Meeting of the Federal Open Market Committee
December 17, 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, December 17, 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. Lindsey
Mr. Mullins
Mr. Parry
Ms. Phillips

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

Messrs. Beebe, 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
Ms. Low, Open Market Secretariat Assistant, Division of Monetary Affairs, Board of Governors

Mr. Hendricks, First Vice President, Federal Reserve Bank of Cleveland
Messrs. J. Davis, T. Davis, Ms. Greene, Messrs. Lang, Rolnick, and Rosenblum, Senior Vice Presidents, Federal Reserve Banks of Cleveland, Kansas City, New York, Philadelphia, Minneapolis, and Dallas, respectively

Messrs. Frydl, Goodfriend, and McNees, Vice Presidents, Federal Reserve Banks of New York, Richmond, and Boston, respectively

Mr. Belongia, Assistant Vice President, Federal Reserve Bank of St. Louis
Ms. Meulendyke, Manager, Open Market Operations, Federal Reserve Bank of New York

Effective January 6, 1992, William J. McDonough was selected by unanimous vote to serve at the pleasure of the Committee in the capacity of Manager for Foreign Operations, System Open Market Account, on the understanding that his selection was subject to his being satisfactory to the Federal Reserve Bank of New York.

Secretary's Note: Advice was subsequently received that the selection indicated above was satisfactory to the board of directors of the 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 November 5, 1991, were approved.

By unanimous vote, System open market transactions in foreign currencies during the period November 5, 1991, through December 16, 1991, were ratified.

By unanimous vote, the Committee approved the renewal for one year of the System's reciprocal currency arrangement with the Netherlands Bank, including a modification relating to the interest rate on drawings initiated by the System.
By unanimous vote, System open market transactions in
government securities and federal agency obligations during the period
November 5, 1991, through December 16, 1991, were ratified.

With Mr. LaWare 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 continues
to portray a sluggish economy and a depressed state of
business and consumer confidence. Total nonfarm pay-
roll employment fell sharply in November; however, the
average workweek in the private nonfarm sector edged up
and the civilian unemployment rate remained at 6.8
percent. Industrial production fell in November,
partly reflecting a sizable drop in motor vehicle
assemblies. Consumer spending has been soft on balance
in recent months. Real outlays for business equipment
appear to be rising slowly, and nonresidential con-
struction has continued to decline. Housing starts
were appreciably higher on average in October and
November than in the third quarter. The nominal U.S.
merchandise trade deficit widened slightly further in
September; the deficit in the third quarter was sub-
stantially larger than in the second quarter. Wage and
price increases have continued to trend downward.

Interest rates have declined appreciably since the
Committee meeting on November 5. The Board of
Governors approved a reduction in the discount rate
from 5 to 4-1/2 percent on November 6. 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; the dollar
depreciated primarily against the mark and other
European currencies.

Expansion in M2 and M3 edged up in November from a
slow pace in October; the slightly faster growth re-
flected a strengthening in the most liquid components
of the aggregates. For the year through November,
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 sta-
bility and promote sustainable growth in output. In
furtherance of these objectives, the Committee at its
meeting in July reaffirmed the ranges it had estab-
lished 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 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 somewhat 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 November through March at annual rates of about 3 and 1-1/2 percent, respectively.

It was agreed that the next meeting of the Committee would be held on Tuesday-Wednesday, February 4-5, 1992.

The meeting adjourned.

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Secretary