BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

Office Correspondence

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To Federal Open Market Committee

Subject: Fiscal Policy Simulations

From Michael Prell

STRICTLY CONFIDENTIAL (FR)
CLASS I - FOMC

Below are M2 growth rates that model simulations indicate would be consistent with the three scenarios sketched in chart 9 in yesterday's presentation. As were the other data in the chart, these numbers are deviations from a baseline M2 path.

	Percent change, Q4 to Q4		
	1990	1991	1992
Baseline interest rates	0	-1.1	-2.9
Real GNP held to baseline			
Without "credibility"	0.6	1.5	0.2
With "credibility"	0.1	0.8	0.3