

Meeting of Federal Open Market Committee

August 13, 1968

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 13, 1968, at 9:30 a.m.

PRESENT: Mr. Martin, Chairman
Mr. Brimmer
Mr. Daane
Mr. Galusha
Mr. Hickman
Mr. Kimbrel
Mr. Maisel
Mr. Mitchell
Mr. Robertson
Mr. Sherrill
Mr. Bopp, Alternate
Mr. Treiber, Alternate for Mr. Hayes

Messrs. Clay, Coldwell, and Scanlon, Alternate
Members of the Federal Open Market Committee

Messrs. Heflin, Francis, and Swan, Presidents of
the Federal Reserve Banks of Richmond, St.
Louis, and San Francisco, respectively

Mr. Holland, Secretary
Mr. Sherman, Assistant Secretary
Mr. Kenyon, Assistant Secretary
Mr. Broida, Assistant Secretary
Mr. Molony, Assistant Secretary
Mr. Hackley, General Counsel
Mr. Brill, Economist
Messrs. Hersey, Link, Mann, Partee, Solomon,
and Taylor, Associate Economists
Mr. Holmes, Manager, System Open Market
Account

Mr. Cardon, Assistant to the Board of
Governors

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Mr. Farrell, Director, Division of Federal Reserve Bank Operations, Board of Governors^{1/}
Mr. Wernick, Associate Adviser, Division of Research and Statistics, Board of Governors
Messrs. Keir and Weiner, Assistant Advisers, Division of Research and Statistics, Board of Governors
Mr. Bernard, Special Assistant, Office of the Secretary, Board of Governors
Miss Eaton, Open Market Secretariat Assistant, Office of the Secretary, Board of Governors

Mr. Latham, First Vice President, Federal Reserve Bank of Boston
Messrs. Eisenmenger, MacLaury, Baughman, Jones, Tow, and Craven, Vice Presidents of the Federal Reserve Banks of Boston, New York, Chicago, St. Louis, Kansas City, and San Francisco, respectively
Messrs. Meek and Snellings, Assistant Vice Presidents of the Federal Reserve Banks of New York and Richmond, respectively
Mr. Shotwell, Senior Economist, Federal Reserve Bank of Cleveland
Mr. Stahl, Research Officer and Economist, Federal Reserve Bank of Philadelphia
Mr. Duprey, Economist, Federal Reserve Bank of Minneapolis
Mr. Fraser, Financial Economist, Federal Reserve Bank of Dallas

By unanimous vote, the minutes of actions taken at the meeting of the Federal Open Market Committee held on July 16, 1968, were approved.

The memorandum of discussion for the meeting of the Federal Open Market Committee held on July 16, 1968, was accepted.

^{1/} Entered shortly before the meeting closed.

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By unanimous vote, the System open market transactions in foreign currencies during the period July 16 through August 12, 1968, were approved, ratified, and confirmed.

By unanimous vote, the open market transactions in Government securities, agency obligations, and bankers' acceptances during the period July 16 through August 12, 1968, 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 current economic policy directive:

The information reviewed at this meeting indicates that some elements of economic activity continued to expand vigorously in early summer. Expansion in overall activity, however, is projected to slow considerably in coming months as a result of the new fiscal restraint measures and a marked reduction in inventory accumulation. Industrial prices have been increasing less rapidly in recent months, but consumer prices have continued to rise substantially. Wage pressures remain strong, and the recent wage settlement in the steel industry was followed by announcements of steel price increases. Both short- and long-term interest rates have declined considerably, in large part as a result of expectations of easier credit conditions. Bank time and savings deposits, particularly large-denomination CD's, have expanded sharply in early summer; growth in the money supply has continued large as U.S. Government deposits have been drawn down further on average; and growth in total bank credit has been unusually rapid. Although the U.S. balance of payments has recently shown a marked improvement, the foreign trade balance and underlying payments position continue to be matters of serious concern. In this situation, it is the policy of the

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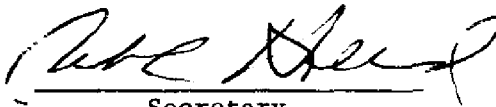
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Federal Open Market Committee to foster financial conditions conducive to sustainable economic growth, continued resistance to inflationary pressures, and attainment of reasonable equilibrium in the country's balance of payments.

To implement this policy, System open market operations until the next meeting of the Committee shall be conducted with a view to maintaining, on balance, about the prevailing conditions in money and short-term credit markets; provided, however, that operations shall be modified if bank credit appears to be significantly exceeding current projections.

It was agreed that the next meeting of the Committee would be held on Tuesday, September 10, 1968, at 9:30 a.m.

The meeting adjourned.


Secretary