

Meeting of Federal Open Market Committee

November 19-20, 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 Monday and Tuesday, November 19-20, 1973, beginning at 4:00 p.m. on Monday.

PRESENT: Mr. Burns, Chairman  
Mr. Hayes, Vice Chairman  
Mr. Balles  
Mr. Brimmer  
Mr. Bucher  
Mr. Daane  
Mr. Francis  
Mr. Holland  
Mr. Mayo  
Mr. Mitchell  
Mr. Morris  
Mr. Sheehan

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

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

Mr. Broida, Secretary  
Mr. Altmann, Assistant Secretary  
Mr. O'Connell, General Counsel  
Mr. Partee, Senior Economist  
Mr. Axilrod, Economist (Domestic Finance)  
Messrs. Andersen, Bryant, Gramley, Reynolds,  
Scheld, and Sims, Associate Economists

Mr. Holmes, Manager, System Open  
Market Account

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

Mr. Melnicoff, Managing Director for  
Operations and Supervision,  
Board of Governors

Mr. Feldberg, Secretary, Board of  
Governors

Mr. Coyne, 1/ Assistant to the Board  
of Governors

Mr. Pierce, Associate Director,  
Division of Research and Statistics,  
Board of Governors

Messrs. Keir, Wernick, and Williams,  
Advisers, Division of Research and  
Statistics, Board of Governors

Mr. Pizer, Adviser, Division of  
International Finance, Board of Governors

Mr. Zeisel, 2/ Associate Adviser, Division of  
Research and Statistics, Board of Governors

Messrs. Ettin and Taylor, 2/ Assistant Advisers,  
Division of Research and Statistics,  
Board of Governors

Mrs. Junz 2/ and Messrs. Fieleke 2/ and Henry, 2/  
Assistant Advisers, Division of International  
Finance, Board of Governors

Messrs. Kichline 2/ and Wendel, Chiefs, Capital  
Markets and Government Finance Sections,  
respectively, Division of Research and  
Statistics, Board of Governors

Mrs. Smelker 2/ and Mr. Peret, 2/ Senior Econo-  
mists, Division of Research and Statistics,  
Board of Governors

Mr. Roxon, 2/ Senior Economist, Division of  
International Finance, Board of Governors

Messrs. Beeman, 2/ Enzler, 2/ and Wyss, 2/  
Economists, Division of Research and  
Statistics, Board of Governors

Miss Morisse 2/ and Mr. Smith, 2/ Economists,  
Division of International Finance,  
Board of Governors

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1/ Attended Tuesday session only.

2/ Attended Monday session only.

Miss Pruitt, Economist, Open Market  
Secretariat, Board of Governors  
Mrs. Ferrell, Open Market Secretariat  
Assistant, Board of Governors

Mr. Plant, First Vice President, Federal  
Reserve Bank of Dallas  
Messrs. Boehne, Parthemos, Taylor, and  
Doll, Senior Vice Presidents, Federal  
Reserve Banks of Philadelphia, Richmond,  
Atlanta, and Kansas City, respectively  
Messrs. Davis, Hocter, and Green, Vice  
Presidents, Federal Reserve Banks of  
New York, Cleveland, and Dallas,  
respectively  
Mr. Kareken, Economic Adviser, Federal  
Reserve Bank of Minneapolis  
Mr. Cooper, Assistant Vice President,  
Federal Reserve Bank of New York  
Mr. McNees, Economist, Federal Reserve  
Bank of Boston

Secretary's Note: All of the actions listed  
below were taken on Tuesday, November 20, 1973.

By unanimous vote, the minutes of actions taken at the  
meeting of the Federal Open Market Committee held on October 16,  
1973, were approved.

The memoranda of discussion for the meetings of the Federal  
Open Market Committee held on October 2, 10, and 16, 1973, were  
accepted.

By unanimous vote, the System open market transactions in  
foreign currencies during the period October 16 through November  
19, 1973, were approved, ratified and confirmed.

By unanimous vote, the Committee approved the renewal, for further periods of one year, of the following swap arrangements having the indicated amounts and maturity dates:

<u>Foreign bank</u>	<u>Amount of arrangement (millions of dollars equivalent)</u>	<u>Term (monthly)</u>	<u>Maturity date</u>
Austrian National Bank	250	12	December 3, 1973
National Bank of Belgium	1,000	12	December 21, 1973
Bank of Canada	2,000	12	December 28, 1973
National Bank of Denmark	250	12	December 3, 1973
Bank of England	2,000	12	December 3, 1973
Bank of France	2,000	12	December 28, 1973
German Federal Bank	2,000	12	December 14, 1973
Bank of Italy	2,000	12	December 31, 1973
Bank of Japan	2,000	12	December 3, 1973
Bank of Mexico	180	12	December 3, 1973
Netherlands Bank	500	12	December 28, 1973
Bank of Norway	250	12	December 3, 1973
Bank of Sweden	300	12	December 3, 1973
Swiss National Bank	1,400	12	December 3, 1973
<b>Bank for International Settlements:</b>			
Dollars against			
Swiss francs	600	12	December 3, 1973
Dollars against other			
authorized European currencies	1,250	12	December 3, 1973

By unanimous vote, the open market transactions in Government securities, agency obligations, and bankers' acceptances during the period October 16 through November 19, 1973, were approved, ratified, and confirmed.

With Mr. Morris 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 economic activity in the fourth quarter is likely to remain at about the moderate rate of the third quarter, but curtailment of oil supplies from abroad has generated considerable uncertainty about subsequent prospects. In October total nonfarm employment expanded substantially further, and the unemployment rate dropped from 4.8 to 4.5 per cent. The advance in wage rates has remained relatively rapid, and unit labor costs have been increasing at a fast pace. Wholesale prices of industrial commodities rose sharply in October, reflecting in part large increases for petroleum products; although farm and food prices declined considerably further, they remained well above the pre-freeze level of early June. In foreign exchange markets, the dollar appreciated against major foreign currencies following announcement in late October of a large surplus in the U.S. merchandise trade balance, and the dollar strengthened markedly further in early November as expectations grew that the developing oil crisis would create particularly severe problems for Western Europe and Japan. In the third quarter and in October, the balance of payments on an official settlements basis was in substantial surplus.


The narrowly defined money stock, which had declined in August and September, rose moderately in October. The more broadly defined money stock expanded sharply as a result of large net inflows at banks of consumer-type time deposits. Net deposit inflows at nonbank thrift institutions improved somewhat further. Bank credit expansion remained moderate in October, reflecting in part a lack of growth in business loans as borrowers shifted to the commercial paper market. The outstanding volume of large-denomination CD's, which had begun to decline in late September, fell substantially further. Short-term market interest rates, while fluctuating widely, rose on balance from mid-October to mid-November. Rates on most types of long-term market securities also advanced somewhat.

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 equilibrium in the country's balance of payments.

To implement this policy, while taking account of international and domestic financial market developments, 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, December 18, 1973, at 9:30 a.m.

The meeting adjourned.

  
Arthur L. Brinda  
Secretary