

Meeting of the Federal Open Market Committee
November 17, 1992

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 17, 1992, at 9:00 a.m.

PRESENT: Mr. Greenspan, Chairman
Mr. Corrigan, Vice Chairman
Mr. Angell
Mr. Hoenig
Mr. Jordan
Mr. Kelley
Mr. LaWare
Mr. Lindsey
Mr. Melzer
Mr. Mullins
Ms. Phillips
Mr. Syron

Messrs. Boehne, Keehn, McTeer, and Stern, Alternate
Members of the Federal Open Market Committee

Messrs. Black, Forrestal, and Parry, Presidents of
the Federal Reserve Banks of Richmond,
Atlanta, and San Francisco, 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. J. Davis, R. Davis, T. Davis, Ms. Munnell,
Messrs. Lindsey, Promisel, Siegman, and
Stockton, Associate Economists

Mr. McDonough, Manager of the System Open Market
Account

Ms. Greene, Deputy Manager for Foreign
Operations

Ms. Lovett, Deputy Manager for Domestic
Operations

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. Wiles,¹ Secretary, Office of the Secretary, Board of Governors
Mr. Winn,¹/ Assistant to the Board, Office of Board Members,² Board of Governors
Mr. Porter,² Assistant Director, Division of Monetary Affairs, Board of Governors
Mr. Siciliano,¹/ Senior Attorney, Legal Division, Board of Governors
Mr. Feinman,²/ Economist, Division of Monetary Affairs, Board of Governors
Mr. Moore,¹/ Special Assistant to the Board, Office of Board Members, Board of Governors
Ms. Low, Open Market Secretariat Assistant, Division of Monetary Affairs, Board of Governors

Messrs. Beebe, Broaddus, Dewald, Lang, Rosenblum, Scheld, and Ms. Tschinkel, Senior Vice Presidents, Federal Reserve Banks of San Francisco, Richmond, St. Louis, Philadelphia, Dallas, Chicago, and Atlanta, respectively

Mr. Guentner, Assistant Vice President, Federal Reserve Bank of New York

Mr. Weber, Senior Research Officer, Federal Reserve Bank of Minneapolis

By unanimous vote, the minutes of actions taken at the meeting of the Federal Open Market Committee held on October 6, 1992, 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:

-
1. Attended portion of meeting relating to Congressional request for more detailed and prompt reports of Committee deliberations.
 2. Attended portion of meeting pertaining to a review of the Committee's tentative ranges for monetary growth in 1993.

<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.	12/04/92
Bank of England	3,000.0	"	12/04/92
Bank of Japan	5,000.0	"	12/04/92
Bank of Mexico	700.0	"	12/04/92
Bank of Norway	250.0	"	12/04/92
Bank of Sweden	300.0	"	12/04/92
Swiss National Bank	4,000.0	"	12/04/92
Bank for International Settlements--			
Swiss francs	600.0	"	12/04/92
Other authorized European currencies	1,250.0	"	12/04/92
National Bank of Belgium	1,000.0	"	12/18/92
Bank of Canada	2,000.0	"	12/28/92
National Bank of Denmark	250.0	"	12/28/92
Bank of France	2,000.0	"	12/28/92
German Federal Bank	6,000.0	"	12/28/92
Bank of Italy	3,000.0	"	12/28/92
Netherlands Bank	500.0	"	12/28/92

By unanimous vote, System open market transactions in government securities and federal agency obligations during the period October 6, 1992, through November 16, 1992, were ratified.

By unanimous vote, paragraph 1.A of the Authorization for Domestic Open Market Operations was amended to raise from \$8 billion to \$11 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 22, 1992.

With Messrs. Jordan, LaWare, and Melzer 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 suggests that economic activity has been expanding at a moderate pace. Total nonfarm payroll employment was up slightly in October after declining in the previous two months,

and the civilian unemployment rate edged down to 7.4 percent. Industrial production rose somewhat in October. Retail sales increased considerably in September and October. There was some strengthening in residential construction activity over the summer months. Outlays for business equipment have continued to increase, and recent data on orders for nondefense capital goods point to further growth in the near term; expenditures for nonresidential construction have remained weak. The nominal U.S. merchandise trade deficit widened somewhat in July-August from its average rate in the second quarter. Recent data on wages and prices have been mixed but suggest on balance a continuing trend toward lower inflation.

Most interest rates have increased appreciably since the Committee meeting on October 6. In foreign exchange markets, the trade-weighted value of the dollar in terms of the other G-10 currencies rose very substantially over the intermeeting period.

M2 has expanded at a moderate pace since mid-summer, with all of its growth stemming from its M1 component, while M3 grew slowly. Through October, both aggregates were estimated to have grown at rates a little below the lower ends of the ranges established by the Committee for the year.

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 on June 30-July 1 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 1991 to the fourth quarter of 1992. The Committee anticipated that developments contributing to unusual velocity increases could persist in the second half of the year. The monitoring range for growth of total domestic non-financial debt also was maintained at 4-1/2 to 8-1/2 percent for the year. For 1993, the Committee on a tentative basis set the same ranges as in 1992 for growth of the monetary aggregates and debt measured from the fourth quarter of 1992 to the fourth quarter of 1993. 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 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 3-1/2 and 1 percent, respectively.

It was agreed that the next meeting of the Committee would be held on Monday, December 21, 1992. 3/

The meeting adjourned.

Secretary

-
3. Secretary's note: Following the meeting, in response to requests from several members, Chairman Greenspan changed the meeting date to Tuesday, December 22, 1992.