

Meeting of Federal Open Market Committee

December 12, 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, December 12, 1967, at 9:30 a.m.

PRESENT: Mr. Martin, Chairman
Mr. Hayes, Vice Chairman
Mr. Brimmer
Mr. Francis
Mr. Maisel
Mr. Mitchell
Mr. Robertson
Mr. Scanlon
Mr. Sherrill 1/
Mr. Swan
Mr. Wayne

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, Hersey, Koch, Partee,
Parthemos, and Solomon, Associate
Economists
Mr. Holmes, Manager, System Open Market Account

1/ Entered the meeting at the point indicated.

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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
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, Andersen, Tow, and Green, Vice
Presidents of the Federal Reserve Banks of
Boston, New York, Philadelphia, Cleveland,
Atlanta, St. Louis, Kansas City, and
Dallas, respectively
Mr. Lynn, Director of Research, Federal
Reserve Bank of San Francisco
Messrs. MacLaury and Meek, Assistant Vice
Presidents of the 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 November 14, 1967, were approved.

The memorandum of discussion for the meeting of the Federal Open Market Committee held on November 14, 1967, was accepted.

By unanimous vote, the action taken by members of the Federal Open Market Committee on November 30, 1967, increasing effective as of that date the swap arrangement with the Bank of Canada by \$250 million equivalent, from \$500 million to \$750 million equivalent,

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and the corresponding change in paragraph 2 of the authorization for System foreign currency operations, was ratified.

Mr. Sherrill entered the meeting.

By unanimous vote, the System open market transactions in foreign currencies during the period November 27 through December 11, 1967, were approved, ratified, and confirmed.

Renewal for further periods of twelve months of the \$750 million swap arrangements with the Bank of Canada, maturing December 28, 1967, and with the Bank of Italy, maturing December 29, 1967, was approved.

Renewal for a period of twelve months of the \$225 million swap arrangement with the Netherlands Bank, maturing December 29, 1967, was approved.

Renewal for a period of three months of the \$100 million swap arrangement with the Bank of France, maturing December 29, 1967, was approved.

By unanimous vote, the open market transactions in Government securities, agency obligations, and bankers' acceptances during the period November 27 through December 11, 1967, were approved, ratified, and confirmed.

With Mr. Maisel 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:

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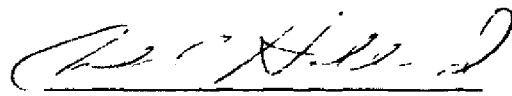
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The information reviewed at this meeting indicates that industrial output and employment have rebounded following strike settlements in the automobile and other industries, and that prospects have heightened for more rapid expansion of over-all economic activity in the months ahead. Both industrial and consumer prices have continued to rise at a substantial rate. The imbalance in U.S. international transactions has worsened, partly because of weakening in the export surplus since midyear. Foreign purchases of gold have been large following the devaluation of the pound sterling. Bank credit expansion has lessened, with diminished bank buying of Government securities and continued moderate loan growth. Most interest rates have risen further in reaction to the British devaluation and Bank rate increase, the rise in Federal Reserve discount rates, and waning expectations of enactment of the President's fiscal program. In this situation, it is the policy of the Federal Open Market Committee to foster financial conditions conducive to resistance of inflationary pressures and progress toward reasonable equilibrium in the country's balance of payments.

To implement this policy, System open market operations until the next meeting of the Committee shall be conducted with a view to moving slightly beyond the firmer conditions that have developed in money markets partly as a result of the increase in Federal Reserve discount rates; provided, however, that operations shall be modified as needed to moderate any apparently significant deviations of bank credit from current expectations or any unusual liquidity pressures.

It was agreed the next meeting of the Committee would be held on Tuesday, January 9, 1968, at 9:30 a.m.

The meeting adjourned.


Secretary