

Meeting of Federal Open Market Committee

May 5, 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, May 5, 1970, at 10:00 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
Messrs. Kenyon and Molony, Assistant
Secretaries
Mr. Hackley, General Counsel
Mr. Partee, Economist
Mr. Holmes, Manager, System Open Market
Account

Mr. Baughman, First Vice President, Federal
Reserve Bank of Chicago

By unanimous vote, the provision of paragraph 1(a) of the
continuing authority directive limiting changes in System Account

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holdings of U.S. Government securities between meetings of the Committee to \$2 billion was suspended for the period from the opening of business May 5, 1970, until the close of business May 26, 1970.

At this point the following entered the meeting:

Mr. Broida, Deputy Secretary
Messrs. Axilrod, Craven, Gramley, Hersey,
Hocter, Jones, and Solomon, Associate
Economists
Mr. Coombs, Special Manager, System Open
Market Account

Mr. Bernard, Assistant Secretary, Office of
the Secretary, Board of Governors
Mr. Cardon, Assistant to the Board of Governors
Mr. Coyne, Special Assistant 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. Melnicoff, First Vice President, Federal
Reserve Bank of Philadelphia
Messrs. Eisenmenger, Link, and Tow, Senior
Vice Presidents, Federal Reserve Banks of
Boston, New York, and Kansas City,
respectively
Messrs. Snellings, Scheld, and Green, Vice
Presidents, Federal Reserve Banks of
Richmond, Chicago, and Dallas, respectively
Messrs. Gustus and Kareken, Economic Advisers,
Federal Reserve Banks of Philadelphia and
Minneapolis, respectively
Mr. Cooper, Manager, Securities and Acceptance
Departments, Federal Reserve Bank of New York
Mr. Cox, Financial Economist, Federal Reserve
Bank of Atlanta

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By unanimous vote, the minutes of actions taken at the meeting of the Federal Open Market Committee held on April 7, 1970, were approved.

The memorandum of discussion for the meeting of the Federal Open Market Committee held on April 7, 1970, was accepted.

By unanimous vote, the System open market transactions in foreign currencies during the period April 7 through May 4, 1970, were approved, ratified, and confirmed.

By unanimous vote, the open market transactions in Government securities, agency obligations, and bankers' acceptances during the period April 7 through May 4, 1970, were approved, ratified, and confirmed.

With Mr. Francis 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 real economic activity weakened further in the first quarter of 1970. Growth in personal income, however, is being stimulated in the second quarter by the enlargement of social security benefit payments and the Federal pay raise. Prices and costs generally are continuing to rise at a rapid pace, although some components of major price indexes recently have shown moderating tendencies. Most market interest rates have risen sharply in recent weeks as a result of heavy demands for funds, possible shifts in liquidity preferences, and the disappointment of earlier expectations regarding easing of credit market conditions. Prices of common stocks have declined

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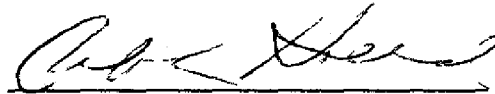
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markedly since early April. Attitudes in financial markets generally are being affected by the expansion of military operations in Southeast Asia and by concern about the success of the Government's anti-inflationary program. Both bank credit and the money supply rose substantially from March to April on average, although during the course of April bank credit leveled off and the money supply receded sharply from the end-of-March bulge. The over-all balance of payments was 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 bank reserves and money market conditions consistent with that objective, taking account of the current Treasury financing; provided, however, that operations shall be modified as needed to moderate excessive pressures in financial markets, should they develop.

It was agreed that the next meeting of the Federal Open Market Committee would be held on Tuesday, May 26, 1970, at 9:30 a.m.

The meeting adjourned.



Secretary