

Meeting of Federal Open Market Committee

April 2, 1968

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, April 2, 1968, at 9:30 a.m.

PRESENT: Mr. Martin, Chairman
Mr. Hayes, Vice Chairman
Mr. Brimmer
Mr. Daane
Mr. Ellis
Mr. Galusha
Mr. Hickman
Mr. Kimbrel
Mr. Maisel
Mr. Mitchell
Mr. Robertson
Mr. Sherrill

Messrs. Bopp, Clay, Coldwell, and Scanlon, Alternate Members of the Federal Open Market Committee

Messrs. Heflin, Francis, and Swan, Presidents of the Federal Reserve Banks of Richmond, St. Louis, and San Francisco, 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. Axilrod, Hersey, Kareken, Mann, Partee, Reynolds, Solomon, and Taylor, Associate Economists

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

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Messrs. Cardon and Fauver, Assistants
to the Board of Governors
Mr. Williams, Adviser, Division of
Research and Statistics, Board of
Governors
Mr. Wernick, Associate Adviser,
Division of Research and Statistics,
Board of Governors
Mr. Keir, Assistant Adviser, Division
of Research and Statistics, Board
of Governors
Mr. Bernard, Special Assistant, Office
of the Secretary, 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, Baughman,
Andersen, Tow, Green, and Craven,
Vice Presidents of the Federal Reserve
Banks of Boston, Philadelphia, Chicago,
St. Louis, Kansas City, Dallas, and
San Francisco, respectively
Mr. Wallace, Assistant Vice President,
Federal Reserve Bank of Richmond
Mr. Garvy, Economic Adviser, Federal
Reserve Bank of New York
Mr. Geng, Assistant Vice President,
Federal Reserve Bank of New York

By unanimous vote, the minutes of actions taken at the
meeting of the Federal Open Market Committee held on March 5, 1968,
were approved.

The memorandum of discussion for the meeting of the Federal
Open Market Committee held on March 5, 1968, was accepted.

By unanimous vote, the actions taken by members of the
Federal Open Market Committee on March 16 and 17, 1968, authorizing

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the Special Manager to undertake negotiations looking toward increases in System swap arrangements with (1) the German Federal Bank, from \$750 million to \$1,000 million equivalent, and (2) the Bank of England, from \$1,500 million to \$2,000 million equivalent, to become effective, along with corresponding amendments to paragraph 2 of the authorization for System foreign currency operations, upon determinations by Chairman Martin that such increases were in the national interest, were ratified.

By unanimous vote, the action taken on March 6, 1968, under paragraph 3 of the authorization for System foreign currency operations, by the Subcommittee designated in paragraph 6 of the authorization, approving a purchase from the Swiss National Bank of \$50 million equivalent of Swiss francs at a rate other than the prevailing market rate, was ratified.

By unanimous vote, the action taken by members of the Committee on March 19, 1968, approving revised procedures with respect to allocations of securities in the System Open Market Account, effective March 21, 1968, was ratified. The revised procedures were as follows:

1. Securities in the System Open Market Account shall be reallocated on the last business day of each month by means of adjustments proportionate to the adjustments that would have been required to equalize approximately the average ratios of gold holdings to

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note liabilities of the 12 Federal Reserve Banks based on the ratios of gold to notes for the most recent five business days.

2. Until the next reallocation the Account shall be apportioned on the basis of the ratios determined in paragraph 1.

3. Profits and losses on the sale of securities from the Account shall be allocated on the day of delivery of the securities sold on the basis of each Bank's current holdings at the opening of business on that day.

By unanimous vote, the System open market transactions in foreign currencies during the period March 5 through April 1, 1968, were approved, ratified, and confirmed.

By unanimous vote, the open market transactions in Government securities, agency obligations, and bankers' acceptances during the period March 5 through April 1, 1968, were approved, ratified, and confirmed.

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 over-all economic activity has expanded at a very rapid pace in early 1968, with prices rising substantially, and that prospects are for a continuing rapid advance in activity and persisting inflationary pressures in the period ahead. Since late fall, growth rates of bank credit, the money supply, and time and savings accounts at financial institutions have moderated considerably.

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Speculative activity in gold and foreign exchange markets, which was intense in early March, abated after the mid-month agreement on gold policy by gold pool members and appears to have slackened further following the Stockholm agreement regarding Special Drawing Rights. The foreign trade surplus, however, has remained at a sharply reduced level in recent months and the imbalance in U.S. international payments continues to be a matter of serious concern. Most market interest rates have fluctuated widely, although rising on balance, in reaction to international financial developments, the firming of monetary policy, and uncertainties regarding military and fiscal prospects. In this situation, it is the policy of the Federal Open Market Committee to foster financial conditions conducive to resistance of inflationary pressures and attainment of 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 attaining slightly firmer conditions in the money market; provided, however, that operations shall be modified if bank credit appears to be deviating significantly from current projections or if unusual liquidity pressures should develop.

It was agreed that the next meeting of the Federal Open Market Committee would be held on Tuesday, April 30, 1968, at 9:30 a.m.

The meeting adjourned.


Secretary