

Meeting of Federal Open Market Committee

October 17, 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, October 17, 1972, at 11:15 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, Clay, and Balles,  
Presidents of the Federal Reserve Banks  
of Boston, Atlanta, Kansas City, and San  
Francisco, 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  
Mr. Axilrod, Economist (Domestic Finance)  
Messrs. Boehne, Bryant, Gramley, Green, Hersey,  
Hocter, and Link, Associate Economists

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Mr. Holmes, Manager, System Open Market Account  
Mr. Coombs, Special Manager, System Open Market Account

Mr. Melnicoff, Deputy Executive Director, Board of Governors  
Mr. O'Brien, 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. Wendel, Chief, Government Finance Section, Division of Research and Statistics, Board of Governors  
Mrs. Sherman, Secretary, Office of the Secretary, Board of Governors

Mr. Leonard, First Vice President, Federal Reserve Bank of St. Louis  
Messrs. Eisenmenger, Parthemos, Scheld, Andersen, Tow, and Craven, Senior Vice Presidents, Federal Reserve Banks of Boston, Richmond, Chicago, St. Louis, Kansas City, and San Francisco, respectively  
Messrs. Brandt and Doll, Vice Presidents, Federal Reserve Banks of Atlanta and Kansas City, respectively  
Mr. Sandberg, Manager, Acceptance and Securities Departments, Federal Reserve Bank of New York  
Mr. Duprey, Senior Economist, Federal Reserve Bank of Minneapolis

By unanimous vote, the minutes of actions taken at the meeting of the Federal Open Market Committee on August 15, 1972, were approved.

The memorandum of discussion for the meeting of the Federal Open Market Committee on August 15, 1972, was accepted.

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The reports of audit of the System Open Market Account and of foreign currency transactions, made by the Board's Division of Federal Reserve Bank Operations as at the close of business August 18, 1972, and submitted by Mr. McWhirter, Chief Federal Reserve Examiner, were accepted.

By unanimous vote, the System open market transactions in foreign currencies during the period September 19 through October 16, 1972, were approved, ratified, and confirmed.

By unanimous vote, renewal for further periods of 3 months of the 8 System drawings on the National Bank of Belgium maturing in the period November 3-24, 1972, was authorized.

By unanimous vote, renewal for further periods of 3 months of the 2 System drawings on the Swiss National Bank maturing on November 10 and 17, 1972, respectively, was authorized.

By unanimous vote, renewal for further periods of 3 months of the 2 System drawings on the Bank for International Settlements, in Swiss francs and Belgian francs and maturing on November 13 and 17, 1972, respectively, was authorized.

By unanimous vote, the open market transactions in Government securities, agency obligations, and bankers' acceptances during the period September 19 through October 16, 1972, were approved, ratified, and confirmed.

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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 suggests a substantial increase in real output of goods and services in the third quarter, although well below the unusually large rise recorded in the second quarter. In September wages and prices advanced moderately, while the unemployment rate remained substantial. In the U.S. balance of payments, the current account deficit has been largely offset by capital inflows in recent weeks, and the central bank reserves of most industrial countries have continued to change little. In August, the excess of U.S. merchandise imports over exports declined somewhat.

The narrowly and broadly defined money stock expanded at moderate rates in August and September, following large increases in July, but the bank credit proxy continued to grow rapidly. Since mid-September, short-term interest rates have increased somewhat, while yields on most long-term securities have changed little.

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.

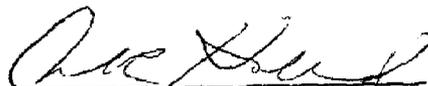
To implement this policy, while taking account of the effects of possible bank regulatory changes, Treasury financing operations, and developments in credit markets, the Committee seeks to achieve bank reserve and money market conditions that will support more moderate growth in monetary aggregates over the months ahead than recorded in the third quarter.

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It was agreed that the next meeting of the Federal Open Market Committee would be held on Monday and Tuesday, November 20-21, 1972.

Thereupon the meeting adjourned.

  
Secretary