By unanimous vote, the minutes of actions taken at the
meeting of the Federal Open Market Committee held on July 19-20,
1976 were approved.

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By unanimous vote, the System open market transactions in foreign currencies during the period July 20 through August 16, 1976, were approved, ratified, and confirmed.

By unanimous vote, System open market transactions in Government securities, agency obligations, and bankers' acceptances during the period July 20 through August 16, 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 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 is remaining moderate in the current quarter. In July industrial production changed little, but total employment expanded by a substantial amount. The civilian labor force also increased sharply, and the unemployment rate rose from 7.5 to 7.8 per cent. Retail sales declined in July, following the rebound in June. The rise in the wholesale price index for all commodities remained moderate, as average prices of farm products and foods declined. However, average prices of industrial commodities rose more than in other recent months. So far this year the advance in the index of average wage rates has been somewhat below the rapid rate of increase during 1975.

The average value of the dollar against leading foreign currencies has remained relatively steady in recent weeks, despite some disturbances in exchange markets for European currencies. In June the U. S. foreign trade deficit increased, but the deficit for the second quarter as a whole was somewhat smaller than that for the first quarter.

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M_1 , which had declined slightly in June, expanded appreciably in July. Inflows of the time and savings deposits included in the broader aggregates were considerably stronger than in June, and growth in M_2 and M_3 was rapid. Market interest rates have declined somewhat further in recent weeks.

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 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 September 21, 1976, at 9:30 a.m.

The meeting adjourned.