

Meeting of Federal Open Market Committee

October 19, 1971

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 19, 1971, at 9:30 a.m.

PRESENT: Mr. Burns, Chairman
Mr. Hayes, Vice Chairman
Mr. Brimmer
Mr. Clay
Mr. Kimbrel
Mr. Maisel
Mr. Mayo
Mr. Mitchell
Mr. Morris
Mr. Robertson
Mr. Sherrill

Messrs. Coldwell, Eastburn, Swan, and Winn,
Alternate Members of the Federal Open
Market Committee

Messrs. Francis and MacLaury, Presidents of
the Federal Reserve Banks of St. Louis
and Minneapolis, respectively

Mr. Holland, Secretary
Mr. Broida, Deputy Secretary
Messrs. Bernard and Molony, Assistant
Secretaries
Mr. Hackley, General Counsel
Mr. Hexter, Assistant General Counsel
Mr. Partee, Economist
Messrs. Axilrod, Eisenmenger, Gramley,
Hersey, Scheld, Taylor, and Tow,
Associate Economists
Mr. Coombs, Special Manager, System Open
Market Account

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Mr. Melnicoff, Deputy Executive Director,
Board of Governors
Mr. Altmann, Assistant Secretary, Office of
the Secretary, 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 Eaton, Open Market Secretariat Assistant,
Office of the Secretary, Board of
Governors
Mrs. Rehanek, Secretary, Office of the
Secretary, Board of Governors

Mr. Black, First Vice President, Federal
Reserve Bank of Richmond
Messrs. Link, Parthemos, Andersen, and
Craven, Senior Vice Presidents, Federal
Reserve Banks of New York, Richmond,
St. Louis, and San Francisco, respectively
Messrs. Sternlight, Boehne, Hocter, and
Green, Vice Presidents, Federal Reserve
Banks of New York, Philadelphia, Cleveland,
and Dallas, respectively
Mr. Kareken, Economic Adviser, Federal
Reserve Bank of Minneapolis
Mr. Sandberg, Securities Trading Officer,
Federal Reserve Bank of New York

By unanimous vote, the minutes of actions taken at the
meetings of the Federal Open Market Committee held on August 24
and September 21, 1971, were approved.

The memoranda of discussion for the meetings of the Federal
Open Market Committee on August 24 and September 21, 1971, were
accepted.

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By unanimous vote, the System open market transactions in foreign currencies during the period September 21 through October 18, 1971, were approved, ratified, and confirmed.

By unanimous vote, renewal of the ten System drawings on the National Bank of Belgium maturing in the period November 3-26, 1971, was authorized.

By unanimous vote, the open market transactions in Government securities, agency obligations, and bankers' acceptances during the period September 21 through October 18, 1971, 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 indicates that real output of goods and services expanded modestly in the third quarter and that unemployment remained substantial. However, there are indications of a strengthening in economic activity since the mid-August announcement of the Government's new economic program. The 90-day freeze has thus far effectively limited increases in prices and wages, and the general framework of the post-freeze stabilization program has been established. The narrowly defined money stock, which had grown rapidly through July, increased much less in August and declined in September. The broadly defined money stock increased slightly in September as inflows of consumer-type time and savings deposits to banks continued at the moderate August rate. However, the volume of large-denomination CD's outstanding rose sharply, and the rate of expansion in the bank credit

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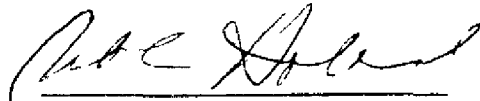
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proxy remained relatively rapid. Market interest rates have declined in recent weeks and are appreciably below their mid-August levels. The U.S. foreign trade balance remained in heavy deficit in August. Outflows of short-term capital, which had been massive in August, were much smaller in September. In recent weeks the market exchange rates for some foreign currencies against the dollar rose further, while foreign official reserve holdings increased substantially. In light of the foregoing developments, it is the policy of the Federal Open Market Committee to foster financial conditions consistent with the aims of the new governmental program, including sustainable real economic growth and increased employment, abatement of inflationary pressures, and attainment of reasonable equilibrium in the country's balance of payments.

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

It was agreed that the next meeting of the Federal Open Market Committee would be held on Tuesday, November 16, 1971, at 9:30 a.m.

The meeting adjourned.


Secretary