

Meeting of Federal Open Market Committee

November 16, 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, November 16, 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, Davis, Kichline, Reynolds,  
and Zeisel, Associate Economists

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Mr. Pardee, Deputy Manager for Foreign Operations

Mr. Sternlight, Deputy Manager for Domestic Operations

Messrs. Coyne and Keir, Assistants to the Board of Governors

Mr. Gemmill, 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, Boehne, Scheld, and Sims, Senior Vice Presidents, Federal Reserve Banks of St. Louis, Philadelphia, Chicago, and San Francisco, respectively

Messrs. Burns, Davis, and Snellings, Vice Presidents, Federal Reserve Banks of Dallas, Kansas City, and Richmond, respectively

Mr. McNeese, Assistant Vice President, Federal Reserve Bank of Boston

Mr. Kareken, Economic Adviser, Federal Reserve Bank of Minneapolis

Mr. Hall, Economist, Federal Reserve Bank of Cleveland

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

By unanimous vote, the minutes of actions taken at the meetings of the Federal Open Market Committee held on October 19 and November 8, 1976, were approved.

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The report of examination of the System Open Market Account, made by the Board's Division of Federal Reserve Bank Examinations and Budgets as of the close of business August 20, 1976, was accepted.

By unanimous vote, the System Open Market transactions in foreign currencies during the period October 19 through November 15, 1976, were approved, ratified, and confirmed.

By unanimous vote, System open market transactions in Government securities, agency obligations, and bankers' acceptances during the period October 19 through November 15, 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:

The information reviewed at this meeting suggests that growth in real output of goods and services in the fourth quarter may be falling somewhat below the third-quarter rate. In October retail sales increased little following a decrease in September. Industrial production and employment in manufacturing declined, in part because of strikes. After adjustment for strikes, total payroll employment in nonfarm establishments rose somewhat further. According to household survey data, the unemployment rate edged up from 7.8 to 7.9 per cent. The wholesale price index for all commodities rose less rapidly in October than in September as average prices of farm products and foods

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declined; however, average prices of industrial commodities rose sharply further. The advance in the index of average wage rates over recent months has remained somewhat below the rapid rate of increase during 1975.

The average value of the dollar against leading foreign currencies has remained steady in recent weeks, declining slightly against the German mark and associated European currencies but rising against the pound sterling and the lira. In September the U. S. foreign trade deficit widened again, and the third-quarter deficit was about double the average of the first two quarters of 1976.

$M_1$ , which was about unchanged in September, expanded sharply in October. Growth in  $M_2$  and  $M_3$  accelerated as inflows of the time and savings deposits included in these broader aggregates continued exceptionally strong. Interest rates have fluctuated in a narrow range 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 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 begin on December 20 and continue on December 21, 1976.

The meeting adjourned.

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Secretary