

Meeting of the Federal Open Market Committee
November 5, 1991
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 5, 1991, at 9:00 a.m.

PRESENT: Mr. Greenspan, Chairman
Mr. Corrigan, Vice Chairman
Mr. Angell
Mr. Black
Mr. Forrestal
Mr. Keehn
Mr. Kelley
Mr. LaWare
Mr. Mullins
Mr. Parry

Messrs. Hoenig, Melzer, and Syron, Alternate
Members of the Federal Open Market Committee

Messrs. Boehne, McTeer, and Stern, Presidents of
the Federal Reserve Banks of Philadelphia,
Dallas, and Minneapolis, respectively

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

Messrs. Broaddus, R. Davis, Lindsey, Promisel,
Scheld, Siegman, Simpson, Slifman, and
Ms. Tschinkel, Associate Economists

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

Mr. Ettin, Deputy 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

Messrs. Hendricks and Salvaggio, First Vice Presidents, Federal Reserve Banks of Cleveland and Dallas, respectively

Messrs. Balbach, J. Davis, T. Davis, Ms. Greene, Mr. Lang, Ms. Munnell, and Mr. Rolnick, Senior Vice Presidents, Federal Reserve Banks of St. Louis, Cleveland, Kansas City, New York, Philadelphia, Boston, and Minneapolis, respectively

Mr. Judd and Ms. White, Vice Presidents, Federal Reserve Banks of San Francisco and New York, respectively

By unanimous vote, the minutes of actions taken at the meeting of the Federal Open Market Committee held on October 1, 1991, were approved.

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>	<u>Amount of arrangement (millions of \$ equivalent)</u>	<u>Term (months)</u>	<u>Maturity date</u>
Austrian National Bank	\$ 250.0	12 mos.	12/04/91
Bank of England	3,000.0	"	12/04/91
Bank of Japan	5,000.0	"	12/04/91
Bank of Mexico	700.0	"	12/04/91
Bank of Norway	250.0	"	12/04/91
Bank of Sweden	300.0	"	12/04/91
Swiss National Bank	4,000.0	"	12/04/91
Bank for International Settlements--			
Swiss francs	600.0	"	12/04/91
Other authorized European currencies	1,250.0	"	12/04/91
National Bank of Belgium	1,000.0	"	12/18/91
Bank of Canada	2,000.0	"	12/28/91
National Bank of Denmark	250.0	"	12/28/91
Bank of France	2,000.0	"	12/28/91
German Federal Bank	6,000.0	"	12/28/91
Bank of Italy	3,000.0	"	12/28/91
Netherlands Bank	500.0	"	12/28/91

By unanimous vote, System open market transactions in government securities and federal agency obligations during the period October 1, 1991, through November 4, 1991, were ratified.

By unanimous vote, paragraph 1.A of the Authorization for Domestic Open Market Operations was amended to raise from \$8 billion to \$10 billion the dollar limit on intermeeting changes in System Account holdings of U.S. government and federal agency securities for the intermeeting period through December 17, 1991.

With Messrs. Angell and Kelley dissenting, 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 portrays a sluggish economy and a marked deterioration in business and consumer confidence. Total nonfarm payroll employment was unchanged in October after rising slightly over the third quarter, and the civilian unemployment rate edged back up to 6.8 percent. Industrial production has been flat in recent months. Consumer spending increased considerably through the summer, in part because of a sizable rise in expenditures on motor vehicles; sales of motor vehicles slowed in October, however. Real outlays for business equipment--especially for computers--have been rising, but nonresidential construction has continued to decline. Housing starts and home sales have weakened recently. The nominal U.S. merchandise trade deficit in July-August was significantly above its average rate in the second quarter. Wage and price increases have continued to trend downward.

Short-term interest rates have declined somewhat further since the Committee meeting on October 1, while bond yields are about unchanged to slightly higher on balance. The trade-weighted value of the dollar in terms of the other G-10 currencies declined on balance over the intermeeting period.

Expansion in M2 and M3 resumed in October, albeit at a slow pace. For the year through October, expansion of both M2 and M3 is estimated to have been at the lower ends of the Committee's ranges.

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 at its meeting in July reaffirmed 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 1990 to the fourth quarter of 1991. 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 1992, on a tentative basis, the Committee agreed in July to use the same ranges as in 1991 for growth in each of the monetary aggregates and debt, measured from the fourth quarter of 1991 to the fourth quarter of 1992. With regard to M3, the Committee anticipated that the ongoing restructuring of thrift depository institutions would continue to depress the growth of this aggregate relative to spending and total credit. 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 somewhat the existing degree of pressure on reserve positions. Depending upon progress toward price stability, trends in economic activity, the behavior of the monetary aggregates, and developments in foreign exchange and domestic financial markets, 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 September through December at annual rates of about 3 and 1 percent, respectively.

It was agreed that the next meeting of the Committee would be held on Tuesday, December 17, 1991.

The meeting adjourned.

Secretary