

Meeting of Federal Open Market Committee

November 16, 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, November 16, 1971, at 9:30 a.m.

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

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

Messrs. Heflin and MacLaury, Presidents of
the Federal Reserve Banks of Richmond
and Minneapolis, respectively

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

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Mr. Altmann, Assistant Secretary, Office
of the Secretary, Board of Governors
Mr. Chase, Deputy Director, Division of
Research and Statistics, 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. Gemmill, Associate Adviser, Division
of International Finance, Board of
Governors
Mr. Zeisel, Assistant 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. Leonard, First Vice President,
Federal Reserve Bank of St. Louis
Messrs. Parthemos and Craven, Senior
Vice Presidents, Federal Reserve
Banks of Richmond and San Francisco,
respectively
Messrs. Boehne, Hocter, and Green,
Vice Presidents, Federal Reserve
Banks of Philadelphia, Cleveland,
and Dallas, respectively
Mr. Kareken, Economic Adviser, Federal
Reserve Bank of Minneapolis
Messrs. Meek, Puckett, and Bowsher, Assistant
Vice Presidents, Federal Reserve Banks
of New York, New York, and St. Louis,
respectively

By unanimous vote, the minutes of actions taken at the
meeting of the Federal Open Market Committee held on October 19,
1971, were approved.

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The memorandum of discussion for the meeting of the Federal Open Market Committee on October 19, 1971, was accepted.

By unanimous vote, the System open market transactions in foreign currencies during the period October 19 through November 15, 1971, were approved, ratified, and confirmed.

By unanimous vote, the Committee approved the renewal for further periods of one year of the following swap arrangements, having the indicated amounts and maturity dates, subject to a determination by Chairman Burns that such action was in the national interest:

<u>Foreign bank</u>	<u>Amount of arrangement (millions of dollars equivalent)</u>	<u>Maturity date</u>
Austrian National Bank	200	December 2, 1971
National Bank of Belgium	600	December 22, 1971
Bank of Canada	1,000	December 30, 1971
National Bank of Denmark	200	December 2, 1971
Bank of England	2,000	December 2, 1971
Bank of France	1,000	December 28, 1971
German Federal Bank	1,000	December 16, 1971
Bank of Italy	1,250	December 30, 1971
Bank of Japan	1,000	December 2, 1971
Bank of Mexico	130	December 2, 1971
Netherlands Bank	300	December 30, 1971
Bank of Norway	200	December 2, 1971
Bank of Sweden	250	December 2, 1971
Swiss National Bank	1,000	December 2, 1971
Bank for International Settlements:		
Dollars against Swiss francs	600	December 2, 1971
Dollars against authorized Euro- pean currencies other than		
Swiss francs	1,000	December 2, 1971

Secretary's note: Chairman Burns made the indicated determination on November 30, 1971.

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By unanimous vote, the open market transactions in Government securities, agency obligations, and bankers' acceptances during the period October 19 through November 15, 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, but greater growth appears in prospect for the current quarter. Although the unemployment rate has declined recently, it remains high. Available data indicate that the 90-day freeze effectively limited increases in price and wages, and basic policies for the post-freeze stabilization program have been announced. The narrowly defined money stock declined further in October, but inflows of consumer-type time and savings deposits to banks expanded considerably and the broadly defined money stock increased moderately. Expansion in the bank credit proxy slowed substantially as the volume of large-denomination CD's outstanding rose less than in September and as U.S. Government deposits were reduced. Interest rates on both short- and long-term market securities have continued to decline in recent weeks and Federal Reserve discount rates were reduced by one-quarter of a percentage point to 4-3/4 per cent. The U.S. foreign trade balance was raised in September by a sharp acceleration of export shipments in advance of an East Coast port strike. In recent weeks net outflows of short-term capital apparently have diminished further, market exchange rates for foreign currencies against the dollar on average have not changed much, and foreign official reserve holdings have increased less than they did in September. 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

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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 promote somewhat greater 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.

It was agreed that the next meeting of the Federal Open Market Committee would be held on Tuesday, December 14, 1971, at 9:30 a.m.

The meeting adjourned.


Secretary