

Meeting of Federal Open Market Committee

December 16-17, 1974

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 Monday and Tuesday, December 16-17, 1974, beginning at 4:00 p.m. on Monday.

PRESENT: Mr. Burns, Chairman
Mr. Hayes, Vice Chairman
Mr. Black
Mr. Bucher
Mr. Clay
Mr. Goldwell
Mr. Holland
Mr. Kimbrel
Mr. Mitchell
Mr. Sheehan
Mr. Wallich
Mr. Winn

Messrs. Baughman, MacLaury, Mayo, and Morris,
Alternate Members of the Federal Open
Market Committee

Messrs. Eastburn, Francis, and Balles,
Presidents of the Federal Reserve Banks
of Philadelphia, St. Louis, and San
Francisco, respectively

Mr. Broida, Secretary
Mr. Altmann, Deputy Secretary
Mr. O'Connell, General Counsel
Mr. Guy,^{1/} Deputy General Counsel
Mr. Partee, Senior Economist
Mr. Axilrod, Economist (Domestic Finance)
Mr. Solomon, Economist (International Finance)

^{1/} Attended Tuesday session only.

Messrs. Brandt, Bryant, Davis, Doll, Gramley,^{1/}
 Hocter, Parthemos,^{1/} Pierce, and Reynolds,^{1/}
 Associate Economists

Mr. Holmes, Manager, System Open Market
 Account

Mr. Coombs, Special Manager, System Open
 Market Account

Mr. Wonnacott,^{1/} Associate Director, Division
 of International Finance, Board of
 Governors

Mr. O'Brien, Special Assistant to the Board
 of Governors

Messrs. Keir, Kichline,^{1/} and Wernick,^{1/}
 Advisers, Division of Research and
 Statistics, Board of Governors

Mr. Pizer,^{1/} Adviser, Division of International
 Finance, Board of Governors

Mr. Zeisel,^{1/} Associate Adviser, Division of
 Research and Statistics, Board of
 Governors

Mrs. Junz,^{1/} Associate Adviser, Division of
 International Finance, Board of Governors

Messrs. Taylor^{1/} and Wendel,^{1/} Assistant Advisers,
 Division of Research and Statistics, Board
 of Governors

Messrs. Siegman^{1/} and Truman,^{1/} Assistant
 Advisers, Division of International Finance,
 Board of Governors

Mr. Peret,^{1/} Assistant to the Director,
 Division of Research and Statistics,
 Board of Governors

Mr. Smith,^{1/} Chief, Financial Markets Section,
 Division of International Finance, Board
 of Governors

Messrs. Beeman^{1/} and Enzler,^{1/} Senior Economists,
 Division of Research and Statistics, Board
 of Governors

Mr. Roxon,^{1/} Senior Economist, Division of
 International Finance, Board of Governors

^{1/} Attended Monday session only.

Mr. Annable,^{1/} Economist, Division of Research and Statistics, Board of Governors
Miss Morisse,^{1/} Economist, Division of International Finance, Board of Governors
Mrs. Farar,^{2/} Economist, Division of Research and Statistics, Board of Governors
Miss Pruitt,^{1/} Economist, Open Market Secretariat, Board of Governors
Mrs. Ferrell, Open Market Secretariat Assistant, Board of Governors

Mr. Rankin, First Vice President, Federal Reserve Bank of Richmond
Messrs. Eisenmenger, Boehne, and Scheld, Senior Vice Presidents, Federal Reserve Banks of Boston, Philadelphia, and Chicago, respectively
Messrs. Jordan and Green, Vice Presidents, Federal Reserve Banks of St. Louis and Dallas, respectively
Mr. Kareken, Economic Adviser, Federal Reserve Bank of Minneapolis
Mr. Keran, Director of Research, Federal Reserve Bank of San Francisco
Ms. Tschinkel,^{2/} Manager, Securities Department, Federal Reserve Bank of New York

Secretary's note: All of the following actions were taken on Tuesday, December 17, 1974.

By unanimous vote, the minutes of actions taken at the meeting of the Federal Open Market Committee held on November 19, 1974, were approved.

The memorandum of discussion for the meeting of the Federal Open Market Committee held on November 19, 1974, was accepted.

^{1/} Attended Monday session only.
^{2/} Attended Tuesday session only.

By unanimous vote, the System open market transactions in foreign currencies during the period November 19 through December 16, 1974, were approved, ratified, and confirmed.

By unanimous vote, renewal for further periods of 3 months of two System drawings on the National Bank of Belgium, maturing on January 17 and 24, 1975, respectively, was authorized.

By unanimous vote, the open market transactions in Government securities, agency obligations, and bankers' acceptances during the period November 19 through December 16, 1974, were approved, ratified, and confirmed.

With Messrs. Mitchell and Wallich dissenting, 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 that real output of goods and services is falling substantially further in the current quarter. Price and wage increases are continuing large, although not so large as earlier this year. In November declines in industrial production and employment were sharp and widespread, and the unemployment rate increased further, from 6.0 to 6.5 per cent. In recent weeks additional production cutbacks and layoffs have been announced. The November rise in wholesale prices of industrial commodities, although substantial, remained well below the extraordinarily rapid rate in the first 8 months of the year.

Since mid-November the dollar has declined somewhat further against leading foreign currencies. In October the U.S. foreign trade deficit was reduced sharply for the second consecutive month, while there were continued net inflows of bank-reported private capital and of investments by oil-exporting countries.


Growth of the narrowly defined money stock increased in November to an annual rate of about 7 per cent. Net inflows of consumer-type time and savings deposits remained strong at banks and continued to improve at nonbank thrift institutions, and the more broadly defined money supply measures again expanded appreciably. Bank loans increased only moderately. Most market interest rates, after rising in the second half of November, subsequently turned down again. Yields on State and local government securities, however, continued under upward pressure. Effective December 9, Federal Reserve discount rates were reduced from 8 to 7-3/4 per cent.

In light of the foregoing developments, it is the policy of the Federal Open Market Committee to foster financial conditions conducive to resisting inflationary pressures, cushioning recessionary tendencies and encouraging resumption of real economic growth, and achieving equilibrium in the country's balance of payments.

To implement this policy, while taking account of developments in domestic and international financial markets, the Committee seeks to achieve bank reserve and money market conditions consistent with somewhat more rapid growth in monetary aggregates over the months ahead than has occurred in recent months.

It was agreed that the next meeting of the Committee would be held on January 21, 1975, at 9:30 a.m.

The meeting adjourned.


Secretary