

Meeting of Federal Open Market Committee

August 12, 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, August 12, 1969, at 9:30 a.m.

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

Messrs. Francis, Heflin, and Hickman,
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. Holland, Secretary
Messrs. Kenyon and Molony, Assistant
Secretaries
Mr. Hexter, Assistant General Counsel
Mr. Partee, Economist
Messrs. Gramley, Green, Hersey, Link,
Reynolds, Solomon, and Tow,
Associate Economists
Mr. Coombs, Special Manager, System
Open Market Account

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Mr. Cardon, Assistant to the Board
of Governors
Messrs. Coyne and Nichols, Special
Assistants to the Board of
Governors
Messrs. Keir and Wernick, Associate
Advisers, Division of Research
and Statistics, Board of Governors
Mr. Weiner, Assistant Adviser, Divi-
sion 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

Mr. Fossum, First Vice President,
Federal Reserve Bank of Atlanta
Messrs. Eisenmenger, Parthemos, Taylor,
and Craven, Senior Vice Presidents
of the Federal Reserve Banks of
Boston, Richmond, Atlanta, and San
Francisco, respectively
Messrs. Sternlight and Hocter, Vice
Presidents of the Federal Reserve
Banks of New York and Cleveland,
respectively
Messrs. Gustus and Kareken, Economic
Advisers, Federal Reserve Banks of
Philadelphia and Minneapolis,
respectively
Messrs. Scheld and Jordan, Assistant
Vice Presidents of the Federal
Reserve Banks of Chicago and
St. Louis, respectively
Mr. Cooper, Manager, Securities and
Acceptance Departments, Federal
Reserve Bank of New York

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By unanimous vote, the minutes of actions taken at the meeting of the Federal Open Market Committee held on July 15, 1969, were approved.

The memorandum of discussion for the meeting of the Federal Open Market Committee held on July 15, 1969, was accepted.

By unanimous vote, the System open market transactions in foreign currencies during the period July 15 through August 11, 1969, were approved, ratified, and confirmed.

By unanimous vote, renewal for a further period of three months, if requested, of the swap drawing by the Bank of England maturing on September 9, 1969, was authorized.

By unanimous vote, the open market transactions in Government securities, agency obligations, and bankers' acceptances during the period July 15 through August 11, 1969, were approved, ratified, and confirmed.

With Messrs. Maisel and Mitchell 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 information reviewed at this meeting indicates that expansion in real economic activity slowed somewhat in the first half of 1969 and some further moderation is projected. Substantial upward pressures on prices and costs are persisting.

Most market interest rates recently have receded slightly from their earlier highs. In July the money supply expanded as U. S. Government deposits decreased further; bank credit declined on average, after adjusting for an increase in assets sold to affiliates and to customers with bank guarantees. The run-off of large-denomination CD's which began in mid-December continued without abatement in July, and there apparently were net outflows from consumer-type time and savings accounts at banks and nonbank thrift institutions combined. The over-all balance of payments deficit on the liquidity basis remained very large in July; the balance on the official settlements basis was still in surplus in the first half of the month but subsequently shifted toward deficit as U. S. banks' borrowings of Euro-dollars leveled off. Foreign exchange markets appear initially to be adjusting in an orderly fashion to the announced devaluation of the French franc. 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 sustainable economic growth and attaining 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 maintaining the prevailing firm conditions in money and short-term credit markets; provided, however, that operations shall be modified if bank credit appears to be deviating significantly from current projections or if pressures arise in connection with foreign exchange developments or with bank regulatory changes.

It was agreed that the next meeting of the Committee would be held on Tuesday, September 9, 1969, at 9:30 a.m.

The meeting was adjourned.


Secretary