

Meeting of Federal Open Market Committee

July 15, 1969

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, July 15, 1969, at 9:30 a.m.

PRESENT: Mr. Martin, Chairman
Mr. Bopp
Mr. Brimmer
Mr. Clay
Mr. Coldwell
Mr. Daane
Mr. Maisel
Mr. Robertson
Mr. Scanlon
Mr. Sherrill
Mr. Treiber, Alternate for Mr. Hayes

Messrs. Francis, Heflin, Hickman, and Swan,
Alternate Members of the Federal Open
Market Committee

Messrs. Morris, Kimbrel, and Galusha,
Presidents of the Federal Reserve Banks
of Boston, Atlanta, and Minneapolis,
respectively

Mr. Broida, Deputy Secretary
Mr. Kenyon, Assistant Secretary
Mr. Hackley, General Counsel
Mr. Partee, Economist
Messrs. Axilrod, Baughman, Eastburn, Green,
Hersey, Reynolds, and Tow, Associate
Economists
Mr. Holmes, Manager, System Open Market
Account
Mr. Coombs, Special Manager, System Open
Market Account

Mr. Cardon, Assistant to the Board of Governors
Mr. Coyne, Special Assistant to the Board of
Governors

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Mr. Williams, Adviser, Division of Research and Statistics, Board of Governors

Mr. Wernick, Associate Adviser, Division of Research and Statistics, Board of Governors

Mr. Bernard, Special Assistant, Office of the Secretary, Board of Governors

Mr. Baker, Economist, Government Finance Section, Division of Research and Statistics, Board of Governors

Miss Eaton, Open Market Secretariat Assistant, Office of the Secretary, Board of Governors

Messrs. Parthemos and Craven, Senior Vice Presidents of the Federal Reserve Banks of Richmond and San Francisco, respectively

Messrs. Hocter, Brandt, and Andersen, Vice Presidents of the Federal Reserve Banks of Cleveland, Atlanta, and St. Louis, respectively

Messrs. Garvy and Kareken, Economic Advisers, Federal Reserve Banks of New York and Minneapolis, respectively

Mr. Meek, Assistant Vice President, Federal Reserve Bank of New York

Mr. Duprey, Senior Economist, Federal Reserve Bank of Minneapolis

Mr. Fieleke, Economist, Federal Reserve Bank of Boston

By unanimous vote, the minutes of actions taken at the meeting of the Federal Open Market Committee held on June 24, 1969, were approved.

The memorandum of discussion for the meeting of the Federal Open Market Committee held on June 24, 1969, was accepted.

By unanimous vote, the System open market transactions in foreign currencies during the period June 24 through July 14, 1969, were approved, ratified, and confirmed.

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By unanimous vote, renewal for further periods of three months, if requested, of the swap drawings by the National Bank of Belgium maturing in the period August 8-15, 1969, was authorized.

By unanimous vote, renewal for further periods of three months, if requested, of the swap drawings by the Bank of England maturing in the period August 11-21, 1969, was authorized.

By unanimous vote, the open market transactions in Government securities, agency obligations, and bankers' acceptances during the period June 24 through July 14, 1969, 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 suggests that expansion in real economic activity, after moderating slightly in the first quarter, has continued at about the same pace since then. Substantial upward pressures on prices and costs are persisting. Market interest rates have fluctuated widely recently, partly because of varying expectations, although credit demands remain relatively strong. Short-term rates on balance have continued under upward pressure, against the background of considerable restraint on the banking system. In June bank credit showed little change, after allowance for assets sold to affiliates and to customers with bank guarantees. Growth in the money supply resumed at a slow pace, and the run-off of large-denomination CD's which began in mid-December continued without abatement. There apparently were substantial net outflows from consumer-type time and savings accounts at banks and

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nonbank thrift institutions around midyear, following a period of slackened growth. The over-all balance of payments deficit on the liquidity basis rose sharply in the second quarter; there were large outflows into German marks and into Euro-dollar deposits, and there was no significant improvement in net exports. In contrast, there was another large surplus on the official settlements basis as U.S. banks borrowed heavily in the Euro-dollar market. In light of the foregoing developments, it is the policy of the Federal Open Market Committee to foster financial conditions conducive to the reduction of inflationary pressures, with a view to encouraging a more sustainable rate of economic growth and attaining reasonable equilibrium in the country's balance of payments.

To implement this policy, while taking account of the forthcoming Treasury refunding, System open market operations until the next meeting of the Committee shall be conducted with a view to maintaining the currently prevailing firm conditions in money and short-term credit markets; provided, however, that operations shall be modified, to the extent permitted by the Treasury refunding, if bank credit appears to be deviating significantly from current projections.

It was agreed that the next meeting of the Federal Open Market Committee would be held on Tuesday, August 12, 1969, at 9:30 a.m.

The meeting adjourned.


Deputy Secretary