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Meeting of Federal Open Market Committee

June 22, 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, June 22, 1976, at 9:30 a.m.

PRESENT: Mr. Burns, Chairman
Mr. Volcker, Vice Chairman
Mr. Balles
Mr. Black
Mr. Coldwell
Mr. Gardner
Mr. Jackson
Mr. Lilly
Mr. Partee
Mr. Wallich
Mr. Winn
Mr. Baughman, Alternate for Mr. Kimbrel

Messrs. Guffey, 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,^{1/} Deputy Secretary
Mr. Bernard,^{1/} Assistant Secretary
Mr. O'Connell, General Counsel
Mr. Axilrod, Economist (Domestic Finance)
Mr. Gramley,^{1/} Economist (Domestic Business)
Messrs. Brandt,^{1/} Davis,^{1/} Hocter,^{1/}
Parthemos,^{1/} Reynolds,^{1/} and Zeisel,^{1/}
Associate Economists

^{1/} Entered meeting at point indicated.

^{2/} Left meeting at point indicated.

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Mr. Sternlight,1/ Deputy Manager for
Domestic Operations

Mr. Keir,1/ Assistant to the Board of
Governors

Mr. Guenther,2/ Assistant to the Board
of Governors

Mr. O'Brien, Special Assistant to the
Board of Governors

Mr. Gemmill,1/ Adviser, Division of Inter-
national Finance, Board of Governors

Mrs. Farar,1/ Economist, Open Market
Secretariat, Board of Governors

Mrs. Deck,1/ Staff Assistant, Open Market
Secretariat, Board of Governors

Mr. Fossum, First Vice President of the
Federal Reserve Bank of Atlanta

Messrs. Scheld,1/ Eisenmenger,1/ Sims,1/
and Doll,1/ Senior Vice Presidents,
Federal Reserve Banks of Chicago, Boston,
San Francisco, and Kansas City, respectively

Messrs. Burns, 1/ and Karnosky,1/ Vice Presidents,
Federal Reserve Banks of Dallas and
St. Louis, respectively

Mr. Kareken,1/ Economic Adviser, Federal
Reserve Bank of Minneapolis

Ms. Greene,1/ Assistant Vice President,
Federal Reserve Bank of New
York

Ms. Tschinkel,1/ Adviser, Federal Reserve
Bank of New York

Mr. Mullineaux,1/ Research Officer, Federal
Reserve Bank of Philadelphia

In connection with the suit relating to membership on
the Committee by Reserve Bank Presidents filed in Federal District

1/ Entered meeting at point indicated.

2/ Left meeting at point indicated.

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Court on June 21, 1976, by Congressman Henry S. Reuss of Wisconsin, the Committee, by unanimous vote, authorized its General Counsel to employ, if determined by him to be necessary and appropriate, outside legal counsel to assist the Committee in defense of the suit.

Prior to the following actions, Mr. Guenther left the meeting and the staff members who were not present at the outset entered.

By unanimous vote, the minutes of actions taken at the meeting of the Federal Open Market Committee held on May 18, 1976, were approved.

By unanimous vote, the System open market transactions in foreign currencies during the period May 18 through June 21, 1976, were approved, ratified, and confirmed.

Renewal for a further period of 3 months of a drawing on the System by the Bank of Mexico, maturing on July 9, 1976, was noted without objection.

By unanimous vote, System open market transactions in Government securities, agency obligations, and bankers' acceptances, during the period May 18 through June 21, 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

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Committee, to execute transactions for 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, which had been vigorous in the first quarter, has moderated in the current quarter. In May retail sales declined from the March-April level and were near the monthly average of the first quarter. However, recovery in industrial production continued at about the average pace of the first 4 months of the year, and the gain in employment again was substantial. The unemployment rate declined from 7.5 to 7.3 per cent. The rise in the wholesale price index for all commodities, which had been large in April, was moderate in May; average prices of farm products and foods rose much less than in April. Average prices of industrial commodities changed little in May, but in recent weeks price increases have been announced for some major industrial materials. The rise in consumer prices in May was somewhat faster than the average increase in earlier months of the year, owing to increases in prices of food and energy items. The advance in the index of average wage rates was larger in May than the gains in other recent months, owing in part to implementation of a new labor contract in a major industry.

The average value of the dollar against leading foreign currencies has been relatively steady in recent weeks. On June 7 a total of \$5.3 billion of 6-month stand-by credits to the United Kingdom was announced, including \$1 billion under the Federal Reserve System's swap line and \$1 billion from the Exchange Stabilization Fund. Subsequently, the decline in the pound sterling was halted and partly reversed. In April the U. S. foreign trade deficit was at the same rate as in the first quarter.

Growth in monetary aggregates slowed substantially in May and early June from the exceptionally rapid rates recorded in April, mainly because of a sharp slackening in expansion of demand deposits at commercial banks; inflows of those time and savings deposits included in the broader aggregates were relatively well maintained.

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Market interest rates in general rose somewhat further in the latter part of May, but since then, short-term rates have fluctuated in a narrow range and long-term rates have edged down.

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.

By unanimous vote, responsibility for making determinations with respect to appeals of denial of access to Committee records, under the provisions of 271.4(d) of the Committee's Rules Regarding Availability of Information, was delegated to Mr. Gardner, and in his absence, to Mr. Coldwell.

It was agreed that the next meeting of the Committee would be held on July 20, 1976.

The meeting adjourned.

Secretary