

Meeting of Federal Open Market Committee

October 7, 1969

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, October 7, 1969, at 9:30 a.m.

PRESENT: Mr. Martin, Chairman
Mr. Hayes, Vice Chairman
Mr. Bopp
Mr. Brimmer
Mr. Clay
Mr. Coldwell
Mr. Daane
Mr. Maisel
Mr. Mitchell
Mr. Robertson
Mr. Scanlon
Mr. Sherrill

Messrs. Francis, Heflin, Hickman,^{1/} and Swan,
Alternate Members of the Federal Open
Market Committee

Messrs. Morris, Kimbrel, and Galusha, Presidents
of the Federal Reserve Banks of Boston,
Atlanta, and Minneapolis, respectively

Mr. Holland, Secretary
Mr. Broida, Deputy Secretary
Messrs. Kenyon and Molony, Assistant
Secretaries
Mr. Hackley, General Counsel
Mr. Partee, Economist
Messrs. Axilrod, Baughman, Eastburn, Gramley,
Green, Hersey, Solomon, and Tow,
Associate Economists
Mr. Holmes, Manager, System Open Market
Account

^{1/} Entered the meeting at point indicated.

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Mr. Cardon, Assistant to the Board of
Governors

Messrs. Coyne and Nichols, Special
Assistants to the Board of
Governors

Messrs. Keir and Wernick, Associate
Advisers, Division of Research and
Statistics, Board of Governors

Mr. Weiner, Assistant Adviser, Division
of Research and Statistics, Board
of Governors

Mr. Bernard, Special Assistant, Office
of the Secretary, Board of Governors

Mr. Wendel, Chief, Government Finance
Section, Division of Research and
Statistics, Board of Governors

Miss Eaton, Open Market Secretariat
Assistant, Office of the Secretary,
Board of Governors

Messrs. Eisenmenger, Parthemos, Jones,
and Craven, Senior Vice Presidents
of the Federal Reserve Banks of
Boston, Richmond, St. Louis, and
San Francisco, respectively

Messrs. Hocter and Brandt, Vice Presidents
of the Federal Reserve Banks of Cleveland
and Atlanta, respectively

Mr. Kareken, Economic Adviser, Federal Reserve
Bank of Minneapolis

Mr. Bodner, Assistant Vice President, Federal
Reserve Bank of New York

Mr. Davis, Adviser, Federal Reserve Bank
of New York

Mr. Cooper, Manager, Securities and
Acceptance Departments, Federal
Reserve Bank of New York

By unanimous vote, the minutes of actions taken at the meet-
ing of the Federal Open Market Committee held on September 9, 1969,
were approved.

The memorandum of discussion for the meeting of the Federal
Open Market Committee held on September 9, 1969, was accepted.

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By unanimous vote, the System open market transactions in foreign currencies during the period September 9 through October 6, 1969, were approved, ratified, and confirmed.

Mr. Hickman entered the meeting.

By unanimous vote, increases of \$100 million each, from \$100 million to \$200 million, in the swap arrangements with the Austrian National Bank, the National Bank of Denmark, and the Bank of Norway, together with the conforming amendments to paragraph 2 of the Authorization for System foreign currency operations, were approved, effective immediately. As amended, the paragraph read as follows:

The Federal Open Market Committee directs the Federal Reserve Bank of New York to maintain reciprocal currency arrangements ("swap" arrangements) for System Open Market Account for periods up to a maximum of 12 months with the following foreign banks, which are among those designated by the Board of Governors of the Federal Reserve System under Section 214.5 of Regulation N, Relations with Foreign Banks and Bankers, and with the approval of the Committee to renew such arrangements on maturity:

<u>Foreign bank</u>	<u>Amount of arrangement (millions of dollars equivalent)</u>
Austrian National Bank	200
National Bank of Belgium	500
Bank of Canada	1,000
National Bank of Denmark	200
Bank of England	2,000
Bank of France	1,000
German Federal Bank	1,000
Bank of Italy	1,000
Bank of Japan	1,000
Bank of Mexico	130
Netherlands Bank	300

<u>Foreign bank</u>	<u>Amount of arrangement (millions of dollars equivalent)</u>
Bank of Norway	200
Bank of Sweden	250
Swiss National Bank	600
Bank for International Settlements:	
Dollars against Swiss francs	600
Dollars against authorized European currencies other than Swiss francs	1,000

By unanimous vote, paragraph 2 of the continuing authority directive was amended to read as follows:

The Federal Open Market Committee authorizes and directs the Federal Reserve Bank of New York to purchase directly from the Treasury for the account of the Federal Reserve Bank of New York, or, if the New York Reserve Bank is closed, any other Reserve Bank for its own account (with discretion, in cases where it seems desirable, to issue participations to one or more Federal Reserve Banks) such amounts of special short-term certificates of indebtedness as may be necessary from time to time for the temporary accommodation of the Treasury; provided that the rate charged on such certificates shall be a rate 1/4 of 1 per cent below the discount rate of the Federal Reserve Bank of New York at the time of such purchases, and provided further that the total amount of such certificates held at any one time by the Federal Reserve Banks shall not exceed \$1 billion.

By unanimous vote, the open market transactions in Government securities, agency obligations, and bankers' acceptances during the period September 9 through October 6, 1969, were approved, ratified, and confirmed.

With Mr. Maisel dissenting, 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 current economic policy directive:

The information reviewed at this meeting suggests that the pace of expansion in real economic activity was sustained in the third quarter by an acceleration of inventory investment, which about offset a further slackening in growth of private final sales. Some monthly economic measures have weakened recently, and slower over-all growth is projected for the fourth quarter. Substantial upward pressures on prices and costs are persisting. Most market interest rates recently have risen to new highs as demands for funds have pressed against limited supplies. In September, on average, the money supply changed little as U.S. Government deposits rose considerably further, and bank credit increased slightly after 2 months of substantial decline. The outstanding volume of large-denomination CD's decreased further in September, and flows of consumer-type time and savings funds at banks and nonbank thrift institutions appear to have remained relatively weak. The U.S. foreign trade surplus increased a little in August. In August and September the deficit in the over-all balance of payments on the liquidity basis was very large, although not as large as in preceding months; and the official settlements balance, which had been in surplus for more than a year, shifted into deficit, reflecting slackened Euro-dollar borrowing by U.S. banks and new speculative flows into Germany. Exchange market tensions were reduced somewhat when the German Government decided to cease temporarily official sales of marks, after which the exchange rate for that currency rose above the official parity. In light of the foregoing developments, it is the policy of the Federal Open Market Committee to foster financial conditions conducive to the reduction of inflationary pressures, with a view to encouraging sustainable economic growth and attaining reasonable equilibrium in the country's balance of payments.

To implement this policy, System open market operations until the next meeting of the Committee shall be conducted with a view to maintaining the prevailing firm conditions in money and short-term credit markets; provided, however, that operations shall be modified if bank credit appears to be deviating significantly from current projections.

By unanimous vote, the continuing authority directive was amended by the addition of the following paragraph 3:

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In order to insure the effective conduct of open market operations, the Federal Open Market Committee authorizes and directs the Federal Reserve Banks to lend U.S. Government securities held in the System Open Market Account to Government securities dealers and to banks participating in Government securities clearing arrangements conducted through a Federal Reserve Bank, under such instructions as the Committee may specify from time to time.

It was agreed that the next meeting of the Committee would be held on Tuesday, October 28, 1969, at 9:30 a.m.

The meeting adjourned.


Secretary