

Meeting of Federal Open Market Committee

February 20, 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 Wednesday, February 20, 1974, 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. 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  
Messrs. Altmann and Bernard, Assistant  
Secretaries  
Mr. O'Connell, General Counsel  
Mr. Partee, Senior Economist  
Mr. Axilrod, Economist (Domestic Finance)

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

Mr. Melnicoff, Managing Director for  
Operations and Supervision, Board of  
Governors  
Mr. Feldberg, Secretary to the Board of  
Governors  
Mr. Coyne, Assistant to the Board of  
Governors  
Mr. Pierce, Associate Director, Division of  
Research and Statistics, Board of Governors  
Messrs. Keir and Wernick, Advisers, Division  
of Research and Statistics, Board of  
Governors  
Mr. Pizer, Adviser, Division of International  
Finance, Board of Governors  
Mr. Wendel, Assistant Adviser, 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, and Doll,  
Senior Vice Presidents, Federal Reserve  
Banks of Philadelphia, Richmond, Atlanta,  
and Kansas City, respectively  
Mr. Garvy, Vice President and Senior Adviser,  
Federal Reserve Bank of New York  
Messrs. Hocter <sup>1/</sup> and Green, Vice Presidents,  
Federal Reserve Banks of Cleveland and  
Dallas, respectively  
Mr. Kareken, Economic Adviser, Federal Reserve  
Bank of Minneapolis

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1/ Attended morning session only.

By unanimous vote, the minutes of actions taken at the meeting of the Federal Open Market Committee held on January 21-22, 1974, were approved.

By unanimous vote, the System open market transactions in foreign currencies during the period January 22, 1974, through February 19, 1974, were approved, ratified, and confirmed.

By unanimous vote, renewal of the swap arrangement with the National Bank of Belgium for a further period of up to one year was approved.

By unanimous vote, the open market transactions in Government securities, agency obligations, and bankers' acceptances during the period January 22 through February 19, 1974, were approved, ratified, and confirmed.

With Messrs. Bucher, Francis, Morris, and Sheehan 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 real output of goods and services is declining in the current quarter, mainly because of the oil situation, and that prices are continuing to rise rapidly. In January industrial production declined again, nonfarm payroll employment dropped, and the unemployment rate rose above 5 per cent. Prices of

both farm products and industrial commodities increased very sharply. Wage rates have continued to rise substantially in recent months, although not so sharply as prices.

After having appreciated for several months, the dollar has declined somewhat on the average against foreign currencies in recent weeks. U.S. controls on capital outflows were removed at the end of January, and several foreign countries have relaxed controls on capital inflows. The U.S. trade surplus rose sharply in December and in the fourth quarter as a whole.

The narrowly defined money stock, after increasing substantially in the last 2 months of 1973, declined in January; most recently, however, it has appeared to strengthen. Broader measures of the money stock continued to rise in January, as net inflows of consumer-type time deposits remained relatively strong. Expansion in business loans and in total bank credit accelerated, and banks stepped up issuance of large-denomination CD's. Since mid-January, short-term market interest rates have fallen appreciably, and long-term rates have declined somewhat.

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 declines in production and employment that are being induced in large part by the oil situation, 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 bank reserve and money market conditions consistent with moderate growth in monetary aggregates over the months ahead.

By unanimous vote, transfer to the National Archives of the FOMC minutes of actions and memoranda of discussion, on the basis described in a memorandum from the Secretariat dated January 14, 1974, was authorized.

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It was agreed that the next meeting of the Committee would be held on March 19, 1974, at 9:30 a.m.

The meeting adjourned.

Arthur L. Zaida  
Secretary