Meeting of Federal Open Market Committee

January 20, 1976

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, January 20, 1976, at 9:00 a.m.

PRESENT: Mr. Burns, Chairman

Mr. Volcker, Vice Chairman

Mr. Baughman

Mr. Coldwell

Mr. Eastburn

Mr. Holland

Mr. Jackson

Mr. MacLaury

Mr. Mayo

Mr. Mitchell

Mr. Partee

Mr. Wallich

Messrs. Balles, Black, and Winn, Alternate Members of the Federal Open Market Committee

Messrs. Clay, Kimbrel, and Morris, Presidents of the Federal Reserve Banks of Kansas City, Atlanta, and Boston, respectively

Mr. Broida, Secretary

Mr. Altmann, Deputy Secretary

Mr. Bernard, Assistant Secretary

Mr. O'Connell, General Counsel

Mr. Axilrod, Economist (Domestic Finance)

Mr. Gramley, Economist (Domestic Business)

Mr. Solomon, Economist (International Finance)

Messrs. Boehne, Davis, Green, Kareken,

Reynolds, and Scheld, Associate Economists

- Mr. Holmes, Manager, System Open Market Account
- Mr. Pardee, Deputy Manager for Foreign Operations
- Mr. Sternlight, Deputy Manager for Domestic Operations
- Mr. Coyne, Assistant to the Board of Governors
- Messrs. Kichline and Zeisel, Associate Directors, Division of Research and Statistics, Board of Governors
- Mr. Keir, Adviser, Division of Research and Statistics, Board of Governors
- Mr. Gemmill, Adviser, Division of International Finance, Board of Governors
- Mrs. Farar, Economist, Open Market Secretariat, Board of Governors
- Mrs. Ferrell, Open Market Secretariat Assistant, Board of Governors
- Mr. Leonard, First Vice President, Federal Reserve Bank of St. Louis
- Messrs. Eisenmenger, Parthemos, Balbach, and Doll, Senior Vice Presidents, Federal Reserve Banks of Boston, Richmond, St. Louis, and Kansas City, respectively
- Messrs. Hocter, Brandt, and Keran, Vice Presidents, Federal Reserve Banks of Cleveland, Atlanta, and San Francisco, respectively
- Mr. Meek, Monetary Adviser, Federal Reserve Bank of New York

By unanimous vote, the minutes of actions taken at the meeting of the Federal Open Market Committee on December 16, 1975, were approved.

The memoranda of discussion for the meetings of the Federal Open Market Committee on November 18 and December 16, 1975, were

By unanimous vote, the System open market transactions in foreign currencies during the period December 16, 1975, through January 19, 1976, were approved, ratified, and confirmed.

By unanimous vote, renewal for further periods of 3 months of System drawings on the National Bank of Belgium, the Swiss National Bank, and the Bank for International Settlements, maturing in the period January 30 through February 28, 1976, was authorized. It was understood that the System's outstanding drawing of \$600 million on the Bank for International Settlements, maturing on February 13, 1976, would be transferred on that date to the Swiss National Bank under arrangements made between those two institutions.

By unanimous vote, the Committee approved an agreement with the Swiss National Bank for the sharing of losses incurred in the repayment of the System's swap liability to that Bank on the basis recommended by the Manager in his memorandum to the Committee dated January 15, 1976, subject to final approval by the Chairman on receipt of advice that the agreement was acceptable to the Board of Directors of the Swiss National Bank.

Secretary's note: Chairman Burns approved the agreement on February 2, 1976, following receipt of advice that the agreement was acceptable to the Board of Directors of the Swiss National Bank.

By unanimous vote, the open market transactions in Government securities, agency obligations, and bankers' acceptances during the period December 16, 1975, through January 19, 1976, 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 domestic policy directive:

The information reviewed at this meeting suggests that output of goods and services -- which had increased very sharply in the third quarter of 1975--expanded more moderately in the fourth quarter. In December retail sales rose sharply, but the increase in the fourth quarter as a whole was less than that in the third quarter. After having slowed over the preceding 2 months, the rise in industrial production and in nonfarm payroll employment accelerated in December. However, the unemployment rate remained at 8.3 per cent. as the civilian labor force grew about as much as total employment. The increase in average wholesale prices of industrial commodities was again relatively large, but average prices of farm products and foods declined sharply further. The index of average wage rates was unchanged in December, following 2 months of large increases.

The exchange value of the dollar against leading foreign currencies held steady in December but eased somewhat in early January. Another sizable foreign trade surplus was registered in November.

 $\rm M_1$ declined in December, and growth in $\rm M_2$ and $\rm M_3$ slowed considerably. At commercial banks, inflows of time and savings deposits other than large-denomination CD's slowed, despite a continuing build-up of business

savings accounts, while inflows of deposits to nonbank thrift institutions were relatively well maintained. In terms of quarterly averages, growth in $\mathbf{M_1}$ from the third to the fourth quarter was modest, while growth in $\mathbf{M_2}$ and $\mathbf{M_3}$ was more substantial. In recent weeks interest rates on both short- and long-term securities have declined appreciably. In mid-January Federal Reserve discount rates were reduced from 6 to 5-1/2 per cent.

In light of the foregoing developments, it is the policy of the Federal Open Market Committee to foster financial conditions that will encourage continued economic recovery, while resisting inflationary pressures and contributing to a sustainable pattern of international transactions.

To implement this policy, while taking account of developments in domestic and international financial markets, the Committee seeks to maintain prevailing bank reserve and money market conditions over the period immediately ahead, provided that monetary aggregates appear to be growing at about the rates currently expected.

It was agreed that the next meeting of the Committee would be held on Wednesday, February 18, 1976, at 9:00 a.m.

The meeting adjourned.

 Secretary	