

Meeting of Federal Open Market Committee

August 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 Tuesday, August 20, 1974, at 9:30 a.m.

PRESENT: Mr. Burns, Chairman^{1/}
Mr. Hayes, Vice Chairman
Mr. Black
Mr. Bucher
Mr. Clay
Mr. Holland
Mr. Kimbrel
Mr. Mitchell
Mr. Sheehan
Mr. Wallich
Mr. Winn

Messrs. MacLaury and Morris, Alternate
Members of the Federal Open Market
Committee

Messrs. Eastburn and Balles, Presidents of the
Federal Reserve Banks of Philadelphia and
San Francisco, respectively

Mr. Broida, Secretary
Mr. Altmann, Deputy Secretary
Mr. Bernard, Assistant Secretary^{2/}
Mr. O'Connell, General Counsel
Mr. Partee, Senior Economist
Mr. Axilrod, Economist (Domestic Finance)
Messrs. Brandt,^{2/} Bryant,^{2/} Doll,^{2/} Gramley,^{2/}
Hocter,^{2/} Parthemos,^{2/} Pierce,^{2/} and
Reynolds,^{2/} Associate Economists

^{1/} Entered meeting at point indicated.
^{2/} Attended first part of meeting only.

Mr. Coombs, Special Manager, System Open Market Account

Mr. Sternlight, Deputy Manager, System Open Market Account

Mr. Coyne, Assistant to the Board of Governors

Mr. Wonnacott,^{1/} Associate Director, Division of International Finance, Board of Governors

Messrs. Keir^{1/} and Wernick,^{1/} Advisers, 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

Messrs. Baughman, Leonard, and Plant, First Vice Presidents, Federal Reserve Banks of Chicago, St. Louis, and Dallas, respectively

Messrs. Eisenmenger,^{1/} Scheld,^{1/} and Sims,^{1/} Senior Vice Presidents, Federal Reserve Banks of Boston, Chicago, and San Francisco, respectively

Mr. Garvy,^{1/} Vice President and Senior Adviser, Federal Reserve Bank of New York

Messrs. Jordan^{1/} and Green,^{1/} Vice Presidents, Federal Reserve Banks of St. Louis and Dallas, respectively

Messrs. Kaminow^{1/} and Kareken,^{1/} Economic Advisers, Federal Reserve Banks of Philadelphia and Minneapolis, respectively

Mr. Ozog,^{1/} Manager, Acceptances and Securities, Federal Reserve Bank of New York

^{1/} Attended first part of meeting only.

The Secretary noted that Chairman Burns had been unavoidably detained, and that until his arrival Vice Chairman Hayes would serve as Acting Chairman.

By unanimous vote, the minutes of actions taken at the meeting of the Federal Open Market Committee held on July 16, 1974, were approved.

The memoranda of discussion for the telephone conference meeting of the Federal Open Market Committee held on July 5, 1974, and for the meeting of the Committee held on July 16, 1974, were accepted.

By unanimous vote, the System open market transactions in foreign currencies during the period July 16 through August 14, 1974, were approved, ratified, and confirmed.

Chairman Burns joined the meeting prior to the following action.

By unanimous vote, the open market transactions in Government securities, agency obligations, and bankers' acceptances during the period July 16 through August 19, 1974, were approved, ratified, and confirmed.

The following action was taken during the part of the meeting in which staff attendance was limited.

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By unanimous vote, 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 changing little in the current quarter, following the first-half decline, and that price and wage increases are continuing large. In July industrial production was unchanged from the May-June level, and nonfarm payroll employment declined further. The unemployment rate edged up to 5.3 per cent. Wholesale prices of farm and food products rose sharply, after having declined for 4 months, and increases among industrial commodities continued widespread and extraordinarily large.

The new Administration has indicated that it will give high priority to combating inflation and that it will convene a summit meeting of the nation's economic leaders to that end.

In recent weeks the dollar has appreciated somewhat further against leading foreign currencies. U.S. bank lending to foreign borrowers, especially in Japan, has apparently continued large, but inflows of foreign capital, particularly from oil-exporting countries, have also been large. The foreign trade deficit, although smaller in June than in May, widened substantially from the first to the second quarter as the value of petroleum imports increased.

The narrowly defined money stock rose only slightly in July, after having grown at an annual rate of 6 per cent over the first half of the year. Net inflows at banks of time deposits other than money market CD's slowed somewhat in July, and deposit experience at nonbank institutions worsened materially in July and early August.

