

Meeting of Federal Open Market Committee

June 16-17, 1975

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 16-17, 1975, beginning at 3:30 p.m. on Monday.

PRESENT: Mr. Burns, Chairman
Mr. Baughman
Mr. Bucher
Mr. Coldwell
Mr. Eastburn
Mr. Holland
Mr. MacLaury
Mr. Mayo
Mr. Mitchell
Mr. Wallich
Mr. Debs, Alternate for Mr. Hayes

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

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

Mr. Altmann, Deputy Secretary
Mr. Bernard, Assistant Secretary
Mr. O'Connell, General Counsel
Mr. Partee, Senior Economist
Mr. Axilrod, Economist (Domestic Finance)
Mr. Gramley, Economist (Domestic Business)

Messrs. Boehne, Bryant, Davis, Green,
Kareken, Reynolds, and Scheld,
Associate Economists

Mr. Holmes, Manager, System Open Market Account
Mr. Sternlight, Deputy Manager for Domestic
Operations
Mr. Pardee, Deputy Manager for Foreign
Operations

Mr. Allison,^{1/} Secretary of the Board of
Governors
Mr. Coyne, Assistant to the Board of
Governors
Messrs. Keir, Kichline,^{1/} and Zeisel,^{1/}
Advisers, Division of Research and
Statistics, Board of Governors
Mr. Pizer,^{1/} Adviser, Division of Inter-
national Finance, Board of Governors
Mr. Kalchbrenner,^{1/} Associate Adviser,
Division of Research and Statistics,
Board of Governors
Messrs. Peret,^{1/} Taylor,^{1/} and Wendel,^{1/}
Assistant Advisers, Division of Research
and Statistics, Board of Governors
Mr. Siegman,^{1/} Assistant Adviser, Division of
International Finance, Board of Governors
Mr. Beeman,^{1/} Chief, National Income, Labor
Force and Trade Section, Division of
Research and Statistics, Board of
Governors
Mr. Smith,^{1/} Chief, Financial Markets Section,
Division of International Finance, Board
of Governors
Mr. Enzler,^{1/} Senior Economist, Division of
Research and Statistics, Board of
Governors
Mr. Annable,^{1/} Economist, Division of Research
and Statistics, Board of Governors
Messrs. Fleisig,^{1/} Hooper,^{1/} and Wilson,^{1/}
Economists, Division of International
Finance, Board of Governors

^{1/} Attended Monday session only.

Mrs. Cooper,^{1/} Economic Assistant, Division
of International Finance, Board of
Governors

Mrs. Ferrell, Open Market Secretariat Assist-
ant, Board of Governors

Messrs. Eisenmenger, Parthemos, Jordan, and
Doll, Senior Vice Presidents, Federal
Reserve Banks of Boston, Richmond,
St. Louis, and Kansas City, respectively

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

Mr. Keran, Director of Research, Federal
Reserve Bank of San Francisco

Mr. Ozog, Manager, Securities and Acceptances
Division, Federal Reserve Bank of New York

Secretary's Note: The actions listed immediately
below were taken on Monday, June 16, 1975.

By unanimous vote, the minutes of actions taken at the
meeting of the Federal Open Market Committee on May 20, 1975, were
approved.

The memorandum of discussion for the meeting of the Federal
Open Market Committee on April 14-15, 1975, was accepted.

Secretary's Note: All of the actions listed below
were taken on Tuesday, June 17, 1975.

By unanimous vote, the System open market transactions in
foreign currencies during the period May 20 through June 16, 1975,
were approved, ratified, and confirmed.

^{1/} Attended Monday session only.

By unanimous vote, renewal for further periods of 3 months of System drawings on the National Bank of Belgium maturing on July 17 and 24, 1975, was authorized.

By unanimous vote, the open market transactions in Government securities, agency obligations, and bankers' acceptances during the period May 20 through June 16, 1975, were approved, ratified, and confirmed.

With Messrs. Bucher and Coldwell dissenting, 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 real output of goods and services--after having fallen sharply for two quarters--has leveled off in the current quarter. In May retail sales strengthened considerably. Industrial production declined slightly further, but total employment advanced for the second consecutive month. The unemployment rate increased again, from 8.9 to 9.2 per cent, as the civilian labor force rose substantially further. The rise in average wholesale prices of industrial commodities continued to be slow; prices of farm and food products increased moderately further. The advance in average wage rates so far this year has been considerably less rapid than the increase during the second half of 1974.

The foreign exchange value of the dollar has changed little since mid-May. The U.S. foreign trade balance continued in substantial surplus in April but at a rate

much reduced from the first quarter. After large net outflows in the first quarter, there was a small net inflow of funds through banks in April, as liabilities to foreigners rose more than claims.

Growth in M_1 , M_2 , and M_3 was substantial in May, reflecting in part large Federal income tax rebates deposited at both banks and nonbank thrift institutions. Business demands for short-term credit both at banks and in the commercial paper market remained unusually weak, while demands in the long-term market continued very strong. Market interest rates in general changed little during the latter part of May, but since then rates in longer-term markets and on Treasury bills have declined. Mortgage rates have eased over the past month.

In light of the foregoing developments, it is the policy of the Federal Open Market Committee to foster financial conditions conducive to stimulating economic recovery, while resisting inflationary pressures and working toward equilibrium in the country's balance of payments.

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

With Mr. Holland dissenting, number 5 of the guidelines for the conduct of System operations in Federal agency issues was amended to read as follows:

5. System holdings of any one issue at any one time will not exceed 30 per cent of the amount of the issue outstanding. Aggregate holdings of the issues of any one agency will not exceed 15 per cent of the amount of outstanding issues of that agency.

By unanimous vote, paragraph 1(c) of the Authorization for Domestic Open Market Operations was amended to read as follows:

(c) To buy U.S. Government securities, obligations that are direct obligations of, or fully guaranteed as to principal and interest by, any agency of the United States, and prime bankers' acceptances of the types authorized for purchase under 1(b) above, from dealers for the account of the Federal Reserve Bank of New York under agreements for repurchase of such securities, obligations, or acceptances in 15 calendar days or less, at rates that, unless otherwise expressly authorized by the Committee, shall be determined by competitive bidding, after applying reasonable limitations on the volume of agreements with individual dealers; provided that in the event Government securities or agency issues covered by any such agreement are not repurchased by the dealer pursuant to the agreement or a renewal thereof, they shall be sold in the market or transferred to the System Open Market Account; and provided further that in the event bankers' acceptances covered by any such agreement are not repurchased by the seller, they shall continue to be held by the Federal Reserve Bank or shall be sold in the open market.

It was agreed that the next meeting of the Committee would be held on July 15, 1975.

The meeting adjourned.


Deputy Secretary