

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 Monday and Tuesday, June 18-19, 1973, beginning at 4:00 p.m. on Monday.

PRESENT: Mr. Burns, Chairman
Mr. Brimmer
Mr. Bucher
Mr. Daane
Mr. Francis
Mr. Holland
Mr. Mayo
Mr. Mitchell 1/
Mr. Morris
Mr. Sheehan 1/
Mr. Clay, Alternate for Mr. Balles
Mr. Debs, Alternate for Mr. Hayes

Messrs. Eastburn, Kimbrel, and Winn,
Alternate Members of the Federal Open
Market Committee

Messrs. MacLaury and Coldwell, Presidents
of the Federal Reserve Banks of
Minneapolis and Dallas, respectively

Mr. Broida, Deputy Secretary
Messrs. Altmann and Bernard, Assistant
Secretaries
Mr. O'Connell, 1/ General Counsel
Mr. Nicoll, 2/ Assistant General Counsel
Mr. Partee, Senior Economist
Mr. Axilrod, Economist (Domestic Finance)
Messrs. Bryant, Eisenmenger, Gramley, 2/ Hersey,
Reynolds, 1/ Scheld, and Sims, Associate
Economists

1/ Attended Tuesday session only.

2/ Attended Monday session only.

Mr. Sternlight, Deputy Manager, System
Open Market Account

Mr. Bodner, Deputy Special Manager, System
Open Market Account

Mr. O'Brien, Special Assistant to the Board
of Governors

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

Messrs. Gemmill and Pizer, Advisers, Division
of International Finance, Board of Governors

Mr. Zeisel, 1/ Associate Adviser, Division of
Research and Statistics, Board of Governors

Miss Stockwell 1/ and Messrs. Ettin 1/ and Taylor, 1/
Assistant Advisers, Division of Research and
Statistics, Board of Governors

Mrs. Junz, 1/ Assistant Adviser, Division of
International Finance, Board of Governors

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

Messrs. Peret 1/ and Wetzel, 1/ Senior Economists,
Division of Research and Statistics,
Board of Governors

Mr. Roxon, 1/ Senior Economist, Division of
International Finance, Board of Governors

Messrs. Enzler 1/ and Wyss, 1/ Economists,
Division of Research and Statistics, Board
of Governors

Miss Morisse 1/ and Mr. Smith, 1/ Economists,
Division of International Finance,
Board of Governors

Mrs. Ferrell, Open Market Secretariat Assistant,
Office of the Secretary, Board of Governors

Mrs. Peters, Secretary, Office of the Secretary,
Board of Governors

Messrs. Black and Williams, 1/ First Vice
Presidents, Federal Reserve Banks of
Richmond and San Francisco, respectively

Messrs. Boehne, Parthemos, Taylor, and Doll,
Senior Vice Presidents, Federal Reserve
Banks of Philadelphia, Richmond, Atlanta,
and Kansas City, respectively

1/ Attended Monday session only.

Messrs. Hocter and Green, Vice Presidents,
Federal Reserve Banks of Cleveland
and Dallas, respectively
Mr. Kareken, Economic Adviser, Federal Reserve
Bank of Minneapolis
Mr. Davis, Adviser, Federal Reserve Bank of
New York

Secretary's Note: All of the actions listed
below were taken on Tuesday, June 19, 1973.

By unanimous vote, Arthur L. Broida was elected Secretary of the Federal Open Market Committee, effective immediately, to serve until the election of his successor at the first meeting of the Committee after February 28, 1974, with the understanding that in the event of the discontinuance of his official connection with the Board of Governors he would cease to have any official connection with the Federal Open Market Committee.

By unanimous vote, the open market transactions in Government securities, agency obligations, and bankers' acceptances during the period May 15 through June 18, 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 domestic policy directive:

The information reviewed at this meeting, including recent developments in industrial production, employment, and retail sales, suggests that growth in economic activity is slowing in the current quarter from an exceptionally rapid pace in the two preceding quarters. The unemployment rate

has remained at 5 per cent. Wage rates have advanced moderately thus far this year, but the rise in both wholesale and retail prices has been exceptionally rapid. On June 13 the President announced that prices will be frozen for a maximum of 60 days while a new and more effective system of controls is developed. Phase III controls affecting wages, profit margins, dividends, and interest rates remain in effect. In foreign exchange markets, several European currencies have appreciated against the dollar by 7 to 10 per cent since early May. The U.S. merchandise trade balance continued to improve in April, as exports other than agricultural products increased sharply further and imports dipped.

Following relatively slow growth earlier in the year, the narrowly defined money stock rose sharply in May and early June. Growth in consumer-type time and savings deposits changed little, while banks' net sales of large-denomination CD's declined further. On May 16 marginal reserve requirements were imposed on large-denomination CD's and the remaining Regulation Q ceilings on such CD's were suspended. Business loan demands have remained strong, and since mid-May short-term market interest rates have advanced considerably further. Interest rates on long-term market securities in general have risen somewhat. On June 11 Federal Reserve discount rates were raised one-half point to 6-1/2 per cent.

In light of the foregoing developments, it is the policy of the Federal Open Market Committee to foster financial conditions conducive to abatement of inflationary pressures, a more sustainable rate of advance in economic activity, and progress toward equilibrium in the country's balance of payments.

To implement this policy, while taking account of international and domestic financial market developments, the Committee seeks to achieve bank reserve and money market conditions consistent with somewhat slower growth in monetary aggregates over the months immediately ahead than appears indicated for the first half of the year.

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By unanimous vote, the System open market transactions in foreign currencies during the period May 15 through June 18, 1973, were approved, ratified, and confirmed.

By unanimous vote, the Subcommittee consisting of the Chairman and Vice Chairman of the Committee and the Vice Chairman of the Board of Governors, or designated alternates, was authorized to act on behalf of the Committee with respect to questions relating to possible resumption of System foreign currency operations.

By unanimous vote, the Committee authorized the Special Manager to negotiate increases of \$50 million each in the System's swap lines with the central banks of Austria, Denmark, Mexico, Norway, and Sweden, on the understanding that those increases, and the corresponding amendments to paragraph 2 of the foreign currency authorization, would become effective on the same date as the swap line increases aggregating up to \$6 billion for which negotiations had been authorized by the Committee on March 20, 1973.

By unanimous vote, renewal for further periods of three months of the two System drawings on the National Bank of Belgium maturing on July 19 and 26, 1973, respectively, was authorized.

It was agreed that the next meeting of the Federal Open Market Committee would be held on Tuesday, July 17, 1973, at 9:30 a.m.

The meeting adjourned.


Secretary