Federal Open Market Committee

Conference Call

September 8, 1983

PRESENT: Mr. Volcker, Chairman
Mr. Solomon, Vice Chairman (Board)
Mr. Gramley
Mr. Guffey
Mr. Keehn
Mr. Martin (Telephone)
Mr. Morris
Mr. Partee
Mr. Rice
Mr. Roberts
Mrs. Teeters

Messrs. Boehne, Boykin, Corrigan, and Mrs. Horn, Alternate Members of the Federal Open Market Committee

Mr. Black, President, Federal Reserve Bank of Richmond

Mr. Axilrod, Staff Director and Secretary
Mr. Bernard, Assistant Secretary
Mrs. Steele, Deputy Assistant Secretary
Mr. Bradfield, General Counsel
Mr. Kichline, Economist
Mr. Truman, Economist (International)

Mr. Coyne, Assistant to the Board, Office of Board Members, Board of Governors

Mr. Sternlight, Manager for Domestic Operations, System Open Market Account
Mr. Cross, Manager for Foreign Operations, System Open Market Account (Board)

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

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CHAIRMAN VOLCKER. I'd like to take advantage of this [consultation] for two reasons. One is just to get any comments or reflections that any of you might have on perceptions of what is going on in the economy or inflation; the other is more directly in terms of the policy decided upon [at the last meeting]. We have gone somewhat toward the lower end of the specific range we were talking about in terms of reserve pressures at the meeting. The directive clearly contemplated less than that if there was weakness in the aggregates, particularly if it was not accompanied by signs of increased economic activity. And I would interpret that at the moment as moving--or at least making our errors--on the slightly easier side and not doing anything very drastic, depending upon what happens in the first part of September. If the aggregates came in low then, we would continue to move in that direction; if there were a tendency to reverse what has happened recently, we would stop moving in that direction. Conceivably, if growth were high enough, we'd go back to where we were. So, we're in that kind of posture at the moment of leaning a little toward the easier side, fully in accordance with the directive.

[Secretary's note: The transcript record has an ellipsis at this point, indicating that the ensuing discussion was not transcribed.]

CHAIRMAN VOLCKER. Anyone else? I do not hear any comments that suggest a great sea change is going on in the direction of economic activity at this point, and I think that reinforces a feeling that the directive calls for some move here, but it is not going to be very dramatic.

MR. PARTEE. By "some move," Paul, do you mean just a little easing within that boundary on borrowings that we were talking about?

CHAIRMAN VOLCKER. No, it goes beyond that.

MR. PARTEE. Beyond that?

CHAIRMAN VOLCKER. But not much. It could go--

MR. PARTEE. How much beyond that?

MR. GUFFEY. What are you proposing, Mr. Chairman: a lower borrowing level to achieve a bit of easing?

CHAIRMAN VOLCKER. You know, this is partly an art, but I think I would aim at $700 million or a little less.

[Secretary's note: The transcript ends at this point.]

END OF SESSION