

BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM

RE	IN RECORDS SECTION
Date:	MAR 20 1975 <del>February 9, 1975</del>
FOMC: General	

# Office Correspondence

To Board Members (individually addressed)

Subject: \_\_\_\_\_

From Arthur L. Broida *ALB*

Attached is a copy of a telegram being sent today to the President-Members of the FOMC. If you concur in the Chairman's recommendation, please indicate by initialing below and returning this memorandum to my office.

\_\_\_\_\_

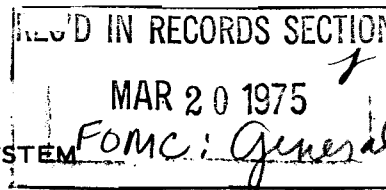
*ALB:OK*

*DATE <sup>DM</sup> COPY*

T E L E G R A M

FEDERAL RESERVE COMMUNICATIONS SYSTEM

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM  
WASHINGTON



February 5, 1975

CONFIDENTIAL (FR)  
CLASS II-FOMC

DEBS - NEW YORK  
BLACK - RICHMOND  
WINN - CLEVELAND  
KIMBREL - ATLANTA  
CLAY - KANSAS CITY

According to estimates prepared last week, in January  $M_1$  declined at about a 7 per cent annual rate and  $M_2$  grew at a rate of less than 3.5 per cent. Growth rates for January-February period appeared to be well below the lower limits of Committee's ranges of tolerance. Latest incoming data indicate further weakening in these monetary aggregates, wholly reflecting the behavior of demand deposits; growth in consumer-type time deposits remains relatively strong. Desk is currently aiming at Federal funds rate of 6-1/2 per cent, the lower limit of its range of tolerance.

In light of these developments and of the reduction in discount rates effective today, Chairman Burns recommends that lower limit of funds rate constraint be reduced to 6-1/4 per cent at this time.

Please advise promptly whether you concur in Chairman's recommendation.

Date *IM* file

BROIDA

*013*

BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM

IN RECORDS SECTION
MAR 20 1975
Date February 5, 1975
FOMC - General

# Office Correspondence

To Chairman Burns

Subject: Responses to wire on

From Arthur L. Broida *ALB*

funds rate

All members of the FOMC concur in your recommendation to reduce the lower limit of the funds rate constraint to 6-1/4 per cent except Governor Sheehan.

Governor Sheehan's reason for not concurring was as follows: "6-1/4 per cent is inadequate as a lower limit. I prefer 6 now and 5-3/4 shortly if the aggregates continue their growth below the range limits specified at the last Committee meeting."

In addition, three Board members, all of whom concurred in the recommendation, added comments as follows:

Governor Mitchell: "But I prefer 6 per cent."

Governor Bucher: "Would strongly prefer reducing to 6 per cent."

Governor Holland: "But I would much prefer that the limit be lowered to 6 per cent, and I urge that the bottom be dropped to 6 per cent as soon as Friday, February 7. Keeping the bottom of the range above 6 per cent, in my view, is inconsistent with the behavior of the aggregates, the displayed attitude of banks, the 1/2 point reduction in the discount rate, and the tenor of discussion at the Board meeting on Tuesday, February 4."

*ALB:CK*

*DATE ON COPY*

BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM

CONFIDENTIAL (FR)  
CLASS II - FOMC

REC'D	V RECORDS SECTION
Date	February 6, 1975
	MAR 20 1975
	<i>7</i>
<i>File: general</i>	

# Office Correspondence

To Board Members (individually addressed)

Subject: \_\_\_\_\_

From Arthur L. Broida *ALB*

In reply to yesterday's telegram, all Committee members except Governor Sheehan have concurred in Chairman Burns' recommendation for a reduction in the lower limit of the Federal funds rate constraint to 6-1/4 per cent. Mr. Debs responded as alternate for Mr. Hayes.

Governor Sheehan did not concur because he considers 6-1/4 per cent inadequate; his preference would be for a lower limit of 6 per cent now and 5-3/4 per cent shortly if the aggregates remain below the ranges specified at the last meeting. Governors Bucher, Holland, and Mitchell, while concurring, also would have preferred reducing the lower limit to 6 per cent.

*ALB:ck*

*DATE DM COPY*

CONFIDENTIAL (FR)  
CLASS II - FOMC

BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM

# Office Correspondence

D IN RECORDS SECTION	
Date	February 6, 1975 <i>1</i>
MAR 20 1975	
FOMC: <i>General</i>	

To \_\_\_\_\_  
From Arthur L. Broida

Subject: \_\_\_\_\_

For your information attached is a telegram sent yesterday to FOMC members. All Committee members except Governor Sheehan have concurred in Chairman Burns' recommendation for a reduction in the lower limit of the Federal funds rate constraint to 6-1/4 per cent. Mr. Debs responded as alternate for Mr. Hayes.

Governor Sheehan did not concur because he considers 6-1/4 per cent inadequate; his preference would be for a lower limit of 6 per cent now and 5-3/4 per cent shortly if the aggregates remain below the ranges specified at the last meeting. Governors Bucher, Holland, and Mitchell, while concurring, also would have preferred reducing the lower limit to 6 per cent.

Attachment

- cc: Messrs. Altmann
- Bernard
- O'Connell
- Coyne
- R. Solomon
- Keir
- Bryant
- Mrs. Farar

*ALB:ck*

*DATE COPY*

**T E L E G R A M**  
FEDERAL RESERVE COMMUNICATIONS SYSTEM  
BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM  
WASHINGTON

IN RECORDS SECTION  
MAR 20 1975  
FOMC: General

February 6, 1975

CONFIDENTIAL (FR)  
CLASS II-FOMC

MORRIS - BOSTON  
HAYES - NEW YORK  
EASTBURN - PHILADELPHIA  
MAYO - CHICAGO  
FRANCIS - ST. LOUIS  
MACLAURY - MINNEAPOLIS  
BAUGHMAN - DALLAS  
BALLES - SAN FRANCISCO

For your information, the following wire was sent yesterday to  
FOMC members:

"According to estimates prepared last week, in January  $M_1$  declined at about a 7 per cent annual rate and  $M_2$  grew at a rate of less than 3.5 per cent. Growth rates for January-February period appeared to be well below the lower limits of Committee's ranges of tolerance. Latest incoming data indicate further weakening in these monetary aggregates, wholly reflecting the behavior of demand deposits; growth in consumer-type time deposits remains relatively strong. Desk is currently aiming at Federal funds rate of 6-1/2 per cent, the lower limit of its range of tolerance.

"In light of these developments and of the reduction in discount rates effective today, Chairman Burns recommends that lower limit of funds rate constraint be reduced to 6-1/4 per cent at this time.

"Please advise promptly whether you concur in Chairman's recommendation."

DATE OM  
COPY

**T E L E G R A M**

FEDERAL RESERVE COMMUNICATIONS SYSTEM

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM  
WASHINGTON

IN RECORDS SECTION

MAR 20 1975

-2-

In reply to yesterday's telegram, all Committee members except Governor Sheehan have concurred in Chairman Burns' recommendation for a reduction in the lower limit of the Federal funds rate constraint to 6-1/4 per cent. Mr. Debs responded as alternate for Mr. Hayes.

Governor Sheehan did not concur because he considers 6-1/4 per cent inadequate; his preference would be for a lower limit of 6 per cent now and 5-3/4 per cent shortly if the aggregates remain below the ranges specified at the last meeting. Governors Bucher, Holland, and Mitchell, while concurring, also would have preferred reducing the lower limit to 6 per cent.

BROIDA

*ALB*

*ALB:er*

*DATE COPY*