

Meeting of Federal Open Market Committee

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, April 17, 1973, at 9:30 a.m.

PRESENT: Mr. Burns, Chairman  
Mr. Hayes, Vice Chairman  
Mr. Balles  
Mr. Brimmer  
Mr. Bucher  
Mr. Daane  
Mr. Francis  
Mr. Mitchell  
Mr. Morris  
Mr. Robertson  
Mr. Sheehan  
Mr. Winn, Alternate for Mr. Mayo

Messrs. Clay, Eastburn, and Kimbrel, Alternate Members of the Federal Open Market Committee

Messrs. MacLaury and Coldwell, Presidents of the Federal Reserve Banks of Minneapolis and Dallas, 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. Andersen, Bryant, Garvy, Hersey, Reynolds, Scheld, and Sims, 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. Coyne, Assistant to the Board of  
Governors  
Messrs. Keir, Pierce, Wernick, and Williams,  
Advisers, Division of Research and  
Statistics, Board of Governors  
Messrs. Gemmill and Pizer, Advisers, 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, Office of the  
Secretary, Board of Governors

Messrs. Black and Baughman, First Vice  
Presidents, Federal Reserve Banks of  
Richmond and Chicago, respectively  
Messrs. Boehne, Parthemos, Taylor, and  
Doll, Senior Vice Presidents, Federal  
Reserve Banks of Philadelphia, Richmond,  
Atlanta, and Kansas City, respectively  
Messrs. Hocter and Green, Vice Presidents,  
Federal Reserve Banks of Cleveland and  
Dallas, respectively  
Messrs. Anderson and Cooper, Assistant  
Vice Presidents, Federal Reserve Banks  
of Boston and New York, respectively  
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 February 13, 1973, were approved.

The memoranda of discussion for the meetings of the Federal Open Market Committee on February 13 and March 7, 1973, were accepted.

4/17/73

-3-

By unanimous vote, the open market transactions in Government securities, agency obligations, and bankers' acceptances during the period March 20 through April 16, 1973, were approved, ratified, and confirmed.

It was agreed that the authorization for the lending of Government securities from the System Open Market Account should be retained at this time.

By unanimous vote, transfer to the National Archives of the FOMC minutes of actions and memoranda of discussion for the year 1967, on the basis described in a memorandum from the Secretariat dated March 13, 1973, was authorized.

By unanimous vote, numbers 3 and 4 of the guidelines for the conduct of System operations in Federal agency issues were amended to read as follows:

3. System holdings of agency issues shall be modest relative to holdings of U.S. Government securities, and the amount and timing of System transactions in agency issues shall be determined with due regard for the desirability of avoiding undue market effects.

4. System holdings of maturing agency issues will be allowed to run off at maturity.

By unanimous vote, the System open market transactions in foreign currencies during the period March 20 through April 16, 1973, were approved, ratified, and confirmed.

4/17/73

-4-

By unanimous vote, renewal for further periods of three months of the eight System swap drawings on the National Bank of Belgium maturing in the period May 2-23, 1973, was authorized.

By unanimous vote, renewal for further periods of three months of the two System swap drawings on the Swiss National Bank and the one drawing on the Bank for International Settlements maturing in the period May 9-16, 1973, was authorized.

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 domestic policy directive:

The information reviewed at this meeting suggests continued rapid growth in real output of goods and services in the first quarter, spurred by an extraordinary increase in consumption expenditures. Over the first 3 months of this year, employment rose strongly but the unemployment rate remained about 5 per cent. The recent advance in wage rates has been more moderate than in the latter part of 1972, but the increase in social security taxes in January added significantly to payroll costs. The rate of increase in prices stepped up very sharply in the first quarter. Prices of foods have continued to rise at wholesale and retail, and in both February and March increases in wholesale prices of industrial commodities were large and widespread. Foreign exchange markets have been relatively quiet since mid-March, and there has been a moderate reflow into dollars. The U.S. merchandise trade balance improved a little in January-February, when both exports and imports were sharply higher than in the fourth quarter of 1972.

Growth in both the narrowly and more broadly defined money stock slowed markedly in the first quarter following a bulge toward the close of last year. However, in the face of strong loan demand--especially from businesses--

4/17/73

-5-


banks sharply increased their issuance of large-denomination CD's, and the bank credit proxy expanded very rapidly. Short-term market interest rates continued to rise until the beginning of April, but since then some rates--particularly those on Treasury bills--have declined. Rates on long-term market securities have moved down on balance in recent weeks.

In light of the foregoing developments, it is the policy of the Federal Open Market Committee to foster financial conditions conducive to abatement of inflationary pressures, a more sustainable rate of advance in economic activity, and progress toward equilibrium in the country's balance of payments.

To implement this policy, while taking account of forthcoming Treasury financing, the Committee seeks to achieve bank reserve and money market conditions consistent with 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, May 15, 1973, at 9:30 a.m.

The meeting adjourned.

  
Secretary