



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON, D. C. 20551

July 27, 1976

TO: Federal Open Market Committee

FROM: Arthur L. Broida *ALB*

Attached for your information are copies of letters from Chairman Burns to Senator Proxmire and Congressman Reuss regarding the FOMC's memorandum of discussion.

Attachments



CHAIRMAN OF THE BOARD OF GOVERNORS
FEDERAL RESERVE SYSTEM
WASHINGTON, D. C. 20551

July 26, 1976

The Honorable William Proxmire
Chairman
Committee on Banking, Housing
and Urban Affairs
United States Senate
Washington, D. C. 20510

Dear Mr. Chairman:

In my letter of July 8, 1976, I noted that I had agreed, in response to a request by Congressman Reuss at the June 30 hearings before the Joint Economic Committee, to put on the agenda for the next FOMC meeting the question of whether the Committee should rescind its recent decision to discontinue the "memorandum of discussion" that formerly had been prepared on its meetings. In your letter of June 22 you expressed concern about this decision and a related alteration in the "policy record" prepared for each meeting, and asked that the FOMC reconsider the manner in which its policy discussions are presented in the record; and you have offered some further observations in your letter of July 15.

After reviewing the matter at its meeting last week, the Federal Open Market Committee remains of the opinion that the benefits derived from the memoranda of discussion did not justify their relatively high cost, particularly in light of the fact that the public has made very little use of this document over the years. The lack of public interest in the memoranda of discussion is confirmed by the fact that, since the date we announced their discontinuance, we have heard no criticism of that decision from anyone other than Congressman Reuss and yourself. Indeed, we have received no communications at all on the subject, directly or indirectly, from other persons. We may, of course, receive some such communications in the future, but the fact that no one has written or called in the two months since our announcement is highly significant.

The Honorable William Proxmire

Page 2

The advantages of our new procedure are two-fold. First, there is an obvious gain in providing information regarding the Committee's deliberations on a current basis, in an expanded policy record that is published with a lag of about a month, rather than on an historical basis in a memorandum of discussion that is published five years later. Second, there is a less obvious but no less important gain in providing information in analytic form. The memoranda of discussion were accounts of lengthy meetings typically concerned with a variety of procedural as well as policy questions. Moreover, these documents were chronological accounts of the meetings--recording in the order of occurrence remarks by Committee members on a variety of subjects, questions by members and responses by staff, formal and informal reports of various sorts, and other oral exchanges--material that frequently is of only technical or transitory interest. Anyone who has worked with such documents is aware of the difficulties faced by a reader who wants to understand the substantive issues considered, the positions taken, and the conclusions reached. To extract such information, the reader must work through long pages of material to identify relevant passages, analyze the ideas expressed in these passages, and organize his findings. Our objective in the expanded policy record is to perform that task for the reader, particularly with respect to the Committee's deliberations on domestic monetary policy.

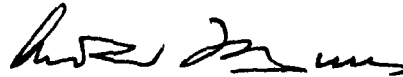
You said in your letter that you found "totally inadequate" the new form of the policy record, as exemplified in that for the FOMC meeting of April 20, 1976. Congressman Reuss also expressed criticism of the April 20 policy record at the JEC hearings. That particular record was our initial effort at providing a fuller account of the views expressed by members during the Committee's deliberations, and should not be used to assess the merits of our new procedure. As I indicated at the hearings, I expect the records to improve as the Committee's staff gains experience in drafting them in the new form. In particular, they should become more precise and informative with respect to the nuances of the debate as well as the main lines of argument advanced.

You state in your letter of July 15 that "public and Congressional understanding of monetary management requires that there should eventually be a published account of the substance of these meetings and not just their outcome." I and my colleagues on the Committee agree fully. Such an account is precisely what we are

The Honorable William Proxmire
Page 3

endeavoring to provide in the policy records, but with a lag of roughly a month rather than 5 years. I am sure that as the new policy record evolves over coming months it will be much more to your liking than our initial effort, and much more useful to the Congress and the public than was the old memorandum of discussion.

Sincerely yours,

A handwritten signature in black ink, appearing to read "Arthur F. Burns". The signature is fluid and cursive, with a prominent initial "A" and a long, sweeping tail.

Arthur F. Burns



CHAIRMAN OF THE BOARD OF GOVERNORS
FEDERAL RESERVE SYSTEM
WASHINGTON, D. C. 20551

July 26, 1976

The Honorable Henry S. Reuss
Chairman
Committee on Banking, Currency
and Housing
House of Representatives
Washington, D. C. 20515

Dear Mr. Chairman:

At hearings before the Joint Economic Committee on June 30, you asked that the Federal Open Market Committee consider rescinding its recent decision to discontinue the "memorandum of discussion" that formerly had been prepared on its meetings. Earlier, Senator Proxmire had written to express his concern about this decision and a related alteration in the "policy record" prepared for each meeting, and to ask that the FOMC reconsider the manner in which its policy discussions are presented in the record.

After reviewing the matter at its meeting last week, the Federal Open Market Committee remains of the opinion that the benefits derived from the memoranda of discussion did not justify their relatively high cost, particularly in light of the fact that the public has made very little use of this document over the years. The lack of public interest in the memoranda of discussion is confirmed by the fact that, since the date we announced their discontinuance, we have heard no criticism of that decision from anyone other than Senator Proxmire and yourself. Indeed, we have received no communications at all on the subject, directly or indirectly, from other persons. We may, of course, receive some such communications in the future, but the fact that no one has written or called in the two months since our announcement is highly significant.

The advantages of our new procedure are two-fold. First, there is an obvious gain in providing information regarding the Committee's deliberations on a current basis, in an expanded policy record that is published with a lag of about a month, rather than on an historical basis in a memorandum of discussion that is published five years

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At the June 30 hearings you expressed criticism of the policy record we published for the FOMC meeting of April 20, 1976. That particular record was our initial effort at providing a fuller account of the views expressed by members during the Committee's deliberations, and should not be used to assess the merits of our new procedure. As I indicated at the hearings, I expect the records to improve as the Committee's staff gains experience in drafting them in the new form. In particular, they should become more precise and informative with respect to the nuances of the debate as well as the main lines of argument advanced.

I am sure that as the new policy record evolves over coming months it will be much more to your liking than our initial effort, and much more useful to the Congress and the public than was the old memorandum of discussion.

Sincerely yours,



Arthur F. Burns