FEDERAL RESERVE press release

For Use at 4:10 p.m. August 27, 1982

The Federal Reserve Board and the Federal Open Market Committee today released the attached record of policy actions taken by the Federal Open Market Committee at its meetings on June 30 - July 1, 1982, and July 15, 1982.

Such records for each meeting of the Committee are made available a few days after the next regularly scheduled meeting and are published in the Federal Reserve Bulletin and the Board's Annual Report. The summary descriptions of economic and financial conditions they contain are based solely on the information that was available to the Committee at the time of the meeting.

Attachment

RECORD OF POLICY ACTIONS OF
THE FEDERAL OPEN MARKET COMMITTEE

Meetings Held on June 30 - July 1, 1982
and on July 15, 1982 1/

Domestic policy directive

The information reviewed at this meeting suggested that real GNP had changed little in the second quarter, after declining at an annual rate of 3.7 percent in the first quarter, as business inventory liquidation moderated from an extraordinary rate. The rise in average prices, as measured by the fixed-weight price index for gross domestic business product, appeared to have slowed somewhat from the annual rate of about 4-3/4 percent in the first quarter.

The nominal value of retail sales rose 1-1/2 percent further in May, according to the advance report. Sales gains were widespread and were especially strong at automotive, general merchandise, and apparel outlets. Unit sales of new domestic automobiles rose about 16-1/2 percent to an annual rate of 6.4 million units. Auto sales dropped sharply in the first 20 days of June, however, following the termination of most purchase-incentive programs.

1/ At its meeting on June 30 - July 1, 1982, in accordance with the Full Employment and Balanced Growth Act of 1978 (the Humphrey-Hawkins Act), the Committee reviewed its ranges for growth of the monetary and credit aggregates for the period from the fourth quarter of 1981 to the fourth quarter of 1982 and gave preliminary consideration to the objectives for monetary growth that might be appropriate for 1983. The conclusion of the Committee's consideration of the ranges was deferred until July 15, 1982, owing to the long interval before the date of Chairman Volcker's testimony in conjunction with the Board's midyear report under the Act, which was scheduled for July 20 before the Senate Committee on Banking, Housing, and Urban Affairs. The Board's report also was transmitted to the Congress on July 20.

The index of industrial production edged down 0.2 percent in May, following declines of 0.8 percent in each of the two preceding months. Output of business equipment continued to drop sharply, and production of durable goods materials also declined further. But production of consumer durable goods rose markedly for the second month in a row, reflecting primarily an appreciable increase in automobile assemblies.

Nonfarm payroll employment was essentially unchanged in May, after having declined substantially in March and April. In manufacturing, job losses were appreciably less in May than in the earlier months, and the average workweek edged up 0.1 hour to 39.1 hours. In contrast to the payroll data, the survey of households indicated a substantial increase in employment; but growth in the civilian labor force was even greater, and the unemployment rate edged up 0.1 percentage point to 9.5 percent.

The Department of Commerce survey of business spending plans taken in late April and May suggested that current-dollar expenditures for plant and equipment would rise only 2-1/4 percent in 1982, compared with 7-1/4 percent reported in the February survey and an actual expansion of about 8-3/4 percent in 1981. The survey results implied a year-to-year decline of about 2-1/2 percent in real terms.

Private housing starts rose appreciably in May to an annual rate of 1.1 million units, exceeding a rate of 1 million units for the first time since last July. Most of the May increase was in the more volatile multifamily sector: multifamily starts rose nearly 50 percent, compared with an increase of about 9 percent in single-family starts. Sales of new homes increased substantially in May, while sales of existing homes were unchanged; total home sales were nearly 25 percent below the level of a year earlier.

The producer price index for finished goods changed little in May, as sharp declines in prices of energy-related items about offset increases in prices of food and other consumer goods and capital equipment. Over the first five months of the year, the index was virtually stable. The consumer price index, which had registered a small net increase over the first four months of the year, rose 1 percent in May, reflecting sharp increases in the volatile homeownership and energy components of the index and a considerable rise in food prices. Through May, the rise in the index of average hourly earnings was at a significantly less rapid pace than during 1981.

In foreign exchange markets the trade-weighted value of the dollar against major foreign currencies had risen about 7 percent over the period since the last FOMC meeting, to its highest level since early 1971. The strength of the dollar reflected a rise in U.S. interest rates relative to foreign rates as well as heightened concerns because of hostilities in the Middle East. The U.S. foreign trade deficit in the first five months of 1982 was at a rate substantially less than that in the fourth quarter of last year, as imports declined more than exports.

At its meeting on May 18, the Committee had reaffirmed the objectives for monetary growth established at its meeting at the end of March; thus, it had decided to seek behavior of reserve aggregates associated with growth of M1 and M2 from March to June at annual rates of about 3 percent and 8 percent respectively. The Committee had also agreed that deviations from those objectives should be evaluated in light of changes in the relative importance of

NOW accounts as a savings vehicle. The intermeeting range for the federal funds rate, which provides a mechanism for initiating further consultation of the Committee, was set at 10 to 15 percent.

M1 declined at an annual rate of about 2 percent in May, following expansion at an annual rate of about 10-3/4 percent in April. The contraction was attributable to a sizable decline in other checkable deposits, which had exhibited extraordinary growth over the preceding six months. M2 grew at an annual rate of about 10-1/2 percent in May, a little above the rate in April.

Total credit outstanding at U.S. commercial banks grew at an annual rate of about 8-1/2 percent in May, down slightly from the pace in April. Growth in business loans, at an annual rate of nearly 19 percent, accounted for much of the rise in bank credit, as most other categories of loans and investments registered only moderate growth or contraction. Business demands for credit, especially short-term credit, were exceptionally strong in May, as nonfinancial businesses also issued a sizable volume of commercial paper.

Nonborrowed reserves, adjusted to include extended credit from Federal Reserve Banks, expanded substantially in May, after having changed little in April. Total reserves grew moderately, however, as borrowing from Federal Reserve Banks for purposes of adjusting reserve positions (including seasonal borrowing) declined appreciably. In the two statement weeks ending June 23, such borrowing averaged about $875 million, compared with an average of about $940 million in May.

The federal funds rate averaged about 14-1/4 percent in the two statement weeks ending June 23, compared with around 14-1/2 percent in the days immediately preceding the Committee meeting on May 18. The rate moved toward 15 percent in the days just before this meeting, influenced by the approach of the June 30 statement date. Most other interest rates rose about 1/2 to 1-1/2 percentage points over the intermeeting period. The failure of one dealer in U.S. government securities and difficulties being experienced by another dealer heightened concerns about credit risks throughout the securities markets and induced some widening of risk premiums.1/ The prime rate charged by most commercial banks on short-term business loans remained at 16-1/2 percent. Average rates on new commitments for fixed-rate mortgage loans at savings and loan associations edged up slightly.

The staff projections presented at this meeting suggested that real GNP would grow at a moderate pace over the year ahead but that the unemployment rate would remain near its recent high level. The rise in prices, as measured by the price index for gross domestic business product, was expected to pick up somewhat in the second half of 1982 from the substantially reduced rate in the first half, but continued improvement in the underlying trend was anticipated.

Views of Committee members concerning prospects for economic activity and the behavior of prices generally were similar in character to the staff projections. Consumption seemed likely to rise in response to the 10 percent reduction in federal income taxes at midyear, the concurrent cost-of-living increase in social security payments, and other factors; and the extraordinary rate of liquidation of business inventories in the first half of 1982 also seemed likely to contribute to some economic growth.

1/ Neither of these firms was on the Federal Reserve Bank of New York's list of primary dealers in U.S. Government Securities that file reports on their operations with the Bank's Market Reports Division.

As had been the case at the May meeting of the Committee, however, several members commented that the principal risks of a deviation from the projection of moderate growth in real GNP were on the downside, and some expressed concern that any recovery could falter. Business and consumer sentiment was reported to have deteriorated further, reflecting, among other things, greater uneasiness about the effects of high interest rates, increased bankruptcies, and difficulties affecting certain financial and industrial institutions. In these circumstances, business and consumer demands for liquidity might increase, rather than decline as many expected, extending the contraction in business capital expenditures and limiting consumer outlays for housing and durable goods. Concerning the prospective behavior of consumers, most statistical measures suggested that their liquidity was improving. The point was made, however, that rapidly rising prices of existing houses and readily available mortgages, which were characteristic of earlier years, were no longer providing stimulus for spending. Starting in 1983, a significant volume of balloon payments on earlier house-purchase loans would mature. Moreover, the recovery in activity could be impeded by weak expansion abroad, by import-financing problems of some major trading partners of the United States, and by the deterioration in the competitiveness of U.S. exports associated with the sharp rise in the foreign-exchange value of the dollar.

It was stressed during the meeting that considerable uncertainty remained about the size of the federal budget deficit for fiscal 1983, as well as for later years, although the recent congressional action on a budget resolution for the coming fiscal year represented progress toward a more restrained fiscal policy. To implement the resolution, a great deal remained to be done in legislating appropriations and additional revenues. Several Committee members observed, moreover, that the deficit would be considerably larger than that contained in the resolution, only in part because the latter was based on relatively optimistic assumptions concerning the performance of the economy. The degree of progress in reducing prospective federal deficits would have a major impact on pressures in financial markets and thus on the performance of such credit-sensitive sectors as homebuilding and business fixed investment. In the absence of significant progress, private investment outlays of all types would be less than otherwise.

With respect to prices, the members noted that considerable progress had been made in reducing the rate of increase but that the risks of exacerbating inflationary expectations remained serious. In any case, the underlying rate of inflation was not so low as might be inferred from the recent behavior of major indexes of prices, and the rise in those indexes was generally expected to pick up somewhat from the substantially reduced pace of 1982 to date.

At its meeting on February 1-2, 1982, the Committee had adopted the following ranges for growth of the monetary aggregates over the year from the fourth quarter of 1981 to the fourth quarter of 1982: 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. In setting the range for M1, the Committee recognized that the level of that aggregate in January was well above the average in the fourth quarter of 1981 but that it was too early to judge conclusively the extent to which the recent upsurge in growth reflected temporary influences rather than a basic change in the amount of money needed to finance growth of nominal GNP. On the assumption that the relationship between growth of M1 and the expansion of nominal GNP was likely to be closer to normal than it had been in 1981, and given the relatively low base in the fourth quarter of 1981, the Committee contemplated that growth of M1 in 1982 might acceptably be in the upper part of its range. The Committee also contemplated that growth of M2 was likely to be high within its range.

At this meeting, the Committee reviewed its ranges for growth of the monetary and credit aggregates for the period from the fourth quarter of 1981 to the fourth quarter of 1982 and gave preliminary consideration to objectives for monetary growth that might be appropriate for 1983. With respect to the current year, the Committee noted that the levels of the monetary aggregates in June were slightly above the upper ends of their ranges for 1982. The upsurge in M1 in January was followed by quite slow growth on average over the next five months, and from the fourth quarter of 1981 to June, M1 had increased at an annual rate of 5.7 percent. Over the same period, M2 and M3 had grown at annual rates of 9.4 percent and 9.7 percent respectively.

Although the growth of M1 was moderate over the first half of 1982, it considerably exceeded the growth of nominal GNP; in the first quarter, the decline in the income velocity of M1 was extraordinarily sharp. Similarly, the income velocity of the broader monetary aggregates was unusually weak in the first half. Given the persistence of relatively high interest rates, the behavior of velocity in the first half suggested a heightened demand for M1 and M2.

The unusual demand for M1 in the first half was concentrated in NOW accounts and other interest-bearing checkable deposits, which have some characteristics of traditional savings deposits. The enlarged share of these accounts in M1 had made this aggregate more sensitive to changes in the public's desire to hold highly liquid assets.

Growth of M2 as well as that of M1 appeared to have been bolstered in the first half of 1982 by increased preferences for holding highly liquid financial assets. Conventional savings deposits actually increased, after having contracted in the preceding four years, and money market mutual funds continued to expand strongly, although less so than in 1981. Altogether, the nontransaction component of M2 (M2 less M1) grew at an annual rate of 10-1/2 percent from the fourth quarter of 1981 to June.

In reconsidering the ranges for 1982, Committee members remained in agreement on the need to maintain the commitment to the long-standing goal of restraining growth of money and credit in order to contribute to a further reduction in the rate of inflation and provide the basis for restoration of economic stability and sustainable growth in output. At the same time, the Committee took account of the need to provide sufficient monetary growth to encourage recovery in economic activity over the months ahead. Growth consistent with the current longer-run ranges, quite possibly around the upper end, was thought to be adequate in view of the sizable rise in the velocity of money that generally developed in the early stages of a cyclical recovery in economic activity. Still, the members recognized that regulatory actions and changes in the public's preferences for various assets, as well as shifts in liquidity demands generally, would tend to affect the velocity of money and would need to be taken into account in evaluating the behavior of the monetary aggregates. To the extent that precautionary demands for money remained strong, for example, growth of the major monetary aggregates near, or possibly somewhat above, the upper ends of their ranges for 1982 might well be consistent with the Committee's general policy objectives.

In the Committee's discussion at this meeting, almost all members preferred retention of the previously established ranges for growth of the monetary aggregates in 1982, with the understanding that growth around the upper ends of the ranges would be acceptable, but some sentiment was expressed for small upward adjustments in the ranges. Several members observed that any increase in the ranges might well be misinterpreted as a relaxation of the Committee's commitment to the long-run objective of restraining monetary growth and contributing to a further reduction in the rate of inflation, thereby adversely affecting inflationary expectations and long-term interest rates. It was also noted that minor adjustments in the ranges might seem to suggest an unrealistic degree of precision with which monetary growth could be controlled and might not be sufficient in any case to allow for a temporary bulge related to exceptional demands for liquidity, should they develop.

With respect to 1983, most members felt that the current ranges for 1982 could appropriately be retained; but they recognized that, in light of all the current uncertainties surrounding the economic, financial, and federal budgetary outlook, ranges adopted at this time would be especially tentative. The current ranges would be consistent with a reduction in monetary growth in 1983 if, as seemed likely, growth of the monetary aggregates in 1982 was around the upper ends of their ranges. Some sentiment was expressed for a reduction in the ranges for 1983, particularly if those for 1982 were raised, in line with the general objective of reducing monetary growth gradually over time.

The implications for monetary policy of the recent congressional action on a budget resolution were considered at some length. Committee members generally felt that a firm follow-through in current efforts to reduce budgetary deficits should contribute to easing financial market strains within the context of the current ranges for monetary growth; to help assure that result, in their view, it was important that action beyond the magnitude incorporated in the first budget resolution be taken affecting future years. It was not thought that the budgetary effort itself would warrant even greater growth in the monetary aggregates than was being contemplated. Excessive monetary growth would tend to work against the benefits of an improved budgetary outlook in curbing inflation and inflationary expectations. The Committee concluded its discussion and reached a decision on the longer-run ranges during a telephone conference on July 15, 1982.

The Committee considered policy for the period from June to September in light of the apparent consensus for retaining the previously established ranges for growth of the monetary aggregates over the year, with the understanding that growth near, or for a time somewhat above, the upper ends of those ranges would be acceptable depending on emerging strength of liquidity demands in a period of economic uncertainty. The data becoming available at the time of the meeting indicated that growth of M1 had weakened appreciably after mid-June and that growth of both M1 and M2 over the whole period from March to June apparently had been in line with the Committee's objectives for growth over that period at annual rates of about 3 percent and

8 percent respectively. The levels of M1 and M2 in June, as noted earlier, were just slightly above the upper ends of their ranges for 1982.

Evaluating the behavior of M1 and implementing policy in the period immediately ahead would be complicated by a number of special influences. The midyear reduction in withholding rates for federal income taxes and the cost-of-living increase in social security payments were generally expected to lead to some bulge in monetary growth in July. It was also expected, however, that any such bulge would be offset in ensuing months. More fundamentally some easing in demands for liquidity and precautionary balances, and a concomitant increase in the income velocity of money, was anticipated over the months ahead, but the public's liquidity preferences could not be predicted with much confidence, especially in the current environment of financial strains.

Given these problems, most members stressed the need for flexibility in interpreting the behavior of the monetary aggregates in the period ahead. Thus, while still aiming to provide moderate monetary growth consistent with the objectives for growth over the year, those members would be willing to tolerate a bulge early in the period to the extent that it appeared to be a temporary effect of the tax reduction and increased social security payments, perhaps compounded by seasonal adjustment problems. They would also accept somewhat faster growth over the quarter as a whole if it appeared that demands for liquidity and precautionary balances were not easing as anticipated. In general, they wished to guard against the possibility that short-term aberrations in the behavior of money or exceptional demands for liquidity in circumstances of unusual uncertainty would generate financial market pressures that would impede the prospective recovery in output.

A few members of the Committee were concerned that accommodation of much of a bulge in monetary growth in July or a relatively rapid expansion over the summer months as a whole might jeopardize prospects for achieving the monetary objectives for the year and thus would risk exacerbating inflationary expectations. Accordingly, they believed that tendencies toward such monetary growth rates in the months ahead should be met by increased pressures on bank reserve positions and in the money market.

On the other hand, one member advocated a strategy directed toward a prompt easing of money market conditions with a view to promoting reductions in short-term interest rates. It was also suggested by one member that the Committee adopt an effective ceiling of 15 percent for fluctuations in the federal funds rate over the weeks until the next scheduled meeting, in an effort to avoid any significant backing up of interest rates in the current environment and to strengthen prospects for the anticipated recovery in economic activity. Several members observed, however, that such a strategy was more likely to be viewed as a fundamental change in the Committee's approach to targeting monetary growth and would have adverse market reactions because of its potential for producing an unduly rapid expansion in bank reserves and money.

At the conclusion of the discussion, the Committee agreed to seek behavior of reserve aggregates associated with growth of M1 and M2 from June to September at annual rates of about 5 percent and about 9 percent respectively. It decided that somewhat more rapid growth would be acceptable depending on evidence that economic and financial uncertainties were leading to exceptional liquidity demands. It was also noted that seasonal uncertainties, together with increased social security payments and the initial impact of the tax cut on cash balances, might lead to a temporary bulge in the monetary aggregates, particularly M1. The intermeeting range for the federal funds rate, which provides a mechanism for initiating further consultation of the Committee, was continued at 10 to 15 percent.

The following domestic policy directive was transmitted to the Federal Reserve Bank of New York:

> The information reviewed at this meeting suggests that real GNP changed little in the second quarter, after the appreciable further decline in the first quarter, as business inventory liquidation moderated from an extraordinary rate. In May the nominal value of retail sales continued to pick up, while industrial production declined only a little further and nonfarm payroll employment was essentially unchanged. The unemployment rate edged up 0.1 percentage point to 9.5 percent. Housing starts rose appreciably from a depressed level.
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> The price index for gross domestic business product appears to have risen at a relatively slow rate in the second quarter. Over the first five months of this year the producer price index for finished goods was virtually stable, and the advance in the index of average hourly earnings remained at a reduced pace. The consumer price index rose sharply in May, after a small net increase over the preceding four months.
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> The weighted average value of the dollar against major foreign currencies has risen sharply over the past month, reaching its highest level since early 1971, in response to a rise in U.S. interest rates relative to foreign rates as well as to hostilities in the Middle East. The U.S. foreign trade deficit in the first five months of 1982 was at a rate substantially less than in the fourth quarter of last year, as imports declined more than exports.
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> M1 declined somewhat in May, after its sharp rise in April, while growth of M2 remained substantial. Business demands for credit, especially short-term credit, were exceptionally strong. Short-term market interest rates and bond yields generally have risen since late May, and mortgage interest rates have increased.

> 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 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. These ranges were under review at this meeting.
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> In the short run, the Committee seeks behavior of reserve aggregates consistent with growth of M1 and M2 from June to September at annual rates of about 5 percent and about 9 percent respectively. Somewhat more rapid growth would be acceptable depending on evidence that economic and financial uncertainties are leading to exceptional liquidity demands and changes in financial asset holdings. It was also noted that seasonal uncertainties, together with increased social security payments and the initial impact of the tax cut on cash balances, might lead to a temporary bulge in the monetary aggregates, particularly M1. The Chairman may call for Committee consultation if it appears to the Manager for Domestic Operations that pursuit of the monetary objectives and related reserve paths during the period before the next meeting is likely to be associated with a federal funds rate persistently outside a range of 10 to 15 percent.

> Votes for this action: Messrs. Volcker, Solomon, Balles, Gramley, Martin, Partee, Rice, and Keehn. Votes against this action: Messrs. Black, Ford, Mrs. Teeters, and Mr. Wallich. Mr. Keehn voted as alternate for Mrs. Horn.

Messrs. Black, Ford, and Wallich dissented from this action because they favored a policy for the period immediately ahead that was firmly directed toward bringing growth of M1 down to its range for 1982 by the end of the year. They were concerned that accommodation of relatively rapid growth over the summer months might jeopardize achievement of the monetary objectives for the year and thus would risk exacerbating inflationary expectations. Accordingly, they believed that tendencies toward rapid monetary expansion in the months immediately ahead should be met by greater pressures on bank reserve positions and in the money market.

Mrs. Teeters dissented from this action because she favored specification of somewhat higher rates for monetary growth during the third quarter along with an approach to operations early in the period that would clearly signal an easing in policy. In her opinion, policy at this point should be directed toward exerting downward pressure on short-term interest rates in order to promote recovery in output and employment.

At a telephone meeting on July 15, the Committee concluded its review of the ranges for growth of the monetary aggregates in 1982 and the tentative ranges for 1983 and took the following actions.

> 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.

> Votes for this action: Messrs. Volcker, Solomon, Balles, Black, Ford, Mrs. Horn, Messrs. Martin and Partee. Vote against this action: Mrs. Teeters. Absent and not voting: Messrs. Gramley, Rice, and Wallich.

Mrs. Teeters dissented from this action because she favored an explicit statement that growth of M1 above the upper end of the Committee's range for 1982 by 1 percentage point, or even as much as 1-1/2 percentage points, might be acceptable. In her opinion, it was important to indicate the acceptable degree of growth of M1 above the range in order to foster market behavior that would lower interest rates and enhance the prospects for sustaining recovery in output and employment.

> 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.

> Votes for this action: Messrs. Volcker, Solomon, Balles, Black, Ford, Mrs. Horn, Messrs. Martin, Partee, and Mrs. Teeters. Votes against this action: None. Absent and not voting: Messrs. Gramley, Rice, and Wallich.

Shortly afterwards, Messrs. Gramley, Rice, and Wallich, who had been unable to attend the meeting on July 15 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, associated themselves with the Committee in its actions with respect to the ranges for both 1982 and 1983.

Following the Committee's actions on July 15, 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.