

Meeting of the Federal Open Market Committee
May 19, 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, May 19, 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. Prell, Economist
Mr. Truman, Economist

Messrs. J. Davis, R. Davis, T. Davis, Lindsey,
Promisel, Siegman, Simpson, and Stockton,
Associate Economists

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

Mr. McDonough, Manager for Foreign Operations,
System Open Market Account

Mr. Ettin, Deputy Director, Division of Research
and Statistics, Board of Governors
Mr. Slifman, Associate Director, Division of
Research and Statistics, Board of Governors
Ms. Low, Open Market Secretariat Assistant,
Division of Monetary Affairs, Board of
Governors

Messrs. Beebe, Broaddus, Lang, Ms. Lovett, Messrs.
Rolnick, Rosenblum, Scheld, and Ms. Tschinkel,
Senior Vice Presidents, Federal Reserve Banks of
San Francisco, Richmond, Philadelphia, New York,
Minneapolis, Dallas, Chicago, and Atlanta,
respectively

Mr. McNees, Vice President, Federal Reserve Bank of
Boston
Mr. Thornton, Assistant Vice President, Federal Reserve
Bank of St. Louis

By unanimous vote, the minutes of actions taken at the
meeting of the Federal Open Market Committee held on March 31,
1992, were approved.

By unanimous vote, System open market transactions in
government securities and federal agency obligations during the period
March 31, 1992, through May 18, 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 \$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 July 1, 1992.

By unanimous vote, 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
on balance that economic activity is expanding at a
moderate pace. Total nonfarm payroll employment
increased somewhat in April, and the civilian unemploy-
ment rate edged down to 7.2 percent. Industrial

production rose appreciably further in April partly reflecting some further recovery in motor vehicle assemblies. A rebound in retail sales in April about offset the decline in March. Single-family housing starts fell considerably for a second month in April. Recent data on orders and shipments of nondefense capital goods indicate appreciable increases in outlays for business equipment, and building contracts point to some slowing of the decline in nonresidential construction. The nominal U.S. merchandise trade deficit in January-February was somewhat below its average rate in the fourth quarter. Incoming data on prices and labor costs suggest little change from recent trends.

Most interest rates have fallen since the Committee meeting on March 31. In foreign exchange markets, the trade-weighted value of the dollar in terms of the other G-10 currencies declined on balance over the intermeeting period.

M2 and M3 contracted in March and April; and expansion in transactions balances, which had accounted for much of the growth in the broader aggregates over previous months, slowed markedly. Through April, expansion of M2 was slightly above and that of M3 was slightly 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 in February established ranges 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 monitoring range for growth of total domestic nonfinancial debt was set at 4-1/2 to 8-1/2 percent for the year. With regard to M3, the Committee anticipated that the ongoing restructuring of 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 or slightly lesser reserve restraint might 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 April through June at annual rates of about 2-1/2 and 1-1/2 percent, respectively.

It was agreed that the next meeting of the Committee would be held on Tuesday-Wednesday, June 30-July 1, 1992.

The meeting adjourned.

Secretary