

Meeting of Federal Open Market Committee

February 15, 1972

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, February 15, 1972, 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  
Mr. Sheehan

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  
Mr. Partee, Economist  
Messrs. Axilrod, Eisenmenger, Garvy, 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. Cardon, Assistant to the Board of Governors  
Mr. Altmann, Assistant Secretary, Office of the  
Secretary, Board of Governors  
Mr. Bryant, Director, Division of International  
Finance, Board of Governors  
Messrs. Keir, Pierce, Wernick, and Williams,  
Advisers, Division of Research and Statistics,  
Board of Governors  
Mr. Gemmill, 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

Messrs. Parthemos, Andersen, and Craven, Senior  
Vice Presidents, Federal Reserve Banks of  
Richmond, St. Louis, and San Francisco,  
respectively  
Messrs. Boehne, Hocter, and Green, Vice Presi-  
dents, Federal Reserve Banks of Philadelphia,  
Cleveland, and Dallas, respectively  
Mr. Kareken, Economic Adviser, Federal Reserve  
Bank of Minneapolis  
Mr. Meek, Assistant Vice President, Federal  
Reserve Bank of New York

With Mr. Robertson dissenting, the action of members of  
the Federal Open Market Committee on January 26, 1972, suspending  
until close of business on February 15, 1972, the lower limit on  
interest rates on repurchase agreements specified in paragraph 1(c)  
of the continuing authority directive, was ratified.

By unanimous vote, the minutes of actions taken at the  
meeting of the Federal Open Market Committee held on December 14,  
1971, were approved.

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The memorandum of discussion for the meeting of the Federal Open Market Committee on December 14, 1971, was accepted.

By unanimous vote, the System open market transactions in foreign currencies during the period January 11 through February 14, 1972, were approved, ratified, and confirmed.

By unanimous vote, renewal for further periods of three months of the three System drawings on the German Federal Bank maturing on February 29, 1972, was authorized.

By unanimous vote, the open market transactions in Government securities, agency obligations, and bankers' acceptances during the period January 11 through February 14, 1972, 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 indicates that real output of goods and services increased more rapidly in the fourth quarter than it had in the third quarter, but the unemployment rate remained high. For the current quarter, growth is projected at a rate close to that of the fourth quarter. Prices increased sharply in December, in part reflecting termination of the 90-day freeze. Wage rates also rose substantially in December when some increases that had been deferred under the freeze were allowed to go into effect, but the rise slowed in January. The narrowly defined money stock, which had not grown on balance from August to November, rose somewhat in December and January. Inflows of time and savings funds at bank and nonbank thrift institutions increased sharply in January, and both

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the broadly defined money stock and the bank credit proxy expanded rapidly. Some short-term interest rates have declined further in recent weeks while yields on long-term securities generally have increased from the lows reached around mid-January. Exchange rates for most major foreign currencies against the dollar have appreciated to levels near or above their new central values. Since the Smithsonian meeting, capital reflows to the United States have somewhat exceeded the underlying U.S. balance of payments deficit. In light of the foregoing developments, it is the policy of the Federal Open Market Committee to foster financial conditions conducive to 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, while taking account of international developments, the Committee seeks to achieve bank reserve and money market conditions that will support moderate growth in monetary aggregates over the months ahead.

By unanimous vote, guideline 5 for the conduct of System operations in Federal agency issues was amended to read as follows:

Purchases will be limited to fully taxable issues for which there is an active secondary market. Purchases will also be limited to issues outstanding in amounts of \$300 million or over in cases where the obligations have a maturity of five years or less at the time of issuance, and to issues outstanding in amounts of \$200 million or over in cases where the securities have a maturity of more than five years at the time of issuance.

It was agreed that the next meeting of the Federal Open Market Committee would be held on Tuesday, March 21, 1972, at 9:30 a.m.

The meeting adjourned.

  
Secretary