Meeting of the Federal Open Market Committee

January 5, 1988

Minutes of Actions

A meeting of the Federal Open Market Committee was held on Tuesday, January 5, 1988, at 4:00 p.m. 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. Greenspan, Chairman	
Mr. Corrigan, Vice Chairman	(New York)
Mr. Angell	
Mr. Boehne	(Philadelphia)
Mr. Boykin	(Dallas)
Mr. Heller	
Mr. Johnson	
Mr. Keehn	(Chicago)
Mr. Kelley	
Ms. Seger	
Mr. Stern	(Minneapolis)

Messrs. Black (Richmond), Forrestal (Atlanta), Hoskins (Cleveland), and Parry (San Francisco), Alternate Members of the Federal Open Market Committee

Messrs. Melzer (St. Louis) and Morris (Boston), Presidents of the Federal Reserve Banks of St. Louis and Boston, respectively

Mr. Bernard, Assistant Secretary
Mr. Bradfield, General Counsel
Mr. Truman, Economist (International)

Messrs. Lindsey and Prell, Associate Economists

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

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

Mr. Coyne, Assistant to the Board, Board of Governors
Ms. Low, Open Market Secretariat Assistant, Division of Monetary Affairs, Board of Governors

Mr. Czerwinski (Kansas City), First Vice President, Federal Reserve Bank of Kansas City

With Ms. Seger dissenting, the Committee changed the operational paragraph of the directive issued at its meeting on December 15-16, 1987 to the Federal Reserve Bank of New York to read as follows:

> In the implementation of policy for the immediate future, the Committee seeks to maintain the existing degree of pressure on reserve positions. The Committee agrees that the passing of time and the year-end should permit further progress toward restoring a normal approach to open market operations, although still sensitive conditions in financial markets and uncertainties in the economic outlook may continue to call for some flexibility in operations. Taking account of conditions in financial markets, somewhat lesser reserve restraint or somewhat greater reserve restraint would be acceptable depending on the strength of the business expansion, indications of inflationary pressures, developments in foreign exchange markets, as well as the behavior of the monetary aggregates. The contemplated reserve conditions are expected to be consistent with growth in M2 and M3 over the period from November through March at annual rates of about 5 percent and 6 percent, respectively. Over the same period, growth in M1 is expected to remain relatively limited. The Chairman may call for Committee consultation if it appears to the Manager for Domestic Operations that reserve conditions during the period before the next meeting are likely to be associated with a federal funds rate persistently outside a range of 4 to 8 percent.

The meeting adjourned.

Secretary