

Meeting of Federal Open Market Committee

October 20, 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, October 20, 1970, at 9:30 a.m.

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

Messrs. Galusha, Kimbrel, and Mayo, 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  
Mr. Kenyon, Assistant Secretary  
Mr. Hackley, General Counsel  
Mr. Partee, Economist  
Messrs. Axilrod, Craven, Garvy, Gramley, Hersey, Hocter, Parthemos, Reynolds, and Solomon, Associate Economists  
Mr. Holmes, Manager, System Open Market Account  
Mr. Coombs, Special Manager, System Open Market Account

Messrs. Bernard and Leonard, Assistant Secretaries, 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  
Miss Orr, Secretary, Office of the Secretary, Board of Governors

Messrs. Black and Fossum, First Vice Presidents, Federal Reserve Banks of Richmond and Atlanta, respectively  
Messrs. Eisenmenger, Taylor, and Tow, Senior Vice Presidents, Federal Reserve Banks of Boston, Atlanta, and Kansas City, respectively  
Messrs. Scheld, Andersen, and Green, Vice Presidents, Federal Reserve Banks of Chicago, St. Louis, and Dallas, respectively  
Messrs. Gustus and Kareken, Economic Advisers, Federal Reserve Banks of Philadelphia and Minneapolis, respectively  
Mr. Meek, 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 September 15, 1970, were approved.

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The memorandum of discussion for the meeting of the Federal Open Market Committee held on September 15, 1970, was accepted.

By unanimous vote, the System open market transactions in foreign currencies during the period September 15 through October 19, 1970, were approved, ratified, and confirmed.

By unanimous vote, the open market transactions in Government securities, agency obligations, and bankers' acceptances during the period September 15 through October 19, 1970, were approved, ratified, and confirmed.

With Mr. Hayes 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 suggests that real output of goods and services increased slightly further in the third quarter but that employment declined and unemployment continued to rise; activity in the current quarter is being adversely affected by a major strike in the automobile industry. Wage rates generally are continuing to rise at a rapid pace, but improvements in productivity appear to be slowing the increase in costs, and some major price measures are rising less rapidly than before. Most interest rates have declined since mid-September, although yields on corporate and municipal bonds have been sustained by the continuing heavy demands for funds in capital markets. The money supply rose slightly on average in September and increased moderately over the third quarter as a whole. Bank credit expanded further in September but at a rate considerably less than the fast pace of the two preceding months. Banks continued to issue large-denomination CD's at a relatively rapid rate and experienced heavy inflows of consumer-type time and savings funds, while

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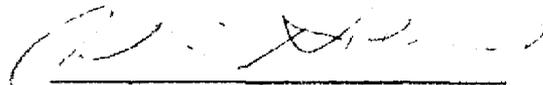
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making substantial further reductions in their use of nondeposit sources of funds. The balance of payments deficit on the liquidity basis diminished in the third quarter from the very large second-quarter rate, but the deficit on the official settlements basis remained high as banks repaid Euro-dollar liabilities. 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 seeks to promote some easing of conditions in credit markets and moderate growth in money and attendant bank credit expansion 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 those objectives, taking account of the forthcoming Treasury financings.

It was agreed that the next meeting of the Federal Open Market Committee would be held on Tuesday, November 17, 1970, at 9:30 a.m.

The meeting adjourned.

  
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Secretary