

Meeting of Federal Open Market Committee

November 14, 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, November 14, 1967, at 9:30 a.m.

PRESENT: Mr. Martin, Chairman
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 and Hickman, 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
Mr. Hersey, Associate Economist
Mr. Holmes, Manager, System Open Market Account
Mr. Coombs, Special Manager, System Open Market Account

Mr. Sammons, Associate Director, Division of International Finance, Board of Governors

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Messrs. Kimbrel and Strothman, First Vice
Presidents of the Federal Reserve Banks
of Atlanta and Minneapolis, respectively

By unanimous vote, the minutes of actions taken at the meeting of the Federal Open Market Committee held on October 24, 1967, were approved.

The memorandum of discussion for the meeting of the Federal Open Market Committee held on October 24, 1967, was accepted.

By unanimous vote, and subject to a determination by Chairman Martin that such actions were in accordance with the position of the U.S. Government in the current international negotiations concerning sterling, the Committee (a) approved an increase from \$200 million to \$300 million equivalent in the limit on System Account holdings of sterling purchased on a covered or guaranteed basis in terms of the dollar under agreement with the Bank of England; (b) approved an increase from \$200 million to \$350 million equivalent in the limit on outstanding System Account forward commitments to deliver foreign currencies to the Stabilization Fund, and thereby also effectively increased by a maximum of \$150 million equivalent the amount of foreign currencies that could be held spot or purchased forward for the purpose of fulfilling outstanding System Account forward commitments; and (c) authorized forward commitments by the System Account to deliver to the Stabilization Fund foreign currencies in which the U.S. Treasury did not have outstanding indebtedness.

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In consequence of the foregoing action, and effective as of the date of the determination by Chairman Martin specified therein, the necessary amendments to paragraphs 1B(3) and 1C(1) of the authorization for System foreign currency operations were approved unanimously. With these amendments, on such a determination the affected paragraphs would read as follows:

1B(3). Sterling purchased on a covered or guaranteed basis in terms of the dollar, under agreement with the Bank of England, up to \$300 million equivalent.

* * *

1C(1). Commitments to deliver foreign currencies to the Stabilization Fund, up to \$350 million equivalent.

Secretary's Note: The amendments to paragraphs 1B(3) and 1C(1) of the authorization described above became effective on November 21, 1967, and November 22, 1967, respectively, upon determinations by Chairman Martin that such actions were in accordance with the position of the U.S. Government.

By unanimous vote, the System open market transactions in foreign currencies during the period October 24 through November 13, 1967, were approved, ratified, and confirmed.

By unanimous vote, renewal for a period of twelve months of the \$100 million basic swap arrangement and the \$50 million supplementary arrangement with the National Bank of Belgium, both maturing December 22, 1967, and the consolidation of the two into a single arrangement, were approved.

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By unanimous vote, renewal for a period of twelve months of the \$400 million swap arrangement with the German Federal Bank, maturing December 15, 1967, was approved.

By unanimous vote, renegotiation of the System's swap arrangements with the Bank for International Settlements and the central banks of Austria, Canada, Denmark, England, Japan, Mexico, Norway, Sweden, and Switzerland, to arrange for lines having twelve-month periods and December maturities, with no change in the size of the lines, was approved.

By unanimous vote, 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 information reviewed at this meeting indicates that, while the direct and indirect effects of strikes have been retarding activity in some areas of the economy, prospects still favor more rapid economic growth in the months ahead. Although prices of farm products and foods have declined recently, upward pressures persist on industrial prices and costs. While there recently have been further 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 private security issues has expanded further and interest rates remain under upward pressure, reflecting in part increased doubts 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

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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 as necessary to moderate any apparent tendency for bank credit to expand significantly more than currently expected.

The following members of the staff entered the meeting:

Messrs. Baughman, Craven, Jones, and Koch, Associate Economists

Mr. Fauver, Assistant to the 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

Messrs. Eisenmenger, Link, Eastburn, Mann, Taylor, Tow,
and Green, Vice Presidents of the Federal Reserve
Banks of Boston, New York, Philadelphia, Cleveland,
Atlanta, Kansas City, and Dallas, respectively

Mr. Monhollon, Assistant Vice President, Federal Reserve
Bank of Richmond

Mr. Geng, Manager, Securities Department, Federal Reserve
Bank of New York

Mr. Kareken, Consultant, Federal Reserve Bank of Minneapolis

By unanimous vote, the open market transactions in Government securities, agency obligations, and bankers' acceptances during the period October 24 through November 13, 1967, were approved, ratified, and confirmed.

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It was agreed that the next meeting of the Federal Open Market Committee would be held on Tuesday, December 12, 1967, at 9:30 a.m.

The meeting adjourned.



Secretary