

Meeting of Federal Open Market Committee

May 27, 1969

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, May 27, 1969, at 9:30 a.m.

PRESENT: Mr. Martin, Chairman
Mr. Hayes, Vice Chairman
Mr. Bopp
Mr. Brimmer
Mr. Clay
Mr. Coldwell
Mr. Daane
Mr. Maisel
Mr. Mitchell
Mr. Robertson
Mr. Scanlon
Mr. Sherrill

Messrs. Francis, Heflin, and Swan, Alternate
Members of the Federal Open Market
Committee

Messrs. Kimbrel and Galusha, Presidents of
the Federal Reserve Banks of Atlanta and
Minneapolis, respectively

Mr. Holland, Secretary
Mr. Broida, Deputy Secretary
Mr. Molony, Assistant Secretary
Mr. Hexter, Assistant General Counsel
Mr. Partee, Economist
Messrs. Axilrod, Baughman, Eastburn, Gramley,
Green, Hersey, Link, Reynolds, Solomon,
and Tow, Associate Economists
Mr. Holmes, Manager, System Open Market
Account
Mr. Coombs, Special Manager, System Open
Market Account

5/27/69

-2-

Mr. Sherman, Consultant, Board of Governors
Mr. Cardon, Assistant to the Board of
Governors
Messrs. Coyne and Nichols, Special Assistants
to the Board of Governors
Mr. Williams, Adviser, Division of Research
and Statistics, Board of Governors
Mr. Wernick, Associate Adviser, Division of
Research and Statistics, Board of
Governors
Mr. Keir, Assistant Adviser, Division of
Research and Statistics, Board of
Governors
Mr. Bernard, Special Assistant, Office of
the Secretary, Board of Governors
Miss Eaton, Open Market Secretariat
Assistant, Office of the Secretary,
Board of Governors

Messrs. Latham and MacDonald, First Vice
Presidents of the Federal Reserve Banks
of Boston and Cleveland, respectively
Messrs. Taylor, Jones, and Craven, Senior
Vice Presidents of the Federal Reserve
Banks of Atlanta, St. Louis, and
San Francisco, respectively
Messrs. Eisenmenger, Hocter, and Snellings,
Vice Presidents of the Federal Reserve
Banks of Boston, Cleveland, and Richmond,
respectively
Mr. Duprey, Senior Economist, Federal
Reserve Bank of Minneapolis
Mr. Sandberg, Special Assistant, Securities
Department, Federal Reserve Bank of
New York

By unanimous vote, the minutes of actions taken at the
meeting of the Federal Open Market Committee held on April 29, 1969,
were approved.

The memorandum of discussion for the meeting of the Federal
Open Market Committee held on April 29, 1969, was accepted.

5/27/69

-3-

By unanimous vote, J. Charles Partee was elected Economist and Lyle E. Gramley, Associate Economist of the Federal Open Market Committee to serve until the first meeting of the Committee after February 28, 1970, with the understanding that in the event of the discontinuance of their official connection with the Board of Governors, they would cease to have any official connection with the Federal Open Market Committee.

By unanimous vote, the action of Committee members on May 14, 1969, approving equalization of System swap lines with the Netherlands Bank and the National Bank of Belgium at \$300 million each, and the conforming amendments to paragraph 2 of the authorization for System foreign currency operations, effective immediately, was ratified.

As a result of these actions, the table contained in paragraph 2 of the authorization for System foreign currency operations was amended, effective May 14, 1969, to read as follows:

<u>Foreign bank</u>	<u>Amount of arrangement (millions of dollars equivalent)</u>
Austrian National Bank	100
National Bank of Belgium	300
Bank of Canada	1,000
National Bank of Denmark	100
Bank of England	2,000
Bank of France	1,000
German Federal Bank	1,000

5/27/69

-4-

<u>Foreign bank</u>	<u>Amount of arrangement (millions of dollars equivalent)</u>
Bank of Italy	1,000
Bank of Japan	1,000
Bank of Mexico	130
Netherlands Bank	300
Bank of Norway	100
Bank of Sweden	250
Swiss National Bank	600
Bank for International Settlements:	
Dollars against Swiss francs	600
Dollars against authorized European currencies other than Swiss francs	1,000

By unanimous vote, the System open market transactions in foreign currencies during the period April 29 through May 26, 1969, were approved, ratified, and confirmed.

By unanimous vote, renewal for further periods of three months, if requested, of the two drawings by the Bank of England maturing in the period June 9-10, 1969, and totaling \$150 million, was authorized.

By unanimous vote, the open market transactions in Government securities, agency obligations, and bankers' acceptances during the period April 29 through May 26, 1969, 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 in the System Account in accordance with the following current economic policy directive:

5/27/69


-5-

The information reviewed at this meeting suggests that expansion in real economic activity is continuing to moderate slightly, but that substantial upward pressures on prices and costs are persisting. Interest rates have risen in recent weeks. Bank credit and the money supply appear to be changing little on average in May after bulging in April. The outstanding volume of large-denomination CD's has continued to decline, and the available evidence suggests only modest recovery in other time and savings deposits at banks and in savings balances at nonbank thrift institutions following the outflows of the first half of April. The U.S. balance of payments on the liquidity basis was in sizable deficit in the first 4 months of 1969 but the balance on the official settlements basis remained in surplus as a result of large inflows of Euro-dollars. However, there were substantial outflows of funds from the United States in the first half of May, during the period of intense speculation on a revaluation of the German mark, and the payments balance was in very large deficit on both bases. In light of the foregoing developments, it is the policy of the Federal Open Market Committee to foster financial conditions conducive to the reduction of inflationary pressures, with a view to encouraging a more sustainable rate of economic growth and attaining reasonable equilibrium in the country's balance of payments.

To implement this policy, System open market operations until the next meeting of the Committee shall be conducted with a view to maintaining the prevailing pressure on money and short-term credit markets; provided, however, that operations shall be modified if bank credit appears to be deviating significantly from current projections.

It was agreed that the next meeting of the Committee would be held on Tuesday, June 24, 1969, at 9:30 a.m.

The meeting adjourned.


Secretary