Appendix describing human-coding of FOMC minutes in "Risk management for monetary policy near the ZLB'' by Evans, Fisher, Gourio and Krane

This Appendix catalogs our rationales for the coding of hUnc and hIns. The variable hUnc takes on a value of -1 if we judged that uncertainty led the FOMC to set the federal funds rate at a lower level than it otherwise would have, 0 if we judged uncertainty was not an important factor in the policy setting, and +1 if uncertainty resulted in the funds rate being higher than it otherwise would be. The variable hIns is similarly coded if we judged insurance against some adverse outcome was an important consideration in the setting of the funds rate.

For each meeting, we read the policy portion of the minutes (or, prior to 1993, the Record of Policy Actions) looking for references to uncertainty or insurance influencing the rate decision. The minutes and Record of Policy Actions are available on the Board of Governor's public web site. This appendix contains copies of the relevant text with highlighting on specific phrasing that supports our coding decision. We also indicate when the coding decision was a close call one way or the other and at times include commentary that helps explain our decision.

1987

August 18. Rate held at 6.625 percent.

Coding. Nothing. Although uncertainty was brought up as a reason not to raise rates, it's only attributed to "several" members and thus not clearly a majority view.

a majority of the members favored unchanged conditions of reserve availability, at least initially during the intermeeting period, but some indicated a preference for a modest firming. The members recognized that monetary policy exerted its effects with a lag and that inflationary forces should not be allowed to gather momentum. However, several stressed the uncertainties that surrounded the outlook for prices and wages, and in the view of a majority, more evidence of sustained strength in the economy or of intensifying inflation was needed before action toward firmer reserve conditions should be taken, particularly in the context of relatively slow monetary expansion. Some of these members also commented that the Committee would have an opportunity to review its decision within a few weeks, given the relatively short interval until the next scheduled meeting. Other members gave somewhat greater emphasis to the potential for more inflation. In this view some slight firming at this point would have a favorable effect on inflationary expectations and would incur very little recessionary risk. Moreover, such a move could be readily reversed if changing conditions seemed to warrant such a step later.

September 22. Early Sept. intermeeting move had raised funds rate to 7.3125 percent. No bias.

Coding: nothing

most of the members indicated that they were in favor of directing open market operations, at least initially, toward achieving the increased degree of reserve pressure that had been sought in recent weeks. No change in policy would be involved, given the decision in early September to reduce the availability of reserves; however, because implementation of that decision had not yet been reflected in actual pressures on reserves or in money markets, an unchanged policy at this meeting would imply some slight firming from the actual reserve conditions that had prevailed recently…..

November 3. Intermeeting cut in second half of October to 6.81 percent

Coding: Uncertainty supports lower rates. Insurance also support lower rates.

the members generally agreed on the basic desirability of directing open market operations toward maintaining the easier conditions that had developed in money markets….The members recognized that the still unsettled conditions in financial markets and related uncertainties in the economic outlook might continue to call for the more flexible and accommodative approach to policy that had characterized operations since October 19. This approach implied giving more weight than usual to money market conditions in order to facilitate the return to a more normal functioning of financial markets and to minimize the chances that the Committee's intentions would be misinterpreted. Such an approach also could help to assure that shifting demands for liquidity and reserves would be accommodated without undesirable fluctuations in money market conditions….

Committee members agreed that the lower interest rates that had emerged since mid-October were needed to help offset the effects of the sharp decline in stock prices….

To the extent that market developments permitted a more normal focus on the implementation of a desirable degree of pressure on reserve positions, attention might need to be given during the intermeeting period to a possible adjustment in such reserve conditions depending on economic and financial developments and the behavior of the monetary aggregates. All of the members could foresee possible adjustments in either direction under alternative potential circumstances. However, in light of the uncertainties that continued to dominate financial markets and the risks that the recent developments could depress business activity, nearly all believed that policy implementation should remain especially alert to developments that might call for somewhat easier reserve conditions.

… most of the members agreed that the usual, relatively wide range to trigger a consultation should continue to be set for the federal funds rate. A majority favored a reduction in the range from the current 5 to 9 percent to 4 to 8 percent…all of the members indicated their support of a directive that called for maintaining the degree of reserve pressure that had been sought in recent days. The members recognized that the volatile conditions in financial markets and related uncertainties in the business outlook might continue to indicate the need for special flexibility in the conduct of open market operations.

December 15-16. Funds rate held at 6.81 percent. No bias.

Coding. Nothing. Uncertainties there but didn’t move policy one way or the other.

most of the members agreed that on balance economic and financial developments called for unchanged conditions of reserve availability. Such a policy was viewed as consistent with continuing growth in the economy at a moderate pace. The members recognized that financial markets remained unsettled despite the emergence of a much calmer atmosphere since the latter part of October, and they believed that money market conditions might be subject to considerable volatility around the year-end. In this situation most of the members felt that open market operations should continue to be conducted with a special degree of flexibility and should give considerable weight to conditions in the money market, at least over the nearer term, to accommodate shifting demands for liquidity and reserves and to temper potentially excessive fluctuations in short-term markets….

In the majority view the risks associated with either firming or easing under current circumstances outweighed the potential benefits. It was noted, for example, that any significant firming would have unsettling effects on domestic financial markets and the associated rise in interest rates would pose considerable risks to *the* economic expansion. At the same time, many members felt that any appreciable easing would not be desirable currently, especially in light of the dollar's weakness…Other members weighed such risks differently…

In light of the differences among the members with regard to policy for the short run, including the Committee's operating procedures in the near term, and the uncertainties surrounding financial markets and the economy, it was understood that the members might need to consult on policy *implementation* before the next scheduled meeting on February 9-10, 1988.

1988:

February 9-10. Rate at 6.5 percent (down a touch from 6.625). Symmetric

Coding. Nothing. Some uncertainty mentioned, but did not tilt policy.

all of the members indicated that they favored or could accept a directive that called for maintaining the slightly reduced degree of pressure on reserve positions that had been sought recently. While some members expressed reservations about that easing, a few indicated a preference for easing marginally further. Members commented during the discussion that policy implementation faced the special challenge of balancing the risks of a potentially softer economy over the nearer term while also remaining positioned to achieve the Committee's anti-inflationary objectives over the longer run. Accordingly, despite shadings of opinion, the members were in broad agreement that any substantial change in policy, in either direction, was not warranted under prevailing economic and financial conditions….These members emphasized that financial market conditions still exhibited some degree of fragility and, against the background of substantial uncertainty in the economic outlook, unanticipated developments might well continue to warrant occasional departures from the focus on reserve objectives for the purpose of moderating temporary fluctuations in money market conditions. **A** number of these members also commented on the need for flexibility because a relatively normal or predictable relationship between the provision of reserves and money market conditions had not yet emerged.

March 29. Rate up 25 bps to 6.75 percent. Symmetric directive.

Coding: Close all. Coded it as uncertainty over economic activity and the absence of an increase in inflation resulted in a smaller increase in rates. But only “a number” of members arguing it make it a close call. Note, too some discussion of “pre-emptive” move to avert aggravating inflation expectations, but didn’t think it crossed the threshold.

nearly all the members favored some increase in the degree of pressure on reserve positions. Most indicated a preference for only a slight move toward restraint, at least at this time, but a few urged somewhat greater tightening. Several commented that a stronger economic outlook in the context of already high capacity utilization rates in a number of industries required timely action to help prevent the business expansion from gathering excessive and unsustainable momentum that would lead to higher inflation. A policy response under emerging circumstances would also serve to confirm the System's commitment to achieving price stability over time and might help to avert an aggravation of inflationary expectations. Moreover, action at this time might preclude the need for more substantial tightening later.

While they favored a slight increase in reserve pressures, a number of members stressed that monetary policy should not overreact to recent developments. The firming should proceed with caution in light of the prevailing uncertainties in the economic outlook and the current absence of evidence in broad measures of prices and wages that rates of inflation were already rising. Other factors cited in favor of a cautious approach included the persisting problems or incomplete recovery in some sectors of the economy and areas of the country, the still sensitive conditions in financial markets, and the troubled status of many financial institutions. In the view of one member, underlying demands in the economy were not likely to be sufficiently robust to pose a threat of greater inflation, and so prospective economic and financial conditions did not warrant any tightening of reserve conditions.

In the Committee's consideration of possible adjustments in policy implementation during the intermeeting period, some members felt that the risks of more inflation argued for giving particular attention to developments that might call for somewhat tighter reserve conditions. A majority of the members believed, however, that there should be no presumption about the likely direction of intermeeting adjustments, if any, in the implementation of policy. While these members generally agreed that the economic risks were in the direction of more inflation, they preferred not to weight the directive toward possible further tightening in light of the firming that was already contemplated at this meeting and the considerable uncertainties that they saw in the economic and financial outlook. One member propos

May 17. 25 bps intermeeting move in April. Another 25 bps increase (after a brief wait after the meeting; enacted by mid June) to 7.25 percent. Believe symmetric

Coding: Nothing. No uncertainty. Some reference to insurance to hold back inflation pressures, but this was minority view of folks who wanted a bigger rate increase.

the members generally agreed that some further tightening of reserve conditions was needed to counter the risks of rising inflationary pressures in the economy. A failure to act in timely fashion not only would be inconsistent with the Committee's commitment to achieving price stability over time but would in fact compound the difficulties of accomplishing that objective. Views differed, however, regarding the desirable extent of such firming and the appropriate timing for its implementation. A majority favored only a slight move toward more restraint, at least pending an evaluation of further developments, and most of these members preferred to delay the tightening action for a short period. Other members felt that current and potential pressures on prices and wages argued more urgently for a prompt move to somewhat greater restraint.

Members who favored moving promptly to a somewhat greater degree of restraint gave more emphasis to the risks of more inflation as demand pressures encountered labor and capacity constraints in many industries. In this view the System's recent firming actions were helpful, but they did not go far enough toward restraining the growth in total demands to a noninflationary pace. These members recognized that appreciable further firming could have some adverse impact on financial markets in the short run and on the condition of many already weakened depository institutions. However, a prompt and somewhat stronger response to inflationary developments at this point would have a favorable effect on inflationary expectations, and over time also on long-term debt markets, and would reduce the need for greater and more disruptive tightening actions later. Some of these members indicated that a relatively modest move now, or in the very near future, and a readiness to tighten further later during the intermeeting period would constitute an acceptable compromise,

June 29-30. Slight increase in funds rate (to 7-1/2 ?). Bias towards tightening.

Coding: Nothing

in the course of the Committee's discussion of policy implementation for the period immediately ahead, considerable emphasis was given by some members to the desirability of avoiding any impression of a reversal in what was widely perceived as the thrust of policy in recent months toward a gradual increase in the degree of restraint. Several observed that the tightening actions of recent months had had a salutary effect on financial markets, and, as evidenced in part by the performance of the bond markets, on inflation expectations. The Committee did not contemplate any easing of policy in the current economic environment, and some members were concerned that maintaining the degree of reserve pressure sought recently might well be interpreted as a move to an easier policy once the effects of seasonal pressures on money market interest rates subsided.

August 16. Increase to 8.125 percent. (odd; reserve pressures were maintained by Committee raised funds rate range by 100 bps)

Coding: Nothing

nearly all the members indicated that they preferred or could support a directive to maintain unchanged conditions of reserve availability. In assessing the desirability of such a policy, members noted that the discount rate had been raised only recently and, to date, financial markets did not appear to have adjusted fully to the increase. In the circumstances, several members expressed concern that further tightening at this time through open market operations might have unintended and unsettling effects on financial markets.

While the members generally agreed on the desirability of a steady policy for the near term, many thought that some further firming was likely to be needed, perhaps relatively soon. These members saw substantial risks that inflationary pressures would intensify

September 20. No change in rates. Bias towards firming

Coding. Rates lower due (foregone rate increase) due to uncertain outlook. Though number of members not clear, seems to pass threshold.

all of the members agreed on a proposal calling for an unchanged policy stance pending an evaluation of further economic developments. Those who perceived the risks in the economic outlook as still decidedly on the side of continued strong demand and greater inflationary pressures saw enough uncertainties in the current economic situation to warrant a pause in the policy firming process, Others were less persuaded that inflationary pressures would intensify, especially given the degree of policy restraint that already had been implemented over the past several months. It was noted that additional firming at this time could have undesirable repercussions on the dollar in foreign exchange markets and on the financial condition of many already troubled depository institutions. Some members expressed concern that a marked weakening in the economy, which would become a greater risk if policy were tightened further, would disrupt the urgent task of reducing the federal budget deficit.

With regard to possible adjustments in the degree of reserve pressure during the intermeeting period, all of the members indicated that the balance of risks in the economy were such that they favored or could accept a directive that would more readily accommodate a move toward firming than an adjustment toward easing in the weeks ahead. Some commented that near-term developments were not likely to call for a policy change in this period, while others saw a greater likelihood that intermeeting developments would point to the desirability of some firming. The potential need for some easing was viewed as remote.

November 1. Rates unchanged policy. Bias towards tightening.

Coding. Rates lower due (foregone rate increase) due to uncertain outlook.

In the Committee's discussion of policy implementation for the period immediately ahead, the members generally agreed that the current relatively balanced performance of the economy and the uncertainties surrounding the outlook argued for an unchanged policy at this point. Some commented that the apparent strength of underlying inflationary pressures might require further monetary restraint later, but for now they favored or could accept a steady policy course. Other members were more persuaded that, in the context of the recent evidence of slower economic growth, monetary policy already appeared to be on a course that would promote progress in reducing inflation. From the perspective of the growth of the monetary aggregates and reserves as well as interest rates developments, monetary policy had been fairly restrictive for some months and further restraint needed to be approached with some caution. At the same time, members stressed the continuing need to sustain the System's commitment to its long-run objective of controlling inflation, including the desirability of making clear that the current rate of inflation was unacceptable.

With regard to possible adjustments in the degree of reserve pressure in the intermeeting period, a majority of the members believed that operations should be adjusted more readily toward further tightening than toward any easing. Some indicated that they viewed the incorporation of such an understanding as a key element of an acceptable directive, given their assessment of the inflationary risks in the economic outlook.

December 13-14. Rate allowed to drift up to 8.375 late November (seemed for technical reasons). Then in Dec funds rate up 30 bps to (or 8.5?) 8.69…to be followed by tightening in early 1989 unless economy slowed down.

Coding. Nothing

nearly all the members supported a proposal that called for an immediate increase in the degree of reserve pressure to be followed by some further tightening at the start of 1989 unless incoming evidence on the behavior of prices, the performance of the economy, or conditions in financial markets differed greatly from current expectations. The appropriate degree of reserve restraint also would be reevaluated in the event of an increase in the discount rate. While the members recognized that the degree of monetary restraint could be overdone, they generally felt the risks of a downturn stemming from the limited tightening under consideration were extremely small and needed to be accepted in light of what they perceived as the much greater threat of a recession if inflation were allowed to intensify.

1989.

February 7-8. Intermeeting rate up to 9 percent in January (the tightening noted in December 1988). No further move at this meeting. Bias towards tightening.

Coding. Close call – but going with uncertainty holds rate lower than otherwise. No mention of uncertainty or insurance per se, but there is mention of mixed economic picture and inflationary trends and waiting to for confirmation on inflation. Timing an issue, too. But seems to cross threshold.

a majority of the members indicated a preference for maintaining unchanged conditions of reserve availability, at least initially following today's meeting. Further monetary re straint might be desirable in the near future, perhaps during the inter meeting period. However, recent information had given a somewhat mixed picture of economic and price developments, and these members preferred to wait for further confirmation of inflationary pressures before additional firming of monetary policy was undertaken. Appreciable policy tightening had been implemented only recently and the impact would be felt only after a considerable lag. Monetary policy was now fairly restrictive, as evidenced for example **by** relatively high real rates of interest, a slightly inverted yield curve, and the slow growth of the monetary aggregates. The credibility of the System's anti inflationary policy was quite high. Some members expressed concern that higher interest rates would exacerbate the financial difficulties of many thrift depository institutions, weaken heavily indebted firms, and in the context of a strong dollar possibly lead to an undesired upward ratcheting of interest rates in world financial markets. It also was noted that further tightening should be approached with special caution when the dollar was under upward pressure in the foreign exchange markets.

March 28. Intermeeting increase to 9.75 percent in two steps, Feb 9 and bigger one on 24. No further change in rates at the meeting. Bias towards tightening.

Coding. Uncertainty holds rate lower than otherwise. Uncertainty over degree of slowing against backdrop of waiting to see effects of past policy actions.

a majority of the members expressed a clear preference for maintaining unchanged conditions of reserve availability. They emphasized the uncertainties surrounding the current business outlook and the desirability of waiting to see if the tentative indications of some slowing in the expansion signaled the start of a sustained period of slower economic growth and reduced inflationary pressures. Because of the usual lags in the impact of monetary policy on the economy and prices, the full effect of the firming in 1988 had not yet been felt, much less the effect of the substantial further policy tightening this year. Other members, while willing to accept an unchanged policy for now, preferred an immediate move to further

restraint. They gave more weight to the possibility that the current slowing of the expansion might be inadequate to restrain inflationary pressures, and they felt that additional restraint should be implemented promptly to provide better assurance that sufficient monetary restraint was in place.
Most members endorsed the view that, in the absence of un expected developments, policy implementation should resist any percep tions that monetary policy might be easing. A number also commented that they would not oppose some further small rise in money market interest rates. More generally, a majority of the members felt that policy implementation over the intermeeting period should be adjusted more readily and promptly toward greater restraint than toward ease. Some who preferred a

May 16. Rate nicked up to 8.8125 percent. But this appears to be a technical adjustment—no change in policy was endorsed at the meeting. Symmetric bias.

Coding. Nothing. Plenty of mention of uncertainty, but it's in both directions and thus didn't tile policy one way or the other.

nearly all of the members endorsed a proposal to maintain unchanged conditions of reserve
availability, at least initially in the intermeeting period. There was considerable uncertainty as to whether monetary conditions were sufficiently restrictive to foster lower rates of inflation or had become so tight as to cause an even greater slowing in the expansion than might be needed to relieve inflation pressures. In the circumstances, most members viewed a steady policy as offering the best promise at this point of being associated with the financial market conditions and monetary growth rates that would support an appropriately restrained rate of economic expansion to accommodate the Committee's
anti-inflationary objectives. Given current uncertainties, further developments would need to be evaluated carefully and might well call for some adjustment of policy, in either direction, before the next meeting of the Committee.

July 5-6. June 6 rate moved from 9.8125 to 9.5625 (on purpose, less inflationary pressures). At meeting brought down to 9.3125. Unbiased forward.

Coding. Uncertainty results in a smaller decline in funds rate (and so higher overall rate) than otherwise.

the members generally agreed that recent
developments suggested that some further easing of reserve conditions would be appropriate. Nearly all endorsed a proposal to lessen the degree of reserve pressure marginally at this time, but one member favored somewhat greater easing and another saw merit in a phased lessening of reserve pressures in the weeks ahead. Many emphasized that current economic and financial uncertainties called for caution in adjusting policy at this point. In this view, more than a slight move to less restraint could have an undesirable effect on inflationary expectations and, at least in the absence of further indications of

lagging economic growth, could lead eventually to upward pressure on long-term interest rates. Moreover, in the view of some members, there remained some risk that inflationary pressures would intensify and that the easing might have to be reversed later. Caution also was indicated in light of the prevailing sensitivity and volatility of financial markets

August 22. July 27 intermeeting cut to 9.0625. Rate maintained at this meeting. Bias towards easing

Coded. Nothing. Uncertainty about expansion noted, but in both directions. So supports pause, but no tilt one way or the other in policy

all of the members supported a proposal to maintain unchanged conditions of reserve availability at least initially during the intermeeting period ahead. The easing steps implemented since early June had been appropriate in the context of earlier indications of some slowing in the business expansion and a prospective lessening of inflation pressures…For the period ahead, a steady policy course **was** desirable in light of the latest evidence suggesting that price pressures were not intensifying; in addition, the expansion appeared to have stabilized at a moderate and provisionally acceptable pace and considerable uncertainty existed with regard to the timing and direction of future **deviations from** the expansion's current momentum. Some members commented on indications that financial markets anticipated some further easing of monetary policy in the months ahead, if not immediately. If such easing failed to materialize, the result could be some upward adjustments in interest rates that could have an adverse impact on interest-sensitive sectors of the economy such **as** housing and that could place undesirable upward pressure on the value of the dollar in foreign exchange markets. Despite such concerns, the members agreed that for now an unchanged policy offered the best prospects of fostering the financial market conditions and the monetary growth that would accommodate satisfactory economic performance.

October 3. Rate held at 9.065 percent. Asymmetry towards easing.

Coding. Nothing.

most of the members endorsed a proposal to maintain unchanged conditions of reserve availability and preferred or found acceptable a suggestion to retain the asymmetry toward ease that was incorporated in the latest directive. While noting that developments in the near term might alter the economic outlook, most members felt that prevailing conditions in the domestic economy did not warrant a policy change in either direction at this time. The focus of policy continued to be that of gradually reducing inflation over time and a steady policy course seemed consistent with that objective, at least for now.

November 14. October 19 intermeeting cut to 8.750 percent. November 6 cut to 8.5 percent. Rate held at 8.5 percent at the meeting. Asymmetry towards easing.

Coding. Nothing.

Intermeeting cut: These decisions were made in light of information that suggested some increase in the risk of a pronounced weakening in the growth of business activity.

nearly all of the members supported a proposal to maintain unchanged conditions of reserve availability. **A** majority favored and the others could accept a related suggestion to retain the current asymmetry toward ease that had been incorporated in recent directives. While current indicators of economic activity suggested a somewhat weaker expansion, most of the members agreed that a steady policy course was desirable at this point, especially in light of the stimulus provided **by** recent easing actions, whose effects on the economy would be felt only with some lag. In reconciling concerns about a cumulative weakening in the economy against a desire for progress in the fight against inflation, a steady policy seemed to give reasonable prospects for achieving both sustained expansion and declining inflation. Some members commented that these objectives could be attained with less pressure in credit markets if the federal budget deficit were to turn more definitely downward.

December 18-19. 25 bps cut to 8.25 percent. Symmetric

Coding. Insurance cut.

the members focused on the possible need to ease reserve conditions slightly further to provide greater assurance that weaknesses in demand did not persist or deepen. The current slowdown in economic growth was to a considerable extent the result of the policy implemented much earlier to restrain emerging inflation pressures, and this policy seemed at least to have avoided an upsurge in inflation. Over time, a further damping of price pressures was needed if the economy was to realize the benefits of price stability, but that need not involve a downturn in the economy. Several members observed that the choice between some slight easing at this time or waiting for additional evidence that the economy might be weakening further was a close one. A majority indicated that on balance they viewed the risks of a shortfall in economic activity as sufficiently high to justify an immediate move to slightly easier reserve conditions, and one member expressed a preference for somewhat greater easing. In this regard, some noted that the next several months might be a critical period in terms of avoiding a recession and that some modest easing at this point might have a calming effect on financial markets and help to boost business confidence. Given downward pressures on many prices and softness in business conditions, some slight easing was not likely in this view to be inconsistent with the long-run objective of price stability or the public's perception of the importance that the System placed on that objective. These members recognized that an easing of reserve pressures immediately after the meeting would make the need for further easing less likely over the coming intermeeting period. As a consequence, they favored a directive that did *not* contain a tilt toward less restraint but one that gave equal weight to potential intermeeting adjustments in either direction.

1990

February 6-7. Rate held at 8.25 percent. Symmetric.

Coding. Nothing.

a majority of the members favored steady reserve conditions. Given indications of some pickup in activity from the latter part of 1989, such a policy offered the best prospects at this point of reconciling the Committee's objective of acceptable and sustained economic growth with that of some reduction over time in inflationary pressures on labor and other resources. A tightening of policy might have some advantages in terms of moderating monetary growth and improving inflationary expectations, but in this view such a policy would incur too much risk of creating financial conditions that could lead to a weaker economy. Conversely, significantly lower interest rates could have inflationary consequences in an economy that already was operating at relatively high employment levels, partly through their effects on the dollar in the foreign exchange markets. Conditions in the economy and in financial markets, both in the United States and abroad, suggested that monetary policy needed to convey a sense of stability.

March 27. Rate held at 8.25 percent. Symmetric bias.

Coding. Rates lower than otherwise (not increased) due to uncertainty.

most of the members indicated a preference for maintaining an unchanged degree of pressure on reserve positions. While recent economic information could be interpreted as pointing to a reduced risk of a recession and to greater or at least more deeply imbedded inflationary pressures than were foreseen earlier, these members concluded that it would be premature to tighten reserve conditions on the basis of a few months of data, particularly in light of the special factors at work that made it difficult to assess underlying trends. Some of these members also noted that various developments, including the rise in most interest rates since the beginning of the year, the more recent strength of the dollar in foreign exchange markets, indications of some slowing in monetary growth, and the apparent tightening of credit standards could be viewed as having the same effects on the economy as a modest firming of reserve conditions. Because a firming of policy would be unexpected, it could prove unsettling in the foreign exchange markets and in financial markets more generally. On balance, in light of the uncertainties that were involved, these members preferred to maintain a steady policy course for now, subject to a careful evaluation during the intermeeting period of developments that might signal some intensification of inflationary pressures. A few members, who were particularly concerned about the outlook for inflation, preferred an immediate move to somewhat tighter reserve conditions, especially if the directive for this meeting did not include a presumption that any intermeeting adjustments were more likely to be in the direction of some tightening.

May 15. Rates held at 8.25 percent. Symmetric directive.

Coding. Uncertainty mentioned, but in both directions so does not tilt policy.

nearly all of the members supported a proposal to maintain unchanged conditions of reserve availability at least initially following today's meeting. The members generally agreed that unchanged reserve conditions could reasonably be expected to be associated with continued moderate expansion in business activity. At the same time, they remained concerned about the lack of progress against inflation, and some commented that the need to contain and ultimately to reduce inflation might well require a firming of policy at some point. Price stability, it was emphasized, was a vital objective of monetary policy and was essential to the achievement of overall objectives for the economy. However, recent data on the economy and prices provided some comfort that inflation pressures were not building, and there were some downside risks to the economic outlook stemming from conditions in financial markets. Growth of the monetary aggregates had slowed appreciably and, while there was considerable uncertainty, credit conditions also could be tightening with potential effects on spending. Partly in light of these developments, some members stressed that it was too soon to conclude that current monetary policy would not have desired anti-inflationary effects. Under these circumstances, all but one member favored the retention of unchanged reserve conditions, pending additional information that might tilt the risks toward greater price pressures or a weaker economy.

July 2-3. Rate held at 8.25 percent. Bias to easing (potentially soon if data did not show increased inflationary pressures)

Coding. Nothing. But close call – could be rates higher (e.g. not lowered) due to uncertainty but didn't think it passed threshold.

all of the members supported a proposal to maintain unchanged conditions in reserve markets at least initially following this meeting, and a majority favored a directive that could accommodate some slight easing of reserve conditions fairly soon unless incoming indicators suggested appreciably stronger monetary growth and greater inflationary pressures than the members currently expected. The degree of monetary restraint sought by the Committee since late 1989 remained appropriate, but despite a steady policy course, credit conditions appeared to have tightened at least marginally in recent months. The evidence of such tightening, while not conclusive, had become more persuasive and was a source of increasing concern; the marked slowing in monetary growth in the second quarter in particular suggested the possibility of more restraint than the Committee intended. Nonetheless,in the view of nearly all the members, the persistence of inflation argued for caution and against any adjustment that would have the effect of easing the overall thrust of policy unless incoming information on the monetary aggregates and the economy pointed to a significantly weaker outlook for economic activity.

August 21. July 13 cut to 8 percent. Left at 8 percent at this meeting. Asymmetric towards easing.

Coding. Uncertainty; but in both directions so does not tilt policy.

members commented that the heightened uncertainties and the prospectively less satisfactory performance of the economy stemming from events in the Middle East had greatly complicated the formulation of an effective monetary policy. Uncertainties about the developments in the Middle East made it difficult to judge an appropriate policy stance, and those uncertainties had been reflected in unusually volatile financial markets. More fundamentally, with the surge in oil prices tending to weaken economic activity while also intensifying inflationary pressures, an easing in policy would incur the risk of overcompensating for -potential weakness in the economy at the expense of greater inflation, while a tightening move to counter inflation might stall an already weak economic expansion. In these circumstances, the members generally concluded that the Federal Reserve could best contribute to the nation's economic goals by fostering a stable policy environment. The prospective performance of the economy was very likely to be dominated by events that were outside the Committee's control, including not only developments in the Middle East but decisions to be made with regard to the federal budget deficit.
While acknowledging the c

October 2. Funds rate left at 8 percent. Committee preferred to ease, but to wait until federal budget package resolved. Bias towards easing

Coding. Nothing.

a majority of the members were in favor of easing reserve conditions at least slightly during the intermeeting period ahead. In their view, an easing move was warranted in light of the indications that there was a significant risk of a much weaker economy, partly as a consequence of some further tightening in the availability of credit since mid-summer; in this context, moreover, the budget proposal, if enacted, would provide a degree of fiscal restraint….
Members who favored some easing of reserve conditions agreed that it would be desirable to hold such a move until passage of the federal budget package was more certain. The reasons for the easing were not keyed to the enactment of the new federal budget alone but more broadly to developments in credit markets and the economy, with the prospects for fiscal restraint only one element in the outlook

November 13. October 29 rates lowered to 7.75 percent. Lowered to 7.5 percent at this meeting. Bias towards easing.

Coding. Insurance easing.

all of the members indicated that they favored or could support a proposal calling for some slight immediate easing of reserve conditions; one member expressed a preference for somewhat greater easing while another saw advantages in delaying the easing move. The growing signs of a softening economy, the related vulnerability of many business and financial firms to added financial strains, and the increased reluctance of institutional lenders to accommodate less than prime business borrowers suggested that the Committee should remain especially alert during the weeks ahead to signals that some further easing was appropriate. The lack of significant monetary growth over the course of recent months also was seen as pointing in the same direction. However, the weakness in the economy reflected in part an external shock whose effects could not be entirely offset without exacerbating a still substantial inflation, and the dollar had been under considerable downward pressure in the foreign exchange markets. In this situation, any easing needed to be approached with caution. While there were some differences in emphasis, the members agreed that a limited degree of easing at this juncture would provide some insurance against a deep and prolonged recession without incurring a substantial risk in current circumstances of fostering intensified inflationary pressures.

December 18. 25 bps cut to 7 percent. Bias towards easing.

Coding. Insurance easing. Possible also uncertainty over effects of past policy resulting in a smaller easing (higher overall rates) than otherwise, but didn't think it crossed threshold so didn't code.

all of the members indicated that they favored or could accept a directive calling for some slight easing in reserve conditions. Members noted that monetary policy had been eased in several steps over the course of recent weeks; while substantial additional easing might not be needed under prevailing conditions, a limited further move would provide some added insurance in cushioning the economy against the possibility of a deepening recession and an inadequate rebound in the economy without imposing an unwarranted risk of stimulating inflation later. The members favored a cautious approach to further policy moves
in light of the appreciable easing in reserve conditions that already had been implemented and the considerable decline that had occurred in market interest rates. The stimulus provided by the recent easing actions had not yet been felt in the economy, and given the lags that were involved, there was some risk of overdoing the easing of policy at some point, with potential inflationary consequences once the economic recovery got underway. Most of the members viewed such a risk as relatively remote and one that could be dealt with, should the need arise, by a future tightening of policy, although it was recognized that moves toward restraint could be difficult.

1991

February 5-6. 25 bps intermeeting cut on January 9 to 6.75 percent; and 50 bps to 6.25 on February 1. Rates held at 6.25 at the meeting. Tilt towards easing.

Coding. Nothing. Pause is over usual lags in policy ; not uncertainty per se.

all of the members endorsed a proposal to maintain unchanged conditions in reserve markets at least initially following this meeting. In reaching their decision, members took into account the considerable easing of monetary policy that had been implemented in a series of steps over the course of recent months, including the reduction in the discount rate and related decrease in money market interest rates within the last few days. The System's policy actions, in the context of a weakening economy and moderating cost pressures, had induced a considerable decline in interest rates, but sufficient time had not yet elapsed for the effects of the lower rates to be felt in the economy or indeed to any measurable extent in the growth of the monetary aggregates….

In these circumstances, while views differed with regard to the potential need for further easing moves, the members agreed that for now it was desirable to pause and assess the course of the economy and the effects of past policy actions.

March 26. March 8 25 bps cut to 6 percent. Rate held there at this meeting.

Coding. Uncertainty; but in both directions so does not tilt policy. Symmetric directive.

In the Committee's discussion of policy for the intermeeting period ahead, all of the members supported a proposal to maintain an unchanged degree of pressure on reserve positions. The System's policy actions over the course of recent months, including two reductions in the discount rate, represented substantial easing on a cumulative basis and most probably had positioned monetary policy to contribute to a satisfactory recovery in business activity. Changing economic and financial conditions could, of course, lead to a reassessment, but for now a steady policy course seemed indicated as the stimulative effects of earlier policy actions, the drop in oil prices, and the rebound in confidence worked their way through the economy. Some members observed that the most likely direction of the next policy move was not clear at this point and that caution was needed before any action was taken. Prevailing uncertainties suggesting that further easing could not be ruled out included the possibility that consumer spending would not strengthen materially and that business capital spending would continue to weaken. However, if the economy was indeed near its recession trough, additional easing would not be necessary and such a move might add to inflationary pressures later. On the other hand, while a firming of policy clearly would be premature at this point, a number of members commented that the Committee should be alert to the potential need to tighten reserve conditions promptly if emerging economic and financial conditions, including the behavior of the monetary aggregates, threatened progress toward price stability.

May 14. April 30 intermeeting cut to 5.75 percent. Held at 5.75 at this meeting. Symmetric directive.

Coding. Nothing. But note insurance reference to earlier easings.

all of the members indicated their support of a proposal to maintain an unchanged degree of pressure on reserve positions. Most also preferred to retain the current instruction in the directive that did not bias possible intermeeting adjustments toward ease or toward restraint. Monetary policy appeared to be properly positioned at this point to help implement the Committee's objectives in that it reflected an appropriate balancing of the risks of an overly stimulative policy that would threaten progress against inflation versus the risks of a deepening recession or an overly delayed recovery. A number of members commented that some further deterioration in economic activity could not be ruled out, and some emphasized that the costs of a substantial shortfall in economic activity from current projections would be much greater than those of a markedly faster expansion than the members currently expected, since present levels of slack in labor and other resource use would tend to limit the price consequences of a period of robust economic growth. However, the System's earlier easing actions, including the most recent reduction in the discount rate in late April and some associated easing in reserve conditions, had provided a good deal of insurance against cumulative further weakening in business activity. Moreover, the System's commitment to the goal of reducing inflation argued for a cautious approach to any further easing at a time when the economy might be close to its recession trough. Steady progress against inflation would foster lower interest rates in long-term debt markets and would thus provide an added degree of stimulus to the economy; conversely, a resurgence in inflation would probably induce a backup in long-term interest rates, including mortgage rates, with adverse implications for housing markets and the economy. Against this background, the members concluded that a desirable policy was to take no action at this time but to monitor carefully the ongoing effects of the System's earlier easing moves.

July 2-3. Rate held at 5.75 percent. Symmetric directive.

Coding. Nothing.

In the Committee's discussion of policy for the intermeeting period ahead, all of the members were in favor of maintaining an unchanged degree of pressure on reserve positions. They believed that at this juncture an unchanged policy course offered the greatest promise of reconciling the Committee's goals of sustaining the nascent business recovery while also fostering further progress against inflation. There were obvious areas of uncertainty and vulnerability in the current economic and financial situation, but developments were unlikely to require an immediate adjustment in reserve market conditions. For now, monetary policy appeared to be on an appropriate course.

August 20. August 6 intermeeting cut to 5.5 percent. Rate left there at this meeting. Tilt towards easing.

Coding. Nothing.

Against the background of a broad consensus that a moderately paced recovery with ebbing inflation probably was under way, all of the members indicated that they preferred or could accept a proposal to maintain an unchanged degree of pressure on reserve positions. In addition, a majority expressed a preference for an asymmetric directive that was tilted toward possible easing during the weeks ahead. Those favoring such asymmetry felt that the risks to the expansion were largely on the side of a weaker than projected economy, and they believed that the Federal Reserve should react promptly to any signs that the expansion was less robust than desired or that monetary conditions might be inconsistent with sustained growth. However, they believed that an immediate easing move would be premature because the most recent economic information, although mixed, still suggested a moderate rate of economic expansion and also because of the questions that were raised about how to interpret the behavior of the monetary aggregates.

October 1. September 13 intermeeting cut to 5.25 percent. Rate left at 5.25 at meeting. Marginal bias towards easing.

Coding. Nothing. Uncertainty mentioned, but balanced.

all of the members indicated that they were in favor of maintaining an unchanged degree of pressure on reserve positions. While the economy was subject to an unusual array of problems and related uncertainties, the members generally felt that monetary policy was on the right course under currently prevailing and immediately forseeable economic and financial circumstances. In particular, insofar as could be judged at this point, the present policy stance provided an appropriate balance between the risks of a faltering economic expansion and the risks of little or no progress toward price stability. The easing steps in recent months and the associated declines in interest rates, including mortgage rates, appeared to have supplied more monetary stimulus than had yet shown through to the economy. Several members commented, however, that the Committee needed to remain particularly alert to indications of renewed weakening in business activity, especially given the current financial fragilities in the economy and the likely difficulty of reviving the economy in the event of another downturn. Other members gave somewhat more weight to the need to avoid over-stimulating the economy; a failure to take advantage of the apparent momentum toward lower inflation would have seriously adverse consequences on longer-term debt markets and the outlook for sustained economic growth.

November 5. October 31 intermeeting 25 bps cut to 5.0 percent. Then cut another 25 bps to 4.75 percent at the meeting. Bias towards easing.

Coding. Insurance cut.

In the Committee's discussion of an appropriate policy for the intermeeting period ahead, a majority of the members indicated that they could support a proposal to ease reserve conditions slightly at this time and to bias the directive toward possible further easing later in the intermeeting period. The members recognized that monetary policy had been eased considerably over the course of recent months, including a decision to reduce reserve pressures at the end of October, and that all of the stimulus from the earlier actions had not yet been felt in the economy. Nonetheless, in the view of many members further modest easing was desirable at this point to provide some added insurance against the downside risks in the economy. Such a policy move would help counter the deterioration in business and consumer confidence, and it might also encourage some decline in longer-term interest rates. Under current economic and financial conditions, this easing would pose negligible risks of deflecting inflation from its downward path. Continuing weakness in the monetary aggregates reinforced the need for easier reserve conditions.

December 17. 25 bps intermeeting cut on December 6 to 4.5 percent. Rate held there at this meeting. Strong bias towards easing unless data improvement became evident promptly. In event, cut to 4 percent on December 20; and we used 4 as the post-meeting rate for this meeting.

Coding. Nothing. Some argument for the subsequent Dec 20 move being insurance, but we did not code it as such.

In the Committee's discussion of policy for the period ahead, most of the members indicated that they favored or could accept a directive that called for no immediate change in the degree of pressure on reserve positions but that carried an especially strong presumption that some easing in reserve conditions would be implemented unless improvement in the economy became evident fairly promptly or there was significant evidence of a pickup in M2 growth in the period immediately ahead….
The policy discussion focused on the need to foster a sustained, noninflationary recovery. Such an environment would promote continuing balance sheet adjustments and business restructurings that would over time enhance the financial soundness

and competitive strength of the economy. For now, however, these activities were having restraining effects on the economy, and there were as yet no clear indications that the recovery was resuming. While the risks of a substantial weakening in the economy were perhaps small, such a development would have severe consequences for the economy and financial institutions. In these circumstances, many of the members believed that some further easing of reserve conditions likely would be called for, especially if indications of some strengthening in the economy or in the growth of the monetary aggregates should fail to materialize in the near future. **A** number of members also commented that against the background of better-thanexpected progress toward price stability, a stalled recovery, and slow
monetary growth, the inflation risks of further easing were minimal. Some members indicated that they saw an advantage in making a more substantial policy move at some point in the period ahead rather than additional limited easing actions of the sort that had been implemented in recent years. In this view, a larger and more visible policy action, which generally was not anticipated in financial markets, would have greater effectiveness in part because it would be more likely to bolster confidence. The level of interest rates and money growth that would be expected to ensue from such an action, against the background of the substantial easing that had already been implemented, should be sufficient to foster expansion and promote the view that further easing would not be needed.
Other members, while not disagreeing that further easing might be desirable, nonetheless expressed reservations about the urgency to ease in the near term and especially the need for a sizable move. These members emphasized that a substantial amount of easing had been implemented over the past several months and that to a considerable extent the effects of such easing had not yet shown through in the economy. A number of these members also expressed the view that monetary policy could do little to offset the restraining effects of the balance sheet adjustments and business restructuring activities that were currently under way. Moreover, a resurgence of inflation pressures as the recovery gathered strength could not be ruled out, and too much easing in the period immediately ahead might have to be reversed later with unsettling consequences.
According to a staff analysis prepared for this meeti

1992

February 4-5. Rate held at 4 percent. Bias towards easing

Coding: nothing. Mention of uncertainty, but doesn't appear to affect current rate decision.

all of the members favored or found acceptable a proposal to maintain unchanged conditions in reserve markets and to bias the directive toward possible easing during the intermeeting period. In support of this policy, members observed that reserve conditions had been eased substantially over the past several months, including the easing undertaken in the latter part of December, and that much of the stimulus from recent policy actions had yet to be felt in the economy. The members generally agreed that enough monetary stimulus probably had been implemented to foster the desired upturn in economic activity without further policy moves. Nonetheless, the high degree of uncertainty surrounding the outlook suggested that the Committee needed to remain alert to the possibility of developments that might require additional easing. In these circumstances, a majority of the members expressed a preference for a directive that was biased toward some easing. The lagged effects of earlier easing actions could prove to be less stimulative than anticipated, in part because of ongoing balance sheet restructuring activities. The persistence of a weak economy might well have especially severe consequences, and, in the view of some members, signs of such an outcome would call for prompt action. However, many members who supported a bias toward ease also stipulated that there should not be an unusually strong presumption that any easing would in fact be implemented during the intermeeting period ahead: The Committee should ease only in response to cumulating evidence that economic activity was not picking up or that monetary growth was falling appreciably short of current expectations. A few members….

March 31. Rate kept at 4.00 percent. Bias towards easing

Coding: Nothing. Mention of uncertainties, but does not appear to affect policy at meeting

all of the members indicated that they were in favor of maintaining unchanged conditions in reserve markets for the period immediately ahead. A majority also indicated a preference for retaining the current bias in the directive toward possible easing during the intermeeting period, while the remaining members were in favor of moving to a symmetrical directive. A steady policy course, at least for now, was viewed as desirable in the context of encouraging evidence of a strengthening economy and the outlook for continuing expansion at a pace that was deemed likely to be consistent with further progress toward price stability. The members acknowledged that the uncertainties in the economic outlook were considerable, but given the ongoing stimulus stemming from earlier easing actions, they agreed that for now an unchanged policy

represented an appropriate balancing of the various risks to a satisfactory economic performance. In this connection, it was suggested that substantial further easing at this time might well fail to provide much added stimulus; indeed, it could prove to be counterproductive because of adverse repercussions in financial markets. Moreover, too much easing at this juncture could establish the basis for unduly rapid growth of money and credit when the economic expansion gathered momentum.
With regard to possible adjustments to the degree of reserve pressure during the intermeeting period, many of the members endorsed the view that it would be premature to move away from a directive that was biased toward ease to a symmetrical directive. While the members generally anticipated that economic and financial developments during the intermeeting period would not call for an adjustment to policy, many remained concerned about the vulnerability of the expansion to a variety of risks.

May 19. In mid April there was an intermeeting cut to 3.75 percent due to economic weakness. (reserve requirements lowered, too) Funds rate left at 3.75 at this meeting. Symmetric objective

Coding: Nothing

all of the members endorsed a proposal to maintain an unchanged degree of pressure in reserve markets. The members agreed that policy seemed to be appropriately positioned at this point to accommodate sustained economic expansion while also encouraging progress toward price stability.
members devoted considerable attention to the behavior of the monetary aggregates.
They expressed varying degrees of concern about the slow growth of M2 and M3 in 1992, including declines in March and April….
However, in the opinion of a number of members, continuing weakness in these aggregates could be indicative of an increase in the downside risks to the expansion and would thus be a matter of growing concern. Other members tended to discount to an extent the sluggish behavior of the broader aggregates.,
satisfactory economic expansion would tend to be consistent with weaker growth and a higher velocity of M2 than would be suggested by historical relationships.

The members expressed differing preferences with regard to possible adjustments to the degree of reserve pressure during the intermeeting period, but all indicated that they could accept a symmetric directive.

June 30-July 1. Funds rate held at 3.75 percent. Bias towards easing

Coding: Nothing. Though uncertainty about strength in economy was mentioned, it did not seem to affect the policy decision (other than the bias to ease).

members were divided between those who supported an unchanged policy stance and others who preferred to ease. **A** majority indicated,

however, that they could support an unchanged directive that incorporated a bias toward possible easing.
Members who preferred not to change policy at this point believed that the economy was on a moderate growth path and that in any case the forces restraining the expansion were not the result of inadequate liquidity or a restrictive monetary policy. While the outlook was clouded by unusual forces acting on the economy, the available economic information remained consistent with continuing expansion at a pace that offered favorable prospects for a gradual reduction of unemployment and abatement of inflation. The low level of real and nominal short-term interest rates, the decline in the dollar, and the rapid growth of reserves and narrow money along with the expansion of bond mutual funds--which while not in M2 seemed to provide liquidity at least comparable to that of time deposits--suggested that monetary policy had been quite accommodative. Some members who supported this view expressed concern that in the absence of more definitive indications of a softening economy or much greater weakness in the monetary aggregates, any easing at this point would tend to erode the credibility of the Committee's commitment to an anti-inflationary policy.

Most of the members who preferred an immediate easing of policy emphasized the risks of a faltering economy in the period ahead, especially given the recent indications of some slowing in the expansion and the already considerable slack in the economy.

The varying policy preferences expressed by the members were reflected in differing views with regard to possible adjustments to the degree of reserve pressure in the intermeeting period ahead. All of the members who favored some immediate easing in policy indicated that they could support an unchanged directive that was tilted toward ease, and at least some of these members anticipated that developments over the near term were likely to trigger an adjustment toward easing. Most of the members who favored an unchanged policy stance at this point also indicated that they could accept a bias toward ease in the directive, especially in light of current uncertainties and the potential problems associated with any significant shortfall in the

August 18. The day after the July meeting there was an intermeeting 50 bps cut to 3.25 percent due to weak data. Rate held there at this meeting. Bias towards easing.

Coding: Uncertainty holds rate higher than they otherwise would be. (uncertainty was in part over past and current effects of earlier policy movers.)

a majority of the members indicated that they favored an unchanged policy, while some expressed a preference for further easing either at this meeting or in the near future. The members who supported a steady policy course recognized that in a period characterized by relatively sluggish economic expansion and a wide variety of risks to the economy, conditions might emerge that would warrant consideration of

some further easing. For the time being, however, they preferred a wait-and-see approach in view of the recent easing of reserve conditions and the considerable declines in longer-term interest rates and in the foreign exchange value of the dollar. The Committee should continue to evaluate a variety of indicators for signs that the expansion might be falling short of an acceptable growth path.
Some members commented that an easing of monetary policy under current conditions would incur too great a risk of adversely affecting domestic bond markets. One aspect of that risk was the possibility of a destabilizing decline of the dollar in foreign exchange markets; the potential for such a decline had prompted the recent exchange……Any further easing in this view should be implemented only under conditions or circumstances where the System's commitment to its price stability objective was not likely to be brought into question. An unchanged policy also would give the Committee more room to respond vigorously, if necessary, to a weaker-than-expected economy or to disruptive conditions in financial markets, should they develop at some point.

…
In the Committee's discussion of possible intermeeting adjustments to the degree of reserve pressure, a majority of the members indicated their preference or acceptance of a directive that was biased towards possible easing during the weeks ahead. Members who preferred some easing over t

October 6. Early September intermeeting 25 bps cut to bring funds rate to 3 percent due to econ. weakness and less-then-expected M growth. Strong bias towards easing.

Coding: Nothing. While uncertainty mentioned, it did not seem to move the rate one way or the other. And those wanting an insurance move lost the day in the vote.

the members generally agreed that current uncertainties made an assessment of the economic outlook and the determination of an appropriate course for monetary policy particularly difficult. While the members' preferences for policy implementation ranged from the maintenance of unchanged reserve conditions to an immediate easing move, a majority indicated that they could support a policy prescription of maintaining unchanged reserve conditions for the present while biasing the directive strongly toward possible easing during the intermeeting period.
Members who favored an unchanged policy stance argued that despite the softness in a number of recent economic indicators they could see no currently persuasive evidence of a cumulative deterioration
in the economy. Moreover, earlier monetary policy easing actions had provided a substantial amount of stimulus to the economy that would continue to exert its effects over time….These members concluded that the
present stance of monetary policy continued to reflect an appropriate balancing of the need to sustain progress toward price stability while encouraging an acceptable rate of economic growth.
Members who favored an immediate easing of policy believed that the outlook for the economy and prices argued for a policy move at this time. These members acknowledged that a good deal of

uncertainty surrounded the economic outlook. However, there were some risks that an already sluggish economy might weaken further. In the circumstances, a prompt easing move would be a desirable and prudent course, particularly in a situation where they saw a minimal risk that inflation would be deflected from its downward trend….

November 17. Funds rate left at 3.0 percent. Bias towards loosening.

Coding. Nothing. Uncertainty not mentioned in policy paragraphs. Insurance loses the day.

majority of the members indicated a preference for maintaining unchanged conditions in reserve markets, but several others believed that some easing would be a more appropriate policy. Members who supported a steady policy course emphasized the growing if still tentative indications of a strengthening economy--including the pickup in money and credit growth--and the apparent upturn in business and consumer confidence….Members who preferred to ease monetary policy at this time referred to what they viewed as an unsatisfactory outlook for economic activity, and some stressed the desirability of taking prompt action to promote sustained growth in the broader monetary aggregates within the Committee's ranges….

In the Committee's discussion of possible adjustments to policy during the intermeeting period, many of the members expressed a preference for a directive that did not bias potential adjustments in either direction. In this view,

December 22. Funds rate held at 3 percent. Symmetrical directive.

Coding. Nothing. Although uncertainty noted as a reason to be cautious with regard to policy changes, it did not seem to tilt policy one way or the other—note the comment about next policy move might be in either direction.

all of the members expressed a preference for maintaining an unchanged degree of pressure on reserve positions; all also indicated that they could support a shift from the tilt toward ease incorporated in recent directives to a symmetrical directive…Improved prospects for moderate economic growth argued for maintaining the Committee's current stance in reserve markets, and they also warranted a shift toward a more balanced approach to possible intermeeting changes in policy. At the same time, the still considerable uncertainties surrounding the economic outlook, including some lingering questions about the sustainability of the expansion, indicated the desirability of a cautious approach to any policy changes. In this connection, several members referred to the swings in the outlook that had characterized the current expansion, including the recent reversal of sentiment regarding the strength of the expansion, and the associated risks of premature or misdirected policy moves.
The members observed that the next policy move might be in either direction. For example, the need for some easing could not be ruled out should the expansion again appear to be faltering….
On

the other hand, a stronger economic performance might raise questions as to the need for a tightening move at some point during the year ahead as a means of maintaining progress toward price stability while continuing to encourage maximum sustainable economic expansion.

1993.

February 2-3.

Coding: Nothing

all of the members endorsed a proposal to maintain unchanged conditions in reserve markets, and all indicated that they could accept a directive that did not incorporate any presumption with regard to the likely direction of possible intermeeting adjustments to policy. While there was concern about the weakness in the monetary aggregates, the members generally agreed that recent economic developments tended to reinforce the view that monetary policy was on an appropriate course.

March 23. No change in rates.

Coding: Nothing. Balancing conflicting risks

In the Committee's discussion of policy for the intermeeting period ahead, most of the members endorsed a proposal to maintain an unchanged degree of pressure on reserve positions, while two members supported an immediate move to tighten reserve conditions. In the majority view, the current degree, of reserve pressure continued to represent a policy stance that was appropriately balanced in light of the opposing risks of a faltering economic expansion and a resurgence of inflation.

May 18. No change in rates. Tilt towards tightening

Coding: Nothing. Some nervousness over inflation but decision not to raise rates appears more baseline forecast that inflation won't take off

In the Committee's discussion of policy for the intermeeting period ahead, many of the members commented that recent price and wage developments were troubling but did not point persuasively at this juncture toward an extended period of higher inflation. In light of underlying economic and financial conditions, the upturn in inflation expectations and the somewhat quickened pace of inflation might well prove to be temporary. The economy was expanding, but the pace had slowed in recent months. On the other hand, the potential for a sustained increase in the rate of inflation could not be dismissed. Waiting too long to counter any emerging uptrend in inflation or further worsening in inflationary expectations would exacerbate inflationary pressures and require more substantial and more disruptive policy moves later…. members all supported a proposal to maintain an unchanged degree of pressure on reserve positions at this time.

July 6-7. No change in rates. Maintain tightening bias.

Coding: Nothing. Uncertainty, but in both directions so does not illicit a different policy

In the Committee's discussion of policy for the period until the next meeting, most of the members indicated that they saw little or no reason to change monetary policy in either direction. The most recent information on the performance of the economy was mixed, and this together with questions about the course of fiscal policy contributed to considerable uncertainty about the outlook. Even so, the members felt that the evidence pointed on the whole to a sustained rate of economic expansion. The latest price statistics provided some encouragement that the apparent intensification of inflation in earlier months of the year might have abated. For now, therefore, nearly all the members saw the balance of factors bearing on the course of economic activity and the outlook for inflation as calling for an unchanged degree of pressure on reserve positions.

August 17. No change in rates. Symmetric bias.

Coding: Nothing. Standard weighting of forecast risks.

the members agreed that recent developments pointed to the desirability of a steady policy course. While economic growth did not seem particularly robust, neither was it clear that a disinflationary trend had been reestablished. Many members observed that real short-term interest rates were at very low levels, indeed slightly negative by some calculations, and while real intermediate- and long-term interest rates were higher, it was apparent that monetary policy was in an accommodative posture. This conclusion was seen as reinforcing the view that monetary policy probably would have to move in the direction of restraint at some point to resist any incipient tendency for inflationary pressures to intensify. For now, the relatively slow economic expansion in the first half of the year, the fiscal restraint associated with the deficit-reduction legislation, other obstacles to economic growth, and the encouraging inflation statistics for recent months argued against any near-term policy adjustment.

September 21. No change in rates. Symmetric bias.

Coding: Nothing. Note uncertainty in both directions; doesn’t tilt policy.

In considering possible adjustments to policy during the intermeeting period, all of the members endorsed a proposal to retain a symmetrical directive. While current economic uncertainties were mirrored in uncertainties about the future course of monetary policy, the members agreed that developments in the period until the next meeting in mid-November were not likely to call for any adjustment to policy. Beyond the nearer term, however, both the timing and, in the view of at least some members, the direction of the next policy change could not be foreseen at this time.

November 16. No change in rates. Symmetric bias.

Coding: Nothing. (some talk of an uncertainty wait to tighten until more sure of growth, but this is a reference to policy down the road, not at the current meeting)

the members generally agreed that despite various indications of a pickup in economic growth, the underlying economic situation and the outlook for inflation had not changed sufficiently to warrant an adjustment in monetary policy. Looking beyond the intermeeting period, however, several members commented that the Committee might well have to consider the need to move from the currently stimulative stance of monetary policy toward a more neutral policy posture, should concerns about rising inflationary pressures begin to be realized…the members acknowledged that current measures of inflation and anecdotal reports from around the nation did not on the whole suggest an intensification of inflation at this point. Moreover, the Committee had to be wary of misleading signals that were inherent in the saw-tooth pattern of typical economic expansions, and it needed to avoid a policy move that would incur an unnecessary risk to the expansion, given uncertainties about the degree to which recent strength in spending would persist.

December 21. No change in rates; symmetric bias

Coding: Delay action due to uncertainty (delay tightening so rates lower)

Looking forward, many of the members commented that the Committee probably would have to firm reserve conditions at some point to adjust monetary policy from its currently quite accommodative stance to a more neutral position, and that such a policy move might have to be made sooner rather than later to contain inflation and continue to provide a sound basis for sustained economic expansion….Since the latter part of 1992, however, downside risks to the expansion had diminished considerably…For now, however, a majority believed that the risks remained at an acceptable level, given the remaining slack in the economy and the lack of near-term inflation pressures. Waiting for further developments before making any policy move was warranted in light of the uncertainties surrounding the outlook, notably with regard to the extent of the moderation in economic growth expected early next year.

1994.

February 3, 4. Rate raised to 3.25 percent

Coding: Nothing. Some argument for insurance against inflation, but doesn't seem to cross the threshold beyond a more standard forecast balancing reaction.

the members favored an adjustment toward a less accommodative policy stance, though views differed to some extent with regard to the amount of the adjustment. The current policy posture, which had been in effect since the late summer of 1992, was highly stimulative as evidenced, for example, by very low or even slightly negative real short-term interest rates and, in the view of at least some members, the relatively rapid growth over an extended period in narrow measures of money and reserves. Such a policy had been appropriate in a period when various developments had tended to inhibit the expansion, including widespread efforts to repair strained balance sheets and a variety of business restructuring activities that had tended to depress confidence and spending…. the members agreed that monetary policy should be adjusted toward a more neutral stance that would encourage sustained economic growth without a buildup of inflationary imbalances. The members recognized that timely action was needed to preclude the necessity for more vigorous and disruptive policy moves later if inflationary pressures were allowed to intensify.

March 22. Rate increased to 3.5 percent

Coding: Uncertainty dictated a more cautious increase (rates lower than otherwise)

…a majority indicated a preference for another small move at this time. Many were concerned about a possible overreaction in financial markets that had become quite sensitive and volatile since early February. A few also placed some emphasis on their expectations of a considerable slowdown in the rate of economic growth and the possibility that the moderation of the expansion might prove to be somewhat more pronounced than was currently projected. In this view, a degree of caution was advisable to permit an assessment of ongoing developments.

May 17. April 18 untermeeting increase to 3.75 percent. At meeting rate increased to 4.25 percent

Coding: Nothing. Forecast driven

In the Committee's discussion of monetary policy for the period until the meeting in early July, the members favored prompt further action to remove much of the remaining accommodation in the stance of monetary policy, at least as measured by real short-term interest rates. Many members commented that the expansion was on a solid and self-sustaining basis and appeared to have more underlying strength than they had foreseen earlier. The stimulative effects of an expansionary monetary policy had become increasingly apparent--especially in business purchases of capital equipment and consumer spending on housing, motor vehicles, and other consumer durables. At the same time, the constraints on economic expansion that had been associated with business restructuring activities, widespread efforts to strengthen balance sheets, and other retarding forces had diminished considerably.

Note: minutes contain confirmation of March coding: The actions taken earlier in the year had been modest in size because of concerns that more aggressive steps might generate substantial uncertainty and undue disruptions in financial markets, with adverse consequences for the economy.

July 5-6. No change

Coding: On hold on tightening due to uncertainty (rates lower due to uncertainty).

Note: An asymmetric directive towards tightening was chosen

In the Committee's discussion of policy for the intermeeting period ahead, most members endorsed a proposal to maintain an unchanged degree of pressure in reserve markets. The economy seemed to be slowing, although to an uncertain extent. Earlier policy tightening actions were being reflected in the sluggish behavior of money and reserves, although the extent of their effects on spending were still in question. Inflation was a concern, but direct evidence of additional pressures on costs and prices was quite fragmentary. In these circumstances, all but one of the members concluded that it would be prudent for the Committee to assess further developments before taking any action. One member believed that prompt further tightening was needed to avert the development of greater inflation.

With regard to possible changes in policy during the intermeeting period, a majority favored a change in the intermeeting instruction in the directive from symmetry to asymmetry toward restraint.

In the view of many, though not all, members the costs of policy errors were asymmetrical at this point. The costs of reversing a policy stance that turned out to be slightly too tight would be limited to somewhat slower economic growth for a time; the expansion appeared to be so well established at this juncture that the risks of a greater economic adjustment were remote. On the other hand, a policy that turned out to be unduly stimulative would foster greater inflation and inflationary expectations that probably could be reversed only at the cost of considerable disruption in financial markets and the economy.

August 16. Rate increased to 4.75 percent

Coding: Hike rates for insurance.

In the Committee's discussion of policy for the intermeeting period ahead, the members agreed that a prompt further tightening move was needed to provide greater assurance that inflationary pressures in the economy would remain subdued. The members recognized that the Committee's earlier policy actions were exerting some restraining effects and that further lagged effects from those actions could be expected. Even so, the underlying strength in demand and narrow margins of slack in the economy pointed to a considerable risk of further inflation pressures in the absence of additional policy tightening.

… the 1/2 percentage point increase in the discount rate that was pending at several Federal Reserve Banks. The Committee members endorsed a proposal to allow the effects of such a rise in the discount rate, should it be approved, to be reflected fully in reserve markets. Consideration was given to a lesser adjustment in reserve conditions, but the members concluded that a smaller step was unlikely to be adequate, and on perceiving this, financial markets would quickly build in further monetary tightening, the unknown size and timing of which would add to market uncertainty and volatility. A more decisive policy move might reduce the need for further tightening later, or possibly even avert that need entirely, by moderating or arresting the inflationary momentum in the economy more promptly and by helping to curb inflationary expectations more effectively.

September 17. No change

Coding: No tightening due to uncertainty over effects of past action (so lower rates).

In light of the appreciable tightening of policy approved in August, the members had anticipated that no further policy change was likely to be required for a period, and at this juncture they generally continued to feel that the recent evidence did not warrant an immediate further tightening. Even so, the ongoing inflow of information on the performance of the economy continued to indicate a significant potential for higher inflation down the road, and for many members this suggested that additional monetary restraint could well be needed at some time. A key uncertainty in this regard related to the restraining effects of the policy moves implemented earlier this year; these actions appeared to have exerted less restraint to date than had been anticipated, but appreciable lagged effects from those actions--indeed, perhaps a large part of those effects--could still be expected. At this time, it was extremely difficult to evaluate whether the earlier tightening moves were exerting a lesser effect than usual or it simply was more delayed, or whether the members might have misjudged the underlying strength of the expansion. In the view of many members, the information that would become available during the intermeeting period should provide a firmer basis for judging the course of the economy and the risks of greater inflation.

November 15. Rate raised to 5.5 percent

Coding: nothing

In the Committee's discussion of policy for the intermeeting period ahead, all the members agreed that the current stance of monetary policy presented unacceptable risks of embedding higher inflation in the economy. The expansion retained appreciably more forward momentum and greater inflationary potential than the members had anticipated, given the policy restraint implemented earlier this year. The reasons for that outcome remained unclear….Views differed to some extent, however, regarding the degree of additional restraint that might be needed to foster the Committee's objectives for sustainable, noninflationary economic growth….A majority of the members believed that an unusually sizable firming of monetary policy was desirable at this time…The Committee could not prejudge how much, if any, additional monetary restraint might be needed in the future. That would depend on further developments, but for most members a sizable move at this point represented the most appropriate balance among the competing risks.

December 20. No change

Coding: Nothing. Could argue a pause due to uncertainty over past moves, but seems this was more a recognition of calibration in the presence of usual policy lags.

…This was especially true with regard to the effects of the latest policy moves in August and November, which accounted for half the total tightening. In the circumstances, a pause seemed warranted to give the Committee more time to assess the underlying strength of the economy and the impact of previous monetary restraint. This would provide a firmer basis for gauging the appropriate scope and timing of any further monetary restraint that might be needed to contain inflation….It was noted that the Committee might have gained some leeway to maintain an unchanged policy without adverse expectational effects in light of the relatively large policy tightening implemented just a few weeks ago and the publication of favorable price and wage data that probably had alleviated, at least temporarily, concerns about future inflation.

On the issue of possible adjustments to policy during the period until the next meeting, a majority of the members expressed a preference for an asymmetric directive tilted toward restraint. While most of these members preferred not to tighten policy at this point, they believed that the need for further monetary restraint was highly likely, though it would remain contingent on the tenor of the new information, including data on holiday retail sales

1995

January 31-February 1. Rate increased 50 bps to 6 percent

Coding: Insurance increase

In terms of balancing the policy risks that were involved, a prompt move would provide some insurance against what these members viewed as the principal risk in current circumstances--that of rising inflation. The risks of excessive tightening, while not completely absent, were believed to be limited in light of the apparent strength and momentum of the expansion,

March 28. No change

Coding: Uncertainty leading to lower rate (decide not to tighten)

In current circumstances, and given the substantial uncertainties that were involved, the members believed that it would be prudent to pause and assess developments before taking any further policy action.

With regard to possible adjustments to policy during the intermeeting period, most members expressed a preference for an asymmetric directive tilted toward restraint…. the recent rise in inflation and the risk of an unexpected impulse that could ratchet inflation even higher suggested that an asymmetric directive would be more consistent with the Committee's objective of moving over time toward price stability.

May 23. No change

Coding: Nothing. Mention of uncertainty, but didn't seem to tip policy one direction or the other

On balance, it appeared that the current configuration of financial market conditions and degree of monetary restraint was likely to be consistent with moderate expansion in nominal GDP and prices following a period of some weakness in the economy as inventory imbalances were corrected. The risks of a different outcome, in either direction, seemed to be reasonably balanced. In the circumstances, because the dimensions of the near-term deceleration and the potential strength of underlying demand remained uncertain, the members concluded that it was desirable to monitor developments carefully and wait for additional information before deciding on the next policy move.

July 5 – 6. Reduce rate to 5.75 percent

Coding: Nothing. Some possibility of uncertainty over effects on financial markets leading to smaller reduction than otherwise, but doesn't appear to be by majority of committee. So did not code

nearly all the members indicated that they favored or could support a proposal to ease slightly the current degree of pressure on reserve positions. Preferences for an unchanged policy stance and for somewhat greater easing also were expressed….some modest easing was desirable now that the growth of the economy had slowed considerably more than anticipated and potential inflationary pressures seemed to be in the process of receding….The members agreed that under present economic conditions a slight easing of the stance of policy would incur little risk of stimulating increased inflation and would be entirely consistent with their commitment to continued progress toward price stability over time. Several members also observed that any move toward less restraint should be cautious at this point because easing would represent a change in the direction of policy and its repercussions on financial markets, including the foreign exchange markets, could be relatively pronounced.

August 22. No change

Coding: Nothing. Slight case for delay without direction due to uncertainty over fiscal policy discussions, but appears a longer term issue and so did not code

unchanged degree of pressure in reserve markets and to adopt a directive that was not biased in either direction with regard to potential intermeeting adjustments. For the near term, current trends in economic activity and inflation appeared favorable and likely to remain so with an unchanged policy stance. A steady policy also seemed appropriate pending a clearer assessment of the outlook for fiscal policy. Over the longer term, the members generally believed that consideration would need to be given to an adjustment in the Committee's policy stance, especially if substantial fiscal restraint were to be enacted.

September 26. No change

Coding: nothing. Same note as August

In the Committee's discussion of policy for the intermeeting period ahead, all the members supported a proposal to maintain an unchanged degree of pressure on reserve positions. The expansion seemed for now to have a desirable and sustainable momentum that did not call for any change in policy. Furthermore, the outlook remained clouded by the uncertainties stemming from the ongoing federal budget debate. In any event, the Committee would need to remain alert to a broader range of developments that might warrant a policy change at some point. In this connection, several members expressed the opinion that policy might have to be eased eventually in light of the downside risks that they saw in the economy and a current policy stance that they viewed as slightly restrictive. However, the current performance of the economy suggested that the timing of an easing action was not an immediate concern.

November 15. No change

Coding: nothing

In the Committee's discussion of policy for the intermeeting period ahead, all but one member favored or could accept an unchanged policy stance. This policy position took account of current indications of a generally acceptable rate of economic growth and the absence of any clear signs regarding the future strength of the expansion in relation to the economy's potential or the future course of inflation.

December 19. Rate lowered to 5.50 percent

Coding: Insurance cut against risk of weaker growth (which was not evident yet)

Although there was no sign that a cumulative deterioration in economic performance was about to get under way, the downside risks to the expansion appeared to have increased and a modest easing would better position policy to guard against the possibility that over the longer term the expansion would begin to fall short of the economy's potential, especially with fiscal policy likely to be at least moderately restrictive. In any case, the recent slowing of the economic expansion, combined with the wage and price restraint evident at current levels of resource utilization and continuing business efforts to expand capacity, suggested that there was little risk of a pickup in inflation.

1996

January 30-31. Rate lowered to 5.25 percent

Coding: Uncertainty holding back a larger rate cut (so rate higher). Perhaps some insurance, but didn't think it reached threshold to code

the members supported a proposal calling for some slight easing in reserve conditions. Although a pickup to an acceptable rate of expansion was seen as the most likely course for the economy in coming quarters, the risks of a shortfall in growth were believed to be significant. At the same time, while most members were forecasting high levels of resource use and little change in the rate of inflation this year, they saw only a very limited risk that a slight easing move might foster higher inflation under prevailing circumstances…Under the circumstances, a slight decrease was warranted in the real federal funds rate from a level that a number of members considered still a bit to the firm side…It was noted that postponing a decision in this uncertain economic climate could be defended on the ground that more evidence was needed to ascertain whether the weakness in the economy was quite temporary or more lasting; if it was the former, inflationary pressures could re-emerge at lower interest rates. On the other hand, a few members commented that the currently sluggish performance of the economy could be read as calling for a more pronounced easing move, but they preferred a cautious approach to policy in light of current inflation trends and the uncertainties that surrounded their forecasts of some strengthening in the economy.

March 26. No change in rate.

Coding: Nothing

all the members endorsed a proposal to maintain an unchanged degree of pressure in reserve markets. This policy preference was based on expectations of growth in business activity at a pace averaging in the vicinity of the economy's potential, a perception among the members that the risks to such an outlook were more balanced than earlier, and anticipations that under these circumstances inflation would remain constrained. The economy seemed to have adequate forward momentum and did not appear to require any further stimulus, whose implementation might contribute to infla tionary pressures in the economy.

May 21. No change in rate.

Coding: Nothing. A close call on rate increase put on hold due to uncertainty. But it did not appear to be that relevant for current rate decision, so did not code

In the Committee's discussion of policy for the intermeeting period ahead, all the members supported a proposal to maintain an unchanged degree of pressure in reserve markets. The members agreed that the balance of risks on inflation had shifted substantially since early in the year…..while policy might need to be firmed at some point to head off emerging inflation pressures, financial conditions were not so obviously stimulative as to counsel a need for any immediate tightening of policy…. More information might provide a better sense of how the higher interest rates were affecting aggregate demand and perhaps also help--to a small degree--to shed light on the considerable uncertainties surrounding the relationship of output to inflation.

July 2-3. No change in rate

Coding: Uncertainty holding back action (forestalls rate increase).

all but one of the members supported a proposal to maintain an unchanged policy stance. These members also indicated that they preferred or could accept an asymmetric directive that was biased toward restraint. In their view, the most likely outcome was a slowing of the expansion to a more sustainable pace and a continuation of subdued inflation. Nevertheless, they were concerned that the risks to that outcome were tilted toward higher inflation….While the federal funds rate had been reduced appreciably in nominal terms over the past year, its current level on an inflation-adjusted basis seemed to be only marginally below its peak prior to mid-1995. In the circumstances, the Committee could afford to wait for more evidence to see whether additional inflation pressures were likely to develop. A number of key economic data would become available over the next several weeks that would provide a much better basis for assessing the economy's momentum over the second half of the year and the outlook for inflation.

August 20. No change in rate

Coding: Uncertainty holding back action (forestalls rate increase).

… members focused on indications that the economy already was slowing, perhaps by enough to limit pressures on resources, and they noted that broad statistical measures of prices and the anecdotal evidence did not suggest that a pickup in inflation was already under way. Consequently, all but one of the members supported a proposal to maintain an unchanged policy stance….One concern was that policy tightening at this point might generate an excessive reaction in financial markets… prudent course at this point was to await further developments that would permit them to assess the possible need for some tightening with a higher degree of confidence. At the same time, it was emphasized that the Committee remained committed to a policy that would resist a rise in inflation….they also agreed on the desirability of a directive that remained biased toward possible tightening in the intermeeting period ahead….

A differing view gave more weight to the risks of rising inflation. In this view, while there were uncertainties, the weight of the evidence suggested that a prompt policy action was needed to contain inflation and set the stage for further progress toward price stability.

September 24. No change in rate

Coding: Uncertainty holding back action (forestalls rate increase).

nearly all the members indicated that they could support an unchanged policy stance and the retention of a bias toward restraint in the directive. The members generally agreed that while the risks were greater that price inflation would rise than that it would fall, higher inflation was not a foregone conclusion and most believed that the uncertainties in the outlook made it prudent to hold monetary policy on a steady course and await further developments. The expansion appeared to be slowing substantially and broad measures of prices, adjusted for fluctuations in their food and energy components, still indicated a steady or even slightly declining inflation trend. In these circumstances, the Committee could wait for more information on the momentum of the expansion and the degree of pressure on resources and its implications for inflation. A delay in adjusting monetary policy was facilitated by its current positioning, which did not appear to be far from a desirable longer-term stance because any pickup in inflation was likely to be relatively small and gradual, and was further supported by the possibility of an excessive reaction in financial markets to a change in the direction of policy.

November 13. No change in rate.

Coding: Nothing. Some argument for an uncertainty pause, but don't think it crosses threshold—think forecast dominates.

In the Committee's discussion of policy for the intermeeting period ahead, all the members indicated that they could support an unchanged policy stance and the retention of a bias toward restraint in the directive. The slowing of the expansion to a sustainable pace near the economy's growth potential and the recent surprisingly favorable inflationary developments suggested lower risks of strengthening price pressures and provided the Committee with a desirable opportunity to pause and observe further developments bearing on the course of economic activity and inflation. Indeed, to the extent that inflation expectations had declined recently, short-term interest rates, which had changed little in nominal terms, had edged higher in real terms, implying slightly greater monetary restraint and reducing the odds that inflation would pick up.

December 17. No change in rates

Coding: Uncertainty forestalls a rate increase.

In the Committee's discussion of policy for the intermeeting period ahead, all the members supported a proposal to maintain an unchanged policy stance while also retaining a bias toward restraint in the directive. An unchanged policy was warranted by the quite satisfactory performance of the economy and inflation and the uncertainties surrounding the outlook. Thus, while the longer-term risks might point toward rising inflation, there were reasonable prospects that inflation would remain contained, and any pickup in inflation, should it occur, was likely to be limited at least for a time. In the circumstances, the members concluded that watchful waiting remained the prudent course for policy as they continued to assess ongoing developments. Because the risks of waiting did not appear to be substantial at this juncture, anticipatory tightening was not yet called for.

In the Committee's discussion of possible adjustments to policy during the intermeeting period, members agreed that the retention of an asymmetric directive toward tightening was consistent with their view that the risks remained biased toward higher inflation.

1997

February 4,5. No change in rates.

Coding: On hold for uncertainty (forestalls rate increase).

While an immediate tightening of policy would help to forestall such a buildup of pressures, the members agreed that current uncertainties about the outlook for both the rate of expansion and inflation warranted a continuing "wait and see" policy stance, or at least made such a policy acceptable at this juncture.

In their discussion of possible adjustments to policy during the intermeeting period, the members recognized that an asymmetric directive tilted toward tightening was consistent with their general view that the risks were now more clearly in the direction of an upward trend in inflation.

March 25. Rate increased by 25 bps to 5.50 and symmetric.

Coding: Nothing. The pre-emption seems to be in response to forecast, not insurance.

In light of this concern, in the Committee's discussion of policy for the intermeeting period ahead, the members supported or could accept a proposal to adjust policy toward a slightly less accommodative stance and to move to symmetry in the directive…. They noted that continued relatively rapid growth of economic activity in the first quarter suggested greater persisting strength in demand than they had anticipated. With resource use already at high levels, further rapid growth risked greater pressures on resources and rising inflation. Although inflation remained remarkably subdued and any increase in inflationary pressures likely would tend to emerge only slowly, the strength in demand had developed against the backdrop of financial conditions that, broadly considered, were not substantially different from those now prevailing. In this situation, they saw a clear need for a preemptive policy action that would head off any pickup of inflation, and it was noted that a shift to a tighter policy stance would seem to pose little risk to the expansion.

May 20. No change in rates.

Coding: On hold (not increase) due to uncertainty

Those who endorsed a steady policy at this time agreed that some tightening might well be needed later to contain potentially rising inflation. For now, however, economic growth seemed to be slowing to a more sustainable pace, and the uncertainties surrounding the extent of the slowing and the outlook for inflation pointed to the desirability of a cautious approach to any policy tightening, especially given the persisting absence of a rising inflation trend in current measures of prices. A number of members also observed that real interest rates were not unusually low. Thus, the present stance of monetary policy probably was not very far out of alignment with what likely would prove to be a desirable degree of restraint, thereby lessening any risk of large and persisting imbalances that a delay in implementing further restraint might incur.

July 1-2. No change in rates. Maintain bias towards restraint.

Coding: Close call; could go with nothing (due to forecast) but could do on hold due to uncertainty. Decided to code uncertainty holding back rate increase

While the members assessed risks surrounding such a forecast as decidedly tilted to the upside, the slowing of the expansion should keep resource utilization from rising substantially further, and this outlook together with the absence of significant early signs of rising inflationary pressures suggested the desirability of a cautious "wait and see" policy stance at this point. In the current uncertain environment, this would afford the Committee an opportunity to gauge the momentum of the expansion and the related degree of pressure on resources and prices. The risks of waiting appeared to be limited….any tendency for price pressures to mount was likely to emerge only gradually and to be reversible through a relatively limited policy adjustment.

August 19. No change in rates, maintain tightening bias.

Coding: nothing

The most likely outcome of the current policy stance was growth near potential and some pickup in inflation as the effects of special factors holding it down abated. For the present, monetary policy appeared to be appropriately positioned to foster the Committee's objectives of resisting an intensification of inflationary pressures while supporting a fully employed economy. The level of real short-term interest rates was relatively high by historical standards…

September 30. No change in rates, maintain tightening bias

Coding: Close call on delay rate increase due to uncertainty, but decision seemed more on fact that inflation hadn't picked up, so didn't code.

There were, nonetheless, a number of reasons for delaying a tightening of policy. The behavior of inflation had been unexpectedly benign for an extended period of time for reasons that were not fully understood. Forecasts of an upturn in inflation were therefore subject to a considerable degree of uncertainty, and the expansion of economic activity could still slow to a noninflationary pace. Members also commented that a policy tightening was not anticipated at this time and such an action might therefore have unintended adverse effects on financial markets…. the level of real short-term interest rates, monetary policy could already be deemed to be fairly restrictive. Several noted, however, that credit from a wide variety of lenders appeared to be amply available… suggested that policy was not restraining liquidity or financial conditions more generally. In the course of the Committee's discussion of these diverging considerations, a consensus emerged for maintaining a steady policy course at this time, but members also expressed the need for a heightened degree of vigilance as they continued to assess ongoing developments for signs that inflation might intensify in the future.

November 12. No change in rates, maintain tightening bias

Coding: On hold (not tighten) due to uncertainty

….all agreed that the risks remained tilted toward rising inflation. While developments in Southeast Asia were not expected to have much effect on the U.S. economy, global financial markets had not yet settled down and further adverse developments could have greater-than-anticipated spillover effects on the ongoing expansion…. In this environment, with markets still skittish, a tightening of U.S. monetary policy risked an oversized reaction….all but one of the members believed that in light of the uncertainties about the economic outlook, an immediate policy tightening was not needed in the absence of firmer indications that inflationary pressures might be emerging.

December 16. No change in rates; move to symmetric directive.

Coding: On hold due to uncertainty

Weighing against the risks of higher inflation was the financial turmoil that had intensified in Southeast Asia during October and more recently in Korea. The effects of those developments on the U.S. economy were quite limited thus far, but the members expected some damping of economic expansion and price increases in the quarters ahead and they did not rule out a potentially strong impact in the event of an even deeper crisis in Asia, or one that spread to other countries. Nonetheless, many members commented that, with domestic demand still quite strong and the economy possibly producing beyond its potential, they viewed the risks on balance as pointing to rising price inflation and the next policy move as likely to be in the direction of some tightening. However, most members agreed that the need for such a policy adjustment did not appear to be imminent, and that prevailing near-term uncertainties warranted a cautious wait-and-see policy posture….Other considerations cited by some members… in favor of an unchanged policy included the possibility that, because a policy tightening move was not expected at this juncture, even a modest firming action might well have outsized effects in financial markets,

1998

February 3-4. No change in rates; symmetric bias

Coding: Nothing

In the Committee's discussion of policy for the intermeeting period ahead, all the members endorsed a proposal to maintain an unchanged policy stance. The economy currently was performing very well and the outlook over the near term was for subdued inflation and continued solid economic growth. Over a longer horizon, the range of possible outcomes was unusually wide, and the direction that policy would need to move to promote sustained expansion and damped inflation was unclear. At this point, the extent to which the still largely anticipated external drag from events in Asia would offset the strong upward momentum in domestic demand was a source of major uncertainty. In addition, it was impossible to predict whether or when the tightness in labor markets would exert a more pronounced effect on labor costs and ultimately on price inflation. Even the thrust of the current stance of monetary policy as it was transmitted through financial markets was open to some question.

March 31. No change in rates; bias towards tightening

Coding: Nothing. Some case for delayed increase due to uncertainty. But it doesn't appear to be predominant concern.

Despite perceptions of a greater risk of rising inflation over time, all but one of the members indicated in the Committee's policy discussion that they preferred or could accept a proposal to maintain an unchanged policy stance that also included a shift from the current symmetrical directive to an asymmetrical directive tilted toward restraint. The members agreed that should the strength of the economic expansion and the firming of labor markets persist, policy tightening likely would be needed at some point to head off imbalances that over time would undermine the expansion in economic activity. Most saw little urgency to tighten policy at this meeting, however. The economy might well continue to accommodate relatively robust economic growth and a high level of resource use for an extended period without a rise in inflation…. On balance, in light of the uncertainties in the outlook and given that a variety of special factors would continue to contain inflation for a time, the Committee could await further developments bearing on the strength of inflationary pressures without incurring a significant risk that disruptive policy actions would be needed later in response to an upturn in inflation and inflation expectations.

May 19. No change in rates, bias towards tightening

Coding: Uncertainties delay action (delay tightening)

…the uncertainties in the outlook for economic expansion and inflation remained sufficiently great to warrant a continued wait-and-see policy stance. Considerations underlying this view included the possibility that financial and economic conditions in Asia might worsen further and exert a stronger retarding effect on the performance of the U.S.….A good deal of uncertainty also surrounded the potential extent to which developments in the domestic economy, notably the pace of inventory accumulation over coming months, might foster slower economic expansion and the related degree to which pressures in labor markets would be affected. Moreover, considerable questions remained about the relationship of labor market pressures to inflation. In these circumstances, it was possible that inflation would continue to be contained, though the risks clearly seemed to be tilted in the direction that action would become necessary at some point to keep inflation low….. potential costs of postponing action for a limited time were small….Forecasts of rising inflation had proved unreliable and needed to be viewed in light of the considerable uncertainties surrounding them….Another reason for not taking action at this meeting was the possibility that even a modest tightening action could have outsized effects on the already very sensitive financial markets in Asia. The resulting unsettlement could have substantial adverse repercussions on U.S. financial markets and, over time, on the U.S. economy.

June 30-July 1. No change in rates; tightening bias

Coding: Uncertainties delay action (delay tightening)

Although recent developments had increased both the upside and the downside uncertainties in the economic outlook, most of the members felt that the risks continued to point on balance toward rising inflation…..many of the members expressed concern that the expansion in demand might continue at a fast enough pace to raise pressures on wages and prices over time. Nonetheless, the substantial uncertainties relating to prospective developments argued, as they had at recent meetings, in favor of a cautious "wait and see" policy stance.

Another important reason for deferring any policy action was that a tightening move would involve the risk of outsized reactions and consequent destabilizing effects on financial markets in the growing number of countries abroad that… To be sure, U.S. monetary policy had to be set ultimately on the basis of the needs of the U.S. economy, but recognition had to be given to the feedback of developments abroad on the domestic economy….

August 18. No change in rates; symmetric bias

Coding: Nothing. Uncertainty seems to be delaying action in both directions, so does not tilt policy one way or the other.

…The overall performance of the economy remained highly satisfactory. While inflation risks were still a concern, given the high level of output and strong domestic demand, the uncertainties bearing on the economic outlook remained substantial, and indeed the risks on the downside seemed to have increased appreciably further….With regard to the current uncertainties in the economic outlook, members emphasized that the extent and ultimate effects of the apparently spreading fragility in foreign financial markets and economies on U.S. financial and economic conditions were unknown. In these circumstances, nearly all the members believed that a cautious wait-and-see approach to policy seemed appropriate to allow the Committee time to assess the course of events and the interplay of the divergent forces bearing on the performance of the economy….a majority of the members agreed that the risks to the economic outlook were now more balanced and called for a shift from asymmetry to symmetry in the Committee's directive. Such a directive would better represent their view that the Committee's next policy move could be in either direction depending on developments abroad and their interaction with a domestic economy that had remained quite strong…..

September 29. Funds rate cut to 5-1/4 percent. Bias towards easing.

Coding: Insurance cut against downside risks.

In their discussion of policy for the intermeeting period ahead, all the members endorsed a proposal calling for a slight easing in reserve markets to produce a decline of 1/4 percentage point in the federal funds rate to an average of about 5-1/4 percent. In their view, such an action was desirable to cushion the likely adverse consequences on future domestic economic activity of the global financial turmoil that had weakened foreign economies and of the tighter conditions in financial markets in the United States that had resulted in part from that turmoil. At a time of abnormally high volatility and very substantial uncertainty, it was impossible to predict how financial conditions in the United States would evolve…. In any event, an easing policy action at this point could provide added insurance against the risk of a further worsening in financial conditions and a related curtailment in the availability of credit to many borrowers.

November 17. Oct. 15 intermeeting cut to 5 percent. At meeting rate cut to 4-3/4 percent. Symmetric bias

Coding: Insurance against downside risk.

….many members saw some risk that an easing move at this point might trigger a strong further advance in stock market prices that would not be justified on the basis of likely future earnings and could therefore lead to a relatively sharp and disruptive market adjustment later. The members were more concerned, however, about the risks stemming from the still sensitive state of financial markets, and in that regard many believed that a prompt policy easing would help to ensure against a resurgence of severe financial strains. A further easing move would complete the policy adjustment to the changed economic and financial climate that had emerged since midsummer and would provide some insurance against any unexpectedly severe weakening of the expansion.

December 22. No change in rates; symmetric bias

Coding: Nothing.

In the Committee's discussion of policy for the intermeeting period, all the members agreed on the desirability of maintaining an unchanged policy stance. The System's policy easing actions since late September had helped to stabilize a dangerously eroding financial situation, and current financial conditions as well as underlying economic trends suggested that needed policy adjustments had been completed. For now at least, monetary policy appeared to be consistent with the Committee's objectives of fostering sustained low inflation and high employment. Accordingly, the Committee had entered a period where vigilance was called for but where the direction and timing of the next policy move were uncertain….As already noted, Committee members saw risks on both sides of their forecasts. …

1999

February 2-3. No change in rates; maintain symmetry

Coding: Nothing. Uncertainty cited; especially note uncertainty over slack/inflation relationship; but doesn't appear to push policy decision one way or the other

all the members favored an unchanged policy stance. Many were concerned that the odds were tilted toward rising inflation over time, especially if the expansion did not slow… market unsettlement that had in large measure prompted the Committee's easing actions during the fall had now lessened appreciably. …the persistence of subdued inflation and the absence of current evidence of accelerating inflation were seen as arguing against a policy tightening move at this point. Moreover, it was clear that the outlook for economic activity was subject to considerable uncertainty and that some shortfall from current forecasts,…. Even in the absence of greater-than-anticipated slowing… experience of recent years had amply demonstrated that the relationship between demand pressures on resources and inflation was not following historical patterns, and developments exerting a more lasting moderating effect on inflation, such as more productive capital investment and effective access to spare capacity overseas, could help to contain inflation for some time…. Against this background, the members agreed on the need to continue to monitor the economy with care for signs either of a potential upturn in inflation or greater softness in the expansion than they were currently forecasting and to be prepared to respond promptly in either direction.

In light of the uncertainties and diversity of risks surrounding the economic outlook, most members were in favor of retaining the existing symmetry of the directive.

March 30. No change in rates; retain symmetric bias

Coding: Nothing (essentially same logic as February)

In the Committee's discussion of policy for the intermeeting period ahead, all the members indicated that they favored an unchanged policy stance. Several commented that they saw no significant changes in the tenor of recent statistical and anecdotal reports that would constitute the basis for an adjustment to policy or a greater presumption that policy might need to be changed soon.

May 18. No change in rates; bias towards tightening

Coding: On hold (delay tightening) due to uncertainty (close call, but went with it);

Although concerns about the outlook for inflation had increased significantly since the previous meeting, the members felt that there was still a reasonable chance that the current stance of policy would remain consistent with containing price pressures for some period of time….. Signs of an actual change in inflation were still quite tentative and anecdotal and they did not warrant an adjustment to policy at this meeting. ….Moreover,… improvements in productivity growth might permit the economy to continue to accommodate strong demand for some time without generating higher inflation…the prospective strength of demand pressures and related outlook for productivity were subject to a wide range of uncertainty, and there were reasons to believe that economic growth could well slow without any adjustment to policy. …. the recovery in credit markets, the rise in equity prices, and the turnaround in some foreign economies could imply that the lower federal funds rate established last fall was no longer entirely appropriate. However…. given the prevailing uncertainties in the economic outlook it was preferable to defer any policy action and to monitor the economy closely for further signs that inflationary pressures were likely to rise.

June 29-30. Raise funds rate to 5 percent; symmetric objective

Coding: Insurance rate increase

such a policy move represented a desirable and cautious preemptive step in the direction of reducing what they saw as a significant risk of rising inflation. While current indications of accelerating inflation were quite limited, the economy had been expanding rapidly enough to put added pressure on labor markets over time, and many members expressed growing concern that, given the current stance of monetary policy, the persisting strength of domestic demand augmented by increasing demand from abroad… show through at some point… higher inflation,… a small preemptive move at this time would provide a degree of insurance against worsening inflation later…. reverse a portion of the easing actions implemented during the fall of 1998 that had been undertaken in part to protect against the possibility that unsettled global markets…As financial markets and foreign economies stabilized and recovered, that added protection was no longer required

August 24. Increase rate to 5-1/4 percent. Maintain symmetric.

Coding. Nothing. Did not code insurance since risk reference could be forecast-centric and insurance not specifically cited.

a limited policy move at this time would appropriately supplement the small firming action taken at midyear and at least for now would position monetary policy where it needed to be….While key measures of prices did not at this point suggest any upturn in inflation, a failure to act would incur a substantial risk of increasing pressure on already tight labor markets and higher inflation….While not all vestiges of that turmoil had disappeared, financial conditions had improved markedly, foreign economies had strengthened on balance, and downside risks to economic performance in the United States were generally reduced.

October 5. No change in rates; symmetric to tightening

Coding. On hold (not tightening) due to uncertainty.

little risk of a surge in inflation over coming months, though some pickup from the currently subdued level of core price inflation was a distinct possibility under prospective economic conditions. It was noted that expanding aggregate supply, boosted by accelerating productivity, had remained in reasonable balance with rapidly growing aggregate demand… however, substantial uncertainty surrounded the outlook for aggregate supply and aggregate demand going forward and it was unclear how their interaction would affect the behavior of inflation. In light of the uncertainties surrounding these developments… desirable to await more evidence on the performance of the economy, and in this regard considerable new information on the behavior of the economy and the outlook for inflation would become available during the intermeeting period. The risks of waiting seemed small at this juncture…They also agreed that century date change concerns were not likely to be of a kind or magnitude that would preclude a policy tightening move at the November meeting, should such an action seem warranted at that time.

November 16. Increase rate to 5-1/2 percent; symmetric bias

Coding: Nothing.

Views differed to an extent on the outlook for inflation and policy going forward. However, with tightening resource constraints indicating unsustainable growth, only tentative signs that growth might be slowing, and various factors that had been damping prices now turning around, all the members agreed on the need for a slight tightening at this meeting to raise the odds on containing inflation…This view was reinforced by the prospect that the Committee might not find it desirable to adjust policy at its December meeting when a tightening action could add to the potential financial uncertainties and unsettlement surrounding the century date change. Accordingly, any action might have to wait until the meeting in early February, and the members agreed that the risks of waiting for such an extended period were unacceptably high.

December 21. No change in rates. Symmetric bias

Coding: Nothing. (could do uncertainty delay due to Y-2-K, but did not since Y-2-K was a special factor)

The members agreed that the Committee's primary near-term objective was to foster steady conditions in financial markets during the period of the century date change and to avoid any action that might erode the markets' confidence that the Federal Reserve was fully prepared to provide whatever liquidity would be needed in this period. The members generally agreed that, if necessary, their concerns about rising inflation could be addressed at the meeting in early February. They saw little risk of a significant acceleration in inflation over the near term, given recent price

2000

February 1, 2. Raise rates to 5-3/4 percent. Bias to tightening

Coding: Move not as large as otherwise (so rates lower) due to uncertainty.

The Committee's decision to tighten its policy stance was intended to help bring the growth of aggregate demand into better alignment with the expansion of sustainable aggregate supply in an effort to avert rising inflationary pressures in the economy. Relatively high real interest rates would be required to accomplish this objective, ….For a number of reasons, including uncertainties about the outlook for the expansion of aggregate demand in relation to that of potential supply, the economy's response to the Committee's earlier policy actions, and the recently somewhat unsettled conditions in financial markets, a majority of the members expressed a preference for a limited policy move at this time…. saw little risk in a gradual approach to policy tightening and considerable advantage to preserving the possibility of calibrating those actions to the emerging situation….statement to be issued after this meeting should highlight their view that even after their firming today the risks remained weighted mainly in the direction of rising inflation pressures.

March 21. Raise rate to 6 percent. Risks to higher inflation.

Coding: Smaller move (so rates lower) due to uncertainty

Persisting strength in aggregate domestic demand had been accommodated thus far without a pickup in underlying inflation because of the remarkable acceleration in productivity and because of two safety valves--.. pool of available workers and to finance the rapid growth in imports relative to exports…. further acceleration in productivity was unlikely to boost the economy's growth potential sufficiently…the two safety valves could not be counted on to work indefinitely….They agreed, though, that because a significant acceleration in inflation did not appear to be imminent and because uncertainties continued to surround the economic outlook, a gradual approach to policy adjustments was warranted….Some members commented that, although a more forceful policy move of 50 basis points might be needed at some point, measured and predictable policy tightening moves…still were desirable in current circumstances, which included somewhat unsettled financial markets.

May 16. 50 bps increase to 6-1/2 percent. Risks to higher inflation.

Coding: Nothing

A more forceful policy move…was desirable in light of the extraordinary and persisting strength of overall demand, exceeding even the increasingly rapid growth of potential supply, and the attendant indications of growing pressures in already tight markets for labor and other resources….Financial markets seemed to have recognized the need for real interest rates to rise further under these circumstances…A 50 basis point adjustment was more likely to help forestall a rise in inflationary expectations….

June 27-28. No change in rates; risk to higher inflation

Coding: Did not tighten due to uncertainty over outlook

The increasing though still tentative indications of some slowing in aggregate demand, together with the likelihood that the earlier policy tightening actions had not yet exerted their full retarding effects on spending, were key factors in this decision. The uncertainties surrounding the outlook for the economy, notably the extent and duration of the recent moderation in spending and the effects of the appreciable tightening over the past year…reinforced the argument for leaving the stance of policy unchanged at this meeting and weighting incoming data carefully…. little risk in deferring any further policy tightening move…

August 22. No change in rates; risk to higher inflation.

Coding: Nothing

In the Committee's discussion of policy for the intermeeting period ahead, all the members endorsed a proposal to retain the current stance of policy, consistent with a federal funds rate continuing to average about 6-1/2 percent. In their assessment of factors leading to this decision, the members focused on the further evidence that moderating demand and accelerating productivity were closing the gap between the growth of aggregate demand and potential supply, even before earlier Committee tightening actions had exerted their full restraining effects

October 3. No change in rates; risks to higher inflation

Coding: Nothing. Slight argument for uncertainties holding back a rate increase, but decision seems to be largely forecast based.

Against the backdrop of these uncertainties and the current performance of the economy, all the Committee members indicated that they favored an unchanged policy stance for the intermeeting period ahead. In support of this view, they placed considerable weight on widespread indications, reinforced by developments since the August meeting, that growth in aggregate demand had moderated appreciably to a pace that improved the prospects for containing pressures on resources. Moreover, the tightening that had occurred in financial conditions through the spring and the rise in energy prices since the fall of 1998 had not yet exerted their full effects on aggregate demand, and members expected these effects to contribute to a more sustainable rate of growth in aggregate spending. Although inflation had picked up, a decline in energy prices, should it materialize in line with market expectations, clearly would have favorable implications for inflation expectations and cost pressures in the economy. Questions nonetheless remained regarding the extent and duration of the slowdown in the economic expansion and the other factors bearing on the outlook for inflation, especially against the backdrop of substantial pressures on labor resources.

November 15. No change in rates; risks to higher inflation

Coding: Nothing. Forecast based balancing of risks

In the Committee's discussion of policy for the intermeeting period ahead, all the members supported a proposal to maintain an unchanged policy stance consistent with the federal funds rate continuing to average about 6-1/2 percent. Despite clear indications of a more moderate expansion in economic activity, persisting risks of heightened inflation pressures remained a policy concern, particularly in the context of an evident, if gradual, uptrend in key measures of core inflation.

December 19. No change in rates. Risks shifted towards economic weakness.

Coding: Did not loosen (so rate higher) due to uncertainty over outlook

In the Committee's discussion of policy for the intermeeting period ahead, all the members indicated that they could support an unchanged policy stance, consistent with a federal funds rate averaging about 6-1/2 percent. However, they also endorsed a proposal calling for a shift in the balance of risks statement to be issued after this meeting to express the view that most members believed the risks were now weighted toward conditions that could generate economic weakness in the foreseeable future. In their evaluation of the appropriate policy for these changing circumstances, the members agreed that the critical issue was whether the expansion would stabilize near its recent growth rate or was continuing to slow. In the view of almost all the members, the currently available information bearing on this issue was not sufficient to warrant an easing at this point. Much of the usual aggregative data on spending and employment, although to be sure available only with a lag, continued to suggest moderate economic expansion. The information pointing to further weakness was very recent and to an important extent anecdotal. As a consequence, most of the members were persuaded that a prudent policy course would be to await further confirmation of a weakening expansion before easing, particularly in light of the high level of resource utilization and the experience of recent years when several lulls in the growth of the economy had been followed by a resumption of very robust economic expansion. Additional evidence of slowing economic growth might well materialize in the weeks immediately ahead--from the regular aggregated monthly data releases, but also from weekly readings on the labor market and reports from businesses on the strength of sales and production--and the members agreed that the Committee should be prepared to respond promptly to indications of further weakness in the economy.

2001

January 30-31. January 3 intermeeting 50 bps cut to 6 percent. Meeting 50 bps cut to 5-1/2 percent. Risks to economic weakness

Coding: Insurance cut.

a relatively aggressive policy adjustment in a short period of time, but the members agreed on its desirability in light of the rapid weakening in the economic expansion in recent months and associated deterioration in business and consumer confidence. The extent and duration of the current economic correction remained uncertain, but the stimulus provided by the Committee's policy easing actions would help guard against cumulative weakness in economic activity…….. increase in managerial flexibility to alter the level and mix of capital equipment….appeared to have fostered relatively prompt adjustments by businesses to changing economic conditions. As a consequence, monetary policy… undertaken more aggressively…members saw little inflation risk in such a "front-loaded" easing policy, given the reduced pressures on resources stemming from the sluggish performance of the economy and relatively subdued expectations of inflation.

March 20. 50 bps cut to 5 percent. Risks to economic weakness.

Coding: Smaller cut (so rates higher) due to uncertainties

a strengthening in the economic expansion over coming quarters was a reasonable expectation, but absent further easing in monetary policy that pickup was unlikely to bring growth to an acceptable pace in the foreseeable future….While many of the members generally believed that additional policy easing might well prove to be necessary at some time, the easing favored by most members incorporated what they viewed as an adequate degree of stimulus under current economic conditions and represented an appropriately calibrated step given the uncertainties in the economic outlook.

May 15. April 18 intermeeting 50 bps cut to 4.5 percent. At meeting 50 bps cut to 4 percent. Risks to economic weakness

Coding: Nothing. Cut based on forecast

all the members agreed that further easing was desirable in light of what they viewed as the continuing weakness in the economy, the absence of evidence that growth had stabilized or was about to rebound, and still decidedly downside risks to the economic expansion. Some members noted that, although policy had been eased substantially, it might still be considered to be only marginally accommodative in relation to the forces that were damping aggregate demand. Accordingly, the action contemplated for today was needed to provide adequate stimulus to an economy whose outlook for significant strengthening remained tenuous in a climate of fragile business and consumer confidence.

June 26-27. Rate cut to 3-3/4 percent. Risks towards economic weakness

Coding: nothing

In the Committee's discussion of policy for the intermeeting period ahead, all but one of the members supported both some further easing of reserve conditions consistent with a 25 basis point reduction in the target federal funds rate and the retention of the Committee's public statement that the risks were weighted toward excessively soft economic performance. The information received since the May meeting suggested a somewhat weaker economic performance than most had anticipated, and the members were persuaded that in the absence of firm evidence that the deceleration in the economic expansion had run its course a further easing action was needed at this point to help stabilize the economy.

August 21. Rate cut to 3-1/2 percent. Risks to weakness

Coding: Insurance cut (cut rates despite comment stimulus in train seemed adequate)

In the Committee's discussion of policy for the intermeeting period ahead, all the members endorsed a proposal calling for a slight further easing in reserve conditions consistent with a 25 basis point reduction in the federal funds rate to a level of 3-1/2 percent. No member expressed a preference for leaving policy unchanged or easing by more than 25 basis points. The economy had continued to be weak--indeed, weaker than many had expected--and data and anecdotal reports from around the country had yet to point to persuasive signs of a turnaround. The monetary and fiscal policy stimulus already in train seemed adequate to promote and support an eventual appreciable rise in the growth of business activity to a pace near that of the economy's potential, but the strength and timing of the pickup remained uncertain and further weakness was a distinct threat in the nearer term.

October 2. September 17 50 bps intermeeting cut to 3 percent. At meeting cut rate 50 bps to 2-1/2 percent. Risks to weakness.

Coding: Nothing.

the increased evidence of a faltering economy and the decidedly downside risks in the outlook called for a further move at this meeting…. Even after a 50 basis point reduction, the federal funds rate would not reflect an unusually accommodative policy stance in that, in real terms, it would still be positive by many measures and above its typical level in most earlier periods of economic weakness.

November 16. Rate cut 50 bps to 2 percent. Risks to weakness

Coding: Insurance cut (a 50 instead of 25); note inflation/ZLB comments

The continued contraction in the economy and marking down of most forecasts of inflation and resource utilization going forward strongly suggested the desirability of further easing in the stance of policy.

Most members, however, favored a 50 basis point reduction in the Committee's target federal funds rate. These members stressed the absence of evidence that the economy was beginning to stabilize and some commented that indications of economic weakness had in fact intensified. Moreover, it was likely in the view of these members that core inflation, which was already modest, would decelerate further. In these circumstances insufficient monetary policy stimulus would risk a more extended contraction of the economy and possibly even downward pressures on prices that could be difficult to counter with the current federal funds rate already quite low. Should the economy display unanticipated strength in the near term, the emerging need for a tightening action would be a highly welcome development that could be readily accommodated in a timely manner to forestall any potential pickup in inflation.

December 11. Rate cut 25 bps to 1-3/4 percent. Risks to weakness.

Coding: Insurance cut (close call due to question about number of members ascribing to this view, but went with it)

While there were signs that the weakness in aggregate demand might be abating, those signs were still quite limited and tentative. For now, contractionary forces continued to depress overall economic activity, and subpar economic performance seemed likely to persist, at least for a time. Moreover, a number of members saw substantial risks that economic activity could even fall short of a projection of stabilization in the near term and moderate recovery later next year. In these circumstances, the consequences of inactivity at this meeting could turn out to be considerable, and several members viewed an easing action as a measure of insurance against the potential for greater or more prolonged economic weakness than they currently anticipated.

2002

January 29-30. No change in rate. Risks towards economic weakness

Coding: Nothing

Monetary policy had been eased substantially over the past year, and, with the real federal funds rate at an unusually low level, policy seemed well positioned to support an economic recovery as the forces restraining demand abated. In fact, a growing number of indicators pointed to a reduction in the pressures holding back the economy and to an emerging business recovery. In these circumstances, a pause seemed desirable to monitor the still-incomplete effects of the Committee's easing over the past year--a significant part of which had been implemented in recent months--and the contours of the turnaround in economic activity.

March 19. No change in rates. Neutral risk assessment

Coding: Nothing

While the economy currently appeared to be expanding at a fairly vigorous pace, the advance importantly reflected a temporary swing in inventory investment and considerable uncertainty surrounded the outlook for final demand over the quarters ahead. Against this background, the members judged the currently accommodative stance of monetary policy to be appropriate for now, especially in light of the relatively high unemployment rate, low capacity utilization rates in numerous industries, and quiescent inflation pressures.

May 7. No change in rates. Neutral risk assessment

Coding: Close call; went with uncertainty holding back a tightening

The economic recovery was clearly continuing, but its rate of advance had moderated considerably and the economy's future course was subject to a marked degree of uncertainty. While the longer-term outlook for a strengthening economy remained favorable, a firming of policy at this time would be premature and would incur an undue risk to a healthy expansion. The members recognized that monetary policy exerted its effects with a considerable lag and that the current stance of policy probably was inconsistent with the Committee's inflation objective over time. However, current inflation pressures were subdued and were expected to remain so for a considerable period, thereby providing adequate opportunity to evaluate ongoing developments and tighten policy as needed later.

June 25-26. No change in rates. Neutral risk assessment.

Coding: Nothing. Close call on uncertainty, but didn't go with it since decision seemed to emphasize countering shocks that had already occurred.

The members saw favorable prospects for a significant acceleration in the expansion from the reduced pace in the current quarter, but considerable uncertainty still surrounded the timing and strength of the pickup. In the current situation, retention of the currently accommodative policy stance was desirable to counter the lingering effects of financial and other shocks to the economy that were continuing to exert a depressing impact on output and resource use. Inflation was still edging down, inflation expectations appeared to be low and stable, and going forward the members' forecasts for growth and productivity implied that unit costs and prices would remain subdued for some time.

A number of members noted that the current policy stance was too accommodative to be consistent over time with the Committee's objectives…Economic performance in line with their current forecasts would at some point require an adjustment to policy toward a less accommodative stance once more definitive indications of sustained strengthening started to emerge. And given the lags in monetary policy such an adjustment would probably need to be made at a time when the incoming economic information was still somewhat mixed. Still, in current circumstances, there was little risk of triggering an increase in inflation by waiting for a better reading on the course of the economy.

August 13. No change in rates. Tilt to weakness.

Coding: Nothing.

To be sure, a further significant weakening in economic prospects--for example, that might be associated with additional deterioration in financial markets--might well call for a policy response, but for now the members viewed the current degree of monetary accommodation as appropriately calibrated to provide the stimulus needed to foster a solid expansion that would bring the economy to fuller resource utilization.

September 24. No change in rates. Tilt to weakness

Coding: Delay move (delay loosening, so rate higher) due to uncertainty.

In the view of all the members, current forecasts clearly were subject to the risk that economic growth would not be sufficient to reduce excess capacity in labor and capital markets…. recent data on household and business spending had been a bit stronger than expected and that a number of factors pointed to solid growth over time. In these circumstances, they believed that in the context of prevailing uncertainties more evidence of subpar expansion was desirable before policy was eased further. It was noted in this regard that the information that would become available over the next several weeks… All the members agreed that the risks to the economy remained tilted toward weakness…. accepted a proposal to add a reference in the statement regarding what they viewed as recently heightened geopolitical risks that appeared to constitute a major source of the uncertainty currently prevailing in the economy. The addition was not intended to signal that any particular policy response would be forthcoming in the event of a crisis. Rather, consistent with its usual practice, the Committee would assess the implications of any such development for the domestic economy before deciding on an action.

November 6. 50 bps cut to 1-1/4 percent. Shift to balanced risk assessment,

Coding: Insurance causes an aggressive move down. Note reference to difficult to offset weakness if did not move aggressively now.

generally disappointing data since the previous meeting, reinforcing the general thrust of the anecdotal evidence in recent months, pointed to a longer-lasting spell of subpar economic performance than they had anticipated earlier….a relatively aggressive easing action could help to ensure that the current soft spot in the economy would prove to be temporary… A further reason cited by some members for a sizable easing move related to their perceptions of a diminishing stimulus from earlier policy easing actions and indications that overall financial conditions…had become more restrictive this year….Members commented that the potential costs of a policy easing action that later proved not to have been needed were quite limited in that there was little risk that such a move would foster inflationary pressures under likely economic conditions over the next several quarters…..In contrast, a failure to take an action that was needed because of a faltering economic performance would increase the odds of a cumulatively weakening economy and possibly even attendant deflation. An effort to offset such a development, should it appear to be materializing, would present difficult policy implementation problems.

December 10. No change in rates. Retain symmetric risks.

Coding: Nothing. Uncertainty in both directions.

given what was now a quite accommodative policy following the relatively aggressive easing move in November, monetary policy was well positioned to support a strengthening economic expansion in line with their expectations for coming quarters. Although it was uncertain how long the current period of below-par growth would persist, the economic outlook remained subject to upside as well as downside risks.

2003

January 28-29. No change in rates. Balanced risks.

Coding: Uncertainty means no action. But this is in both directions – can't tell what will happen given Gulf War situation, so no coding on level of rate.

As some of the prevailing uncertainties currently impairing spending began to lift, possibly in the near term with regard to military developments in the Middle East, the Committee should be in a much better position to assess the underlying strength of the economy and the appropriate policy response. At this point, the Committee could not rule out a range of plausible economic outcomes, including the possibility of a persisting subpar economic performance or a much stronger than forecast acceleration of the expansion. Indeed, the Committee could envision circumstances when it might find it desirable to adjust its policy stance substantially and promptly in one direction or the other in the months ahead. The members concluded that a wait-and-see policy stance was desirable pending an improved basis for judging the ongoing performance of the economy.

March 18. No change in rates; omit balance of risk (too much uncertainty to state them given Gulf War situation)

Coding: Uncertainty means no action—rates higher than they otherwise would be. (Seems a "wait and see how weak will things get").

While the economic expansion had displayed signs of faltering in recent weeks, the reasons for and hence the duration of any period of weakness could not be reliably ascertained. In that regard, members commented that as key geopolitical uncertainties diminished or were resolved, the Committee would be in a much better position to assess economic trends and a desirable course for monetary policy… the prudent course in current circumstances was to maintain a steady policy stance, a high degree of vigilance, and a readiness to respond promptly as needed to the emergence of clearer evidence relating to the performance of the economy….The Committee decided to omit its usual statement regarding the balance of risks…Most members believed that the major uncertainties surrounding the geopolitical situation made it impossible to assign reasonable probabilities to plausible alternative economic outcomes

May 6. No change in rates. Adopt 2 part balance of risks—growth balanced, probability of an unwelcome further decline in inflation. Net risks to downside.

Coding: Uncertainty delays action – rates higher than otherwise (mood was to loosen).

The members acknowledged that a case could be made for easing policy immediately in light of the generally disappointing reports on the recent performance of the economy, the ongoing disinflation trend in a period of already low inflation, and forecasts of persisting excess capacity. Nonetheless, they concluded that, on balance, an easing action was not desirable at this time. They noted that not enough time had elapsed since the end of the Iraqi war to sort out the underlying forces at work in the economy. In particular, the lifting of key uncertainties relating to the war would provide an improved opportunity to assess whether the favorable factors in the outlook would in fact lead to the anticipated strengthening in economic activity and, at the same time, diminish the risk of appreciable further disinflation. Some members cautioned that persisting uncertainty regarding economic trends should not provide a basis for prolonged inaction in light of the risks of further disinflation and subpar economic growth.

June 24, 25. 25 bps cut to 1 percent. Maintain May balance of risks.

Coding: Insurance rate cut.

While a significant step-up in the pace of the expansion appeared to be a likely prospect, such an outcome was still a forecast whose eventual realization, including both its timing and extent, remained uncertain. In the circumstances and given currently large margins of unemployed labor and other resources… an easing move was desirable to provide additional insurance that a stronger economy would in fact materialize….Members saw virtually no prospect that the proposed easing…would incur any significant risk of contributing to rising inflationary pressures….proposed reduction in the nominal federal funds rate would about offset the apparent increase in the real federal funds rate stemming from a recent decline in inflation. In this regard, further disinflation seemed likely to be a more significant concern than rising inflation for a considerable period of time….

Some commented that a good case could be made for a Â½ percentage point easing….views cited in favor of the Â¼ percentage point easing included the emergence of firmer signs of a possible upturn….some members commented that a larger reduction might be misread as an indication of more concern among policymakers about the economic outlook than was in fact the case. The case for a larger 50 basis point reduction in the target federal funds rate focused on the desirability of a relatively forceful policy move that would be more likely to promote a strengthening economic expansion

August 12. No change in rates. Maintain June balance of risks.

Coding: Nothing

given the tenor of the latest information on the performance of the economy in the context of generally favorable financial conditions, they believed that policy was appropriately positioned to foster further strengthening of the economic expansion….many of the members referred to the likelihood that the Committee would want to keep policy accommodative for a longer period than had been the practice in past periods of accelerating economic activity…. to encourage progress toward closing the economy's currently wide output gap and…to resist significant further disinflation.

September 16. No change in rates. Maintain August balance of risks.

Coding: Nothing

In the Committee's discussion of policy for the intermeeting period ahead, all the members endorsed a proposal to maintain an unchanged policy stance involving reserve conditions consistent with a target rate of 1 percent for the federal funds rate. The members agreed that despite the increasing evidence of some acceleration in the expansion of economic activity, an accommodative policy stance remained appropriate in the context of the currently large and persisting margins of unemployed labor and other resources and very low inflation. Several commented that the recent strengthening of the economy had served to alleviate but had not eliminated their concerns about the possibility of further disinflation. While both downside and upside risks continued to cloud the outlook for economic activity and thus for monetary policy, the economy's sizable output gap strongly suggested that inflation would remain muted over coming quarters even assuming relatively robust economic growth in line with current forecasts. Accordingly, the economy might well expand at a brisk pace for an extended period before inflationary pressures began to emerge and call for an adjustment to monetary policy.

October 28. No change in rates. Maintain August balance of risks.

Coding: Nothing (small argument for not increasing rates due to uncertainty, but didn't think strong enough so did not code).

The strengthening economy had reduced concerns of significant further disinflation, but those concerns had not been eliminated. The pickup in demand had yet to materially narrow currently wide margins of idle labor and other resources, and these margins along with the uncertainties that still surrounded current forecasts of robust economic growth suggested that an accommodative monetary policy might remain desirable for a considerable period of time.

December 9. No change in rates. Balance of risks modified to say smaller risk of disinflation.

Coding: Nothing. (though again some argument for inaction due to uncertainty, but didn't code).

The data and anecdotal evidence becoming available since the last meeting had made the members more confident that robust growth in economic activity would persist. Nonetheless, they felt that the currently accommodative policy stance remained appropriate in a period characterized by very low inflation, wide margins of unused labor and other resources, and still considerable uncertainty about the speed with which those margins would be worked down. In these circumstances, inflationary pressures appeared likely to remain subdued well into the future.

2004

January 27-28. No change in rates. Balanced risks to growth; almost balanced on inflation (slight down).

Coding: Nothing

In the Committee's discussion of policy for the intermeeting period ahead, all the members favored an unchanged policy stance that was directed toward maintaining reserve conditions consistent with a target federal funds rate of 1 percent. While the members were persuaded that a relatively vigorous economic expansion was now firmly established and was likely at some point to call for a move toward a more neutral policy stance, they concluded that such an adjustment was not warranted under current circumstances. In this regard they stressed that unused labor and other resources remained substantial, that inflation was at a very low level, and that inflation was not expected to change appreciably in either direction over the year ahead. Members acknowledged that there were risks in maintaining what might eventually prove to be an overly accommodative policy stance, but for now they judged that it was desirable to take risks on the side of assuring the rapid elimination of economic slack.

March 16. No change in rates. Balanced risks to growth; almost balanced on inflation (slight down).

Coding: Nothing

In the Committee's discussion of policy for the intermeeting period, all the members favored the retention of the current target rate of 1 percent for the federal funds rate. This preference for an unaltered stance of policy was based on the absence of significant changes in economic conditions or in the members' basic assessment of the outlook since the January meeting. To be sure, some of the incoming information--notably with regard to labor market developments--had been somewhat disappointing, but the Committee continued to see the conditions in place for further solid economic growth. Similarly, despite the rise in energy and commodity prices and reports of increased pricing power in some sectors, many Committee members commented that persisting slack in labor and output markets would keep inflation low.

May 4. No change in rates. Balanced risks to growth and inflation

Coding: Nothing

In the Committee's discussion of policy for the intermeeting period, all of the members favored maintenance of the existing target of 1 percent for the federal funds rate. It was recognized that the Committee would need to initiate a process of removing monetary policy accommodation at some point, and the recent experience suggested that the time at which policy firming appropriately would commence might be closer than previously had seemed most probable. However, the appreciable rise in real long-term interest rates over the intermeeting period implied that financial market conditions had already tightened on balance. Moreover, the evidence of a significant acceleration in hiring was still limited, and some members referred to the possibility that growth could falter, particularly if market yields were to rise sharply further. With inflation low and resource use slack, the Committee saw a continuation of its existing policy stance as providing a degree of support to the economic expansion that was still appropriate.

June 29-30. 25 bps increase to 1-1/4 percent. Balanced risks.

Coding: Nothing

In the Committee's discussion of policy for the intermeeting period, all of the members indicated that they could support an upward adjustment in the target for the federal funds rate from a level of 1 percent to 1-1/4 percent. Recent developments, notably the persistence of solid gains in output and employment along with indications of some increase in inflation, were seen as warranting a first step in the process of removing policy accommodation. The timing and pace of further policy moves would depend, of course, on the members' reading of the incoming economic information and their interpretation of its implications for economic activity and inflation. In this regard, members commented that they could envision a series of gradual or "measured" policy moves as likely to be consistent with the attainment of the Committee's objectives for sustaining progress toward higher levels of resource utilization and maintaining price stability.

August 10. 25 bps increase to 1-1/2 percent. Balanced risks.

Coding: Nothing

In the Committee's discussion of policy for the intermeeting period, all the members favored an increase in the target for the federal funds rate from 1-1/4 to 1-1/2 percent. Although the pace of economic growth had moderated in the second quarter, the Committee believed that the softness would prove short-lived and that the economy was poised to resume a stronger rate of expansion going forward. Given the current quite low level of short-term rates, especially when judged against the recent level of inflation, members noted that significant cumulative policy tightening likely would be needed to foster conditions consistent with the Committee's objectives for price stability and sustainable economic growth.

September 21. 25 bps increase to 1-3/4 percent. Balanced risks.

Coding: Nothing

In the Committee's discussion of policy for the intermeeting period, all of the members favored raising the target for the federal funds rate by 25 basis points to 1-¾ percent at this meeting. The expansion evidently was resilient and self-sustaining and appeared no longer to require the unusual degree of monetary stimulus that had previously been necessary. A gradual increase in interest rates seemed likely to be consistent with continued solid economic growth that would be sufficient to erode remaining margins of slack in resource utilization over time.

November 10. 25 bps increase to 2 percent. Balanced risks.

Coding: Nothing

In the Committee's discussion of the setting of policy, all of the members favored raising the target for the federal funds rate by 25 basis points to 2 percent at this meeting. The economy appeared to be continuing to expand at a moderate pace that was likely to be rapid enough to gradually reduce margins of underutilized resources. In that regard, the Committee was encouraged by more evident signs of improvement in hiring. The Committee felt that the outlook justified the further removal of the policy accommodation that had been appropriate when the economic expansion was more tentative.

December 14. 25 bps increase to 2-1/4 percent. Balanced risks.

Coding: Nothing

In the Committee's discussion of policy for the intermeeting period, all of the members (the members of the Board of Governors and the five voting Reserve Bank Presidents) favored raising the target for the federal funds rate by 25 basis points to 2-¼ percent at this meeting. All members judged that a further quarter-point tightening in the target federal funds rate at this meeting was appropriate in light of the prospects for solid growth and diminished slack.

2005

February 1-2. 25 bps increase to 2-1/2 percent. Balanced risks.

Coding: Nothing

In the Committee's discussion of policy for the intermeeting period, all of the members favored raising the target for the federal funds rate by 25 basis points to 2-1/2 percent at this meeting. All members judged that a further quarter-point firming in the target federal funds rate was appropriate in light of current overall accommodative financial conditions and the continuing outlook for solid economic growth and diminished slack in resource utilization. A higher nominal federal funds rate was seen as needed to contain risks of increased cost and price pressures, but even with this action, the real federal funds rate was generally seen as remaining below levels that might reasonably be associated with maintaining a stable inflation rate over the medium run. The pace of policy moves at upcoming meetings, however, would depend on incoming data.

March 22. 25 bps increase to 2-3/4 percent. Balanced risks (though add conditional on appropriate policy).

Coding: Nothing

In the Committee's discussion of monetary policy for the intermeeting period, all of the members favored boosting the target for the federal funds rate by 25 basis points to 2-3/4 percent at this meeting. Monetary conditions evidently were still quite accommodative, economic activity appeared to have more momentum than had previously been perceived, and, while core inflation most probably would stay low, pressures on inflation seemed to have risen. Prospects for legislative action to apply significant fiscal restraint were unclear, even as the expansion became increasingly well established and private demand proved strong and resilient. Although the required amount of cumulative tightening may have increased, members noted that an accelerated pace of policy tightening did not appear necessary at this time,

May 3. 25 bps increase to 3 percent. Balanced risks conditional on appropriate policy.

Coding: Nothing

In the Committee's discussion of monetary policy for the intermeeting period, all members favored raising the target federal funds rate 25 basis points to 3 percent at this meeting. Although downside risks to sustainable growth had become more evident, most members regarded the recent slower growth of economic activity as likely to be transitory. In this regard, the ability of the U.S. economy to withstand significant shocks over recent years buttressed the view that policymakers should not overreact to a comparatively small number of disappointing indicators, especially when economic fundamentals appeared to remain quite supportive of continued solid expansion….all members regarded the stance of policy as accommodative and judged that the current level of short-term rates remained too low to be consistent with sustainable growth and stable prices in the long run.

June 29-30. 25 bps increase to 3-1/4 percent. Balanced risks conditional on appropriate policy.

Coding: Nothing

In the Committee's discussion of monetary policy for this meeting, all members agreed on a 25 basis point increase in the target federal funds rate to 3-1/4 percent. Economic growth remained firm, while rising energy, and possibly labor, costs threatened to put upward pressure on inflation. Even with this action, the federal funds rate remained below the level members anticipated would prove necessary in the long run to contain inflation pressures and keep output near potential. However, the pace and extent of future policy moves would depend on incoming data.

August 9. 25 bps increase to 3-1/2 percent. Balanced risks conditional on appropriate policy.

Coding: Nothing

In the Committee's discussion of monetary policy for the intermeeting period, all of the members favored raising the target federal funds rate by 25 basis points to 3-½ percent at this meeting. Even with this action, the federal funds rate would remain below the level that members anticipated would prove necessary to contain inflation pressures and keep output near potential, and thus in all likelihood further policy action would be required. However, the pace of future policy moves, although likely to be measured, as well as the extent of those moves, would depend on incoming data.

September 20. 25 bps increase to 3-3/4 percent. Balanced risks conditional on appropriate policy.

Coding: Nothing. Some mention of uncertainty due to Katrina; perhaps outweighed by upside inflation risks; also comment about misleading signal if pause. So on net uncertainty does not seem to have influenced policy stance.

Although uncertainty had increased, in the Committee's judgment the fundamental factors influencing the longer-term path of the economy probably had not been affected by the hurricane, but the upside risks to inflation appeared to have increased. Even after today's action, the federal funds rate would likely be below the level that would be necessary to contain inflationary pressures, and further rate increases probably would be required. Moreover, the uncertainties about near-term economic prospects resulting from Hurricane Katrina would probably not be reduced materially in coming weeks…. A pause in policy tightening at this meeting had the potential to mislead the public both about the Committee's perceptions of the fundamental strength and resilience of the economy and about its commitment to fostering price stability.

November 1. 25 bps increase to 4 percent. Balanced risks conditional on appropriate policy.

Coding: Nothing

In the Committee's discussion of monetary policy for the intermeeting period, all members favored raising the target federal funds rate 25 basis points to 4 percent at this meeting. The economy seemed to be growing at a fairly strong pace, despite the temporary disruptions associated with the hurricanes, and underlying economic slack was likely quite limited. In that context, all members believed it important to continue removing monetary policy accommodation in order to check upside risks to inflation and keep inflation expectations contained, but noted that policy setting would need to be increasingly sensitive to incoming economic data. Some members cautioned that risks of going too far with the tightening process could also eventually emerge.

December 13. 25 bps increase to 4-1/4 percent. Balanced risks conditional on some further measured policy firming

Coding: Nothing

In the Committee's discussion of monetary policy for the intermeeting period, all members favored raising the target federal funds rate 25 basis points to 4-1/4 percent. With spending apparently retaining considerable momentum, and with the indirect effects of increased energy prices still threatening to raise core inflation at least for a time, the Committee thought that additional policy firming at this meeting was appropriate to keep inflation and inflation expectations in check. Committee members generally anticipated that policy would likely need to be firmed further going forward.

2006

January 31. 25 bps increase to 4-1/2 percent. Balanced risks conditional on some further measured policy firming

Coding: Nothing

In the Committee's discussion of monetary policy for the intermeeting period, all members favored raising the target federal funds rate 25 basis points to 4-1/2 percent at this meeting. Although recent economic data had been uneven, the economy seemed to be expanding at a solid pace. Members were concerned that, even after their action today, possible increases in resource utilization and elevated energy prices had the potential to add to inflation pressures. Although the stance of policy seemed close to where it needed to be given the current outlook, some further policy firming might be needed to keep inflation pressures contained and the risks to price stability and sustainable economic growth roughly in balance.

March 27-28. 25 bps increase to 4-3/4 percent. Balanced risks conditional on some further measured policy firming

Coding: Nothing

In the Committee's discussion of monetary policy for the intermeeting period, all members favored raising the target federal funds rate 25 basis points to 4-¾ percent at this meeting. The economy seemed to be on track to grow near a sustainable pace with core inflation remaining close to recent readings against a backdrop of financial conditions embodying an expectation of some tightening. Since the available indicators showed that the economy could well be producing in the neighborhood of its sustainable potential and that aggregate demand remained strong, keeping rates unchanged would run an unacceptable risk of rising inflation.

May 10. 25 bps increase to 5 percent. Balanced risks conditional on some further measured policy firming

Coding: Nothing. Some talk of uncertainty over outlook, but it's in both directions and doesn't seem to influence policy outcome, so no coding.

Although the Committee discussed policy approaches ranging from leaving the stance of policy unchanged at this meeting to increasing the federal funds rate 50 basis points, all members believed that an additional 25 basis point firming of policy was appropriate today to keep inflation from rising and promote sustainable economic expansion. Recent price developments argued for another firming step at today's meeting….. several members remarked that core inflation was now around the upper end of what they viewed as an acceptable range….the economy appeared to be operating at a relatively high level of resource utilization .. whether economic growth would moderate to a sustainable pace was not yet clear. At the same time, members also saw downside risks to economic activity. For example, the cumulative effect of past monetary policy actions and the recent rise in longer-term interest rates on housing activity and prices could turn out to be larger than expected….

June 28-29. 25 bps increase to 5-1/4 percent. May need additional firming to keep inflation down.

Coding: Nothing. Uncertainty over future policy creeping in more; though doesn't appear to affect setting.

All Committee members agreed that raising the target for the federal funds rate 25 basis points, to 5-1/4 percent, at this meeting was appropriate given the recent readings on inflation and the associated deterioration in the inflation outlook. Such an action would also help preserve the decline in inflation expectations that had occurred over the intermeeting period and which appeared to be conditioned on an outlook for a policy firming. Characterizing the resulting stance of policy was quite difficult in the view of most members; those who did venture a judgment saw the stance as ranging from modestly restrictive to somewhat accommodative. Many members noted that significant uncertainty accompanied the appropriate setting of policy going forward, and one indicated that the decision to raise the target federal funds rate at this meeting was a close call.

August 8. Rate unchanged at 5-1/4 percent. Some inflation risks remain.

Coding: Nothing. Some argument for uncertainty holding back a move, but not over hump given the view that current stance "could well prove…satisfactory."

In view of the elevated readings on costs and prices, many members thought that the decision to keep policy unchanged at this meeting was a close call and noted that additional firming could well be needed. But with economic growth having moderated some, most members anticipated that inflation pressures quite possibly would ease gradually over coming quarters and the current stance of policy could well prove to be consistent with satisfactory economic performance. Under these circumstances, keeping policy unchanged at this meeting would allow the Committee to accumulate more information before judging whether additional firming would be necessary to foster the attainment of price stability over time. The full effect of previous increases in interest rates on activity and prices probably had not yet been felt, and a pause was viewed as appropriate to limit the risks of tightening too much. Following seventeen consecutive policy firming actions, members generally saw limited risk in deferring further policy tightening that might prove necessary, as long as inflation expectations remained contained.

September 20. Rate unchanged at 5-1/4 percent. Some inflation risks remain.

Coding: Nothing. Uncertainties in both directions, so doesn't look to alter policy stance.

Members generally expected economic activity to expand at a pace below the rate of growth of potential output in the near term before strengthening some over time. Moreover, given the uncertainties in forecasting, significantly more sluggish performance than anticipated could not be entirely ruled out. Although the uncertainties were substantial, core inflation seemed most likely to ebb gradually from its elevated level, in part owing to the waning effects of past increases in energy prices. The anticipated expansion of economic activity at a pace slightly below the rate of growth of the economy's potential would likely also play a role by easing pressures on resources. Members noted that certain developments of late…pointed to a modestly better inflation outlook and hence made the policy decision today somewhat less difficult than it was in August, when it was seen as a particularly close call.

October 24-25. Rate unchanged at 5-1/4 percent. Some inflation risks remain.

Coding: Uncertainty postponing policy tightening.

outlook for economic growth and inflation had changed little since the previous meeting. Nearly all members expected that the economy would expand close to or a little below its potential growth rate and that inflation would ebb gradually from its elevated levels. Although substantial uncertainty continued to attend that outlook, most members judged that the downside risks to economic activity had diminished a little, and likewise, some members felt that the upside risks to inflation had declined, albeit only slightly….All members agreed that the risks to achieving the anticipated reduction in inflation remained of greatest concern. a significant amount of data would be published before the next Committee meeting in December, giving the Committee ample scope to refine its assessment of the economic outlook before judging whether any additional firming was needed to address those risks.

December 12. Rate unchanged at 5-1/4 percent. Some inflation risks remain.

Coding: Nothing

Nearly all members felt that maintaining the current target for now was most likely to foster moderate economic growth and a gradual ebbing of core inflation from its elevated levels. Several members judged that the subdued tone of some incoming indicators meant that the downside risks to economic growth in the near term had increased a little and become a bit more broadly based than previously thought. Nonetheless, all members agreed that the risk that inflation would fail to moderate as desired remained the predominant concern.

2007

January 30-31. Rate unchanged at 5-1/4 percent. Some inflation risks remain.

Coding: Nothing

In the Committee's discussion of monetary policy for the intermeeting period, all members favored keeping the target federal funds rate at 5-1/4 percent at this meeting. The confluence of better-than-expected news on economic activity and inflation suggested somewhat smaller downside risks to economic growth as well as improved prospects for core inflation. Recent developments were seen as supporting the Committee's view that maintaining the current target was likely to foster moderate economic growth and to further the gradual reduction of core inflation from its elevated level over the past year. Nonetheless, Committee members saw continued risks to the economic outlook. The ongoing contraction in the housing sector and the potential for spillovers to other sectors remained notable downside risks to economic activity, although those risks had diminished somewhat, and continuing strength in consumption suggested upside risks as well. All members agreed that the predominant concern remained the risk that inflation would fail to moderate as desired.

March 21. Rate unchanged at 5-1/4 percent. Some inflation risks remain, but remove reference to likely future tightening.

Coding: Nothing. Reference to two-sided uncertainty; doesn't appear to move rates one way or other

Recent developments were seen as supporting the Committee's view that maintaining the current target was likely to foster moderate economic growth and to further the gradual reduction of core inflation from its elevated level. Nonetheless, the combination of generally weaker-than-expected economic indicators and uncomfortably high readings on inflation suggested increased downside risks to economic growth and greater uncertainty that the expected gradual decline in core inflation would materialize…. The Committee agreed that further policy firming might prove necessary to foster lower inflation, but in light of the increased uncertainty about the outlook for both growth and inflation, the Committee also agreed that the statement should no longer cite only the possibility of further firming.

May 9. Rate unchanged at 5-1/4 percent. Inflation prominent risk

Coding: Nothing. Reference to uncertainty over inflation, but doesn't seem to be a reason they did not loosen.

In the Committee's discussion of monetary policy for the intermeeting period, all members favored keeping the target federal funds rate at 5-1/4 percent. Recent developments were seen as supporting the Committee's view that maintaining the current target rate was likely to foster moderate economic growth and a gradual ebbing in core inflation. Members continued to view the risks to economic activity as weighted to the downside, although with turmoil in the subprime market appearing to have remained relatively well contained and business spending indicators suggesting a more encouraging outlook, these downside risks were judged to have diminished slightly. Members agreed that considerable uncertainty attended the prospects for inflation, and the risk that inflation would fail to moderate as desired remained the Committee's predominant concern.

June 27-28 Rate unchanged at 5-1/4 percent. Inflation prominent risk

Coding: Nothing

In their discussion of monetary policy for the intermeeting period, members generally regarded the risks to economic growth as more balanced than at the time of the May meeting. Although the housing market remained a key source of uncertainty about the outlook, members thought it most likely that the overall economy would expand at a moderate pace over coming quarters. Members generally anticipated that core inflation would remain relatively subdued but concurred that a sustained moderation in inflation had not yet been convincingly demonstrated. In these circumstances, members agreed that maintaining the target federal funds rate at 5-1/4 percent for this meeting was appropriate and that future policy adjustments would depend on the outlook for economic growth and inflation, as implied by incoming information.

August 7. Rate unchanged at 5-1/4 percent. Inflation prominent risk, though downside risks to growth increased

Coding: Nothing

In their discussion of monetary policy for the intermeeting period, Committee members again agreed that maintaining the existing stance of policy at this meeting was likely to be consistent with the overall economy expanding at a moderate pace over coming quarters and inflation pressures moderating over time….However, a further deterioration in financial conditions could not be ruled out and, to the extent such a development could have an adverse effect on growth prospects, might require a policy response. Policymakers would need to watch the situation carefully. For the present, however, given expectations that the most likely outcome for the economy was continued moderate growth, the upside risks to inflation remained the most significant policy concern…. Members also agreed that the statement should incorporate their view that downside risks to growth had increased somewhat

September 18. 50 bps cut to 4-3/4 percent. No risk assessment but uncertainty cited in statement and given as reason to not give a balance of risks

Coding: Nothing. Uncertainty an issue but doesn't seem to alter policy per se.

Members emphasized that because of the recent sharp change in credit market conditions, the incoming data in many cases were of limited value in assessing the likely evolution of economic activity and prices, on which the Committee's policy decision must be based. Members judged that a lowering of the target funds rate was appropriate to help offset the effects of tighter financial conditions on the economic outlook….In order to help forestall some of the adverse effects on the economy that might otherwise arise, all members agreed that a rate cut of 50 basis points at this meeting was the most prudent course of action…With economic growth likely to run below its potential for a while and with incoming inflation data to the favorable side, the easing of policy seemed unlikely to affect adversely the outlook for inflation…. the inflation situation seemed to have improved slightly…Nonetheless, all agreed that some inflation risks remained….Given the heightened uncertainty about the economic outlook, the Committee decided to refrain from providing an explicit assessment of the balance of risks….

October 30-31. 25 bps cut to 4-1/2 percent. Upside risks to inflation balance downside risks to growth.

Coding: Insurance cut against further weakness.

members discussed the relative merits of lowering the target federal funds rate 25 basis points, to 4-1/2 percent, at this meeting or awaiting additional information on prospects for economic activity and inflation before assessing whether a further adjustment in the stance of monetary policy was necessary. Many members noted that this policy decision was a close call. However, on balance, nearly all members supported a 25 basis point reduction….The stance of monetary policy appeared still to be somewhat restrictive, partly because of the effects of tighter credit conditions on aggregate demand. Moreover, most members saw substantial downside risks to the economic outlook and judged that a rate reduction at this meeting would provide valuable additional insurance against an unexpectedly severe weakening in economic activity…With real GDP likely to expand below its potential over coming quarters, recent price trends favorable, and inflation expectations appearing reasonably well anchored, the easing of policy at this meeting seemed unlikely to affect adversely the outlook for inflation. A number of members noted that the recent policy moves could readily be reversed if circumstances evolved in a manner that would warrant such action. While the Committee saw uncertainty regarding the economic outlook as still elevated, it judged that, after this action, the upside risks to inflation roughly balanced the downside risks to growth.

December 11. 25 bps cut to 4-1/4 percent. No balance of risks

Coding: Uncertainty over past actions/economic developments causes a smaller reduction in rates. Insurance reference, too, though did not code since not main reason for move.

members judged that the softening in the outlook for economic growth warranted an easing of the stance of policy at this meeting. In view of the further tightening of credit and deterioration of financial market conditions, the stance of monetary policy now appeared to be somewhat restrictive. Moreover, the downside risks to the expansion, resulting particularly from the weakening of the housing sector and the deterioration in credit market conditions, had risen. In these circumstances, policy easing would help foster maximum sustainable growth and provide some additional insurance against risks. At the same time, members noted that policy had already been eased by 75 basis points and that the effects of those actions on the real economy would be evident only with a lag. And some data, including readings on the labor market, suggested that the economy retained forward momentum…. nearly all members judged that a 25 basis point reduction in the Committee's target for the federal funds rate would be appropriate at this meeting…. recognized that the situation was quite fluid and the economic outlook unusually uncertain. Financial stresses could increase further, intensifying the contraction…Some members noted the risk of an unfavorable feedback loop… could require a substantial further easing of policy. Members also recognized that financial market conditions might improve more rapidly than members expected, in which case a reversal of some of the rate cuts might become appropriate…..Members agreed that the resurgence of financial stresses in November had increased uncertainty about the outlook. Given the heightened uncertainty, the Committee decided to refrain from providing an explicit assessment of the balance of risks. The Committee agreed on the need to remain exceptionally alert to economic and financial developments and their effects on the outlook, and members would be prepared to adjust the stance of monetary policy if prospects for economic growth or inflation were to worsen.
At the conclusion of

2008

January 29-30. January 22 75 bps intermeeting cut. At meeting 50 bps cut to 3 percent; downside risks to growth

Coding: Nothing

Members judged that a 50 basis point reduction in the federal funds rate, together with the Committee's previous policy actions, would bring the real short-term rate to a level that was likely to help the economy expand at a moderate pace over time. Still, with no signs of stabilization in the housing sector and with financial conditions not yet stabilized, the Committee agreed that downside risks to growth would remain even after this action. Members were also mindful of the need for policy to promote price stability, and some noted that, when prospects for growth had improved, a reversal of a portion of the recent easing actions, possibly even a rapid reversal, might be appropriate….

March 18. 75 bps cut to 2-1/4 percent. Downside risks to growth; uncertainty over inflation coming down.

Coding: Nothing. Though note uncertainty high for both activity and inflation and effects of past policy actions, doesn't seem to net out one way or the other. Possibly insurance, but doesn't make cut given last comment on 75 bps appropriate to address combination of risks.

most members judged that a substantial easing in the stance of monetary policy was warranted at this meeting. The outlook for economic activity had weakened considerably since the January… downside risks to economic growth as having increased…. inflation pressures had apparently risen even as the outlook for growth had weakened. With the uncertainties in the outlook for both economic activity and inflation elevated, members noted that appropriately calibrating the stance of policy was difficult, partly because some time would be required to assess the effects of the substantial easing of policy to date. All in all, members judged that a 75 basis point easing of policy at this meeting was appropriate to address the combination of risks of slowing economic growth, inflationary pressures, and financial market disruptions.

April 29-20. 25 bps cut to 2 percent. No balance of risks

Coding: An insurance cut.

points at this meeting. Although prospects for economic activity had not deteriorated significantly since the March meeting, the outlook for growth and employment remained weak…An additional easing in policy would help to foster moderate growth over time without impeding a moderation in inflation. Moreover, although the likelihood that economic activity would be severely disrupted by a sharp deterioration in financial markets had apparently receded, most members thought that the risks to economic growth were still skewed to the downside. A reduction in interest rates would help to mitigate those risks. However, most members viewed the decision to reduce interest rates at this meeting as a close call. The substantial easing of monetary policy since last September, the ongoing steps taken by the Federal Reserve to provide liquidity and support market functioning, and the imminent fiscal stimulus would help to support economic activity. Moreover, although downside risks to growth remained, members were also concerned about the upside risks to the inflation outlook…most members agreed that a further, modest easing in the stance of policy was appropriate to balance better the risks

June 24-25. No change in rates. Downside risks to growth less but uncertainty over inflation higher.

Coding: Uncertainty prevents a tightening (so rate lower).

members generally agreed that the risks to growth had diminished somewhat… while the upside risks to inflation had increased. Nonetheless, the risks to growth remained tilted to the downside…. With increased upside risks to inflation and inflation expectations, members believed that the next change in the stance of policy could well be an increase in the funds rate…However, in the view of most members, the outlook for both economic activity and price pressures remained very uncertain, and thus the timing and magnitude of future policy actions was quite unclear. Against this backdrop, most members judged that an unchanged federal funds rate at this meeting represented an appropriate balancing of the risks to the economic outlook and was consistent, for now, with a policy path that would support an eventual decline in both inflation and unemployment. Nonetheless, members recognized that circumstances could change quickly and noted that they might need to respond promptly to incoming information about the evolution of risks.

August 5. No change in rates. Downside risks to growth less but uncertainty over inflation higher.

Coding: Nothing

members agreed that labor markets had softened further, that financial markets remained under considerable stress, and that these factors--in conjunction with still-elevated energy prices and the ongoing housing contraction--would likely weigh on economic growth in coming quarters.

In addition, members saw continuing downside risks to this outlook…Members generally anticipated that inflation would moderate; however, they emphasized the risks to the inflation outlook posed by persistent high readings on headline inflation and a possible unmooring of inflation expectations. Against this backdrop, nearly all members judged that leaving the federal funds rate unchanged at this meeting was appropriate and would most effectively promote progress toward the Committee's dual objectives of maximum employment and price stability. Most members did not see the current stance of policy as particularly accommodative…Although members generally anticipated that the next policy move would likely be a tightening, the timing and extent of any change in policy stance would depend on evolving economic and financial developments and the implications for the outlook for economic growth and inflation.

September 16. No change in rates. Downside risks to growth and upside to inflation.

Coding. Nothing

Committee members generally saw the current stance of monetary policy as consistent with a gradual strengthening of economic growth beginning next year, although they recognized that recent financial developments had boosted the downside risks to the economic outlook. Inflation risks appeared to have diminished…and Committee members were a bit more optimistic that inflation would moderate in coming quarters. However, the possibility that core inflation would not moderate as anticipated was still a significant concern. With substantial downside risks to growth and persisting upside risks to inflation, members judged that leaving the federal funds rate unchanged at this time suitably balanced the risks to the outlook.

October 28-29. October 7 intermeeting 50 bps cut to 1-1/2 percent. At meeting 50 bps cut to 1 percent. No risk assessment

Coding: Nothing on uncertainty. (only "some" member expressed concerns over policy effectiveness/powder dry arguments). This is the first reference to do what it takes. An argument for an insurance cut, but did not code since headline was marked deterioration in outlook.

Committee members agreed that significant easing in policy was warranted at this meeting in view of the marked deterioration in the economic outlook and anticipated reduction in inflation pressures….Some members were concerned that the effectiveness of cuts in the target federal funds rate may have been diminished by the financial dislocations… some also noted that the Committee had limited room to lower its federal funds rate target further and should therefore consider moving slowly. However, others maintained that the possibility of reduced policy effectiveness and the limited scope for reducing the target further were reasons for a more aggressive policy adjustment… more aggressive easing should reduce the odds of a deflationary outcome. Members also saw the substantial downside risks to growth as supporting a relatively large policy move…In any event, the Committee agreed that it would take whatever steps were necessary to support the recovery of the economy.

December 15-16. Rate cut 100 bps to zero. Balance sheet policies approved.

Coding: Nothing on uncertainty. Again an argument for insurance, but did not code since the forecast is deteriorating a great deal.

In the discussion of monetary policy for the intermeeting period, Committee members recognized that the large volume of excess reserves had already resulted in federal funds rates significantly below the target federal funds rate and the interest rate on excess reserves. They agreed that maintaining a low level of short-term interest rates and relying on the use of balance sheet policies and communications about monetary policy would be effective and appropriate in light of the sharp deterioration of the economic outlook and the appreciable easing of inflationary pressures. Maintaining that level of the federal funds rate implied a substantial further reduction in the target federal funds rate. Even with the additional use of nontraditional policies, the economic outlook would remain weak for a time and the downside risks to economic activity would be substantial. Moreover, inflation would continue to fall, reflecting both the drop in commodity prices that had already occurred and the buildup of economic slack; indeed some members saw significant risks that inflation could decline and persist for a time at uncomfortably low levels.

….

Members also discussed how best to communicate the focus of the Federal Reserve's policy going forward. Members agreed that the statement should indicate that all available tools would be employed to promote the resumption of sustainable economic growth and to preserve price stability. They also agreed that the