

Meeting of Federal Open Market Committee

September 19, 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, September 19, 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<sup>1/</sup>

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. Partee, Senior Economist

Mr. Axilrod, Economist (Domestic Finance)

Mr. Solomon, Economist (International Finance)

Messrs. Boehne, Bryant, Gramley, Green, Hersey,  
Hocter, Kareken, and Link, Associate  
Economists

Mr. Holmes, Manager, System Open Market Account

Mr. Coombs, Special Manager, System Open Market  
Account

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<sup>1/</sup> Left the meeting at the point indicated.

Mr. Coyne, Special Assistant to the Board  
of Governors  
Mr. Reynolds, Associate Director, Division  
of International Finance, Board of  
Governors  
Messrs. Keir, Pierce, Wernick, and Williams,  
Advisers, Division of Research and  
Statistics, Board of Governors  
Mr. Pizer, Adviser, Division of International  
Finance, Board of Governors  
Mr. Struble, Economist, Division of Research  
and Statistics, Board of Governors  
Mrs. Sherman, Secretary, Office of the  
Secretary, Board of Governors  
  
Mr. Merritt, First Vice President, Federal  
Reserve Bank of San Francisco  
Messrs. Eisenmenger, Parthemos, Taylor, Scheld,  
Andersen, Tow, and Craven, Senior Vice  
Presidents, Federal Reserve Banks of Boston,  
Richmond, Atlanta, Chicago, St. Louis,  
Kansas City, and San Francisco, respectively  
Mr. Cooper, 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 July 18, 1972, were  
approved.

The memorandum of discussion for the meeting of the Federal  
Open Market Committee on July 18, 1972, was accepted.

By unanimous vote, the System open market transactions in  
foreign currencies during the period August 15 through September 18,  
1972, were approved, ratified, and confirmed.

By unanimous vote, renewal for further periods of 3 months  
of the 4 System drawings on the National Bank of Belgium maturing  
in the period October 3-27, 1972, was authorized.

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By unanimous vote, the open market transactions in Government securities, agency obligations, and bankers' acceptances during the period August 15 through September 18, 1972, were approved, ratified, and confirmed.

Mr. Winn left the meeting prior to the following action.

With Messrs. MacLaury and Robertson dissenting, and with Mr. Mayo voting as alternate for Mr. Winn, 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 suggests a substantial increase in real output of goods and services in the current quarter, although well below the unusually large rise recorded in the second quarter. In July and August, wages and prices advanced somewhat more rapidly on balance than in the immediately preceding months, while the unemployment rate remained substantial. Foreign exchange market conditions have remained quiet in recent weeks and the central bank reserves of most industrial countries have continued to change little. In July, the large excess of U.S. merchandise imports over exports persisted.

In August on average, growth slowed in the narrowly and broadly defined money stock and in the bank credit proxy, but in recent weeks the money stock has been expanding more strongly. Since mid-August, interest rates on Treasury bills have increased sharply, while yields on most other market securities have advanced more moderately.

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.

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To implement this policy, while taking special account of the effects of possible bank regulatory changes, developments in credit markets, and international developments, the Committee seeks to achieve bank reserve and money market conditions that will support more 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, October 17, 1972, at 9:30 a.m.

Thereupon the meeting adjourned.

  
Secretary