

Meeting of Federal Open Market Committee

October 24, 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 24, 1967, at 9:30 a.m.

PRESENT: Mr. Martin, Chairman  
Mr. Brimmer  
Mr. Francis  
Mr. Maisel  
Mr. Mitchell  
Mr. Robertson  
Mr. Scanlon  
Mr. Sherrill  
Mr. Swan  
Mr. Wayne  
Mr. Treiber, Alternate for Mr. Hayes

Messrs. Ellis, Hickman, Patterson, 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. Broida, Assistant Secretary  
Mr. Molony, Assistant Secretary  
Mr. Hackley, General Counsel  
Mr. Brill, Economist

Messrs. Baughman, Craven, Garvy, Hersey, Jones,  
Koch, Partee, Parthemos, and Solomon,  
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  
Mr. Williams, Adviser, Division of Research  
and Statistics, Board of Governors  
Mr. Reynolds, Adviser, Division of International  
Finance, Board of Governors  
Messrs. Axilrod and Gramley, Associate Advisers,  
Division of Research and Statistics, Board  
of Governors  
Mr. Wernick, Assistant 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

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. Meek, Assistant Vice President, 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 October 3, 1967, were  
approved.

The memorandum of discussion for the meeting of the Federal  
Open Market Committee held on October 3, 1967, was accepted.

By unanimous vote, the System open market transactions in  
foreign currencies during the period October 3 through 23, 1967,  
were approved, ratified, and confirmed.

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By unanimous vote, renewal of the \$100 million standby swap arrangement with the Bank of France from November 11 to December 29, 1967, was approved.

By unanimous vote, the open market transactions in Government securities, agency obligations, and bankers' acceptances during the period October 3 through 23, 1967, were approved, ratified, and confirmed.

With Mr. Francis 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 strikes in the automobile and other industries, underlying economic conditions continue strong and prospects favor more rapid growth in the months ahead. 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. The volume of new security issues is expanding again and interest rates have risen further, reflecting in part increased uncertainties in financial markets concerning enactment of the President's fiscal program. In this situation, it is the policy of the Federal Open Market 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.

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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, 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 Federal Open Market Committee would be held on Tuesday, November 14, 1967, at 9:30 a.m.

By unanimous vote, the recommendation of the Steering Committee for the U.S. Government Securities Market Study, that daily reports of individual Government securities dealers regarding their positions, trading, and borrowings be made available to senior personnel at the Trading Desk of the Federal Reserve Bank of New York, was approved.

Secretary's note: On November 3, 1967 the following letter was sent to Government securities dealers over the signatures of Secretary Fowler and Chairman Martin:

In January 1960 the then Secretary of the Treasury and the Chairman of the Board of Governors of the Federal Reserve System wrote the Government securities dealers requesting their cooperation in an information program covering the Government securities market. The program provided for the collection, by the Federal Reserve Bank of New York, of dealer figures on positions, volume and borrowings with appropriate safeguards to assure the confidentiality of individual dealer information.

In this connection Mr. Alfred Hayes, President of the Federal Reserve Bank of New York, wrote the dealers on

May 17, 1960 to the effect that the dealer data would be collected and retained in the Market Statistics Department of that bank and that data on individual firms would be released outside the Department only under certain conditions which included the following:

1. Summary figures requested by the Manager of the System Open Market Account for individual dealers seeking repurchase accommodation;
2. individual dealer reports requested by the Manager of the Open Market Account in market situations determined to be disorderly; and
3. other circumstances of an exceptional nature.

Under these arrangements the Manager of the System Open Market Account and his assistants have had access to the individual dealer data only on a few unusual occasions, whereas prior to 1960 dealers had reported directly each day to the Desk. With the passage of time it has become apparent that the quality of information available to the Trading Desk for interpreting the state of the market has deteriorated considerably because of the lack of access to these figures. Given the Trading Desk's responsibilities as the eyes and ears of the Treasury and the Federal Reserve in the market, the importance of full information should be obvious to all market participants. The current joint Treasury-Federal Reserve study of the Government securities market confirms the Manager's need for more detailed information on dealer market activities.

Accordingly, the Federal Open Market Committee and the Treasury have approved the release of the daily reports of the individual dealers on positions, volume and borrowings to the Manager of the System Open Market Account, and to a restricted list of officers and senior staff of the Federal Reserve Bank of New York directly responsible to the Manager. We understand that Mr. Alan Holmes has discussed the proposed policy change with all dealer firms, and that while some dealers have reservations about the change in procedure, none of these is of a nature that would cause any firm to object to the change.

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We stress again that the purpose of the change is to provide more accurate information about the state of the market. No change in the data to be submitted by your firm to the Federal Reserve Bank of New York is involved nor is there any change in the procedures currently in effect with respect to the supply and publication of data. These data will not be used in connection with particular transactions to be carried out in the market with individual dealer firms, apart from exceptional market circumstances of the sort where the existing rules already provide for the release of individual dealer figures outside the Market Statistics Department. The Treasury and the Federal Reserve stand ready to discuss any aspect of the statistical program with any dealer firm at any time.

The meeting adjourned.

  
Secretary