

Meeting of the Federal Open Market Committee
June 30-July 1, 1992

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, June 30, 1992, at 2:30 p.m. and was continued on Wednesday, July 1, 1992, at 9:00 a.m.

PRESENT: Mr. Greenspan, Chairman
Mr. Corrigan, Vice Chairman
Mr. Angell
Mr. Hoenig
Mr. Jordan
Mr. Kelley
Mr. LaWare
Mr. Lindsey
Mr. Melzer
Mr. Mullins
Ms. Phillips
Mr. Syron

Messrs. Boehne, Keehn, McTeer, and Stern, Alternate
Members of the Federal Open Market Committee

Messrs. Black, Forrestal, and Parry, Presidents of
the Federal Reserve Banks of Richmond,
Atlanta, and San Francisco, respectively

Mr. Kohn, Secretary and Economist
Mr. Bernard, Deputy Secretary
Mr. Coyne, Assistant Secretary
Mr. Gillum, Assistant Secretary
Mr. Mattingly, General Counsel
Mr. Prell, Economist
Mr. Truman, Economist

Messrs. J. Davis, R. Davis, T. Davis, Lindsey,
Siegman, and Stockton, Associate Economists

Mr. McDonough, Manager for Foreign Operations,
System Open Market Account

Mr. Slifman, Associate Director, Division of
Research and Statistics, Board of Governors
Mr. Hooper, Assistant Director, Division of
International Finance, Board of Governors
Mr. Rosine,¹ Senior Economist, Division of
Research and Statistics, Board of Governors
Mr. Clouse,¹ Economist, Division of Monetary Affairs,
Board of Governors
Ms. Low, Open Market Secretariat Assistant,
Division of Monetary Affairs, Board of Governors

Messrs. Beebe, Broaddus, Lang, Ms. Lovett, Messrs.
Rolnick, Rosenblum, Scheld, and Ms. Tschinkel,
Senior Vice Presidents, Federal Reserve Banks
of San Francisco, Richmond, Philadelphia,
New York, Minneapolis, Dallas, Chicago, and
Atlanta, spectively

Mr. McNees, Vice President, Federal Reserve Bank of
Boston
Mr. Belongia, Assistant Vice President, Federal Reserve
Bank of St. Louis

Ms. Meulendyke, Manager, Open Market Operations, 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 May 19, 1992,
were approved.

By unanimous vote, System open market transactions in
government securities and federal agency obligations during the period
May 19, 1992, through June 29, 1992, were ratified.

Secretary's Note: The following actions were taken on
Wednesday, July 1, 1992.

By unanimous vote, the following broad policy statement and
the ranges for growth of M2 and M3 and nonfinancial debt in 1992 were
approved by the Committee:

The Federal Open Market Committee seeks
monetary and financial conditions that will foster
price stability and promote sustainable growth in
output. In furtherance of these objectives, the
Committee reaffirmed at this meeting the ranges it
had established in February for growth of M2 and M3
of 2-1/2 to 6-1/2 percent and 1 to 5 percent,
respectively, measured from the fourth quarter of
1991 to the fourth quarter of 1992. The Committee
anticipated that developments contributing to

1. Attended portion of meeting relating to the Committee's discussion
of the economic outlook and its longer-run objectives for monetary
and debt aggregates.

unusual velocity increases could persist in the second half of the year. The monitoring range for growth of total domestic nonfinancial debt also was maintained at 4-1/2 to 8-1/2 percent for the year.

With Ms. Phillips and Mr. Jordan dissenting, the following tentative ranges for growth of M2 and M3 and nonfinancial debt in 1993 were approved by the Committee:

For 1993, the Committee on a tentative basis set the same ranges as in 1992 for growth of the monetary aggregates and debt measured from the fourth quarter of 1992 to the fourth quarter of 1993. The behavior of the monetary aggregates will continue to be evaluated in the light of progress toward price level stability, movements in their velocities, and developments in the economy and financial markets.

With Messrs. LaWare and Melzer dissenting from the operational paragraph on policy implementation in the period immediately ahead, and Ms. Phillips and Mr. Jordan dissenting from the decision relating to the monetary growth ranges for 1993, 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 continues to suggest that economic activity is expanding at a moderate pace. Total nonfarm payroll employment increased somewhat further in May, but a surge in job seekers led to a sizable rise in the civilian unemployment rate to 7.5 percent. Industrial production rose appreciably further in May, partly reflecting continued recovery in motor vehicle assemblies. Growth in consumer spending has slackened after a sharp advance earlier this year. Although sales of new homes declined in May, single-family housing starts rebounded to a level close to the first-quarter pace. Recent data on orders and shipments of nondefense capital goods indicate appreciable increases in outlays for business equipment, and the trend of building contracts points to some

slowing of the decline in nonresidential construction. The nominal U.S. merchandise trade deficit increased in April and was substantially above its average rate in the first quarter. Incoming data on retail prices and labor costs suggest that inflation is slowing.

Most interest rates have changed little since the Committee meeting on May 19. In foreign exchange markets, the trade-weighted value of the dollar in terms of the other G-10 currencies declined further over the intermeeting period.

M2 and M3 changed little in May and appear to have contracted in June; both retail and large-denomination time deposits continued to run off rapidly. Through June, expansion of the two aggregates was somewhat below the lower ends of the ranges established by the Committee for the year.

The Federal Open Market Committee seeks monetary and financial conditions that will foster price stability and promote sustainable growth in output. In furtherance of these objectives, the Committee reaffirmed at this meeting the ranges it had established in February for growth of M2 and M3 of 2-1/2 to 6-1/2 percent and 1 to 5 percent, respectively, measured from the fourth quarter of 1991 to the fourth quarter of 1992. The Committee anticipated that developments contributing to unusual velocity increases could persist in the second half of the year. The monitoring range for growth of total domestic nonfinancial debt also was maintained at 4-1/2 to 8-1/2 percent for the year. For 1993, the Committee on a tentative basis set the same ranges as in 1992 for growth of the monetary aggregates and debt measured from the fourth quarter of 1992 to the fourth quarter of 1993. The behavior of the monetary aggregates will continue to be evaluated in the light of progress toward price level stability, movements in their velocities, and developments in the economy and financial markets.

In the implementation of policy for the immediate future, the Committee seeks to maintain the existing degree of pressure on reserve positions. In the context of the Committee's long-run objectives for price stability and sustainable economic growth, and giving careful consideration to economic, financial, and monetary developments, slightly greater reserve restraint might or

slightly lesser reserve restraint would be acceptable in the intermeeting period. The contemplated reserve conditions are expected to be consistent with growth of M2 and M3 over the period from June through September at annual rates of about 2 and 1/2 percent, respectively.

It was agreed that the next meeting of the Committee would be held on Tuesday, August 18, 1992.

The meeting adjourned.

Secretary