

Meeting of Federal Open Market Committee

October 3, 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, October 3, 1967, at 9:30 a.m.

PRESENT: Mr. Hayes, Vice Chairman
Mr. Brimmer
Mr. Daane
Mr. Francis
Mr. Maisel
Mr. Mitchell
Mr. Robertson
Mr. Scanlon
Mr. Sherrill
Mr. Swan
Mr. Wayne

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. Kenyon, Assistant Secretary
Mr. Broida, Assistant Secretary
Mr. Molony, Assistant Secretary
Mr. Hexter, Assistant General Counsel
Mr. Brill, Economist
Messrs. Baughman, Craven, Hersey, Koch, Partee,
Parthemos, and Solomon, Associate
Economists
Mr. Holmes, Manager, System Open Market Account
Mr. Coombs, Special Manager, System Open Market
Account

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Mr. Fauver, Assistant to the Board of Governors
Mr. Williams, Adviser, Division of Research and
Statistics, Board of Governors
Mr. Reynolds, Adviser, Division of International
Finance, Board of Governors
Mr. Axilrod, Associate Adviser, 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. Kimbrel, First Vice President, Federal
Reserve Bank of Atlanta
Messrs. Link, Melnicoff, Mann, Taylor, Andersen,
Tow, and Green, Vice Presidents of the
Federal Reserve Banks of New York, Philadelphia,
Cleveland, Atlanta, St. Louis, Kansas City,
and Dallas, respectively
Mr. Anderson, Financial Economist, Federal
Reserve Bank of Boston
Mr. Duprey, Economist, Federal Reserve Bank of
Minneapolis
Mr. Deming, Manager, Securities Department,
Federal Reserve Bank of New York

By unanimous vote, James Parthemos was elected Associate
Economist, effective immediately, in place of Benjamin U. Ratchford.

By unanimous vote, the minutes of actions taken at the
meeting of the Federal Open Market Committee held on September 12,
1967, were approved.

The memorandum of discussion for the meeting of the Federal
Open Market Committee held on September 12, 1967, was accepted.

By unanimous vote, the System open market transactions in
foreign currencies during the period September 12 through October 2,
1967, were approved, ratified, and confirmed.

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By unanimous vote, renewal until December 29, 1967, of the \$450 million standby swap arrangement with Bank of Italy, scheduled to mature on October 20, 1967, was approved, on the understanding that the arrangement would have a twelve-month term after December 29, 1967.

By unanimous vote, the open market transactions in Government securities, agency obligations, and bankers' acceptances during the period September 12 through October 2, 1967, were approved, ratified, and confirmed.

With Messrs. Francis and Scanlon 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 economic and financial developments reviewed at this meeting indicate that, apart from the effects of the strike in the automobile industry, underlying economic conditions have strengthened and prospects favor more rapid growth later in the year. Upward pressures on costs persist, average prices of industrial commodities have risen further, and the rate of increase in consumer prices remains high. While there recently have been large inflows of liquid funds from abroad through foreign branches of U.S. banks, the balance of payments continues to reflect a substantial underlying deficit. Bank credit expansion has continued large, although there was some moderation in September from the rapid July-August rate. The volume of corporate bond flotations has slackened, but Federal and State and local Government financing demands remain large and most interest rates have on balance moved up somewhat further. The President's new fiscal program is still pending before Congress. In this situation, it is the policy of the Federal Open Market

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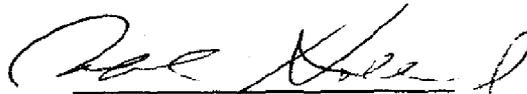
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Committee to foster financial conditions, including bank credit growth, conducive to sustainable economic expansion, recognizing the need for reasonable price stability for both domestic and balance of payments purposes.

To implement this policy, 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, to the extent permitted by Treasury financing, to moderate any apparent tendency for bank credit to expand significantly more than currently expected.

It was agreed that the next meeting of the Committee would be held on Tuesday, October 24, 1967, at 9:30 a.m.

The meeting adjourned.


Secretary