

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

Office Correspondence

Date August 4, 1977

To Board Members (individually addressed)

Subject: _____

From Murray Altmann

STRICTLY CONFIDENTIAL (FR)
CLASS I FOMC

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

Attachment

T E L E G R A M

FEDERAL RESERVE COMMUNICATIONS SYSTEM

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
WASHINGTON

August 4, 1977

STRICTLY CONFIDENTIAL (FR)
CLASS I FOMC

MORRIS - BOSTON
TIMLEN - NEW YORK
MAYO - CHICAGO
ROOS - ST. LOUIS
GUFFEY - KANSAS CITY

According to nearly final estimates, in July M-1 grew at an annual rate of about 18-1/2 per cent and M-2 at a rate of about 16-1/2 per cent. Staff projections for the July-August period suggest growth in M-1 and M-2 at rates of about 11-1/2 and 12-1/2 per cent, respectively, well above the 2-month ranges specified by the Committee in the directive issued at the July meeting.

Federal funds averaged 5.80 per cent in statement week ended August 3, up from 5.45 in the week ended July 27 and 5.35 per cent in the preceding 3 weeks. Desk is currently aiming at a funds rate of 5-3/4 per cent, the upper limit of the inter-meeting range specified in directive.

Chairman Burns recommends that upper limit of range for funds rate be increased to 6 per cent so that the Desk may have some additional leeway for operations, while continuing to take

T E L E G R A M

FEDERAL RESERVE COMMUNICATIONS SYSTEM

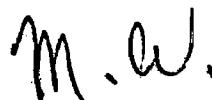
**BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
WASHINGTON**

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account of the current Treasury financing and financial market developments. He further recommends that this additional leeway be used very gradually, and only in the event that the aggregates continue to register values that go far beyond the Committee's objectives.

Please advise promptly whether you vote to approve Chairman's recommendation.

ALTMANN

Handwritten signature in cursive script, appearing to read "M. W." followed by a period.

T E L E G R A M

FEDERAL RESERVE COMMUNICATIONS SYSTEM

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
WASHINGTON

August 5, 1977

STRICTLY CONFIDENTIAL (FR)
CLASS I FOMC

BALLES - SAN FRANCISCO

The following is a copy of a telegram I sent late yesterday to President-Members of the FOMC. Owing to a misunderstanding, the telegram was sent to President Guffey even though he was not then in the Kansas City Bank and was not expected to be in today. In his absence, therefore, would you, as his alternate, please respond to the telegram as soon as possible.

"According to nearly final estimates, in July M-1 grew at an annual rate of about 18-1/2 per cent and M-2 at a rate of about 16-1/2 per cent. Staff projections for the July-August period suggest growth in M-1 and M-2 at rates of about 11-1/2 and 12-1/2 per cent, respectively, well above the 2-month ranges specified by the Committee in the directive issued at the July meeting.

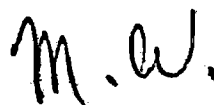
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"Chairman Burns recommends that upper limit of range for funds rate be increased to 6 per cent so that the Desk may have some additional leeway for operations, while continuing to take account of the current Treasury financing and financial market developments. He further recommends that this additional leeway be used very gradually, and only in the event that the aggregates continue to register values that go far beyond the Committee's objectives.

"Please advise promptly whether you vote to approve Chairman's recommendation."

ALTMANN

A handwritten signature in dark ink, appearing to read "M. W.", positioned below the typed name "ALTMANN".

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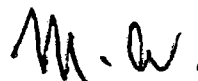
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STRICTLY CONFIDENTIAL (FR)
CLASS I FOMC

MORRIS - BOSTON
VOLCKER - NEW YORK
TIMLEN - NEW YORK
MAYO - CHICAGO
ROOS - ST. LOUIS
BALLES - SAN FRANCISCO

All available members of the Committee have voted to approve Chairman's recommendation, transmitted in my wire of yesterday, that upper limit of funds rate range be increased to 6 per cent. Messrs. Timlen and Balles voted as alternates for Messrs. Volcker and Guffey, respectively. Messrs. Coldwell, Gardner, and Lilly were absent and did not vote.

ALTMANN



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**BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
WASHINGTON**

August 5, 1977

STRICTLY CONFIDENTIAL (FR)
CLASS I FOMC

HOLMES - NEW YORK
STERNLIGHT - NEW YORK

All available members of the Committee have voted to approve Chairman's recommendation, transmitted in my wire of yesterday, that upper limit of funds rate range be increased to 6 per cent. Messrs. Timlen and Balles voted as alternates for Messrs. Volcker and Guffey, respectively. Messrs. Coldwell, Gardner, and Lilly were absent and did not vote.

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August 5, 1977

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EASTBURN - PHILADELPHIA
WINN - CLEVELAND
BLACK - RICHMOND
KIMBREL - ATLANTA
WILLES - MINNEAPOLIS
GUFFEY - KANSAS CITY
BAUGHMAN - DALLAS

For your information, the following wire was sent to the FOMC members late yesterday.

"According to nearly final estimates, in July M-1 grew at an annual rate of about 18-1/2 per cent and M-2 at a rate of about 16-1/2 per cent. Staff projections for the July-August period suggest growth in M-1 and M-2 at rates of about 11-1/2 and 12-1/2 per cent, respectively, well above the 2-month ranges specified by the Committee in the directive issued at the July meeting.

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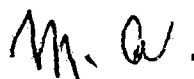
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"Chairman Burns recommends that upper limit of range for funds rate be increased to 6 per cent so that the Desk may have some additional leeway for operations, while continuing to take account of the current Treasury financing and financial market developments. He further recommends that this additional leeway be used very gradually, and only in the event that the aggregates continue to register values that go far beyond the Committee's objectives.

"Please advise promptly whether you vote to approve Chairman's recommendation."

All available members of the Committee have voted to approve the Chairman's recommendation with respect to the Federal funds rate set forth in my telegram of yesterday. Messrs. Timlen and Balles voted as alternates for Messrs. Volcker and Guffey, respectively. Governors Coldwell, Gardner, and Lilly were absent and did not vote.

ALTMANN



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Office Correspondence

Date August 5, 1977

To Chairman Burns

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From Murray Altmann *M.A.*

All available members of the Committee have voted to approve Chairman's recommendation, transmitted in my wire of yesterday, that upper limit of funds rate range be increased to 6 per cent. Messrs. Timlen and Balles voted as alternates for Messrs. Volcker and Guffey, respectively. Messrs. Coldwell, Gardner, and Lilly were absent and did not vote.

cc: Other Board Members

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Mr. Axilrod
Mr. Bernard
Mr. Coyne
Mr. Kichline
Mr. Etti
Mr. Keir
Mr. O'Connell
Mr. Reynolds
Mr. Truman