

Meeting of Federal Open Market Committee

September 18, 1973

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, September 18, 1973, at 9:30 a.m.

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

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

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

Mr. Broida, Secretary
Messrs. Altmann and Bernard, Assistant
Secretaries
Mr. O'Connell, General Counsel
Mr. Axilrod, Economist (Domestic Finance)
Messrs. Andersen, Bryant, Eisenmenger, Gramley,
Reynolds, and Scheld, 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. Feldberg, Secretary to the Board of
Governors
Mr. Coyne, Assistant to the Board of Governors
Messrs. Keir, Pierce, and Williams, Advisers,
Division of Research and Statistics,
Board of Governors
Mr. Pizer, Adviser, Division of International
Finance, Board of Governors
Mr. Ettin, Assistant Adviser, Division of
Research and Statistics, Board of Governors
Mr. Wendel, Chief, Government Finance Section,
Division of Research and Statistics
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

Mr. Fossum, First Vice President, Federal
Reserve Bank of Atlanta
Messrs. Boehne and Doll, Senior Vice Presidents,
Federal Reserve Banks of Philadelphia and
Kansas City, respectively
Messrs. Hocter, Brandt, Nelson, and Green,
Vice Presidents, Federal Reserve Banks of
Cleveland, Atlanta, Minneapolis, and Dallas,
respectively
Mr. Fousek, Economic Adviser, Federal Reserve
Bank of New York
Mr. Keran, Director of Research, Federal Reserve
Bank of San Francisco
Mr. Broaddus, Assistant Vice President, Federal
Reserve Bank of Richmond
Mr. Sandberg, Manager, Acceptance and Securities
Departments, Federal Reserve Bank of New
York

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By unanimous vote, the minutes of actions taken at the meetings of the Federal Open Market Committee on July 17 and August 21, 1973, were approved.

The memoranda of discussion for the meetings of the Federal Open Market Committee held on July 17 and August 21, 1973, were accepted.

By unanimous vote, the System open market transactions in foreign currencies during the period August 21 through September 17, 1973, were approved, ratified, and confirmed.

By unanimous vote, renewal for further periods of 3 months of the two System drawings on the National Bank of Belgium maturing on October 19 and 26, respectively, was authorized.

By unanimous vote, the open market transactions in Government securities, agency obligations, and bankers' acceptances during the period August 21 through September 17, 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 suggests that growth in real output of goods and services, which slowed in the second quarter from the exceptionally rapid pace of the two preceding quarters, will be moderate in the third quarter. Although nonfarm employment rose sharply in August, the average gain in recent months has been smaller than earlier and the unemployment rate has changed little at a level somewhat below 5 per cent. The exceptionally rapid advance in prices was interrupted in July by the temporary freeze imposed in mid-June. However, farm and food prices surged after mid-July--when the freeze was lifted on most such products--and despite later appreciable declines, they remained far above pre-freeze levels. The U.S. merchandise trade balance improved further in July, and net foreign purchases of U.S. stocks increased. In recent weeks exchange rates for the dollar against most foreign currencies have changed little on balance after strengthening in the first half of August, and the balance of payments has been in surplus on an official settlements basis.

The narrowly defined money stock, which had increased moderately in July, declined somewhat in August. The more broadly defined money stock continued to expand as a result of net inflows at banks of consumer-type time deposits. Non-bank thrift institutions experienced net deposit outflows in the July-August period. Expansion in bank credit has continued at a substantial pace. On September 7 the Federal Reserve announced an increase from 8 to 11 per cent in marginal reserve requirements on large-denomination CD's. Interest rates on long-term market securities declined from early August to early September, partly because of growing expectations that the maximum degree of monetary restraint had been reached. Later, however, such expectations weakened and some long-term rates turned up. Short-term rates generally remained under upward pressure in recent weeks.

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 sustainable rate of advance in economic activity, and continued progress toward equilibrium in the country's balance of payments.

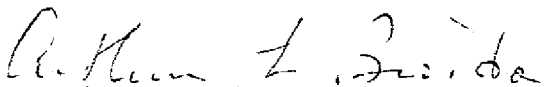
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To implement this policy, while taking account of international and domestic financial market developments, the Committee seeks to achieve bank reserve and money market conditions consistent with moderate growth in monetary aggregates over the months ahead.

It was agreed that the next meeting of the Federal Open Market Committee would be held on Tuesday, October 16, 1973, at 9:30 a.m.

The meeting adjourned.


Arthur L. Bristol
Secretary