

Meeting of Federal Open Market Committee

December 14, 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, December 14, 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, Francis, and MacLaury, Presidents
of the Federal Reserve Banks of Richmond,
St. Louis, and Minneapolis, respectively

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

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. Bryant, Associate Adviser, Division
of International Finance, 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. Craven, Senior Vice President, Federal
Reserve Bank of San Francisco
Messrs. Boehne, Hocter, Snellings, and
Green, Vice Presidents, Federal Reserve
Banks of Philadelphia, Cleveland,
Richmond, and Dallas, respectively
Mr. Bowsher, Assistant Vice President,
Federal Reserve Bank of St. Louis
Mr. Supel, Senior Economist, Federal
Reserve Bank of Minneapolis
Mr. Dill, Financial Economist, Federal
Reserve Bank of Atlanta
Mr. Cooper, Manager, Securities and
Acceptance Departments, 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 November 16, 1971, were approved.

The memorandum of discussion for the meeting of the Federal Open Market Committee on November 16, 1971, was accepted.

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By unanimous vote, the System open market transactions in foreign currencies during the period November 16 through December 13, 1971, were approved, ratified, and confirmed.

By unanimous vote, renewal of the five System drawings on the National Bank of Belgium maturing in the period January 3-28, 1972, was authorized.

By unanimous vote, the open market transactions in Government securities, agency obligations, and bankers' acceptances during the period November 16 through December 13, 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 suggests that real output of goods and services is increasing more rapidly in the current quarter than it had in the third quarter, but the unemployment rate remains high. Increases in prices and wages were effectively limited by the 90-day freeze, which ended in mid-November. Since then some wage and price increases have occurred, but other increases requested have been cut back or not approved by the Pay Board and the Price Commission. The narrowly defined money stock changed little in November and has not grown on balance since August. Inflows of consumer-type time and savings deposits to banks remained rapid in November and the broadly defined money stock continued to increase moderately. Expansion in the bank credit proxy stepped up as U.S. Government deposits and nondeposit liabilities increased on average. After advancing in the latter part

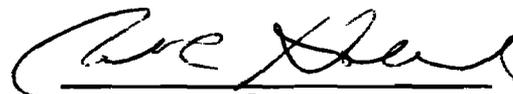
of November, most market interest rates have been declining recently, and discount rates at four Federal Reserve Banks were reduced by an additional one-quarter of a percentage point. The U.S. foreign trade balance was heavily in deficit in October. In recent weeks net outflows of short-term capital apparently have been substantial, market exchange rates for foreign currencies against the dollar on average have risen further, and official reserve holdings of some countries have increased considerably. 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 promote the degree of ease in bank reserve and money market conditions essential to greater growth in monetary aggregates over the months ahead.

It was agreed that the next meeting of the Federal Open Market Committee would be held on Tuesday, January 18, 1972.

By unanimous vote, transfer to the National Archives of the minutes of the Committee for the year 1966, on the basis described in a memorandum from the Secretariat dated December 7, 1971, was authorized.

The meeting adjourned.


Secretary