

Meeting of Federal Open Market Committee

June 18, 1974

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, June 18, 1974, at 9:30 a.m.

PRESENT: Mr. Burns, Chairman
Mr. Black
Mr. Brimmer
Mr. Bucher
Mr. Clay
Mr. Holland
Mr. Kimbrel
Mr. Mitchell
Mr. Sheehan
Mr. Wallich
Mr. Winn
Mr. Debs, Alternate for Mr. Hayes

Messrs. Coldwell, MacLaury, Mayo, and Morris,
Alternate Members of the Federal Open
Market Committee

Messrs. Eastburn and Balles, Presidents of the
Federal Reserve Banks of Philadelphia and
San Francisco, respectively

Mr. Broida, Secretary
Mr. Altmann, Deputy Secretary
Mr. Bernard, Assistant Secretary
Mr. O'Connell, General Counsel
Mr. Partee, Senior Economist
Mr. Axilrod, Economist (Domestic Finance)
Messrs. Brandt, Bryant, Doll, Gramley, Hocter,
Parthemos, Pierce, and Reynolds, Associate
Economists

Mr. Holmes, Manager, System Open Market Account
Mr. Coombs, Special Manager, System Open Market Account

Mr. Feldberg, Secretary to the Board of Governors
Mr. Wonnacott, Associate Director, Division of International Finance, Board of Governors
Mr. O'Brien, Special Assistant to the Board of Governors
Messrs. Keir and Wernick, Advisers, Division of Research and Statistics, Board of Governors
Mr. Struble, Senior Economist, Division of Research and Statistics, Board of Governors
Miss Pruitt, Economist, Open Market Secretariat, Board of Governors
Mrs. Ferrell, Open Market Secretariat Assistant, Board of Governors

Mr. Leonard, First Vice President, Federal Reserve Bank of St. Louis
Messrs. Eisenmenger, Boehne, and Sims, Senior Vice Presidents, Federal Reserve Banks of Boston, Philadelphia, and San Francisco, respectively
Mr. Garvy, Vice President and Senior Adviser, Federal Reserve Bank of New York
Messrs. Jordan and Green, Vice Presidents, Federal Reserve Banks of St. Louis and Dallas, respectively
Mr. Kareken, Economic Adviser, Federal Reserve Bank of Minneapolis
Mr. Kalchbrenner, Senior Economist and Assistant Vice President, Federal Reserve Bank of Chicago
Mr. Sandberg, Assistant Vice President, 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 May 21, 1974, were approved.

The memorandum of discussion for the meeting of the Federal Open Market Committee held on May 21, 1974, was accepted.

By unanimous vote, the System open market transactions in foreign currencies during the period May 21 through June 17, 1974, were approved, ratified, and confirmed.

By unanimous vote, renewal for further periods of 3 months of System drawings on the National Bank of Belgium maturing on July 18 and July 25, 1974, was authorized.

By unanimous vote, the Subcommittee consisting of the Chairman and Vice Chairman of the Committee and the Vice Chairman of the Board of Governors, or designated alternates, was authorized to act on behalf of the Committee with respect to questions relating to the terms of repayment of outstanding System swap debts in Belgian francs and Swiss francs.

By unanimous vote, the open market transactions in Government securities, agency obligations, and bankers' acceptances during the period May 21 through June 17, 1974, were approved, ratified, and confirmed.

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With Mr. Clay dissenting, 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 real output of goods and services will be about the same in the current quarter as a whole as in the first quarter, but that there has been some improvement as the spring has progressed. The over-all rate of price rise, while very large, is not quite so rapid as in the first quarter. In May industrial production increased somewhat for the second consecutive month, and nonfarm employment expanded substantially further. The unemployment rate moved above 5 per cent, however, as the civilian labor force rose sharply. Wholesale prices of farm and food products declined substantially further, but increases among industrial commodities again were widespread and extraordinarily large. The advance in wage rates accelerated somewhat further.

In May the depreciation of the dollar against leading foreign currencies was arrested. U.S. international transactions were in approximate balance on the official settlements basis, as bank-reported net outflows of capital apparently abated. The foreign trade deficit narrowed in April, despite a further large rise in the cost of petroleum imports.

Growth in the narrowly defined money stock moderated in May, but apparently it accelerated in early June. Net inflows of consumer-type time deposits at banks slowed in May, and deposit experience at nonbank thrift institutions continued poor. Business credit demands remained large, although the expansion in short-term credit was below the extraordinary pace of April and was less concentrated at banks. In May banks increased their outstanding large-denomination CD's substantially further and continued to

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borrow in the Euro-dollar market; most recently, however, they have reduced their reliance on these sources of funds. Market 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 conducive to resisting inflationary pressures, supporting a resumption of real economic growth, and achieving equilibrium in the country's balance of payments.

To implement this policy, while taking account of developments in domestic and international financial markets, the Committee seeks to maintain about the prevailing restrictive money market conditions, provided that the monetary aggregates appear to be growing at rates within the specified ranges of tolerance.

It was agreed that the next meeting of the Committee would be held on July 16, 1974, at 9:30 a.m.

The meeting adjourned.



Secretary