

Meeting of Federal Open Market Committee

August 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, August 15, 1972, at 9:30 a.m.

PRESENT: Mr. Burns, Chairman
Mr. Hayes, Vice Chairman
Mr. Brimmer
Mr. Bucher
Mr. Coldwell
Mr. Daane
Mr. Eastburn
Mr. MacLaury
Mr. Mitchell
Mr. Robertson
Mr. Sheehan
Mr. Winn

Messrs. Francis, Heflin, and Mayo, Alternate
Members of the Federal Open Market Committee

Messrs. Morris, Kimbrel, and Clay, Presidents of
the Federal Reserve Banks of Boston, Atlanta,
and Kansas City, respectively

Mr. Holland, Secretary
Mr. Broida, Deputy Secretary
Messrs. Altmann and Bernard, Assistant
Secretaries
Mr. Hackley, General Counsel
Mr. O'Connell, Assistant General Counsel
Mr. Partee, Senior Economist
Messrs. Boehne, Bryant, Gramley, Green,
Hocter, Kareken, and Link, Associate
Economists
Mr. Coombs, Special Manager, System Open
Market Account

8/15/72

-2-

Mr. Melnicoff, Deputy Executive Director,
Board of Governors
Mr. Cardon, Assistant to the Board of
Governors
Mr. O'Brien, Special Assistant to the Board
of Governors
Mr. Reynolds, Associate Director, Division
of International Finance, Board of
Governors
Mr. Chase, Associate Director, Division of
Research and Statistics, Board of
Governors
Messrs. Keir, Pierce, and Wernick, Advisers,
Division of Research and Statistics,
Board of Governors
Mr. Pizer, Adviser, Division of International
Finance, Board of Governors
Mr. Wendel, Chief, Government Finance Section,
Division of Research and Statistics,
Board of Governors
Mrs. Rehanek, Open Market Secretariat Assistant,
Office of the Secretary, Board of Governors
Mrs. Sherman, Secretary, Legal Division, Board
of Governors

Mr. Merritt, First Vice President, Federal
Reserve Bank of San Francisco
Messrs. Eisenmenger, Taylor, Scheld, Tow,
and Craven, Senior Vice Presidents,
Federal Reserve Banks of Boston, Atlanta,
Chicago, Kansas City, and San Francisco,
respectively
Messrs. Sternlight, Snellings, and Jordan,
Vice Presidents, Federal Reserve Banks
of New York, Richmond, and St. Louis,
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 on June 19-20, 1972,
were approved.

8/15/72

-3-

The memorandum of discussion for the meeting of the Federal Open Market Committee on June 19-20, 1972, was accepted.

By unanimous vote, the System open market transactions in foreign currencies during the period July 18 through August 14, 1972, were approved, ratified, and confirmed.

It was agreed that a Subcommittee, consisting of the Chairman and Vice Chairman of the Committee and the Vice Chairman of the Board of Governors, or designated alternates, should be authorized to act on behalf of the Committee with respect to a proposal for reducing the System's swap debt in Swiss francs.

By unanimous vote, the open market transactions in Government securities, agency obligations, and bankers' acceptances during the period July 18 through August 14, 1972, 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 for 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 at a rapid rate in the second quarter, and continued though less rapid growth appears in prospect for the current quarter. The unemployment rate was lower in June and July, but it was still substantial. The pace of advance in wage rates has slowed on balance in recent months, and the rate of increase in average prices of all goods and services in the private economy

8/15/72

-4-

moderated in the second quarter. In July, the rise in wholesale prices of industrial commodities slowed, but wholesale prices of farm and food products rose sharply further. Since mid-July foreign exchange market conditions have been quiet and the central bank reserves of most industrial countries have changed little. In June, the large excess of U.S. merchandise imports over exports persisted.

The narrowly defined money stock grew at an unusually rapid rate in July, following relatively slow growth in May and June. Growth in the broadly defined money stock remained substantial, although inflows of consumer-type time and savings deposits to banks slowed appreciably. The bank credit proxy expanded sharply in July, reflecting strength in both private demand deposits and large-denomination CD's. In recent weeks, interest rates on most market securities have declined somewhat on balance, and the Treasury completed a highly successful refunding.

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 developments in capital markets and 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.

It was agreed that the next meeting of the Federal Open Market Committee would be held on Tuesday, September 19, 1972, at 9:30 a.m.

The meeting adjourned.



Secretary