

Meeting of Federal Open Market Committee

August 21, 1973

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 21, 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. Holland
Mr. Mayo
Mr. Morris
Mr. Sheehan

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

Messrs. Black, MacLaury, and Coldwell, Presidents
of the Federal Reserve Banks of Richmond,
Minneapolis and Dallas, respectively

Mr. Broida, Secretary
Messrs. Altmann and Bernard, Assistant
Secretaries
Mr. O'Connell, General Counsel
Mr. Partee, Senior Economist
Mr. Axilrod, Economist (Domestic Finance)
Messrs. Bryant, Gramley, 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
Mr. O'Brien, Special Assistant to the Board
of Governors
Messrs. 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. Ettin, Assistant Adviser, Division of
Research and Statistics, Board of Governors
Mr. Wendel, Chief, Government Finance Section,
Division of Research and Statistics,
Board of Governors
Miss Pruitt, Economist, Office of the Secretary,
Board of Governors
Mr. Crow, Staff Assistant, Board Members' Offices,
Board of Governors
Mrs. Peters, Secretary, Office of the Secretary,
Board of Governors
Mrs. Stanier, Secretary, Office of the Secretary,
Board of Governors

Messrs. Parthemos and Doll, Senior Vice
Presidents, Federal Reserve Banks of
Richmond and Kansas City, respectively
Messrs. Hoyer, Brandt, and Green, Vice
Presidents, Federal Reserve Banks of
Cleveland, Atlanta, and Dallas, respectively
Messrs. Kaminow and Kareken, Economic Advisers,
Federal Reserve Banks of Philadelphia and
Minneapolis, respectively
Miss Greenwald and Messrs. Cooper, Thunberg, and
Balbach, Assistant Vice Presidents, Federal
Reserve Banks of Boston, New York, New York,
and St. Louis, respectively

By unanimous vote, the minutes of actions taken at the meetings of the Federal Open Market Committee on June 18-19 and July 9, 1973, were approved.

The memoranda of discussion for the meetings of the Federal Open Market Committee held on June 18-19 and July 9, 1973, were accepted.

By unanimous vote, the System open market transactions in foreign currencies during the period July 17 through August 20, 1973, were approved, ratified, and confirmed.

By unanimous vote, the open market transactions in Government securities, agency obligations, and bankers' acceptances during the period July 17 through August 20, 1973, were approved, ratified, and confirmed.

With Mr. Francis dissenting, 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 that growth in real output of goods and services, which slowed in the second quarter from the exceptionally rapid pace of the two preceding quarters, will be moderate in the third quarter. Increases in nonfarm employment also have slowed in recent months, but the unemployment rate has declined. The rate of rise in wage rates has remained relatively moderate. The exceptionally rapid advance in prices was

interrupted in July by the temporary freeze imposed in mid-June. However, farm and food prices adjusted sharply upward after mid-July, when the freeze was lifted on most such products. The U.S. merchandise trade balance improved in June, and the balance on goods and services was in surplus in the second quarter for the first time in nearly two years. Since the end of July the dollar has strengthened markedly in foreign exchange markets, and the price of gold has dropped sharply.

Both the narrowly and more broadly defined money stock, which had increased rapidly in May and June, grew more slowly in July. Inflows of consumer-type time and savings deposits strengthened again at banks in late July and early August, while net outflows were experienced at nonbank thrift institutions. Expansion in bank credit has continued at a substantial pace. Since mid-July short-term market interest rates have advanced considerably further on balance. Long-term rates also rose substantially for much of that period, but most recently they have declined in the course of a sharp market rally. On August 13 increases were announced in Federal Reserve discount rates from 7 to 7-1/2 per cent.

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 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 international and domestic financial market developments and the forthcoming Treasury financing, the Committee seeks to achieve bank reserve and money market conditions consistent with slower growth in monetary aggregates over the months immediately ahead than has occurred on average thus far this year.

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It was agreed that the next meeting of the Committee would be held on September 18, 1973, at 9:30 a.m.

The meeting adjourned.


Arthur L. Zaida
Secretary