

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

Office Correspondence

Date FOMC: General
June 10, 1974

To Board Members (individually addressed) Subject: _____

From Arthur L. Broida _____

6/10/74

Attached is a copy of a telegram being sent today to the President-Members of the FOMC. If you concur in the Chairman's recommendation, please indicate by initialing below and returning this memorandum to my office.

Attachment

DATE COPY

T E L E G R A M 7

FEDERAL RESERVE COMMUNICATIONS SYSTEM

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
WASHINGTON

FIMC: General

June 10, 1974

CONFIDENTIAL (FR)

BLACK - RICHMOND
HAYES - NEW YORK
WINN - CLEVELAND
KIMBREL - ATLANTA
CLAY - KANSAS CITY

Federal funds rate thus far this statement week has averaged about 11.40 per cent, close to 11-1/2 per cent upper limit established by Committee. Manager advises that market psychology is delicately poised; expectations of declining interest rates had strengthened during past week, partly in conjunction with publicity attendant on reductions in prime rate by a number of banks. Although these expectations were dampened by System's outright bill sales on Friday, Manager believes it would be useful to have some additional leeway with respect to funds rate if necessary to counteract a resurgence of such expectations.

Against this background, Chairman Burns recommends raising upper limit of funds rate constraint to 11-3/4 per cent, on understanding that Desk will use additional leeway if market interest rates come under downward pressure or if monetary aggregates for May-June period appear to be testing upper limits of their tolerance ranges.

Please advise promptly whether you concur in Chairman's recommendation.

BROIDA

DATE COPY

FOMC: *Gene*
June 11, 1974

Board Members (individually addressed)

Arthur L. Broida

In reply to the telegram sent to the FOMC late yesterday concurrences have been received from all 12 members, Mr. Debs responded as alternate for Mr. Hayes.

ALB:ck

DATE *11/11* FILE