

Meeting of the Federal Open Market Committee

November 13, 1990

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, November 13, 1990, at 1:30 p.m.

PRESENT: Mr. Greenspan, Chairman
Mr. Corrigan, Vice Chairman
Mr. Angell
Mr. Boehne
Mr. Boykin
Mr. Hoskins
Mr. Kelley
Mr. LaWare
Mr. Mullins
Ms. Seger
Mr. Stern

Messrs. Black, Forrestal, Keehn, and Parry, Alternate
Members of the Federal Open Market Committee

Messrs. Guffey, Melzer, and Syron, Presidents of the
Federal Reserve Banks of Kansas City, St. Louis,
and Boston, respectively

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

Messrs. J. Davis, R. Davis, Promisel, Rolnick,
Rosenblum, Siegman, Simpson, and
Stockton, Associate Economists

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

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

Mr. Coyne, Assistant to the Board, Board of Governors
Mr. Ettin, Deputy Director, Division of Research and
Statistics, Board of Governors
Mr. Slifman, Associate Director, Division of Research
and Statistics, Board of Governors
Mr. Madigan, Assistant Director, Division of Monetary
Affairs, Board of Governors
Ms. Low, Open Market Secretariat Assistant, Division of
Monetary Affairs, Board of Governors

Mr. Guynn, First Vice President, Federal Reserve Bank of
Atlanta

Messrs. Balbach, Beebe, Broaddus, T. Davis, Ms. Munnell,
and Mr. Scheld, Senior Vice Presidents, Federal Reserve
Banks of St. Louis, San Francisco, Richmond,
Kansas City, Boston, and Chicago, respectively

Ms. Lovett and Mr. Meyer, Vice Presidents, Federal
Reserve Banks of New York and Philadelphia,
respectively

By unanimous vote, the minutes of actions taken at the meeting of
the Federal Open Market Committee held on October 2, 1990, were approved.

By unanimous vote, System open market transactions in government
securities and federal agency obligations during the period October 2,
1990, through November 12, 1990, were ratified.

By unanimous vote, the Committee authorized the renewal for
further periods of one year of the System's reciprocal currency ("swap")
arrangements having the amounts and maturity dates indicated below:

<u>Foreign Bank</u>	Amount of arrangement (millions of \$ equivalent)	Term (months)	Maturity date
Austrian National Bank	\$ 250.0	12 mos.	12/04/90
Bank of England	3,000.0	"	12/04/90
Bank of Japan	5,000.0	"	12/04/90
Bank of Mexico	700.0	"	12/04/90
Bank of Norway	250.0	"	12/04/90
Bank of Sweden	300.0	"	12/04/90
Swiss National Bank	4,000.0	"	12/04/90
Bank for International Settlements--			
Swiss francs	600.0	"	12/04/90
Other authorized			
European currencies	1,250.0	"	12/04/90
National Bank of Belgium	1,000.0	"	12/18/90
Bank of Canada	2,000.0	"	12/28/90
National Bank of Denmark	250.0	"	12/28/90
Bank of France	2,000.0	"	12/28/90
German Federal Bank	6,000.0	"	12/28/90
Bank of Italy	3,000.0	"	12/28/90
Netherlands Bank	500.0	"	12/28/90

By unanimous vote, the Committee authorized the removal of the reference to the intermeeting federal funds range in the operational paragraph of the domestic policy directive.

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 a weakening in economic activity. Total nonfarm payroll employment declined further in October, reflecting sizable job losses in manufacturing and construction; the civilian unemployment rate held steady at 5.7 percent. Industrial production declined sharply in October after rising moderately during the summer. Consumer spending is estimated to have flattened out in real terms over August and September when a surge in energy prices caused a substantial drop in real disposable income. Advance indicators of business capital spending point to considerable softening in investment in coming months. Residential construction weakened further in the third quarter.

The nominal U.S. merchandise trade deficit widened substantially in July-August from its average rate in the second quarter as imports strengthened. Markedly higher oil prices have boosted consumer and producer prices in recent months. The latest data on labor costs suggest some slight improvement from earlier trends.

Most interest rates have fallen somewhat since the Committee meeting on October 2. In foreign exchange markets, the trade-weighted value of the dollar in terms of the other G-10 currencies has declined considerably further over the intermeeting period.

In October, M2 grew only slightly after two months of relatively rapid expansion, while M3 was about unchanged. Through October, expansion of M2 was estimated to be somewhat below the middle of the Committee's range for the year and growth of M3 near the lower end of its range. Expansion of total domestic nonfinancial debt appears to have been near the midpoint of its monitoring range.

The Federal Open Market Committee seeks monetary and financial conditions that will foster price stability, promote growth in output on a sustainable basis, and contribute to an improved pattern of international transactions. In furtherance of these objectives, the Committee at its meeting in July reaffirmed the range it had established in February for M2 growth of 3 to 7 percent, measured from the fourth quarter of 1989 to the fourth quarter of 1990. The Committee in July also retained the monitoring range of 5 to 9 percent for the year that it had set for growth of total domestic nonfinancial debt. With regard to M3, the Committee recognized that the on-going restructuring of thrift depository institutions had depressed its growth relative to spending and total credit more than anticipated. Taking account of the unexpectedly strong M3 velocity, the Committee decided in July to reduce the 1990 range to 1 to 5 percent. For 1991, the Committee agreed on provisional ranges for monetary growth, measured from the fourth quarter of 1990 to the fourth quarter of 1991, of 2-1/2 to 6-1/2 percent for M2 and 1 to 5 percent for M3. The Committee tentatively set the associated monitoring range for growth of total domestic nonfinancial debt at 4-1/2 to 8-1/2 percent for 1991. 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 decrease slightly the existing degree of pressure on reserve positions. Taking account of progress toward price stability, the strength of the business expansion, the behavior of the monetary aggregates, and developments in foreign exchange and domestic financial markets, slightly greater reserve restraint might or somewhat lesser reserve restraint would be acceptable in the inter-meeting period. The contemplated reserve conditions are expected to be consistent with growth of both M2 and M3 over the period from September through December at annual rates of about 1 to 2 percent.

It was agreed that the next meeting of the Committee would be held on Tuesday, December 18, 1990.

The meeting adjourned.

Secretary