

Meeting of Federal Open Market Committee

December 19, 1972

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, December 19, 1972, at 10:15 a.m.

PRESENT: Mr. Burns, Chairman
Mr. Hayes, Vice Chairman
Mr. Brimmer
Mr. Bucher
Mr. Coldwell
Mr. Daane
Mr. Eastburn
Mr. MacLaury
Mr. Mitchell
Mr. Robertson
Mr. Sheehan
Mr. Winn

Messrs. Francis, Heflin, Mayo, and Balles,
Alternate Members of the Federal Open
Market Committee

Messrs. Morris, Kimbrel, and Clay, Presidents
of the Federal Reserve Banks of Boston,
Atlanta, and Kansas City, respectively

Mr. Holland, Secretary
Mr. Broida, Deputy Secretary
Messrs. Altmann and Bernard, Assistant
Secretaries
Mr. Hackley, General Counsel
Mr. O'Connell, Assistant General Counsel
Mr. Partee, Senior Economist
Mr. Axilrod, Economist (Domestic Finance)
Messrs. Boehne, Bryant, Gramley, Green, Hersey,
Hocter, Kareken, and Link, Associate
Economists
Mr. Holmes, Manager, System Open Market Account

Mr. Melnicoff, Deputy Executive Director,
Board of Governors
Mr. O'Brien, Special Assistant to the Board
of Governors
Mr. Reynolds, Associate Director, Division
of International Finance, Board of
Governors
Mr. Chase, Associate Director, Division of
Research and Statistics, Board of
Governors
Messrs. Keir, Pierce, Wernick, and Williams,
Advisers, Division of Research and
Statistics, Board of Governors
Mr. Pizer, Adviser, Division of International
Finance, Board of Governors
Mr. Wendel, Chief, Government Finance Section,
Division of Research and Statistics, Board
of Governors
Mrs. Rehanek, Open Market Secretariat Assistant,
Office of the Secretary, Board of Governors
Mrs. Sherman, Secretary, Office of the Secretary,
Board of Governors

Messrs. Eisenmenger, Parthemos, Taylor, Scheld,
and Andersen, Senior Vice Presidents,
Federal Reserve Banks of Boston, Richmond,
Atlanta, Chicago, and St. Louis, respectively
Messrs. Bodner and Doll, Vice Presidents,
Federal Reserve Banks of New York and
Kansas City, respectively
Mr. Meek, Assistant Vice President, Federal
Reserve Bank of New York
Mr. Bisignano, Economist, Federal Reserve Bank
of San Francisco

By unanimous vote, the System open market transactions in
foreign currencies during the period November 21 through December 18,
1972, were approved, ratified, and confirmed.

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By unanimous vote, renewal for further periods of 3 months of the three System drawings on the National Bank of Belgium maturing in the period January 5-26, 1973, was authorized.

By unanimous vote, the open market transactions in Government securities, agency obligations, and bankers' acceptances during the period November 21 through December 18, 1972, 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 current economic policy directive:

The information reviewed at this meeting, including strong recent gains in industrial production, employment, and retail sales, suggests that real output of goods and services is growing more rapidly in the current quarter than in the third quarter. The unemployment rate has declined. Wage rates increased little in November, following 2 months of large increases. Consumer prices rose considerably again in October, and wholesale prices rose sharply in November. The over-all deficit in the U.S. balance of payments has remained substantial in recent months, but there has been a moderate reduction in the excess of U.S. merchandise imports over exports since last spring and summer.

In November rates of growth in the monetary aggregates generally remained moderate, but expansion in the narrowly defined money stock quickened in early December. In recent weeks most market interest rates have tended upward.

In light of the foregoing developments, it is the policy of the Federal Open Market Committee to foster financial conditions conducive to sustainable real economic growth and increased employment, abatement

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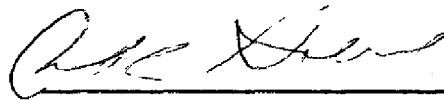
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of inflationary pressures, and attainment of reasonable equilibrium in the country's balance of payments.

To implement this policy, while taking account of Treasury financing operations and possible credit market developments, the Committee seeks to achieve bank reserve and money market conditions that will support slower growth in monetary aggregates over the months ahead than appears indicated for the second half of this year.

It was agreed that the next meeting of the Federal Open Market Committee would be held on Tuesday, January 16, 1973, at 9:30 a.m.

Thereupon the meeting adjourned.


Secretary