

Meeting of Federal Open Market Committee

July 15, 1982

MINUTES OF ACTIONS

A meeting of the Federal Open Market Committee was held on Thursday, July 15, 1982. This was a telephone conference meeting, and each individual was in Washington, D. C., except as otherwise indicated in parentheses in the following list of those participating.

PRESENT: Mr. Volcker, Chairman  
Mr. Solomon, Vice Chairman (New York)  
Mr. Balles (San Francisco)  
Mr. Black (Richmond)  
Mr. Ford (Atlanta)  
Mrs. Horn (Cleveland)  
Mr. Martin  
Mr. Partee  
Mrs. Teeters

Messrs. Guffey (Kansas City), Keehn (Chicago), Roos (St. Louis), and Timlen (New York), Alternate Members of the Federal Open Market Committee

Messrs. Boehne (Philadelphia), Boykin (Dallas), and Corrigan (Minneapolis), Presidents of the Federal Reserve Banks of Philadelphia, Dallas, and Minneapolis, respectively

Mr. Axilrod, Staff Director  
Mr. Altmann, Secretary  
Mr. Bernard, Assistant Secretary  
Mrs. Steele, Deputy Assistant Secretary  
Mr. Bradfield, General Counsel  
Mr. Oltman (New York), Deputy General Counsel  
Mr. Kichline, Economist

Messrs. J. Davis (Cleveland), Keran (San Francisco), Koch (Atlanta), Prell, Siegman, and Zeisel, Associate Economists

Mr. Cross (New York), Manager for Foreign Operations, System Open Market Account

Mr. Sternlight (New York), Manager for Domestic Operations, System Open Market Account

7/15/82

-2-

Mr. Coyne, Assistant to the Board of Governors

Mr. McIntosh (Boston), First Vice President, Federal Reserve Bank of Boston

Messrs. T. Davis (Kansas City), Eisenmenger (Boston), and Stern (Minneapolis), Senior Vice Presidents, Federal Reserve Banks of Kansas City, Boston, and Minneapolis, respectively

Messrs. Broadus (Richmond), Burger (St. Louis), Nichols (Chicago), and Soss, Vice Presidents, Federal Reserve Banks of Richmond, St. Louis, Chicago, and New York, respectively

Mr. Lang (Philadelphia), Research Officer, Federal Reserve Bank of Philadelphia

Mr. Pearce (Dallas), Assistant Vice President, Federal Reserve Bank of Dallas

With Mrs. Teeters dissenting, the Committee reaffirmed the following ranges for growth of the monetary aggregates over the year from the fourth quarter of 1981 to the fourth quarter of 1982 that it had adopted in early February: for M1, 2-1/2 to 5-1/2 percent; for M2, 6 to 9 percent; and for M3, 6-1/2 to 9-1/2 percent. The associated range for bank credit was 6 to 9 percent. At the same time, the Committee agreed that growth in the monetary and credit aggregates around the top of the indicated ranges would be acceptable in the light of the relatively low base period for the M1 target and other factors, and that it would tolerate for some period of time growth somewhat above the target range should unusual precautionary demands for money and liquidity be evident in the light of current economic uncertainties.

7/15/82

-3-

By unanimous vote, the Committee indicated that for 1983 it was tentatively planning to continue the current ranges for 1982, but would review that decision carefully in the light of developments over the remainder of 1982.

Secretary's note: Shortly afterwards, Messrs. Gramley, Rice, and Wallich, who had been unable to attend this meeting but who had been present for the main discussion of the longer-run ranges for monetary growth held at the meeting on June 30 - July 1, 1982, associated themselves with the Committee in its actions with respect to the ranges for both 1982 and 1983.

Following the Committee's actions, the next to last paragraph of the domestic policy directive adopted at its meeting on June 30-July 1 read as follows:

The Federal Open Market Committee seeks to foster monetary and financial conditions that will help to reduce inflation, promote a resumption of growth in output on a sustainable basis, and contribute to a sustainable pattern of international transactions. At its meeting in early February, the Committee had agreed that its objectives would be furthered by growth of M1, M2, and M3 from the fourth quarter of 1981 to the fourth quarter of 1982 within ranges of 2-1/2 to 5-1/2 percent, 6 to 9 percent, and 6-1/2 to 9-1/2 percent respectively. The associated range for bank credit was 6 to 9 percent. The Committee began a review of these ranges at its meeting on June 30-July 1, and at a meeting on July 15, it reaffirmed the targets for the year set in February. At the same time the Committee agreed that growth in the monetary and credit aggregates around the top of the indicated ranges would be acceptable in the light of the relatively low base period for the M1 target and other factors, and that it would tolerate for some period of time growth somewhat above the target range should unusual precautionary demands for money and liquidity be evident in the light of current economic uncertainties. The Committee also indicated it was tentatively planning to continue the current ranges for 1983, but would review that decision carefully in the light of developments over the remainder of 1982.

7/15/82

-4-

It was agreed that the next meeting of the Federal Open Market Committee would be held on Tuesday, August 24, 1982, at 9:30 a.m.

The meeting adjourned.

---

Secretary