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 this meeting 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.

The information reviewed at this meeting suggests that economic activity has remained sluggish. Total nonfarm payroll employment was little changed in December, and the civilian unemployment rate rose to 7.1 percent. Industrial production fell slightly in November and December, partly reflecting a sizable drop in motor vehicle assemblies. Consumer spending has been weak on balance in recent months amid continuing indications of depressed consumer confidence and essentially no growth in disposable income. Demand for business equipment has been uneven, while nonresidential construction has remained in a steep decline. Single-family housing starts continued to recover in December. The nominal U.S. merchandise trade deficit narrowed in November, and for October-November combined the trade balance improved substantially from the third-quarter rate. Wage and price increases have continued to trend downward. Short-term interest rates have declined appreciably since the Committee meeting on December 17, while longer-term rates have registered mixed changes. The Board of Governors approved a reduction in the discount rate from 4-1/2 to 3-1/2 percent on December 20. In foreign exchange markets, the trade-weighted value of the dollar in terms of the other G-10 currencies rose slightly on balance over the intermeeting period. After accelerating somewhat in the fourth quarter, M2 and M3 slowed in January, partly reflecting temporary distortions around year-end. For the year 1991, the expansion of both M2 and M3 is estimated to have been at rates a little above the lower ends of the Committee's ranges. Growth of total domestic nonfinancial debt appears to have been marginally above the lower end of the Committee's monitoring range 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 this meeting 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 -20- 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 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 December through March at annual rates of about 3 and 1-1/2 percent, respectively. Votes for this action: Messrs. Greenspan, Corrigan, Angell, Hendricks, Hoenig, Kelley, LaWare, Lindsey, Melzer, Mullins, Ms. Phillips, and Mr. Syron.