

Meeting of Federal Open Market Committee

January 21-22, 1974

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, January 21-22, 1974, beginning at 8:15 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, MacLaury, and Coldwell, Presidents
of the Federal Reserve Banks of Richmond,
Minneapolis, and Dallas, respectively

Mr. Broida, Secretary
Mr. Altmann, Assistant Secretary
Mr. O'Connell,^{1/} General Counsel
Mr. Partee, Senior Economist
Mr. Axilrod,^{1/} Economist (Domestic Finance)

1/ Attended Tuesday session only.

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

Mr. Melnicoff, Managing Director for Operations
 and Supervision, Board of Governors
 Messrs. Cardon 2/ and Coyne, Assistants to the
 Board of Governors
 Mr. Pierce, 1/ Associate Director, Division
 of Research and Statistics, Board of
 Governors
 Mr. McWhirter, 3/ Associate Director, Division
 of Federal Reserve Bank Operations,
 Board of Governors
 Messrs. Keir, 1/ Wernick, 1/ and Williams, 1/
 Advisers, Division of Research and
 Statistics, Board of Governors
 Mr. Gemmill, 1/ Adviser, Division of
 International Finance, Board of Governors
 Mr. Ettin, 1/ Associate Adviser, Division of
 Research and Statistics, Board of Governors
 Mr. Wendel, 1/ Assistant Adviser, Division of
 Research and Statistics, Board of Governors
 Miss Pruitt, 1/ Economist, Open Market
 Secretariat, Board of Governors
 Mrs. Ferrell, 1/ Open Market Secretariat
 Assistant, Board of Governors

Mr. Doll, 1/ Senior Vice President, Federal
 Reserve Bank of Kansas City
 Messrs. Brandt, 1/ Davis, 1/ Hocter, 1/ and
 Nelson, 1/ Vice Presidents, Federal Reserve
 Banks of Atlanta, New York, Cleveland, and
 Minneapolis, respectively

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- 1/ Attended Tuesday session only.
2/ Attended Monday session only.
3/ Participated in meeting at point indicated.

Mr. Kaminow, ^{1/} Economic Adviser, Federal Reserve Bank of Philadelphia
Mr. Meek, ^{1/} Monetary Adviser, Federal Reserve Bank of New York
Messrs. Broaddus ^{1/} and Pardee, ^{1/} Assistant Vice Presidents, Federal Reserve Banks of Richmond and New York, respectively

Secretary's Note: All of the actions listed below were taken on Tuesday, January 22, 1974.

By unanimous vote, the action of Committee members on January 4, 1974, increasing from \$2 billion to \$3 billion the limit specified in paragraph 1(a) of the authorization for domestic open market operations on net changes between Committee meetings in System Account holdings of securities, effective January 4, 1974, through the close of business on January 22, 1974, was ratified.

By unanimous vote, the minutes of actions taken at the meeting of the Federal Open Market Committee held on December 17-18, 1973, were approved.

The memorandum of discussion for the meeting of the Federal Open Market Committee held on December 17-18, 1973, was accepted.

By unanimous vote, the System open market transactions in foreign currencies during the period December 18, 1973, through January 21, 1974, were approved, ratified, and confirmed.

^{1/} Attended Tuesday session only.

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By unanimous vote, the Committee authorized an increase from \$2 billion to \$3 billion in the System's swap line with the Bank of Italy, and the corresponding amendment to paragraph 2 of the authorization for foreign currency operations, to become effective upon approval by the Subcommittee named in Section 272.4(c) of the Committee's rules of procedure after consultation with responsible officials of the U. S. Treasury.

Secretary's Note: Pursuant to the foregoing action, on January 29, 1974, the Subcommittee approved the indicated increase in the System's swap line with the Bank of Italy and the corresponding amendment to the authorization for foreign currency operations, effective February 1, 1974.

By unanimous vote, renewal for further periods of 3 months of System drawings on the National Bank of Belgium, the Swiss National Bank, and the Bank for International Settlements, maturing in the period February 1 to February 15, 1974, was authorized.

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 July 27, 1973, together with the supplementary letter from Mr. McWhirter dated January 14, 1974, were accepted.

Mr. McWhirter joined the meeting for the discussion of the foregoing item.

By unanimous vote, the open market transactions in Government securities, agency obligations, and bankers' acceptances during the period December 18, 1973, through January 21, 1974, were approved,

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ratified, and confirmed.

With Messrs. Hayes and 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 indicates that growth in real output of goods and services was slow in the fourth quarter of 1973, in part because of the fuel situation. Prices continued to rise sharply in December, reflecting additional increases for petroleum products and widespread advances among other goods and services. A further weakening in activity and sharp rise in prices appear to be in prospect for early 1974. In December nonfarm payroll employment changed little and the unemployment rate increased further. Wage rates have continued to rise substantially in recent months, although not so sharply as prices.

Major foreign currencies have depreciated further against the dollar since mid-December, and some foreign monetary authorities have continued to sell dollars in exchange markets. Steep price increases imposed by oil-producing countries have heightened fears of economic disruption in many countries and of large and erratic international flows of funds.

The narrowly defined money stock increased substantially in the last 2 months of 1973, partly reflecting increased foreign deposits, but it has changed little on balance over recent weeks. Net inflows of consumer-type time deposits remained sizable at both banks and nonbank thrift institutions. Bank credit expansion, which was moderate over the closing months of 1973, has accelerated in recent weeks as banks have stepped up issuance of large-denomination CD's. Since mid-December, interest rate movements have been mixed; yields on most long-term securities and on Treasury bills have risen on balance, while some private short-term rates have declined.

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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 the forthcoming Treasury financing and 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 Committee would be held on Wednesday, February 20, 1974.

The meeting adjourned.


Arthur L. Zivida
Secretary