

Meeting of Federal Open Market Committee

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, April 17, 1973, at 9:30 a.m.

PRESENT: Mr. Burns, Chairman
Mr. Hayes, Vice Chairman
Mr. Balles
Mr. Brimmer
Mr. Bucher
Mr. Daane
Mr. Francis
Mr. Mitchell
Mr. Morris
Mr. Robertson
Mr. Sheehan
Mr. Winn, Alternate for Mr. Mayo

Messrs. Clay, Eastburn, and Kimbrel, Alternate Members of the Federal Open Market Committee

Messrs. MacLaury and Coldwell, Presidents of the Federal Reserve Banks of Minneapolis and Dallas, respectively

Mr. Holland, Secretary
Mr. Broida, Deputy Secretary
Messrs. Altmann and Bernard, Assistant Secretaries
Mr. Hackley, General Counsel
Mr. O'Connell, Assistant General Counsel
Mr. Partee, Senior Economist
Mr. Axilrod, Economist (Domestic Finance)
Messrs. Andersen, Bryant, Garvy, Hersey, Reynolds, Scheld, and Sims, Associate Economists
Mr. Holmes, Manager, System Open Market Account
Mr. Coombs, Special Manager, System Open Market Account

Mr. Melnicoff, Deputy Executive Director,
Board of Governors
Mr. Coyne, Assistant to the Board of
Governors
Messrs. Keir, Pierce, Wernick, and Williams,
Advisers, Division of Research and
Statistics, Board of Governors
Messrs. Gemmill and Pizer, Advisers, Division
of International Finance, Board of
Governors
Mr. Wendel, Chief, Government Finance Section,
Division of Research and Statistics,
Board of Governors
Mrs. Rehanek, Open Market Secretariat
Assistant, Office of the Secretary,
Board of Governors
Mrs. Sherman, Secretary, Office of the
Secretary, Board of Governors

Messrs. Black and Baughman, First Vice
Presidents, Federal Reserve Banks of
Richmond and Chicago, respectively
Messrs. Boehne, Parthemos, Taylor, and
Doll, Senior Vice Presidents, Federal
Reserve Banks of Philadelphia, Richmond,
Atlanta, and Kansas City, respectively
Messrs. Hocter and Green, Vice Presidents,
Federal Reserve Banks of Cleveland and
Dallas, respectively
Messrs. Anderson and Cooper, Assistant
Vice Presidents, Federal Reserve Banks
of Boston and New York, respectively
Mr. Duprey, Senior Economist, Federal
Reserve Bank of Minneapolis

By unanimous vote, the minutes of actions taken at the meeting of the Federal Open Market Committee on February 13, 1973, were approved.

The memoranda of discussion for the meetings of the Federal Open Market Committee on February 13 and March 7, 1973, were accepted.

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By unanimous vote, the open market transactions in Government securities, agency obligations, and bankers' acceptances during the period March 20 through April 16, 1973, were approved, ratified, and confirmed.

It was agreed that the authorization for the lending of Government securities from the System Open Market Account should be retained at this time.

By unanimous vote, transfer to the National Archives of the FOMC minutes of actions and memoranda of discussion for the year 1967, on the basis described in a memorandum from the Secretariat dated March 13, 1973, was authorized.

By unanimous vote, numbers 3 and 4 of the guidelines for the conduct of System operations in Federal agency issues were amended to read as follows:

3. System holdings of agency issues shall be modest relative to holdings of U.S. Government securities, and the amount and timing of System transactions in agency issues shall be determined with due regard for the desirability of avoiding undue market effects.

4. System holdings of maturing agency issues will be allowed to run off at maturity.

By unanimous vote, the System open market transactions in foreign currencies during the period March 20 through April 16, 1973, were approved, ratified, and confirmed.

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By unanimous vote, renewal for further periods of three months of the eight System swap drawings on the National Bank of Belgium maturing in the period May 2-23, 1973, was authorized.

By unanimous vote, renewal for further periods of three months of the two System swap drawings on the Swiss National Bank and the one drawing on the Bank for International Settlements maturing in the period May 9-16, 1973, was authorized.

By unanimous vote, 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 continued rapid growth in real output of goods and services in the first quarter, spurred by an extraordinary increase in consumption expenditures. Over the first 3 months of this year, employment rose strongly but the unemployment rate remained about 5 per cent. The recent advance in wage rates has been more moderate than in the latter part of 1972, but the increase in social security taxes in January added significantly to payroll costs. The rate of increase in prices stepped up very sharply in the first quarter. Prices of foods have continued to rise at wholesale and retail, and in both February and March increases in wholesale prices of industrial commodities were large and widespread. Foreign exchange markets have been relatively quiet since mid-March, and there has been a moderate reflow into dollars. The U.S. merchandise trade balance improved a little in January-February, when both exports and imports were sharply higher than in the fourth quarter of 1972.

Growth in both the narrowly and more broadly defined money stock slowed markedly in the first quarter following a bulge toward the close of last year. However, in the face of strong loan demand--especially from businesses--

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banks sharply increased their issuance of large-denomination CD's, and the bank credit proxy expanded very rapidly. Short-term market interest rates continued to rise until the beginning of April, but since then some rates--particularly those on Treasury bills--have declined. Rates on long-term market securities have moved down on balance in recent weeks.

In light of the foregoing developments, it is the policy of the Federal Open Market Committee to foster financial conditions conducive to abatement of inflationary pressures, a more sustainable rate of advance in economic activity, and progress toward equilibrium in the country's balance of payments.

To implement this policy, while taking account of forthcoming Treasury financing, 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 Federal Open Market Committee would be held on Tuesday, May 15, 1973, at 9:30 a.m.

The meeting adjourned.


Secretary