

Meeting of Federal Open Market Committee

December 17-18, 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, December 17-18, 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 <sup>1/</sup>  
Mr. Holland  
Mr. Mayo  
Mr. Mitchell  
Mr. Morris  
Mr. Sheehan

Messrs. Clay, Eastburn, Kimbrel, <sup>2/</sup> 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. Guy, <sup>3/</sup> Deputy General Counsel  
Mr. Nicoll, <sup>3/</sup> Assistant General Counsel  
Mr. Partee, Senior Economist

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<sup>1/</sup> Attended Monday session only.

<sup>2/</sup> Served as alternate for Mr. Francis at Tuesday session.

<sup>3/</sup> Attended Tuesday session only.

Mr. Axilrod, Economist (Domestic Finance)  
 Messrs. Andersen, 1/ Bryant, 1/ Eisenmenger, 1/  
 Gramley, 1/ Reynolds, 1/ Scheld, 1/ and  
 Sims, Associate Economists  
 Mr. Holmes, 1/ Manager, System Open Market Account  
 Mr. Coombs, 1/ Special Manager, System Open  
 Market Account

Mr. Melnicoff, 1/ Managing Director for Operations  
 and Supervision, Board of Governors  
 Mr. Feldberg, 1/ Secretary to the Board of  
 Governors  
 Mr. Coyne, Assistant to the Board of  
 Governors  
 Mr. O'Brien, Special Assistant to the  
 Board of Governors  
 Mr. Pierce, 1/ Associate Director, Division  
 of Research and Statistics, Board of  
 Governors  
 Messrs. Keir, Wernick, 1/ and Williams, 1/  
 Advisers, Division of Research and  
 Statistics, Board of Governors  
 Messrs. Gemmill 2/ and Pizer, 1/ Advisers,  
 Division of International Finance,  
 Board of Governors  
 Mr. Ettin, 1/ Assistant Adviser, Division of  
 Research and Statistics, Board of  
 Governors  
 Mr. Wendel, 1/ Chief, Government Finance Section,  
 Division of Research and Statistics,  
 Board of Governors  
 Miss Pruitt, Economist, Open Market  
 Secretariat, Board of Governors  
 Mrs. Ferrell, Open Market Secretariat  
 Assistant, Board of Governors

Messrs. Boehne, Parthemos, Taylor, 1/ and Doll, 1/  
 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. Garvy 1/ and Kareken, Economic Advisers,  
 Federal Reserve Banks of New York and  
 Minneapolis, respectively

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1/ Attended Tuesday session only.

2/ Attended Monday session only.

Mr. Sandberg, 1/ Manager, Acceptance and Securities Departments, Federal Reserve Bank of New York

Secretary's Note: All of the actions listed below were taken on Tuesday, December 18, 1973.

By unanimous vote, the minutes of actions taken at the meeting of the Federal Open Market Committee held on November 19-20, 1973, were approved.

The memorandum of discussion for the meeting of the Federal Open Market Committee held on November 19-20, 1973, was accepted.

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

By unanimous vote, renewal for further periods of 3 months of System drawings on the National Bank of Belgium, maturing in the period January 18 through February 1, 1974, was authorized.

By unanimous vote, renewal of the swap arrangements with the National Bank of Belgium, the Bank of France, and the Netherlands Bank for periods of less than one year, if desired by those Banks, was approved.

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

1/ Attended Tuesday session only.

With Mr. Hayes 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--including recent developments in industrial production, residential construction, and retail sales--suggests that growth in economic activity is slowing in the fourth quarter. A further weakening in activity and an appreciable rise in prices are in prospect because of the curtailment in oil supplies. In November nonfarm payroll employment expanded further, but the unemployment rate, which had dropped in October, rose again to about the level that had prevailed since midyear. Wholesale prices of industrial commodities continued to rise sharply in November, reflecting large additional increases for petroleum products and widespread advances among other commodities; farm and food prices declined further.

In nearly all industrial countries abroad, concern has grown that a sustained cut in oil supplies will disrupt economic activity. Major foreign currencies have depreciated further against the dollar, and intervention sales of dollars by foreign monetary authorities have continued. The U.S. merchandise trade balance registered a strong surplus in the September-October period.

The narrowly defined money stock, following little net change over the third quarter, has grown at a relatively rapid pace over the past 2 months. Growth in the more broadly defined money stock has also been substantial, as net inflows at banks of consumer-type time deposits have been large. Net deposit inflows at nonbank thrift institutions improved somewhat further. Bank credit expansion remained moderate in November, although business loans increased after 2 months of little or no growth. On December 7 the Federal Reserve announced a reduction from 11 to 8 per cent in marginal reserve requirements

on large-denomination CD's. Most short-term market interest rates have declined somewhat on balance in recent weeks, while movements in long-term market rates have been mixed.

In light of the foregoing developments, it is the policy of the Federal Open Market Committee to foster financial conditions conducive to resisting inflationary pressures, cushioning the effects on production and employment growing out of the oil shortage, and maintaining 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 some easing in bank reserve and money market conditions, provided that the monetary aggregates do not appear to be growing excessively.

It was agreed that the next meeting of the Federal Open Market Committee would be held on Tuesday, January 22, 1974, at 9:30 a.m.

The meeting adjourned.

  
Arthur L. Bricker  
Secretary