

Meeting of Federal Open Market Committee

January 20, 1976

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, January 20, 1976, at 9:00 a.m.

PRESENT: Mr. Burns, Chairman
Mr. Volcker, Vice Chairman
Mr. Baughman
Mr. Coldwell
Mr. Eastburn
Mr. Holland
Mr. Jackson
Mr. MacLaury
Mr. Mayo
Mr. Mitchell
Mr. Partee
Mr. Wallich

Messrs. Balles, Black, and Winn, Alternate
Members of the Federal Open Market
Committee

Messrs. Clay, Kimbrel, and Morris, Presidents
of the Federal Reserve Banks of Kansas City,
Atlanta, and Boston, respectively

Mr. Broida, Secretary
Mr. Altmann, Deputy Secretary
Mr. Bernard, Assistant Secretary
Mr. O'Connell, General Counsel
Mr. Axilrod, Economist (Domestic Finance)
Mr. Gramley, Economist (Domestic Business)
Mr. Solomon, Economist (International Finance)
Messrs. Boehne, Davis, Green, Kareken,
Reynolds, and Scheld, Associate Economists

Mr. Holmes, Manager, System Open Market Account
Mr. Pardee, Deputy Manager for Foreign
Operations
Mr. Sternlight, Deputy Manager for Domestic
Operations

Mr. Coyne, Assistant to the Board of
Governors

Messrs. Kichline and Zeisel, Associate
Directors, Division of Research and
Statistics, Board of Governors

Mr. Keir, Adviser, Division of Research
and Statistics, Board of Governors

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

Mrs. Farar, Economist, Open Market Secretariat,
Board of Governors

Mrs. Ferrell, Open Market Secretariat
Assistant, Board of Governors

Mr. Leonard, First Vice President, Federal
Reserve Bank of St. Louis

Messrs. Eisenmenger, Parthemos, Balbach, and
Doll, Senior Vice Presidents, Federal Reserve
Banks of Boston, Richmond, St. Louis, and
Kansas City, respectively

Messrs. Hocter, Brandt, and Keran, Vice
Presidents, Federal Reserve Banks of
Cleveland, Atlanta, and San Francisco,
respectively

Mr. Meek, Monetary Adviser, Federal Reserve
Bank of New York

By unanimous vote, the minutes of actions taken at the meeting
of the Federal Open Market Committee on December 16, 1975, were approved.

The memoranda of discussion for the meetings of the Federal
Open Market Committee on November 18 and December 16, 1975, were

By unanimous vote, the System open market transactions in foreign currencies during the period December 16, 1975, through January 19, 1976, were approved, ratified, and confirmed.

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 January 30 through February 28, 1976, was authorized. It was understood that the System's outstanding drawing of \$600 million on the Bank for International Settlements, maturing on February 13, 1976, would be transferred on that date to the Swiss National Bank under arrangements made between those two institutions.

By unanimous vote, the Committee approved an agreement with the Swiss National Bank for the sharing of losses incurred in the repayment of the System's swap liability to that Bank on the basis recommended by the Manager in his memorandum to the Committee dated January 15, 1976, subject to final approval by the Chairman on receipt of advice that the agreement was acceptable to the Board of Directors of the Swiss National Bank.

Secretary's note: Chairman Burns approved the agreement on February 2, 1976, following receipt of advice that the agreement was acceptable to the Board of Directors of the Swiss National Bank.

By unanimous vote, the open market transactions in Government securities, agency obligations, and bankers' acceptances during the period December 16, 1975, through January 19, 1976, were approved, ratified, and confirmed.

By unanimous vote, the Federal Reserve Bank of New York was authorized and directed, until otherwise directed by the Committee, to execute transactions in the System Account in accordance with the following domestic policy directive:

The information reviewed at this meeting suggests that output of goods and services--which had increased very sharply in the third quarter of 1975--expanded more moderately in the fourth quarter. In December retail sales rose sharply, but the increase in the fourth quarter as a whole was less than that in the third quarter. After having slowed over the preceding 2 months, the rise in industrial production and in non-farm payroll employment accelerated in December. However, the unemployment rate remained at 8.3 per cent, as the civilian labor force grew about as much as total employment. The increase in average wholesale prices of industrial commodities was again relatively large, but average prices of farm products and foods declined sharply further. The index of average wage rates was unchanged in December, following 2 months of large increases.

The exchange value of the dollar against leading foreign currencies held steady in December but eased somewhat in early January. Another sizable foreign trade surplus was registered in November.

M₁ declined in December, and growth in M₂ and M₃ slowed considerably. At commercial banks, inflows of time and savings deposits other than large-denomination CD's slowed, despite a continuing build-up of business

savings accounts, while inflows of deposits to nonbank thrift institutions were relatively well maintained. In terms of quarterly averages, growth in M_1 from the third to the fourth quarter was modest, while growth in M_2 and M_3 was more substantial. In recent weeks interest rates on both short- and long-term securities have declined appreciably. In mid-January Federal Reserve discount rates were reduced from 6 to 5-1/2 per cent.

In light of the foregoing developments, it is the policy of the Federal Open Market Committee to foster financial conditions that will encourage continued economic recovery, while resisting inflationary pressures and contributing to a sustainable pattern of international transactions.

To implement this policy, while taking account of developments in domestic and international financial markets, the Committee seeks to maintain prevailing bank reserve and money market conditions over the period immediately ahead, provided that monetary aggregates appear to be growing at about the rates currently expected.

It was agreed that the next meeting of the Committee would be held on Wednesday, February 18, 1976, at 9:00 a.m.

The meeting adjourned.

Secretary