

Meeting of Federal Open Market Committee

April 7, 1970

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 7, 1970, at 9:30 a.m.

PRESENT: Mr. Burns, Chairman
Mr. Hayes, Vice Chairman
Mr. Brimmer
Mr. Daane
Mr. Francis
Mr. Heflin
Mr. Hickman
Mr. Maisel
Mr. Mitchell
Mr. Robertson
Mr. Sherrill
Mr. Swan

Messrs. Galusha, Kimbrel, and Morris, Alternate Members of the Federal Open Market Committee

Messrs. Eastburn, Clay, and Coldwell, Presidents of the Federal Reserve Banks of Philadelphia, Kansas City, and Dallas, respectively

Mr. Holland, Secretary
Mr. Broida, Deputy Secretary
Messrs. Kenyon and Molony, Assistant Secretaries
Mr. Hackley, General Counsel
Mr. Partee, Economist
Messrs. Axilrod, Craven, Gramley, Hersey, Hocter, Jones, and Solomon, Associate Economists
Mr. Holmes, Manager, System Open Market Account

Mr. Bernard, Assistant Secretary, Board of Governors
Mr. Cardon, Assistant to the Board of Governors

4/7/70

-2-

Messrs. Coyne and Nichols, Special Assistants
to the Board of Governors
Messrs. Wernick and Williams, Advisers,
Division of Research and Statistics,
Board of Governors
Mr. Keir, Associate Adviser, Division of
Research and Statistics, Board of
Governors
Mr. Wendel, Chief, Government Finance Section,
Division of Research and Statistics,
Board of Governors
Miss Ormsby, Special Assistant, Office of the
Secretary, Board of Governors
Miss Eaton, Open Market Secretariat Assistant,
Office of the Secretary, Board of Governors

Mr. Baughman, First Vice President, Federal
Reserve Bank of Chicago
Messrs. Eisenmenger, Link, Taylor, and Tow,
Senior Vice Presidents, Federal Reserve
Banks of Boston, New York, Atlanta, and
Kansas City, respectively
Messrs. Bodner, Monhollon, Scheld, and Green,
Vice Presidents, Federal Reserve Banks of
New York, Richmond, Chicago, and Dallas,
respectively
Mr. Gustus, Economic Adviser, Federal Reserve
Bank of Philadelphia
Mr. Meek, Assistant Vice President, Federal
Reserve Bank of New York
Mr. Herder, Assistant Research Director,
Federal Reserve Bank of Minneapolis

By unanimous vote, the minutes of actions taken at the meet-
ing of the Federal Open Market Committee held on March 10, 1970,
were approved.

The memorandum of discussion for the meeting of the Federal
Open Market Committee held on March 10, 1970, was accepted.

By unanimous vote, the System open market transactions in
foreign currencies during the period March 10 through April 6, 1970,
were approved, ratified, and confirmed.

4/7/70

-3-

By unanimous vote, paragraphs 1B and 1C of the authorization for System foreign currency operations were amended to read as follows:

B. To hold foreign currencies listed in paragraph A above, up to the following limits:

(1) Currencies purchased spot, including currencies purchased from the Stabilization Fund, and sold forward to the Stabilization Fund, up to \$1 billion equivalent;

(2) Currencies purchased spot or forward, up to the amounts necessary to fulfill other forward commitments;

(3) Additional currencies purchased spot or forward, up to the amount necessary for System operations to exert a market influence but not exceeding \$250 million equivalent; and

(4) Sterling purchased on a covered or guaranteed basis in terms of the dollar, under agreement with the Bank of England, up to \$200 million equivalent.

C. To have outstanding forward commitments undertaken under paragraph A above to deliver foreign currencies, up to the following limits:

(1) Commitments to deliver foreign currencies to the Stabilization Fund, up to the limit specified in paragraph 1B(1) above; and

(2) Other forward commitments to deliver foreign currencies, up to \$550 million equivalent.

By unanimous vote, the open market transactions in Government securities, agency obligations, and bankers' acceptances during the period March 10 through April 6, 1970, were approved, ratified, and confirmed.

4/7/70

-4-

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 real economic activity weakened further in early 1970, while prices and costs continued to rise at a rapid pace. Fiscal stimulus, of dimensions that are still uncertain, will strengthen income expansion in the near term. Most long-term interest rates backed up during much of March under the pressure of heavy demands for funds, but then turned down in response to indications of some relaxation of monetary policy and to the reduction in the prime lending rate of banks. Short-term rates declined further on balance in recent weeks, contributing to the ability of banks and other thrift institutions to attract time and savings funds. Both bank credit and the money supply rose on average in March; over the first quarter as a whole bank credit was about unchanged on balance and the money supply increased somewhat. The U.S. foreign trade surplus increased in February, but the over-all balance of payments appears to have been in considerable deficit during the first quarter. In light of the foregoing developments, it is the policy of the Federal Open Market Committee to foster financial conditions conducive to orderly reduction in the rate of inflation, while encouraging the resumption of sustainable economic growth and the attainment of reasonable equilibrium in the country's balance of payments.

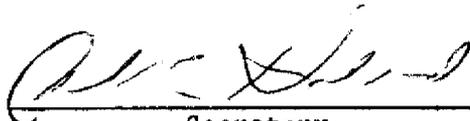
To implement this policy, the Committee desires to see moderate growth in money and bank credit over the months ahead. System open market operations until the next meeting of the Committee shall be conducted with a view to maintaining money market conditions consistent with that objective, taking account of the forthcoming Treasury financing.

4/7/70

-5-

It was agreed the next meeting of the Federal Open Market Committee would be held on Tuesday, May 5, 1970, at 9:30 a.m.

The meeting adjourned.


Secretary