

Meeting of Federal Open Market Committee

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, February 13, 1973, at 9:30 a.m.

PRESENT: Mr. Burns, Chairman  
Mr. Hayes, Vice Chairman  
Mr. Brimmer  
Mr. Bucher  
Mr. Coldwell  
Mr. Eastburn  
Mr. MacLaury  
Mr. Mitchell  
Mr. Robertson  
Mr. Sheehan  
Mr. Winn

Messrs. Francis, Mayo, and Balles, Alternate  
Members of the Federal Open Market Committee

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

Mr. Holland, Secretary

Messrs. Altmann and Bernard, Assistant  
Secretaries

Mr. Hackley, General Counsel

Mr. O'Connell, Assistant General Counsel

Mr. Partee, Senior Economist

Mr. Axilrod, Economist (Domestic Finance)

Messrs. Boehne, Bryant, Gramley, Green,  
Hersey, Hocter, Kareken, and Link,  
Associate Economists

Mr. Holmes, Manager, System Open Market Account

Mr. Coombs, Special Manager, System Open Market  
Account

Mr. Melnicoff, Deputy Executive Director,  
Board of Governors  
Mr. Coyne, Assistant to the Board of  
Governors  
Mr. McIntosh, Director, Division of Federal  
Reserve Bank Operations, Board of Governors<sup>1/</sup>  
Messrs. Keir, Pierce, Wernick, and Williams,  
Advisers, Division of Research and  
Statistics, Board of Governors  
Mr. Pizer, Adviser, Division of International  
Finance, Board of Governors  
Mr. Wendel, Chief, Government Finance Section,  
Division of Research and Statistics, Board  
of Governors  
Mrs. Rehanek, Open Market Secretariat Assistant,  
Office of the Secretary, Board of Governors  
Mrs. Sherman, Secretary, Office of the Secretary,  
Board of Governors

Mr. Black, First Vice President, Federal Reserve  
Bank of Richmond  
Messrs. Eisenmenger, Parthemos, Taylor, Scheld,  
and Andersen, Senior Vice Presidents,  
Federal Reserve Banks of Boston, Richmond,  
Atlanta, Chicago, and St. Louis, respectively  
Mr. Doli, Vice President, Federal Reserve Bank  
of Kansas City  
Mr. Cooper, Assistant Vice President, Federal  
Reserve Bank of New York  
Mr. Bisignano, Economist, Federal Reserve Bank  
of San Francisco

By unanimous vote, the minutes of actions taken at the  
meeting of the Federal Open Market Committee on December 19, 1972,  
were approved.

The memorandum of discussion for the meeting of the Federal  
Open Market Committee on December 19, 1972, was accepted.

By unanimous vote, the System open market transactions in  
foreign currencies during the period January 16 through February 12,  
1973, were approved, ratified, and confirmed.

<sup>1/</sup> Attended first part of meeting only.

By unanimous vote, the open market transactions in Government securities, agency obligations, and bankers' acceptances during the period January 16 through February 12, 1973, 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 for the System Account in accordance with the following current economic policy directive:

The information reviewed at this meeting suggests continued substantial growth in real output of goods and services in the current quarter, although at a rate less rapid than in the fourth quarter of 1972. The unemployment rate has declined slightly further. In recent months wage rates have increased at a relatively rapid pace, and unit labor costs turned up in the fourth quarter of 1972. The rise in consumer prices slowed in December when retail prices of foods changed little, but prices of foods and foodstuffs at earlier stages of distribution rose sharply in both December and January. The excess of U.S. merchandise imports over exports remained large in December. Heavy speculative movements out of dollars into German marks and some other currencies developed in late January and early February. On February 12 the Government announced that the United States would devalue the dollar by 10 per cent.

The narrowly defined money stock changed little in January after having increased sharply in December, and growth over the 2 months combined was at an average annual rate of about 6-1/2 per cent. Growth in the more broadly defined money stock slowed less abruptly from December to January as inflows of consumer-type time and savings deposits to banks accelerated. A sharp and pervasive increase has taken place in bank loans to businesses. In recent weeks market interest rates generally have risen further, with increases substantial

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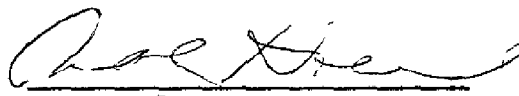
for short-term rates and relatively moderate for long-term rates. Most recently, however, Treasury bill rates have moved back down under the influence of foreign official buying.

In light of the foregoing developments, it is the policy of the Federal Open Market Committee to foster financial conditions consonant with the aims of the economic stabilization program, including further abatement of inflationary pressures, sustainable growth in real output and employment, and progress toward equilibrium in the country's balance of payments.

To implement this policy, while taking account of possible domestic credit market and international developments, the Committee seeks to achieve bank reserve and money market conditions that will support somewhat slower growth in monetary aggregates over the months ahead than occurred on average in the past 6 months.

It was agreed that the next meeting of the Federal Open Market Committee would be held on Tuesday, March 20, 1973, at 9:30 a.m.

The meeting adjourned.

  
Secretary