

Meeting of the Federal Open Market Committee  
August 18, 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, August 18, 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. Balbach, J. Davis, R. Davis, T. Davis,  
Ms. Munnell, Messrs. 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. Madigan, Assistant Director, Division of  
Monetary Affairs, Board of Governors  
Ms. Low, Open Market Secretariat Assistant,  
Division of Monetary Affairs, Board of Governors

Mr. Guynn, First Vice President, Federal Reserve  
Bank of Atlanta

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

Mr. Meyer, Vice President, Federal Reserve Bank of  
Philadelphia

By unanimous vote, the minutes of actions taken at the  
meeting of the Federal Open Market Committee held on June 30-July 1,  
1992, were approved.

By unanimous vote, William J. McDonough, Margaret L. Greene,  
and Joan E. Lovett, were selected to serve at the pleasure of the  
Committee in the capacities of Manager of the System Open Market  
Account, Deputy Manager for Foreign Operations, and Deputy Manager for  
Domestic Operations, respectively, on the understanding that their  
selection was subject to their being satisfactory to the Federal  
Reserve Bank of New York. This action was effective October 1, 1992.

Secretary's Note: Advice was subsequently received  
that the selections of the Manager  
and Deputy Managers indicated above  
were satisfactory to the Federal  
Reserve Bank of New York.

By unanimous vote, Section 5 of the Committee's Rules of  
Organization was amended to read as follow:

Section 5--Manager and Deputies

The Committee selects a Manager of the System Open Market  
Account, a Deputy Manager for Domestic Operations, and a Deputy  
Manager for Foreign Operations. All of the foregoing shall be  
satisfactory to the Federal Reserve Bank selected by the Committee  
to execute open market transactions for such Account, and all  
shall serve at the pleasure of the Committee. The Manager or his  
Deputies keep the Committee informed on market conditions and on  
transactions they have made and render such reports as the  
Committee may specify.

By unanimous vote, System open market transactions in foreign currencies during the period June 30, 1992, through August 17, 1992, were ratified.

By unanimous vote, System open market transactions in government securities and federal agency obligations during the period June 30, 1992, through August 17, 1992, were ratified.

With Messrs. 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 is continuing to expand at a subdued pace. Total nonfarm payroll employment rebounded in July after declining in June, and the civilian unemployment rate edged down to 7.7 percent. Manufacturing output was unchanged in July, but overall industrial production was boosted by a higher level of mining and utility output. Retail sales increased moderately in July. Permits issued for the construction of new housing units rose slightly in July, but housing starts fell. Recent data on orders and shipments of nondefense capital goods indicate further increases in outlays for business equipment, while nonresidential construction has remained soft. The nominal U.S. merchandise trade deficit in April-May was substantially above its average rate in the first quarter. Incoming data on wages and prices suggest that inflation is slowing.

Interest rates have declined considerably since the Committee meeting on June 30-July 1. The Board of Governors approved a reduction in the discount rate from 3-1/2 to 3 percent on July 2. In foreign exchange markets, the trade-weighted value of the dollar in terms of the other G-10 currencies declined further over the first several weeks of the intermeeting period, but it has stabilized more recently.

M2 and M3 contracted somewhat further in July. Through July, both aggregates were appreciably 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 June through December at annual rates of about 2 and 1/2 percent, respectively.

It was agreed that the next meeting of the Committee would be held on Tuesday, October 6, 1992.

The meeting adjourned.

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Secretary