

Meeting of Federal Open Market Committee

July 18, 1967

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, July 18, 1967, at 9:30 a.m.

PRESENT: Mr. Hayes, Vice Chairman, presiding  
Mr. Brimmer  
Mr. Maisel  
Mr. Mitchell  
Mr. Robertson  
Mr. Scanlon  
Mr. Sherrill  
Mr. Swan  
Mr. Wayne  
Mr. Patterson, Alternate for Mr. Francis

Messrs. Ellis, Hickman, and Galusha, Alternate  
Members of the Federal Open Market Committee

Messrs. Bopp, Clay, and Irons, Presidents of  
the Federal Reserve Banks of Philadelphia,  
Kansas City, and Dallas, respectively

Mr. Holland, Secretary  
Mr. Sherman, Assistant Secretary  
Mr. Kenyon, Assistant Secretary  
Mr. Molony, Assistant Secretary  
Mr. Hackley, General Counsel

Messrs. Baughman, Craven, Garvy, Hersey,  
Jones, Koch, Partee, and Ratchford,  
Associate Economists

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

Mr. Cardon, Legislative Counsel, Board of  
Governors

Mr. Fauver, Assistant to the Board of Governors

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Mr. Williams, Adviser, Division of Research and Statistics, Board of Governors  
Mr. Axilrod, Associate Adviser, Division of Research and Statistics, Board of Governors  
Mr. Bernard, Economist, Government Finance Section, Division of Research and Statistics, Board of Governors  
Miss Eaton, General Assistant, Office of the Secretary, Board of Governors  
Miss McWhirter, Analyst, Office of the Secretary, Board of Governors  
  
Mr. Lewis, First Vice President, Federal Reserve Bank of St. Louis  
Messrs. Eisenmenger, Eastburn, Mann, Brandt, Tow, and Green, Vice Presidents of the Federal Reserve Banks of Boston, Philadelphia, Cleveland, Atlanta, Kansas City, and Dallas, respectively  
Mr. Deming, Manager, Securities Department, Federal Reserve Bank of New York  
Mr. Kareken, Consultant, Federal Reserve Bank of Minneapolis

By unanimous vote, the minutes of actions taken at the meeting of the Federal Open Market Committee held on June 20, 1967, were approved.

The memorandum of discussion for the meeting of the Federal Open Market Committee held on June 20, 1967, was accepted.

By unanimous vote, the action of members of the Federal Open Market Committee on June 29, 1967, approving an amendment to paragraph 2 of the Committee's Authorization for System Foreign Currency Operations, effective June 30, 1967, to change the maximum period authorized for the reciprocal currency arrangement with the Netherlands Bank from 3 months to 6 months, was ratified.

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By unanimous vote, paragraph 2 of the Authorization for System Foreign Currency Operations was amended, effective immediately, to delete therefrom the column headed "Maximum period of arrangement (months)" and to incorporate in the text of the paragraph provision for the Federal Reserve Bank of New York to maintain reciprocal currency arrangements with specified foreign banks for periods up to a maximum of 12 months.

By unanimous vote, the System open market transactions in foreign currencies during the period June 20 through July 17, 1967, were approved, ratified, and confirmed.

By unanimous vote, increases of \$50 million each, from \$200 million to \$250 million, in the swap arrangements with the Swiss National Bank and the Bank for International Settlements (System drawings in Swiss francs) were approved.

By unanimous vote, an increase from \$200 million to \$300 million in the swap arrangement with the Bank for International Settlements involving System drawings in authorized European currencies other than Swiss francs was approved.

In consequence of the foregoing actions authorizing increases in the swap arrangements with the Swiss National Bank and the Bank for International Settlements, there was also approved by unanimous vote, effective immediately, the necessary amendment to paragraph 2 of the Authorization for System Foreign Currency Operations. With this

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and other amendments approved at this meeting, the paragraph read as follows:

The Federal Open Market Committee directs the Federal Reserve Bank of New York to maintain reciprocal currency arrangements ("swap" arrangements) for System Open Market Account for periods up to a maximum of 12 months with the following foreign banks, which are among those designated by the Board of Governors of the Federal Reserve System under Section 214.5 of Regulation N, Relations with Foreign Banks and Bankers, and with the approval of the Committee to renew such arrangements on maturity:

Foreign bank	Amount of arrangement (millions of dollars equivalent)
Austrian National Bank	100
National Bank of Belgium	150
Bank of Canada	500
National Bank of Denmark	100
Bank of England	1,350
Bank of France	100
German Federal Bank	400
Bank of Italy	600
Bank of Japan	450
Bank of Mexico	130
Netherlands Bank	150
Bank of Norway	100
Bank of Sweden	100
Swiss National Bank	250
Bank for International Settlements	
System drawings in Swiss francs	250
System drawings in authorized European currencies other than Swiss francs	300

By unanimous vote, the renewal, on their existing maturity basis, of the following swap arrangements, which were to mature on the dates indicated, was approved:

Foreign bank	Maturity of latest authorized renewal
Bank of Sweden	July 19, 1967
Swiss National Bank	July 20, 1967
Bank for International Settlements	
System drawings in Swiss francs	July 20, 1967
System drawings in authorized European currencies other than Swiss francs	July 20, 1967
Austrian National Bank	July 26, 1967
Bank of Japan	July 28, 1967
German Federal Bank	August 9, 1967
Bank of France	August 10, 1967

With Mr. Mitchell dissenting, the Special Manager of the System Open Market Account was authorized to explore the possibility of placing all of the System's swap arrangements on a 12-month basis, with maturities at year end.

By unanimous vote, the open market transactions in Government securities, agency obligations, and bankers' acceptances during the period June 20 through July 17, 1967, were approved, ratified, and confirmed.

With Messrs. Brimmer, Maisel, and Mitchell dissenting, the Committee decided to omit from the current economic policy directive to be issued at this meeting the reference to utilization of operations in coupon issues in supplying part of reserve needs that had appeared in the directives issued at the meetings on May 23 and June 20, 1967.

By unanimous vote, the Federal Reserve Bank of New York was authorized and directed, until otherwise directed by the Committee,

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to execute transactions in the System Open Market Account in accordance with the following current economic policy directive:

The economic and financial developments reviewed at this meeting indicate that economic activity has been rising modestly and that prospects are for further expansion. Output is still being retarded by adjustments of excessive inventories, but growth in final demands continues strong, reflecting some strengthening in consumer expenditures for durable goods and housing, and also further increases in Government outlays. The overall indexes of both wholesale and retail prices have risen further, although wholesale prices of industrial commodities have remained stable. Bank credit expansion has been large in recent weeks. Most short- and long-term interest rates, after reaching advanced levels under the influence of heavy public and private securities market financing, have declined somewhat recently. The balance of payments deficit has remained substantial despite some improvement in the foreign trade surplus. In this situation, it is the Federal Open Market Committee's policy to foster money and credit conditions, including bank credit growth, conducive to continuing economic expansion, while recognizing the need for reasonable price stability for both domestic and balance of payments purposes.

To implement this policy, while taking account of forthcoming Treasury financing activity, System open market operations until the next meeting of the Committee shall be conducted with a view to maintaining about the prevailing conditions in the money market; but operations shall be modified insofar as the Treasury financing permits to moderate any apparent tendency for bank credit and money to expand more than currently expected.

It was agreed that the next meeting of the Federal Open Market Committee would be held on Tuesday, August 15, 1967, at 9:30 a.m.

The meeting adjourned.

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Secretary