



FEDERAL RESERVE

press release

For immediate release

November 18, 1968

The Board of Governors of the Federal Reserve System and the Federal Open Market Committee today released the attached record of policy actions taken by the Federal Open Market Committee at its meeting on August 19, 1968. Such records are made available approximately 90 days after the date of each meeting of the Committee and will be found in the Federal Reserve Bulletin and the Board's Annual Report.

Attachment

RECORD OF POLICY ACTIONS
OF THE FEDERAL OPEN MARKET COMMITTEE

Meeting held on August 19, 1968

Authority to effect transactions in System Account.

On Thursday, August 15, the Board of Governors of the Federal Reserve System approved a reduction from 5-1/2 to 5-1/4 per cent in the discount rate of the Federal Reserve Bank of Minneapolis.^{1/} In its announcement the Board stated that the change was primarily technical, to align the discount rate with the change in money market conditions that had occurred chiefly as a result of the enactment of the Federal tax increase and its related expenditure cuts. The purpose of today's meeting, which was held by telephone, was to consider the need for a revision of the Committee's current economic policy directive in light of the discount rate action.

Reports at this meeting indicated that the reaction in financial markets to the Board's discount rate announcement had been quite mild. Prices of Treasury notes and bonds had edged up slightly on Friday, August 16. The market rate on 3-month Treasury

^{1/} The reduction was effective August 16. Discount rates of the other Federal Reserve Banks were subsequently reduced to 5-1/4 per cent, with effective dates as follows: Richmond, August 19; Chicago, Cleveland, Kansas City, and Philadelphia, August 23; Boston, August 27; Dallas, August 28; and Atlanta, New York, St. Louis, and San Francisco, August 30.

8/19/68

-2-

bills--which had advanced from 5.05 per cent on August 12, the day before the Committee's previous meeting, to 5.17 per cent on August 15--declined the next day to 5.11 per cent. There had been no significant change in the effective rate on Federal funds, which had been fluctuating in a 6 to 6-1/4 per cent range in recent weeks. Staff projections still suggested that the bank credit proxy--daily-average member bank deposits--would increase at annual rates of 16 to 18 per cent in August and 5 to 7 per cent in September, even if there were some easing of day-to-day money market rates in the wake of discount rate reductions.

The Committee agreed that open market operations should be directed at facilitating orderly money market adjustments to reductions in Federal Reserve Bank discount rates. As at the preceding meeting, the desirability was noted of cushioning upward pressures on short-term interest rates if they should develop.

The Committee also agreed that operations should be modified if bank credit appeared to be deviating significantly from current projections, on the understanding that this proviso was to be implemented as a result of any downward deviations only if such deviations were of considerable magnitude.

8/19/68

-3-

The following current economic policy directive was issued to the Federal Reserve Bank of New York:

System open market operations until the next meeting of the Committee shall be conducted with a view to facilitating orderly adjustments in money market conditions to reductions in Federal Reserve Bank discount rates; provided, however, that operations shall be modified if bank credit appears to be deviating significantly from current projections.

Votes for this action: Messrs. Hayes, Brimmer, Daane, Galusha, Hickman, Kimbrel, Maisel, Robertson, Sherrill, and Bopp. Votes against this action: None.

Absent and not voting: Messrs. Martin, Mitchell, and Morris. (Mr. Bopp voted as alternate for Mr. Morris.)