

Meeting of Federal Open Market Committee

November 17, 1970

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, November 17, 1970, at 9:30 a.m.

PRESENT: Mr. Burns, Chairman
Mr. Hayes, Vice Chairman
Mr. Brimmer
Mr. Daane
Mr. Francis
Mr. Heflin
Mr. Hickman
Mr. Maisel
Mr. Mitchell
Mr. Robertson
Mr. Sherrill
Mr. Swan

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

Messrs. Eastburn, Clay, and Coldwell, Presidents
of the Federal Reserve Banks of Philadelphia,
Kansas City, and Dallas, respectively

Mr. Holland, Secretary
Mr. Broida, Deputy Secretary
Messrs. Kenyon and Molony, Assistant
Secretaries
Mr. Hackley, General Counsel
Mr. Partee, Economist
Messrs. Axilrod, Craven, Gramley, Hersey,
Hocter, Parthemos, Reynolds, and
Solomon, Associate Economists
Mr. Holmes, Manager, System Open Market
Account
Mr. Coombs, Special Manager, System Open
Market Account

Messrs. Bernard and Leonard, Assistant Secretaries, Office of the Secretary, Board of Governors
Mr. Coyne, Special Assistant to the Board of Governors
Messrs. Wernick and Williams, Advisers, Division of Research and Statistics, Board of Governors
Mr. Keir, Associate Adviser, Division of Research and Statistics, Board of Governors
Mr. Wendel, Chief, Government Finance Section, Division of Research and Statistics, Board of Governors
Miss Ormsby, Special Assistant, Office of the Secretary, Board of Governors
Miss Eaton, Open Market Secretariat Assistant, Office of the Secretary, Board of Governors
Miss Orr, Secretary, Office of the Secretary, Board of Governors

Mr. Fossum, First Vice President, Federal Reserve Bank of Atlanta
Messrs. Link, Taylor, and Tow, Senior Vice Presidents, Federal Reserve Banks of New York, Atlanta, and Kansas City, respectively
Messrs. Scheld and Andersen, Vice Presidents, Federal Reserve Banks of Chicago and St. Louis, respectively
Messrs. Gustus and Kareken, Economic Advisers, Federal Reserve Banks of Philadelphia and Minneapolis, respectively
Mr. Friedman, Consultant, Federal Reserve Bank of Boston
Mr. Cooper, Manager, Securities and Acceptance Departments, Federal Reserve Bank of New York

By unanimous vote, the minutes of actions taken at the meeting of the Federal Open Market Committee held on October 20, 1970, were approved.

The memorandum of discussion for the meeting of the Federal Open Market Committee held on October 20, 1970, was accepted.

11/17/70

-3-

By unanimous vote, the System open market transactions in foreign currencies during the period October 20 through November 16, 1970, were approved, ratified, and confirmed.

By unanimous vote, renewal for further periods of one year of the following swap arrangements, having the indicated amounts and maturity dates, was approved:

<u>Foreign bank</u>	<u>Amount of arrangement (millions of dollars)</u>	<u>Maturity of latest authorized renewal</u>
Austrian National Bank	200	December 2, 1970
National Bank of Denmark	200	December 2, 1970
Bank of England	2,000	December 2, 1970
Bank of Japan	1,000	December 2, 1970
Bank of Mexico	130	December 2, 1970
Bank of Norway	200	December 2, 1970
Bank of Sweden	250	December 2, 1970
Swiss National Bank	600	December 2, 1970
Bank for International Settlements:		
Dollars against Swiss francs	600	December 2, 1970
Dollars against authorized European currencies other than Swiss francs	1,000	December 2, 1970

By unanimous vote, the open market transactions in Government securities, agency obligations, and bankers' acceptances during the period October 20 through November 16, 1970, were approved, ratified, and confirmed.

With Mr. Maisel dissenting, the Federal Reserve Bank of New York was authorized and directed, until otherwise directed by

11/17/70

-4-

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 real output of goods and services is changing little in the current quarter and that unemployment has increased. Part but not all of the weakness in overall activity is attributable to the strike in the automobile industry which apparently is now coming to an end. Wage rates generally are continuing to rise at a rapid pace, but gains in productivity appear to be slowing the increase in unit labor costs. Recent movements in major price measures have been erratic but the general pace of advance in these measures has tended to slow. Most interest rates declined considerably in the past few weeks, and Federal Reserve discount rates were reduced by one-quarter of a percentage point in the week of November 9. Demands for funds in capital markets have continued heavy, but business loan demands at banks have weakened. The money supply changed little on average in October for the second consecutive month; bank credit also was about unchanged, following a slowing of growth in September. The balance of payments deficit on the liquidity basis was at a lower rate in the third quarter and in October than the very high second-quarter rate, but the deficit on the official settlements basis remained high as banks repaid Euro-dollar liabilities. In light of the foregoing developments, it is the policy of the Federal Open Market Committee to foster financial conditions conducive to orderly reduction in the rate of inflation, while encouraging the resumption of sustainable economic growth and the attainment of reasonable equilibrium in the country's balance of payments.

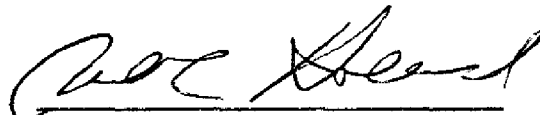
To implement this policy, the Committee seeks to promote some easing of conditions in credit markets and moderate growth in money and attendant bank credit expansion over the months ahead, with allowance for temporary shifts in money and credit demands related to the auto strike. System open market operations until the next meeting of the Committee shall be conducted with a view to maintaining bank reserves and money market conditions consistent with those objectives.

11/17/70

-5-

It was agreed that the next meeting of the Federal Open Market Committee would be held on Tuesday, December 15, 1970, at 9:30 a.m.

The meeting adjourned.


Secretary