

FEDERAL RESERVE press release



For Use at 4:10 p.m.

May 22, 1981

The Federal Reserve Board and the Federal Open Market Committee today released the attached record of policy actions taken by the Federal Open Market Committee at its meeting on March 31, 1981. This record also includes policy actions taken during the period between the meeting on March 31, 1981, and the next regularly scheduled meeting held on May 18, 1981.

Such records for each meeting of the Committee are made available a few days after the next regularly scheduled meeting and are published in the Federal Reserve Bulletin and the Board's Annual Report. The summary descriptions of economic and financial conditions they contain are based solely on the information that was available to the Committee at the time of the meeting.

Attachment

RECORD OF POLICY ACTIONS
OF THE FEDERAL OPEN MARKET COMMITTEE

Meeting held on March 31, 1981

1. Domestic policy directive

The information reviewed at this meeting suggested that real gross national product expanded substantially in the first quarter of 1981, but there were signs of a slowing of the expansion in economic activity during the quarter. Average prices, as measured by the fixed-weight price index for gross domestic business product, continued to rise rapidly.

The dollar value of retail sales advanced appreciably further over the first two months of the year, following a sizable gain over the second half of 1980. Increases in the value of sales in the two-month period were fairly widespread and were especially strong in the automotive group, at general merchandise stores, and at gasoline service stations. Unit sales of new domestic automobiles surged in late February and remained strong through the first 20 days of March, largely because of price concessions.

The index of industrial production declined an estimated 0.5 percent in February, after three months of diminishing gains. Capacity utilization in manufacturing edged up in January but declined 0.7 percentage point in February to 79.3 percent.

Private housing starts dropped in February to an annual rate of about 1.2 million units; during the preceding six months housing starts

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had been in a range of 1.4 million to 1.6 million units. Newly issued permits for residential construction edged down in January and declined sharply in February. Combined sales of new and existing homes fell in January for the fourth consecutive month.

Nonfarm payroll employment changed little in February following a large increase in January, and the unemployment rate, at 7.3 percent, was essentially unchanged. Employment continued to expand in trade and service establishments but declined sharply in construction. In manufacturing, employment growth slowed further and the average workweek fell 0.6 hour to 39.8 hours.

The Department of Commerce survey of business spending plans taken in January and February suggested that current-dollar expenditures for plant and equipment would rise about 10-1/4 percent in 1981, following an expansion of about 9-1/4 percent in 1980. The survey results implied that constant-dollar outlays would change little in 1981 from their level in 1980.

Producer prices of finished goods rose at an annual rate of about 10-1/4 percent in January and February, close to the average rate in the second half of 1980. The rise in the consumer price index slowed in January to an annual rate of about 8-3/4 percent but accelerated in February to a rate of 11-1/2 percent. Over the two-month period food prices rose only slightly on balance, and the rise in homeownership costs slowed substantially. But prices of energy items surged, reflecting in large part the effects of decontrol of oil prices. The rise in the index of average hourly earnings of

private nonfarm production workers was little changed from the pace recorded during 1980.

In foreign exchange markets the trade-weighted value of the dollar against major foreign currencies rose further following the Committee's meeting in early February to a peak at midmonth. Subsequently, the dollar declined somewhat on balance, as short-term interest rates in continental European countries rose appreciably, both in absolute terms and relative to interest rates on dollar-denominated assets. In the days immediately preceding this meeting the dollar traded at rates somewhat above the level prevailing at the time of the last meeting. The U.S. trade deficit in January and February was at about the average monthly rate of the final quarter of 1980. The value of imports rose substantially, in association with the expansion in U.S. economic activity, and the value of exports also rose markedly.

At its meeting on February 2-3, the Committee had decided that open market operations in the period until this meeting should be directed toward expansion of reserve aggregates associated with growth in M-1A and M-1B over the period from December to March at annual rates of 5 to 6 percent and in M-2 of about 8 percent, abstracting from the impact of flows into NOW accounts. Those rates were associated with growth of M-1A, M-1B, and M-2 from the fourth quarter of 1980 to the first quarter of 1981 at annual rates of about 2 percent, 2-3/4 percent, and 7 percent respectively. If it appeared during the period before the next regular meeting that fluctuations in the federal funds rate, taken over a period of time, within a range of 15 to 20 percent were likely to be inconsistent with the monetary and

related reserve paths, the Manager for Domestic Operations was promptly to notify the Chairman, who would then decide whether the situation called for supplementary instructions from the Committee.

Early in the intermeeting period, incoming data for the latter part of January and the early weeks of February indicated that a shortfall in growth of the narrowly defined monetary aggregates (M-1A and M-1B), after adjustment for the estimated effects of shifts in NOW accounts, had developed from the short-run objectives set forth by the Committee. Required reserves and the demand for reserves contracted in relation to the supply of reserves being made available through open market operations, and member bank borrowings declined to an average of about \$1.2 billion in the three statement weeks ending February 18 from an average of about \$1.5 billion in the preceding three weeks. The federal funds rate fell to an average of about 15-3/4 percent in the week ending February 18, from about 17-1/4 percent at the time of the Committee's meeting in early February; and it declined further in subsequent days to around the lower end of the range of 15 to 20 percent that had been specified by the Committee.

In a telephone conference on February 24, the Committee agreed to accept some shortfall in growth of M-1A and M-1B from the rates specified in the directive adopted on February 3, in light of indications of relatively strong growth of M-2 and M-3 and the substantial easing that had occurred in money market conditions, as well as of uncertainties about the interpretation of the behavior of M-1. It was recognized that the operational path for non-borrowed reserves consistent with the Committee's decision might lead to some further easing in money market conditions, depending upon rates of growth in

the monetary aggregates. In fact, member bank borrowings declined in early March, and the federal funds rate eased for a while in mid-March to about 13 percent. Subsequently, however, demands for reserves strengthened, and in the days immediately preceding this meeting, the federal funds rate was around 15 percent.

M-1A and M-1B, adjusted for the estimated effects of shifts into NOW accounts, declined somewhat in February and changed little on balance over the first two months of the year. The narrower aggregates expanded substantially, however, in the first half of March. Growth in M-2 picked up to an annual rate of about 7-1/2 percent in February from 5-3/4 percent in January; and it apparently accelerated considerably in March, because of large flows into money market mutual funds and some strengthening in the total of small-denomination time and savings deposits in addition to the expansion in the narrower aggregates.

Expansion in total credit outstanding at U.S. commercial banks slowed substantially in February to an annual rate of 8-1/4 percent, about one-half the pace recorded in January. The deceleration reflected a reduced pace of investment acquisitions and weakness in loans, particularly security loans and business loans. The moderation in growth of business loans at commercial banks was accompanied by stepped-up issuance of publicly offered bonds and continued heavy net issuance of commercial paper by non-financial corporations. In addition, U.S. nonbank residents expanded their outstanding loans from foreign branches of U.S. banks.

Short-term market interest rates declined substantially on balance over the intermeeting interval: in private short-term markets, yields fell

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2 to 3-1/2 percentage points; in the Treasury bill market, yields fell somewhat less, about 3/4 to 2 percentage points, as the Treasury raised large amounts of new money through bill auctions and heavy seasonal issuance of cash management bills. Most long-term interest rates rose 1/4 to 1/2 percentage point during the intermeeting period. The prime rate charged by commercial banks on short-term business loans was reduced in steps to 17-1/2 percent from the level of 19-1/2 to 20 percent prevailing at the time of the last Committee meeting. In home mortgage markets, average rates on new commitments for fixed-rate loans at savings and loan associations rose about 40 basis points to 15.40 percent.

The staff projections presented at this meeting suggested that economic activity, even while expanding substantially in the first quarter, had been losing its upward momentum, and that real GNP was likely to change little over the period ahead. Such a sluggish performance of the economy would be accompanied by a small increase in the unemployment rate. The rise in the fixed-weight price index for gross domestic business product was projected to remain rapid, although somewhat less so in the latter part of the year than in the first half.

In the Committee's discussion of the economic situation and outlook, members noted the unanticipated strength in activity in the autumn and winter, and they continued to stress the difficulties of forecasting output and prices in the current environment. A number of members expressed the view that little change in real GNP over the balance of 1981 was an improbable development; and of these, all but one thought that a stronger performance was more likely than a weaker one. While no member

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voiced disagreement with the staff projection of continuation of a rapid rise in overall prices, it was suggested that inflationary expectations might be moderating a bit and also that toward the end of the year the rise in the consumer price index might be lessening.

At its meeting on February 2-3, the Committee had adopted the following ranges for growth of the monetary aggregates over the period from the fourth quarter of 1980 to the fourth quarter of 1981: M-1A and M-1B, 3 to 5-1/2 percent and 3-1/2 to 6 percent respectively, after adjustment for the effects of flows into NOW accounts; M-2, 6 to 9 percent; and M-3, 6-1/2 to 9-1/2 percent. The associated range for growth of commercial bank credit was 6 to 9 percent. It was understood that the distorting effects of shifts into NOW accounts would change during the year and that other short-run factors might cause considerable variation in annual rates of growth from one month to the next and from one quarter to the next.

In the Committee's discussion of policy for the period immediately ahead, it was noted that growth of the narrowly defined monetary aggregates (adjusted for the effects of NOW accounts) was slow over the first three months of 1981 as a whole, despite the strength that had developed in early March. It was pointed out that the slow growth during the first quarter could be welcomed as an offset to the rapid growth in the fourth quarter of 1980. Growth of M-2, in contrast, apparently had been fairly rapid; its nontransaction component had been buoyed by record expansion in money market mutual funds, which had more than offset weakness in small-denomination time and savings deposits.

A staff analysis suggested that the sluggish growth in the narrowly defined money supply in the first quarter, and the extraordinary increase in the velocity of money, might have been related to the high interest rates in the fourth quarter of 1980 and to the year-end introduction of NOW accounts on a nationwide basis, which together might have led to intensive reconsideration of cash management techniques. Looking to the second quarter, another sharp increase in the velocity of narrowly defined money appeared unlikely, and demands for transaction balances were expected to expand substantially in association with growth of nominal GNP. It was anticipated that the non-transaction component of M-2 would remain strong and that the pickup in the demand for transaction balances would contribute to rapid growth of M-2.

In considering objectives for monetary growth over the second quarter, members of the Committee in general focused on the interrelated issues of the desirable speed of growth of narrowly defined money, consistent with the range for the year, and the weight that should be given to M-2. In the interest of simplification, the Committee decided to focus on M-1B as the measure of transaction balances and to omit any reference to M-1A in its statement of monetary objectives for the short run. After adjustment for the effects of shifts into NOW accounts, growth in the two would be similar.

Concerning operations in the period before the next regular meeting, scheduled for mid-May, the view was expressed that the demand for money could well be expanding substantially but that it would be appropriate to establish a reserve path consistent with growth at a relatively modest pace. It was also suggested that the weakness in growth of adjusted M-1B in the early

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months of the year might be a misleading indicator of the behavior of transaction balances, mainly because of the rapid growth of money market mutual funds; some part of the large flows into those funds might also be regarded as transaction balances. Thus, it was argued that some greater weight than previously should be given to the behavior of M-2 in appraising the behavior of the monetary aggregates. On the other hand, it was observed that the weight given to M-2 should not be increased because the ranges for 1981 adopted at the Committee's meeting in early February might not allow sufficiently for the expectation that growth of the broader aggregate in 1981 would tend to increase relative to that of M-1B.

With respect to the federal funds rate, it was stressed that the Committee specified an intermeeting range for fluctuations over a period of time to provide a mechanism for initiating timely consultations between regularly scheduled meetings whenever it appeared that fluctuations within the specified range were proving to be inconsistent with the objectives for the behavior of reserve and monetary aggregates. Thus, the limits of the range were indicative of the conditions under which the Committee would wish to consult to reexamine its short-run objectives and were not intended as binding constraints on System operations pending such consultations. For the coming intermeeting period, various proposals were made for the range, all of them more or less centered on the rate of 15 percent that had prevailed in the market most recently.

At the conclusion of the discussion, the Committee decided to seek behavior of reserve aggregates associated with growth of M-1B over the period from March to June at an annual rate of 5-1/2 percent or

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somewhat less, after allowance for the impact of flows into NOW accounts, and growth in M-2 at an annual rate of about 10-1/2 percent. In evaluating the behavior of the aggregates, it was agreed that greater weight than before would be given to the behavior of M-2. The members recognized that shifts into NOW accounts would continue to distort measured growth in M-1B to an unpredictable extent and that operational paths would have to be developed in the light of evaluation of those distortions. If it appeared during the period before the next scheduled meeting that fluctuations in the federal funds rate, taken over a period of time, within a range of 13 to 18 percent were likely to be inconsistent with the monetary and related reserve paths, the Manager for Domestic Operations was promptly to notify the Chairman who would then decide whether the situation called for supplementary instructions from the Committee.

The following domestic policy directive was issued to the Federal Reserve Bank of New York:

The information reviewed at this meeting suggests that real GNP expanded substantially in the first quarter of 1981, but there were signs of a slowing of the expansion in economic activity during the quarter; prices on the average continued to rise rapidly. While retail sales advanced appreciably over the first two months of the year, industrial production declined in February after three months of diminishing gains, and housing starts dropped from the moderate pace that had prevailed during the preceding six months. Nonfarm payroll employment changed little in February following a large increase in January; the unemployment rate, at 7.3 percent, was essentially unchanged. Over the first two months of 1981, the rise in the index of average hourly earnings was little changed from the rapid pace recorded during 1980.

The weighted average value of the dollar against major foreign currencies rose further following the Committee's meeting in early February to a peak at midmonth but subsequently declined somewhat on balance. Short-term interest rates in continental European countries have risen appreciably since mid-February, absolutely and in relation to interest rates on dollar-denominated assets. The U.S. trade deficit in January and February was at about the average monthly rate of the final quarter of 1980.

M-1A and M-1B, adjusted for the estimated effects of shifts into NOW accounts, changed little over the first two months of the year but expanded substantially in the first half of March. Growth in M-2 accelerated in the course of the quarter, and partial data suggest considerable strength in March, in part because of large flows into money market mutual funds. On balance since early February, short-term market interest rates have fallen substantially while longer-term market rates have risen somewhat.

The Federal Open Market Committee seeks to foster monetary and financial conditions that will help to reduce inflation, encourage economic recovery, and contribute to a sustainable pattern of international transactions. At its meeting in early February, the Committee agreed that these objectives would be furthered by growth of M-1A, M-1B, M-2, and M-3 from the fourth quarter of 1980 to the fourth quarter of 1981 within ranges of 3 to 5-1/2 percent, 3-1/2 to 6 percent, 6 to 9 percent, and 6-1/2 to 9-1/2 percent respectively, abstracting from the impact of introduction of NOW accounts on a nationwide basis. The associated range for bank credit was 6 to 9 percent. These ranges will be reconsidered as conditions warrant.

In the short run the Committee seeks behavior of reserve aggregates consistent with growth in M-1B from March to June at an annual rate of 5-1/2 percent or somewhat less, after allowance for the impact of flows into NOW accounts, and growth in M-2 at an annual rate of about 10-1/2 percent. It is recognized that shifts into NOW accounts will continue to distort measured growth in M-1B to an unpredictable extent, and operational reserve paths will be developed in the light of evaluation of those distortions. If it appears during the period before the next meeting that fluctuations in the federal funds rate, taken over a period of time, within a range of 13 to 18 percent are likely to be inconsistent with the monetary and related reserve paths, the Manager for Domestic Operations is promptly to notify the Chairman, who will then decide whether the situation calls for supplementary instructions from the Committee.

Votes for this action: Messrs. Volcker, Boehne, Boykin, Corrigan, Partee, Rice, Schultz, Solomon, Mrs. Teeters, and Mr. Winn. Vote against this action: Mr. Wallich. Absent: Messrs. Gramley and Mayo. (Mr. Winn voted as alternate for Mr. Mayo.)

Mr. Wallich dissented from this action because he favored specification of lower monetary growth rates for the period from March to June than those adopted at this meeting along with a higher intermeeting range for the federal funds rate. In light of the recent strength of economic activity, he believed that policy had not been as restrictive as supposed, in part because money market mutual funds and other sources of liquidity had contributed to an increase in the velocity of M-1B, and that continuation of excessive strength in activity posed the greater danger for the period ahead.

On May 6 the Committee held a telephone conference. Available data indicated that growth in M-1B, after adjustment for shifts of funds into NOW accounts from other interest-bearing assets, had accelerated markedly in April to an annual rate of about 14 percent. However, in view of the very low growth of shift-adjusted M-1B in the early months of 1981 and the sharp decline in late 1980, the April acceleration brought the level of M-1B only to around the midpoint of the 3-1/2 to 6 percent range established by the Committee for 1981. Growth in M-2 had decelerated slightly in April; expansion of this aggregate was still relatively rapid, however, and its level in April was somewhat above its longer-run range for the year.

While the level of M-1B in April was only at the midpoint of the longer-run range, its growth in the month was more rapid than the pace of 5-1/2 percent or somewhat less specified for the period from March to June by the Committee at its March 31 meeting. Consequently, strong pressures had developed on bank reserve positions as less reserves were supplied through open market operations than banks demanded. Indeed, nonborrowed reserves were estimated to have declined at an annual rate of about 12 percent in April. In adjusting to the constrained availability of reserves, banks had a negative excess reserve position on the average in the latter part of April and increased borrowings from the discount window sharply in late April and early May; borrowings averaged about \$2.4 billion in the two weeks ending May 6. The federal funds rate, which had been in a 15 to 15-1/2 percent range for most of April, rose considerably in late April and early May as banks intensified their efforts to acquire reserves; trading in recent days had been in a range of 17 to 20 percent. Effective May 5, the basic Federal Reserve discount rate was raised from 13 to 14 percent and the surcharge on frequent borrowing by large depository institutions was increased from 3 to 4 percentage points, placing the surcharge rate at 18 percent.

In the telephone conference on May 6, the Committee agreed that in the brief period before the next regular meeting scheduled for May 18, the reserve path would continue to be set on the basis of the short-run objectives for monetary growth established at the March 31 meeting. It was noted that for a time actual money growth might be high relative to

those objectives in view of the recent performance of the monetary aggregates. The Committee recognized that short-term market interest rates might well fluctuate around levels prevailing in recent days and that the federal funds rate might continue to exceed the upper end of the range indicated for consultation at the previous meeting. The Committee agreed to consult further if necessary to maintain adequate restraint on the monetary and credit aggregates.

On May 6, the Committee agreed that through the period before the next regular meeting the reserve path should continue to be set on the basis of the short-run objectives for monetary growth established at its meeting on March 31, recognizing that the federal funds rate might continue to exceed the upper end of the range indicated for consultation at the March 31 meeting.

Votes for this action: Messrs. Volcker, Boehne, Boykin, Corrigan, Gramley, Rice, Schultz, Solomon, Mrs. Teeters, and Mr. Winn.
Votes against this action: None. Absent: Messrs. Partee and Wallich. (Mr. Winn voted as an alternate member.)

2. Review of continuing authorizations

At this, the first regular meeting of the Federal Open Market Committee following the election of new members from the Federal Reserve Banks to serve for the year beginning March 1, 1981, the Committee followed its customary practice of reviewing all of its continuing authorizations and directives. The Committee reaffirmed the authorization for domestic open market operations, the foreign currency directive, and the procedural instructions with respect to foreign currency operations in the forms in which they were currently outstanding.

Votes for these actions: Messrs. Volcker, Boehne, Boykin, Corrigan, Partee, Rice, Schultz, Solomon, Mrs. Teeters, Messrs. Wallich, and Winn. Votes against these actions: None. Absent: Messrs. Gramley and Mayo. (Mr. Winn voted as alternate for Mr. Mayo.)

In reviewing the authorization for domestic open market operations, the Committee took special note of paragraph 3, which authorizes the Reserve Banks to engage in the lending of U.S. government securities held in the System Open Market Account under such instructions as the Committee might specify from time to time. That paragraph had been added to the authorization on October 7, 1969, on the basis of a judgment by the Committee that such lending of securities was reasonably necessary to the effective conduct of open market operations and to the implementation of open market policies, and on the understanding that the authorization would be reviewed periodically. At this meeting the Committee concurred in the judgment of the Manager for Domestic Operations that the lending activity in question remained reasonably necessary and that, accordingly, the authorization should remain in effect subject to annual review.

3. Authorization for foreign currency operations

The Committee adopted several amendments to the authorization for foreign currency operations to simplify and clarify its instructions to the Federal Reserve Bank of New York and to bring the document up to date in light of recent developments. None of these amendments was intended as a change in policy orientation.

As adopted in December 1976, paragraph 1D authorized the Federal Reserve Bank of New York, for the System Open Market Account, to maintain an overall open position in all foreign currencies not to exceed \$1.0 billion, unless a larger position was expressly authorized by the Committee. The language suggested that authorizations of larger positions would be temporary. On December 19, 1978, the Committee had authorized an open position of \$8 billion (shown as a footnote in the authorization), which had remained in effect since that date. At this meeting, the Committee voted to incorporate the long-standing limit of \$8 billion in the text of paragraph 1D.

Paragraph 3 specifies that all transactions in foreign currencies be at prevailing market rates except in the case of certain transactions with foreign central banks. At this meeting, the Committee voted to delete a reference to an exception that is no longer relevant and to add language spelling out circumstances in which transactions at nonmarket rates may be undertaken.

Paragraph 5 is concerned with the investment of System holdings of balances of foreign currencies. In view of a provision in the Monetary Control Act of 1980 allowing the System to invest in securities issued or fully guaranteed by foreign governments, the Committee voted to limit investment of foreign currency holdings to liquid forms and generally to instruments having no more than 12 months remaining to maturity.

The Committee also amended paragraph 6 to provide that all operations pursuant to the preceding paragraphs be reported promptly, rather than on a daily basis, to the Foreign Currency Subcommittee.

As amended, paragraphs 1D, 3, 5 and 6 read as follows:

1. The Federal Open Market Committee authorizes and directs the Federal Reserve Bank of New York, for System Open Market Account, to the extent necessary to carry out the Committee's foreign currency directive and express authorizations by the Committee pursuant thereto, and in conformity with such procedural instructions as the Committee may issue from time to time:

* * * * *

D. To maintain an overall open position in all foreign currencies not exceeding \$8.0 billion. For this purpose, the overall open position in all foreign currencies is defined as the sum (disregarding signs) of net positions in individual currencies. The net position in a single foreign currency is defined as holdings of balances in that currency, plus outstanding contracts for future receipt, minus outstanding contracts for future delivery of that currency, i.e., as the sum of these elements with due regard to sign.

3. All transactions in foreign currencies undertaken under paragraph 1(A) above shall, unless otherwise expressly authorized by the Committee, be at prevailing market rates. For the purpose of providing an investment return on System holdings of foreign currencies, or for the purpose of adjusting interest rates paid or received in connection with swap drawings, transactions with foreign central banks may be undertaken at non-market exchange rates.

5. Foreign currency holdings shall be invested insofar as practicable, considering needs for minimum working balances. Such investments shall be in liquid form, and generally have no more than 12 months remaining to maturity. When appropriate in connection with arrangements to provide investment facilities for foreign currency holdings, U.S. Government securities may be purchased from foreign central banks under agreements for repurchase of such securities within 30 calendar days.

6. All operations undertaken pursuant to the preceding paragraphs shall be reported promptly to the Foreign Currency Subcommittee and the Committee. The Foreign Currency Subcommittee consists of the Chairman and Vice Chairman of the Committee, the Vice Chairman of the Board of Governors, and such other member of the Board as the Chairman may designate

(or in the absence of members of the Board serving on the Subcommittee, other Board Members designated by the Chairman as alternates, and in the absence of the Vice Chairman of the Committee, his alternate). Meetings of the Subcommittee shall be called at the request of any member, or at the request of the Manager for Foreign Operations for the purposes of reviewing recent or contemplated operations and of consulting with the Manager on other matters relating to his responsibilities. At the request of any member of the Subcommittee, questions arising from such reviews and consultations shall be referred for determination to the Federal Open Market Committee.

Votes for these actions: Messrs. Volcker, Boehne, Boykin, Corrigan, Partee, Rice, Schultz, Solomon, Mrs. Teeters, Messrs. Wallich, and Winn. Votes against these actions: None. Absent: Messrs. Gramley and Mayo. (Mr. Winn voted as alternate for Mr. Mayo.)

4. Agreement with Treasury to warehouse foreign currencies

At its meeting on January 17-18, 1977, the Committee had agreed to a suggestion by the Treasury that the Federal Reserve undertake to "warehouse" foreign currencies--that is, to make spot purchases of foreign currencies from the Exchange Stabilization Fund and simultaneously to make forward sales of the same currencies at the same exchange rate to the ESF. Pursuant to that agreement, the Committee had agreed that the Federal Reserve would be prepared to warehouse for the Treasury or for the ESF up to \$5 billion of eligible foreign currencies. At this meeting the Committee reaffirmed the agreement on the terms adopted on March 18, 1980, with the understanding that it would be subject to annual review.

Votes for this action: Messrs. Volcker, Boehne, Boykin, Corrigan, Partee, Rice, Schultz, Solomon, Mrs. Teeters, Messrs. Wallich, and Winn. Votes against this action: None. Absent: Messrs. Gramley and Mayo. (Mr. Winn voted as alternate for Mr. Mayo.)