

Meeting of Federal Open Market Committee

October 6, 1979

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 Saturday, October 6, 1979, beginning at 10:10 a.m.

PRESENT: Mr. Volcker, Chairman
Mr. Balles
Mr. Black
Mr. Coldwell
Mr. Kimbrel
Mr. Mayo
Mr. Partee
Mr. Rice
Mr. Schultz
Mrs. Teeters
Mr. Wallich

Messrs. Guffey, Morris, Roos, Timlen, and Winn,
Alternate Members of the Federal Open Market
Committee

Messrs. Baughman and Eastburn, Presidents of
the Federal Reserve Banks of Dallas and
Philadelphia, respectively

Mr. Altmann, Secretary
Mr. Bernard, Assistant Secretary
Mr. Petersen, General Counsel
Mr. Axilrod, Economist
Mr. Holmes, Adviser for Market Operations

Messrs. Ettin, Kichline, and Truman, Associate
Economists

Mr. Sternlight, Manager for Domestic
Operations, System Open Market Account
Mr. Pardee, Manager for Foreign Operations,
System Open Market Account

Mr. Allison, Secretary of the Board of
Governors

10/6/79

- 2 -

Mr. Coyne, Assistant to the Board of
Governors
Mr. Beck, Senior Economist, Banking
Section, Division of Research and
Statistics, Board of Governors
Ms. Farar, Economist, Open Market Secre-
tariat, Board of Governors

Mr. Corrigan, Vice President, Federal
Reserve Bank of New York

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:

Taking account of past and prospective developments in employment, unemployment, production, investment, real income, productivity, international trade and payments, and prices, the Federal Open Market Committee seeks to foster monetary and financial conditions that will resist inflationary pressures while encouraging moderate economic expansion and contributing to a sustainable pattern of international transactions. At its meeting on July 11, 1979, the Committee agreed that these objectives would be furthered by growth of M-1, M-2, and M-3 from the fourth quarter of 1978 to the fourth quarter of 1979 within ranges of 1-1/2 to 4-1/2 percent, 5 to 8 percent, and 6 to 9 percent respectively, the same ranges that had been established in February. The range for M-1 had been established on the basis of an assumption that expansion of ATS and NOW accounts would dampen growth by about 3 percentage points over the year. It now appears that expansion of such accounts will dampen growth by about 1-1/2 percentage points over the year; thus, the equivalent range for M-1 is now 3 to 6 percent. The associated range for bank credit is 7-1/2 to 10-1/2 percent. The Committee anticipates that for the period from the fourth quarter of 1979 to the fourth quarter of 1980, growth may be within the same ranges, depending upon emerging economic conditions and appropriate adjustments that may be required by legislation or judicial developments affecting interest-bearing transactions accounts. These ranges will be reconsidered at any time as conditions warrant.

10/6/79

- 3 -

In the short run, the Committee seeks to restrain expansion of reserve aggregates to a pace consistent with deceleration in growth of M-1, M-2, and M-3 in the fourth quarter of 1979 to rates that would hold growth of these monetary aggregates over the whole period from the fourth quarter of 1978 to the fourth quarter of 1979 within the Committee's longer-run ranges, provided that in the period before the next regular meeting the weekly average federal funds rate remains within a range of 11-1/2 to 15-1/2 percent. The Committee will consider the need for supplementary instructions if it appears that operations to restrain expansion of reserve aggregates would maintain the federal funds rate near the upper limit of its range.

The meeting adjourned.

Secretary