

Meeting of Federal Open Market Committee

November 18, 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 Tuesday, November 18, 1975, at 9:00 a.m.

PRESENT: Mr. Burns, Chairman  
Mr. Volcker, Vice Chairman  
Mr. Baughman  
Mr. Bucher  
Mr. Coldwell  
Mr. Eastburn  
Mr. Holland  
Mr. Jackson  
Mr. MacLaury  
Mr. Mayo  
Mr. Mitchell  
Mr. Wallich

Messrs. Black 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. Broida, Secretary  
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, Davis, Green, Kareken,  
Reynolds, and Scheld, Associate Economists

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

Mr. Coyne, Assistant to the Board of  
Governors  
Mr. Keir, Adviser, Division of Research and  
Statistics, Board of Governors  
Mr. Gemmill, Adviser, Division of International  
Finance, Board of Governors  
Mrs. Farar, Economist, Open Market Secretariat,  
Board of Governors  
Mrs. Ferrell, Open Market Secretariat  
Assistant, Board of Governors

Messrs. Leonard and Williams, First Vice Presidents,  
Federal Reserve Banks of St. Louis and San  
Francisco, respectively

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

Messrs. Hocter, Brandt, Balbach, and Keran,  
Vice Presidents, Federal Reserve Banks  
of Cleveland, Atlanta, St. Louis, and  
San Francisco, respectively

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

By unanimous vote, the minutes of actions taken at the  
meeting of the Federal Open Market Committee on October 21, 1975,  
were approved.

By unanimous vote, the System open market transactions in foreign currencies during the period October 21 through November 17, 1975, were approved, ratified, and confirmed.

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

<u>Foreign bank</u>	<u>Amount of arrangement (millions of dollars equivalent)</u>	<u>Term (months)</u>	<u>Maturity date</u>
Austrian National Bank	250	12	December 3, 1975
National Bank of Belgium	1,000	12	December 19, 1975
Bank of Canada	2,000	12	December 29, 1975
National Bank of Denmark	250	12	December 29, 1975
Bank of England	3,000	12	December 3, 1975
Bank of France	2,000	12	December 29, 1975
German Federal Bank	2,000	12	December 29, 1975
Bank of Italy	3,000	12	December 31, 1975
Bank of Japan	2,000	12	December 3, 1975
Bank of Mexico	360	12	December 3, 1975
Netherlands Bank	500	12	December 29, 1975
Bank of Norway	250	12	December 3, 1975
Bank of Sweden	300	12	December 3, 1975
Swiss National Bank	1,400	12	December 3, 1975
Bank for International Settlements:			
Dollars against			
Swiss francs	600	12	December 3, 1975
Dollars against other			
authorized European			
currencies	1,250	12	December 3, 1975

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By unanimous vote, the open market transactions in Government securities, agency obligations, and bankers' acceptances during the period October 21 through November 17, 1975, were approved, ratified, and confirmed.

With Messrs. Volcker, Eastburn, and Jackson dissenting, the Federal Reserve Bank of New York was authorized and directed, until otherwise directed by the Committee, to execute transactions in the System Account in accordance with the following domestic policy directive:

The information reviewed at this meeting suggests that output of goods and services--which had increased sharply in the third quarter--is expanding more moderately in the current quarter. Retail sales are reported to have risen in October, after 2 months of little net change. Industrial production and nonfarm payroll employment continued to recover, although at a less rapid rate than in the summer months. The unemployment rate rose to 8.6 per cent from 8.3 per cent in September, reflecting a sizable increase in the civilian labor force. Average wholesale prices of industrial commodities increased more in October than in the immediately preceding months, and prices of farm and food products rose sharply further. However, since mid-October prices of many agricultural products have declined. The advance in average wage rates in October was substantial.

Since mid-October the exchange value of the dollar against leading foreign currencies has moved in a narrow range. The U.S. foreign trade surplus in September remained substantial, as both exports and imports rose moderately. Bank-reported private capital flows appear to have shifted to net outflows since September, and the volume of offerings of new foreign bonds in the U.S. market has been at record levels.


$M_1$  rose at a 6.9 per cent annual rate from the average level during the second quarter to the average level during the third quarter. However,  $M_1$  grew relatively little in the months of the third quarter and it declined in October. Inflows of consumer-type time and savings deposits to banks and to nonbank thrift institutions remained moderate in October, and growth in  $M_2$  and  $M_3$  slowed further. Most short- and long-term interest rates have declined further in recent weeks. Conditions in markets for State and local government securities have continued to be adversely affected by New York's financial problems.

In light of the foregoing developments, it is the policy of the Federal Open Market Committee to foster financial conditions that will encourage continued economic recovery, while resisting inflationary pressures and contributing to a sustainable pattern of international transactions.

To implement this policy, while taking more than usual 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.

It was agreed that the next meeting of the Committee would be held on December 16, 1975, at 9:00 a.m.

The meeting adjourned.

  
Secretary