

Meeting of Federal Open Market Committee

September 9, 1969

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, September 9, 1969, at 9:30 a.m.

PRESENT: Mr. Martin, Chairman
Mr. Hayes, Vice Chairman
Mr. Bopp
Mr. Brimmer
Mr. Clay
Mr. Coldwell
Mr. Maisel
Mr. Mitchell
Mr. Scanlon
Mr. Sherrill

Messrs. Francis, Heflin, Hickman, and Swan,
Alternate Members of the Federal Open
Market Committee

Messrs. Morris, Kimbrel, and Galusha,
Presidents of the Federal Reserve
Banks of Boston, Atlanta, and
Minneapolis, respectively

Mr. Holland, Secretary
Mr. Broida, Deputy Secretary
Messrs. Kenyon and Molony, Assistant
Secretaries
Mr. Hexter, Assistant General Counsel
Messrs. Axilrod, Baughman, Eastburn, Gramley,
Green, Hersey, Link, Reynolds, Solomon,
and Tow, Associate Economists
Mr. Holmes, Manager, System Open Market
Account
Mr. Coombs, Special Manager, System Open
Market Account

9/9/69

-2-

Mr. Cardon, Assistant to the Board of
Governors
Messrs. Coyne and Nichols, Special Assistants
to the Board of Governors
Mr. Williams, Adviser, Division of Research
and Statistics, Board of Governors
Messrs. Keir and Wernick, Associate Advisers,
Division of Research and Statistics,
Board of Governors
Mr. Bernard, Special Assistant, Office of the
Secretary, Board of Governors
Mr. Wendel, Chief, Government Finance Section,
Division of Research and Statistics,
Board of Governors
Miss Eaton, Open Market Secretariat Assistant,
Office of the Secretary, Board of Governors

Messrs. Eisenmenger, Taylor, and Craven, Senior
Vice Presidents of the Federal Reserve
Banks of Boston, Atlanta, and San Francisco,
respectively
Messrs. Hocter and Monhollon, Vice Presidents
of the Federal Reserve Banks of Cleveland
and Richmond, respectively
Mr. Kareken, Economic Adviser, Federal Reserve
Bank of Minneapolis
Messrs. Meek and Bowsher, Assistant Vice
Presidents of the Federal Reserve Banks
of New York and St. Louis, respectively

By unanimous vote, the minutes of actions taken at the meeting
of the Federal Open Market Committee held on August 12, 1969, were
approved.

The memorandum of discussion for the meeting of the Federal
Open Market Committee held on August 12, 1969, was accepted.

By unanimous vote, the action of Committee members on
August 27, 1969, to increase the swap line with National Bank of

9/9/69

-3-

Belgium to \$500 million, with a conforming amendment to paragraph 2 of the authorization for System foreign currency operations, effective September 2, 1969, was ratified.^{1/}

By unanimous vote, the System open market transactions in foreign currencies during the period August 12 through September 8, 1969, were approved, ratified, and confirmed.

By unanimous vote, the open market transactions in Government securities, agency obligations, and bankers' acceptances during the period August 12 through September 8, 1969, were approved, ratified, and confirmed.

By unanimous vote, the dollar limit specified in paragraph 2 of the continuing authority directive, on Federal Reserve Bank holdings of short-term certificates of indebtedness purchased directly from the Treasury, was increased from \$1 billion to \$2 billion, with the understanding that the limit would revert to \$1 billion at the close of business on October 7, 1969, unless otherwise decided by the Committee on or before that date. As amended, paragraph 2 read as follows:

The Federal Open Market Committee authorizes and directs the Federal Reserve Bank of New York to purchase directly from the Treasury for the account of the Federal Reserve Bank of New York (with discretion, in

^{1/} Committee members had initially voted on August 15, 1969 to authorize an increase in the Belgian swap line from \$300 million to \$500 million, effective August 18. This increase was not executed. Subsequently, the members took the action noted above.

9/9/69

-4-

cases where it seems desirable, to issue participations to one or more Federal Reserve Banks) such amounts of special short-term certificates of indebtedness as may be necessary from time to time for the temporary accommodation of the Treasury; provided that the rate charged on such certificates shall be a rate $1/4$ of 1 per cent below the discount rate of the Federal Reserve Bank of New York at the time of such purchases, and provided further that the total amount of such certificates held at any one time by the Federal Reserve Banks shall not exceed \$2 billion.

With Messrs. Maisel and Mitchell dissenting, 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 expansion in real economic activity slowed somewhat in the first half of 1969 and some further moderation during the second half is projected. Substantial upward pressures on prices and costs are persisting. Long-term interest rates recently have risen to new peaks, while short-term rates have changed little on balance. In August the money supply decreased while U.S. Government deposits rose somewhat; bank credit declined further on average; the run-off of large-denomination CD's continued without abatement; and there were further net outflows from consumer-type time and savings accounts at banks. The U.S. foreign trade surplus was very small in July. The over-all balance of payments deficit on the liquidity basis remained very large in both July and August, while the balance on the official settlements basis shifted into deficit in August as U.S. banks' borrowings of Euro-dollars leveled off. In light of the foregoing developments, it is the policy of the Federal Open Market Committee to foster financial conditions conducive to the reduction of inflationary pressures, with a view to encouraging sustainable economic growth and attaining reasonable equilibrium in the country's balance of payments.

9/9/69

-5-

To implement this policy, while taking account of the forthcoming Treasury refunding, System open market operations until the next meeting of the Committee shall be conducted with a view to maintaining the prevailing firm conditions in money and short-term credit markets; provided, however, that operations shall be modified, to the extent permitted by the Treasury refunding, if bank credit appears to be deviating significantly from current projections or if pressures arise in connection with foreign exchange developments or with bank regulatory changes.

It was agreed that the next meeting of the Committee would be held on Tuesday, October 7, 1969, at 9:30 a.m.

The meeting adjourned.


Secretary